

Korean-German Chamber of Commerce and Industry

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)



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Independent Auditors' Report

To the Members and Board of Directors of
Korean-German Chamber of Commerce and Industry

Opinion

We have audited the accompanying financial statements of Korean-German Chamber of Commerce and Industry (the "Chamber"), which comprise the statements of assets, liabilities and fund balances as of December 31, 2022 and 2021, and the statements of income and expenses, changes in fund balances and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chamber as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea.

Basis for Opinion

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

Other Matters

As discussed in note 1, the Chamber applies for and, upon approval of the request, enters into an agreement with Deutscher Industrie - und Handelskammertag (DIHK), Berlin, to receive financial support for its trade promotion activities.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Chamber's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Chamber or to cease operations.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chamber's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chamber's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Chamber to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Sunghyun LLC

BDO Sunghyun LLC
Republic of Korea

Engagement Partner : Kyungchul Lee



April 10, 2023

This report is effective as of April 10, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Korean-German Chamber of Commerce and Industry

Statements of Assets, Liabilities and Fund Balances

December 31, 2022 and 2021

	Korean Won	
	2022	2021
<u>Assets</u>		
Current assets:		
Cash and cash equivalents (notes 3 and 11)	₩ 592,153,070	₩ 545,980,587
Short term financial instrument	51,453,149	109,495,452
Accounts receivable (notes 6)	2,415,000	9,763,168
Accrued income	200,235	203,647
Other accounts receivable (notes 4, 6 and 11)	1,598,705	14,171,719
Prepaid expenses (note 5)	85,459,102	171,870,268
	<u>733,279,261</u>	<u>851,484,841</u>
Total current assets		
Non-current assets:		
Leasehold deposits (notes 5 and 6)	300,000,000	300,000,000
Investment in subsidiary (note 6)	150,000,000	150,000,000
Leasehold improvements and equipment (note 7)		
Vehicles	30,727,680	30,727,680
Office equipment	53,899,879	52,282,879
Structures	28,462,208	28,462,208
	<u>113,089,767</u>	<u>111,472,767</u>
Less accumulated depreciation	<u>(106,747,942)</u>	<u>(100,810,233)</u>
Net leasehold improvements and equipment	<u>6,341,825</u>	<u>10,662,534</u>
	<u>456,341,825</u>	<u>460,662,534</u>
Total non-current assets		
Total assets	₩ <u>1,189,621,086</u>	₩ <u>1,312,147,375</u>

See accompanying notes to financial statements.

Korean-German Chamber of Commerce and Industry

Statements of Assets, Liabilities and Fund Balances, Continued

December 31, 2022 and 2021

	Korean Won	
	<u>2022</u>	<u>2021</u>
<u>Liabilities</u>		
Current liabilities:		
Other accounts payable (notes 6 and 11)	₩ 170,659,552	₩ 150,477,991
Advance receipts	99,045,746	45,692,978
Withholdings	51,241,580	9,022,410
Provision for annual leaves	<u>21,646,873</u>	<u>19,052,419</u>
Total current liabilities	<u>342,593,751</u>	<u>224,245,798</u>
Non-Current liabilities:		
Reserve for restoration (note 8)	<u>27,916,095</u>	<u>27,916,095</u>
Total non-current liabilities	<u>27,916,095</u>	<u>27,916,095</u>
Total liabilities	<u>370,509,846</u>	<u>252,161,893</u>
<u>Fund Balances:</u>		
General operating fund	<u>819,111,240</u>	<u>1,059,985,482</u>
Total fund balance	<u>819,111,240</u>	<u>1,059,985,482</u>
Total liabilities and fund balance	₩ <u>1,189,621,086</u>	₩ <u>1,312,147,375</u>

See accompanying notes to financial statements.

Korean-German Chamber of Commerce and Industry

Statements of Income and Expenses

Years ended December 31, 2022 and 2021

	Korean Won	
	<u>2022</u>	<u>2021</u>
Revenues (note 9)	₩ 1,250,238,783	₩ 1,462,978,747
Cost of revenues and administrative expenses (note 10)	<u>(1,484,379,540)</u>	<u>(1,493,059,281)</u>
Operating loss	<u>(234,140,757)</u>	<u>(30,080,534)</u>
Non-operating income:		
Interest income	1,388,429	1,280,978
Gain on foreign exchange transaction	8,537,123	11,891,302
Gain on foreign currency translation	291,428	934,955
Miscellaneous income	368,128	895,993
	<u>10,585,108</u>	<u>15,003,228</u>
Non-operating expense		
Loss on foreign exchange transaction	(9,812,187)	(6,593,848)
Loss on foreign currency translation	(7,371,780)	(88,846)
Loss on disposition of Equipment	-	(770,969)
Miscellaneous expenses	(134,626)	-
	<u>(17,318,593)</u>	<u>(7,453,663)</u>
Net loss before income taxes	(240,874,242)	(22,530,969)
Income tax expenses	<u>-</u>	<u>-</u>
Net loss	₩ <u>(240,874,242)</u>	₩ <u>(22,530,969)</u>

See accompanying notes to financial statements

Korean-German Chamber of Commerce and Industry

Statements of Changes in Fund Balances

Years ended December 31, 2022 and 2021

	Korean Won	
	General operating fund	Total
Balance at January 1, 2021	1,082,516,451	1,082,516,451
Net loss	(22,530,969)	(22,765,011)
Balance at December 31, 2021	₩ 1,059,985,482	1,059,751,440
Balance at January 1, 2022	1,059,985,482	1,059,985,482
Net loss	(240,874,242)	(240,874,242)
Balance at December 31, 2022	₩ 819,111,240	819,111,240

See accompanying notes to financial statements.

Korean-German Chamber of Commerce and Industry

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	Korean Won	
	2022	2021
Cash flows from operating activities:		
Net loss	₩ (240,874,242)	₩ (22,530,969)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5,937,709	7,517,613
Gain on foreign currency translation, net	(291,428)	(846,109)
Loss on disposition of equipment	-	770,969
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	7,354,370	(9,741,848)
Decrease in other accounts receivable	12,573,014	41,837,434
Decrease (increase) in prepaid expense	86,411,166	(130,001,926)
Decrease in accrued income	3,412	145,257
Increase in other accounts payable	20,466,787	64,798,761
Increase (decrease) in withholdings	42,219,170	(8,651,180)
Increase (decrease) in provision for annual leaves	2,594,454	(3,283,209)
Increase(decrease) in advance receipts	53,352,768	(38,757,256)
Net cash used in operating activities	<u>(10,252,820)</u>	<u>(98,742,463)</u>
Cash flows from investing activities:		
Increase in short-term financial instrument	(469,732)	(1,195,760)
Decrease in short-term financial instrument	58,512,035	200,044,512
Acquisition of office equipment	(1,617,000)	(2,827,000)
Proceeds from sale of office equipment	-	941,524
Net cash provided by investing activities	<u>₩ 56,425,303</u>	<u>₩ 196,963,276</u>

See accompanying notes to financial statements

Korean-German Chamber of Commerce and Industry

Statements of Cash Flows, Continued

Years ended December 31, 2022 and 2021

	Korean Won	
	2022	2021
Cash flows from financing activities:		
Net cash provided by financing activities	₩ -	₩ -
Translation gain (loss) on cash and cash equivalents	-	821,017
Net increase in cash and cash equivalents	46,172,483	98,220,813
Cash and cash equivalents at beginning of year	545,980,587	446,938,757
Cash and cash equivalents at end of year	₩ 592,153,070	₩ 545,980,587

See accompanying notes to financial statements

Korean-German Chamber of Commerce and Industry

Notes to Financial Statements

December 31, 2022 and 2021

(1) The Chamber

Korean-German Chamber of Commerce and Industry ("the Chamber") was founded on June 12, 1981 in the Republic of Korea and registered with the Ministry of Trade, Industry and Energy on September 24, 1997 as a foreign organization to assist foreigners to integrate socially in Korea pursuant to the Social Integration Program in Article 39 of the Immigration Law

The object of the Chamber is to promote economic and commercial relations between the Federal Republic of Germany and the Republic of Korea, represent German companies in Korea and Korean companies in Germany, provide information, advise, market surveys and reports, professional education and training, run trade fairs and conventions as well as promoting tourism. The Chamber also acts as an arbitration Court.

The Chamber has around 459 members, as of December 31, 2022, who through general members meeting can appoint the board members and treasurer in accordance with the by-laws of the Chamber that was approved by the members. The extraordinary general members meeting can resolve to liquidate the Chamber. However, the members have no equity to the liquidation proceeds which can only be disposed adhering to the provisions in the subsidy agreement between DIHK and the Chamber.

The Chamber is part of the German Chambers of Commerce Worldwide Network and is an extraordinary member of *Deutscher Industrie- und Handelskammertag* ("DIHK"). The Chamber receives financial support from Bundesministerium fuer Wirtschaft und Energie / Federal Ministry for Economic Affairs and Climate Action (BMWK) for its trade promotion activities through DIHK under an annual subsidy agreement between DIHK and the Chamber. Several years ago DIHK also provided a long-term loan.

In 2013 the Board of the Chamber decided to separate the operations of the Chamber that could be considered as for-profit business from its non-for profit business. At the Board meeting on November 14, 2013, it was resolved that activities of the Chamber that resulted in taxable income should be transferred to KGCCI DEinternational Limited, a wholly owned limited company (Yuhan Hoesa) to be established at the end of December 2013.

(2) Significant Accounting Policies and Basis of Financial Statements Presentation

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

(a) Basis of Financial Statements Presentation

The Chamber maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Chamber that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended solely for use by only those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements.

Korean-German Chamber of Commerce and Industry

Notes to Financial Statements

December 31, 2022 and 2021

(2) Significant Accounting Policies and Basis of Financial Statements Presentation, Continued

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Chamber's financial position or results of operations, is not presented in the accompanying financial statements.

Investment in subsidiary is stated at cost in the statement of assets, liabilities and fund balances and accounts of the subsidiary were not consolidated. However, a proforma consolidated statement of income and expenses was prepared and presented in note 6.

(b) Adoption of Accounting Standards for Non-public Entities

The Korean Accounting Standards Board ("KASB") published the Accounting Standards for Non-Public Entities, which was effective from January 1, 2012. The Chamber prepared its financial statements as of and for the years ended December 31, 2022 and 2021 in accordance with the Accounting Standards for Non-Public Entities.

(c) Revenue Recognition

Services rendered are recorded as revenue when the Chamber's revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Chamber.

(d) Tangible Assets

Tangible assets are stated at cost. Assets acquired through investment in kind or donation are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Depreciation is computed by the straight-line method using rates based on useful lives of the respective assets as follows:

	<u>Useful lives (Years)</u>
Vehicles	5
Furniture and fixtures	5
Structures	5
IT hardware	5

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or extend the useful life of the related assets are capitalized.

The Chamber reviews the property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Notes to Financial Statements

December 31, 2022 and 2021

(2) Significant Accounting Policies and Basis of Financial Statements Presentation, Continued**(e) Allowance for Doubtful Accounts**

Allowance for doubtful accounts is estimated based on analysis of the collectability of individual accounts and past experience of collection.

(f) Retirement and Severance Benefits

According to the Employee Retirement Benefit Security Act of Korea, the Chamber is required to adopt one of three plans; a defined benefit retirement pension plan, a retirement contribution pension plan and a retirement pay system under Article 8 of the Act.

The Chamber sponsors a defined contribution plan in which contributions in the amount of around 1/12 of employee's annual salary is made by the Chamber. The amount of benefit payments depends on the performance of the plan assets and is not guaranteed. The Chamber has no further payment obligations once the contributions have been paid. Contributions to the plan are expensed as retirement and severance benefits when remitted to the plan. Contributions paid into the plan were ₩ 38,932 thousand and ₩ 42,958 thousand for the years ended December 31, 2022 and 2021, respectively.

(g) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains and losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩ 1351.20 and ₩ 1342.34 to EUR 1, the rate of exchange on December 31, 2022 and 2021, respectively that is permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

(h) Taxes

Under the Corporate Tax Act, the Chamber has tax liability on income from for-profit business only.

For the benefit of not-for-profit entity, tax deduction is allowed for interest income and certain portion of income from for-profit business. The Chamber is, however, required to transfer such amount into a reserve for essential business. The reserve may be reduced when the amount is used for the essential business.

In relation to services subject to value added tax (VAT), the Chamber is required to collect output value added taxes on its taxable services and related input value added tax is offset against output taxes. However, for the VAT exempted services, related input value added taxes cannot be offset against output taxes.

Notes to Financial Statements

December 31, 2022 and 2021

(2) Significant Accounting Policies and Basis of Financial Statements Presentation, Continued**(i) Provisions, Contingent Assets and Contingent Liabilities**

Provisions are recognized when all of the following conditions are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, it is virtually certain that reimbursement will be received if the Chamber settles the obligation. The expense relating to a provision is presented net of the amount recognized for a reimbursement.

Contingent liabilities, a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably, are not recognized in balance sheets but are disclosed in notes to the financial statements.

Contingent assets are disclosed where an inflow of economic benefits is probable.

(j) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from those estimates.

(k) Leases

A lease is accounted for as either a capital lease or an operating lease. A lease is recognized as a capital lease if it transfers substantially to the Company all the risks and rewards incidental to ownership of the leased asset.

An asset acquired by way of a capital lease arrangement is stated in the statement of financial position at the lower of the fair value or the present value of minimum lease payments at the inception of the lease. The corresponding liability is included in the statement of financial position as a capital lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized lease assets are depreciated in the same manner as other depreciable property, plant and equipment.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Korean-German Chamber of Commerce and Industry

Notes to Financial Statements

December 31, 2022 and 2021

(3) Cash and Cash Equivalents

Cash and cash equivalents of the Chamber as of December 31, 2022 and 2021 are as follow:

		Korean Won	
		2022	2021
Foreign currency deposits	₩	374,216,312	₩ 399,079,883
Local currency deposits		217,936,758	146,900,704
	₩	<u>592,153,070</u>	<u>₩ 545,980,587</u>

(4) Other Accounts Receivable

Other accounts receivable of the Chamber as of December 31, 2022 and 2021 are as follow:

		Korean Won	
		2022	2021
Prepayment for individual income taxes	₩	339,440	₩ 4,131,682
Due from KGCCI DEinternational Limited.		1,259,265	4,039,399
Others		-	6,000,638
	₩	<u>1,598,705</u>	<u>₩ 14,171,719</u>

(5) Leases and Leasehold Deposits

- (a) The Chamber, as a lessee, has non-cancelable lease contract for office space from KGCCI DEinternational Limited. The leasehold deposits of the Chamber as of December 31, 2022 and 2021 are as follows:

		Korean Won	
Refundable from		2022	2021
KGCCI DE international Limited.	₩	300,000,000	₩ 300,000,000

In addition to the lease contracts with refundable rental deposits above, the Chamber entered into a lease agreement for a private residence in July 2021 for the term of 24 months until June 2023 by prepaying the sum of monthly rental expense for the period at the initial date of agreement, and amortizes it over the period. The unamortized balance of ₩ 57.2 million as of December 31, 2022 remained in the account of prepaid expenses.

Korean-German Chamber of Commerce and Industry

Notes to Financial Statements

December 31, 2022 and 2021

(5) Leases and Leasehold Deposits, Continued

- (b) The Chamber, as a lessee, has non-cancelable lease contracts including its office premises from KGCCI DEinternational Limited. The future minimum lease payments under commitments in relation to non-cancelable operating leases contracted for at the reporting date, but not recognized as liabilities, are as follows:

		Korean Won	
		2022	2021
Not later than one year	₩	69,778,332	₩ 69,006,792
Between two to five years		19,479,784	11,501,132
	₩	<u>89,258,116</u>	<u>₩ 80,507,924</u>

(6) Investment in Subsidiary

- (a) Investment in the subsidiary is stated at cost. Major financial information of KGCCI DEinternational Limited as at and for the years ended December 31, 2022 and 2021 is shown below:

		Korean Won	
		2022	2021
Total assets	₩	2,122,861,581	₩ 1,825,459,603
Total liabilities		839,136,953	821,478,279
Sales		2,678,807,009	2,246,169,199
Net income		279,743,304	137,163,666

- (b) Significant transactions with the subsidiary and the related balances for the years and as of December 31, 2022 and 2021 are as follows:

		Korean Won	
Transactions		2022	2021
Expense for general services	₩	(144,339,199)	₩ (144,599,728)
Revenue from allocation of overheads		15,880,025	18,279,397
Expense for allocation of overheads		(185,211,289)	(198,724,895)

		Korean Won	
Balances		2022	2021
Accounts receivable	₩	1,575,000	₩ -
Other accounts receivable		1,259,265	4,039,399
Leasehold deposits		300,000,000	300,000,000
Other accounts payable		(34,416,994)	(58,343,647)

Korean-German Chamber of Commerce and Industry

Notes to Financial Statements

December 31, 2022 and 2021

(6) Investment in Subsidiary, Continued

(c) Consolidated statements of income and expenses of the Chamber and its subsidiary for the years ended December 31, 2022 and 2021 are as follows:

		2022 (Korean Won)			
		The Chamber	Subsidiary	Intercompany transactions	Consolidated income and expenses
Revenues	₩	1,250,238,783	2,678,807,009	313,670,463	3,615,375,329
Cost of revenues and administrative expenses		(1,484,379,540)	(2,352,738,806)	(313,670,463)	(3,523,447,883)
Operating income (loss)		(234,140,757)	326,068,203	-	91,927,446
Non-operating income		10,585,108	19,711,033	-	30,296,141
Non-operating expenses		(17,318,593)	(24,152,408)	-	(41,471,001)
Net income (loss) before income tax expense		(240,874,242)	321,626,828	-	80,752,586
Income tax expense		-	(41,883,524)	-	(41,883,524)
Net income (loss)	₩	(240,874,242)	279,743,304	-	38,869,062
		2021 (Korean Won)			
		The Chamber	Subsidiary	Intercompany transactions	Consolidated income and expenses
Revenues	₩	1,462,978,747	2,246,169,199	325,045,226	3,369,642,747
Cost of revenues and administrative expenses		(1,493,059,281)	(2,097,134,312)	(325,045,226)	(3,250,688,394)
Operating income (loss)		(30,080,534)	149,034,887	-	118,954,353
Non-operating income		15,003,228	17,173,026	-	32,176,254
Non-operating expenses		(7,453,663)	(18,829,852)	-	(26,283,515)
Net income (loss) before income tax expense		(22,530,969)	147,378,061	-	124,847,092
Income tax expense		-	(10,214,395)	-	(10,214,395)
Net income (loss)	₩	(22,530,969)	137,163,666	-	114,632,697

Korean-German Chamber of Commerce and Industry

Notes to Financial Statements

December 31, 2022 and 2021

(7) Leasehold Improvements and Equipment

The changes in net book value of leasehold improvements and equipment for the years ended December 31, 2022 and 2021 are as follows:

		2022 (Korean Won)				
		Beginning balance	Acquisition	Disposal	Depreciation	Ending balance
Office equipment	₩	9,967,624	1,617,000	-	(5,246,799)	6,337,825
Structures		694,910	-	-	(690,910)	4,000
	₩	<u>10,662,534</u>	<u>1,617,000</u>	<u>-</u>	<u>(5,937,709)</u>	<u>6,341,825</u>
		2021 (Korean Won)				
		Beginning balance	Acquisition	Disposal	Depreciation	Ending balance
Office equipment	₩	15,368,481	2,827,000	(1,712,493)	(6,515,364)	9,967,624
Structures		1,697,159	-	-	(1,002,249)	694,910
	₩	<u>17,065,640</u>	<u>2,827,000</u>	<u>(1,712,493)</u>	<u>(7,517,613)</u>	<u>10,662,534</u>

As of December 31, 2022, leased property and equipment are insured against fire damage for up to ₩ 2,354 million by DB Insurance Co., Ltd. And staff's compensation is insured for up to ₩ 300 million by Ace American Insurance Co., Ltd.

(8) Reserve for Restoration

As the Chamber is responsible for restoration of leased premises when the contract terminates, the Chamber has provided a reserve for restoration amounting to ₩ 27,916,095 as of December 31, 2022 and 2021.

(9) Revenues

The revenues for the years ended December 31, 2022 and 2021 are summarized as follows:

		Korean Won	
		2022	2021
Membership fees	₩	393,968,925	₩ 394,251,225
Subsidies from BMWK (*1)		856,269,858	1,068,727,522
	₩	<u>1,250,238,783</u>	<u>₩ 1,462,978,747</u>

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(9) Revenues, Continued

(*1) The subsidies from BMWK for the year ended December 31, 2022 is summarized as follows:

	2022	
	Euro	Korean Won
Agreed subsidy for 2022	734,457	₩ 993,974,094
Estimated repayment for 2022	(45,770)	(62,647,295)
Additional adjustment for 2021	(55,915)	(75,056,941)
Total	<u>632,772</u>	<u>₩ 856,269,858</u>

The agreed subsidy from BMWK is adjusted with the Chamber's actual operational income, which usually result in returning to BMWK. The Chamber records the estimated repayment by deducting its revenue every year. The additional adjustment for FY 2021 amounted Euro 55,915 and was recorded in 2022.

(10) Cost of Revenues and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2022 and 2021 are summarized as follows:

	Korean Won	
	2022	2021
Salaries	₩ 635,098,353	₩ 715,901,969
Employee benefits	193,399,819	167,726,371
Rental expenses	160,878,889	149,804,102
Contribution to retirement plan	38,932,491	42,958,551
Insurance	5,633,860	6,392,785
Service fees	233,005,646	193,043,093
Office maintenance	57,166,505	56,980,084
Supplies expenses	12,259,277	9,785,639
Taxes and dues	67,900	731,223
Communication	4,065,624	10,142,020
IT expenses	19,022,833	18,227,552
Printing	14,739,963	20,162,152
Vehicle maintenance	8,784,329	9,990,805
Travel expenses	13,536,994	145,900
Event expenses	39,571,050	48,024,799
Depreciation	5,937,709	7,517,613
Membership fee	7,517,145	9,054,296
Other general service expenses	3,776,988	3,968,629
Entertainments	4,504,400	3,824,480
Advertisements	3,238,304	1,392,000
Others	23,241,461	17,285,218
	<u>₩ 1,484,379,540</u>	<u>₩ 1,493,059,281</u>

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(11) Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in Euro as of December 31, 2022 and 2021 are as follows:

	2022		2021	
	Foreign currency	Won equivalents	Foreign currency	Won equivalents
Assets:				
Cash and cash equivalents	EUR 276,951	₩ 374,216,326	EUR 297,302	₩ 399,079,883
Accounts receivable	EUR -	-	EUR 5,200	6,980,168
	<u>EUR 276,951</u>	<u>₩ 374,216,326</u>	<u>EUR 302,502</u>	<u>₩ 406,060,051</u>
Liabilities:				
Other accounts payable	EUR 63,933	₩ 86,386,513	EUR 13,479	₩ 18,093,307
Advance receipts	EUR -	-	EUR 1,700	2,281,978
	<u>EUR 63,933</u>	<u>₩ 86,386,513</u>	<u>EUR 15,179</u>	<u>₩ 20,375,285</u>