

HANWHA ENGINEERING & CONSTRUCTION CORPORATION  
AND SUBSIDIARIES

Consolidated Financial Statements

**December 31, 2020**

(With Independent Auditors' Report Thereon)

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We identified the Group's accounting policies which are associated with revenues recognized by the input method as a significant risk since there is an uncertainty with respect to negative impact on the Group's current or future profit due to overall condition of construction industry and estimated changes in the total contract revenue and costs.

We performed the following audit procedures over revenue recognized by the input method:

- Evaluated the appropriateness of the Group's accounting policies regarding the identification of contracts, performance obligation, allocation of the transaction price and revenue recognition.
- Inquired of and inspected documents related to the terms of the contract for the major construction sites.

## 2) Uncertainty of estimated total contract costs

As described in Note 3, total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others, and is thus affected by uncertainties related to unexpected changes in the construction environment.

In addition, as described in Note 29, the estimated total contract costs and estimated total contract revenue have fluctuated due to unexpected changes in the construction environment during the current year.

We identified the uncertainty of estimated total contract costs as a significant risk due to the increase in uncertainty of estimated total contract costs from delay of construction or changes in construction design and the impact of changes in estimated contract costs on profit for the current or future periods is significant.

We performed the following audit procedures regarding the impact of uncertainty of estimated total contract costs on the separate financial statements:

- Inquired of and inspected documents on selected samples related to the estimation and changes in total contract costs of each construction site.
- Inquired of and inspected documents on the difference between the actual construction progress rate and the percentage-of-completion calculated based on cost.
- Inspected documents to test the selected samples of cost incurred, and inquired of and inspected documents related to management's estimation of the remaining.
- Inspected documents of construction sites where significant events have occurred which may have an impact on total contract costs subsequent to after December 31, 2020.

## 3) Assessment of the percentage-of-completion

As described in Note 29, changes in estimated total contract costs for the year ended December 31, 2020 amounts to ₩260,945 million and aggregated cost incurred as of December 31, 2020 amounts to ₩17,097,598 million. We identified the assessment of the percentage-of-completion as a significant risk considering that there is risk that costs that are not directly related to the construction contract or yet attributable to the construction are included in assessment of percentage-of-completion and may impact the construction revenue recognized.

We performed the following audit procedures with regard to the total contract costs and cumulative incurred contract costs in assessing the percentage-of-completion:

- Inspected documents on selected samples to test the accuracy of cut-off of construction costs by each site.
- Recalculated the allocation of costs incurred (indirect cost).
- Examined the construction costs transferred between construction sites; inspected documents for selected samples of costs incurred to test actual occurrence.
- Recalculated the percentage-of-completion and revenue recognition for accuracy.
- Inspected documents of costs incurred to date for the construction that does not reflect the progress and incurred costs that are excluded from estimated total contract costs.

#### 4) Collectability of the receivables and contract assets

As described in Note 3, the Group evaluates the collectability of due from customers for contract work and receivables based on estimates of forecasts of future events, such as the expected performance of the construction. There are uncertainties that the results of these estimations may significantly differ from actual results.

The Group may recognize a significant loss from accumulated gains recognized in the prior period due to uncertainty in the collectability of the receivables and due from customers for contract work. The significant accumulated loss may result in significant changes in assets and profit for the year; therefore, we identified the collectability of the receivables and due from customers for contract work as a significant risk.

We performed the following audit procedures regarding the collectability of receivables and contract assets:

- Inspected documents for selected samples of construction projects contract of billings and payment conditions, the status of billing and collection after reporting period to assess the collectability of receivables and contract assets.
- Assessment of the contract parties' financial information and examination of progression of real-estate sales to evaluate the collectability of receivables and contract assets.

#### 5) Accounting for the variations of construction work

As described in Note 3, although contract revenue is measured based on the initial amount agreed in the contract, it may be increased by variations in construction work, claims and incentive payments, or be decreased by penalties due to delay of construction completion for reasons attributable to the Group. Measurement of contract revenue, therefore, may be affected by various uncertainties related to result of future events. Changes in contract revenue is recognized in profit or loss when there is a high possibility the clients approve the changes in the contract amount due to variation in construction and the amount can be estimated reliably.

As described in Note 29, in the current year, there were changes in construction works for domestic and overseas constructions. Also, we determined whether the Group only included the changes directly related to contract revenue in contract revenue and reflected estimated construction costs appropriately. Accordingly, we identified the change in construction as a significant risk as an appropriate measurement of contract revenue is needed.

We performed the following audit procedures with regard to the accounting of the variation of construction work and disclosures:

- Inquired of the reason for change in construction contracts and inspected documents to test the accuracy of the variation of construction work reflected in the estimated total contract costs.

#### **Other Matter**

The consolidated financial statements of the Group for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2020.

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*KPMG Samjong Accounting Corp.*



Seoul, Korea  
March 15, 2021

This report is effective as of March 15, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Financial Position  
 As of December 31, 2020 and 2019

(In Korean won)

	Note	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,5,9,17	₩ 1,226,975,695,202	927,990,939,065
Other financial assets	4,5,10,17	119,427,507,948	64,743,720,930
Trade and other receivables	4,5,11,17	833,644,754,255	1,041,611,335,207
Contract assets	4,7,29	283,771,716,457	384,108,751,268
Other current assets	16	81,264,105,818	117,180,760,263
Inventories	12	364,001,153,571	288,347,308,228
Current tax assets	35	19,696,259	8,020
		<u>2,909,104,629,510</u>	<u>2,823,982,822,981</u>
<b>Assets held for sale</b>	13	-	2,240,306,416
<b>Non-current assets</b>			
Available for sale securities	4,5,6,17,21	66,742,712,787	73,553,470,355
Other financial assets	4,5,11,17	429,151,224,345	50,868,495,065
Investment in associates	4,5,10	19,496,413,711	105,351,547,559
Investment property	14,21	3,292,047,062,925	3,279,744,046,564
Property, plant and equipment	18	210,535,739,160	219,230,369,478
Intangible assets	19	102,609,069,704	66,194,740,736
Deferred tax assets	20	36,493,559,196	30,299,362,577
Right-of-use assets	21	96,834,131,089	114,110,748,448
Other non-current assets	16	125,130,512,929	137,010,141,653
		<u>4,379,040,425,846</u>	<u>4,076,362,922,435</u>
<b>Total assets</b>		<u>₩ 7,288,145,055,356</u>	<u>6,902,586,051,832</u>

See accompanying notes to the consolidated financial statements.



HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Financial Position, Continued  
 As of December 31, 2020 and 2019

(In Korean won)

	Note	December 31, 2020	December 31, 2019
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,5,17,23 ₩	720,634,964,439	582,663,791,773
Borrowings and bonds	4,5,17,24	1,847,645,893,853	1,548,531,122,221
Other financial liabilities	4,5,5,17,25	58,685,223,570	52,380,027,001
Lease liabilities	21	19,640,220,014	20,331,229,354
Provisions	26	197,506,277,470	296,715,179,357
Other current liabilities	28	28,420,843,150	30,813,691,491
Current contract liabilities	7,29	510,643,550,977	591,285,995,508
Current tax liabilities	35	54,934,563,583	43,043,873,828
		<u>3,438,111,537,056</u>	<u>3,165,764,910,533</u>
<b>Non-current liabilities</b>			
Borrowings and bonds	4,5,17,23	916,349,888,271	653,974,788,885
Other financial liabilities	4,5,17,24	64,136,193,814	62,394,341,006
Non-current lease liabilities	21	81,185,547,122	95,034,691,775
Defined benefit obligations	27	164,613,237,470	163,033,833,737
Provisions	26	77,593,375,142	80,277,127,673
Other non-current liabilities	28	193,796,046	560,549,468
Non-current contract liabilities	7,29	691,360,738,554	789,968,733,065
Deferred tax liabilities	35	55,910,898,181	41,979,996,493
		<u>2,051,343,674,600</u>	<u>1,887,224,062,102</u>
<b>Total liabilities</b>		<u>5,489,455,211,656</u>	<u>5,052,988,972,635</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Parent Company</b>			
Share capital	1,30	153,078,000,000	153,078,000,000
Capital surplus	30	230,291,473,167	230,302,983,535
Accumulated other comprehensive income	30	376,530,078,730	407,831,493,893
Retained Earnings	30	1,082,446,293,552	1,102,320,666,522
		<u>1,842,345,845,449</u>	<u>1,893,533,143,950</u>
<b>Non-controlling interests</b>		(43,656,001,749)	(43,936,064,753)
<b>Total equity</b>		<u>1,798,689,843,700</u>	<u>1,849,597,079,197</u>
<b>Total equity and liabilities</b>	₩	<u>7,288,145,055,356</u>	<u>6,902,586,051,832</u>

See accompanying notes to the consolidated financial statements.

HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

<i>(In Korean won)</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	8		
Revenue-construction	29	₩ 3,411,451,048,404	3,863,623,161,039
Revenue-others		181,257,596,006	186,365,396,888
		<u>3,592,708,644,410</u>	<u>4,049,988,557,927</u>
<b>Cost of sales</b>	8,32		
Cost of construction	29	2,907,242,957,849	3,358,732,632,541
Cost of other		164,742,676,537	165,298,104,767
		<u>3,071,985,634,386</u>	<u>3,524,030,737,308</u>
<b>Gross profit</b>	7	520,723,010,024	525,957,820,619
Selling, general and administrative expenses	31,32	271,907,125,283	230,977,691,529
<b>Operating profit</b>		<u>248,815,884,741</u>	<u>294,980,129,090</u>
Other income	33	71,468,150,369	62,037,415,116
Other expense	33	75,598,600,180	125,440,670,255
Finance income	34	10,464,512,248	18,957,294,672
Finance cost	34	75,385,592,777	77,979,873,963
Share of net porfit (loss) of associates accounted for using the equity method	14	22,737,259,677	(4,588,800,725)
<b>Profit before income tax expense</b>		<u>202,501,614,078</u>	<u>167,965,493,935</u>
Income tax expense	35	122,996,690,939	46,165,205,729
<b>Profit for the year</b>		<u>₩ 79,504,923,139</u>	<u>121,800,288,206</u>
<b>Profit is attributable to</b>			
Owners of the Parent Company		₩ 82,126,887,644	124,232,888,113
Non-controlling interests		(2,621,964,506)	(2,432,599,907)

See accompanying notes to the consolidated financial statements.

# HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income (Loss), Continued

For the years ended December 31, 2020 and 2019

(In Korean won)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Other comprehensive income (loss)</b>	27		
<i>Items that will never reclassified to profit or loss:</i>			
Remeasurements of net defined benefit liability	₩	5,013,176,917	(4,473,521,421)
Share of remeasurements of net defined benefit liability of associates		129,770,487	(307,979,300)
<i>Items that are or may be reclassified to profit or loss:</i>			
Share of other comprehensive income(loss) of associates		(32,601,445,691)	467,329,448,471
Exchange differences on translation of foreign operations		1,295,031,383	(17,878,306,693)
Financial assets at fair value through other comprehensive income		4,999,144	3,393,238
<b>Other comprehensive income (loss) for the year, net of tax</b>		<u>(26,158,467,760)</u>	<u>444,673,034,295</u>
<b>Total comprehensive income for the year</b>	₩	<u>53,346,455,379</u>	<u>566,473,322,501</u>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of the the Parent Company	₩	53,110,786,902	570,315,224,944
Non-controlling interest		<u>235,668,477</u>	<u>(3,841,902,443)</u>
<b>Earnings per share</b>	38		
Basic earnings per share	₩	2,680	4,037
Diluted earnings per share		2,074	3,046

See accompanying notes to the consolidated financial statements.

HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES  
 Consolidated Statements of Changes in Equity  
 For the years ended December 31, 2020 and 2019

(In Korean won)

	Attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Subtotal			
<b>Balance at January 1, 2019</b>	₩ 153,078,000,000	230,284,162,338	(41,623,041,123)	993,845,314,581	1,335,584,435,796	(39,832,595,234)	1,295,751,840,562	
<b>Total comprehensive income for the year:</b>								
Other capital surplus	-	18,821,198	-	-	18,821,198	-	18,821,198	
Profit for the year	-	-	-	124,232,888,113	124,232,888,113	(2,432,599,906)	121,800,288,207	
Changes in retained earnings of equity method investment	-	-	-	(307,979,300)	(307,979,300)	-	(307,979,300)	
Remeasurements of net defined benefit liability	-	-	-	(4,473,521,421)	(4,473,521,421)	-	(4,473,521,421)	
Changes in the financial assets at fair value through other comprehensive income	-	-	3,393,238	-	3,393,238	-	3,393,238	
Share of other comprehensive income of associates	-	-	467,329,448,471	-	467,329,448,471	-	467,329,448,471	
Exchange differences on translation of foreign operations	-	-	(17,878,306,693)	-	(17,878,306,693)	(1,670,869,614)	(19,549,176,307)	
Other changes	-	-	-	213,959,103	213,959,103	-	213,959,103	
<b>Transactions with owners</b>								
Dividends	-	-	-	(11,189,994,554)	(11,189,994,554)	-	(11,189,994,554)	
<b>Balance at December 31, 2019</b>	₩ 153,078,000,000	230,302,983,536	407,831,493,893	1,102,320,666,522	1,893,533,143,951	(43,936,064,754)	1,849,597,079,197	

See accompanying notes to the consolidated financial statements.

HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity, Continued  
For the years ended December 31, 2020 and 2019

(In Korean won)

	Attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Accumulated other comprehensive income	Retained earnings	Subtotal			
<b>Balance at January 1, 2020</b>	₩ 153,078,000,000	230,302,983,536	407,831,493,893	1,102,320,666,522	1,893,533,143,951	(43,936,064,754)	1,849,597,079,197	
<b>Total comprehensive income for the year:</b>								
Other capital surplus	-	(11,510,368)	-	-	(11,510,368)	-	(11,510,368)	
Profit for the year	-	-	-	82,126,887,644	82,126,887,644	(2,621,964,506)	79,504,923,138	
Changes in retained earnings of equity method investment	-	-	-	129,770,487	129,770,487	-	129,770,487	
Remeasurements of net defined benefit liability	-	-	-	5,013,176,917	5,013,176,917	-	5,013,176,917	
Changes in the financial assets at fair value through other comprehensive income	-	-	4,999,144	-	4,999,144	-	4,999,144	
Share of other comprehensive income of associates	-	-	(32,601,445,691)	-	(32,601,445,691)	-	(32,601,445,691)	
Exchange differences on translation of foreign operations	-	-	1,295,031,384	-	1,295,031,384	2,902,027,510	4,197,058,894	
Other changes	-	-	-	(44,394,527)	(44,394,527)	-	(44,394,527)	
<b>Transactions with owners</b>								
Repayment of preferred shares	-	-	-	(99,999,812,000)	(99,999,812,000)	-	(99,999,812,000)	
Dividends	-	-	-	(7,100,001,491)	(7,100,001,491)	-	(7,100,001,491)	
<b>Balance at December 31, 2020</b>	₩ 153,078,000,000	230,291,473,168	376,530,078,730	1,082,446,293,552	1,842,345,845,450	(43,656,001,750)	1,798,689,843,700	

See accompanying notes to the consolidated financial statements.

**HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2020 and 2019**

(In Korean won)

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Cash generated from operating activities (note 40)	₩ 268,800,139,879	85,593,361,970
Income taxes paid	(90,051,610,110)	(29,396,065,482)
Dividends received	8,090,967,518	23,137,016,796
<b>Net cash inflow from operating activities</b>	<b>186,839,497,287</b>	<b>79,334,313,284</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(30,723,623,522)	(28,031,545,123)
Proceeds from disposal of property, plant and equipment	6,152,357,592	62,068,325
Acquisition of investment properties	(35,622,359,547)	(32,601,318,647)
Proceeds from disposal of investment properties	23,725,878,018	27,160,551,832
Proceeds from disposal of assets held for sales	4,027,468,609	19,341,742,000
Acquisition of intangible assets	(3,438,636,476)	(406,449,674)
Proceeds from disposal of intangible assets	772,727,272	5,000
Acquisition of investment in associates	(34,878,787,884)	-
Proceeds from disposal of investment in associates	-	-
Acquisition of investment in subsidiaries	-	-
Proceeds from disposal of investment in subsidiaries	126,000,000	-
Acquisition of financial assets at fair value through profit or loss	(4,423,935,000)	(1,400,000,000)
Proceeds from disposal of financial assets at fair value through profit or loss	9,924,794,423	2,154,392,724
Issuance of loans	(274,012,570,630)	(153,650,635,640)
Proceeds from repayment of loans	270,721,606,462	135,369,950,296
Acquisition of other financial assets	(212,328,741,300)	(71,610,808,909)
Proceeds from disposal of other financial assets	21,893,182,429	104,086,629,441
Receipts of government grants	-	18,353,000,000
Interest received	11,605,872,805	9,424,226,438
<b>Net cash inflow (outflow) from investing activities</b>	<b>(246,478,766,749)</b>	<b>28,251,808,063</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	3,680,878,300,682	1,430,872,183,964
Repayment of borrowings	(3,115,236,034,229)	(1,261,884,095,972)
Proceeds from issue of share capital	(600,000,000)	-
Dividends paid	(7,100,001,491)	(11,189,994,554)
Repayment of preferred shares	(99,999,812,000)	-
Lease payments (principal elements)	(28,336,656,314)	(25,142,056,232)
Interest paid	(70,990,957,280)	(64,172,991,499)
<b>Net cash inflow from financing activities</b>	<b>358,614,839,368</b>	<b>68,483,045,707</b>
<b>Net increase in cash and cash equivalents</b>	<b>298,975,569,906</b>	<b>176,069,167,054</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>927,990,939,065</b>	<b>751,348,947,186</b>
Effect of exchange rate changes on cash and cash equivalents	9,186,231	572,824,825
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 1,226,975,695,202</b>	<b>927,990,939,065</b>

See accompanying notes to the consolidated financial statements.

**HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2020 and 2019**

**1. General Information**

Hanwha Engineering & Construction Corporation (the "Company" or the "Parent Company") is total construction company managing construction, housing, engineering, plant, and environmental business. Core business is construction of multipurpose building including apartment and studio apartment, multiplex building, bridge, railroad and road building, environmental facility including disposal plant of water supply and drainage, thermoelectric power plant cogeneration power plant and industrial facilities including petrochemical plant. The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as the "Group").

As of December 31, 2020, the Group's share capital (including preferred share) is ₩ 153,078 million and the Group's shareholders are as follows:

*(In shares and In thousands of Korean won)*

Shareholders	Ordinary share			Preferred Stock		
	Number of shares	Book amount	Percentage of ownership	Number of shares	Book amount	Percentage of ownership
Hanwha Co., Ltd.	28,000,000	₩ 140,000	100.00%	701,800	₩ 3,509	42.30%
Recon Co.,Ltd	-	-	-	956,938	9,569	57.70%

<sup>1</sup> Percentage of ownership is calculated based on the number of shares owned

**1.1 Consolidated Subsidiarie**

Details of the consolidated subsidiaries as of December 31, 2020, are as follows:

Name of subsidiary	Ownership interest held by the Group(%)	Location	Closing month	Main business
Hanwha Canada Development Inc.	100%	Canada	December	Oil business
Hanwha Development USA Inc.	100%	USA	December	-
Hanwha Saudi Contracting Co.,Ltd.	95.25%	Saudi Arabia	December	Construction industry
Eco E&O corporation	100%	Republic of Korea	December	Environmental pollution prevention facility
H-P&D Co., Ltd	100%	Republic of Korea	December	Construction industry
YANGJU ECOTECH Co., Ltd.	100%	Republic of Korea	December	Sewage treatment business
Hanwha Estate Co., Ltd.	100%	Republic of Korea	December	Facility management
HANWHA ESTATE SERVICE	100%	Republic of Korea	December	Facility management
Cheonjangsan Pung Ryeok Corporation	100%	Republic of Korea	December	-

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**1.2 Summarized Financial Information**

Summarized financial information for consolidated subsidiaries as of and for the years ended December 31, 2020 and 2019, is as follows:

*(In thousands of Korean won)*

	<b>2020</b>						
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Profit (loss) for the year</b>	<b>Total comprehensive income (loss)</b>	
Hanwha Estate Co., Ltd.	₩ 48,266,282	30,495,442	17,770,840	143,889,053	2,141,404	2,008,077	
HANWHA ESTATE SERVICE	2,184,448	1,050,488	1,133,961	2,206,890	262,172	237,679	
Hanwha Canada Development Inc.	96,022	17,689	78,333	-	(127,348)	(131,357)	
Hanwha Development USA Inc	990,447	-	990,447	-	(105,843)	(182,453)	
Hanwha Saudi Contracting Co.,Ltd.	25,735,528	944,809,250	(919,073,721)	4,939,148	(55,199,253)	4,961,442	
H-P&D Co., Ltd	540,991,744	470,346,508	70,645,236	251,328,117	47,700,378	47,700,378	
YANGJU ECOTECH Co., Ltd.	4,681,943	3,895,686	786,257	2,287,219	104,603	104,603	
Eco E&O corporation	10,989,592	5,333,455	5,656,137	21,870,917	(684,922)	(679,911)	
Cheonjangsan Pung Ryeok Corporation	474,043	7,356	466,687	-	(124,979)	(124,979)	

*(In thousands of Korean won)*

	<b>2019</b>						
	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Sales</b>	<b>Profit (loss) for the year</b>	<b>Total comprehensive income (loss)</b>	
Hanwha Estate Co., Ltd.	₩ 63,324,993	47,562,230	15,762,763	152,124,294	2,646,440	722,871	
HANWHA ESTATE SERVICE	1,055,944	159,662	896,282	390,134	(3,719)	(3,719)	
Hanwha Canada Development Inc.	389,146	179,455	209,690	-	32,699	46,199	
Hanwha Development USA Inc	1,172,900	-	1,172,900	-	-	-	
Hanwha Saudi Contracting Co.,Ltd.	37,881,911	962,851,695	(924,969,784)	57,159,061	(51,212,630)	(80,882,157)	
H-P&D Co., Ltd	344,666,182	324,492,637	20,173,546	73,949,653	15,442,198	15,442,198	
YANGJU ECOTECH Co., Ltd.	16,533,855	15,852,201	681,654	97,363	(104,417)	(104,417)	
Eco E&O corporation	10,304,697	3,968,648	6,336,049	23,549,124	366,911	370,305	

**1.3 Changes in Scope for Consolidation**

Subsidiaries newly included in the consolidation for the year ended December 31, 2020:

<b>Subsidiary</b>	<b>Percentage of ownership</b>	<b>Location</b>	<b>Reason</b>
Cheonjangsan Pung Ryeok Corporation	100%	Republic of Korea	New establishment



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## 2. Significant Accounting Policies

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

### 2.1 Basis of Preparation

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

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

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

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

- Liability for cash-settled share-based compensation measured at fair value.
- Derivatives measured at fair value
- Financial instruments measured at fair value through profit or loss
- Financial instruments measured at fair value through comprehensive income or loss
- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- Asset held for sale – measured at fair value less costs to sell
- Defined benefit pension plans – assets measured at fair value

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

### 2.2 Changes in Accounting Policies and Disclosures

#### 2.2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020. The amendment does not have a significant impact on the financial statements.

- Amendment to *Framework for the Preparation and Presentation of Financial Statements*
- Amendment to Korean IFRS 1113 *Business Combinations*
- Amendment to Korean IFRS 1001 *Presentation of Financial Statements*
- Amendment to Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Financial Reporting Impact of Interbank Loan Rate (IBOR) Reform Phase I (Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*, Korean IFRS 1107 *Financial Instruments: Disclosures*)

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#### 2.2.2 New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. The Group does not expect that these amendments have a significant impact on the financial statements.

- Amendment to Korean IFRS 1116 *Lease* (Exemption, discount, suspension of rent related to COVID-19)
- Financial Reporting Impact of Interbank Loan Rate (IBOR) Reform Phase II (Korean IFRS 1109 *Financial Instruments*, Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*, Korean IFRS 1107 *Financial Instruments: Disclosures*, Korean IFRS 1104 *Insurance Contracts*, Korean IFRS 1116 *Lease*)

#### 2.3 Consolidation

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

##### (1) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

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#### (2) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

#### (3) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

## 2.4 Foreign Currency Translation

#### (1) Functional and presentation currency

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

#### (2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within 'other income or other expenses'. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

## 2.5 Financial Assets

#### (1) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

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

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

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which

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### For the years ended December 31, 2020 and 2019

the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

#### (2) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'other income or expenses' in the year in which it arises.

##### B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

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Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

### (3) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

### (4) Recognition and Derecognition

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

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

### (5) Offsetting of financial instruments

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

## **2.6 Derivative Instruments**

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

## **2.7 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using specific identification method.

The Group recognizes land for installment sale as building lots. The construction costs of unsold houses are recognized as uncompleted house, and the costs are recognized as completed house when the construction is finished.

## **2.8 Non-current Assets (or Disposal Group) Held for sale**

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered

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highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

**2.9 Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

	Useful lives (years)
Buildings	40
Vehicles	5, 12
Construction equipment	2~4
Tools and equipment	2~5
Installation equipment	5

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

**2.10 Borrowing Costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

**2.11 Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

**2.12 Intangible Assets**

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Software development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives (years)
Industrial property rights	5, 10
Other intangible assets	5

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#### 2.13 Investment Property

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

#### 2.14 Impairment of Non-financial Assets

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

#### 2.15 Trade and Other Payables

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

#### 2.16 Financial Liabilities

##### (1) Classification and measurement

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

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

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

##### (2) Derecognition

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

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#### 2.17 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities'.

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

#### 2.18 Compound Financial Instruments

Compound financial instruments are exchangeable bonds that can be converted into equity instruments at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option, and subsequently recognized at amortized cost until extinguished on conversion or maturity of the bonds. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

#### 2.19 Provisions

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

#### 2.20 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

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

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



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

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

#### 2.21 Employee Benefits

Post-employment benefits

The Group operates defined benefit pension plans.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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

#### 2.22 Revenue Recognition

From January 1, 2018, the Group has applied Korean IFRS 1115 Revenue from Contracts with Customers.

(1) Identify performance obligation

The Group provides construction in domestic building construction, domestic civil engineering, domestic plant construction, overseas contract construction and others. After the implementation of Korean IFRS 1115, the Group identifies performance obligations from certain overseas contract construction such as (a) Formation of site, (b) Apartment construction and (c) Marketing support and domestic building construction such as (a) Construction sector and (b) Non- construction sector(Sales agency service and etc.).

(2) Allocating the transaction price

With implementation of Korean IFRS 1115, the transaction price in an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the goods or services being provided to a customer. The Group determines the standalone selling price for each separate performance obligation by using 'adjust market assessment' approach'. In limited circumstances, the Group plans to use 'expected cost plus a margin' approach' to estimate expected cost plus a reasonable margin.

# HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES

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#### (3) Incremental costs of obtaining a contract

The Group pays sales commissions to its employees based on supply contracts signed through the employees. The sales commission is an incremental cost because it would not have incurred if the contract has not been obtained.

With implementation of Korean IFRS 1115, the Group recognizes as an asset the incremental costs of obtaining a contract with a customer of the Group expects to recover those costs, and costs that are recognized as assets are amortized over the period that the related goods or services transfer to the customer. The Group plans to apply a practical expedient that permits an entity to expense the costs to obtain a contract as incurred when the expected amortization period is one year or less.

#### (4) Accounting for costs to fulfil a contract

With implementation of Korean IFRS 1115, the Group recognizes the costs which are related directly to the contract including specifically identifiable contract generate resources used in satisfying the future performance obligation (and contract) and are expected to be recovered as assets. Otherwise, the costs are recognized as selling and administrative expenses.

#### (5) Accounting for uncompleted facilities

With implementation of Korean IFRS 1115, the Group recognizes revenue when controls are transferred for the contracts specifying suppliers and construction materials. Where the customer controls the major construction materials after the inspection before the completion of performance obligation of whole contracts, those are recognized as assets.

#### (6) Housing contracts: Korea Accounting Institute's Question and Answer, 2017-I-KQA015

For housing contracts meeting conditions under Korea Accounting Institute's Question and Answer, 2017-I-KQA015, revenue of the number of residential units the Group built and sold is recognized using percentage of completion method, and the accounting treatment is allowed only for Korean IFRS in accordance with Section 1, Paragraph 1 of Article 13 of the Act on External Audit of Stock Companies.

## 2.23 Lease

The Group leases various offices, warehouses, retail stores, equipment and cars. Lease contracts are typically made for fixed periods of 3 to 8 years, but may have extension options as described in (2) below.

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

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

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

Lease liability measurement also include payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by a subsidiary of the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

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

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture

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## Notes to the Consolidated Financial Statements

### For the years ended December 31, 2020 and 2019

#### (1) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 percent of lease payments are on the basis of variable payment terms and, when determining lease payments, percentages ranges applied to sale are also wide. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

#### (2) Extension and termination options

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

#### (3) Residual value guarantees

To optimize lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

#### (4) Lessor

If the Group is a lessor, lease income from operating leases is recognized on a straight-line basis over the lease term. The direct cost of establishing an operating lease is added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the rental income. Each leased asset is presented on the basis of its characteristics in the statement of financial position.

### 2.24 Share-based Payment

In return for services provided by employees, the Group operates a cash-settled share-based compensation system. Share-based payments granted to employees are measured at the fair value of the equity instruments at the grant date and recognized as employee benefit expenses over the vesting period. In addition, for cash-settled share-based awards, the fair value of the liability is remeasured at the end of each reporting period and at the settlement date until the liability is settled, and changes in the fair value are recognized in profit or loss.

### 2.25 Approval of Issuance of the Financial Statements

The consolidated financial statements 2020 were approved for issue by the Board of Directors on February 25, 2021 and are subject to change with the approval of shareholders at their Annual General Meeting.

## 3. Critical Accounting Estimates and Assumptions

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

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

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(1) Construction contracts

*Uncertainty of the estimated total contract revenue*

Total contract revenue is measured based on contractual amount initially agreed. The contract revenue can be increased by additional contract work, claims and incentive payments in the course of construction, or decreased by the penalty when the completion of contract is delayed due to the Group's fault. Therefore, this measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The change in contract revenue is recognized when it is probable that the customer will approve the increase in revenue due to the changes in contract work, or when it is probable that the Group will be able to satisfy the performance requirements, and the amount can be estimated reliably.

- Uncertainty of the estimated total ontract revenue due to construction delay

The measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Group's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed. As of December 31, 2020, the maximum amount of damage claims from the delay has been deducted from the contract revenue using the best estimate of the damage claim. As responsibility of construction completion delay is not clarified and changes in damage claims will be significant, the expected damage claims cannot be reasonably forecasted. The Group is constantly putting an effort to minimize damage claims by requesting an extension of the completion date from the customer and by proofing that construction completion delay is not caused by the Group to the customers.

*Estimated total contract costs*

Construction revenue is recognized according to the percentage of completion, which is measured on the basis of the gross amount incurred to date. Total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others.

(2) Estimated goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations.

(3) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

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

(4) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

# HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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#### (5) Impairment of financial assets

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

#### (6) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 27).

#### (7) Lease

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

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

## 4. Financial Risk Management

#### (1) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program seeks to minimize any adverse effects on the financial performance of the Group.

Risk management is carried out by a central Treasury department (Group treasury) under policies approved by the Board of Directors.

The Group treasury identifies, evaluates and hedges financial risks in a close co-operation with the Group's operating units.

The Board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

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1) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and KWD.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

Management has set up a policy to require the Group to manage their foreign exchange risk against their functional currencies.

And the Group's management periodically evaluates and manages exchange exposure risk by managing system of receivables and payables denominated in a currency other than functional currency of the Group.

Book amount of the Group's monetary assets and liabilities in foreign currencies as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

		<b>2020</b>				
		<b>Assets</b>				
		<b>USD</b>	<b>EUR</b>	<b>KWD</b>	<b>Others</b>	<b>Total</b>
Functional currency						
KRW	₩	59,801,502	5,815	1,676,488	597,179	62,080,984
USD		-	-	-	772,284	772,284
	₩	<u>59,801,502</u>	<u>5,815</u>	<u>1,676,488</u>	<u>1,369,463</u>	<u>62,853,269</u>

(In thousands of Korean won)

		<b>2020</b>				
		<b>Liabilities</b>				
		<b>USD</b>	<b>EUR</b>	<b>KWD</b>	<b>Others</b>	<b>Total</b>
Functional currency						
KRW	₩	17,695,503	1,247,554	2,351,869	2,139,827	23,434,754
USD		-	-	-	2,201,522	2,201,522
	₩	<u>17,695,503</u>	<u>1,247,554</u>	<u>2,351,869</u>	<u>4,341,350</u>	<u>25,636,276</u>

(In thousands of Korean won)

		<b>2019</b>				
		<b>Assets</b>				
		<b>USD</b>	<b>EUR</b>	<b>KWD</b>	<b>Others</b>	<b>Total</b>
Functional currency						
KRW	₩	13,246,479	5,934	54,783,683	2,226,472	70,262,568
USD		-	-	-	1,215,814	1,215,814
	₩	<u>13,246,479</u>	<u>5,934</u>	<u>54,783,683</u>	<u>3,442,286</u>	<u>71,478,382</u>

(In thousands of Korean won)

		<b>2019</b>				
		<b>Liabilities</b>				
		<b>USD</b>	<b>EUR</b>	<b>KWD</b>	<b>Others</b>	<b>Total</b>
Functional currency						
KRW	₩	84,506,301	3,050,140	59,312,318	11,180,182	158,048,941
USD		-	657,927	-	3,453,876	4,111,803
	₩	<u>84,506,301</u>	<u>3,708,067</u>	<u>59,312,318</u>	<u>14,634,058</u>	<u>162,160,744</u>

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The following shows the changes in profit (loss) before income taxes when foreign currencies fluctuates by 10% against functional currency with all other variables held constant.

<i>(In thousands of Korean won)</i>		<b>2020</b>		<b>2019</b>	
		<b>10% increase</b>	<b>10% decrease</b>	<b>10% increase</b>	<b>10% decrease</b>
USD	₩	4,210,600	(4,210,600)	(7,125,982)	7,125,982
EUR		(124,174)	124,174	(370,213)	370,213
KWD		(67,538)	67,538	(452,864)	452,864
Others		(297,189)	297,189	(1,119,177)	1,119,177
	₩	<u>3,721,699</u>	<u>(3,721,699)</u>	<u>(9,068,236)</u>	<u>9,068,236</u>

The above sensitivity analysis is based on financial assets and liabilities denominated in foreign currencies other than functional currency of the Group as of December 31, 2020 and 2019.

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Also, fixed rate financial assets classified as available for sale expose the Group to fair value interest rate risk.

The Group adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Group (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing and appropriate ratio of fixed rate borrowings and floating rate borrowings, and monitoring a fluctuation of domestic and foreign interest rates.

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

For each simulation, the same interest rate shift is used for all currencies.

The scenarios are run only for liabilities that represent the major interest-bearing positions.

As of December 31, 2020, if interest rates on Korean won-denominated borrowings were to change by 1% with all other variables held constant, pre-tax profit for the year would have been ₩ 10,543 million (2019: ₩ 4,431 million) lower/higher. Mainly as a results of higher/lower interest expense on floating rate borrowings.

2) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group regularly reviews the creditworthiness of the customers and adequacy of the credit limits and financial guarantees.

There were no customers exceeding their credit limits for the year, and management does not expect any losses upon if the above counterparties are in default under the terms of the agreements.



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The maximum exposure to credit risk as of December 31, 2020 and 2019, is as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Cash and cash equivalents <sup>1</sup>	₩	1,225,312,315	926,128,901
Other financial assets		138,923,922	170,095,268
Financial assets at fair value through profit or loss		1,262,795,978	1,092,479,830
Trade and other receivables		283,771,716	384,108,751
Contract assets		66,742,713	73,553,470
Total	₩	<u>2,977,546,644</u>	<u>2,646,366,220</u>

<sup>1</sup> Cash on hand is not included (Note9).

Other than the above financial assets, the Group entered into financial guarantee, cash deficiency support agreement, and performance guarantee and those agreement amounts are exposed to credit risk (Note 22 and 36).

3) Liquidity risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans. The Group treasury invests surplus cash in interest-bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities of sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.

The Following are the contractual maturities of financial liabilities as of December 31, 2020 and 2019.

<i>(In thousands of Korean won)</i>	<b>2020</b>				
	<b>Less than 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade or other liabilities	₩ 720,634,964	-	-	-	720,634,964
Borrowings from financial institutions <sup>1</sup>	707,257,566	781,848,826	562,363,073	-	2,051,469,465
Bonds <sup>1</sup>	138,007,828	267,101,977	359,392,435	-	764,502,240
Lease liabilities	5,672,808	14,381,036	50,364,795	49,126,474	119,545,113
Other financial debts <sup>2</sup>	112,400	50,483,744	1,430,000	-	52,026,144

<sup>1</sup> The cash flows are not discounted to present value but interest expense is included in the cash flows. And redemption premium on bonds calculated by guaranteed yield of exchangeable bonds is excluded.

<sup>2</sup> Other financial liabilities do not include cash flows from financial guarantee and interest payables.

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	<b>2019</b>				
	<b>Less than 3 months</b>	<b>Between 3 months and 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<i>(In thousands of Korean won)</i>					
Trade or other Liabilities	₩ 572,173,932	10,489,860	-	-	582,663,792
Borrowings from financial institutions <sup>1</sup>	770,893,598	449,205,661	347,363,331	350,561	1,567,813,151
Bonds <sup>1</sup>	244,916,785	107,039,751	323,615,888	-	675,572,424
Lease liabilities	8,837,438	15,752,727	54,160,667	59,346,403	138,097,235
Other financial debts <sup>2</sup>	8,964,790	36,797,198	9,600,000	-	55,361,988

<sup>1</sup> The cash flows are not discounted to present value but interest expense is included in the cash flows. And redemption premium on bonds calculated by guaranteed yield of exchangeable bonds is excluded.

<sup>2</sup> Other financial liabilities do not include cash flows from financial guarantee and interest payables.

Other than the above financial liabilities, the Group entered into financial guarantee and performance guarantee contracts. Failure to meet obligation may result in payment obligation within one year (Note 22 and 36).

If the credit grade of the Group decreases below certain level, the Group can be requested for immediate redemption of the partial portion of borrowings and PF guarantees.

**(2) Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so the Group can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net borrowings divided by total capital. Net borrowings is total borrowings less cash and cash equivalents.

Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net borrowings.

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Total borrowings	₩ 2,763,995,782	2,202,505,911
Less: cash and cash equivalents	1,226,975,695	927,990,939
Net borrowings (A)	1,537,020,087	1,274,514,972
Total equity (B)	1,798,689,844	1,849,597,079
Total capital (A+B)	3,335,709,931	3,124,112,051
Gearing ratio (A/(A+B)) (%)	46.08%	40.80%

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**5. Fair Value**

(1) Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and Cash Equivalents	₩ 1,226,975,695	1,226,975,695	927,990,939	927,990,939
Financial assets at fair value through profit of loss	66,742,713	66,742,713	73,492,380	73,492,380
Derivative financial instruments	-	-	464,855	464,855
Trade and Other Receivables	1,262,795,978	1,262,795,978	1,092,479,830	1,092,479,830
Other Financial Assets <sup>1</sup>	138,923,922	138,923,922	169,630,414	169,630,414
Total	₩ <u>2,695,438,308</u>	<u>2,695,438,308</u>	<u>2,264,058,418</u>	<u>2,264,058,418</u>
Financial Liabilities				
Trade and Other Payables	₩ 720,364,964	720,364,964	582,663,792	582,663,792
Borrowings and Bonds	2,763,995,782	2,757,609,692	2,202,505,911	2,204,165,636
Derivative financial liabilities	13,691,405	13,691,405	745,407	745,407
Other Financial Liabilities <sup>2</sup>	109,130,012	109,130,012	114,028,961	114,028,961
Total	₩ <u>3,607,182,163</u>	<u>3,600,796,073</u>	<u>2,899,944,071</u>	<u>2,901,603,796</u>

<sup>1</sup> Derivative financial instruments are not included.

<sup>2</sup> Derivative financial instruments are not included.

(2) Fair Value Hierarchy

(i) The levels in the fair value hierarchy

Items that are measured at fair value of for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Inputs no based on observable market data (unobservable inputs) for the asset or liability (Level 3).

(ii) Fair value hierarchy classifications of the financial instruments that are measured at fair value as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

		2020			
		Level 1	Level 2	Level 3	Total
Financial instruments					
Financial assets at fair value through profit or loss	₩	-	-	66,742,713	66,742,713
Total assets	₩	-	-	66,742,713	66,742,713
Financial liabilities					
Derivatives	₩	-	13,691,405	-	13,691,405
Total liabilities	₩	-	13,691,405	-	13,691,405

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		<b>2019</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial instruments					
Financial assets at fair value through profit or loss	₩	-	-	73,553,470	73,553,470
Derivatives		-	464,855	-	464,855
<b>Total assets</b>	<b>₩</b>	<b>-</b>	<b>464,855</b>	<b>73,553,470</b>	<b>74,018,325</b>
Financial liabilities					
Derivatives	₩	-	745,407	-	745,407
<b>Total liabilities</b>	<b>₩</b>	<b>-</b>	<b>745,407</b>	<b>-</b>	<b>745,407</b>

During the current year, there are no business or economic circumstances that may significantly influence fair value of the Group's financial assets and liabilities.

Also, there are no changes in classification of financial assets.

**(3) Valuation Techniques and the Inputs**

Valuation techniques and inputs used in the recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2020, are as follows:

<i>(In thousands of Korean won)</i>	<b>Fair value</b>	<b>Level</b>	<b>Valuation method</b>	<b>Input variables of level 3</b>	<b>Range of input variables</b>
Financial assets at fair value through profit or loss					
	₩ 34,423,903	3	Profit value approach method	Risk free rate Market risk rate	1.73% 7.75%
Equity securities	₩ 32,318,810	3	Assets value approach method	N/A	N/A

**(4) Sensitivity Analysis for Recurring Fair Value Measurements Categorized as Level 3**

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the most favorable or most unfavorable amounts are presented. The results of the sensitivity analysis for the effect on profit or loss from 1% changes in inputs for each financial instrument that categorized as level 3 and subject to sensitivity analysis, are as follows:

(In thousands of Korean won)

	<b>Input</b>		<b>Favorable change Equity</b>	<b>Unfavorable change Equity</b>
Profit value approach method	1% of discount rate	₩	312,109	(290,366)

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**6. Financial Assets at Fair Value Through Profit or Loss and Financial Assets at Fair Value Through Other Comprehensive Income**

(1) Financial assets mandatorily measured at fair value through profit or loss include the following classes of financial assets:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Financial assets at fair value through profit or loss	₩ 66,656,623	73,492,380
Financial assets at fair value through other comprehensive income	86,090	61,090
	<u>₩ 66,742,713</u>	<u>73,553,470</u>

(2) Details of financial assets at fair value through profit or loss as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Financial assets at fair value through profit or loss	₩ 60,118,873	69,666,760
Financial assets at fair value through other comprehensive income	6,623,840	3,886,710
	<u>₩ 66,742,713</u>	<u>73,553,470</u>

(3) Changes in the financial assets at fair value through profit or loss for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Beginning	₩ 73,553,470	89,161,804
Acquisition	4,448,935	1,428,410
Transfer	-	-
Disposal	(10,699,830)	(819,369)
Impairment loss	-	-
Changes in the fair value <sup>1</sup>	340,137	(16,217,375)
Changes in scope of consolidation	(900,000)	-
Ending	<u>₩ 66,742,713</u>	<u>73,553,470</u>

<sup>1</sup> It is a total amount of gain on valuation of ₩ 727,307 thousand and loss on valuation ₩ 387,170 thousand.

**7. Contract Assets and Liabilities**

(1) Details of contract assets as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
<b>Contract assets</b>		
Due from customers for contract work	₩ 347,918,378	461,818,918
Offsetting of contract liabilities	(64,146,662)	(77,710,167)
Total	<u>₩ 283,771,716</u>	<u>384,108,751</u>

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(2) Details of contract liabilities as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	<u>2020</u>	<u>2019</u>
<b>Contract liabilities</b>		
Due from customers for contract work	₩ 425,585,067	193,329,322
Advances from construction contracts (current)	107,497,380	468,560,429
Offsetting of contract assets (current)	(35,836,291)	(70,603,755)
Total	<u>₩ 497,246,156</u>	<u>591,285,996</u>
Advances from construction contracts (non-current)	₩ 719,407,110	797,075,144
Offsetting of contract assets (non-current)	(28,310,371)	(7,106,411)
Total	<u>₩ 691,096,739</u>	<u>789,968,733</u>

## 8. Operating Segments

(1) The Group has the following six operating segments. These segments offer different projects and services and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

<u>Reportable segments</u>	<u>Operations</u>
Domestic building construction	Construction contracts of commercial use, business use, factory building construction and Apartment, shopping mall, High-rise apartment and other construction contracts
Domestic building development	Apartment, shopping mall, mixed-use apartment and other development construction contracts
Domestic civil engineering	Road, bridge, harbor, land reclamation, site renovation dredge, high-speed railways construction and other civil construction contracts
Domestic plant construction	Power plant, oil-refining facility and other plant construction contracts
Overseas contract construction	Overseas construction (building-, housing-, civil-, plant construction)
Others	Rental properties, environmental facilities and others

(2) Profit or loss by each segment for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	<u>2020</u>						
	<u>Domestic building construction</u>	<u>Domestic building development</u>	<u>Domestic civil engineering</u>	<u>Domestic plant construction</u>	<u>Overseas contract construction</u>	<u>Others</u>	<u>Total</u>
Revenue	₩ 431,053,651	1,377,379,110	446,104,895	726,483,558	430,429,834	181,257,596	3,592,708,644
Cost of sales	<u>378,393,246</u>	<u>1,114,965,306</u>	<u>398,718,386</u>	<u>641,456,472</u>	<u>373,709,547</u>	<u>164,742,677</u>	<u>3,071,985,634</u>
Operating profit	<u>₩ 52,660,405</u>	<u>262,413,804</u>	<u>47,386,509</u>	<u>85,027,086</u>	<u>56,720,287</u>	<u>16,514,919</u>	<u>520,723,010</u>

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(In thousands of Korean won)

		2019						
		Domestic building construction	Domestic building development	Domestic civil engineering	Domestic plant construction	Overseas contract construction	Others	Total
Revenue	₩	514,929,037	1,144,328,655	508,077,301	753,922,606	942,908,094	185,822,865	4,049,988,558
Cost of sales		455,536,662	908,282,258	478,000,740	659,599,471	857,677,249	164,934,356	3,524,030,737
Operating profit	₩	59,392,375	236,046,397	30,076,561	94,323,135	85,230,844	20,888,509	525,957,821

(3) The Group does not report assets and liabilities of each operating segments.

(4) Geographical revenue information for the years ended December 31, 2020 and 2019, is as follows:

(In thousands of Korean won)		Republic of Korea	Asia	Mideast	Africa and Others	Total
2020	₩	3,162,278,810	7,076,479	406,444,099	16,909,256	3,592,708,644
2019		3,107,080,464	67,476,338	875,306,012	125,744	4,049,988,558

(5) Revenue from on customer of the Group's external customers for the years ended December 31, 2020 and 2019, is as follows:

(In thousands of Korean won)		2020	2019
Domestic segment	₩	238,479,355	416,099,000
Overseas segment		364,247,000	661,118,000

## 9. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)		2020	2019
Cash in possession	₩	1,663,380	1,862,038
Bank deposit		1,225,312,315	926,128,901
Total	₩	1,226,975,695	927,990,939

## 10. Other Financial Assets

(1) Other financial assets as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)		2020		2019	
		Current	Non-current	Current	Non-current
Financial assets at amortized cost <sup>1</sup>	₩	119,427,508	19,496,414	64,742,431	104,887,983
Derivatives		-	-	1,290	463,565
	₩	119,427,508	19,496,414	64,743,721	105,351,548

<sup>1</sup> As of December 31, 2020, ₩ 12 million of financial assets at amortized cost are deposit for checking accounts, and ₩ 10,436 million of financial assets at amortized cost are jointly pledged as collateral, which both amount are restricted in use.

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(2) Details of financial assets at amortized cost as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		2020		2019	
		Current	Non-current	Current	Non-current
Fixed deposit	₩	18,587,034	3,000	17,882,210	3,000
Loans		88,987,274	462,069,162	31,910,764	531,259,673
Allowances for bad debts		-	(445,491,018)	-	(469,957,507)
Discounted present value		(1,176,009)	(3,901,708)	(282,533)	(2,384,579)
Accrued revenues		2,193,874	-	367,021	-
Deposits		10,835,335	6,816,978	14,864,969	45,967,396
Total	₩	119,427,508	19,496,414	64,742,431	104,887,983

**11. Trade and Other Receivables**

(1) Trade and other receivables as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		2020		2019	
		Current	Non-current	Current	Non-current
Trade receivables	₩	864,902,439	435,519,205	1,081,177,284	43,905,562
Provision for impairment		(113,674,165)	(17,849,546)	(115,197,631)	-
Discount of present value		-	(253,989)	-	(276,398)
Subtotal		751,228,274	417,415,670	965,979,653	43,629,164
Other Receivables		255,703,730	11,735,554	89,712,769	7,239,331
Provision for impairment		(173,287,250)	-	(14,081,086)	-
Subtotal		82,416,480	11,735,554	75,631,683	7,239,331
Total	₩	833,644,754	429,151,224	1,041,611,336	50,868,495

(2) Movements in the provision for impairment of trade and other receivables for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		2020		2019	
		Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩	115,197,631	14,081,086	177,543,834	10,558,424
Bad debt expenses		20,006,294	19,678,861	10,233,592	3,522,662
Reversal of allowance for doubtful accounts		(3,572,577)	(432,350)	(16,254,310)	-
Write-off		(107,637)	-	(56,325,485)	-
Transfer		-	139,959,653	-	-
Ending balance	₩	131,523,711	173,287,250	115,197,631	14,081,086



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(3) The aging analysis of trade and other receivables as of December 31, 2020 and 2019, is as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Receivables no past due	₩	563,985,658	308,767,878
Subtotal		<u>563,985,658</u>	<u>308,767,878</u>
Past due no impaired			
Less than 3 months		180,651,587	299,529,109
3 to 6 months		42,633,945	281,328,766
6 months to 1 year		24,780,568	109,077,564
Over 1 year		446,332,815	55,028,250
Subtotal		<u>694,398,915</u>	<u>744,963,689</u>
Impaired			
Less than 3 months		-	-
3 to 6 months		-	257,886
6 months to 1 year		157,124,124	207,219
Over 1 year		167,268,568	167,838,273
Subtotal		<u>324,392,692</u>	<u>168,303,378</u>
Total	₩	<u><u>1,582,777,265</u></u>	<u><u>1,222,034,945</u></u>

(4) Credit risk and loss allowance for expected credit losses

For account receivables and other receivables, the Group always measures the loss allowance at an amount equivalent to the expected credit loss over the entire period. Expected credit losses on account receivables and other receivables include the debtor's past default experience and borrower-specific factors, the general economic environment, and assessment of the current situation at the end of the reporting period, as well as an assessment of how the situation will change in the future. Factors are calculated using a provisioning rate table that takes into account an analysis of the debtor's current financial position that has been reconciled.

If the Group determines that the credit risk has significantly increased, such as when there is information indicating that the debtor is liquidated, initiating bankruptcy proceedings, or is experiencing serious financial difficulties, the Group recognizes an allowance for loss on an individual basis. There were no changes to estimation techniques or material assumptions during the year.

## **12. Inventories**

Details of inventories as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Building lots	₩	58,860,098	86,021,003
Uncompleted housing		14,836,564	27,135,051
Land in development process		179,528,258	128,679,505
Completed housing		10,466,851	-
Goods in transit		18,748,998	46,511,749
Supplies		81,560,383	-
Total	₩	<u><u>364,001,153</u></u>	<u><u>288,347,308</u></u>

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**13. Assets Held for sale**

Details of assets held for sale as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Land <sup>1</sup>	₩	-	373,949
Buildings <sup>1</sup>		-	1,866,358
Total	₩	-	2,240,307

<sup>1</sup> The sale of Eco-Metro Residential Complex and Geumam-dong was completed.

**14. Investment in Associates**

(1) Investments in associates as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>		<b>2019</b>	
<b>Name of company</b>	<b>Location</b>	<b>Ownership percentage</b>	<b>Book amount</b>	<b>Ownership percentage</b>	<b>Book amount</b>
<b>Investments in associates</b>					
H valley Co., Ltd	Korea	49.00%	₩ -	49.00%	₩ 2,474,205
Ilisan seaworld, Co., Ltd.	Korea	46.00%	-	46.00%	6,590,935
Hanwha Savings Bank Co., Ltd.	Korea	38.14%	59,292,243	38.14%	51,335,742
Hanwha Life Insurance Co., Ltd. <sup>1</sup>	Korea	29.00%	3,115,998,583	29.00%	3,121,231,236
Jeju Academy Co., Ltd.	Korea	43.57%	604,423	43.57%	602,964
Galleriaforet Corp. <sup>2</sup>	Korea	19.00%	-	19.00%	-
Gyeongbuk Eco, Edu. Co., Ltd.	Korea	20.80%	361,555	20.80%	361,555
The Ulsan Harbour Bridge	Korea	24.48%	-	24.48%	1,478,559
Wonju Green Corp.	Korea	23.03%	-	23.03%	-
Jeju Eco Energy Co., Ltd.	Korea	46.67%	12,597	46.67%	139,679
Daehan New Stay REIT 1 <sup>3</sup>	Korea	100.00%	79,741,018	100.00%	94,706,589
Daehan New Stay REIT 5 <sup>4</sup>	Korea	68.49%	-	68.49%	-
Arabia One For Clean Energy Investments PSC	Jordan	30.00%	773,629	30.00%	822,583
Sao Sang Sai Gon Joint Stock Company <sup>5</sup>	Vietnam	25.00%	8,610,042	0.00%	-
Seoulyeokbukbuyeoksegwon Development Co. <sup>6</sup>	Korea	30.00%	26,652,972	0.00%	-
			₩ <u>3,292,047,063</u>		₩ <u>3,279,744,047</u>

<sup>1</sup> It is effective percentage of ownership excluding treasury shares and others.

<sup>2</sup> It is classified as investments in associates since the Group exercises significant influence over the investee based on factors such as having significant transactions with the investee.

<sup>3</sup> Ownership percentage excluded preferred shares with voting rights. If preferred socks with voting rights are included, our stake is 47.47%.

<sup>4</sup> Ownership percentage excluded preferred shares with voting rights. If preferred socks with voting rights are included, the Group's stake is 20.65%.

<sup>5</sup> Sao Sang Sai Gon Joint Stock Company has been included in foreign associates for the year ended of December 31, 2020.

<sup>6</sup> Seoulyeokbukbuyeoksegwon Development Co. has been included in domestic associates for the year ended of December 31, 2020.

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(2) Changes in investments in associates for the years ended December 31, 2020 and 2019, are as follows:

(i) December 31, 2020

(In thousands of Korean won)

Name of company	Beginning balance	Acquisition	Disposal	Dividend	Gain (loss) from equity method <sup>1</sup>	Other comprehensive income	Other increase and decrease <sup>2</sup>	Ending balance
Hanwha Life Insurance Co., Ltd.₩	3,121,231,236	-	-	(6,537,577)	40,602,593	(39,473,938)	176,270	3,115,998,583
Hanwha Savings Bank Co., Ltd.	51,335,742	-	-	-	7,925,117	25,058	6,326	59,292,243
Daehan New Stay REIT1	94,706,589	-	-	-	(14,965,571)	-	-	79,741,018
Daehan New Stay REIT5	-	-	-	-	-	-	-	-
The Ulsan Harbour Bridge	1,478,559	-	-	-	(1,472,350)	-	(6,209)	-
Ilsan Seaworld Co., Ltd.	6,590,935	-	-	-	(6,590,935)	-	-	-
Others	4,400,986	35,778,788	(126,000)	-	4,032,659	(276,841)	(6,794,373)	37,015,219
Total	₩ 3,279,744,047	35,778,788	(126,000)	(6,537,577)	29,531,513	(39,725,721)	(6,617,986)	3,292,047,063

<sup>1</sup> Equity method gains and losses include dividend effects on hybrid capital securities and cumulative preferred stocks.

<sup>2</sup> Others include changes in retained earnings from equity method and others.

(ii) December 31, 2019

(In thousands of Korean won)

Name of company	Beginning	Acquisition	Disposal	Dividend	Gain (loss) from equity method	Other comprehensive income	Other increase and decrease <sup>1</sup>	Ending balance
Hanwha Life Insurance Co., Ltd.₩	2,578,038,393	-	-	(21,791,924)	1,759,901	562,963,887	260,979	3,121,231,236
Hanwha Savings Bank Co., Ltd.	46,497,434	-	-	-	5,104,398	10,536	(276,626)	51,335,742
Daehan New Stay REIT1	106,164,770	-	-	-	(11,458,180)	-	-	94,706,590
Daehan New Stay REIT5	-	-	-	-	-	-	-	-
The Ulsan Harbour Bridge	3,536,905	-	-	-	(2,071,716)	-	13,370	1,478,559
Ilsan Seaworld Co., Ltd.	6,035,568	-	-	-	555,366	-	-	6,590,934
Others	3,051,715	-	-	-	1,521,430	29,616	(201,775)	4,400,986
Total	₩ 2,743,324,785	-	-	(21,791,924)	(4,588,801)	563,004,039	(204,052)	3,279,744,047

<sup>1</sup> Others include changes in retained earnings from equity method and others.

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(3) The summarized financial information of associates as of and for the years ended December 31, 2020 and 2019, is as follows:

(i) December 31, 2020

(In thousands of Korean won)

Name of company	2020				
	Assets	Liabilities	Equity	Revenue	Net Income
Hanwha Life Insurance Co., Ltd. ₩	148,770,070,481	134,825,947,515	13,944,122,966	26,217,809,248	241,211,203
Hanwha Savings Bank Co., Ltd	1,101,809,664	964,394,177	137,415,487	61,745,918	20,779,270
Daehan New Stay REIT 1	883,717,073	657,652,684	226,064,389	10,409,405	(10,951,975)
Daehan New Stay REIT 5	331,951,347	276,434,188	55,517,159	6,494,233	(2,674,662)
The Ulsan Harbour Bridge	1,041,175	6,242,056	(5,200,881)	14,754,804	(11,257,542)
Ilsan Seaworld Co., Ltd.	59,852,960	58,642,747	1,210,213	4,298,225	(16,132,802)

(ii) December 31, 2019

(In thousands of Korean won)

Name of company	2019				
	Assets	Liabilities	Equity	Revenue	Net Income
Hanwha Life Insurance Co., Ltd. ₩	141,850,087,146	127,856,811,928	13,993,275,218	24,977,195,137	58,666,978
Hanwha Savings Bank Co., Ltd	960,167,900	843,613,969	116,553,930	52,388,195	13,383,483
Daehan New Stay REIT 1	858,945,635	621,929,272	237,016,363	13,438,537	(6,389,220)
Daehan New Stay REIT 5	336,111,833	277,920,012	58,191,821	4,526,481	(6,086,104)
The Ulsan Harbour Bridge	268,606,585	262,524,560	6,082,025	15,491,021	(8,463,008)
Ilsan Seaworld Co., Ltd.	72,324,874	54,981,859	17,343,015	10,231,935	969,762

(4) The tables below provide a reconciliation of the summarized financial information presented to the book amount of its interest in associates for the years ended December 31, 2020 and 2019.

(i) December 31, 2020

(In thousands of Korean won)

Name of company	2020						
	Net assets (a)	Company's share in % (b)	Company's share in KRW (a*b)	Goodwill	Accumulated impairment loss	Intercompany transaction and others	Book amount
Hanwha Life Insurance Co., Ltd. <sup>1</sup> ₩	10,610,084,761	29.00%	3,077,151,449	53,061,308	-	(14,214,175)	3,115,998,583
Hanwha Savings Bank Co., Ltd	137,415,487	38.14%	52,409,629	38,251,735	(31,369,122)	-	59,292,242
Daehan New Stay REIT 1	79,741,018	100.00%	79,741,018	-	-	-	79,741,018
Daehan New Stay REIT 5	715,190	68.49%	489,857	-	-	(489,857)	-
The Ulsan Harbour Bridge	(5,200,881)	24.48%	(1,273,176)	-	-	1,273,176	-
Ilsan Seaworld Co., Ltd.	1,210,213	46.00%	556,698	17,990	-	(574,688)	-

<sup>1</sup> The amount of net assets above excludes investee's non-controlling interest.

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(ii) December 31, 2019

(In thousands of Korean won)

Name of company	2019						
	Net assets (a)	Company's share in % (b)	Company's share in KRW (a*b)	Goodwill	Accumulated impairment loss	Intercompany transaction and others	Book amount
Hanwha Life Insurance Co., Ltd. <sup>1</sup>	₩ 10,629,561,645	29.00%	3,082,800,162	53,061,308	-	(14,630,235)	3,121,231,236
Hanwha Savings Bank Co., Ltd	116,553,930	38.14%	44,453,128	38,251,735	(31,369,122)	-	51,335,741
Daehan New Stay REIT 1	94,706,589	100.00%	94,706,589	-	-	-	94,706,589
Daehan New Stay REIT 5	58,191,821	68.49%	39,857,466	-	-	(39,857,466)	-
The Ulsan Harbour Bridge	6,082,025	24.48%	1,488,880	-	-	(10,321)	1,478,559
Ilisan Seaworld Co., Ltd.	17,461,039	46.00%	8,032,078	17,990	-	(1,459,133)	6,590,935

<sup>1</sup> The amount of net assets above excludes investee's non-controlling interest.

(5) Fair values of marketable investments in associates as of December 31, 2020 and 2019, are as follows:

(i) December 31, 2020

(In Shares and In thousands of Korean won)

Name of company	Number of shares	2020		
		Market price per share (In Korean won)	Fair value	Book value
Hanwha Life Insurance Co., Ltd.	217,919,239	₩ 2,440	₩ 531,722,943	₩ 3,115,998,583

(ii) December 31, 2019

(In thousands of Korean won)

Name of company	Number of shares	2019		
		Market price per share (In Korean won)	Fair value	Book value
Hanwha Life Insurance Co., Ltd.	217,919,239	₩ 2,310	₩ 503,393,442	₩ 3,121,231,236

(6) Accumulated unrecognized loss due to discontinued use of equity method for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020	2019
Galleriaforet Corp.	₩ 16,139,737	16,057,897
Daehan New Stay REIT 5	26,499,654	24,141,223
H Valley Co., Ltd.	6,054,852	-
The Ulsan Harbour Bridge	1,283,155	-

(7) Some of investments in associates are provided as collateral for certain short-term and long-term borrowings (Note 22).

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**15. Financial Derivatives**

Financial derivatives as of December 31, 2020 and 2019, are as follows:

		2020		2019	
		Assets	Liabilities	Assets	Liabilities
<i>(In thousands of Korean won)</i>					
Held for trading					
Currency forward	₩	-	1,187,477	1,290	71,581
Currency swap		-	12,503,928	463,565	673,826
Exchangeable bonds					
Other derivatives <sup>1</sup>		-	-	-	-
	₩	-	13,691,405	464,855	745,407

<sup>1</sup> Other derivatives are the fair value of exchangeable right and put option embedded in exchangeable bonds issued before prior year.

**16. Other Assets**

Other current and non-current assets as of December 31, 2020 and 2019, are as follows:

		2020		2019	
		Current	Non-current	Current	Non-current
<i>(In thousands of Korean won)</i>					
Advance payments	₩	46,061,837	-	67,148,149	-
Guarantee deposits		-	-	4,513,659	-
Prepaid construction costs		4,953,988	125,130,513	8,701,597	137,010,142
Prepaid expenses		26,806,431	-	27,396,489	-
Prepaid value added tax		3,441,849	-	9,420,866	-
	₩	81,264,105	125,130,512	117,180,760	137,010,142

**17. Financial Instruments by Category**

(1) Categorizations of financial assets and liabilities as of December 31, 2020 and 2019, are as follows:

(i) December 31, 2020

		2020		
		Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
<i>(In thousands of Korean won)</i>				
Financial assets				
Cash or cash equivalents	₩	-	1,226,975,695	1,226,975,695
Other financial assets		-	138,923,922	138,923,922
Trade and other receivables		-	1,262,795,979	1,262,795,979
Financial assets at fair value through profit or loss		66,742,713	-	66,742,713
Total	₩	66,742,713	2,628,695,596	2,695,438,309

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<b>2020</b>				
<i>(In thousands of Korean won)</i>	<b>Financial assets at fair value through profit or loss</b>		<b>Financial assets at amortized cost</b>	<b>Total</b>
Financial liabilities				
Trade and other payables	₩	-	720,364,964	720,364,964
Borrowings		-	2,763,995,782	2,763,995,782
Other financial liabilities		13,691,405	109,130,012	122,821,417
<b>Total</b>	<b>₩</b>	<b>13,691,405</b>	<b>3,593,490,758</b>	<b>3,607,182,163</b>

(ii) December 31, 2019

<b>2019</b>						
<i>(In thousands of Korean won)</i>	<b>Financial assets at fair value through profit or loss</b>		<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Derivatives</b>	<b>Total</b>
Financial assets						
Cash or cash equivalents	₩	-	927,990,939	-	-	927,990,939
Other financial assets <sup>1</sup>		-	169,630,414	-	-	169,630,414
Derivatives		-	-	-	464,855	464,855
Trade and other receivables		-	1,092,479,830	-	-	1,092,479,830
Financial assets at fair value through profit or loss	73,492,380		-	-	-	73,492,380
Financial assets at fair value through other comprehensive income	-		-	61,090	-	61,090
<b>Total</b>	<b>₩</b>	<b>73,492,380</b>	<b>2,190,101,183</b>	<b>61,090</b>	<b>464,855</b>	<b>2,264,119,508</b>

<sup>1</sup> As of December 31, 2019, ₩ 15 million of financial assets at amortized cost are deposit for checking accounts, which the amount is restricted in use.

<b>2019</b>					
<i>(In thousands of Korean won)</i>	<b>Financial assets at fair value through profit or loss</b>		<b>Financial assets at amortized cost</b>	<b>Derivatives</b>	<b>Total</b>
Financial liabilities					
Trade and other payables	₩	-	582,663,792	-	582,663,792
Borrowings		-	2,202,505,911	-	2,202,505,911
Other financial liabilities		-	114,028,961	-	114,028,961
Derivatives		-	-	745,407	745,407
<b>Total</b>	<b>₩</b>	<b>-</b>	<b>2,899,198,664</b>	<b>745,407</b>	<b>2,899,944,071</b>

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(2) Net gains or losses on each category of financial instruments for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
<b>Financial assets at amortized cost</b>		
Interest income	₩ 8,911,053	18,193,784
Gain on foreign exchange translation	5,201,979	12,380,770
Gain on disposal / Impairment loss	15,397,256	1,312,095
<b>Financial derivatives</b>		
Gain on valuation	-	4,958,524
Loss on disposal / Impairment loss	-	(896,767)
<b>Financial assets at fair value through profit or loss interest income</b>		
Interest income	69	52
Loss on valuation	333,714	(16,221,726)
Dividends income	1,553,390	763,459
Gain (loss) on disposal / Impairment loss	(765,190)	1,328,748
<b>Financial assets at fair value through other comprehensive income</b>		
Gain on valuation	-	3,394
<b>Financial liabilities as amortized cost</b>		
Interest expense	(75,385,593)	(76,482,665)
Gain on redemption of bonds	(491,482)	480,918
Gain on foreign exchange translation	-	-

## 18. Investment Properties

(1) Changes in investment properties for the years ended December 31, 2020 and 2019, are as follows:

(i) December 31, 2020

<i>(In thousands of Korean won)</i>	<u>2020</u>		
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Beginning balance	₩ 136,870,084	82,360,285	219,230,369
Acquisition	16,325,174	9,997,534	26,322,708
Disposal	(13,722,923)	(18,916,504)	(32,639,427)
Depreciation	-	(2,377,911)	(2,377,911)
Ending balance	₩ 139,472,335	71,063,404	210,535,739



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(ii) December 31, 2019

(In thousands of Korean won)

		<b>2019</b>		
		<b>Land</b>	<b>Buildings</b>	<b>Total</b>
Beginning balance	₩	143,632,074	75,435,372	219,067,446
Acquisition		9,183	30,808,493	30,817,676
Disposal		(4,279,348)	(22,024,766)	(26,304,114)
Impairment		(2,491,825)	-	(2,491,825)
Depreciation		-	(1,858,813)	(1,858,813)
Ending balance	₩	<u>136,870,084</u>	<u>82,360,286</u>	<u>219,230,370</u>

(2) Rental income from investment properties for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

		<b>2020</b>	<b>2019</b>
Rental income	₩	5,944,963	3,881,441
Rental expense		(8,213,258)	(5,264,558)

(3) As of December 31, 2020, there are no significant differences between fair value and book value of investment property.

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19. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2020 and 2019, are as follows:

(i) December 31, 2020

(In thousands of Korean won)

	<b>2020</b>				
	<b>Land</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Vehicles</b>	<b>Construction equipment</b>
Beginning balance	₩ 11,973,705	12,618,521	19,957	592,742	9,505,794
Acquisition	20,035,235	1,121,186	180,000	20,258	190,318
Disposal	-	(129,147)	-	(52,515)	-
Depreciation	-	(475,139)	(34,745)	(187,861)	(3,365,770)
Effects of exchange rate changes	-	-	-	-	3,626
Others	-	-	1,852,700	-	-
Ending balance	₩ 32,008,940	13,135,421	2,017,912	372,624	6,333,968
Acquisition cost	₩ 32,008,940	16,566,030	2,290,900	2,605,942	164,659,573
Accumulated depreciation	-	(3,430,609)	(272,987)	(2,233,318)	(158,325,605)
Government grants	-	-	-	-	-

(In thousands of Korean won)

	<b>2020</b>			
	<b>Tools and equipment</b>	<b>Installation equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Beginning balance	₩ 9,378,062	4	22,105,955	66,194,741
Acquisition	537,995	-	27,174,339	49,259,331
Disposal	(34,751)	-	-	(216,413)
Depreciation	(2,022,404)	-	-	(6,085,919)
Effects of exchange rate changes	-	-	-	3,626
Others	-	-	(8,398,997)	(6,546,297)
Ending balance	₩ 7,858,902	4	40,881,297	102,609,069
Acquisition cost	₩ 10,860,318	27,300	40,881,297	269,900,300
Accumulated depreciation	(3,001,416)	(27,296)	-	(167,291,231)
Government grants	-	-	-	-

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(ii) December 31, 2019

(In thousands of Korean won)

		<b>2019</b>				
		<b>Land</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Vehicles</b>	<b>Construction equipment</b>
Beginning balance	₩	11,097,639	9,894,826	76,915	817,858	5,796,027
Acquisition		895,148	3,431,803	-	67,707	10,007,817
Disposal		(19,081)	(11,769)	(72)	(76,276)	-
Depreciation		-	(696,339)	(56,886)	(216,546)	(6,787,644)
Effects of exchange rate changes		-	-	-	-	-
Others		-	-	-	-	489,593
Ending balance	₩	<u>11,973,706</u>	<u>12,618,521</u>	<u>19,957</u>	<u>592,743</u>	<u>9,505,793</u>
Acquisition cost	₩	11,973,705	17,110,749	258,200	2,665,071	174,704,099
Accumulated depreciation		-	(4,492,228)	(238,242)	(2,072,328)	(165,198,306)
Government grants		-	-	-	-	-

(In thousands of Korean won)

		<b>2019</b>			
		<b>Tools and equipment</b>	<b>Installation equipment</b>	<b>Construction in progress</b>	<b>Total</b>
Beginning balance	₩	554,060	4	11,567,018	39,804,347
Acquisition		9,088,058	-	31,116,093	54,606,626
Disposal		(9,774)	-	-	(116,972)
Depreciation		(254,282)	-	-	(8,011,697)
Effects of exchange rate changes		-	-	-	-
Others		-	-	(20,577,156)	(20,087,563)
Ending balance	₩	<u>9,378,062</u>	<u>4</u>	<u>22,105,955</u>	<u>66,194,741</u>
Acquisition cost	₩	10,612,723	27,300	56,354,380	273,706,227
Accumulated depreciation		(1,234,661)	(27,296)	-	(173,263,061)
Government grants		-	-	(34,248,425)	(34,248,425)

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20. Intangible assets

(1) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

(i) December 31, 2020

(In thousands of Korean won)

	<b>Industrial property rights</b>	<b>Memberships</b>	<b>Others</b>	<b>Total</b>
Beginning ₩	3,595,869	18,703,173	8,000,320	30,299,363
Acquisition	4,607	-	5,708,399	5,713,006
Amortization	(1,045,419)	-	(2,570,532)	(3,615,951)
Disposal	-	(456,885)	-	(456,885)
Transfer	-	-	(1,747,063)	(1,747,063)
Others	-	-	6,301,090	6,301,090
Ending ₩	<u>2,555,057</u>	<u>18,246,288</u>	<u>15,692,214</u>	<u>36,493,559</u>

(ii) December 31, 2019

(In thousands of Korean won)

	<b>Industrial property rights</b>	<b>Memberships</b>	<b>Others</b>	<b>Total</b>
Beginning ₩	2,935,031	18,246,288	7,976,506	29,157,825
Acquisition	7,417	456,885	655,563	1,119,866
Amortization	(745,894)	-	(631,743)	(1,377,637)
Disposal	-	-	(5)	(5)
Transfer	1,399,314	-	-	1,399,314
Ending ₩	<u>3,595,869</u>	<u>18,703,173</u>	<u>8,000,320</u>	<u>30,299,363</u>

(2) Amortization expenses on intangible assets are included in selling and administrative expenses.

21. Lease

(1) Amounts recognized in the consolidated statement of financial position

(In thousands of Korean won)

	<b>2020</b>	<b>2019</b>
Right-of-use assets <sup>1</sup>		
Properties ₩	90,350,832	103,619,420
Vehicles	2,634,310	2,549,147
Construction equipment	3,848,990	7,942,181
Total ₩	<u>96,834,131</u>	<u>114,110,748</u>

<sup>1</sup> Reductions to the right-of-use assets during the 2020 financial year were ₩ 17,277 million.

(In thousands of Korean won)

	<b>2020</b>	<b>2019</b>
Lease liabilities		
Current ₩	19,640,220	20,331,229
Non-current	81,185,547	95,034,692
Total ₩	<u>100,825,767</u>	<u>115,365,921</u>

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(2) The consolidated statement of comprehensive income shows the following amounts relating to depreciation of right-of-use assets and interest expense:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Depreciation of right-of-use assets		
Properties	₩ 17,496,931	15,557,366
Vehicles	1,546,680	1,392,589
Construction equipment	7,216,970	8,012,223
	<u>₩ 26,260,581</u>	<u>24,962,178</u>
Interest expense relating to lease liabilities	₩ 5,042,556	1,497,209
Expense relating to short-term leases	1,471,821	5,251,804
Expense relating to leases of low-value assets are not short-term leases	1,586,111	1,533,682
Expense relating to variable lease payments not included in lease liabilities	4,158,576	12,358,269

(3) The total cash outflow for leases in 2020 was ₩ 35,790 million.

(4) Operating lease

As of December 31, 2020 and 2019, the Group has non-cancellable operating lease contracts related to real estate rentals. The future minimum lease payment plan under this contract is as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Less than 1 year	₩ 212,714	205,046
Between 1 year and 2 years	101,855	212,714
Between 2 year and 3 years	33,783	101,855
Between 3 year and 4 years	3,333	33,783
Between 4 year and 5 years	-	3,333
Over 5 years	-	-
	<u>₩ 351,685</u>	<u>556,731</u>

## **22. Guarantees and Collateral**

(1) As of December 31, 2020, the Group provided joint performance guarantee amounting to ₩ 1,944,473 million to Korea Housing & Urban Guarantee Co., Ltd. in support of developer's lot sale guarantee. Also, the Group is jointly and severally liable for the guarantees of ₩ 19,790 million provided to Seoul Guarantee Insurance Company in relation to private sector investment in accordance with the Act on Public-Private Partnerships in Infrastructure. In addition, the Group provided credit enhancement of ₩ 217,095 million to Woori Bank and others in relation to financing of developers on housing project loan. Moreover, the Group is jointly and severally liable for the guarantees of ₩ 185,812 million provided to Korea Construction Financial Cooperative in relation to business operation surety for private sector investment or environmental water-treatment projects. Furthermore, the Group is jointly and severally liable for the guarantees of ₩ 96,014 million provided to Korea Construction Financial Cooperative in relation to subcontracting payment surety and business operation surety for private sector investment or civil engineering and construction.

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(2) Assets pledged as collateral

The group provided investments in associates and deposits in Korean won as collateral in relation to short-term and long-term borrowings are at December 31, 2020, details are as follows:

(In thousands of Korean won)

Type	2020				
	Book value	Maximum credit amount	Related account	Related carrying amount	Lender
Investment in associates <sup>1</sup>	₩ 769,193,342	260,000,000		200,000,000	HD Project
	434,680,518	96,000,000		80,000,000	SCB
	533,347,802	44,000,000	Borrowings (Note 24)	37,000,000	Korea Securities Finance Corp.
	178,735,859	28,000,000		15,000,000	Hana Financial Investment Co., Ltd.
	111,093,974	15,500,000		7,000,000	BNK Securities Co., Ltd.
Property, plant and equipment and others		395,763,648		-	Korea Housing & Urban Guarantee Co., Ltd.
		22,750,000		13,837,500	Kwanggyo Triton 1st
		64,900,000		11,082,500	Industrial Bank of Korea
	374,016,774	65,000,000	Borrowings (Note 24)	35,350,000	DB Insurance Co., Ltd.
		39,000,000		24,140,000	IBK Insurance Co., Ltd.
		9,750,000		7,500,000	KEB Hana Bank
Intangible assets and others		310,100,000		-	Korea Development Bank
	4,371,802	7,945,600	Borrowings (Note 24)	7,945,600	Woori Bank
Equity instruments at fair value through other comprehensive income	49,020	49,020	Borrowings (Note 24)	49,020	Woori Bank
	12,070	12,070	Borrowings (Note 24)	12,070	Kiwoom Asset Management
Other deposits	10,446,534	10,446,534		10,446,534	Woori Bank
	133,154,402	133,154,402	Borrowings (Note 24)	133,154,402	Hana Asset Trust Co., Ltd
	840,000	840,000		-	Industrial Bank of Korea
	153,742	153,742		-	Woori Bank
<b>Total</b>	<b>₩ 2,550,095,838</b>	<b>1,503,365,016</b>		<b>582,517,626</b>	

<sup>1</sup> In relation to borrowings, investments in associates that are provided as collateral are shares of Hanwha Life Insurance Co., Ltd.

(3) The Group pledged financial instruments at fair value through profit or loss of ₩ 57,362 million and investments in subsidiaries and associates of ₩ 5,393 million as collateral to the creditors of Sangju Yeongcheon Highway Co., Ltd. And 53 other investees.

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(4) Guarantees provided by others

The guarantees provided by others as of December 31, 2020, are as follows:

(In thousands of KRW, USD, KWD, SAR)

<b>Provider</b>	<b>Details</b>		<b>Guaranteed amount</b>
Korea Construction Financial Cooperative	Construction performance	KRW	2,594,001,110
Korea Housing & Urban Guarantee Co., Ltd.	Construction performance and sales real estate	KRW	3,498,948,423
Seoul Guarantee Insurance Company	Construction performance guarantee and others	KRW	867,103,938
Engineering Guarantee Cooperative	Construction performance guarantee and others	KRW	396,361,880
KEB Hana Bank	Overseas construction	USD	19,777
KEB Hana Bank	Overseas construction	KWD	1,649
KEB Hana Bank	Overseas construction	SAR	47,667
The Export-Import Bank of Korea	Overseas construction	USD	1,318,287
The Export-Import Bank of Korea	Overseas construction	KWD	15,135
Kookmin Bank	Overseas construction	USD	2,000
Kookmin Bank	Overseas construction	KWD	1,917
Arab Bank Singapore	Overseas construction	USD	4,497
Engineering Guarantee Cooperative	Payment guarantee of payables	USD	3,478
KDB Korea Development Bank	Payment guarantee of payables	USD	30,086
Kookmin Bank	Payment guarantee of payables	USD	30,000
	<b>Total</b>	KRW	7,356,415,350
		USD	1,408,125
		KWD	18,702
		SAR	47,667

**23. Trade and Other Payables**

Trade and other payables as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	<b>2020</b>	<b>2019</b>
Trade payables	₩ 343,974,532	495,547,222
Other payables	376,660,432	87,116,570
	₩ <u>720,634,964</u>	<u>582,663,792</u>

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24. Borrowings and Bonds

(1) Details of borrowings as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020		2019	
	Current	Non-current	Current	Non-current
Borrowings from financial institution	₩ 1,445,894,660	569,433,942	1,198,557,669	340,328,595
Bonds	401,751,234	346,915,946	349,973,453	313,646,194
Total	₩ 1,847,645,894	916,349,888	1,548,531,122	653,974,789

(2) Borrowings from financial institutes as are December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020		2019	
	Current	Non-current	Current	Non-current
Short-term borrowings <sup>1</sup>	₩ 1,184,591,114	-	1,197,434,264	-
Long-term borrowings <sup>1</sup>	261,303,547	569,433,942	1,123,405	340,328,595
Total	₩ 1,445,894,660	569,433,942	1,198,557,669	340,328,595

<sup>1</sup> Certain borrowings above are collateralized with investments in associates and deposits in Korean Won (Note 22)

(3) Bonds as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020	2019
General bonds	₩ 752,970,595	676,415,922
Public subscription bonds	680,330,595	631,681,922
Private subscription bonds	72,640,000	44,734,000
Less: discount on bonds	(4,303,415)	(12,796,274)
Total	748,667,179	663,619,647
Less: short-term bonds	(401,751,234)	(349,973,453)
Total	₩ 346,915,946	313,646,194

(4) Details of short-term and long-term borrowings from financial institutions as of December 31, 2020 and 2019, are as follows:

(i) Short-term borrowing

(In thousands of Korean won)

	Creditor	Annual Interest rate (%)	2020	2019
Loans in Korean Won (general borrowings etc.)	Korea Development Bank and others	1.40 ~ 4.14	₩ 1,163,272,650	1,182,472,105
Loans in foreign currency	Korea Development Bank and others	0.40 ~ 2.03	21,318,464	14,962,159
Total			₩ 1,184,591,114	1,197,434,264



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(ii) Long-term borrowing

(In thousands of Korean won)

	Creditor	Annual interest rate as of 2020	2020	2019
Loans in Korean Won	IBK Capital Corporation	3.15%	₩ 10,000,000	10,000,000
Loans in Korean Won	IBK Capital Corporation	3.85%	20,000,000	-
Loans in Korean Won	HD project Co., Ltd.	3.06%	200,000,000	200,000,000
Loans in Korean Won	Woori Bank	3.28%	70,000,000	-
Loans in Korean Won	Korea Housing Guarantee Co., Ltd.	1.00%	1,750,000	2,100,000
Loans in Korean Won	Korea Investment & Securities Co., Ltd.	2.59%	30,000,000	-
Loans in Korean Won	One Punch Fire 1 <sup>st</sup> Co., Ltd.	3.57%	30,000,000	-
Loans in Korean Won	Woori HWC 1 <sup>st</sup> Co., Ltd.	3.67%	40,000,000	-
Loans in Korean Won	KEB Hana Bank Osaka	3.65%	-	34,734,000
Loans in foreign currency	KEB Hana Bank Fukuoka	1.91%	32,640,000	-
Loans in foreign currency	Hana Bank Amsterdam	1.71%	32,640,000	-
Loans in foreign currency	KB KOOKMIN BANK, TOKYO	3.06%	32,640,000	-
Loans in foreign currency	DB Insurance Co., Ltd.	3.63%	24,000,000	35,350,000
Loans in Korean Won	Guri Credit Cooperative	3.10%	500,000	-
Loans in Korean Won	Mirae Asset Capital	4.15%	32,000,000	-
Loans in Korean Won	Bupyeong First Credit Cooperative	3.10%	700,000	-
Loans in Korean Won	Samik Credit Cooperative	3.10%	2,800,000	-
Loans in Korean Won	Korea Credit Cooperative Federation	3.10%	20,000,000	-
Loans in Korean Won	IBK Pension Insurance Co., Ltd. (Tr. A)	3.63%	9,600,000	24,140,000
Loans in Korean Won	IBK Pension Insurance Co., Ltd. (Tr. B)	3.83%	10,000,000	-
Loans in Korean Won	JB Woori Capital	5.20%	24,900,000	-
Loans in Korean Won	Kwanggyo Triton 1 <sup>st</sup> Co., Ltd. (Tr. A)	3.63%	6,000,000	8,837,500
Loans in Korean Won	Kwanggyo Triton 1 <sup>st</sup> Co., Ltd. (Tr. B)	4.10%	5,000,000	5,000,000
Loans in Korean Won	KB Insurance Co., Ltd. (Tr. A-2)	4.20%	40,000,000	-
Loans in Korean Won	Hana Bank (Tr. B)	4.10%	7,500,000	7,500,000
Loans in Korean Won	Hana Bank (Tr. A-3)	4.04%	25,000,000	-
Loans in Korean Won	IBK Industrial Bank of Korea	3.10%	27,000,000	-
Loans in Korean Won	IBK Industrial Bank of Korea (Tr. B)	3.43%	300,000	11,082,500
Loans in Korean Won	Chuncheon Credit Union	3.10%	2,000,000	-
Loans in Korean Won	KDB Industrial Bank	4.12%	90,000,000	-
Loans in Korean Won	Woori Bank	3.74%	3,767,489	2,708,000
Total			830,737,489	341,452,000
less: current portion of long-term borrowings			(261,303,547)	(1,123,405)
			₩ <u>569,433,942</u>	<u>340,328,595</u>

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(5) Details of bonds as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	<b>Creditor</b>	<b>Maturity date</b>	<b>Annual interest rate as of 2020</b>	<b>2020</b>	<b>2019</b>
Fixed rate	85th Public subscription bond (EB)	2021-06-03	3.00%	₩ 207,330,595	266,681,922
Fixed rate	94th Private subscription bond	2020-04-13	4.60%	-	10,000,000
Floating rate	97th Private subscription bond	2021-07-19	1.17%	32,640,000	34,734,000
Fixed rate	99th Public subscription bond (EB)	2020-09-11	3.82%	-	85,000,000
Fixed rate	100th Public subscription bond	2021-03-07	3.41%	100,000,000	100,000,000
Fixed rate	100-1st Public subscription bond	2021-05-30	3.02%	30,000,000	30,000,000
Fixed rate	100-2nd Public subscription bond	2022-05-30	3.24%	70,000,000	70,000,000
Fixed rate	102-1st Public subscription bond	2021-09-20	3.07%	35,000,000	35,000,000
Fixed rate	102-2nd Public subscription bond	2022-09-20	3.38%	45,000,000	45,000,000
Fixed rate	103th Public subscription bond	2023-02-13	3.21%	93,000,000	-
Fixed rate	105th Private subscription bond	2022-04-13	3.80%	10,000,000	-
Fixed rate	106-1st Public subscription bond	2022-05-29	3.60%	60,000,000	-
Fixed rate	106-2nd Public subscription bond	2023-05-29	3.90%	40,000,000	-
Fixed rate	107th Private subscription bond	2023-12-02	3.14%	30,000,000	-
	Total			752,970,595	676,415,922
	Less: current portion of bonds			(404,970,595)	(361,681,922)
	Total			₩ 348,000,000	314,734,000

(6) Exchangeable bonds

The Group issued exchangeable bonds for financing working capital, and classified embedded put option and exchangeable rights into a hybrid embedded derivative during the year ended December 31, 2020(Note 15)

Terms and conditions of the exchangeable bonds issued are as follows:

<b>Subject</b>	<b>Contents</b>																								
Type of Bonds	Bearer coupon unsecured exchangeable bonds																								
Issuing price (In Won)	100% of the par value: ₩ 250,000,000,000																								
Interest rate	3% nominal rate for bonds before maturity and 5% for bonds at maturity																								
Redemption at maturity	For bonds matured, redeem 111.2815% of the par value of the bonds after June 3, 2021, but if the redemption date is non-working day for banks, regard the following working day as the maturity date and no computation of interest after the maturity date																								
Put option	Bond holders may request for early redemption for all or partial amount of the par value of the bond every 6 month after June 3, 2019. Price for early redemption is determined by nominal interest rate and YTM as depicted in the chart below. When the redemption date is non-working day for banks, regard the following working day but no computation of interest after the maturity date. 1) Percentage portion for early redemption: 100% of the par value 2) price for early redemption																								
	<table border="1"> <thead> <tr> <th><b>Date for early redemption</b></th> <th colspan="2"><b>Period for early redemption</b></th> <th><b>Price for early redemption</b></th> </tr> <tr> <th></th> <th><b>From</b></th> <th><b>To</b></th> <th></th> </tr> </thead> <tbody> <tr> <td>2019-06-03</td> <td>2019-04-04</td> <td>2019-05-07</td> <td>106.4302% of the par value</td> </tr> <tr> <td>2019-12-03</td> <td>2019-10-04</td> <td>2019-11-04</td> <td>107.5982% of the par value</td> </tr> <tr> <td>2020-06-03</td> <td>2020-04-04</td> <td>2020-05-04</td> <td>108.7956% of the par value</td> </tr> <tr> <td>2020-12-03</td> <td>2020-10-04</td> <td>2020-11-03</td> <td>110.0231% of the par value</td> </tr> </tbody> </table>	<b>Date for early redemption</b>	<b>Period for early redemption</b>		<b>Price for early redemption</b>		<b>From</b>	<b>To</b>		2019-06-03	2019-04-04	2019-05-07	106.4302% of the par value	2019-12-03	2019-10-04	2019-11-04	107.5982% of the par value	2020-06-03	2020-04-04	2020-05-04	108.7956% of the par value	2020-12-03	2020-10-04	2020-11-03	110.0231% of the par value
<b>Date for early redemption</b>	<b>Period for early redemption</b>		<b>Price for early redemption</b>																						
	<b>From</b>	<b>To</b>																							
2019-06-03	2019-04-04	2019-05-07	106.4302% of the par value																						
2019-12-03	2019-10-04	2019-11-04	107.5982% of the par value																						
2020-06-03	2020-04-04	2020-05-04	108.7956% of the par value																						
2020-12-03	2020-10-04	2020-11-03	110.0231% of the par value																						
	3) Redemption period: Bond holders shall request for early redemption to the issuing company from 60 days to 30 days before each early redemption payment date.																								
Share subject to exchange	Ordinary shares issued by Hanwha Life Insurance Co., Ltd.																								
Exchangeable period	From the following date of bonds issuance date, June 4, 2016 to 1 month prior to redemption date, May 3, 2021																								

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Number of shares subject to exchange By dividing par value of bonds price by exchange price on the exchange date, round off under 1 share  
 Exchange Price<sup>1</sup> ₩ 7,400  
 (In Won)

<sup>1</sup> In the event of capital increase, stock dividends, issuance of shares without consideration, issuance or merge of stock warrants, stock split, and stock reverse split, exchange price is subject to change.

**25. Other Financial Liabilities**

Details of financial liabilities as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

		2020		2019	
		Current	Non-current	Current	Non-current
Derivatives	₩	2,861,826	10,829,579	71,581	673,826
Deposits		9,626,562	1,323,285	2,451,228	8,816,607
Accrued expenses		42,498,295	1,974,658	46,239,385	-
Contract liabilities of financial guarantee <sup>1</sup>		3,698,541	50,008,672	3,617,833	52,903,908
Total	₩	58,685,224	64,136,194	52,380,027	62,394,341

<sup>1</sup> As of December 31, 2020, the Grout provided credit enhancement for developers on housing project loan (Note 36).

**26. Provisions**

Changes in provisions for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

		2020				Total
		Provisions for contingent liabilities (lawsuit)	Provisions for construction warranty	Other provisions	Provisions for losses from construction contracts	
Beginning	₩	6,789,846	78,818,128	274,748,100	16,636,234	376,992,308
Increase		2,380,128	12,809,763	143,580,934	12,783,780	171,554,605
Utilization		-	(13,803,694)	(52,750,967)	(2,682,610)	(69,237,271)
Reversal		-	-	(47,838,451)	(14,302,318)	(62,140,769)
Others		-	(1,620,347)	(140,035,946)	(412,928)	(142,069,221)
Ending	₩	9,169,974	76,203,850	177,703,670	12,022,158	275,099,652

(In thousands of Korean won)

		2019				Total
		Provisions for contingent liabilities (lawsuit)	Provisions for construction warranty	Other provisions	Provisions for losses from construction contracts	
Beginning	₩	7,206,783	79,314,471	207,440,516	25,087,029	319,048,799
Increase		673,615	23,061,807	95,690,475	94,522,327	213,948,224
Utilization		-	(23,558,150)	(18,805,389)	-	(42,363,539)
Reversal		(1,090,552)	-	(11,036,502)	(103,408,907)	(115,535,961)
Others		-	-	1,459,000	435,785	1,894,785
Ending	₩	6,789,846	78,818,128	274,748,100	16,636,234	376,992,308

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27. Employee Benefits

(1) Details of net defined benefit liabilities recognized in the statements of financial position as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Defined benefit liabilities	₩ 156,242,208	155,473,785
Present value of defined benefit obligations	176,526,573	176,974,348
Fair value of plan assets <sup>1</sup>	(20,284,365)	(21,500,563)
Other long-term employee benefits	8,371,030	7,560,049
Total defined benefit liabilities	<u>₩ 164,613,238</u>	<u>163,033,834</u>

<sup>1</sup> The contributions to the National Pension Fund of ₩ 12 million (2019: ₩ 128 million) are included in the fair value of plan assets as of December 31, 2020.

(2) Comprehensive income in relation to the defined benefit obligations for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Profit or loss	₩ 25,616,228	24,031,579
Current service cost	5,205,621	4,823,281
Interest cost	(492,404)	(614,000)
Return on plan assets	89,712	-
	<u>₩ 30,419,157</u>	<u>28,240,860</u>
Cost of sale	19,408,376	18,467,434
Selling and administrative expenses	₩ 11,010,781	9,773,426

(3) Movements in the defined benefit obligations for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Beginning balance	₩ 176,974,348	157,857,599
Current service cost	25,614,371	24,031,579
Interest cost	5,205,621	4,823,281
Remeasurements:		
Actuarial loss from change in demographic assumptions	-	4,432,613
Actuarial loss from change in financial assumptions	(6,618,416)	230,602
Actuarial loss (gain) from experience adjustments	(665,382)	1,432,251
Payments	(23,150,909)	(15,632,943)
Others (including transfer from and to affiliated companies)	(834,918)	(200,634)
Changes in consolidation scope	1,857	-
Ending balance	<u>₩ 176,526,572</u>	<u>176,974,348</u>

**HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES**  
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(4) Movements in the fair value of plan assets for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<u>2020</u>	<u>2019</u>
Beginning balance	₩	21,500,564	22,568,220
Interest income		492,405	614,001
Remeasurements:			
Return on plan assets (excluding amounts included in interest income)		(241,468)	(210,069)
Contributions		8,000,000	2,140,627
Payments		(9,079,978)	(3,395,204)
Others (including transfer from and to affiliated companies)		(387,156)	(217,012)
Changes in consolidation scope		-	-
Ending balance	₩	<u>20,284,367</u>	<u>21,500,563</u>

(5) Composition of plan assets as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>Composition</u>	<u>Amount</u>	<u>Composition</u>
Financial instruments guaranteed principal	₩	8,173,890	40.30%	21,372,996	99.40%
Others (contribution to national pension plan)		12,110,476	59.70%	127,567	0.60%
	₩	<u>20,284,367</u>	<u>100.00%</u>	<u>21,500,563</u>	<u>100.00%</u>

(6) The principal actuarial assumptions as of December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.62%~3.24%	2.44%~3.22%
Expected salary growth rate	2.72%~4.08%	3.58%~4.65%

(7) The sensitivity analysis of the defined benefit obligations as of December 31, 2020 to changes in the weighted principal assumptions is:

	<u>Changes in assumption</u>	<u>Impact on defined benefit obligation</u>	
		<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1.0%	3.05%~7.23% decrease	3.42% ~ 8.23% increase
Expected salary growth rate	1.0%	3.4%~8.28% increase	3.08%~7.35% decrease

(8) The expected maturity analysis of undiscounted pension benefits as of December 31, 2020, is as follows:

<i>(In thousands of Korean won)</i>		<u>Less than 1 year</u>	<u>Between 1-2 years</u>	<u>Between 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Pension benefits	₩	11,645,726	44,356,437	46,431,328	359,125,657	461,559,147

The weighted average duration of the defined benefit obligations is 3.31~7.98 years.

HANWHA ENGINEERING & CONSTRUCTION CORPORATION AND SUBSIDIARIES  
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28. Other Liabilities

(1) Other current liabilities as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Advances received	₩ -	10,540,026
Withholdings	26,801,662	18,606,737
Income received in advance	1,619,181	1,666,929
	<u>₩ 28,420,843</u>	<u>30,813,692</u>

(2) Other non-current liabilities as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Income received in advance	₩ 193,796	560,549
	<u>₩ 193,796</u>	<u>560,549</u>

29. Construction Contracts

(1) Changes in balance of construction contracts for the year ended December 31, 2020, are as follows:

<i>(In thousands of Korean won)</i>	<u>Beginning balance</u>	<u>Changes<sup>1</sup></u>	<u>Recognized construction revenue</u>	<u>Ending balance</u>
Domestic building construction	₩ 921,445,166	594,664,359	431,053,651	1,085,055,874
Domestic building development	4,717,477,212	2,840,883,964	1,377,379,110	6,180,982,066
Domestic civil engineering	1,380,527,822	167,892,716	446,104,895	1,102,315,643
Domestic plant construction	817,989,600	938,372,386	726,483,558	1,029,878,428
Overseas contract construction	7,392,048,252	(395,469,902)	430,429,834	6,566,148,516
Total	<u>₩ 15,229,488,052</u>	<u>4,146,343,523</u>	<u>3,411,451,048</u>	<u>15,964,380,527</u>

<sup>1</sup> The amount of increase from new contracts is ₩ 3,268,597 million and the increase due to changes in scale of the construction work is ₩ 611,027 million for the year ended December 31, 2020.

(2) Details of in-progress construction contracts such as recognized construction profit of loss as of December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>				
	<u>Accumulated contract revenue<sup>1</sup></u>	<u>Accumulated contract cost<sup>1</sup></u>	<u>Accumulated profit or loss<sup>1</sup></u>	<u>Advance received<sup>2</sup></u>	<u>Retentions<sup>3</sup></u>
Domestic building construction	₩ 1,881,384,796	1,666,624,212	214,760,584	10,430,508	-
Domestic building development	3,599,882,962	2,884,834,949	715,048,013	43,583,263	-
Domestic civil engineering	1,663,452,278	1,569,751,472	93,700,806	8,854,742	-
Domestic plant construction	1,585,643,196	1,412,739,275	172,903,921	8,425,094	-
Overseas contract construction	9,548,331,495	9,563,648,091	(15,316,596)	691,464,220	83,412,844
Total	<u>₩ 18,278,694,728</u>	<u>17,097,597,999</u>	<u>1,181,096,728</u>	<u>762,757,827</u>	<u>83,412,844</u>

<sup>1</sup> Construction contract of which performance obligations have been completed but payments have not yet been settled is included.

<sup>2</sup> Amount of advance received is recorded as contract liabilities in the statement of financial position and it excludes contract assets of ₩ 64,147 million.

<sup>3</sup> In the statement of financial position, the amount of retention is recorded as trade and other receivables.

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(In thousands of Korean won)

	2019				
	Accumulated profit of contract <sup>1</sup>	Accumulated cost of contract <sup>1</sup>	Accumulated profit <sup>1</sup>	Advances received <sup>2</sup>	Retention <sup>3</sup>
Domestic building construction	₩ 1,826,960,236	1,654,920,625	172,039,611	9,212,824	-
Domestic building development	4,450,835,894	3,611,666,399	839,169,496	2,559,349	-
Domestic civil engineering	2,825,531,911	2,704,185,685	121,346,226	12,855,930	-
Domestic plant construction	1,637,227,188	1,445,563,875	191,663,313	79,200,942	-
Overseas contract construction	9,091,747,484	9,164,364,922	(72,617,438)	790,356,345	48,111,960
Total	₩ 19,832,302,713	18,580,701,506	1,251,601,207	894,185,391	48,111,960

<sup>1</sup> Construction contract of which performance obligations have been completed but payments have not yet been settled is included.

<sup>2</sup> Amount of advance received is recorded as contract liabilities in the statement of financial position and it excludes contract assets of ₩ 77,710 million.

<sup>3</sup> In the statement of financial position, the amount of retention is recorded as trade and other receivables.

(3) Due from customers for contract work and due to customers for contract work as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020		2019	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	Due from customers <sup>1</sup>	Due to customers <sup>2</sup>	Due from customers <sup>1</sup>	Due to customers <sup>2</sup>
Domestic building construction	₩ 11,436,196	61,492,786	41,389,558	42,030,617
Domestic building development	149,282,530	73,768,721	225,102,704	72,452,441
Domestic civil engineering	71,440,041	26,691,119	68,035,926	44,582,086
Domestic plant construction	26,354,039	31,836,287	19,366,108	30,354,061
Overseas contract construction	25,258,911	231,796,154	30,214,455	296,007,253
Total	₩ 283,771,716	425,585,067	384,108,751	485,426,458

<sup>1</sup> The entire amount of advance received is recorded as contract assets in the statement of financial position and it excludes contract liabilities of ₩ 64,147 million (2019: ₩ 77,710 million).

<sup>2</sup> The entire amounts due to customers for contract work are recognized as contract liabilities in the statement of financial position.

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(4) List of construction contracts which exceeds 5% of the prior year contract revenue as of December 31, 2020 are as follows:

(In thousands of Korean won)

Name of contract	Date of contract	Contractual completion date <sup>1</sup>	Percentage-of-progress <sup>1</sup>	Due from customers		Trade receivables (receivables from construction contracts)	
				Gross amount	Accumulated impairment loss	Gross amount	Provision for impairment
<b>Domestic building development</b>							
Sangkye 8 APT rebuilding	2017-07-31	2020-11-24	91.32%	₩ -	-	39,703,467	-
Pangyo I Square C2	2018-07-13	2021-04-12	74.14%	11,797,027	-	-	-
Cheon-an Dujeong Apartment house	2019-07-01	2022-07-29	42.27%	9,764,719	-	11,622,805	-
Jeonju Eco City Residential Complex	2019-10-28	2023-04-30	11.49%	-	-	3,393,345	-
LU1 City 2BL	2019-10-31	2022-10-31	14.86%	-	-	-	-
Kyelim 3 Redevelopment	2019-10-11	2027-02-28	0.00%	6,292	-	-	-
Michu District 8 redevelopment	2017-01-14	2024-12-30	0.52%	1,155,539	-	-	-
Redevelopment around Sangincheon Elementary School	2018-06-01	2022-09-30	0.14%	358,223	-	-	-
Wolgok District 1 Urban Environmental	2006-08-11	2025-07-30	2.44%	6,885,440	-	-	-
Sokcho Banyan Tree	2020-09-30	2023-08-31	0.98%	2,485,404	-	-	-
Pohang I-in Apartment	2020-12-14	2024-05-01	0.00%	-	-	-	-
<b>Domestic building construction</b>							
Galleria Kwanggyo	2017-11-01	2020-08-24	100.00%	-	-	-	-
Incheon Women Hospital Complex	2018-11-26	2022-08-26	26.10%	-	-	-	-
Incheon Airport Terminal2 Expansion	2020-11-30	2024-10-31	0.03%	87,092	-	-	-
<b>Domestic plant construction</b>							
NCC SC PJT	2017-04-17	2019-11-30	100.00%	-	-	-	-
HTC ADL PROJECT	2017-12-20	2020-06-30	100.00%	-	-	-	-
HTC PP4	2018-12-26	2021-04-30	97.32%	5,681,860	-	-	-
YNCC NCC2	2019-03-13	2020-12-31	84.13%	-	-	17,098,431	-
Tongyeong Natural Gas Power Plant	2020-12-01	2024-03-31	0.02%	161,775	-	-	-
<b>Overseas contract construction</b>							
Iraq Bismayah National Housing Construction	2012-05-30	2027-12-31	44.30%	-	-	594,939,521	13,482,821
Iraq Bismayah Social Infra	2015-04-05	2027-12-31	28.26%	28,310,371	-	192,684,951	4,366,724
Jazan Refinery Terminal Project	2012-11-14	2021-10-31	96.82%	12,765,334	-	25,121,093	-
Ma'aden PAP	2013-12-19	2021-11-28	99.06%	-	-	-	-
NRP Project	2015-10-28	2021-10-31	91.47%	-	-	31,137,312	-
Biskra SCPP	2013-10-20	2020-06-30	100.00%	-	-	112,020	-
				₩ 79,459,076	-	915,812,945	17,849,545

<sup>1</sup> Above construction contracts include construction sites that are physically complete but delayed due to late issuance of completion certificate, demand for construction defects, request for change order and etc.



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(5) Due to the factors causing the rise in domestic and overseas construction costs in 2020, the estimated total revenue and estimated total costs for contracts in which contract revenue has been generated during the current period have changed. Details of changes in estimated total contract costs, profits or loss for the year and the succeeding year, and the impact on due from customers for contract work are as follows:

<i>(In thousands of Korean won)</i>	<b>Balance of provision for construction</b>	<b>Changes in estimated total contract revenue</b>	<b>Changes in estimated total contract cost</b>	<b>Impact on profit or loss for the year</b>	<b>Impact on profit or loss for the succeeding year</b>	<b>Changes in Due from customers for contract work</b>
Domestic building construction ₩	136,664	112,382,174	88,953,089	16,174,003	7,255,082	16,174,003
Domestic building development	418,424	65,947,174	18,474,035	19,113,638	28,359,501	19,113,638
Domestic civil engineering	6,717,009	79,948,350	31,759,957	17,664,099	30,524,294	17,664,099
Domestic plant construction	-	121,072,831	96,432,859	16,535,860	8,104,112	16,535,860
Overseas contract construction	4,750,060	8,970,386	25,325,459	(17,088,840)	733,767	(17,088,840)
Total	₩ 12,022,158	388,320,916	260,945,399	52,398,760	74,976,757	52,398,760

(6) Iraq BNCP and SI contracts are being delayed from their original schedule due to Iraqi political instability and payment delays. The Group is working with the National Investment Commission of Iraq (NIC), which is the main contractor, to ensure a stable business completion, and these efforts include a stable collection plan and construction period. If the construction period is delayed after 2027 despite such efforts, the effect on the profit or loss will be as follows depending on the costs incurred additionally.

<i>(In thousands of Korean won)</i>	<b>1 Years</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>
Effect on profit or loss ₩	(19,007,025)	(37,852,551)	(56,538,629)	(75,067,276)	(93,440,476)

### 30. Equity

(1) The Group's total number of authorized shares is 80,000,000 shares. The Group's capital as of December 2020 and 2019 are as follows:

<i>(In thousands of Korean won and number of shares)</i>	<b>2020</b>		<b>2019</b>	
	<b>Ordinary share</b>	<b>Preferred stock<sup>1</sup></b>	<b>Ordinary share</b>	<b>Preferred stock<sup>1</sup></b>
Number of issued shares	28,000,000	1,658,738	28,000,000	2,137,206
Par value (in Won) ₩	5,000	5,000	5,000	5,000
Capital stock ₩	140,000,000	13,078,000	140,000,000	13,078,000

<sup>1</sup> The Group redeemed 478,394 shares of redeemable convertible preferred shares in 2017, 478,368 shares of redeemable convertible preferred shares in 2020. In accordance with retirement of preferred shares, the Group's share capital differs from the aggregate par value of issued shares.

(2) The Group issued redeemable convertible preferred shares. The Group owns redemption right of the redeemable convertible preferred shares, which has no obligation under the contract to transfer the financial assets, such as cash and cash equivalents, to the other party and has been classified as other components of equity. The details are as follows:

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(i) 1<sup>st</sup> Issuance

	<b>Details</b>
Purpose of the issuance	Securing liquidity and improving financial structure
Type of the issued stocks	Non-cumulative non-participating preferred stock
Total number of stocks issued	1,913,800 shares
Issue price per share (in Won)	₩ 209,000
Voting right	No voting right
Rate of dividend	2020-2023: 3.55%, 4.70%, 4.65%, and 0%, respectively. 2024 and thereafter: average rate of return of Hanwha Engineering and Construction Corp, valued by three private bond valuation institutions +50bp
Redemption right	i) Redemption: Hanwha Engineering and Construction Corp. has a right to request redemption of all or part of the preferred shares, assuming that distributable income is available (Notice date: March 23, 2023 and Redemption date: June 26, 2024). ii) Redemption after maturity: Hanwha Engineering and Construction Corp. has a right to redeem all or part of the preferred shares every year, assuming that distributable income is available.
Conversion right	i) Conversion right: Preferred shareholders and preferred share issuing company have conversion right ii) Decision of conversion: Conversion right can be exercised on the 26th of every month from 1 month after June 7, 2020 to June 26, 2024 iii) Conversion rate: 5 ordinary shares per 1 preferred share

The Group redeemed part of the preferred shares (478,394 shares/ ₩ 99,984 million) in June, 2017. And the Group changed condition of issuance in relation to 1,913,800 shares of the redeemable convertible preferred shares, amounting to ₩ 399,984 million, issued on June 26, 2014. In this regard, on May 30, 2017, the Group published a correction notice in the Reports on Material Facts (decision on capital increase).

Hanwha corporation, the parent company of the Group, entered into a shareholder's contract for the settlement and the exercise of appraisal rights of the redeemable convertible preferred shares with Recon Co., Ltd., a preferred share investor.

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(ii) 2<sup>nd</sup> Issuance

	<b>Details</b>
Type of the issued stocks	Non-cumulative non-participating preferred stock
Total number of stocks issued	701,800 shares
Issue price per share (in Won)	₩ 285,000
Voting right	No voting right
Rate of dividend	The Group primarily distributes dividends to preferred shareholders up to 1% of the net income. Preferred dividends are non-cumulative and non-participation (Distribution of dividends may change subject to legislation)
Redemption right	i) Redemption: with assumption that the Group has more than ₩1,000,000 million of profit for the year, residual preferred shares that are not converted on April 18, 2021, may be redeemed at the price listed below ii) Redemption price: redeem each preferred share at issue price
Conversion right	i) Conversion right: Preferred shareholders have conversion right ii) Conversion date: Starting from April 11, 2017 to 2046, shareholders may redeem on April 11 every year (Distribution of dividends may change subject to legislation). iii) Conversion rate: 8 ordinary shares per 1 preferred share

Hanwha Corporation fully participated in the 2<sup>nd</sup> issuance of redeemable convertible preferred shares.

(3) Composition of capital surplus as of December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Paid-in-capital	₩	209,620,101	209,620,101
Other capital surplus		20,671,372	20,682,882
Total	₩	<u>230,291,473</u>	<u>230,302,983</u>

(4) Composition and changes in other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>		
		<b>Beginning</b>	<b>Increase (Decrease)</b>	<b>Ending</b>
Gain(loss) on valuation of available-for-sale financial assets	₩	10,738	4,999	15,737
Changes in equity of equity method investments		478,655,478	(32,601,446)	446,054,032
Foreign currency translation differences		(70,834,723)	1,295,031	(69,539,692)
Total	₩	<u>407,831,493</u>	<u>(31,301,416)</u>	<u>376,530,078</u>

  

		<b>2019</b>		
		<b>Beginning</b>	<b>Increase (Decrease)</b>	<b>Ending</b>
Gain(loss) on valuation of available-for-sale financial assets	₩	7,345	3,393	10,738
Changes in equity of equity method investments		11,326,030	467,329,448	478,655,478
Foreign currency translation differences		(52,956,416)	(17,878,307)	(70,834,723)
Total	₩	<u>(41,623,041)</u>	<u>449,454,534</u>	<u>407,831,493</u>

The above accumulated other comprehensive income is net of income tax effect.

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(5) Retained earnings as of December 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Legal reserve	₩ 10,309,756	10,309,756
Unappropriated retained earnings	1,072,136,538	1,092,010,911
Total	₩ 1,082,446,294	1,102,320,667

### 31. Selling and Administrative Expense

Sales and administrative expenses for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Salaries	₩ 85,432,023	76,231,408
Post-employment benefit	11,010,781	9,773,426
Other long-term employee benefits	1,517,898	3,462,321
Employee welfare expenses	11,764,162	11,116,181
Rental expense	1,908,782	3,166,566
Entertainment	2,443,108	2,153,491
Depreciation	1,179,589	1,901,981
Amortization	2,095,022	1,377,637
Depreciation of lease assets	11,478,800	8,111,535
Taxes and dues	8,805,384	6,191,347
Advertising	46,070,636	39,095,334
Impairment loss (reversal)	18,535,431	(2,844,122)
Travels	862,589	1,092,707
Overseas travels	252,877	1,118,169
Outsourcing	2,478,704	12,009,945
Commission expense	18,371,804	18,365,844
Development expense	862,100	1,718,490
Warranty expense	5,883,637	2,473,227
Training	606,949	1,705,626
Communication	4,771,032	4,076,632
Others	3,998,310	3,242,467
Promotional expense	31,577,507	25,437,480
Total	₩ 271,907,125	230,977,692

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**32. Expense by Nature**

Expenses by nature for the years ended December 31, 2020 and 2019 are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Raw materials	₩	840,559,208	1,137,156,198
Outsourcing		1,631,351,063	1,727,239,848
Employee benefits		319,306,784	355,409,174
Post-employment benefits		31,091,994	28,240,860
Employee welfare expenses		59,726,781	67,503,057
Taxes and dues		30,415,073	28,912,812
Rental expense		13,627,536	1,577,828
Commission expense		201,582,114	237,654,950
Depreciation		4,612,209	9,870,510
Amortization		1,913,159	1,377,637
Depreciation of lease assets		26,219,481	24,962,178
Impairment loss (reversal)		18,457,186	(2,844,122)
Others		165,030,170	137,947,501
Total <sup>1</sup>	₩	<u>3,343,892,758</u>	<u>3,755,008,431</u>

<sup>1</sup> The total amount is the sum of cost of sales and selling and administrative expenses in the consolidated statement of comprehensive income.

**33. Other Income and Expense**

(1) Other income for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Gain on foreign exchange transactions	₩	7,163,064	11,301,371
Gain on foreign exchange translation		3,348,921	11,688,922
Gain on valuation of derivatives		745,407	5,703,931
Gain on transactions of derivatives		719,630	720,459
Gain on valuation of financial assets at fair value through profit of loss		720,884	1,550,210
Gain on transactions of financial assets at fair value through profit of loss		-	1,331,630
Gain on disposal of investment properties		6,331,661	856,438
Gain on disposal of property, plant and equipment		59,079	19,256
Gain on disposal of assets held for sale		1,787,162	4,831,458
Reversal of impairment loss on other receivables		15,629,716	2,559,788
Reversal of other provisions		23,552,446	11,036,502
Others		11,410,181	10,437,449
Total	₩	<u>71,468,151</u>	<u>62,037,414</u>

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(2) Other expense for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Loss on foreign exchange transactions	₩	2,462,505	6,878,393
Loss on foreign exchange translation		2,847,501	3,731,130
Loss on valuation of derivatives		14,156,260	745,407
Loss on valuation of financial assets at fair value through profit of loss		387,170	17,771,936
Loss on disposal of financial assets at fair value through profit of loss		775,035	2,882
Loss on transactions of derivatives		709,784	1,617,226
Impairment loss on investment properties		-	2,491,825
Impairment loss on other receivables		23,784,906	4,091,815
Commission expense		4,049,082	1,274,471
Loss on disposal of property, plant and equipment		94,440	72,745
Loss on disposal of available-for-sale financial assets		232	-
Donations		832,195	1,173,490
Others		25,499,489	85,589,350
Total	₩	<u>75,598,599</u>	<u>125,440,670</u>

**34. Finance Income and Costs**

(1) Finance income for the years ended December 31, 2020 and 2019 are as follows

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Interest income			
Financial assets at fair value through profit or loss	₩	69	52
Financial assets at amortized cost		8,911,053	18,193,784
Dividends income		1,553,390	763,459
Total	₩	<u>10,464,512</u>	<u>18,957,295</u>

(2) Finance cost for the years ended December 31, 2020 and 2019 are as follows

<i>(In thousands of Korean won)</i>		<b>2020</b>	<b>2019</b>
Interest expense			
Bonds and borrowings	₩	72,336,090	79,953,251
Amortized interest on lease liabilities		5,035,666	1,497,209
Total finance cost		77,371,757	81,450,460
Less: capitalized borrowing costs <sup>1</sup>		(1,986,164)	(3,470,586)
Total	₩	<u>75,385,593</u>	<u>77,979,874</u>

<sup>1</sup> It represents the amounts capitalized on qualifying assets for the year ended December 31, 2020. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible of capitalization is 3.96%~4.15% (2019: 4.31%~4.65%)

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**35. Income Tax Expense and Deferred Income tax**

(1) The component of income tax expense for the years ended December 31, 2020, and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Current tax:		
Current tax on profit for the year	₩ 71,168,841	58,592,968
Adjustments in respect of prior years	17,757,358	(10,792,302)
Total current income tax	<u>88,926,199</u>	<u>47,800,666</u>
Deferred income tax:		
Origination and reversal of temporary differences	13,930,902	99,929,825
total deferred income tax	<u>13,930,902</u>	<u>99,929,825</u>
Current adjustments		
Income tax charged directly to equity	22,950,565	(97,025,629)
Tax effects due to changes in accounting policy	-	-
Others	<u>(2,810,975)</u>	<u>(4,539,656)</u>
Income tax expenses	<u>₩ 122,996,691</u>	<u>46,165,206</u>

(2) The relationship between tax expense and profit (loss) before income taxes for the years ended December 31, 2020 and 2019, is as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Profit before income taxes	₩ 202,501,614	167,965,494
Income taxes computed at statutory rate	48,016,154	39,513,278
Adjustments:		
Income not subject to tax	(113,282)	(1,500,056)
Expenses not deductible for the purposes	6,514,062	1,849,300
Re-measurement of deferred tax - change in the Korean tax rate	-	-
Effects due to tax deficit	(95,724)	-
Prior Income Tax Effect	17,714,531	(10,792,302)
Others	<u>50,960,950</u>	<u>17,094,985</u>
Total adjustments	<u>74,980,537</u>	<u>6,651,927</u>
Income tax expense	<u>₩ 122,996,691</u>	<u>46,165,206</u>
Effective tax rate	60.74%	27.48%

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(3) The tax effect recognized directly in equity for the years ended December 31, 2020 and 2019, are as follows:

		<b>2020</b>		
		<b>Before tax</b>	<b>Tax effect</b>	<b>After Tax</b>
		<i>(In thousands of Korean won)</i>		
	₩			
Deferred tax:				
Financial assets at fair value through other comprehensive income (debt instruments)		5,010	(11)	4,999
Changes in the fair value of available-for-sale financial assets		-	-	-
Share of other comprehensive income of associates		(39,725,721)	7,124,276	(32,601,446)
Exchange differences on translation of foreign operations		(16,560,422)	17,855,453	1,295,031
Current tax:				
Remeasurements of net defined benefit liabilities		7,042,330	(2,029,153)	5,013,177
Changes in retained earnings from equity method		-	-	-
Total	₩	<u>(49,238,803)</u>	<u>22,950,565</u>	<u>(26,288,238)</u>
		<i>(In thousands of Korean won)</i>		
		<b>2019</b>		
		<b>Before tax</b>	<b>Tax effect</b>	<b>After Tax</b>
	₩			
Deferred tax:				
Financial assets at fair value through other comprehensive income (debt instruments)		3,394	(1)	3,393
Changes in the fair value of available-for-sale financial assets		-	-	-
Share of other comprehensive income of associates		563,003,899	(95,674,451)	467,329,448
Exchange differences on translation of foreign operations		(14,596,789)	(3,281,517)	(17,878,307)
Current tax:				
Remeasurements of net defined benefit liabilities		(6,305,535)	1,832,014	(4,473,521)
Changes in retained earnings from equity method		(406,305)	98,326	(307,979)
Total	₩	<u>541,698,664</u>	<u>(97,025,629)</u>	<u>444,673,034</u>

(4) The analyses of deferred tax assets and deferred tax liabilities as of December 31, 2020 and 2019, are as follows:

		<b>2020</b>	<b>2019</b>
Deferred tax assets			
Deferred tax assets to be recovered after 12 months	₩	414,214,305	419,728,561
Deferred tax assets to be recovered within 12 months		42,449,163	11,231,416
		<u>456,663,468</u>	<u>430,959,977</u>
Deferred tax liabilities			
Deferred tax liabilities to be recovered after 12 months		(512,125,639)	(467,156,529)
Deferred tax liabilities to be recovered within 12 months		(448,727)	(5,783,444)
		<u>(512,574,366)</u>	<u>(472,939,973)</u>
Deferred tax assets (liabilities), net	₩	<u>(55,910,898)</u>	<u>(41,979,996)</u>



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(5) The changes in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<i>(In thousands of Korean won)</i>		<b>2020</b>			
		<b>Beginning balance</b>	<b>Profit or loss</b>	<b>Other comprehensive income</b>	<b>Ending balance</b>
<b>Deferred tax liabilities</b>					
Investment in subsidiaries and associates	₩	(342,771,331)	(7,306,847)	7,124,276	(342,953,903)
Revaluation of land		(11,252,671)	-	-	(11,252,671)
Salaries		(4,977,863)	443,832	(2,029,153)	(6,563,184)
Property, plant, and equipment		-	598,636	-	598,636
Foreign currency translation difference		-	-	-	-
Discount of present value		(967,252)	(413,105)	-	(1,380,357)
Changes in the fair value of available-for-sale financial assets		(3,710,083)	-	-	(3,710,083)
Borrowing costs for construction		(2,827,399)	82,299	-	(2,745,100)
Construction contracts (Due to Customers/ Due from Customers etc.)		-	-	-	-
Others		(106,433,374)	(38,134,329)	-	(144,567,703)
	₩	<u>(472,939,973)</u>	<u>(44,729,516)</u>	<u>5,095,123</u>	<u>(512,574,366)</u>
<b>Deferred tax assets</b>					
Provision for impairment on receivables	₩	144,417,894	39,593,383	-	184,011,277
Salaries		41,430,830	226,079	44,513	41,701,422
Impairment loss		14,425,122	(11,740,782)	-	2,684,340
Provisions		90,779,932	(25,165,847)	-	65,614,085
Investment property		-	(5,423)	-	(5,423)
Changes in the fair value of available-for-sale financial assets		14,441,626	1,207,203	(11,046)	15,637,783
Depreciation		8,719,108	(1,510,957)	-	7,208,151
Others		27,319,988	4,258,931	-	31,578,919
Foreign currency translation difference		11,450,086	-	17,855,453	29,305,539
Net loss carryforwards		55,418,414	1,240,025	-	56,658,439
Property, plant, and equipment		22,556,977	(288,043)	-	22,268,934
	₩	<u>430,959,977</u>	<u>7,814,570</u>	<u>17,888,920</u>	<u>456,663,468</u>

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		2019			
<i>(In thousands of Korean won)</i>		Beginning balance	Profit or loss	Other comprehensive income	Ending balance
<b>Deferred tax liabilities</b>					
Investment in subsidiaries and associates	₩	(251,581,862)	4,484,982	(95,674,451)	(342,771,331)
Revaluation of land		(13,144,887)	1,892,216	-	(11,252,671)
Salaries		(5,109,928)	92,430	39,635	(4,977,863)
Discount of present value		(1,106,746)	139,494	-	(967,252)
Changes in the fair value of available-for-sale financial assets		(2,445,196)	(1,264,887)	-	(3,710,083)
Borrowing costs for construction		(1,539,161)	(1,288,238)	-	(2,827,399)
Others		(61,074,254)	(45,359,120)	-	(106,433,374)
	₩	<u>(336,002,034)</u>	<u>(41,303,123)</u>	<u>(95,634,816)</u>	<u>(472,939,973)</u>
<b>Deferred tax assets</b>					
Provision for impairment on receivables	₩	149,013,874	(4,595,980)	-	144,417,894
Salaries		42,280,886	(1,739,561)	889,505	41,430,830
Impairment loss		15,265,754	(840,632)	-	14,425,122
Provisions		76,659,444	14,120,488	-	90,779,932
Changes in the fair value of available-for-sale financial assets		8,104,043	6,337,583	-	14,441,626
Depreciation		9,717,074	(997,966)	-	8,719,108
Others		65,503	27,254,485	-	27,319,988
Foreign currency translation difference		13,730,404	-	(2,280,318)	11,450,086
Net loss carryforwards		56,658,439	(1,240,025)	-	55,418,414
Property, plant, and equipment		22,456,441	100,536	-	22,556,977
	₩	<u>393,951,862</u>	<u>38,398,928</u>	<u>(1,390,813)</u>	<u>430,959,977</u>

(6) Details of deductible (taxable) temporary differences unrecognized as deferred tax assets (liabilities) as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>		2020	2019	Remarks
Accumulated loss of subsidiaries	₩	937,048	928,403	Taxable profit is not probable
Investments in associates		131,141	114,925	No plan for disposal
Property, plant and equipment		(8,475)	(14,537)	No effect on net income or taxable income at the time of the transaction

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**36. Commitments and Contingencies**

(1) As of December 31, 2020, details of borrowing agreements of the Group with financial institution are as follow:

*(In thousands of Korean won and in USD)*

Type		Limit
Bank overdraft agreement	KRW	2,000,000
Import letter of credit (Usance)	USD	75,000,000
Other borrowings	KRW	658,060,605

(2) As of December 31, 2020, the Group provided 10 notes amounting to ₩ 141,905,045 thousand, and 17 blank checks as collateral for its borrowings, guarantees for construction performance and warranties, and guarantees on capital commitments.

(3) As of December 31, 2020, the Group is a plaintiff in 15 cases amounting to ₩ 107,279 million and defendant in 39 cases amounting to ₩ 382,111 million. The lawsuits' outcome cannot yet be determined.

(4) Credit enhancements provided to others on Project Financing

1) Credit enhancements regarding PF for the developer as of December 31, 2020 and 2019, are as follows:

*(In millions of Korean won)*

		2020		2019	
		Warranty balance	Loan balance	Warranty balance	Loan balance
ABSTB	₩	94,300	89,800	427,000	356,500
Other PF Loan		122,795	107,795	16,444	16,444
Total	₩	217,095	197,595	443,444	372,944

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2) Loans to developers related to the Group's project as of December 31, 2020, are as follows:

(In millions of Korean won)

<b>Developer:</b>	<b>Creditors</b>	<b>PF balance</b>	<b>Guarantee</b>	<b>Loan period</b>	<b>Status</b>	<b>Remark</b>
Classeville Co., Ltd	Korea Investment Securities Co., Ltd.	ABSTB: ₩ 10,000	Joint guarantee	2020.11.06~ 2021.11.04	Completion	Refinancing
Classeville Co., Ltd	IBK Capital	Loan: ₩ 27,800	Takeover of debt	2020.05.25~ 2022.05.25	Completion	Refinancing
Galleriaforet Corp.	Hi Investment & Securities Eujene	ABSTB: ₩ 57,000	Joint guarantee	2020.08.21~ 2021.08.19	Completion	Refinancing
Woorim Moonhwasa	Investment & Securities Co., LTD.	ABSTB: ₩ 17,800	Takeover of debt	2020.07.28~ 2022.01.27	Construction not yet started	Refinancing
Dabok village Housing Redevelopment and Maintenance business Cooperative	WOORI Bank and one other	Loan: ₩ 8,942	Joint guarantee	2019.04.15~ 2023.06.30	Construction not yet started	New loan
HyunJin Construction Co., Ltd	Yongin Green Charly	Loan: ₩ 50,000	Joint guarantee	2020.04.29~ 2021.05.14	Construction not yet started	New loan
Deokcheon 2 District Housing Reconstruction and Maintenance Cooperative	MIRAE ASSET Life Insurance CO., Ltd.	Loan: ₩ 6,032	Joint guarantee	2020.06.25~ 2024.01.31	Construction not yet started	New loan
Gwangmyeong 1R Housing Reconstruction and Maintenance Cooperative	Hanwha Life Insurance Co., Ltd and one other	Loan: ₩ 6,131	Joint guarantee	2020.07.06~ 2025.03.31	Construction not yet started	New loan
Ansan Gojan District 8 rebuilding	Kookmin Bank	Loan: ₩ 3,055	Joint guarantee	2020.07.09~ 2023.07.31	Construction not yet started	New loan
Gwangju Unam Complex 3 rebuilding	Nonghyup Bank and three other banks.	Loan: ₩ 5,835	Joint guarantee	2020.09.28~ 2024.07.29	Construction not yet started	New loan
YONGIN JS	Eco fine three 3 <sup>rd</sup> Co., Ltd.	ABSTB: ₩ 5,000	Joint guarantee	2020.11.11~ 2021.11.10	Construction not yet started	New loan
		₩ 197,595				

3) The Group provides conditioned-level debt acquisition agreements for 28 business builders, including Munjang Construction Co., Ltd., on the way to completion of the liability completion of ₩ 2,223,689 million for the year ended December 31, 2020.

(5) The Group is jointly and severally liable for the guarantees in relation to the sale-in lot instalment payments and moving expenses of housing-project members amounting to ₩ 1,215,260 million for up to ₩ 3,405,389 million.

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(6) Grant of stock options to financial investors

As of December 31, 2020, the Group granted stock options (put back options) to the financial investors of the following developers.

<b>Ulsan Green Inc.</b>	
Exercise period	From the start to the end of business operation
Shares to be purchased	Entire equity capital invested by the financial investors
Expected stock price	Face value (₩ 3,507 million)
Condition for exercise	(1) From the start date of business operation ~ 5 years: under 90% of the expected revenue (2) 5 ~ 10 years: under 85% of the expected revenue (3) After 10 years: under 80% of the expected revenue

<b>Wonju Green Corporation</b>	
Exercise period	After 2 years from the start date of business operation and up to 15 years
Shares to be purchased	Entire equity capital invested by the financial investors
Expected stock price	Face value (₩ 5,236 million)
Condition for exercise	Actual royalty income of a certain year is less the fixed ratio of standard expected royalty income (determined per year) of the year

<b>Jeju Ecotech Co., Ltd.</b>	
Exercise period	From the start of stock acquisition by financial investor to the end of business operation
Shares to be purchased	Entire equity capital invested by the financial investors
Expected stock price	Face value (₩ 898 million)
Condition for exercise	(1) Cancel the designated participant or revoke the agreement (2) Whole or the part of PF agreement is ineffective due to the fault of the business and construction investors (3) Declare the loss of profit within period based on the agreement

(7) Loan commitment provided by the Group

As of December 31, 2020, the Group provided a cash deficiency support agreements of up to ₩ 414,960 million with the business and construction investors for the shortfall of the loan principal of 10 SOC corporations, including Kyeonggi East-west Circulation Corp. in relation to SOC business. Additional losses may be incurred in relation to this agreement. However, the accompanying financial statements do not include any effect from the possible losses because the losses are not probable to be realized. In addition when the contract is terminated or a claim is made from the competent authority, the SOC construction investors have agreements to provide a cash deficiency if there is a shortage in the repayment of the loan principal at payment upon termination or the purchase price is insufficient.

(8) Loan agreement provided by the Group

As of December 31, 2020, the Group has entered into 37 loan agreements with a limit of ₩ 1,147,980 million (interest-free ₩ 968,532 million) with the redevelopment/reconstruction cooperative and developers for the maintenance business and subcontract business including Gwangmyeong 14R District reconstruction, and there are 3 other loan agreements without limit agreement. In relation to this, the Group recognizes loans of ₩ 161,786 million as other financial assets.

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**37. Related Party Transactions**

(1) Details of related parties of the Group as of December 31, 2020, are as follows:

Relationship	Name
Parent Company of the Group	Hanwha Corporation Hanwha Life Insurance Co. Hanwha Savings Bank Co, Ltd. Galleriaforet Corp. H Valley Co.,Ltd. Ilsan Seaworld,Co.,Ltd. Jeju academy Co., Ltd.
Domestic associates	Gyungbook ECO, Edu Co., Ltd. Ulsan harbor Bridge Co., Ltd. Wonju Green Corporation Jeju Eco Energy Co., Ltd. Daehan New Stay REIT 1 Daehan New Stay REIT 5 Seoulyeokbukbuyeoksegwon Development Co. <sup>1</sup>
Foreign associate	Arabia One For Clean Energy Investments PSC Sao Sang Sai Gon Joint Stock Company <sup>2</sup>
Other related parties <sup>3</sup>	Subsidiaries and associates of Hanwha Corporation.

<sup>1</sup> Seoulyeokbukbuyeoksegwon Development Co. has been included in domestic associates during the year ended December 31, 2020.

<sup>2</sup> Sao Sang Sai Gon Co., Ltd. has been included in foreign associates during the year ended December 31, 2020.

<sup>3</sup> Although the entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the Large Enterprise Group to which the Group also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

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(2) Outstanding balances arising from sales/purchases of goods and services as of December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

Type	Name of entity	2020					
		Receivables			Payables		
		Trade receivables	Loans	Other receivables	Trade payables	Other payables	Lease liabilities
Parent company of the Group Associates	Hanwaha Corporation	₩ 2,587,219	-	-	7,343,064	49,173	-
	H Valley Co., Ltd.	-	-	-	-	95,017	-
	Hanwaha Life Insurance Co., Ltd	391,867	-	21,560,314	-	100	63,290,333
	Galleriaforet Corp.1	29,286,657	-	-	-	-	-
	Arabia One For Clean Energy Investments PSC	-	425,133	-	-	-	-
other	Wonju Green Corporation	3,445,708	-	-	-	-	-
	Hanwaha Solution Corporation2	10,666,566	-	-	-	5,765,987	783,929
	Hanwaha Galleria Corporation	1,592,019	-	91	42,923	7,601	-
	Hanwaha Hotel & Resort Corporation	3,024,246	-	17,632,237	1,063,157	1,866,874	-
	Hanwaha Q CELLS & Advanced Materials Corporation	114,619	-	-	-	-	-
	Hanwaha Energy Co., Ltd.	71,172	-	-	-	-	-
	Hanwaha Galleria Time World Co., Ltd.	98,064	-	-	-	-	-
	Hanwaha Global asset Co	21,700	-	-	-	-	-
	Hanwaha General Insurance Co., Ltd.	1,119,486	-	-	-	3,388	-
	Yeochun NCC Co., Ltd.	18,938,877	-	-	-	24,777,657	-
	PLAZA D&C Co., Ltd.	18,817	-	2,081,813	-	-	-
	Hanwaha Systems Co., Ltd.	191,623	-	-	3,408,067	1,157,292	-
	Hanwaha Station development Co., Ltd.	392,540	-	-	-	-	3,982
	Hanwaha B&B Co., Ltd.	-	-	-	-	156	-
	Hanwaha Total Petrochemical Co., Ltd.	20,367,264	-	-	984	4,861,859	-
	Hanwaha General Chemical Co., Ltd.	32,152	-	-	-	-	-
	Gyeonggi yongin Techno Valley Co., Ltd.	776,036	-	-	-	608,791	-
	Hanwaha Eagles Professional Baseball Club	102,475	-	198,706	-	-	-
	Hanwaha Defense Co., Ltd.	4,125,658	-	-	-	-	-
	Hanwaha Aerospace Co., Ltd.	344,920	-	-	-	-	-
	Hanwaha 63 City Corporation	118,833	-	-	-	-	-
	Hanwaha Techwin Co., Ltd.	21,857	-	-	56,650	-	-
	SIT Co., Ltd.	-	-	-	143,154	-	-
	Hanwaha Compound Co., Ltd.	12,231	-	-	-	-	-
	Daesan Green Energy	6,710	-	-	-	-	-
Recon Co., Ltd	-	1,000,000	-	-	-	-	
Total		₩ 97,869,316	1,425,133	41,473,161	12,057,999	39,193,895	64,078,244

<sup>1</sup> Amount before deducting provision for impairment on construction receivables of ₩ 29,326 million.

<sup>2</sup> With the merger date of January 1, 2020, Hanwaha Chemical Co., Ltd. Completed the merger with its subsidiary Hanwaha Q CELLS & Advanced Materials Corporation, and the registration date of the merger is January 6, 2020. After the merger, the company name was changed from Hanwaha Chemical Co.,Ltd. Hanwaha Solutions Co., Ltd.

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Type	Name of entity	2019					
		Receivables			Payables		
		Trade receivables	Loans	Other receivables	Trade payables	Other payables	Lease liabilities
Parent company of the Group Associates	Hanwha Corporation	₩ 1,160,564	-	1,447,959	153,022	2,966,445	-
	H Valley Co., Ltd.	-	-	-	-	2,133,549	-
	Hanwha Life Insurance Co., Ltd	-	-	17,985,628	-	15,467,516	64,643,395
	Galleriaforet Corp.1	30,286,657	-	-	-	-	-
	Arabia One For Clean Energy Investments PSC	-	469,404	-	-	-	-
	Wonju Green Corporation	3,169,858	-	-	-	-	-
other	Daehan New Stay REIT 5	41,713	-	-	-	-	-
	Hanwha Chemical Corporation	8,175,720	-	82,659	-	21,008,336	862,797
	Hanwha Galleria Corporation	58,897,710	-	-	64,149	10,017,802	-
	Hanwha Hotel & Resort Corporation	1,955,863	-	19,872,957	54,458	55,780	-
	Hanwha Investment & Securities Co., Ltd.2	-	-	1	-	-	-
	Hanwha General Insurance Co., Ltd.	845,734	-	7,749	-	5,772,335	-
	Yeochun NCC Co., Ltd.	25,730,998	-	-	-	46,828,638	-
	Gimhae Techno Valley	-	-	-	-	1,537,157	-
	Hanwha Systems Co., Ltd.	111,784	-	-	4,950,545	3,874,640	-
	Hanwha Power Systems Co., Ltd.	-	-	-	3,170,539	-	-
	Hanwha Total Petrochemical Co., Ltd.	41,761,980	-	-	520	31,349,687	-
	Hanwha Q CELLS & Advanced Materials Corporation	120,644	-	-	-	-	-
	Hanwha Aerospace Co., Ltd.	9,166,529	-	-	-	-	-
	Hanwha Energy Co., Ltd.	69,776	-	-	-	-	-
	Hanwha Asset Management Co., Ltd.	184	-	-	-	-	-
	PLAZA D&C Co., Ltd	31,808	-	-	-	-	-
	Hanwha Compound Co., Ltd.	11,899	-	-	-	-	-
	Hanwha Station development Co., Ltd.	369,124	-	-	-	-	27,358
	Hanwha General Chemical Co., Ltd.	31,422	-	-	-	-	-
	Hanwha Galleria Timeworld	426,104	-	-	-	-	-
	Hanwha Global Asset Corporation	21,203	-	-	-	-	-
	Hanwha B&B Co., Ltd.	-	-	-	-	220	-
	Gyeonggi yongin Techno Valley Co., Ltd.	1,350,409	-	-	-	689,140	-
	S&P World Networks DMCC	-	-	-	-	90,873,096	-
	Blue Albatross FZE	-	-	-	-	1,748,311	-
	Hanwha Eagles Professional Baseball Club	100,079	-	278,554	-	-	-
	Hanwha Defense Co., Ltd.	728,106	-	-	-	2,556,232	-
	Seosan Techno Valley	-	-	-	-	1,065,039	-
	Hanwha 63 City Corporation	1,388,310	-	213	-	187,641	-
	Hanwha Techwin Co., Ltd.	20,790	-	-	-	-	-
SIT Co., Ltd.	-	-	-	268,225	-	-	
Hanwha City Development Co., Ltd.	-	-	-	-	393,600	-	
Daesan Green Energy	-	-	-	-	7,162,938	-	
Total		₩ 185,974,968	469,404	39,675,720	8,661,458	245,688,101	65,533,550

<sup>1</sup> Amount before deducting provision for impairment on construction receivables and loans of ₩ 30,287 million.

<sup>2</sup> The Group has entered into a repurchase agreement (RP) with Hanwha Investment & Securities Co., Ltd. Amounting to ₩ 160,721 million.



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(3) Sales and purchases with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

Name of company	2020		
	Sales	Other income	Purchase
Parent			
Hanwha Corporation	₩ 5,487,997	1,040,009	34,298,970
Associates			
H Valley Co., Ltd.	2,038,531	-	-
Hanwha Life Insurance Co. <sup>1</sup>	15,467,292	339,145	8,530,193
Wonju Green Corporation	1,929,218	-	-
Daehan New Stay REIT 5	(41,713)	-	-
Seoulyeokbukbuyeoksegwon Development Co.	8,945,578	738,382	-
Others			248,206
Hanwha Solutions Corporation (formerly, Hanwha Chemical Co., Ltd.) <sup>2</sup>	172,425,235	74,355	-
Hanwha Energy Corporation	782,418	8,327	-
Hanwha Galleria Corporation	87,769,888	50,126,400	2,451,751
Hanwha Hotel & Resort Corporation	14,722,327	6,480	25,581,243
Hanwha Life Asset Co., Ltd	20,000	-	-
Hanwha Systems Co., Ltd.	3,019,514	2,115,960	39,647,629
Hanwha Eagles Professional Baseball Club	1,117,904	256,500	1,253,868
Hanwha City Development Co., Ltd.	-	437,924	-
Hanwha Defense Systems Corp.	24,054,797	6,399,696	-
Hanwha Investment & Securities Co., Ltd.	45,497	6,000	16,384
Hanwha General Insurance Co., Ltd.	21,301,906	452,218	5,621,307
Seosan Techno Valley	1,065,039	-	-
Hanwha Asset Management Co., Ltd.	-	1,727	-
Carrot Insurance	-	908,700	-
Hanwha B&B Co., Ltd.	-	-	1,877
PLAZA D&C Co., Ltd.	255,539	3,053,223	-
Hanwha Aerospace Co., Ltd	5,295,650	1,506,779	-
Yeocheon NCC Co., Ltd.	252,156,316	40,080	-
Hanwha Q CELLS & Advanced Materials Corporation	1,230,477	295,451	-
Hanwha Global Asset Corporation	236,726	-	-
Hanwha Galleria Timeworld	1,996,560	-	-
Hanwha Compound Co., Ltd.	133,428	980	-
Gimhae Techno Valley	1,537,157	-	-
Hanwha General Chemical Co., Ltd.	651,163	14,200	-
Hanwha Station Development Co., Ltd.	4,266,480	-	86,152
Hanwha Total Petrochemical Co., Ltd.	273,562,709	1,313,995	11,956
Hanwha Techwin Co., Ltd.	238,440	-	525,500
Hanwha 63 City Corporation.	3,569,671	367,800	56,656
Hanwha Power System Co., Ltd.	-	-	778,977
Gyeonggi Yongin Techno Valley Co., Ltd.	2,088,291	-	-
SIT Co., Ltd.	-	-	4,223,807
S&P World Networks DMCC	-	16,112	85,566,451
Blue Albatross FZE	-	-	12,222,809
Daesan Green Energy	7,705,348	-	-
Others	-	36,684	-
Total	₩ 915,075,383	69,557,127	221,123,736

<sup>1</sup> During 2020, there are no right-of-use assets recognized in respect to office lease agreements. The interest expenses amount to ₩ 2,883 million

<sup>2</sup> HANWHA Q Cells & Advanced Materials Corporation merged Hanwha Chemical Co., Ltd at January 1, 2020, and changes its name to Hanwha Solutions Corporation. During 2020, there are no right-of-use assets recognized in respect to office lease agreements. The interest expenses amount to ₩ 89 million

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Name of company	2019		
	Sales	Other income	Purchase
Parent			
Hanwha Corporation	₩ 5,428,320	-	25,832,791
Associates			
H Valley Co., Ltd.	(1,300,388)	-	-
Hanwha Life Insurance Co.	36,922,423	415,057	1,863,609
Ulsan Harbour Bridge Co	132,901	-	-
Wonju Green Corporation	1,737,309	-	-
Daehan New Stay REIT 5	20,400,168	-	-
Arabia One For Clean Energy Investments PSC	-	13,071	-
Others			
Hanwha Solutions Corporation (formerly, Hanwha Chemical Co., Ltd.)	181,810,072	-	262,541
Hanwha Energy Corporation	10,604,731	-	-
Hanwha Galleria Corporation	147,475,017	-	2,261,410
Hanwha Hotel & Resort Corporation	40,666,564	7	6,915,384
Hanwha Systems Co., Ltd.	2,861,414	-	35,009,829
Hanwha Eagles Professional Baseball Club	1,343,771	-	949,796
Hanwha City Development Co., Ltd.	596,148	-	-
Hanwha Defense Systems Corp.	4,436,761	-	-
Hanwha Investment & Securities Co., Ltd.	43,607	466,279	6,999
Hanwha General Insurance Co., Ltd.	51,480,490	5,837,702	8,120,735
Seosan Techno Valley	3,513,658	17,263	-
Yeochun NCC Co., Ltd.	118,589,016	-	-
Hanwha Q CELLS & Advanced Materials Corporation	1,952,917	-	20,926,433
PLAZA D&C Co., Ltd.	43,036	-	-
Hanwha Global Asset Corporation	2,282,613	-	-
Hanwha Savings Bank Co., Ltd.	788,900	-	-
Hanwha Galleria Timeworld	4,744,412	-	-
Hanwha Compound Co., Ltd.	129,803	-	-
Hanwha Asset Management Co., Ltd.	2,012	-	-
Hanwha General Chemical Co., Ltd.	360,974	-	-
Gimhae Techno Valley	1,936,715	-	-
Hanwha Total Petrochemical Co., Ltd.	419,682,145	-	10,929
Hanwha Aerospace Co., Ltd	19,819,699	-	-
Hanwha Techwin Co., Ltd.	226,800	-	685,105
Hanwha Station Development Co., Ltd.	4,018,723	-	26,912
Hanwha B&B Co., Ltd.	-	-	47,060
Hanwha Power Systems Co., Ltd.	-	-	4,726,349
Gyeonggi Yongin Techno Valley Co., Ltd.	18,403,147	-	-
Hanwha 63 City Corporation.	6,097,430	-	252,024
SIT Co., Ltd.	17,200	-	8,725,516
S&P World Networks DMCC	-	-	212,227,055
Blue Albatross FZE	-	-	29,229,207
Daesan Green Energy	33,384,433	-	-
Others	36,684	-	-
Total	₩ 1,140,669,625	6,749,379	358,079,684

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(4) Fund Transactions with related parties for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

Name of entity	2020						
	Loan transactions		Cash contribution	Repayment of shares	Dividends paid	Repayment of preferred shares	Dividends received
	Loans	Collections					
<b>Associates</b>							
Hanwha Life Insurance Co., Ltd. ₩	-	-	-	-	-	-	6,537,577
Sao Sang Sai Gon Joint Stock Company <sup>1</sup>	-	-	8,778,788	-	-	-	-
Seoulyeokbukbuyeoksegwon Development Co. <sup>2</sup>	-	-	26,100,000	-	-	-	-
Jeju Eco Energy Co., Ltd.	-	-	-	(126,000)	-	-	-
<b>Others</b>							
Recon Co., Ltd.	104,599,812	103,599,812	-	-	7,100,001	99,999,812	-
Gyeonggi Yongin Techno Valley Co., Ltd.	-	-	-	-	-	-	700,000
CVnet. Inc.	-	-	-	-	-	-	6,500

<sup>1</sup> Sao Sang Sai Gon Co., Ltd. has been included in foreign associates during the year ended December 31, 2020.

<sup>2</sup> Seoulyeokbukbuyeoksegwon Development Co. has been included in domestic associates during the year ended December 31, 2020.

(In thousands of Korean won)

Name of company	2019			
	Loan transaction		Dividends paid	Dividends received
	Loans	Collections		
<b>Associates</b>				
Hanwha Life Insurance Co., Ltd. ₩	-	-	-	21,791,924
Galleriaforet Corp..	-	1,500,000	-	-
Arabia One For Clean Energy Investments PSC	-	118,275	-	-
<b>Others</b>				
Recon Co., Ltd.	-	-	11,189,995	-
Jeju Ocean Science Museum Corporation	-	-	-	72,667

(5) Key management includes directors (executive and non-executive), members of the Executive Committee, the Group Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services for the years ended December 31, 2020 and 2019, are as follows:

(In thousands of Korean won)

	2020	2019
Short-term salaries ₩	14,301,643	13,507,664
Post-employments benefits	3,693,790	2,942,226
Other long-term benefits <sup>1</sup>	42,343	792
₩	18,037,776	16,450,682

<sup>1</sup> From the current year, other long-term salaries have been generated following the introduction of the cash-settled share-based compensation system.

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(6) During 2020, the Group granted equity-linked cash based on the share value of Hanwha Corporation to certain executives on the condition that they provide service during the vesting period as part of the annual bonus by the Board of Directors resolution.

Grant date	2020-01-29
Exercisable timing	10 years from the grant date
Contract service period	2020
Total number of shares (equity-linked cash) granted	69,776 shares
Fair value of shares granted	₩ 1,974 million
Expenses recognized in the current period (equity-linked cash) <sup>1</sup>	₩ 1,974 million

<sup>1</sup> As of December 31, 2020, ₩ 1,974 million is recognized as long-term accrued expenses in relation to the above-mentioned equity-linked cash.

(7) Lease liabilities

Changes in lease liabilities for related parties, including the entity belongs to the Large Enterprise Group, during the year ended December 31, 2020, are as follows:

(In thousands of Korean won)

Type	Name of entity	2020		
		Beginning balance	Increase (decrease)	Ending balance
<b>Associates</b>	Hanwha Life Insurance Co., Ltd.	₩ 64,643,394	(1,353,061)	63,290,333
<b>Other</b>	Hanwha Solutions Co., Ltd. <sup>1</sup>	862,797	(78,868)	783,929
<b>Other</b>	Hanwha Station Development Co., Ltd.	27,358	(23,375)	3,982

<sup>1</sup> With the merger date of January 1, 2020, Hanwha Chemical Co., Ltd. Completed the merger with its subsidiary Hanwha Q CELLS & Advanced Materials Corporation, and the registration date of the merger is January 6, 2020. After the merger, the company name was changed from Hanwha Chemical Co., Ltd. Hanwha Solutions Co., Ltd.

(8) Guarantee and Collateral

No guarantees are directly provided by the Group for the financial supports to the related parties, but the related parties acquired asset-backed securities issued based on the loans payable of developers which are provided joint surety by the Group as of December 31, 2020.

Details of guarantees and collateral provided by the Group to the related parties as of December 31, 2020, are as follows:

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(i) Guarantees provided by the Group

(In thousands of Korean won)

<u>Name of company</u>	<u>Guaranteed by</u>	<u>Guaranteed amount</u>	<u>Guarantee period</u>	<u>Remark</u>
<b>Associates</b>				
Galleriaforet Corp.	Newhighforet first Corp.	₩ 57,000,000	August 21, 2020 ~ August 19, 2021	Joint guarantees
<b>Others</b>				
Jeju academy Co., Ltd.	Korea Housing & Urban Guarantee Co., Ltd.	61,748	August 30, 2011 ~ August 29, 2021	Warranty guarantees

(ii) Assets pledged as collateral

(In thousands of Korean won)

<u>Name of company</u>	<u>Secured assets</u>	<u>Carrying amount</u>	<u>Secured amount</u>	<u>Provided by</u>
<b>Associates</b>				
Ilsan Seaworld, Co., Ltd.	Shares	₩ -	51,600,000	KB Life Insurance Company
Gyungbook ECO, Edu Co., Ltd	Shares	361,555	49,597,600	Korea BTL Infrastructure Fund
Ulsan harbor Bridge Co.	Shares	-	345,800,000	Kookmin Bank
Wonju Green Corporation	Shares	-	54,860,000	NH Bank
<b>Others</b>				
Jeju Ocean Science Museum Corporation	Shares	-	104,000,000	NH Bank and others

(9) Details of conditioned-level debt acquisition agreements provided by the Group for the related parties as of December 31, 2020, are as follows:

(In thousands of Korean won)

<u>Type</u>	<u>Name of company</u>	<u>Business type</u>	<u>Amount</u>
Associates	Wonju Green Corporation	SOC	₩ 20,000,000
Others	Yeosu Sea World Corporation	SOC	3,000,000
Total			₩ 23,000,000

Additional losses may be incurred in relation to this agreement; however, the accompanying financial statements do not reflect any effects from the possible losses because the losses are not probable to be realized.

(10) At the date of the statement of financial position, the Group has to repay the loan principals and interests if funds of related parties for SOC project are insufficient when the convention is terminated or a purchase claim is made from the relevant government office.

<u>Type</u>	<u>Name of company</u>	<u>Business type</u>
Associates	Gyungbook ECO, Edu Co., Ltd.	SOC
Associates	Wonju Green Corporation <sup>1</sup>	SOC
Others	Jeju Ocean Science Museum Corporation	SOC
Others	Yeosu Sea World Corporation	SOC

<sup>1</sup> Wonju green Corporation is in the process of restructuring the business, and the related probable loss is set as contingent loss. If the current restructuring process is unsuccessful, additional losses may be incurred in relation to cash deficiency support and repayment obligation; however. The losses are not probable to be realized.

Additional losses may be incurred in relation to this agreement; however, the accompanying financial statements do not reflect any effects from the possible losses because the losses are not probable to be realized.

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**38. Earnings per Share**

(1) Basic earnings per share for the years ended December 31, 2020 and 2019, are follows:

<i>(In Korean won)</i>	<b>2020</b>	<b>2019</b>
Profit for the year	₩ 82,126,887,644	124,232,888,113
Less: dividends for preferred shares	7,100,001,491	11,189,994,554
Profit for the year available for ordinary shares	75,026,886,153	113,042,893,559
Weighted average number of ordinary shares in issue <sup>1</sup>	28,000,000 Shares	28,000,000 Shares
Basic earnings per share	₩ 2,680	4,037

<sup>1</sup> As there are no changes in outstanding ordinary shares, weighted average outstanding shares for each year are the same as in prior year

(2) Dilutive earnings per ordinary share for the years ended December 31, 2020 and 2019, are as follows:

<i>(In Korean won)</i>	<b>2020</b>	<b>2019</b>
Profit for the year available for ordinary shares	₩ 75,026,886,153	113,042,893,559
Dilutive profit for the year	82,126,887,644	124,232,888,113
Weighted average number of ordinary shares in issue	39,595,260 Shares	40,791,430 Shares
Dilutive earnings per share	₩ 2,074	3,046

**39. Dividends**

dividends declared for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<b>2020</b>	<b>2019</b>
Preferred shares	₩ 7,100,001	11,189,995

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**40. Cash Generated from Operation**

(1) The cash generated from (used in) operations for the years ended December 31, 2020 and 2019, is as follows:

*(In thousands of Korean won)*

	<b>2020</b>	<b>2019</b>
Profit before income tax	₩ 209,295,867	167,965,494
Adjustments for:		
Additions:		
Depreciation	6,934,926	9,870,511
(Reversal or provision for) Impairment on trade receivables	18,535,431	(2,844,122)
Impairment loss on other receivables	23,784,906	4,091,815
Amortization	2,095,022	1,377,637
Depreciation of lease assets	26,093,105	24,962,178
Loss on foreign currency translation	2,847,501	3,731,130
Post-employment benefits	30,668,064	28,240,860
Other long-term employee benefits	2,085,773	3,530,015
Loss on valuation of financial assets at fair value through profit or loss	387,170	17,771,936
Loss on valuation of derivatives	14,156,260	745,407
Contribution to provisions for losses from construction contracts	12,783,780	94,522,327
Contribution to provisions for construction contracts	12,809,763	23,061,806
Contribution to provisions for contingent liabilities (lawsuit)	2,380,128	673,615
Contribution to other provisions	143,580,934	95,690,475
Share of loss of associates	27,991,184	25,124,548
Interest expenses	75,385,593	77,979,874
Loss on disposal of financial assets at fair value through profit or loss	-	2,882
Loss on disposal of available-for-sale financial assets	775,035	-
Loss on disposal of investments in associates	-	-
Impairment loss on investment in associates	-	-
Impairment loss on investment properties	-	2,491,825
Loss on disposal of property, plant and equipment	94,440	72,745
Others	486,396	(14,562,090)
Deductions:		
Gain on valuation of derivatives	(745,407)	(5,703,931)
Gain on valuation of financial assets at fair value through profit of loss	(720,884)	(1,550,210)
Reversal of impairment loss on other receivables	(15,629,716)	(2,559,788)
Share of profit of associates	(57,522,697)	(20,535,747)
Gain on disposal of assets held for sale	(1,787,162)	(4,831,458)
Gain on redemption of bonds	-	(449,029)
Gain on foreign currency translation	(3,348,921)	(11,688,922)
Dividends income	(1,553,390)	(763,459)
Interest income	(8,911,122)	(18,193,836)
Gain on disposal of investments in associates	-	-
Gain on disposal of financial assets at fair value through profit or loss	-	(1,331,630)
Gain on disposal of investment properties	(6,331,661)	(856,438)
Gain on disposal of property, plant and equipment	(59,079)	(19,256)
Reversal of provisions for losses from construction contracts	(14,302,318)	(103,408,907)
Reversal of provisions for contingent liabilities (lawsuit)	-	(1,090,552)
Reversal of provisions for construction warranty	-	-
Reversal of other provisions	(47,838,451)	(11,036,502)
Others	(5,237,174)	(757,090)
Changes in assets and liabilities from operations:		
Trade receivables	(140,271,828)	(241,574,298)
Trade payables	(150,681,956)	(8,103,432)
Inventories	(60,373,895)	(48,733,564)
Contract liabilities	(121,614,872)	60,176,857
Contract assets	90,938,663	(44,022,979)

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<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Other receivables	27,616,890	1,155,792
Other payables	294,244,014	64,541,357
Other financial assets	141,432,235	(75,653,303)
Other financial liabilities	(152,283,045)	59,729,912
Other current assets	(24,895,397)	(6,279,942)
Other current liabilities	8,548,743	373,980
Liabilities for employee benefits	(22,594,877)	(12,797,732)
Provisions for liabilities	(70,447,833)	(42,943,397)
Cash generated from operations	₩ <u>268,800,138</u>	<u>85,593,366</u>

(2) Significant transactions not affecting cash flows for the years ended December 31, 2020 and 2019, are as follows:

<i>(In thousands of Korean won)</i>	<u>2020</u>	<u>2019</u>
Reclassification of long-term borrowings to current position	₩ 49,305,594	70,000,000
Reclassification of long-term debentures to current position	200,205,000	94,791,906

(3) Changes in liabilities arising from financial activities for the year ended December 31, 2020, are as follows:

<i>(In thousands of Korean won)</i>		<u>2020</u>					
	<u>Short-term borrowings</u>	<u>Current portion of long-term liabilities</u>	<u>Current portion of debentures</u>	<u>Long-term borrowings</u>	<u>Debentures</u>	<u>Lease liabilities</u>	<u>Total</u>
<b>At January 1, 2020</b>	₩ 1,197,434,264	1,123,405	349,973,453	340,328,595	313,646,194	115,365,921	2,317,871,832
Cash flows	(11,657,386)	-	(153,076,576)	497,982,489	232,393,740	(27,682,907)	537,959,360
Reclassification and others	-	261,035,142	199,693,076	(261,035,142)	(199,693,076)	22,020,106	22,020,106
Loss on foreign currency translation	(1,185,764)	(855,000)	(417,311)	(7,842,000)	-	-	(10,300,075)
Amortization of present value discounts	-	-	5,578,590	-	569,089	4,959,271	11,106,950
Others	-	-	-	-	-	(13,836,624)	(13,836,624)
<b>At December 31, 2020</b>	₩ <u>1,184,591,114</u>	<u>261,303,547</u>	<u>401,751,234</u>	<u>569,433,942</u>	<u>346,915,946</u>	<u>100,825,767</u>	<u>2,864,821,550</u>



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41. Expenses by Nature

(1) The Group continues its involvement with the structured entity through SOC, and major characteristics of structured entity are as follows:

<b>Remarks</b> <b>(Nature, Purpose, Activities and others)</b>
<p>SOC      The private sector investor ('SOC') which is classified as unconsolidated structured entity constructs and transfers the infrastructure for public services such as roads, ports, railroads, schools and environmental infrastructure to the public sector and is paid for the operation and maintaining the infrastructure to return the construction cost in accordance with service concession arrangement. In other words, the private investor sector is a special purpose company (SPC) that is designed to handle the construction and operation of the private investment business, and the investors in this special purpose company recover the investment from operation income. After obtaining construction rights for structured financing, the Group generates investments and profits by construction service provision and equity investment.</p>

(2) The scale of unconsolidated structured entity and characteristics of risk associated with the Group's interest in unconsolidated structured entity as of December 31, 2020 and 2019, are as follows:

<i>(In millions of Korean won)</i>	<u><b>2020</b></u>	<u><b>2019</b></u>
Assets in the statement of financial position		
Trade and other receivables      ₩	68,429	34,026
Financial assets at fair value through profit or loss	15,870	26,139
Investments in associates	362	8,431
	<u>84,661</u>	<u>68,596</u>
Cash deficiency support	373,600	473,000
Maximum loss exposures <sup>1</sup> ₩	<u>458,261</u>	<u>541,596</u>

<sup>1</sup> Maximum exposures to loss for assets and a cash deficiency support agreement are measured at book amount and limits provided under the agreement, respectively.