

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

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### **1. General Information**

GOWOONSESANG COSMETICS CO., LTD. (the “Company” or the “Parent Company”) and its subsidiary (collectively referred to as the “Group”) engage in cosmetics manufacturing and sales.

#### **1.1 The Group**

The Parent Company was incorporated on January 1, 2000, located in 11F, 55, Bundang-ro, Bundang-gu, Seongnam-si, Gyeonggi-do. The Group changed its name to Gwoonseang Cosmetics from Gwoonseang B&H on March 14, 2012.

Through numerous times of capital increase, the share capital of the Group as at December 31, 2023, amounted to ₩ 2,552,300 thousand. As at December 31, 2023, the Group’s major shareholders consist of:

|            | <b>Number of shares</b> | <b>Percentage of ownership (%)</b> |
|------------|-------------------------|------------------------------------|
| Mibelle AG | 5,104,599               | 100.00%                            |

The consolidated financial statements have been prepared in accordance with Korean IFRS 1110 *Consolidated Financial Statements*. The Group, as the Parent Company, consolidates Gwoonseang (Shanghai), a subsidiary.

#### **1.2 Consolidated Subsidiary**

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

|                       | <b>Ownership<br/>interest held<br/>by the Group<br/>(%)</b> | <b>Location</b> | <b>Closing month</b> | <b>Main business</b> |
|-----------------------|---|-----------------|----------------------|----------------------|
| Gwoonseang (Shanghai) | 100.00  | China           | December             | Sale of cosmetic     |

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### 1.3 Summarized Financial Information

Summarized financial information for consolidated subsidiary as at and for the years ended December 31, 2023 and 2022, is as follows:

| <i>(in thousands of<br/>Korean won)</i> |               | <b>2023</b>        |               |              |               |                              | <b>Total<br/>Loss for the<br/>year</b> |                               | <b>comprehensive<br/>loss</b> |  |
|---|---------------|--------------------|---------------|--------------|---------------|------------------------------|--|-------------------------------|-------------------------------|--|
| <b>Subsidiary</b>                       | <b>Assets</b> | <b>Liabilities</b> | <b>Equity</b> | <b>Sales</b> | <b>2023</b>   | <b>Loss for the<br/>year</b> | <b>Total<br/>Loss for the<br/>year</b> | <b>comprehensive<br/>loss</b> |                               |  |
| Gwoonsesang<br>(Shanghai)               | ₩ 2,438,897   | ₩ 9,831,684        | ₩ (7,392,786) | ₩ 8,534,457  | ₩ (1,318,203) | ₩ (1,262,543)                |  |                               |                               |  |
| <i>(in thousands of<br/>Korean won)</i> |               |                    |               |              |               |                              |  |                               | <b>2022</b>                   |  |
| <b>Subsidiary</b>                       | <b>Assets</b> | <b>Liabilities</b> | <b>Equity</b> | <b>Sales</b> | <b>2022</b>   | <b>Loss for the<br/>year</b> | <b>Total<br/>Loss for the<br/>year</b> | <b>comprehensive<br/>loss</b> |                               |  |
| Gwoonsesang<br>(Shanghai)               | ₩ 2,812,501   | ₩ 8,942,744        | ₩ (6,130,243) | ₩ 11,838,279 | ₩ (4,985,601) | ₩ (4,683,711)                |  |                               |                               |  |

### 2. Material Accounting Policies

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

#### 2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory 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.

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The financial statements have been prepared on a historical cost basis, except for the financial 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, 2023.

##### *(a) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies*

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policy information (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements). The amendments do not have a significant impact on the financial statements.

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

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

##### *(c) Korean IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments do not have a significant impact on the financial statements.

##### *(d) Korean IFRS 1012 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments do not have a significant impact on the financial statements.

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### *(e) New Standard: Korean IFRS 1117 Insurance Contract*

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This standard does not have a significant impact on the financial statements.

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

The amendments provide a temporary relief from the accounting for deferred taxes arising from legislation enacted to implement the Pillar Two model rules, which aim to reform international corporate taxation for multinational enterprises, and require disclosure of related current tax effects, etc. The amendments do not have a significant impact on the financial statements.

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

The following new and amended accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group.

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. In addition, covenants that an entity is required to comply with after the end of the reporting period would not affect classification of a liability as current or non-current at the reporting date. When an entity classifies a liability that is subject to the covenants which an entity is required to comply with within twelve months of the reporting date as non-current at the end of the reporting period, the entity shall disclose information in the notes to understand the risk that non-current liabilities with covenants could become repayable within twelve months after the reporting period. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is in review for the impact of these amendments on the financial statements.

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

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

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

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

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

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

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

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

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### **2.3 Consolidation**

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

- *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.

### **2.4 Foreign Currency Translation**

#### *(a) Functional and presentation currency*

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

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### *(b) Translation to the presentation currency*

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expenses for each statement of profit or loss are translated at average exchange rates,
- equity is translated at the historical exchange rate, and all resulting exchange differences are recognized in other comprehensive income.

### *(c) 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 finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income or other expenses'.

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

## **2.5 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, bank deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with insignificant risk of change in value.

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### **2.6 Financial Assets**

#### *(a) Classification*

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

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

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

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

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

#### *(b) Measurement*

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

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

#### *A. Debt instruments*

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

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

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.

#### *(c) Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables. (Note 24.1.2 provides more detail of how the Group determines there has been a significant increase in credit risk.)

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### *(d) Recognition and Derecognition*

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

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

### *(e) Offsetting of financial instruments*

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

## **2.7 Trade Receivables**

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

## **2.8 Inventories**

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

## **2.9 Property, Plant and Equipment**

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

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

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Estimated useful lives for the years ended December 31, 2023 and 2022, are as follows. The useful life of some equipment has changed from 5 years to 2 years for the year ended December 31, 2023 (Note 7):

|            | <b>Useful lives</b> |
|------------|---------------------|
| Structures | 5 years             |
| Tools      | 5 years             |
| Vehicles   | 5 years             |
| Supplies   | 5 years             |
| Equipment  | 2-5 years           |
| Mold       | 3-5 years           |

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

### **2.10 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. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods. 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.

|                     | <b>Useful lives</b> |
|---------------------|---------------------|
| Industrial property | 5 years             |
| Software            | 5 years             |

### **2.11 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.

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### **2.12 Financial Liabilities**

#### *(a) Classification and measurement*

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

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

#### *(b) Derecognition*

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### **2.13 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.

### **2.14 Current and Deferred Tax**

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

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

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

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

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

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

### **2.15 Employee Benefits**

#### *(a) Other long-term employee benefits*

Other long-term employee benefits that are not to be paid within 12 months after the end of the reporting period in which the employees provided the related services are discounted to their present value based on the future benefits received in exchange for services rendered during the current and prior periods. Changes in remeasurement are recognized in profit or loss in the period in which they arise.

#### *(b) Post-employment benefits*

The Group has changed its plan from defined benefit plans to defined contribution plans since January 11, 2018. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

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### **2.16 Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of products or rendering of services arising from the normal course of the business. Amounts disclosed as revenue are net of value added taxes, returns, rebates and discounts and after elimination of inter-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### *(a) Sales of goods - wholesale*

The Group manufactures and sells a range of cosmetics in the wholesale market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group sometimes provides samples to customers based on their agreements. These types of agreements have two different performance obligations; therefore, the transaction price is allocated to two performance obligations using the relative stand-alone selling price method. Unpaid samples provided to customers are recognized as revenue when the samples are provided.

#### *(b) Sales of goods - retail*

The Group sells products through consignment agents and its own online malls selling household cosmetics. Revenue from the sale of goods is recognized when the Group sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the cosmetics from the consignment agents or online malls and takes delivery. It is the Group's policy to sell its products to the end customer with a right of return. Therefore, a refund liability (included in other financial liabilities) and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned (Note 14).

#### *(c) Interest income*

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

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## **Notes to the Consolidated Financial Statements**

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### *(d) Customer loyalty program*

A customer loyalty program is operated by the Group to provide customers with incentives to buy their products. If a customer buys products, the Group grants the customer award credits (often described as 'points'). The fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The fair value of the award credits is measured by taking into account the proportion of the award credits that are not expected to be redeemed by customers. Revenue from the award credits is recognized when the points are redeemed, and the award credits expire 12 months after the initial sale (Note 13).

## **2.17 Leases**

The Group leases various offices, warehouses and cars. Lease contracts are typically made for fixed periods of 2 to 5 years but may have extension options as described below.

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

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

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

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

# **GOWONSESANG COSMETICS CO., LTD. and Subsidiary**

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The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Group determines the incremental borrowing rate by considering the changes in their financial position which reflects recently received fund from a third party at the financial interest rate of the third party.

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 which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

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

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.

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

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

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are leases with a lease term of 12 months or less. Low-value assets comprise water purifiers and small items of office equipment and others.

### **2.18 Approval of Issuance of the Financial Statements**

The consolidated financial statements 2023 were approved for issue by the Board of Directors on February 15, 2024 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.

#### *(a) 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.

#### *(b) Impairment of financial assets*

The provisions 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 history, existing market conditions as well as forward looking estimates at the end of each reporting period.

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

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### **4. Financial Instruments by Category**

#### **4.1 Carrying Amounts of Financial Instruments by Category**

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

| <i>(in thousands of Korean won)</i>                   | <b>2023</b>         | <b>2022</b>         |
|---|---------------------|---------------------|
| <b>Financial assets</b>                               |                     |                     |
| Financial assets at fair value through profit or loss | ₩ 2,000             | ₩ 905,960           |
| Financial assets at amortized cost                    | 156,695,260         | 126,052,120         |
| Cash and cash equivalents                             | 34,113,738          | 51,261,604          |
| Short-term financial instruments                      | 103,266,009         | 58,991,046          |
| Trade receivables                                     | 14,935,816          | 12,588,564          |
| Other financial assets                                | 4,379,697           | 3,210,906           |
|   | <hr/> ₩ 156,697,260 | <hr/> ₩ 126,958,080 |

| <i>(in thousands of Korean won)</i>     | <b>2023</b>        | <b>2022</b>        |
|---|--------------------|--------------------|
| <b>Financial liabilities</b>            |                    |                    |
| Financial liabilities at amortized cost | ₩ 11,033,436       | ₩ 9,153,267        |
| Trade payables                          | 6,874,913          | 5,406,131          |
| Other payables                          | 4,158,523          | 3,747,136          |
| Lease liabilities                       | 1,658,676          | 3,563,559          |
|   | <hr/> ₩ 12,692,112 | <hr/> ₩ 12,716,826 |

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

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### **4.2 Net Gains or Losses by Category of Financial Instruments**

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

| <i>(in thousands of Korean won)</i>                   | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
| Financial assets at amortized cost                    |             |             |
| Interest income                                       | ₩ 4,422,618 | ₩ 2,063,483 |
| Foreign exchange gain (loss)                          | (123,552)   | 82,877      |
| Financial assets at fair value through profit or loss |             |             |
| Gain (loss) on valuation (profit or loss)             | 23,086      | (75,140)    |
| Gain on disposal (profit or loss)                     | 22,621      | 52,884      |
| Financial liabilities at amortized cost               |             |             |
| Foreign exchange gain (loss)                          | (1,176)     | 673         |
| Lease liabilities                                     |             |             |
| Interest expenses                                     | (89,091)    | (135,251)   |
|   | ₩ 4,254,506 | ₩ 1,989,526 |

### **4.3 Credit Quality of Financial Assets**

The Group's transactions are only made with banks and financial institutions with high credit ratings. As for general customers, credit quality is assessed by various factors such as financial condition, past experience of the customers.

# GOWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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### 5. Financial Assets

#### 5.1 Financial Assets at Fair Value through Profit or Loss

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

| <i>(in thousands of Korean won)</i>                          | 2023    |             | 2022    |             |
|--|---------|-------------|---------|-------------|
|  | Current | Non-current | Current | Non-current |
| <b>Debt instruments</b>                                      |         |             |         |             |
| Compound structured financial instruments <sup>1</sup>       | ₩       | -           | ₩       | -           |
|  |         |             |         | ₩ 903,960   |
| <b>Equity instruments</b>                                    |         |             |         |             |
| Investments in Korean Global Healthcare Business Association | 2,000   | -           | 2,000   | -           |
|  | ₩ 2,000 | -           | ₩ 2,000 | ₩ 903,960   |

<sup>1</sup> ELB instruments, hybrid bonds, and REITs purchased through financial institutions.

#### 5.2 Trade Receivables and Other Receivables

Trade receivables and its provisions for impairment as at December 31, 2023 and 2022, are as follows:

| <i>(in thousands of Korean won)</i> | 2023    |             | 2022    |             |
|-------------------------------------|---------|-------------|---------|-------------|
|                                     | Current | Non-current | Current | Non-current |
| Trade receivables                   | ₩       | 15,156,969  | ₩       | 12,809,717  |
| Less: provision for impairment      |         | (221,153)   |         | (221,153)   |
| Trade receivables - net             | ₩       | 14,935,816  | ₩       | 12,588,564  |

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days, and therefore, are all classified as current. Trade receivables are recognized initially at the amount of consideration that is deemed to be the fair values of the receivables unless they contain significant financing components. The Group holds the trade receivables with the objective to collect the contractual cash flows and, therefore, measures them subsequently at amortized cost using the effective interest method.

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

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December 31, 2023 and 2022

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

(in thousands of Korean won)

| Receivables<br>not past due     | Receivables past due <sup>1</sup>                    |                                    |            | Total               |  |
|---------------------------------|--|------------------------------------|------------|---------------------|--|
|                                 | Between 91<br>days and 180<br>days after<br>maturity |                                    |            |                     |  |
|                                 | Not more<br>than 90 days<br>after maturity           | Over 180<br>days after<br>maturity |            |                     |  |
| <b>December 31, 2023</b>        |  |                                    |            |                     |  |
| Gross carrying amount           | ₩ 14,935,816   | ₩ -                                | ₩ 221,153  | ₩ 15,156,969        |  |
| Expected lifetime credit losses | -  | -                                  | -          | 221,153             |  |
| Net carrying amount             | <u>₩ 14,935,816</u>                                  | <u>₩ -</u>                         | <u>₩ -</u> | <u>₩ 14,935,816</u> |  |
| <b>December 31, 2022</b>        |  |                                    |            |                     |  |
| Gross carrying amount           | ₩ 12,586,837   | ₩ 1,727                            | ₩ 221,153  | ₩ 12,809,717        |  |
| Expected lifetime credit losses | -  | -                                  | -          | 221,153             |  |
| Net carrying amount             | <u>₩ 12,586,837</u>                                  | <u>₩ 1,727</u>                     | <u>₩ -</u> | <u>₩ 12,588,564</u> |  |

<sup>1</sup> Trade receivables past due relate to several independent customers who have no recent history of default.

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

(in thousands of Korean won)

2023

2022

|                   |                  |                  |
|-------------------|------------------|------------------|
| Beginning balance | ₩ 221,153        | ₩ 221,153        |
| Ending balance    | <u>₩ 221,153</u> | <u>₩ 221,153</u> |

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

(in thousands of Korean won)

2023

2022

|  | Current | Non-current | Current | Non-current |
|--|---------|-------------|---------|-------------|
|--|---------|-------------|---------|-------------|

|                              |                    |                    |                    |                    |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| Non-trade receivables        | ₩ 27,694           | ₩ -                | ₩ 6,219            | ₩ -                |
| Accrued revenues             | 1,538,880          | -                  | 651,023            | -                  |
| Loans                        | 429,000            | 1,040,000          | 620,000            | 569,000            |
| Guarantee deposit provided   | 1,125,955          | 351,380            | -                  | 1,532,619          |
| Less: present value discount | (62,106)           | (71,105)           | -                  | (167,955)          |
|                              | <u>₩ 3,059,423</u> | <u>₩ 1,320,275</u> | <u>₩ 1,277,242</u> | <u>₩ 1,933,664</u> |

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## Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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### 6. Inventories

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

| <i>(in thousands of Korean won)</i> | <b>2023</b>         |                            |                     |
|-------------------------------------|---------------------|----------------------------|---------------------|
|                                     | <b>Cost</b>         | <b>Valuation allowance</b> | <b>Book amount</b>  |
| Finished goods                      | ₩ 11,324,060        | ₩ (713,158)                | ₩ 10,610,902        |
| Raw materials                       | 771,926             | (96,871)                   | 675,055             |
|                                     | <u>₩ 12,095,986</u> | <u>₩ (810,029)</u>         | <u>₩ 11,285,957</u> |

| <i>(in thousands of Korean won)</i> | <b>2022</b>         |                            |                     |
|-------------------------------------|---------------------|----------------------------|---------------------|
|                                     | <b>Cost</b>         | <b>Valuation allowance</b> | <b>Book amount</b>  |
| Finished goods                      | ₩ 12,919,082        | ₩ (1,248,263)              | ₩ 11,670,819        |
| Raw materials                       | 895,173             | (142,918)                  | 752,255             |
|                                     | <u>₩ 13,814,255</u> | <u>₩ (1,391,181)</u>       | <u>₩ 12,423,074</u> |

Gain (loss) on valuation of inventories for the years ended December 31, 2023 and 2022, is as follows:

| <i>(in thousands of Korean won)</i>     | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
| Gain (loss) on valuation of inventories | ₩ (48,612)  | ₩ 1,727,502 |

# GOWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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### 7. Property, Plant and Equipment

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

(in thousands of Korean won)

|                  | 2023        |                          |             |
|------------------|-------------|--------------------------|-------------|
|                  | Cost        | Accumulated depreciation | Book amount |
| Vehicles         | ₩ 384,212   | ₩ (213,456)              | ₩ 170,756   |
| Tools            | 298,902     | (181,773)                | 117,129     |
| Supplies         | 1,331,521   | (567,428)                | 764,093     |
| Office equipment | 678,251     | (391,229)                | 287,022     |
| Mold             | 561,201     | (358,510)                | 202,691     |
|                  | ₩ 3,254,087 | ₩ (1,712,396)            | ₩ 1,541,691 |

(in thousands of Korean won)

|                          | 2022        |                          |             |
|--------------------------|-------------|--------------------------|-------------|
|                          | Cost        | Accumulated depreciation | Book amount |
| Vehicles                 | ₩ 354,456   | ₩ (235,272)              | ₩ 119,184   |
| Tools                    | 257,002     | (140,371)                | 116,631     |
| Supplies                 | 810,357     | (416,828)                | 393,529     |
| Office equipment         | 516,054     | (235,869)                | 280,185     |
| Mold                     | 477,521     | (210,065)                | 267,456     |
| Construction in progress | 13,915      | -                        | 13,915      |
|                          | ₩ 2,429,305 | ₩ (1,238,405)            | ₩ 1,190,900 |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

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December 31, 2023 and 2022

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

(in thousands of  
Korean won)

|                           | 2023      |           |           |                  |           |                          |             |
|---------------------------|-----------|-----------|-----------|------------------|-----------|--------------------------|-------------|
|                           | Vehicles  | Tools     | Supplies  | Office equipment | Mold      | Construction in progress | Total       |
| Opening net book amount   | ₩ 119,184 | ₩ 116,631 | ₩ 393,529 | ₩ 280,185        | ₩ 267,456 | ₩ 13,915                 | ₩ 1,190,900 |
| Acquisitions              | 132,658   | 41,900    | 522,991   | 162,500          | 5,850     | 63,915                   | 929,814     |
| Transfers                 | -         | -         | -         | -                | 77,830    | (77,830)                 | -           |
| Disposals                 | (23,410)  | -         | (1)       | -                | -         | -                        | (23,411)    |
| Depreciation <sup>1</sup> | (57,676)  | (41,402)  | (152,582) | (155,671)        | (148,445) | -                        | (555,776)   |
| Exchange differences      | -         | -         | 156       | 8                | -         | -                        | 164         |
| Closing net book amount   | ₩ 170,756 | ₩ 117,129 | ₩ 764,093 | ₩ 287,022        | ₩ 202,691 | ₩ -                      | ₩ 1,541,691 |

<sup>1</sup> Depreciation expense of ₩ 402,801 thousand was categorized under selling and administrative expenses and ₩ 152,974 thousand was categorized under cost of sales.

(in thousands of  
Korean won)

|                           | 2022      |           |           |                  |           |                          |             |
|---------------------------|-----------|-----------|-----------|------------------|-----------|--------------------------|-------------|
|                           | Vehicles  | Tools     | Supplies  | Office equipment | Mold      | Construction in progress | Total       |
| Opening net book amount   | ₩ 179,363 | ₩ 91,794  | ₩ 287,695 | ₩ 162,435        | ₩ 210,180 | ₩ -                      | ₩ 931,467   |
| Acquisitions              | -         | 63,750    | 228,307   | 226,870          | 115,220   | 60,137                   | 694,284     |
| Transfers                 | -         | -         | -         | -                | 46,222    | (46,222)                 | -           |
| Disposals                 | (2)       | -         | (4,459)   | -                | -         | -                        | (4,461)     |
| Depreciation <sup>1</sup> | (60,177)  | (38,913)  | (117,803) | (109,934)        | (104,166) | -                        | (430,993)   |
| Exchange differences      | -         | -         | (211)     | 814              | -         | -                        | 603         |
| Closing net book amount   | ₩ 119,184 | ₩ 116,631 | ₩ 393,529 | ₩ 280,185        | ₩ 267,456 | ₩ 13,915                 | ₩ 1,190,900 |

<sup>1</sup> Depreciation expense of ₩ 325,490 thousand was categorized under selling and administrative expenses and ₩ 105,503 thousand was categorized under cost of sales.

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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### 8. Leases

Details of leases when the Group is a lessor are as follows:

*(a) Amounts recognized in the consolidated statement of financial position*

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

| <i>(in thousands of Korean won)</i> | <b>December 31, 2023</b> | <b>December 31, 2022</b> |
|-------------------------------------|--------------------------|--------------------------|
|-------------------------------------|--------------------------|--------------------------|

Right-of-use assets

|           |             |             |
|-----------|-------------|-------------|
| Buildings | ₩ 1,381,035 | ₩ 3,237,835 |
| Vehicles  | 244,155     | 336,484     |
|           | ₩ 1,625,190 | ₩ 3,574,319 |

| <i>(in thousands of Korean won)</i> | <b>December 31, 2023</b> | <b>December 31, 2022</b> |
|-------------------------------------|--------------------------|--------------------------|
|-------------------------------------|--------------------------|--------------------------|

Lease liabilities

|             |             |             |
|-------------|-------------|-------------|
| Current     | ₩ 1,534,224 | ₩ 2,067,116 |
| Non-current | 124,451     | 1,496,443   |
|             | ₩ 1,658,675 | ₩ 3,563,559 |

*(b) Depreciation of right-of-use assets for the years ended December 31, 2023 and 2022, is categorized under the following accounts:*

| <i>(in thousands of Korean won)</i> | <b>2023</b> | <b>2022</b> |
|-------------------------------------|-------------|-------------|
|-------------------------------------|-------------|-------------|

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| Selling and administrative expenses | ₩ 2,103,399 | ₩ 1,973,185 |
| Cost of sales                       | 46,922      | 46,313      |
|                                     | ₩ 2,150,321 | ₩ 2,019,498 |

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

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*(c) Amounts recognized in the consolidated statement of profit or loss*

The consolidated statement of profit or loss shows the following amounts relating to leases:

| <i>(in thousands of Korean won)</i>   | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
| Depreciation of right-of-use assets   |             |             |
| Buildings   | ₩ 2,058,333 | ₩ 1,931,417 |
| Vehicles  | 91,987      | 88,081      |
|   | <hr/>       | <hr/>       |
|   | ₩ 2,150,320 | ₩ 2,019,498 |
| Interest expense relating to lease liabilities<br>(included in finance cost)  | ₩ 89,091    | ₩ 135,251   |
| Expense relating to short-term leases<br>(included in cost of goods sold and<br>administrative expenses)                  | 13,602      | 4,900       |
| Expense relating to leases of low-value assets<br>that are not short-term leases (included in<br>administrative expenses) | 112,166     | 88,315      |

The total cash outflow for leases in 2023 was ₩ 2,298 million (2022: ₩ 2,051 million).

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

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(d) Changes of right-of-use assets and lease liabilities for the years ended December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

|                         | 2023        |           |             |             | Lease liabilities |
|-------------------------|-------------|-----------|-------------|-------------|-------------------|
|                         | Buildings   | Vehicles  | Subtotal    |             |                   |
| Opening net book amount | ₩ 3,237,835 | ₩ 336,484 | ₩ 3,574,319 | ₩ 3,563,559 |                   |
| New lease contract      | 199,638     | -         | 199,638     | 178,199     |                   |
| Termination of lease    | -           | (342)     | (342)       | (1,361)     |                   |
| Depreciation            | (2,058,333) | (91,987)  | (2,150,320) | -           |                   |
| Interest expense        | -           | -         | -           | 89,091      |                   |
| Payment                 | -           | -         | -           | (2,172,682) |                   |
| Exchange differences    | 1,895       | -         | 1,895       | 1,870       |                   |
| Closing net book amount | ₩ 1,381,035 | ₩ 244,155 | ₩ 1,625,190 | ₩ 1,658,676 |                   |

(in thousands of Korean won)

|                         | 2022        |           |             |             | Lease liabilities |
|-------------------------|-------------|-----------|-------------|-------------|-------------------|
|                         | Buildings   | Vehicles  | Subtotal    |             |                   |
| Opening net book amount | ₩ 3,112,323 | ₩ 289,148 | ₩ 3,401,471 | ₩ 3,317,722 |                   |
| New lease contract      | 2,054,447   | 135,417   | 2,189,864   | 2,065,517   |                   |
| Depreciation            | -           | -         | -           | -           |                   |
| Termination of lease    | (1,931,417) | (88,081)  | (2,019,498) | -           |                   |
| Interest expense        | -           | -         | -           | 135,251     |                   |
| Payment                 | -           | -         | -           | (1,957,312) |                   |
| Exchange differences    | 2,482       | -         | 2,482       | 2,381       |                   |
| Closing net book amount | ₩ 3,237,835 | ₩ 336,484 | ₩ 3,574,319 | ₩ 3,563,559 |                   |

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## Notes to the Consolidated Financial Statements

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### 9. Intangible Assets

Intangible assets as at December 31, 2023 and 2022, consist of:

| <i>(in thousands of Korean won)</i> | <b>2023</b>        |                                 |                    |
|-------------------------------------|--------------------|---------------------------------|--------------------|
|                                     | <b>Cost</b>        | <b>Accumulated amortization</b> | <b>Book amount</b> |
| Industrial property                 | ₩ 77,222           | ₩ (76,662)                      | ₩ 560              |
| Software                            | 1,606,287          | (863,418)                       | 742,869            |
| Membership rights                   | 1,301,352          | -                               | 1,301,352          |
|                                     | <b>₩ 2,984,861</b> | <b>₩ (940,080)</b>              | <b>₩ 2,044,781</b> |

| <i>(in thousands of Korean won)</i> | <b>2022</b>        |                                 |                    |
|-------------------------------------|--------------------|---------------------------------|--------------------|
|                                     | <b>Cost</b>        | <b>Accumulated amortization</b> | <b>Book amount</b> |
| Industrial property                 | ₩ 76,522           | ₩ (64,522)                      | ₩ 12,000           |
| Software                            | 1,581,444          | (574,360)                       | 1,007,084          |
| Membership rights                   | 1,005,512          | -                               | 1,005,512          |
|                                     | <b>₩ 2,663,478</b> | <b>₩ (638,882)</b>              | <b>₩ 2,024,596</b> |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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

| <i>(in thousands of<br/>Korean won)</i> | <b>2023</b>                    |                 |                              |              |  |
|---|--------------------------------|-----------------|------------------------------|--------------|--|
|   | <b>Industrial<br/>property</b> | <b>Software</b> | <b>Membership<br/>rights</b> | <b>Total</b> |  |
| Opening net book amount                 | ₩ 12,000                       | ₩ 1,007,084     | ₩ 1,005,512                  | ₩ 2,024,596  |  |
| Acquisitions                            | 700                            | 25,542          | 295,840                      | 322,082      |  |
| Amortization                            | (12,140)                       | (289,215)       | -                            | (301,355)    |  |
| Exchange differences                    | -                              | (542)           | -                            | (542)        |  |
| Closing net book amount                 | ₩ 560                          | ₩ 742,869       | ₩ 1,301,352                  | ₩ 2,044,781  |  |

  

| <i>(in thousands of<br/>Korean won)</i> | <b>2022</b>                    |                 |                              |  |              |
|---|--------------------------------|-----------------|------------------------------|--|--------------|
|   | <b>Industrial<br/>property</b> | <b>Software</b> | <b>Membership<br/>rights</b> | <b>Intangible<br/>assets in<br/>progress</b> | <b>Total</b> |
| Opening net book amount                 | ₩ 26,419                       | ₩ 745,132       | ₩ 1,005,512                  | ₩ 283,000                                    | ₩ 2,060,063  |
| Acquisitions                            | -                              | 141,246         | -                            | 192,400                                      | 333,646      |
| Transfers                               | -                              | 375,400         | -                            | (475,400)                                    | (100,000)    |
| Amortization                            | (14,419)                       | (254,459)       | -                            | -  | (268,878)    |
| Exchange differences                    | -                              | (235)           | -                            | -  | (235)        |
| Closing net book amount                 | ₩ 12,000                       | ₩ 1,007,084     | ₩ 1,005,512                  | ₩ -  | ₩ 2,024,596  |

The Group recognized total research and development expenses of ₩ 3,157,253 thousand (2022: ₩ 3,110,138 thousand) as expenses.

## 10. Other Current Assets

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

| <i>(in thousands of Korean won)</i> | <b>2023</b> | <b>2022</b> |
|-------------------------------------|-------------|-------------|
| Advance payments                    | ₩ 403,732   | ₩ 215,802   |
| Prepaid expenses                    | 400,277     | 801,244     |
| Others                              | 73,245      | 51,512      |
|                                     | ₩ 877,254   | ₩ 1,068,558 |

# GOWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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### 11. Trade Payables and Other Payables

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

| <i>(in thousands of Korean won)</i> | <b>2023</b>    |                | <b>2022</b>    |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | <b>Current</b> | <b>Current</b> | <b>Current</b> | <b>Current</b> |
| Trade payables                      | ₩ 6,874,913    | ₩ 5,406,131    |                |                |
| Non-trade payables                  | 5,296,141      |                | 5,375,362      |                |
| Accrued expenses                    | 4,889,693      |                | 2,731,068      |                |
|                                     | ₩ 17,060,747   |                | ₩ 13,512,561   |                |

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days after the recognition. Trade and other payables are classified as current liabilities, unless the Group has unconditional right to defer payments until a year after the end of reporting period.

### 12. Post-Employment Benefits

#### 12.1 Defined Contribution Plan

The post-employment benefits recognized in the current period in relation to defined contribution plan was ₩ 947 million (2022: ₩ 827 million).

#### 12.2 Other Long-Term Employee Benefits

Changes in other long-term employee benefits for the years ended December 31, 2023 and 2022, are as follows:

| <i>(in thousands of Korean won)</i>       | <b>2023</b>              |                 |                 |                       |
|---|--------------------------|-----------------|-----------------|-----------------------|
|   | <b>Beginning balance</b> | <b>Increase</b> | <b>Decrease</b> | <b>Ending balance</b> |
| Provision for long-term employee benefits | ₩ 296,328                | ₩ 83,211        | ₩ -             | ₩ 379,539             |
| <i>(in thousands of Korean won)</i>       |                          |                 |                 |                       |
| <i>(in thousands of Korean won)</i>       | <b>2022</b>              |                 |                 |                       |
|   | <b>Beginning balance</b> | <b>Increase</b> | <b>Decrease</b> | <b>Ending balance</b> |
| Provision for long-term employee benefits | ₩ 244,640                | ₩ 51,688        | ₩ -             | ₩ 296,328             |

# GOWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

### 13. Other Current Liabilities

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

| (in thousands of Korean won)      | 2023             | 2022             |
|-----------------------------------|------------------|------------------|
| Withholdings                      | ₩ 141,114        | ₩ 117,129        |
| Advance receipt                   | 27,157           | 80,026           |
| Contract liabilities <sup>1</sup> | 140,011          | 181,983          |
|                                   | <u>₩ 308,282</u> | <u>₩ 379,138</u> |

<sup>1</sup> Contract liabilities arise from free samples provided and customer loyalty program.

### 14. Provisions

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

| (in thousands of<br>Korean won)            | 2023                 |                  |                  |                   |                  |                 |
|--|----------------------|------------------|------------------|-------------------|------------------|-----------------|
|  | Beginning<br>balance | Increase         | Decrease         | Ending<br>balance | Current          | Non-<br>current |
| Provision for<br>restoration               | ₩ 261,458            | ₩ 7,627          | ₩ -              | ₩ 269,085         | ₩ 268,011        | ₩ 1,074         |
| Provision for<br>sales return <sup>1</sup> | 266,512              | 518,697          | 492,543          | 292,666           | 292,666          | -               |
|  | <u>₩ 527,970</u>     | <u>₩ 518,697</u> | <u>₩ 492,543</u> | <u>₩ 561,751</u>  | <u>₩ 560,677</u> | <u>₩ 1,074</u>  |

<sup>1</sup> Right-of-return assets of ₩ 73 million are recognized in other current assets.

| (in thousands of<br>Korean won)            | 2022                 |                 |                  |                   |                  |                  |
|--|----------------------|-----------------|------------------|-------------------|------------------|------------------|
|  | Beginning<br>balance | Increase        | Decrease         | Ending<br>balance | Current          | Non-<br>current  |
| Provision for<br>restoration               | ₩ 214,132            | ₩ 47,327        | ₩ -              | ₩ 261,458         | ₩ -              | ₩ 261,458        |
| Provision for<br>sales return <sup>1</sup> | 444,412              | -               | 177,900          | 266,512           | 266,512          | -                |
|  | <u>₩ 658,544</u>     | <u>₩ 47,327</u> | <u>₩ 177,900</u> | <u>₩ 527,970</u>  | <u>₩ 266,512</u> | <u>₩ 261,458</u> |

<sup>1</sup> Right-of-return assets of ₩ 52 million are recognized in other current assets.

**GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2023 and 2022**

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**15. Tax Expense and Deferred Tax**

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

| <i>(in thousands of Korean won)</i>           | <b>2023</b>        | <b>2022</b>        |
|---|--------------------|--------------------|
| <b>Current tax:</b>                           |                    |                    |
| Current tax on profits for the year           | ₩ 7,583,641        | ₩ 8,087,488        |
| Adjustments in respect of prior years         | (310)              | (7,714)            |
| Tax refund                                    | -                  | -                  |
| <b>Deferred tax:</b>                          |                    |                    |
| Changes in temporary differences              | 110,781            | 386,799            |
| Tax rate change effect                        | 14,148             | (47,231)           |
| Income tax expense from continuing operations | <u>₩ 7,708,260</u> | <u>₩ 8,419,342</u> |

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

| <i>(in thousands of Korean won)</i>                              | <b>2023</b>        | <b>2022</b>        |
|--|--------------------|--------------------|
| <b>Profit before income tax expense</b>                          |                    |                    |
| Profit before income tax expense                                 | ₩ 33,545,645       | ₩ 33,060,878       |
| Income tax based on statutory tax rate                           | 7,287,044          | 7,538,732          |
| <b>Tax effects of:</b>   |                    |                    |
| Non-deductible expenses  | 171,788            | 104,418            |
| Tax credit and deduction   | (69,580)           | (7,195)            |
| Tax on uncirculated corporate income                             | -                  | 161,830            |
| Deficit carried forward for which deferred tax is not recognized | 583,343            | 1,465,094          |
| Tax rate change effect   | 14,148             | (47,231)           |
| Others   | (278,483)          | (796,306)          |
| Income tax expense from continuing operations                    | <u>₩ 7,708,260</u> | <u>₩ 8,419,342</u> |
| Effective tax rate   | 23%                | 25%                |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

December 31, 2023 and 2022

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

| <i>(in thousands of Korean won)</i>                              | <b>2023</b> |             | <b>2022</b> |             |
|--|-------------|-------------|-------------|-------------|
| Deferred tax assets  |             |             |             |             |
| Deferred tax asset to be recovered within 12 months              | ₩           | 2,488,002   | ₩           | 1,255,180   |
| Deferred tax asset to be recovered after more than 12 months     |             | 309,869     |             | 1,469,097   |
| Deferred tax liabilities   |             |             |             |             |
| Deferred tax liability to be recovered within 12 months          |             | (2,291,856) |             | (507,779)   |
| Deferred tax liability to be recovered after more than 12 months |             | (104,618)   |             | (1,690,172) |
| Deferred tax assets, net   | ₩           | 401,397     | ₩           | 526,326     |

The gross movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022, are as follows:

| <i>(in thousands of Korean won)</i>                         | <b>2023</b> |           | <b>2022</b> |           |
|---|-------------|-----------|-------------|-----------|
| Beginning balance   | ₩           | 526,326   | ₩           | 865,892   |
| Deferred tax recognized in the statements of profit or loss |             | (124,929) |             | (339,566) |
| Ending balance  | ₩           | 401,397   | ₩           | 526,326   |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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Changes in the temporary differences and related deferred tax assets and liabilities as at and for the years ended December 31, 2023 and 2022, are as follows:

|  | 2023                  |                     |                |                                   |                |  |
|--|-----------------------|---------------------|----------------|-----------------------------------|----------------|--|
|  | Temporary differences |                     |                | Deferred tax assets (liabilities) |                |  |
|  | Beginning balance     | Increase (decrease) | Ending balance | Beginning balance                 | Ending balance |  |
| Accrued income   | ₩ (651,023)           | ₩ (887,857)         | ₩ (1,538,880)  | ₩ (151,037)                       | ₩ (355,481)    |  |
| Loss on valuation of inventories                         | 733,188               | 2,784               | 735,972        | 170,100                           | 170,009        |  |
| Right-of-return assets                                   | (46,088)              | (20,431)            | (66,519)       | (10,692)                          | (15,366)       |  |
| Provision for sales return                               | 254,715               | 24,293              | 279,008        | 59,094                            | 64,451         |  |
| Provision for mileage                                    | 20,144                | 14,211              | 34,355         | 4,673                             | 7,936          |  |
| FOC  | 161,840               | (56,185)            | 105,655        | 37,547                            | 24,406         |  |
| Provision for restoration                                | 261,458               | 7,627               | 269,085        | 60,658                            | 62,159         |  |
| Accrued expenses   | 535,296               | 274,490             | 809,786        | 124,189                           | 187,060        |  |
| Long-term employee benefits                              | 296,328               | 83,212              | 379,540        | 68,748                            | 87,674         |  |
| Vehicles for business                                    | 24,518                | 16,109              | 40,627         | 5,688                             | 9,385          |  |
| Other payables (pension plan assets)                     | 53,201                | 13,278              | 66,479         | 12,343                            | 15,357         |  |
| Membership rights  | 3,810                 | (941)               | 2,869          | 884                               | 663            |  |
| Right-of-use assets                                      | (8,716,430)           | (10,081)            | (8,726,511)    | (2,022,213)                       | (2,015,824)    |  |
| Accumulated depreciation of right-of-use assets          | 5,262,899             | 1,959,597           | 7,222,496      | 1,220,992                         | 1,668,396      |  |
| Current lease liabilities                                | 1,949,146             | (535,139)           | 1,414,007      | 452,202                           | 326,636        |  |
| Non-current lease liabilities                            | 1,496,443             | (1,371,992)         | 124,451        | 347,175                           | 28,748         |  |
| Present value discounts                                  | 167,955               | (34,743)            | 133,212        | 38,966                            | 30,772         |  |
| Gain (loss) on disposal of property, plant and equipment | 113,484               | (11,213)            | 102,271        | 26,328                            | 23,625         |  |
| Financial assets at fair value through profit or loss    | 98,699                | (98,699)            | -              | 22,898                            | -              |  |
| Prepaid expenses   | (60,387)              | 17,953              | (42,434)       | (14,010)                          | (9,802)        |  |
| Capital expenditure for first tower                      | 252,840               | (126,420)           | 126,420        | 58,659                            | 29,203         |  |
| Depreciation (molds)                                     | 29,387                | 40,612              | 69,999         | 6,818                             | 16,170         |  |
| Depreciation (equipment)                                 | 20,599                | 62,572              | 83,171         | 4,779                             | 19,212         |  |
| Depreciation (software)                                  | -                     | 2,083               | 2,083          | -                                 | 481            |  |
| Adjustments of deemed depreciation                       | -                     | 110,505             | 110,505        | -                                 | 25,527         |  |
| Allowance for doubtful account                           | 6,624                 | (6,624)             | -              | 1,537                             | -              |  |
|  | ₩ 2,268,646           | ₩ (530,998)         | ₩ 1,737,648    | ₩ 526,326                         | ₩ 401,397      |  |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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|  | 2022                  |                     |                |                                   |                |  |
|--|-----------------------|---------------------|----------------|-----------------------------------|----------------|--|
|  | Temporary differences |                     |                | Deferred tax assets (liabilities) |                |  |
|  | Beginning balance     | Increase (decrease) | Ending balance | Beginning balance                 | Ending balance |  |
| Accrued income   | ₩ (236,088)           | ₩ (414,935)         | ₩ (651,023)    | ₩ (51,939)                        | ₩ (151,037)    |  |
| Loss on valuation of inventories                         | 1,703,517             | (970,329)           | 733,188        | 374,774                           | 170,100        |  |
| Right-of-return assets                                   | (72,111)              | 26,023              | (46,088)       | (15,864)                          | (10,692)       |  |
| Provision for sales return                               | 410,283               | (155,568)           | 254,715        | 90,262                            | 59,094         |  |
| Provision for mileage                                    | 40,555                | (20,411)            | 20,144         | 8,922                             | 4,673          |  |
| FOC  | 127,050               | 34,790              | 161,840        | 27,951                            | 37,547         |  |
| Provision for restoration                                | 214,132               | 47,326              | 261,458        | 47,109                            | 60,658         |  |
| Accrued expenses   | 475,161               | 60,135              | 535,296        | 104,535                           | 124,189        |  |
| Long-term employee benefits                              | 244,640               | 51,688              | 296,328        | 53,821                            | 68,748         |  |
| Vehicles for business                                    | 15,701                | 8,817               | 24,518         | 3,454                             | 5,688          |  |
| Other payables   | 72,579                | (19,378)            | 53,201         | 15,967                            | 12,343         |  |
| Membership rights  | 3,810                 | -                   | 3,810          | 838                               | 884            |  |
| Right-of-use assets                                      | (6,590,972)           | (2,125,458)         | (8,716,430)    | (1,450,014)                       | (2,022,213)    |  |
| Accumulated depreciation of right-of-use assets          | 3,386,083             | 1,876,816           | 5,262,899      | 744,938                           | 1,220,992      |  |
| Current lease liabilities                                | 1,029,177             | 919,969             | 1,949,146      | 226,419                           | 452,202        |  |
| Non-current lease liabilities                            | 2,100,953             | (604,510)           | 1,496,443      | 462,210                           | 347,175        |  |
| Present value discounts                                  | 120,603               | 47,352              | 167,955        | 26,533                            | 38,966         |  |
| Gain (loss) on disposal of property, plant and equipment | 132,524               | (19,040)            | 113,484        | 29,155                            | 26,328         |  |
| Financial assets at fair value through profit or loss    | 8,234                 | 90,465              | 98,699         | 1,811                             | 22,898         |  |
| Prepaid expenses   | (64,413)              | 4,026               | (60,387)       | (14,171)                          | (14,010)       |  |
| Capital expenditure for first tower                      | 379,260               | (126,420)           | 252,840        | 83,437                            | 58,659         |  |
| Price adjustment   | 435,202               | (435,202)           | -              | 95,744                            | -              |  |
| Depreciation (mold)                                      | -                     | 29,387              | 29,387         | -                                 | 6,818          |  |
| Depreciation (equipment)                                 | -                     | 20,599              | 20,599         | -                                 | 4,779          |  |
| Allowance for doubtful accounts                          | -                     | 6,624               | 6,624          | -                                 | 1,537          |  |
|  | ₩ 3,935,880           | ₩ (1,667,234)       | ₩ 2,268,646    | ₩ 865,892                         | ₩ 526,326      |  |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

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

| <i>(in thousands of Korean won)</i>  | <b>2023</b>         | <b>2022</b>         |   |
|--------------------------------------|---------------------|---------------------|---|
| Deficit carried forward <sup>1</sup> | ₩ 9,731,069         | ₩ 7,397,697         | Uncertainty of expected taxable income until it expires |
| Account payable etc.                 | 440,673             | 440,673             | Uncertainty of expected taxable income until it expires |
| Investment in Subsidiary             | 2,287,584           | 2,287,584           | The Group does not have a plan to dispose of it         |
|                                      | <u>₩ 12,459,326</u> | <u>₩ 10,125,954</u> |   |

<sup>1</sup> Schedule that deficit carried forward can be deducted against taxable income is as follows.

*(in thousands of Korean won)*

| <b>Year</b> | <b>2023</b> | <b>2022</b> |
|-------------|-------------|-------------|
| After 2027  | ₩ 9,731,069 | ₩ 7,397,697 |

## 16. Share Capital and Share Premium

Details of share capital as at December 31, 2023 and 2022, are as follows:

| <i>(in Korean won and in number of shares)</i> | <b>2023</b> | <b>2022</b> |
|--|-------------|-------------|
| Total number of authorized shares              | 50,000,000  | 50,000,000  |
| Par value per share                            | ₩ 500       | ₩ 500       |
| Total number of shares issued                  | 5,104,599   | 5,104,599   |

Changes in share capital and share premium for the year ended December 31, 2023, are as follows:

| <i>(in thousands of Korean won and in number of shares)</i> | <b>Number of shares</b> | <b>Share capital</b> | <b>Share premium</b> | <b>Total</b> |
|---|-------------------------|----------------------|----------------------|--------------|
| January 1, 2023   | 5,104,599               | ₩ 2,552,300          | ₩ 12,308,961         | ₩ 14,861,261 |
| December 31, 2023   | 5,104,599               | ₩ 2,552,300          | ₩ 12,308,961         | ₩ 14,861,261 |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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### 17. Retained Earnings

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

| (in thousands of Korean won)           | 2023                 | 2022                 |
|--|----------------------|----------------------|
| Legal reserves <sup>1</sup>            | ₩ 67,513             | ₩ 67,513             |
| Retained earnings before appropriation | 135,887,588          | 110,050,203          |
|  | <u>₩ 135,955,101</u> | <u>₩ 110,117,716</u> |

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment but may be transferred to share capital or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed.

### 18. Operating Expenses

#### (a) *Selling and administrative expenses*

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

| (in thousands of Korean won)        | 2023                | 2022                |
|-------------------------------------|---------------------|---------------------|
| Salaries                            | ₩ 11,811,054        | ₩ 9,295,616         |
| Post-employment benefits            | 855,670             | 765,786             |
| Employee benefits                   | 1,807,105           | 1,683,814           |
| Taxes and dues                      | 510,031             | 521,676             |
| Depreciation                        | 402,801             | 325,490             |
| Depreciation of right-of-use assets | 2,103,399           | 1,973,185           |
| Amortization                        | 301,355             | 268,878             |
| Rental expenses                     | 131,785             | 102,030             |
| Research and development            | 3,157,253           | 3,110,138           |
| Commission expenses                 | 4,143,588           | 4,200,723           |
| Advertising expenses                | 20,184,159          | 15,543,223          |
| Promotional expenses                | 3,639,080           | 3,129,588           |
| Sales commissions                   | 30,199,833          | 44,765,049          |
| Freight expenses                    | 3,731,124           | 2,131,458           |
| Supplies expenses                   | 476,868             | 383,629             |
| Others                              | 4,218,757           | 3,520,374           |
|                                     | <u>₩ 87,673,862</u> | <u>₩ 91,720,657</u> |

# GOWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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### (b) Breakdown of expenses by nature

Breakdown of expenses by nature for the years ended December 31, 2023 and 2022, is as follows:

| (in thousands of Korean won)                                 | 2023          | 2022          |
|--|---------------|---------------|
| Raw materials and consumables used                           | ₩ 6,436,672   | ₩ 13,917,916  |
| Changes in inventories of finished goods and work in process | 1,191,978     | 1,113,501     |
| Employee benefits expenses                                   | 15,977,145    | 13,060,868    |
| Depreciation   | 555,775       | 430,993       |
| Depreciation of right-of-use assets                          | 2,150,320     | 2,019,498     |
| Amortization   | 301,355       | 268,878       |
| Outsourcing expenses   | 71,993,657    | 57,088,070    |
| Advertising and promotional expenses                         | 23,243,856    | 17,991,595    |
| Sales commissions  | 30,199,833    | 44,765,049    |
| Other expenses   | 17,066,074    | 15,351,364    |
| Total cost of sales, and selling and administrative expenses | ₩ 169,116,665 | ₩ 166,007,732 |

### 19. Finance Income and Costs

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

| (in thousands of Korean won)   | 2023        | 2022        |
|--|-------------|-------------|
| <b>Finance income</b>  |             |             |
| Interest income  |             |             |
| Financial assets carried at amortized cost                                 | ₩ 4,422,618 | ₩ 2,063,483 |
|  | 4,422,618   | 2,063,483   |
| Gain on valuation of financial assets at fair value through profit or loss | 23,086      | 27,836      |
| Gain on disposal of financial assets at fair value through profit or loss  | 22,621      | 52,884      |
|  | ₩ 4,468,325 | ₩ 2,144,203 |
| <b>Finance costs</b>   |             |             |
| Interest expenses  |             |             |
| Financial liabilities at amortized cost                                    | ₩ -         | ₩ -         |
| Other financial liabilities  | 96,718      | 142,337     |
|  | 96,718      | 142,337     |
| Loss on valuation of financial assets at fair value through profit or loss | -           | 102,976     |
|  | ₩ 96,718    | ₩ 245,313   |

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**20. Other Income and Expenses**

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

| <i>(in thousands of Korean won)</i>               | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
| <b>Other income</b>                               |             |             |
| Gain on foreign currency transaction              | ₩ 407,998   | ₩ 839,015   |
| Gain on foreign currency translation              | 2,584       | 9,280       |
| Gain on disposal of property, plant and equipment | 16,261      | 6,817       |
| Miscellaneous income                              | 253,552     | 52,186      |
|   | <hr/>       | <hr/>       |
|   | ₩ 680,395   | ₩ 907,298   |
| <b>Other expenses</b>                             |             |             |
| Loss on foreign currency transaction              | ₩ 251,879   | ₩ 708,750   |
| Loss on foreign currency translation              | 24,618      | 55,995      |
| Loss on disposal of property, plant and equipment | -           | 4,129       |
| Donations   | 320,050     | 64,126      |
| Others  | 194,443     | 5,932       |
|   | <hr/>       | <hr/>       |
|   | ₩ 790,990   | ₩ 838,932   |

**21. Commitments**

*(a) Credit Line*

The Group has no credit line agreement as at December 31, 2023 and 2022.

*(b) Guarantee provided by others*

As at December 31, 2023, the Group has been provided ₩ 348,600 thousand of contract performance guarantee by Seoul Guarantee Insurance Company.

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

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### **22. Related Party Transactions**

As of December 31, 2023, the controlling company is Mibelle AG (100% stake), and the ultimately controlling company is Migros.

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

| <i>(in thousands of Korean won)</i> |                   | <b>2023</b>  |                  |
|-------------------------------------|-------------------|--------------|------------------|
|                                     |                   | <b>Sales</b> | <b>Purchases</b> |
| Other related parties               | MARQLABS(America) | ₩ -          | ₩ -              |

| <i>(in thousands of Korean won)</i> |                   | <b>2022</b>  |                  |
|-------------------------------------|-------------------|--------------|------------------|
|                                     |                   | <b>Sales</b> | <b>Purchases</b> |
| Other related parties               | MARQLABS(America) | ₩ 229,854    | ₩ -              |
| Other related parties               | Key management    | ₩ 3,395      | ₩ -              |

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

| <i>(in thousands of Korean won)</i> |                   | <b>2023</b>  |     |
|-------------------------------------|-------------------|--------------|-----|
|                                     |                   | <b>Loans</b> |     |
| Other related parties               | MARQLABS(America) | ₩ -          | ₩ - |

| <i>(in thousands of Korean won)</i> |                | <b>2022</b>  |     |
|-------------------------------------|----------------|--------------|-----|
|                                     |                | <b>Loans</b> |     |
| Other related parties               | Key management | ₩ -          | ₩ - |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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

There are no fund transactions with related parties during the year ended December 31, 2023.

(in thousands of Korean won)

|                       |                | 2022              |             |
|-----------------------|----------------|-------------------|-------------|
|                       |                | Loan transactions |             |
|                       |                | Loans             | Repayments  |
| Other related parties | Key management | ₩ 1,500,000       | ₩ 1,950,000 |

Details of payment guarantees provided by the related parties for the financial supports as at December 31, 2023 and 2022, are as follows:

(in thousands of Korean won)

| Remark          | Guaranteed by       | Related party  | 2023 | 2022      |
|-----------------|---------------------|----------------|------|-----------|
| Joint guarantee | KB Capital Co., Ltd | Key management | ₩ -  | ₩ 123,391 |

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, 2023 and 2022, consists of:

(in thousands of Korean won)

|                          | 2023        | 2022        |
|--------------------------|-------------|-------------|
| Salaries                 | ₩ 1,832,735 | ₩ 1,088,142 |
| Post-employment benefits | ₩ 647,596   | ₩ 416,580   |
|                          | ₩ 2,480,331 | ₩ 1,504,722 |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

## Notes to the Consolidated Financial Statements

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### 23. Cash Generated from Operations

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

| <i>(in thousands of Korean won)</i>  | <b>2023</b>  | <b>2022</b>  |
|--|--------------|--------------|
| Profit for the year  | ₩ 25,837,385 | ₩ 24,641,536 |
| Adjustments for:   |              |              |
| Gain on valuation of financial assets at fair value through profit or loss | (23,086)     | (27,836)     |
| Loss on valuation of financial assets at fair value through profit or loss | -            | 102,976      |
| Gain on disposal of financial assets at fair value through profit or loss  | (22,621)     | (52,884)     |
| Depreciation   | 555,775      | 430,993      |
| Depreciation of right-of-use assets  | 2,150,320    | 2,019,498    |
| Amortization   | 301,355      | 268,878      |
| Gain on disposal of property, plant and equipment                          | (16,261)     | (6,817)      |
| Loss on disposal of property, plant and equipment                          | -            | 4,129        |
| Loss (gain) on valuation of inventories and others                         | (48,612)     | 1,727,502    |
| Loss on foreign currency translation                                       | 22,034       | 46,714       |
| Miscellaneous losses   | 65           | -            |
| Interest income  | (4,422,618)  | (2,063,483)  |
| Interest expenses  | 96,718       | 142,337      |
| Income tax expenses  | 7,708,260    | 8,419,342    |
| Change in working capitals:  |              |              |
| Increase in trade receivables  | (2,355,564)  | (2,908,851)  |
| Decrease (increase) in other financial assets                              | (21,904)     | 103,121      |
| Decrease (increase) in inventories   | 1,152,791    | (470,302)    |
| Decrease in other current assets   | 188,490      | 2,208,583    |
| Increase (decrease) in trade payables                                      | 1,516,899    | (134,373)    |
| Increase in other financial liabilities                                    | 1,870,601    | 1,699,384    |
| Increase (decrease) in provision for sales return                          | 26,229       | (178,219)    |
| Increase (decrease) in other current liabilities                           | (70,777)     | 261,165      |
| Increase in other provisions   | 83,211       | 51,688       |
| Cash generated from operations   | ₩ 34,528,690 | ₩ 36,285,081 |

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

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

| <i>(in thousands of Korean won)</i>                                     | <b>2023</b> | <b>2022</b> |
|---|-------------|-------------|
| Other payables relating to acquisition of property, plant and equipment | ₩ 206,117   | ₩ 47,425    |
| Other payables relating to acquisition of intangible assets             | -           | (187,200)   |
| Acquisition of right-of-use assets                                      | 199,638     | 2,189,864   |

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

| <i>(in thousands of Korean won)</i>                  | <b>2023</b>        | <b>2022</b>        |
|--|--------------------|--------------------|
| Lease liabilities                                    |                    |                    |
| Opening net book amount                              | ₩ 3,563,559        | ₩ 3,317,722        |
| Cash outflows from arising from financing activities | (2,083,591)        | (1,822,061)        |
| Non cash changes                                     |                    |                    |
| New lease  | 180,509            | 2,065,517          |
| Lease Termination                                    | (1,361)            | -                  |
| Exchange differences                                 | (440)              | 2,381              |
| Ending net book amount                               | <u>₩ 1,658,676</u> | <u>₩ 3,563,559</u> |

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

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### **24. Financial Risk Management**

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

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for risk management covering market risk, credit risk, and liquidity risk.

#### **24.1 Financial Risk Factors**

##### **24.1.1 Market Risk**

###### *(a) Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar and the Chinese yuan. Foreign exchange risk arises from recognized assets and liabilities.

To minimize foreign exchange risk arising from operating activities, the Group's foreign exchange management policy requires normal business transactions to be in local currency or for the cash-in currency to be matched up with the cash-out currency.

The Group's financial assets and liabilities exposed to foreign currency risk as at December 31, 2023 and 2022, are as follows:

| <i>(in thousands of Korean won)</i> | <b>2023</b>        |                    | <b>2022</b>      |                    |
|-------------------------------------|--------------------|--------------------|------------------|--------------------|
|                                     | <b>Assets</b>      | <b>Liabilities</b> | <b>Assets</b>    | <b>Liabilities</b> |
| USD                                 | ₩ 1,337,241        | ₩ 9,960            | ₩ 605,505        | ₩ 37,820           |
| CNY                                 | 644,283            | 13,394             | 40,862           | 10,016             |
| JPY                                 | -                  | 166,102            | -                | 80,860             |
| EUR                                 | -                  | 1,427              | -                | -                  |
|                                     | <b>₩ 1,981,524</b> | <b>₩ 190,883</b>   | <b>₩ 646,367</b> | <b>₩ 128,696</b>   |

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

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The table below summarizes the impact of increased/decreased Korean won currency rate to foreign currency on the Group's equity and post-tax profit for the year. The analysis is based on the assumption that Korean won currency rate to foreign currency has increased/decreased by 10% with all other variables held constant.

| (in thousands of Korean won) | 2023      |             | 2022      |            |
|------------------------------|-----------|-------------|-----------|------------|
|                              | Increased | Decreased   | Increased | Decreased  |
| USD                          | ₩ 132,728 | ₩ (132,728) | ₩ 56,769  | ₩ (56,769) |
| CNY                          | 63,089    | (63,089)    | 3,085     | (3,085)    |
| JPY                          | (16,610)  | 16,610      | (8,086)   | 8,086      |
| EUR                          | (143)     | 143         | -         | -          |

### (b) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and net interest expense.

The Group adequately minimizes risks from interest rate fluctuations through avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates daily, weekly and monthly, and establishing alternatives.

The Group has no external borrowings as at the end of the reporting period. Therefore, change in interest rate has no significant impact on the Group's profit before income tax.

### 24.1.2 Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The credit risk on cash and cash equivalents and deposits with banks and financial institutions is limited as the Group transacts only with financial institutions with high credit ratings assigned by international credit rating agencies.

If sale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on the management's sufficient review. The compliance with credit limits by wholesale customers is regularly monitored by line management.

For certain trade receivables, the Group may obtain security in the form of guarantees or letters of credit, which can be called upon if the counterparty is in default under the terms of the agreement.

# GWOONSESANG COSMETICS CO., LTD. and Subsidiary

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December 31, 2023 and 2022

The maximum exposure to credit risk as at December 31, 2023 and 2022, is as follows:

| (in thousands of Korean won)                          | 2023                 | 2022                 |
|---|----------------------|----------------------|
| Cash and cash equivalents                             | ₩ 34,113,738         | ₩ 51,261,604         |
| Short-term financial assets                           | 103,266,009          | 58,991,046           |
| Financial assets at fair value through profit or loss | 2,000                | 905,960              |
| Trade receivables                                     | 14,935,816           | 12,588,564           |
| Other current financial assets                        | 3,059,422            | 1,277,242            |
| Other non-current financial assets                    | 1,320,274            | 1,933,664            |
|   | <u>₩ 156,697,259</u> | <u>₩ 126,958,080</u> |

### 24.1.3 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.

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

| (in thousands of Korean won) | 2023                |                          |                          |              |                     |
|------------------------------|---------------------|--------------------------|--------------------------|--------------|---------------------|
|                              | Less than<br>1 year | Between<br>1 and 2 years | Between<br>2 and 5 years | Over 5 years | Total               |
| Trade payables               | ₩ 6,874,913         | ₩ -                      | ₩ -                      | ₩ -          | ₩ 6,874,913         |
| Other payables               | 5,296,141           | -                        | -                        | -            | 5,296,141           |
| Lease liabilities            | 1,558,484           | 65,316                   | 65,135                   | -            | 1,688,935           |
|                              | <u>₩ 13,729,538</u> | <u>₩ 65,316</u>          | <u>₩ 65,135</u>          | <u>₩ -</u>   | <u>₩ 13,859,989</u> |

| (in thousands of Korean won) | 2022                |                          |                          |              |                     |
|------------------------------|---------------------|--------------------------|--------------------------|--------------|---------------------|
|                              | Less than<br>1 year | Between<br>1 and 2 years | Between<br>2 and 5 years | Over 5 years | Total               |
| Trade payables               | ₩ 5,406,131         | ₩ -                      | ₩ -                      | ₩ -          | ₩ 5,406,131         |
| Other financial liabilities  | 5,375,362           | -                        | -                        | -            | 5,375,362           |
| Lease liabilities            | 2,162,441           | 1,398,889                | 130,451                  | -            | 3,691,781           |
|                              | <u>₩ 12,943,934</u> | <u>₩ 1,398,889</u>       | <u>₩ 130,451</u>         | <u>₩ -</u>   | <u>₩ 14,473,274</u> |

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

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### **24.2 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt ratio. This ratio is calculated as total liabilities divided by total equity in the consolidated statements of financial position.

| <i>(in thousands of Korean won)</i> | <b>2023</b>  | <b>2022</b>  |
|-------------------------------------|--------------|--------------|
| Liabilities                         | ₩ 23,670,351 | ₩ 22,183,412 |
| Equity                              | 150,803,176  | 125,420,610  |
| Debt ratio                          | 15.70%       | 17.80%       |

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**25. Fair Value**

**25.1 Fair Value of Financial Instruments by Category**

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

|   | 2023                 |            | 2022                 |            |
|---|----------------------|------------|----------------------|------------|
|   | Carrying amount      | Fair value | Carrying amount      | Fair value |
| <b>Financial assets</b>   |                      |            |                      |            |
| Cash and cash equivalents   | ₩ 34,113,738         | 1          | ₩ 51,261,604         | 1          |
| Short-term financial instruments                                    | 103,266,009          | 1          | 58,991,046           | 1          |
| Financial assets at fair value through profit or loss (current)     | 2,000                | ₩ 2,000    | 2,000                | ₩ 2,000    |
| Trade receivables   | 14,935,816           | 1          | 12,588,564           | 1          |
| Other financial assets  | 3,059,422            | 1          | 1,277,242            | 1          |
| Financial assets at fair value through profit or loss (non-current) | -                    | -          | 903,960              | 903,960    |
| Other non-current financial assets                                  | 1,320,274            | 1          | 1,933,664            | 1          |
|   | <u>₩ 156,697,259</u> |            | <u>₩ 126,958,080</u> |            |
| <b>Financial liabilities</b>  |                      |            |                      |            |
| Trade payables  | ₩ 6,874,913          | 1          | ₩ 5,406,131          | 1          |
| Other payables  | 4,158,524            | 1          | 3,747,136            | 1          |
|   | <u>₩ 11,033,437</u>  |            | <u>₩ 9,153,267</u>   |            |

<sup>1</sup> Carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

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### 25.2 Fair Value Hierarchy

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

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

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

| <i>(in thousands of Korean won)</i>                   | <b>2023</b>    |                            |                |              |
|---|----------------|----------------------------|----------------|--------------|
|   | <b>Level 1</b> | <b>Level 2<sup>1</sup></b> | <b>Level 3</b> | <b>Total</b> |
| Recurring fair value measurements                     |                |                            |                |              |
| Financial assets at fair value through profit or loss | ₩              | - ₩                        | - ₩            | 2,000 ₩      |
|   |                |                            |                |              |
| <i>(in thousands of Korean won)</i>                   | <b>2022</b>    |                            |                |              |
|   | <b>Level 1</b> | <b>Level 2<sup>1</sup></b> | <b>Level 3</b> | <b>Total</b> |
| Recurring fair value measurements                     |                |                            |                |              |
| Financial assets at fair value through profit or loss | ₩              | - ₩                        | 903,960 ₩      | 2,000 ₩      |
|   |                |                            |                |              |

<sup>1</sup> The major valuation technique used in Level 2 financial instruments is measuring trustee financial institutions' valuation as fair value.

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### 25.3 Valuation Techniques and the Inputs

Valuation techniques and inputs used in the recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy as at December 31, 2023 and 2022, are as follows:

| <i>(in thousands of Korean won)</i> | <b>Fair value</b> |             | <b>Level</b> | <b>Inputs</b>          | <b>Valuation techniques</b>   |
|-------------------------------------|-------------------|-------------|--------------|------------------------|-------------------------------|
|                                     | <b>2023</b>       | <b>2022</b> |              |                        |                               |
| Financial assets                    |                   |             |              |                        |                               |
| Hybrid equity securities            | ₩ -               | ₩ 903,960   | 2            | Share price and others | Option model and others       |
| Investments                         | 2,000             | 2,000       | 3            | Share price and others | Net asset approach and others |

There were no transfers between levels 1 and 2 during the year.

Changes in level 3 for fair value measurements for the year ended December 31, 2023, are as follows:

| <i>(in thousands of Korean won)</i> | <b>2023</b>              |                  |                       |              |                       |
|-------------------------------------|--------------------------|------------------|-----------------------|--------------|-----------------------|
|                                     | <b>Beginning balance</b> | <b>Purchases</b> | <b>Profit or loss</b> | <b>Sales</b> | <b>Ending balance</b> |
| Financial assets                    |                          |                  |                       |              |                       |
| Hybrid equity securities            | ₩ 903,960                | ₩ -              | ₩ 45,707              | ₩ 949,667    | ₩ -                   |
| Investments                         | 2,000                    | -                | -                     | -            | 2,000                 |

# GOWOONSESANG COSMETICS CO., LTD. and Subsidiary

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### 26. Revenue from Contracts with Customers

#### 26.1 Revenue from Contracts with Customers

The Group has recognized the following amounts relating to revenues in the statements of profit or loss:

| (in thousands of Korean won)          | 2023          | 2022          |
|---------------------------------------|---------------|---------------|
| Revenue from contracts with customers | ₩ 198,401,299 | ₩ 197,101,354 |
| Total revenue                         | ₩ 198,401,299 | ₩ 197,101,354 |

#### *Disaggregation of Revenue from Contracts with Customers*

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following business segments and geographical regions of external customers:

| (in thousands of Korean won)    | 2023          |              |               |
|---------------------------------|---------------|--------------|---------------|
|                                 | Domestic      | Foreign      | Total         |
| Revenue from external customers | ₩ 172,584,395 | ₩ 25,816,904 | ₩ 198,401,299 |
| Timing of revenue recognition   |               |              |               |
| At a point in time              | 172,584,395   | 25,816,904   | 198,401,299   |

| (in thousands of Korean won)    | 2022          |              |               |
|---------------------------------|---------------|--------------|---------------|
|                                 | Domestic      | Foreign      | Total         |
| Revenue from external customers | ₩ 174,972,986 | ₩ 22,128,368 | ₩ 197,101,354 |
| Timing of revenue recognition   |               |              |               |
| At a point in time              | 174,972,986   | 22,128,368   | 197,101,354   |

Details of external customers, who contribute more than 10% of the Group's revenue for the years ended December 31, 2023 and 2022, are as follows:

| (in millions of Korean won) | Revenue      |              |
|-----------------------------|--------------|--------------|
|                             | 2023         | 2022         |
| Customer 1                  | ₩ 39,291,855 | ₩ 28,413,141 |
| Customer 2                  | 20,096,477   | 13,535,704   |

# **GOWOONSESANG COSMETICS CO., LTD. and Subsidiary**

## **Notes to the Consolidated Financial Statements**

**December 31, 2023 and 2022**

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### **26.2 Assets and Liabilities related to Contracts with Customers**

The Group has recognized the following assets and liabilities related to contracts with customers:

| <i>(in thousands of Korean won)</i>               | <b>2023</b> |               | <b>2022</b> |               |
|---|-------------|---------------|-------------|---------------|
|   | <b>₩</b>    | <b>73,245</b> | <b>₩</b>    | <b>51,511</b> |
| Contract assets – Right-of-return assets          |             |               |             |               |
| Contract liabilities – expected customers' return | ₩           | 292,666       | ₩           | 266,512       |
| Contract liabilities – customer loyalty program   |             | 34,355        |             | 20,144        |
| Contract liabilities – free sample provision      |             | 105,655       |             | 161,840       |
| Total contract liabilities                        | ₩           | 432,676       | ₩           | 448,496       |

There are no significant changes in contract assets and liabilities for the years ended December 31, 2023 and 2022.

Revenue recognized that was included in the contract liability balance at the beginning of the year amounts to ₩ 182 million.