

Financial Statements of AvanStrate Korea Inc.

AvanStrate Korea Co., Ltd.

Annual Report

20th fiscal year
From April 1, 2021
To March 31, 2022

19th fiscal year
From April 1, 2020
To March 31, 2021

Disclaimer :

The originals of this financial report were prepared in Korean language, and in case of any inconsistency or differences arising between this financial report and the originals, the Korean financial statements shall prevail.

Table of Contents

Financial statement	
Statement of financial position	7
Income statement	9
Statement of changes in equity	11
Cash flow statement	12
Comments to financial statement	14

Financial Statement

AvanStrate Korea Inc.

20th fiscal year
From April 1, 2021
To March 31, 2022

19th fiscal year
From April 1, 2020
To March 31, 2021

"Financial statement attached hereto has been made by our company."

AvanStrate Korea Inc.

Ming Shun Wu, Representative Director AvanStrate Korea Inc.

Location of main office:

(Road name address) 84 Hyeonkoksandan-ro, Cheongbuk-myeon, Pyeongtaek, Gyeonggi, Republic
of Korea

(Tel.) +82-31-615-7800~1

Statement of financial position

20th fiscal year as of March 31, 2022

19th fiscal year as of March 31, 2021

AvanStrate Korea Inc.

(Unit: won)

Title	20th fiscal year		19th fiscal year	
Asset				
I. Current assets		17,060,160,039		12,320,895,956
(1) Quick assets		8,449,954,198		8,315,602,151
1. Cash and cash equivalents	1,069,113,671		1,209,721,233	
2. Trade and other receivables <Footnote 12>	286,928,863		4,571,680,366	
Allowance for bad debts	(2,869,289)		(45,716,804)	
3. Account Receivable <Footnote 12>	693,526,476		439,034,791	
4. Advanced payment	6,316,686,440		2,054,145,129	
5. Prepaid expenses	86,500,937		86,627,786	
6. Current corporate tax asset	67,100		109,650	
(2) Inventory asset <Footnote 7>		8,610,205,841		4,005,293,805
1. Products	4,842,813,728		963,888,919	
Allowance for loss from valuation	(37,935,432)		(400,134,809)	
2. Raw materials	880,749,195		483,079,513	
Allowance for loss from valuation	(177,220,278)		(177,220,278)	
3. Work in process	3,112,842,092		4,178,703,609	
Allowance for loss from valuation	(1,197,051,140)		(1,573,318,075)	
4. Stored goods	654,722,454		491,518,921	
5. Goods in transit	531,285,222		38,776,005	
II. Non-current assets		72,228,931,734		61,021,481,209
(1) Investment asset		2,000,000		2,000,000
1. Long-term financial instruments <Footnote 4>	2,000,000		2,000,000	
(2) Tangible assets < Footnote 6,7,15>		71,861,238,544		60,660,422,919
1. Building	121,234,220,129		121,234,220,129	
Accumulative depreciation	(42,878,660,640)		(42,878,660,640)	
Accumulative impairment loss	(78,355,559,489)		(78,355,559,489)	
2. Structure	15,836,652,195		15,836,652,195	
Accumulative depreciation	(15,567,684,768)		(15,567,684,768)	
Accumulative impairment loss	(268,967,427)		(268,967,427)	
3. Machine devices	250,303,377,657		239,645,783,227	

Accumulative depreciation	(129,979,044,552)		(127,949,033,112)	
Accumulative impairment loss	(54,582,418,523)		(54,566,482,903)	
4. Vehicles & Transport Equipment	26,200,000		26,200,000	
Accumulative depreciation	(26,200,000)		(26,200,000)	
5. Equipment	18,625,456,652		16,155,028,925	
Accumulative depreciation	(13,489,369,456)		(12,295,760,451)	
Accumulative impairment loss	(1,639,896,675)		(1,639,896,675)	
6. Asset under construction	41,575,755,398		40,279,341,485	
Accumulative impairment loss	(38,952,621,957)		(38,968,557,577)	
(3) Other non-liquid asset		365,693,190		359,058,290
1. Deposit for lease	365,693,190		359,058,290	
Total assets		89,289,091,773		73,342,377,165
Liabilities				
I. Current liability		317,906,086,796		246,376,424,871
1. Trade payables and other payables <Footnote 12>	3,715,403,509		295,613,995	
2. Account payable <Footnote 12, 15>	3,286,245,666		2,867,841,518	
3. Accrued charges <Footnote 12>	75,389,292,458		71,894,150,898	
4. Advance received <Footnote 12>	7,908,937,571		5,302,290,460	
5. Short-term debt <Footnotes 8, 12>	149,883,885,200		132,114,638,000	
6. Long-term current liabilities <Footnotes 9, 12, 15>	77,202,322,392		33,901,890,000	
7. Other allowance liabilities <Footnote 21>	520,000,000		-	
II. Non-current liabilities		79,007,826,483		127,751,082,827
1. Long-term loan <Footnotes 9, 12, 15>	79,007,826,483		127,751,082,827	
Total liabilities		396,913,913,279		374,127,507,698
Capital				
I. Capital <Footnote 1, 10>		148,577,200,000		148,577,200,000
1. Common share capital	148,577,200,000		148,577,200,000	
II. Capital adjustment		(607,049,560)		(607,049,560)
1. Difference from share discount issuance	(607,049,560)		(607,049,560)	
III. Deficit		455,594,971,946		448,755,280,973
1. Unappropriated deficit <Footnote 11>	(455,594,971,946)		(448,755,280,973)	
Total capital		(307,624,821,506)		(300,785,130,533)
Total liabilities and capital		89,289,091,773		73,342,377,165

“Footnotes attached hereto are the part of this financial statement”

Income statement

20th fiscal year From April 1, 2021 to March 31, 2022

19th fiscal year From April 1, 2020 to March 31, 2021

AvanStrate Korea Inc.

(Unit: won)

Title	20th fiscal year		19th fiscal year	
I. Amount of sales <Footnote 12>		26,260,288,510		12,050,401,472
1. Sales of products	26,116,306,382		12,046,302,509	
2. Sales of goods	143,982,128		4,098,963	
II. Cost of sales <Footnotes 12, 17>		35,094,592,994		25,023,322,636
1. Sales cost of products	34,966,182,255		25,019,692,990	
A. Opening product inventory	563,754,110		-	
B. Current-term production cost	38,687,306,441		25,221,359,370	
C. Substitution from other account	520,000,000		362,087,730	
D. Closing product inventory	(4,804,878,296)		(563,754,110)	
2. Sales cost of goods	128,410,739		3,629,646	
A. Opening goods inventory	-		-	
B. Current-term purchases	128,410,739		3,629,646	
C. Closing goods inventory	-		-	
III. Total sales loss		8,834,304,484		12,972,921,164
IV. Selling & administrative expenses		4,748,855,671		3,260,266,913
1. Salaries & Wages <Footnote 17>	489,156,662		492,014,660	
2. Severance pay <Footnote 17>	35,432,328		47,029,594	
3. Employee benefits <Footnote 17>	98,653,835		94,724,613	
4. Traveling expenses	123,196,673		112,531,699	
5. Entertainment expenses	24,536,220		23,109,124	
6. Communication expenses	16,471,215		15,574,675	
7. Utilities	125,340,205		84,543,549	
8. Depreciation expenses <Footnote 6,17>	37,807,311		33,872,940	
9. Rent expenses <Footnote 17>	284,842,557		204,600,442	
10. Taxes and dues <Footnote 17>	36,355,210		17,298,926	
11. Insurance expenses	(92,710)		157,000	
12. Vehicle expenses	1,883,448,352		557,358,394	
13. Education and training	562,300		3,010,000	
14. Consumables	35,266,309		27,205,151	
15. Payment fee	644,959,104		700,603,684	
16. Bad debt expenses (reversal)	(42,847,515)		39,104,702	
17. Labor expenses	67,559,956		86,697,065	
18. Recruitment fee	54,871,549		102,850,550	
19. Lease	3,237,795		4,231,700	
20. Personal dispatch fee	197,476,063		133,422,101	
21. Security guard fee	98,118,000		97,307,000	
22. Repairs expenses	19,670,000		261,000	
23. Product compensation cost	-		202,108,017	
24. Royalties <Footnote 12, 16>	514,834,252		180,650,327	
V. Operating loss		13,583,160,155		16,233,188,077
VI. Non-operating income		15,000,239,761		36,090,103,836
1. Interest income	500,130		720,655	
2. Foreign exchange income	1,043,902,347		60,044,466	
3. Foreign currency translation gain	13,711,229,534		35,815,545,112	

4. Income from disposed tangible asset	-		8,376,285	
5. Miscellaneous income	244,607,750		205,417,318	
VII. Non-operating expenses		8,256,770,579		5,946,914,773
1. Interest expenses <Footnote 12, 18>	5,684,283,964		5,506,785,979	
2. Foreign exchange loss	482,962,581		325,403,052	
3. Foreign currency translation loss	24,680,471		95,084,428	
4. Loss of disposed tangible asset	2,055,643,736		-	
5. Miscellaneous loss	9,199,827		19,641,314	
VIII. Net gain (loss) before deduction of corporate tax expenses		(6,839,690,973)		13,910,000,986
IX. Corporate tax expenses (Footnote 13)		-		-
X. Current net gain (loss)		(6,839,690,973)		13,910,000,986
XI. Basic net profit (loss) per share <Footnote 14>				
Basic net profit (loss) per share		(230)		48

“Footnotes attached hereto are the part of this financial statement”

Statement of changes in equity

20th fiscal year From April 1, 2021 to March 31, 2022

19th fiscal year From April 1, 2020 to March 31, 2021

AvanStrate Korea Inc.

(Unit: won)

Title	Capital	Capital adjustment	Retained Earnings	Total
April 1, 2020 (Reported amount)	148,577,200,000	(607,049,560)	(462,665,281,959)	(314,695,131,519)
Current net loss	-	-	13,910,000,986	13,910,000,986
March 31, 2021	148,577,200,000	(607,049,560)	(448,755,280,973)	(300,785,130,533)
April 1, 2021 (Reported amount)	148,577,200,000	(607,049,560)	(448,755,280,973)	(300,785,130,533)
Current net profit	-	-	(6,839,690,973)	(6,839,690,973)
March 31, 2022	148,577,200,000	(607,049,560)	(455,594,971,946)	(307,624,821,506)

“Footnotes attached hereto are the part of this financial statement”

Cash flow statement

20th fiscal year From April 1, 2021 to March 31, 2022

19th fiscal year From April 1, 2020 to March 31, 2021

AvanStrate Korea Inc.

(Unit: won)

Title	20th fiscal year		19 th fiscal year	
I. Cash flow from operations		(6,845,328,568)		(13,465,557,957)
1. Current-term net profit (loss)	(6,839,690,973)		13,910,000,986	
2. Expenses without cash inflows and outflows	5,883,257,504		6,769,293,456	
Bad debt expenses	-		39,104,702	
Depreciation cost	3,891,233,846		5,872,881,787	
Foreign exchange loss	24,680,471		95,084,428	
Loss from tangible assets disposition	1,967,343,187		-	
Loss from inventory asset valuation	-		762,222,539	
3. Deduction of profits without cash inflows and outflows	(14,379,682,831)		(35,823,921,397)	
Bad debt expenses reversal	42,847,515		-	
Foreign exchange loss	13,598,369,004		35,815,545,112	
Profit from tangible asset disposition	-		8,376,285	
Reversal of loss from inventory asset valuation	738,466,312		-	
4. Changes of asset and debt from operation	8,490,787,732		1,679,068,998	
Trade receivables	4,268,791,514		(3,994,283,584)	
Account receivables	(251,357,129)		(81,215,040)	
Advance payments	(4,262,541,311)		(866,283,425)	
Prepaid expenses	126,849		20,072,851	
Current-term corporate tax assets	42,550		1,730,980	
Inventory assets	(3,866,445,724)		(538,891,826)	
Account payables	3,566,242,661		294,875,600	
Pay arrears	(203,138,411)		976,320,447	
Accrued expenses	6,112,419,622		5,866,742,995	
Advance received	2,606,647,111		-	
Other allowance liabilities	520,000,000		-	
II. Cash flows from investment activities		(16,436,898,794)		(9,485,287,024)
1. Cash inflows from investment activities	11,365,100		56,000,000	
Disposition of equipment	-		11,200,000	
Decrease of lease deposit	11,365,100		44,800,000	
2. Amount of cash outflows from investment activities	(16,448,263,894)		(9,541,287,024)	
Acquisition of Machinery	728,263,260		5,393,478,468	
Acquisition of equipment	2,470,427,727		2,196,973,000	
Increase of assets under construction	13,231,572,907		1,936,035,556	
Increase of lease deposit	18,000,000		14,800,000	
III. Cash flows from financial activities		23,141,619,800		23,735,274,500

1. Amount of cash inflows from financial activities	23,141,619,800		23,735,274,500	
Borrowings of short-term loan	23,141,619,800		23,735,274,500	
2. Amount of cash outflows from financial activities			-	-
IV. Increase (Decrease) of cash (I+II+III)		(140,607,562)		784,429,519
V. Cash amount at the beginning of fiscal year		1,209,721,233		425,291,714
VI. Cash amount at the end of fiscal year		1,069,113,671		1,209,721,233

“Footnotes attached hereto are the part of this financial statement”

Footnotes of Financial statement

20th fiscal year From April 1, 2021 to March 31, 2022

19th fiscal year From April 1, 2020 to March 31, 2021

AvanStrate Korea Inc.

1. Company overview

AvanStrate Korea Inc. (the “**Company**”), a foreign investment corporate entity which was established on November 28, 2002, is mainly engaged in the business of development, manufacture, processing, and sales of the glass plate for liquid crystals. The capital as of the end of the current term is 148,577.2 million won and AvanStrate Inc., a Japanese company, owns 100% of equity interest in the Company.

2. Significant Accounting Policy

The financial statement of this Company was prepared in accordance with the general corporate accounting standard of the Republic of Korea, and its important accounting treatment policy is as follows:

(1) Changes in accounting policy and matters subject to public notice

The Company applies revised matters of the annual improvement (2020) of the general corporate accounting standard to be executed from the current term.

(2) Recognition of profit

The Company recognizes a profit at the time when significant risks and benefits are transferred due to ownership of goods for the sales of products and goods. For other profits, the Company recognizes them at the time when: profit gaining process is completed; profit amount can be measured credibly; and the possibility of inflow of economic benefit is very high.

(3) Cashable assets

The Company classifies as cashable assets the negotiable securities and short-term financial instruments when: they are easily converted into cash without great transactional cost; their value change from changes in the interest rate is not significant; and the maturity (or repayment date) will come within 3 months as of their acquisition.

(4) Financial assets

The Company classifies fixed deposit and installment savings in financial instruments which are owned for short-term fund operation or the maturity of which comes within one year and classifies as long-term financial instruments any financial instruments which do not belong to liquid assets.

(5) Allowance for bad debt

The Company establishes an allowance for bad debt for the assumed amount of bad debt based on the individual analysis on the possibility of the collection of balance of trade receivables, loan and account receivables as of the end of the report period and the rate of past bad debt experience.

(6) Inventory assets

The Company assesses inventory assets with acquisition cost calculated in the total average method (for goods to arrive, item-by-item method) and calculates their quantity and amount in the year-round continuous timing. The Company adjusts the record of that by conducting an actual inventory

investigation at the time of the settlement of the account period of each fiscal year.

However, in cases where the market price of the inventory asset drops less than its acquisition cost, the market price is to be the book value and, if the decreased market price rises more than the book value, the Company reverses the loss from the valuation not exceeding its initial book value.

(7) Negotiable securities

The Company classifies a negotiable instrument as: short-term trading security, which is actively as well as frequently sold and purchased mainly for short-term trading profits; held-to-maturity if its payment due, as a debt security, has been decided or is decidable and the company has active intent and capacity to preserve until payment due; and available-for-sale when it cannot be classified either short-term trading securities or held-to-maturity.

The acquisition cost of the negotiable instrument is the market price of considerations for such acquisition plus incidental expenses for the acquisition, and the acquisition cost of short-term trading security is fair value as of such acquisition.

The Company adds and deducts securities held-to-maturity to and from acquisition cost and interest profit after amortizing the difference between acquisition cost and expired face value in the effective interest method over the repayment period. The Company counts up this amortized cost as the value in the statement of the financial condition.

Short-term trading securities and available-for-sale should be appraised by fair value. The fair value of marketable securities is the market price, and the market price is the closing price as of the last day of the report period. However, if the fair value of unmarketable equity securities among available-for-sale cannot be credibly estimated, it is estimated as an acquisition cost. Unrealized holding gains and losses incurred from the fair value appraisal regarding short-term trading securities should be treated as the current term profit or loss, and unrealized holding gains and losses regarding available-for-sale should be treated as loss and profit from the valuation of available-for-sale (other inclusive accumulative loss and profit). The accumulated amount of the appraisal profit or loss regarding relevant negotiable securities is collectively treated as the current term profit or loss as of the time when they are disposed or their asset impairment losses are recognized.

If the estimated amount, which may be collected from negotiable securities, is less than the after-depreciation cost of debt securities or the acquisition costs, and when evident counterevidence exists that impairment loss is not necessary, the Company assumes the possible amount which may be collected, recognizes the impairment loss and reflects it to the loss and profits of current term.

(8) Valuation and depreciation method of tangible assets

For tangible assets, the Company calculates their acquisition costs (for in-kind investment, gift and other assets acquired free of charge, this means their fair value) as with purchase cost, production cost, and the expenses directly related to preparation of them for arriving and reaching to the place and condition necessary for operating them in the way desired by the executives of the Company.

In addition, the Company recognizes them as capital expenses when the expenses after acquisition or completion of tangible assets satisfy the conditions of recognition of tangible asset and, otherwise, recognizes them as the costs for the period of accrual.

Meanwhile, the depreciation cost of tangible assets is counted up by applying the straight-line depreciation based on the following durable years:

Items	Durable years
Building	40 years
Structure	4 years
Machinery and equipment	2~6 years
Vehicles & Transport Equipment	4 years
Fixture and Furniture	4 years

(9) Impairment loss of assets

If the collectable amount of investment and tangible assets other than the assets valued in fair value is significantly less than their book value due to obsolescence, physical damage and rapid decrease of market value, the Company reflects the shortfall in periodical loss and profit as the title of impairment loss of assets.

Meanwhile, if the collectable amount of the assets the impairment loss of which was recognized exceeds their book value, the Company recognizes a reversal of impairment loss in amount not exceeding the balance after amortization of the book value prior to recognition of such impairment loss of those assets.

(10) Severance pay

The Company maintained the defined benefit plan up to 12/31/2014 but has operated the defined contribution plan since 01/01/2015.

The Company's obligation to pay the contribution to the defined contribution plan is recognized as the current term loss and profit as severance pay except the cases where it belongs to the production cost of assets on the relevant payment date. For any shortfall contribution, the Company recognizes the shortfalls as a liability and, for any overpaid contribution, the Company either decreases the payment to be paid in the future or recognizes it as an asset in an amount of cash to be deducted.

Meanwhile, the amounts which the Company recognizes as costs in the terms of the defined contribution plan during the current and previous term are 386,835,000 won and 363,318,000 won, respectively.

(11) Allowance debt and contingent debt

The Company counts up a debt as an allowance debt when: as current liability for the debt exists as a result of previous incident or transactions, among the debts whose spending period or amount is uncertain; there is a high possibility that resources are spent for performing that obligation; and the amount to be spent for performing that obligation is credibly estimated. In addition, if the difference between the nominal value and present value of the allowable debt is important, a debt is valued in the present value of expected expenses for performing the obligation.

In addition, the Company writes down a debt as a contingent debt in the footnote when: current liability for the debt exists as a result of a previous incident or transactions, but either there is not a high possibility that resources are spent for performing that obligation or the amount to be spent for performing that obligation is not credibly estimated even though such possibility is high.

Meanwhile, the Company writes down in the footnote the details of any payment guarantee or other similar guarantee which has been provided to others even if it is not likely that resources are spent for performing that obligation which exists as a result of a previous incident or transactions, and important and pending suit.

(12) Deferred corporate taxes

For temporary differences between book value and tax value of asset and liabilities, the Company recognizes the asset and liabilities from deferred corporate tax. The asset and liabilities from deferred corporate tax are measured with the amount of corporate taxes to be deducted or additionally added in the future due to extinction of temporary differences in the future. The effect of corporate tax of temporary difference is reflected in the corporate tax costs for the period when it is incurred and such effect related to the item directly reflected in the capital item is directly reflected in the relevant capital item.

The Company recognizes any asset from deferred corporate tax as an asset by reexamining its realizability on the last day of each report period when the occurrence of tax income is almost certain in the future, and it is likely that the saving effect of corporate tax of the asset from deferred corporate tax will be realized. For carried forward tax credit and tax exemption, the Company recognizes an asset from deferred corporate tax not exceeding tax income, which is almost certainly accrued in the future period when carried forward credit can be utilized.

The asset and liabilities from deferred corporate tax are classified into liquid asset (floating liability) or other non-liquid asset (non-floating liability) based on the classification in the statement of financial condition for relevant asset and liability items. The Company sets off and indicates the asset and liabilities from deferred corporate tax related to the same taxation authority, respectively.

(13) Translation of foreign currency asset and foreign currency liability

The Company translates cashable foreign currency asset and foreign currency liability at the closing exchange rate as of the end of report period (992.74 won per 100 JP ¥ for the end of current term, 1,027.33 won per 100 JP ¥ for the end of previous term; 1,210.8 won per 1 US\$ for the end of current term, 1,133.5 won per 1 US\$ for the end of previous term) and reflects difference from such translation accrued into the loss and profit of current term.

Meanwhile, for non-cashable foreign currency items to be measured by historical costs and fair value, the Company recognizes it by applying the exchange rate on the date of transaction date and the exchange rate on the date when the fair value is determined, respectively.

(14) Accounting treatment of lease transaction

For lease transactions, the Company classifies as financial lease when most of risks and compensation from the ownership of lease asset is transferred and, otherwise, the Company classifies them as operational lease.

For operational lease, the Company recognizes the minimum lease excluding balance of deposit as a cost for operational lease payment in amount equally distributed over the lease period. For financial lease, the Company recognizes it as the asset and liability of the financial lease in an amount lesser of the present value of the minimum lease payment discounted the internal interest and fair value of the lease asset. Financial lease asset is depreciated in the same way of other similar assets owned by the Company and the Company distributes and treats the minimum lease payment of each term with interest costs calculated in effective interest method and repaid amount of lease liabilities.

(15) Greenhouse gas emission and emission liabilities

The Company is allotted free of charge the permissible quantity of greenhouse gas emission to be assigned to individual companies discharging greenhouse gas emission not exceeding total permissible quantity of GEE as prescribed in the 'Act on Allotment and Trade of greenhouse gas emission'. The

greenhouse gas emission is given each year for the planned period and the Company shall submit the same number of greenhouse gas emission equivalent to actual emission quantity.

The Company measures and recognizes the emission right allotted free of charge from the government (the “Free Allotted Emission Right”) as zero. The Company measures and recognizes purchased emission right as production costs.

In addition, the emission right is to be removed from the statement of financial condition when it is submitted or sold to the government. If any Free Allotted Emission Right, which is decided to be left over after submission to the government, is sold, the Company deducts the disposition loss and profit from emission costs and, if purchased emission right is sold, the Company classifies it as non-operating loss and profit. If the Free Allotted Emission Right is sold in the condition that the greenhouse gas emission is reduced or not compared to the allotted quantity, the Company recognizes the difference between book value and net sales consideration as deferred profit and sets off this profit with the emission cost under systematic standards over the performance year to which the sold emission right belongs.

Emission liability is recognized only when actual emission quantity exceeds the allotted emission right and the emission cost is recognized as operating cost. Emission liability is measured by adding the following ① and ②:

① Book value of emission right owned for the relevant performance year to be submitted to the government; and

② Estimated best value as of the last date of report period for the expenses to be consumed for performing relevant obligations for the emission quantity exceeding the emission right quantity as described in ① above

If any part of Free Allotted Emission Right is borrowed in order to perform the obligation to submit emission right for the relevant performance year, the Company recognizes as deferred profits the amount of emission liability for such part of borrowing while removing emission liability and such deferred profit is set off from the emission costs for the performance year when the deficient emission right due to such borrowing is to be purchased and used.

(16) Basic loss and profit per share

The basic loss and profit per share of the Company is based on net loss and profit for the current term for a single common share and calculated by net loss and profit for current term multiplied by a weighted average of the number of negotiable common shares.

3. Ground for judgment of important accounting policy and information of important assumption and uncertainty in measurement for the future

In preparing the financial statement, the executives of the Company must make a judgment, assumption and presumption which may have an impact on footnote public notice on book value of profit, cost, asset and liability and contingent liability. However, the uncertainty of these assumptions and presumptions may cause an important adjustment on the book value of the asset and liability which may be influenced.

4. Deposit with limited use

The details of deposit the use of which is limited are as follows:

(Unit: 1,000 won)

Title of account	Financial institutions	Current term	Previous term	Contents of limit on use
Long-term financial instruments	Woori Bank	2,000	2,000	Deposit for opening current account

5. Available-for-sale (Negotiable securities)

The entire of Available-for-sale (Negotiable securities) owned by the Company as of the last day of report period are non-marketable equity securities and the details are as follows:

<Current term>

(Unit: 1,000 won)

Company Name	Number of Shares	Type of shares	Fair value	Book amount	Unrealized holding gain/loss	Impairment Loss	
						Before current term	Current term
Eva Precision Coating Ltd.	81,026	Redeemable preferred share	-	-	-	40,513	-

<Previous term>

(Unit: 1,000 won)

Company Name	Number of Shares	Type of shares	Fair value	Book amount	Unrealized holding gain/loss	Impairment Loss	
						Before current term	Current term
Eva Precision Coating Ltd.	81,026	Redeemable preferred share	-	-	-	40,513	-

6. Tangible Assets

Book cost change details of the company tangible assets are as follows:

< Current term>

(Unit: 1,000 won)

Title	Base	Acquisition	Disposal	Depreciation cost	Substitution	End term
Machine	57,130,267	728,263	(1,967,343)	(2,697,625)	12,548,353	65,741,915
Equipment	2,219,372	2,470,428	-	(1,193,609)	-	3,496,191
Asset under construction	1,310,783	13,860,703	-	-	(12,548,353)	2,623,133
Total	60,660,422	17,059,394	(1,967,343)	(3,891,234)	-	71,861,239

(Note) As of the end of the current term, the Company has provided the machinery in amount of KRW 50,866,889,000 won to Cairn India Holdings Limited as collateral in relation to AvanStrate Inc.'s debt of 12.4 billion yen owed to Cairn India Holdings Limited.

<Previous term>

(Unit: 1,000 won)

Title	Base	Acquisition	Disposal	Depreciation cost	Substitution	End term
Machine (Note)	54,692,069	5,393,478	-	(5,513,350)	2,558,070	57,130,267
Equipment	63,046	2,196,973	(2,824)	(359,532)	321,709	2,219,372
Asset under construction	2,936,208	1,254,355	-	-	(2,879,779)	1,310,783
Total	57,691,323	8,844,805	(2,824)	(5,872,882)	-	60,660,422

(Note) As of the end of the previous term, the Company has provided the machinery in amount of KRW 51,287,355,000 won to Cairn India Holdings Limited as collateral in relation to AvanStrate Inc.'s debt of 12.4 billion yen owed to Cairn India Holdings Limited.

7. Insurance assets

The details of insurance taken out by the Company for inventory asset and tangible asset as of the end of current term are as follows:

(Unit: 1,000 won)

Insurance Type	Insurance company	Covered Assets	Covered amount
Comprehensive insurance	KB Insurance Co. Ltd.	Building	148,193,543
		Structure	19,203,276
		Machine	70,156,214
		Fixture & Equipment	2,555,414
		Inventory Assets	1,000,000
Total			241,108,447

8. Short-term loan

The details of short-term loan as of the last date of report period are as follows:

< Current term >

(Foreign currency: 1,000 JPY, KRW: 1,000 won)

Type	Lender	Interest rate (%)	Foreign currency	Amount converted into KRW
Operating funds	AvanStrate Inc.	TIBOR+1.8	15,098,000	149,883,885

< Previous term >

(Foreign currency: 1,000 JPY, KRW: 1,000 won)

Type	Lender	Interest rate (%)	Foreign currency	Amount converted into KRW
Operating funds	AvanStrate Inc.	TIBOR+1.8	12,860,000	132,114,638

9. Long-term Loans

(1) The details of short-term loan as of the last date of report period are as follows:

< Current term >

(Foreign currency: 1,000 JPY, KRW: 1,000 won)

Type	Lender	Interest rate (%)	Foreign currency	Amount converted into KRW	Repayment method
Equipment Funds	AvanStrate Inc.	TIBOR+3.0	2,800,000	27,796,720	Bullet repayment
			500,000	4,963,700	
	Cairn India Holdings Limited	TIBOR+0.5	12,435,253	123,449,729	Installment payment of principal
Total			15,735,253	156,210,149	
Deduction: Liquidity substitution			(7,776,691)	(77,202,323)	
Long-term Loans			7,958,562	79,007,826	

< Previous term >

(Foreign currency: 1,000 JPY, KRW: 1,000 won)

Type	Lender	Interest rate (%)	Foreign currency	Amount converted into KRW	Repayment method
Equipment Funds	AvanStrate Inc.	TIBOR+3.0	2,800,000	28,765,240	Bullet repayment
			500,000	5,136,650	
	Cairn India Holdings Limited	TIBOR+0.5	12,435,253	127,751,083	Installment payment of principal
Total			15,735,253	161,652,973	

Deduction: Liquidity substitution	(3,300,000)	(33,901,890)	
Long-term Loans	12,435,253	127,751,083	

(2) Repayment amount of long-term loans at the end of current term by years is as follows:

(Foreign currency: 1,000 JPY、KRW: 1,000 won)

Period	Amount of foreign currency	Amount converted into KRW
From 04/01/2022 to 03/31/2023	7,776,691	77,202,322
From 04/01/2023 to 03/31/2027	7,336,800	72,835,340
After 04/01/2027	621,762	6,172,487
Total	15,735,253	156,210,149

10. Capital

As of the end day of the report period, the total number of stocks to be issued by the Company, the number of stocks issued, and the face value per stock are 30,000,000 shares, 29,715,440 shares and 5,000 won, respectively, and there are no changes in the capital during the Current term and Previous term.

11. Statement of disposition of deficit

The details of Statement of disposition of deficit for current and previous term are as follows:

Statement of disposition of deficit
20th fiscal year from 04/01/2021 to 03/31/2022
19th fiscal year from 04/01/2020 to 03/31/2021

(Unit: won)

Title	Current term		Previous term	
	Expected disposition date: 06/28/2022		Final disposition date: 06/25/2021	
I. Unappropriated Deficit		(455,594,971,946)		(448,755,280,973)
1. Unappropriated deficit carried forward from previous term	(448,755,280,973)		(462,665,281,959)	
2. Net profit (loss) of current term	(6,839,690,973)		13,910,000,986	
II. Amount of disposed deficit		-		-
III. Unappropriated Deficit to be carried forward to following term		(455,594,971,946)		(448,755,280,973)

12. Related parties

(1) Controlling companies as related party with the Company as of the end of current term are as follows:

Name of company	Controlling company	Relationship with the Company
Volcan Investments Limited	-	Ultimate controlling company
Cairn India Holdings Limited	Volcan Investments Limited	Senior controlling company
AvanStrate Inc.	Cairn India Holdings Limited	Controlling company

(2) The details of transactions with related party with the Company are as follows:

(Unit: 1,000 won)

Related Party	Transaction details	Current term	Previous term
Senior controlling company:			
Cairn India Holdings Limited	Purchase transaction, etc.	724,644	779,621
Controlling company:			
AvanStrate Inc.	Purchase transaction, etc.	4,276,335	3,776,753
	Sales transaction, etc.	164,298	169,333
	Fund borrowing	23,141,620	23,735,275
Other related parties:			
AvanStrate Taiwan Inc.	Sales transaction, etc.	12,471,648	2,557,504
	Purchase transaction, etc.	12,697,501	1,640,718

(3) The balance of claims and liabilities to related party as of the last date of report period is as follows:

(Unit: 1,000 won)

Related parties	Title	Current term	Previous term
Senior controlling company:			
Cairn India Holdings Limited	Accrued charges	2,753,537	2,129,398
	Long-term borrowings	79,007,826	127,751,083
	Liquid long-term debt	44,441,902	-
Controlling company:			

AvanStrate Inc.	Uncollected amount	993	1,027
	Account payables	1,872,484	58,297
	Accrued charges	68,758,249	67,044,962
	Short-term borrowings	149,883,885	132,114,638
	Liquid long-term debt	32,760,420	33,901,890
Other related party:			
AvanStrate Taiwan Inc.	Account receivables	185,784	1,452,679
	Uncollected amount	190,451	543
	Purchase liabilities	3,653,954	81,056
	Amount payables	87,979	215,664
	Accrued charges	2,439,961	1,195,618
	Advance received	2,606,647	-

(4) As of the end of current term, the Company provides payment guarantees and securities to AvanStrate Inc. in terms of 12.4 billion yen of loan owed to Cairn India Holdings Limited.

13. Corporate tax expenses and deferred corporate tax assets (Liabilities)

(1) The details of calculation of corporate tax expenses reflected to Current term and Previous term is as follows:

(Unit: 1,000 won)

	Current term	Previous term
Corporate tax of current term	-	-
Amount of changes in deferred corporate tax due to temporary difference	-	-
Corporate tax expenses	-	-

(2) The relation between the net profit and loss before deduction of corporate tax expenses and corporate tax costs during the Current term and the Previous term is as follows:

(Unit: 1,000 won)

	Current term	Previous term
Net loss before deduction corporate tax expenses	(6,839,691)	13,910,001
Corporate tax at applying tax rate (Current term: 22%, Previous term: 11%, 22%)	(1,504,732)	3,038,200
Adjustment		
- Non-deductible cost	969,202	924,200
- Effect of unrealized deferred corporate tax out of accrued temporary difference	535,530	(3,984,400)
- Others (including tax rate difference)	-	22,000
Effective tax rate (corporate tax expenses)	-	-
Valid tax rates (corporate tax expenses ÷ Net profit and loss before deduction of corporate tax expenses)	(*)	-%

(*) The effective tax rate is not calculated because the net loss before deduction of corporate tax expenses occurred.

(3) The details of temporary difference and increase and decrease of deferred corporate tax asset (liability) of the Company for current and previous term and the details of increase and decrease of deferred corporate tax asset (liability) based on total amount before setting off are as follows:

<Current term>

(Unit: 1,000 won)

Category	Adjustment	Increase	Decrease	End of term
Including temporary difference to be deducted:				
Depreciation cost	28,288,859	-	7,380,277	20,908,582
Foreign Currency Translation Loss	95,084	24,680	90,508	29,256
Tax & Utility fee	1,757	-	-	1,757
Accrued charges	915,753	48,690	80,145	884,298
Long-term Loan (Foreign currency)	1,554,340	-	-	1,554,340
Bad debt	40,513	-	-	40,513
Allowance for Inventory Assets valuation	2,150,673	1,412,207	2,150,673	1,412,207
Impairment loss of tangible asset	49,911,880	-	-	49,911,880
Capital expenditure	179,540	-	-	179,540
Usage fee	26,750,299	-	-	26,750,299
Other allowance liabilities	-	520,000	-	520,000
Tax deficits	274,537,570	23,833,704	7,151,771	291,219,503
Total	384,426,268	25,839,281	16,853,374	393,412,175
Temporary difference to be added:				
Foreign Currency Translation Gain	(35,815,545)	7,780	13,711,230	(49,518,995)
Accrued charges (Foreign currency)	(504,162)	-	-	(504,162)
Total	(36,319,707)	7,780	13,711,230	(50,023,157)
Total deduction	348,106,561	25,847,061	30,564,604	343,389,018
Total Deferred corporate tax assets	76,583,443			75,545,584
Non-recognized deferred corporate tax assets	76,583,443			75,545,584
Net deferred corporate assets	-			-

<Previous term>

(Unit: 1,000 won)

Category	Base	Adjustment	Increase	Decrease	End of term
Including temporary difference to be deducted:					
Depreciation cost	40,257,729	-	-	11,968,868	28,288,861
Foreign Currency Translation Loss	-	-	95,084	-	95,084
Tax & Utility fee	1,757	-	-	-	1,757
Accrued charges	934,680	-	80,145	99,072	915,753
Long-term Loan (Foreign currency)	1,554,340	-	-	-	1,554,340
Bad debt	40,513	-	-	-	40,513
Allowance for Inventory Assets valuation	1,426,386	-	2,150,673	1,426,386	2,150,673
Impairment loss of tangible asset	49,911,880	-	-	-	49,911,880
Capital expenditure	179,540	-	-	-	179,540
Usage fee	26,750,299	-	-	-	26,750,299
Tax deficits	302,040,135	(2,477,036)	28,873,059	53,898,588	274,537,570
Total	423,097,259	(2,477,036)	31,198,961	67,392,914	384,426,268
Temporary difference to be added:					
Foreign Currency Translation Gain	-	-	-	35,815,545	(35,815,545)
Accrued charges (Foreign currency)	(504,162)	-	-	-	(504,162)
Total	(504,162)	-	-	35,815,545	(36,319,707)
Total deduction	422,593,097	(2,477,036)	31,198,961	103,208,459	348,106,561
Total Deferred corporate tax assets	92,970,481				76,583,443
Non-recognized deferred corporate tax assets	92,970,481				76,583,443
Net deferred corporate assets	-				-

(4) The details of temporary differences which are not recognized as deferred corporate tax asset as of the end of the report period are as follows:

(Unit: 1,000 won)

	Current term	Previous term
Temporary difference (*1)	52,169,515	73,568,991
Tax deficit (*2)	291,219,503	274,537,570
Total	343,389,018	348,106,561

(*1) Total of expected taxation profit to be accrued after following term and temporary differences to be added are less than temporary differences to be deducted and the Company does not recognize the effect of corporate tax savings as deferred corporate tax asset.

(*2) Maturity amount of tax accounting deficits by fiscal years, which is not recognized as deferred corporate tax asset at the end of current term, is as follows:

(Unit: 1,000 won)

Fiscal Year	Amount
2026.3.31	78,172,366
2027.3.31	41,664,096
2028.3.31	29,214,646
2029.3.31	23,098,702
2030.3.31	66,362,930
2036.3.31	28,873,059
2037.3.31	23,833,704
Total	291,219,503

14. Profit & Loss per share

The details of calculation of basic net profit (loss) per share of the Company is as follows:

(Unit: won, share)

	Current term	Previous term
Net profit (loss) per common share	(6,839,690,973)	13,910,000,986
Number of weighted average outstanding common share	29,715,440	29,715,440
Basic net profit (loss) per share	(230)	468

15. Cash Flow Statement

The company prepared the statement of cash flow from business activities as described in the statement of Cash Flow in indirect method and the details of important transactions without inflow and outflow of cash are as follows:

(Unit: 1,000 won)

Description	Current term	Previous term
Substitution of machine of asset under construction	12,548,353	2,558,070
Substitution of equipment of asset under construction	-	321,709
Non-payment of acquisition price of tangible asset	1,837,725	1,208,596
Substitution of liquidity of long-term loan	44,441,902	-

16. Patent & Licensing Contract

The Company entered into a patent and licensing contract first dated 01/06/2003 with AvanStrate Inc. and the amendment contract dated on 04/01/2014. Under such a contract, the Company has to pay royalty, 0.1% of goods sales and 2% of product sales for the sales of goods and products using the NA32SG component and the royalties accrued during the current term and previous term are 514,834,000 won and 180,650,000 won, respectively.

17. Matters for calculation of added value

Matters necessary for calculation of added value included in production cost, sales cost and management cost of the Company are as follows:

<Current term>

(Unit: 1,000 won)

Title	Manufacturing cost	Expense of Sales & Mgt	Total
Payroll	5,079,337	489,157	5,568,494
Severance Pay	351,403	35,432	386,835
Welfare Benefit	711,148	98,654	809,802
Rental fee	42,288	284,843	327,131
Depreciation cost	3,853,427	37,807	3,891,234
Taxes and dues	180,469	36,355	216,824
Total	10,218,072	982,248	11,200,320

<Previous Term>

(Unit: 1,000 won)

Title	Manufacturing cost	Expense of Sales & Mgt	Total
Payroll	4,555,879	492,015	5,047,894
Severance Payment	316,288	47,030	363,318
Welfare Benefit	683,097	94,725	777,822

Rental fee	33,870	204,600	238,470
Depreciation	5,839,009	33,873	5,872,882
Taxes and dues	123,711	17,299	141,010
Total	11,551,854	889,542	12,441,396

18. Assumption of a going Concern

(1) The financial statement of the Company is prepared with an assumption that the Company will be a going concern. Thus, the Company accounted with the assumption that its assets and liabilities will be collected and repaid in book value through the course of ordinary business activities. However, the following conditions raise a significant question on that assumption of a going concern.

1) Financial index of current term

(Unit: 1,000 won)

	Amount
Operating Loss	13,583,160
Interest Cost	5,684,284
Net profit of current term	6,839,691
Net working capital as of the end of current term	300,845,927
Amount of liabilities exceeding total assets as of the end of current term	307,624,822

2) Arrival of maturity of loan

As of the end of current term, the balance of borrowings is KRW 306.1 billion won, of which KRW 182.6 billion won owed to AvanStrate Inc., a controlling company of the Company, will be matured in the following term. The balance of such borrowings, KRW 123.5 billion won is also a loan owed to CAIRN INDIA HOLDINGS LIMITED, the top controlling company of the Company, and will be matured over 5 years from April 2022 to October 2027.

(2) The measures to be taken by the Company in terms of a going concern are as follows.

1) The Company considers that the extension of the maturity of loans is an important factor for evaluating the ability to become a going concern. Thus, the Company has a plan to improve financial balance through consultation with AvanStrate Inc., a controlling company of the Company, about the extension of maturity of loan and accrued charges and additional financial support.

2) The business strategy of production and sales for accomplishing stable sales profits is as follows:

① Sales strategy: the Company has a plan to increase the revenue through stable supply of products to customers.

② Management improvement strategy including savings of production cost and expenses: it is expected that the production costs and expenses will be saved as a result of continuous execution of management structure improvement.

(3) Under the situation that an issue on the appropriateness of the assumption of a going concern, a presumption of the preparation of the financial statement of the Company is raised; there is an important uncertainty that such appropriateness is decided depending on the success or failure of the

funding plan for a fund necessary for the repayment of liabilities (extension of maturity date) and the additional fund demand and management improvement plan for accomplishing the stable profit as a going concern. If any problem occurs in this plan and it is difficult for the Company to become a going concern, the assets and liabilities of the Company may not be collected or repaid in book value through normal business activities. Any matter to be amended for the amount of assets and liabilities, the title of relevant profit and loss related to classification and indication, which may occur if the assumption of a going concern as a final result of such uncertainty is not reflected in this financial statement.

19. Matters agreed and contingent liabilities

During the current term, the Company has a pending suit for prohibition of patent infringement in the Seoul Central District Court as a defendant and the result of this suit cannot be foreseen.

20. Certified Emissions Reduction (CER) and emission liabilities

(1) The details of the planning period and the quantity of CER allocated free of charge by execution years as of the end of the report period are as follows:

<2nd planning period>

(Unit: tCO₂e)

	2018	2019	2020	Total
CER allocated free of charge	28,735	28,735	28,735	86,205

<3rd planning period>

(Unit: tCO₂e)

	2021	2022	2023	2024	2025	Total
CER allocated free of charge	30,653	30,653	30,653	30,366	30,366	152,691

(2) The details of increase and decrease of CER during current term are as follows:

(Unit: tCO₂e)

	2020 (*1)		2021		Total
	Qty.	Book value	Qty.	Book value	Book value
Quantity forwarded from previous term	9,696	-	5,000	-	-
Quantity allocated free of charge	28,735	-	30,653	-	-
Sales volume (*2)	(9,007)	-	-	-	-
Quantity used	(24,424)	-	(30,176)	-	-
Quantity to be forwarded to following term	5,000	-	5,477	-	-

(*1) This is a description of increase and decrease of CER forwarded from the residue of CER which was given and used in 2020

(*2) There is no CER which was purchased in the current term and the difference between sales price and book value of CER sold during the current term has been added to and deducted from the manufacture cost.

21. Other allowance liabilities

The details of changes in allowance liabilities during current term are as follows:

(Unit: 1,000 won)

	At the beginning of term	Increase	Decrease	At the end of term
Current liabilities:				
Other allocation liabilities (*)	-	520.000	-	520,000

(*) The Company set up KRW 520,000,000 won as other current liabilities as of the end of the current term for the estimated portion of reduced quantity of platinum generated in the course of refining of platinum after repairing the tangible assets. It is expected that the final reduced quantity thereof will be finally determined within next year.

22. Uncertainty of the impact of COVID-19

Various prevention and controls, including restrictions on movement, have been implemented around the world to block the spread of the COVID-19 Pandemic, and as a result, the global economy has been widely affected. In addition, various forms of government support policies to cope with the COVID-19 Pandemic are being announced.

Items affected by the COVID-19 Pandemic are mainly the recoverability of account receivables. The Company has prepared these financial statements with a reasonable estimate of the impact of the COVID-19 Pandemic on the Company.

However, the spread or termination of the COVID-19 Pandemic in the future may affect our estimates and assumptions, but the impact cannot be reasonably estimated at this time.

23. Date of de facto confirmation of financial statements and approval body

The Company's financial statement will be finally approved at the ordinary general meeting of shareholders to be held on 06/28/2022.