

Samsung C&T Corporation and Subsidiaries

**Consolidated Financial Statements
December 31, 2019 and 2018**

Samsung C&T Corporation and Subsidiaries
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December 31, 2019 and 2018

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Samsung C&T Corporation

Opinion

We have audited the accompanying consolidated financial statements of Samsung C&T Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Uncertainty of the estimated total contract cost and collectability of the gross amount due from customer for contract work on construction contracts

Why it is determined to be a Key Audit Matter

As discussed in Note 2, the Group recognizes revenue based on input methods for the extent of progress towards completion when:

- ① the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- ② the Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

We determined the uncertainty of the estimated total contract cost as a key audit matter considering that management's accounting estimates and judgements are involved in the estimation of total contract costs, and its impacts on the consolidated financial statements are significant. In addition, we determined the collectability of the gross amount due from customer for contract work as a key audit matter considering the uncertainties arising from delayed payments, changes in payment terms, claims and others that may result significant impacts on the consolidated financial statements.

How our audit addressed the Key Audit Matter

- Uncertainty of the estimated total contract cost

As described in Note 2 to the consolidated financial statements, the Group recognizes contract revenue and contract costs associated with the construction contract as revenue and expense respectively based on the percentage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. The percentage of completion of the contract activity is the proportion that costs incurred to date, divided by the estimated total costs of the contract. As explained in Note 4, total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others.

In addition, Note 5 to the consolidated financial statements states that changes in the estimated total contract costs by construction types for the year ended December 31, 2019, amount to ₩ 3,743,909 million, which is 91% of changes in the estimated total contract revenue. It also states that impact on profit or loss for the current period and in the succeeding periods amounts to ₩ 268,835 million and ₩ 83,410 million, respectively.

In respect of the uncertainty of the estimated total contract costs on the Group's consolidated financial statements, we have performed the following audit procedures.

- With regards to the projects where the estimated total contract costs has changed significantly, we made inquiries and inspected related documents on reasons for the significant changes in the estimated total contract costs.
- With regards to the projects that have been completed during the current period, where there are significant differences between the estimated total contract costs and cumulative actual contract costs, we made inquiries and inspected related documents on reasons for the difference.
- We obtained an understanding of and evaluated the Group's internal control over approval of initial registration and amendment of estimated total contract costs.
- We obtained an understanding of and evaluated the Group's internal control over monitoring the possibility of amendment of estimated total contract costs.
- We tested the effectiveness of the Group's internal control over monitoring whether the result of project performance review was reflected during the Group's financial reporting process.
- We made inquiries and reviewed relevant documents of major construction contracts regarding the appropriateness of differences between the percentage of completion for accounting purpose and the percentage of completion reported to the customer.

- Collectability of the gross amount due from customer for contract work

As described in Note 2 to the consolidated financial statements, the Group presents the gross amount due from customer for contract work as an asset for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, and presents the gross amount due to customers for contract work as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

In addition, Note 5 to the consolidated financial statements describes that the Group's contract assets as at December 31, 2019 amounts to ₩ 1,167,428 million, consisting 40.1% of total trade receivables related to contract work.

We have performed the following audit procedures for the projects whose contract assets have increased significantly for the year ended December 31, 2019.

- We made inquiries and inspected related contracts on payment terms, conditions of liquidated damages, duration of contract and other requirements.
- We evaluated the reasonableness of management's assessment on the collectability of the contract assets.
- We obtained understanding and evaluated the Group's internal control over identifying abnormal due from customer for contract work.

(2) Possibility of misstatement of the consolidated financial statements due to an inappropriate modification or deletion of major accounting records of Samsung BioLogics Co., Ltd.

Why it is determined to be a Key Audit Matter

Certain executives and employees of Samsung BioLogics Co., Ltd., a significant component of the Group, and its affiliates, were found guilty of violating the Act on External Audit of Stock companies and Criminal Act in the first ruling of the Seoul Central District Court for forgery, destruction and concealment of evidence. The prosecutor's investigations for certain executives and employees are still ongoing (Note 18).

Samsung BioLogics Co., Ltd. formed an independent investigation committee who identified facts, determined whether there were any additional illegal acts or instances of fraud, and assessed the possibility of related misstatement of financial statements due to an inappropriate modification or deletion of major accounting records. We identified this as a key audit matter because the impact on the consolidated financial statements could be material.

How our audit addressed the Key Audit Matter

We performed the following audit procedures for the estimation by utilizing the work of component auditors, to determine whether Samsung Biologics Co., Ltd. has inappropriately modified or deleted major accounting records and to assess the possibility of related misstatement of financial statements.

- We assessed the independence and competence of an external expert that assisted investigation committee in conducting the investigation.
- We assessed the adequacy of the scope and methodologies used by the investigation committee and assessed the impact of identified findings on the consolidated financial statements.

- We tested the completeness of the journal entries and financial data recorded in the financial system and whether such information have been modified or deleted inappropriately through an audit sampling.
- We assessed management's judgments and assumptions related to significant accounting estimates recognized in the beginning balance of consolidated financial statements.
- We assessed the results of the investigation of certain matters at the Group's associate and potential impacts on the consolidated financial statements.

Other Matters

The accompanying consolidated financial statements as at and for the years ended December 31, 2019 and 2018, have been translated into U.S. dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the consolidated financial statements.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tai-Seong Kim, Certified Public Accountant.

Seoul, Korea
March 4, 2020

This report is effective as of March 4, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that 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.

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Assets					
Current assets					
Cash and cash equivalents	7	₩ 2,704,409	₩ 2,903,538	\$ 2,335,817	\$ 2,507,807
Short-term financial instruments	7	451,729	638,374	390,162	551,368
Financial assets at fair value through profit or loss	7,11	210,040	540,081	181,413	466,471
Financial assets at fair value through other comprehensive income	7,11	184	151	158	130
Trade and other receivables	7,8	4,369,733	4,883,449	3,774,169	4,217,869
Other current assets	7,8	2,120,218	3,006,398	1,831,247	2,596,647
Inventories	6	1,897,382	1,699,301	1,638,782	1,467,698
Total current assets		<u>11,753,695</u>	<u>13,671,292</u>	<u>10,151,748</u>	<u>11,807,990</u>
Non-current assets					
Financial assets at fair value through profit or loss	7,11	243,162	179,429	210,021	154,975
Financial assets at fair value through other comprehensive income	7,11	22,596,168	17,948,249	19,516,470	15,502,029
Investments in associates and joint ventures	12	3,676,828	3,627,971	3,175,702	3,133,504
Property, plant and equipment	13	4,926,029	5,024,404	4,254,646	4,339,613
Investment properties	14	147,339	40,947	127,257	35,366
Biological assets		5,115	2,085	4,418	1,801
Intangible assets	13	883,360	1,061,448	762,964	916,780
Right-of-use assets		397,632	-	343,438	-
Deferred tax assets	26	117,921	97,804	101,849	84,474
Other non-current assets	7,8	1,158,268	753,023	1,000,404	650,391
Total non-current assets		<u>34,151,822</u>	<u>28,735,360</u>	<u>29,497,169</u>	<u>24,818,933</u>
Total assets		<u>₩ 45,905,517</u>	<u>₩ 42,406,652</u>	<u>\$ 39,648,917</u>	<u>\$ 36,626,923</u>

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Liabilities					
Current liabilities					
Trade payables	7	₩ 1,558,089	₩ 1,685,645	\$ 1,345,732	\$ 1,455,903
Short-term borrowings	7,15	1,927,232	1,369,502	1,664,564	1,182,849
Current portion of long-term borrowings	7,15	785,783	1,893,832	678,686	1,635,716
Current tax liabilities		59,964	475,590	51,791	410,771
Other current liabilities	5,7,9,10,17	6,598,290	7,592,262	5,698,990	6,557,491
Total current liabilities		10,929,358	13,016,831	9,439,763	11,242,730
Non-current liabilities					
Debentures and long-term borrowings	7,15	704,315	1,253,312	608,322	1,082,494
Net defined benefit liability	16	102,540	107,723	88,565	93,041
Deferred tax liabilities	26	6,250,333	4,964,980	5,398,456	4,288,288
Provisions	5,17	414,315	321,505	357,847	277,686
Other non-current liabilities	7,9	812,560	193,366	701,813	167,012
Total non-current liabilities		8,284,063	6,840,886	7,155,003	5,908,521
Total liabilities		19,213,421	19,857,717	16,594,766	17,151,251

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Equity					
Share capital	19	19,132	19,132	16,524	16,524
Consolidated capital surplus		10,466,962	10,468,876	9,040,389	9,042,042
Other components of equity	19,20	6,009,046	2,509,117	5,190,055	2,167,141
Retained earnings	21	7,600,994	6,949,465	6,565,032	6,002,302
Equity attributable to owners of the Parent Company		24,096,134	19,946,590	20,812,000	17,228,009
Non-controlling interests	1	2,595,962	2,602,345	2,242,151	2,247,663
Total equity		<u>26,692,096</u>	<u>22,548,935</u>	<u>23,054,151</u>	<u>19,475,672</u>
Total liabilities and equity		<u>₩ 45,905,517</u>	<u>₩ 42,406,652</u>	<u>\$ 39,648,917</u>	<u>\$ 36,626,923</u>

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))

	Notes	2019	2018	2019	2018
Net sales	30	₩ 30,761,501	₩ 31,155,637	\$ 26,394,300	\$ 26,732,481
Cost of sales	24	26,958,672	27,170,328	23,131,357	23,312,965
Gross profit		3,802,829	3,985,309	3,262,943	3,419,516
Selling and administrative expenses	22,24	2,936,059	2,881,419	2,519,228	2,472,345
Operating Profit	25,30	866,770	1,103,890	743,715	947,171
Other income	23	1,317,626	2,152,889	1,130,563	1,847,244
Other expenses	23	745,418	1,001,569	639,591	859,376
Financial income	25	157,813	254,238	135,408	218,144
Financial expenses	25	193,237	298,564	165,803	256,177
Share of profit of associates and joint ventures	12	140,888	349,608	120,886	299,974
Share of loss of associates and joint ventures	12	17,880	177,754	15,342	152,518
Profit before income tax		1,526,562	2,382,738	1,309,836	2,044,462
Income tax expense	26	478,671	634,494	410,714	544,415
Profit for the year		₩ 1,047,891	₩ 1,748,244	\$ 899,122	\$ 1,500,047

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars, except earnings per share amounts (Note 3))

	Notes	2019	2018	2019	2018
Other comprehensive income for the year, net of tax					
Items that may be subsequently reclassified to profit or loss					
Share of other comprehensive income of associates and joint ventures		₩ (21,930)	₩ 29,492	\$ (18,816)	\$ 25,306
Exchange differences		39,650	7,521	34,021	6,454
Cash flow hedges		(2,524)	(9,981)	(2,166)	(8,564)
Items that will not be reclassified to profit or loss					
Share of other comprehensive income of associates and joint ventures		37	(664)	32	(570)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	11	3,492,443	(3,825,037)	2,996,622	(3,281,998)
Remeasurements of net defined benefit liabilities	16	(62,669)	(57,410)	(53,773)	(49,260)
		<u>3,445,007</u>	<u>(3,856,079)</u>	<u>2,955,920</u>	<u>(3,308,632)</u>
Total comprehensive income for the year		<u>₩ 4,492,898</u>	<u>₩ (2,107,835)</u>	<u>\$ 3,855,042</u>	<u>\$ (1,808,585)</u>
Profit for the year is attributable to:					
Owners of the Parent Company		₩ 1,050,076	₩ 1,712,790	\$ 900,997	\$ 1,469,627
Non-controlling interest	1	(2,185)	35,454	(1,875)	30,420
Total comprehensive income for the year is attributable to:					
Owners of the Parent Company		₩ 4,493,654	₩ (2,150,130)	\$ 3,855,691	\$ (1,844,876)
Non-controlling interest		(756)	42,295	(649)	36,291
Earnings per share:	27				
Basic earnings per share		<u>₩ 6,366</u>	<u>₩ 10,384</u>	<u>\$ 5.46</u>	<u>\$ 8.91</u>

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Samsung C&T Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
Balance at January 1, 2018		₩ 19,132	₩ 10,468,265	₩ 5,755,405	₩ 6,313,950	₩ 2,594,498	₩25,151,250	\$ 16,524	\$ 9,041,514	\$ 4,970,984	\$ 5,453,403	\$ 2,240,887	\$ 21,723,312
Cumulative effect of changes in accounting policy		-	-	(130,096)	-	(21,223)	(151,319)	-	-	(112,365)	-	(18,331)	(130,696)
Beginning balance after adjustments		19,132	10,468,265	5,625,309	6,313,950	2,573,275	24,999,931	16,524	9,041,514	4,858,619	5,453,403	2,222,556	21,592,616
Total comprehensive income:													
Profit for the year		-	-	1,712,790	-	35,454	1,748,244	-	-	1,479,349	-	30,621	1,509,970
Changes in the fair value of financial assets at fair value through other comprehensive income	11	-	-	-	(3,825,037)	-	(3,825,037)	-	-	-	(3,303,712)	-	(3,303,712)
Reclassification from disposal of financial assets at fair value through other comprehensive income		-	-	(958)	958	-	-	-	-	(827)	827	-	-
Share of other comprehensive income of associates and joint ventures	12	-	-	-	27,759	1,070	28,829	-	-	-	23,975	924	24,899
Exchange differences		-	-	-	1,506	6,015	7,521	-	-	-	1,301	5,195	6,496
Cash flow hedge	18	-	-	-	(10,015)	34	(9,981)	-	-	-	(8,650)	29	(8,621)
Remeasurements of the net defined benefit liabilities		-	-	(57,133)	-	(277)	(57,410)	-	-	(49,346)	-	(239)	(49,585)
Transactions with owners:													
Cash dividends	1	-	-	(329,938)	-	(11,056)	(340,994)	-	-	(284,969)	-	(9,548)	(294,517)
Acquisition of treasury shares		-	-	-	(4)	-	(4)	-	-	-	(3)	-	(3)
Others		-	611	(605)	-	(2,170)	(2,164)	-	528	(524)	-	(1,875)	(1,871)
Balance at December 31, 2018		₩ 19,132	₩ 10,468,876	₩ 6,949,465	₩ 2,509,117	₩ 2,602,345	₩22,548,935	\$ 16,524	\$ 9,042,042	\$ 6,002,302	\$ 2,167,141	\$ 2,247,663	\$ 19,475,672

Samsung C&T Corporation and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total	Share capital	Consolidated capital surplus	Consolidated retained earnings	Other components of equity	Non-controlling interests	Total
Balance at January 1, 2019		₩ 19,132	₩ 10,468,876	₩ 6,949,465	₩ 2,509,117	₩ 2,602,345	₩22,548,935	\$ 16,524	\$ 9,042,042	\$ 6,002,302	\$ 2,167,141	\$ 2,247,663	\$ 19,475,672
Cumulative effect of changes in accounting policy	32	-	-	(11,860)	-	-	(11,860)	-	-	(10,244)	-	-	(10,244)
Beginning balance after adjustments		19,132	10,468,876	6,937,605	2,509,117	2,602,345	22,537,075	16,524	9,042,042	5,992,058	2,167,141	2,247,663	19,465,428
Total comprehensive income:													
Profit for the year		-	-	1,050,076	-	(2,185)	1,047,891	-	-	906,958	-	(1,888)	905,070
Changes in the fair value of financial assets at fair value through other comprehensive income	11	-	-	-	3,492,443	-	3,492,443	-	-	-	3,016,448	-	3,016,448
Reclassification from disposal of financial assets at fair value through other comprehensive income		-	-	4,701	(4,701)	-	-	-	-	4,060	(4,060)	-	-
Share of other comprehensive income of associates and joint ventures	12	-	-	-	(22,125)	233	(21,892)	-	-	-	(19,110)	201	(18,909)
Exchange differences		-	-	-	36,626	3,024	39,650	-	-	-	31,634	2,612	34,246
Cash flow hedge	18	-	-	-	(2,352)	(173)	(2,525)	-	-	-	(2,031)	(149)	(2,180)
Remeasurements of the net defined benefit liabilities		-	-	(61,014)	-	(1,655)	(62,669)	-	-	(52,699)	-	(1,429)	(54,128)
Transactions with owners:													
Cash dividends	1	-	-	(329,937)	-	(6,219)	(336,156)	-	-	(284,969)	-	(5,371)	(290,340)
Transactions with non-controlling interests and others		-	(1,914)	(437)	38	592	(1,721)	-	(1,653)	(376)	33	512	(1,484)
Balance at December 31, 2019		₩ 19,132	₩ 10,466,962	₩ 7,600,994	₩ 6,009,046	₩ 2,595,962	₩26,692,096	\$ 16,524	\$ 9,040,389	\$ 6,565,032	\$ 5,190,055	\$ 2,242,151	\$ 23,054,151

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	2019	2018	2019	2018
Cash flows from operating activities					
Cash generated from operations	29	₩ 759,909	₩ 1,201,368	\$ 656,339	\$ 1,037,630
Interest received		142,928	155,567	123,448	134,364
Interest paid		(127,222)	(224,366)	(109,882)	(193,787)
Dividends received		787,971	629,367	680,576	543,589
Income taxes paid		(792,737)	(83,559)	(684,693)	(72,170)
Net cash inflow from operating activities		<u>770,849</u>	<u>1,678,377</u>	<u>665,788</u>	<u>1,449,626</u>
Cash flows from investing activities					
Disposal of assets held for sale		46,600	63,589	40,249	54,922
Net decrease in short-term financial instruments		192,129	-	165,943	-
Net decrease in short-term loans		127,391	-	110,028	-
Disposal of financial assets at fair value through profit or loss	11	1,771,420	750,024	1,529,988	647,801
Disposal of financial assets at fair value through other comprehensive income	11	21,341	1,253	18,432	1,082
Disposal of investments in subsidiaries		41,358	3,504	35,721	3,026
Disposal of investments in associates and joint ventures	12	66,808	793,208	57,703	685,099
Decrease in long-term receivables		92,677	3,186	80,046	2,751
Decrease in deposits		74,000	49,987	63,914	43,174
Disposal of property, plant and equipment	13	12,333	184,712	10,652	159,537
Disposal of intangible assets	13	367	2,526	317	2,182
Disposal of investment properties	14	-	869,424	-	750,927
Disposal of other non-current assets		3,673	6,106	3,172	5,274
Net increase in short-term financial instruments		-	(528,305)	-	(456,301)
Net increase in short-term loans		-	(1,189)	-	(1,027)
Acquisition of financial assets at fair value through profit or loss	11	(1,270,079)	(1,290,442)	(1,096,976)	(1,114,564)
Acquisition of financial assets at fair value through other comprehensive income	11	(1,298)	(2,910)	(1,121)	(2,512)
Acquisition of investments in associates and joint ventures	12	(29,650)	(16,704)	(25,609)	(14,428)
Increase in long-term receivables		(44,536)	(18,035)	(38,466)	(15,577)
Increase in deposits		(78,643)	(79,310)	(67,924)	(68,500)
Acquisition of property, plant and equipment	13	(345,123)	(540,363)	(298,086)	(466,716)
Acquisition of intangible assets	13	(42,581)	(64,389)	(36,778)	(55,613)
Acquisition of investment properties		(21,103)	-	(18,227)	-
Cash flows due to changes in scope of consolidation		(7)	(17,170)	(6)	(14,829)
Increase in other non-current assets		(9,936)	(910)	(8,581)	(785)
Net cash inflow from investing activities		<u>₩ 607,141</u>	<u>₩ 167,792</u>	<u>\$ 524,391</u>	<u>\$ 144,923</u>

Samsung C&T Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

(in millions of Korean won and thousands of U.S. dollars (Note 3))

	Notes	2019	2018	2019	2018
Cash flows from financing activities					
Net increase in short-term borrowings		₩ 491,491	₩ -	\$ 424,504	\$ -
Proceeds from bonds issuance		-	189,579	-	163,741
Increase in long-term borrowings		65,578	170,757	56,641	147,484
Increase in leasehold deposits received		154	2,604	133	2,249
Dividends paid to shareholders		(329,937)	(329,938)	(284,969)	(284,969)
Net decrease in short-term borrowings		-	(836,665)	-	(722,634)
Repayment of current portion of long-term borrowings		(1,693,737)	(1,038,750)	(1,462,893)	(897,176)
Early redemption of long-term borrowings		-	(30,131)	-	(26,025)
Decrease in leasehold deposits received		(3,960)	(1,134)	(3,420)	(979)
Acquisition of treasury shares		-	(3)	-	(3)
Principal elements of lease payments		(134,054)	-	(115,783)	-
Additional acquisition of non-controlling interests		(1,493)	-	(1,290)	-
Capital reduction of non-controlling interests		(178)	-	(154)	-
Dividends paid to non-controlling interests	1	(6,219)	(11,055)	(5,371)	(9,548)
Net cash outflow from financing activities		<u>(1,612,355)</u>	<u>(1,884,736)</u>	<u>(1,392,602)</u>	<u>(1,627,860)</u>
Net decrease in cash and cash equivalents		(234,365)	(38,567)	(202,423)	(33,311)
Cash and cash equivalents at the beginning of the year		2,903,538	2,993,152	2,507,807	2,585,207
Effects of exchange rate changes on cash and cash equivalents		35,236	(51,047)	30,433	(44,089)
Cash and cash equivalents at the end of the year		<u>₩ 2,704,409</u>	<u>₩ 2,903,538</u>	<u>\$ 2,335,817</u>	<u>\$ 2,507,807</u>

The US dollar figures are provided for information purposes only and do not form part of the consolidated financial statements. Refer to Note 3.

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Samsung C&T Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

1. General Information

These consolidated financial statements are prepared in accordance with Korean IFRS 1110 *Consolidated Financial Statements*. Samsung C&T Corporation (the “Company” or the “Parent Company”) has 103 subsidiaries, including Samsung BioLogics Co., Ltd. (collectively referred to as the “Group”) and 47 associates and joint ventures, including Samsung Bioepis Co., Ltd. that are subject to the equity method of accounting.

1.1 The Company

The Company was established on December 23, 1963, for the purpose of engaging in tourist facilities business, and its corporate headquarters are located in Olympic-ro, Songpa-gu, Seoul. The Company primarily engages in tourist facilities, golf course services, construction, civil engineering, plant building, housing, development business, technology services, landscaping, energy conservation, environment development, fashion, retail business of various merchandise, and project organizing businesses in global market.

The Company sold its building management business of the construction division to S-1 Corporation on January 10, 2014. The Company, with the approval from Board of Directors on June 19, 2014, changed its company name from Samsung Everland Inc. to Cheil Industries Inc. on July 4, 2014, and was listed on the stock market on December 18, 2014.

For the diversification of the business portfolio and enhancement of core competitiveness, the Company, with the approval from the Board of Directors on May 26, 2015, and from the shareholders on July 17, 2015, merged with Samsung C&T Corporation on September 1, 2015. The Company newly issued 56,317,483 shares (54,690,043 shares of ordinary shares and 1,627,440 shares of preferred shares) as consideration of the acquisition, and the new shares were listed on September 15, 2015.

Meanwhile, the Company changed its name from Cheil Industries Inc. to Samsung C&T Corporation on September 2, 2015, as approved by the Board of Directors on May 26, 2015.

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

1.2 Subsidiaries

(a) General information of subsidiaries as at December 31, 2019, is as follows:

Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T Subsidiaries	Total				
Seoul Lakeside Co., Ltd.	Golf course service	₩ 1,176	117,600	117,600	-	117,600	100.00	Korea	
Samoo Architects & Engineers Co., Ltd.	Architectural design service	500	100,000	100,000	-	100,000	100.00	Korea	
CVnet Corporation ²	e-Business	3,200	6,400,000	2,569,155	-	2,569,155	40.14	Korea	
Myodo Metal Co., Ltd.	Production of steel products	3,811	1,080,000	1,080,000	-	1,080,000	100.00	Japan	
Samsung C&T Japan Corporation	Trading	42,104	5,000,000	5,000,000	-	5,000,000	100.00	Japan	
Samsung C&T America, Inc.	Trading	52,259	105	105	-	105	100.00	U.S.A	
Samsung Renewable Energy, Inc.	Renewable energy development	22,867	2,000	2,000	-	2,000	100.00	Canada	
Samsung Green Repower, LLC. ¹	Renewable energy development	2,863	-	-	-	-	100.00	U.S.A	Samsung C&T America, Inc. 100%
Samsung E&C America, Inc.	Construction	104	100,000	100,000	-	100,000	100.00	U.S.A	
Samsung Solar Construction, Inc.	Renewable energy development	6	5,000	-	5,000	5,000	100.00	U.S.A	Samsung C&T America, Inc. 100%
QSSC, S.A. de C.V.	Production of steel products	8,616	93,758,250	56,254,950	18,751,650	75,006,600	80.00	Mexico	Samsung C&T America, Inc. 20%
Samsung C&T Oil & Gas Parallel Corp.	Natural resources development	59,630	1	1	-	1	100.00	U.S.A	
Parallel Petroleum LLC. ¹	Natural resources development	837,480	-	-	-	-	51.00	U.S.A	PLL Holdings LLC. 61%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
SRE GRW EPC GP, Inc. ¹	Renewable energy development	₩ 15	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRW EPC LP ¹	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE GRW EPC GP, Inc. 0.01%
SRE SKW EPC GP, Inc. ¹	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE SKW EPC LP ¹	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE SKW EPC GP, Inc. 0.01%
Samsung C&T Canada Ltd.	Construction	84,302	101,000,001	101,000,001	-	100.00	Canada	
PLL Holdings LLC. ¹	Natural resources development	238,537	-	-	-	83.60	U.S.A	Samsung C&T Oil & Gas Parallel Corp. 83.6%
SRE WIND PA GP Inc. ¹	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE WIND PA LP ¹	Renewable energy development	11	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Wind PA GP Inc. 0.01%
PLL E&P LLC. ¹	Natural resources development	34,733	-	-	-	90.00	U.S.A	Samsung C&T Oil & Gas Parallel Corp. 90%
SRE GRS Holdings GP Inc. ¹	Renewable energy development	14	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE GRS Holdings LP ¹	Renewable energy development	3	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE GRS Holdings GP Inc. 0.01%
SRE K2 EPC GP Inc. ¹	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
SRE K2 EPC LP ¹	Renewable energy development	₩ -	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE K2 EPC GP Inc. 0.01%
SRE KS Holdings GP Inc. ¹	Renewable energy development	15	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE KS Holdings LP ¹	Renewable energy development	515	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE KS Holdings GP, Inc. 0.01%
SRE Armow EPC GP Inc. ¹	Renewable energy development	10	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Armow EPC LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Armow EPC GP Inc. 0.01%
SRE Wind GP Holdings, Inc. ¹	Renewable energy development	124	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE North Kent 2 LP Holdings LP ¹	Renewable energy development	200	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE North Kent 2 GP Holdings Inc. 0.01%
SRE Solar Development GP Inc. ¹	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Development LP ¹	Renewable energy development	277	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Solar Development GP Inc. 0.01%
SRE Windsor Holdings GP Inc. ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Southgate Holdings GP Inc. ¹	Renewable energy development	12	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
December 31, 2019 and 2018

Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
SRE Solar Construction Management GP Inc. ¹	Renewable energy development	₩ 9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Solar Construction Management LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Solar Construction Management GP Inc. 0.01%
SRE Development GP Inc. ¹	Renewable energy development	7	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Development LP ¹	Renewable energy development	184	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Development GP Inc. 0.01%
SRE BRW EPC GP Inc. ¹	Renewable energy development	5	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE BRW EPC LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE BRW EPC GP Inc. 0.01%
SRE North Kent 1 GP Holdings Inc. ¹	Renewable energy development	20	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE North Kent 2 GP Holdings Inc. ¹	Renewable energy development	13	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Belle River GP Holdings Inc. ¹	Renewable energy development	20	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE NK1 EPC GP Inc. ¹	Renewable energy development	5	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE NK1 EPC LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE NK1 EPC GP Inc. 0.01%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
SRE Summerside Construction GP Inc. ¹	Renewable energy development	₩ 6	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 100%
SRE Summerside Construction LP ¹	Renewable energy development	9	-	-	-	100.00	Canada	Samsung Renewable Energy, Inc. 99.99%, SRE Summerside Construction GP Inc. 0.01%
Samsung Solar Energy LLC. ¹	Renewable energy development	8,996	-	-	-	100.00	U.S.A	Samsung C&T America, Inc. 100%
Samsung Solar Energy 1 LLC. ¹	Renewable energy development	2,555	-	-	-	100.00	U.S.A	Samsung Solar Energy LLC. 100%
Samsung Solar Energy 2 LLC. ¹	Renewable energy development	6,134	-	-	-	100.00	U.S.A	Samsung Solar Energy LLC. 100%
Samsung Solar Energy 3 LLC. ¹	Renewable energy development	314	-	-	-	100.00	U.S.A	Samsung Solar Energy LLC. 100%
Samsung C&T Deutschland GmbH ¹	Trading	18,551	-	-	-	100.00	Germany	
Samsung C&T U.K. Ltd.	Trading	59,415	27,950,000	27,950,000	-	100.00	United Kingdom	
Samsung C&T ECUK Limited	Construction	27,814	19,033,000	19,033,000	-	100.00	United Kingdom	
Whessoe Engineering Limited	Industrial plant engineering	-	138	138	-	100.00	United Kingdom	
SAMOO HU Designer and Engineering Services Limited Liability Company ¹	Architectural design service	166	-	-	-	100.00	Hungary	Samoo Architects & Engineers Co., Ltd. 100%
POSS-SLPC S.R.O. ¹	Production of steel products	5,967	-	-	-	70.00	Slovakia	Samsung C&T Deutschland GmbH 20%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T	Subsidiaries				
Solluce Romania 1 B.V. ¹	Renewable energy development	₩ 33,517	-	-	-	-	100.00	Netherlands	Samsung C&T Deutschland GmbH 20%
Samsung C&T (KL) Sdn. Bhd.	Construction	3,870	1,000,000	1,000,000	-	1,000,000	100.00	Malaysia	
Samsung C&T Malaysia Sdn. Bhd.	Trading	6,002	15,000,000	15,000,000	-	15,000,000	100.00	Malaysia	
Samsung Chemtech VINA ¹	Trading	3,554	-	-	-	-	100.00	Vietnam	Samsung C&T Singapore Pte. Ltd. 48.33%
S-Print, Inc. ¹	Production of textile	2,245	-	-	-	-	80.00	Vietnam	Samsung C&T America, Inc. 24%, Samsung C&T Singapore Pte. Ltd. 16%
Samsung C&T (Thailand) Co., Ltd.	Trading	126	409,600	180,000	54,000	234,000	57.13	Thailand	Samsung C&T Hongkong Limited 13.18%
PT. Insam Batubara Energy	Wholesale and retail of coal	1,037	1,000,000	900,000	100,000	1,000,000	100.00	Indonesia	Samsung C&T Singapore Pte. Ltd. 10%
Samsung C&T India Private Ltd.	Construction	2,748	126,500,000	126,500,000	-	126,500,000	100.00	India	
Samsung C&T Corporation India Private Ltd.	Trading	3,455	16,500,001	16,500,001	-	16,500,001	100.00	India	
MSSC Sdn.,Bhd.	Production of steel products	4,928	44,974	31,482	13,492	44,974	100.00	Malaysia	Samsung C&T Singapore Pte. Ltd. 30%
Samsung C&T Singapore Pte. Ltd.	Trading	35,574	34,000,000	34,000,000	-	34,000,000	100.00	Singapore	
S&G Bio Fuel Pte. Ltd.	Natural resources development	45,922	46,312,500	23,400,000	5,850,000	29,250,000	63.16	Singapore	Samsung C&T Singapore Pte. Ltd. 12.63%
PT Gandaerah Hendana	Natural resources development	11,320	100,000,000	-	95,000,000	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%
PT Inecda	Natural resources development	11,320	100,000,000	-	95,000,000	95,000,000	60.00	Indonesia	S&G Bio Fuel Pte. Ltd. 95%

Samsung C&T Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T	Subsidiaries				
SAMSUNG C&T Mongolia LLC. 1	Construction	₩ 1,215	-	-	-	-	70.00	Mongolia	
Samsung C&T Eng.&Const. Mongolia LLC. 1	Construction	598	-	-	-	-	100.00	Mongolia	
S&Woo Construction Philippines, Inc.	Construction	239	9,400	9,400	-	9,400	100.00	Philippines	
SAMOO DESIGNERS & ENGINEERS INDIA PRIVATE LIMITED	Architectural design service	192	1,100,000	-	1,100,000	1,100,000	100.00	India	Samoo Architects & Engineers Co., Ltd. 100%
SAMOO (KL) SDN. BHD. 1	Architectural design service	269	-	-	-	-	100.00	Malaysia	Samoo Architects & Engineers Co., Ltd. 100%
Samsung (Tianjin) International Trading Co., Ltd. 1	Trading	382	-	-	-	-	100.00	China	Samsung C&T Hongkong Limited 100%
Samsung Trading (Shanghai) Co., Ltd. 1	Trading	498	-	-	-	-	100.00	China	Samsung C&T Hongkong Limited 100%
Samsung C&T Hongkong Limited	Trading	47,849	61,483	61,483	-	61,483	100.00	Hong Kong	
Samsung C&T Taiwan Co., Ltd.	Trading	361	1,000,000	1,000,000	-	1,000,000	100.00	Taiwan	
Samsung Precision Stainless Steel (pinghu) Co., Ltd. 1	Production of steel products	82,979	-	-	-	-	100.00	China	Samsung C&T Hongkong Limited 45%
Samsung C&T (Shanghai) Co., Ltd. 1	Construction	11,066	-	-	-	-	100.00	China	
Samsung C&T (Xi'an) Co., Ltd. 1	Construction	1,428	-	-	-	-	100.00	China	
Samsung C&T Corporation Saudi Arabia 1	Construction	143,425	-	-	-	-	100.00	Saudi Arabia	
SAM Gulf Investment Limited	Investment	4,891	15,438,656	15,438,656	-	15,438,656	100.00	UAE	

Samsung C&T Corporation and Subsidiaries
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries	
				Samsung C&T	Subsidiaries				
Samsung C&T Chile Copper SpA	Natural resources development	₩ 12,918	11,535,517	11,535,517	-	11,535,517	100.00	Chile	
SCNT Power Kelar Inversiones LTDA.	Thermal power generation	42,705	100	100	-	100	100.00	Chile	
S.C. Otelinox S.A.	Production of stainless steel plates and poles	56,148	33,078,479	-	31,179,053	31,179,053	94.26	Romania	Samsung C&T Deutschland GmbH 94.26%
Samsung Corporation Rus LLC. ¹	Construction	6,303	-	-	-	-	100.00	Russia	
Samsung BioLogics Co., Ltd. ³	Biopharmaceutical products manufacturing	165,413	66,165,000	28,742,466	-	28,742,466	43.44	Korea	
Cheil Fashion Retail Co., Ltd.	Manufacturing and selling garments	10,000	2,000,000	2,000,000	-	2,000,000	100.00	Korea	
Cheil Industries Corp., USA	Manufacturing and selling garments	106	1	1	-	1	100.00	U.S.A	
Cheil Industries Italy S.R.L. ¹	Manufacturing and selling garments	8,813	-	-	-	-	100.00	Italy	
Colombo Via della Spiga S.R.L. ¹	Manufacturing and selling garments	144	-	-	-	-	100.00	Italy	Cheil Industries Italy S.R.L. 100%
Samsung Fashion Trading (Shanghai) Co., Ltd. ¹	Manufacturing and selling garments	65,993	-	-	-	-	100.00	China	
Samsung Welstory Inc.	Foodservice business	10,000	2,000,000	2,000,000	-	2,000,000	100.00	Korea	
Cheil Industries Inc. Vietnam Co., Ltd. ¹	Construction	1,143	-	-	-	-	100.00	Vietnam	

Samsung C&T Corporation and Subsidiaries
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Subsidiaries	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares		Ownership interest held by the Group (%)	Location	Ownership interest held by subsidiaries
				Samsung C&T	Subsidiaries			
Welstory Vietnam Co., Ltd. ¹	Foodservice business	₩ 10,007	-	-	-	90.00	Vietnam	Samsung Welstory Inc. 90%
Samsung C&T Corporation UEM Construction JV Sdn. Bhd.	Construction	205	750,000	450,000	-	60.00	Malaysia	
Shanghai Ever Hongjun Business Management Service Co., Ltd. ¹	Foodservice business	2,536	-	-	-	85.00	China	Samsung Welstory Inc. 85%
Shanghai Welstory Food Company Limited ¹	Foodservice business	7,904	-	-	-	81.60	China	Samsung Welstory Inc. 81.60%

¹ No share has been issued in accordance with the local laws and regulations.

² The Parent Company has de facto control to appoint or dismiss more than 50% of the members of Board of Directors although it has less than 50% ownership interest.

³ Considering comprehensively that the Parent Company holds significantly more voting rights than any other voting right holders, and the other shareholdings are widely dispersed, the Parent Company is deemed to have de facto control although it has less than 50% ownership interest. In addition, the attendance rate, voting patterns at previous shareholders' meetings and other factors are also considered.

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(b) Summarized financial information of subsidiaries as at and for the year ended December 31, 2019, is as follows:

(In millions of Korean won)

Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Seoul Lakeside Co., Ltd.	₩ 619,794	₩ 280,954	₩ 50,581	₩ 13,116	₩ 12,731
Samoo Architects & Engineers Co., Ltd.	117,226	50,338	199,768	16,089	14,783
CVnet Corporation	40,733	17,326	60,170	2,260	2,330
Myodo Metal Co., Ltd.	99,604	90,664	135,470	169	1,428
Samsung C&T Japan Corporation	205,967	126,446	1,485,708	7,172	10,553
Samsung C&T America, Inc.	472,220	221,069	835,857	7,428	15,379
Samsung Renewable Energy, Inc.	391,748	22,649	-	330,570	327,851
Samsung Green Repower, LLC.	9,358	51	-	(2)	68
Samsung E&C America, Inc.	59,283	53,148	86,076	545	733
Samsung Solar Construction, Inc.	32	-	-	(1)	-
QSSC, S.A. de C.V.	81,516	71,233	183,424	(529)	(155)
Samsung C&T Oil & Gas Parallel Corp.	310,934	337,610	-	20,676	11,510
Parallel Petroleum LLC.	209,415	54,086	66,168	(96,248)	(86,626)
SRE GRW EPC GP, Inc.	4	-	-	(2)	(2)
SRE GRW EPC LP	44	-	-	(2)	2
SRE SKW EPC GP, Inc.	-	-	-	(2)	(2)
SRE SKW EPC LP	34	-	-	(2)	1
Samsung C&T Canada Ltd.	210,092	301,478	171,016	(104,343)	(104,272)
PLL Holdings LLC.	510,566	274,636	-	(4,509)	(13,720)
SRE WIND PA GP Inc.	2	-	-	(1)	(1)
SRE WIND PA LP	2,213	21	1,959	2,021	2,242
PLL E&P LLC.	2,760	5,382	1,242	(4,547)	(4,452)
SRE GRS Holdings GP Inc.	5	-	-	(4)	(4)
SRE GRS Holdings LP	2,093	-	-	451	577
SRE K2 EPC GP Inc.	4	-	-	(2)	(2)
SRE K2 EPC LP	872	-	-	17	81
SRE KS Holdings GP Inc.	7	-	-	(5)	(4)
SRE KS Holdings LP	2,357	-	-	353	469
SRE Armow EPC GP Inc.	1	-	-	(2)	(2)
SRE Armow EPC LP	1,150	-	-	23	107

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
SRE Wind GP Holdings, Inc.	₩ 167	₩ -	₩ -	₩ 59	₩ 63
SRE North Kent 2 LP Holdings LP	23	-	-	(2)	(1)
SRE Solar Development GP Inc.	4	-	-	(2)	(2)
SRE Solar Development LP	207	-	-	1	17
SRE Windsor Holdings GP Inc.	3	-	-	(3)	(2)
SRE Southgate Holdings GP Inc.	2	-	-	(3)	(2)
SRE Solar Construction Management GP Inc.	4	-	-	(2)	(2)
SRE Solar Construction Management LP	89	-	-	10	62
SRE Development GP Inc.	1	-	-	(2)	(2)
SRE Development LP	56	-	-	(3)	1
SRE BRW EPC GP Inc.	1	-	-	(1)	(1)
SRE BRW EPC LP	1,015	-	-	78	406
SRE North Kent 1 GP Holdings Inc.	17	-	-	(1)	(1)
SRE North Kent 2 GP Holdings Inc.	2	-	-	(4)	(4)
SRE Belle River GP Holdings Inc.	17	-	-	-	-
SRE NK1 EPC GP Inc.	1	-	-	(1)	(1)
SRE NK1 EPC LP	901	-	-	66	344
SRE Summerside Construction GP Inc.	3	-	-	(2)	(2)
SRE Summerside Construction LP	225	1	-	1	18
Samsung Solar Energy LLC.	9,004	-	-	(3)	13
Samsung Solar energy 1 LLC.	7,436	-	-	4,715	4,731
Samsung Solar energy 2 LLC.	3,676	310	-	(2,502)	(2,357)
Samsung Solar energy 3 LLC.	308	-	-	(3)	(6)
Samsung C&T Deutschland GmbH	488,541	210,997	758,759	26,410	28,541
Samsung C&T U.K. Ltd.	30,730	14,287	156,050	787	1,660
Samsung C&T ECUK Limited	53,373	136,446	10,103	(26,262)	(30,458)
Whessoe Engineering Limited	1,885	9,286	9,867	(1,176)	(1,602)
SAMOO HU Designer and Engineering Services Limited Liability Company	244	161	1,233	(75)	(83)
POSS-SLPC S.R.O.	39,188	26,727	72,547	516	682
Solluce Romania 1 B.V.	32,993	421	-	(75)	(79)
Samsung C&T (KL) Sdn. Bhd.	198,573	181,138	184,794	(1,119)	(287)
Samsung C&T Malaysia Sdn. Bhd.	4,501	575	8,011	904	1,042

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Samsung Chemtech VINA	₩ 64,697	₩ 51,764	₩182,538	₩ 3,297	₩ 3,633
S-Print	12,956	14,718	25,165	1,066	960
Samsung C&T (Thailand) Co., Ltd.	25,381	12,145	68,817	2,806	4,042
PT. Insam Batubara Energy	14	2,122	-	(2)	(75)
Samsung C&T India Private Ltd.	228,897	210,585	294,099	11,583	11,458
Samsung C&T Corporation India Private Ltd.	3,711	2,491	4,192	541	541
MSSC Sdn.,Bhd.	28,916	22,285	64,615	482	760
Samsung C&T Singapore Pte. Ltd.	242,739	220,881	1,350,044	4,119	4,090
S&G Bio Fuel Pte. Ltd.	120,160	55,989	-	10,310	7,522
PT Gandaerah Hendana	34,645	28,045	35,489	6,440	8,523
PT Inecda	38,097	5,894	25,051	4,213	7,915
SAMSUNG C&T Mongolia LLC.	19,010	11,733	401	(221)	(212)
Samsung C&T Eng.&Const. Mongolia LLC.	28,503	14,206	1,134	(1,844)	(1,771)
S&Woo Construction Philippines, Inc.	5,051	5,024	(64)	(1,095)	(1,034)
SAMWOO DESIGNERS & ENGINEERS INDIA PRIVATE LIMITED	1,383	828	1,576	(500)	(474)
SAMOO (KL) SDN. BHD.	629	310	568	37	50
Samsung (Tianjin) International Trading Co., Ltd.	727	-	-	4	27
Samsung Trading (Shanghai) Co., Ltd.	50,635	27,679	257,622	3,435	3,729
Samsung C&T Hongkong Limited	203,611	82,438	3,023,180	(2,822)	(62)
Samsung C&T Taiwan Co., Ltd.	6,671	583	3,353	534	818
Samsung Precision Stainless Steel (Pinghu) Co., Ltd.	91,319	13,295	69,750	4,235	5,492
Samsung C&T (Shanghai) Co., Ltd.	229,596	193,484	423	(1,181)	(491)
Samsung C&T (Xi'an) Co., Ltd.	405,067	342,803	525,963	35,740	35,629
Samsung C&T Corporation Saudi Arabia	139,118	336,734	143,831	(502)	(7,275)
SAM Gulf Investment Limited	50,667	47,068	-	(1,263)	(1,219)
Samsung C&T Chile Copper SpA	3,435	-	-	(12)	(2,801)
SCNT Power Kelar Inversiones LTDA.	66,751	23,629	-	64	80
S.C. Otelinox S.A.	61,448	9,202	47,972	2,470	1,783
Samsung Corporation Rus LLC.	60,996	925	37,314	26,497	31,982
Samsung BioLogics Co., Ltd.	6,426,714	1,749,896	701,592	(18,199)	(21,987)
Cheil Fashion Retail Co., Ltd.	6,228	2,180	27,032	1,611	1,611

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Subsidiaries	Total assets	Total liabilities	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Cheil Industries Corp., USA	₩ 700	₩ 106	₩ 1,468	₩ 31	₩ 50
Cheil Industries Italy S.R.L.	14,552	11,562	64,401	(6,896)	(6,883)
Colombo Via della Spiga S.R.L.	6,511	2,548	5,120	69	124
Samsung Fashion (Shanghai) Trading Co., Ltd.	81,869	64,451	154,994	(1,298)	(966)
Samsung Welstory Inc.	683,451	258,906	1,976,863	59,094	54,195
Cheil Industries Inc. Vietnam Co., Ltd.	2,882	1,876	31	(496)	(440)
Welstory Vietnam Co., Ltd.	33,301	16,549	99,197	2,103	2,624
Samsung C&T Corporation UEM Construction JV Sdn. Bhd.	142,817	269,751	220,520	(6,796)	(12,215)
Shanghai Ever Hongjun Business Management Service Co., Ltd.	14,944	7,599	72,190	2,373	2,427
Shanghai Welstory Food Company Limited	10,801	8,400	58,153	(1,765)	(1,775)

¹ Intercompany transactions, balances, and unrealized gains and losses on transactions between the Group companies are not eliminated in the summarized financial information above and fair values regarding business combination are reflected. Also, shares in controlled subsidiaries, associates, and joint ventures, accounted for under the equity method which the controlled subsidiaries own, are recognized at acquisition cost.

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1.3 Investments in Associates and Joint Ventures

General information of associates and joint ventures as at December 31, 2019, is as follows (Note 12):

Associates	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares			Ownership interest held by the Group (%)	Location
				Samsung C&T	Subsidiaries	Total		
Dongducheon Dream Power Co., Ltd.	Integrated thermal power generation	₩ 344,755	76,225,515	24,026,500	-	24,026,500	31.52	Korea
Tianjin Eco-City Shengxing Development Co., Ltd. ¹	Property development	48,274	-	-	-	-	40.00	China
Qurayyah Investment Company ¹	Construction business	371,923	-	-	-	-	35.00	Saudi Arabia
Hanwha General Chemical Co., Ltd.	Petrochemical	554,714	42,500,410	8,522,679	-	8,522,679	20.05	Korea
Samsung Bioepis Co., Ltd. ²	Research and development on medicine and pharmacy	103,419	20,683,705	-	10,341,853	10,341,853	50.00	Korea

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Joint ventures	Primary business	Share capital (in millions of Korean won)	Number of outstanding shares	Number of shares			Ownership interest held by the Group (%)	Location
				Samsung C&T	Subsidiaries	Total		
Korea LNG Limited	Natural resources development	₩ 14	12,000	2,400	-	2,400	20.00	Bermuda
South Kent Wind LP ¹	Renewable energy development	12,333	-	-	-	-	49.99	Canada
SP Belle River LP ¹	Renewable energy development	38,846	-	-	-	-	42.49	Canada
Kelar S.A. ¹	Thermal power generation	120,733	-	-	-	-	35.00	Chile

¹ No share has been issued in accordance with the local laws and regulations.

² On June 29, 2018, Biogen Therapeutics Inc. exercised a call option that would allow Biogen Therapeutics Inc. to increase its ownership interest in Samsung Bioepis Co., Ltd., the investee of the Group, up to 50% minus one share. Accordingly, the Group's ownership interest decreased from 94.61% to 50% plus one share subsequent to the exercise. Although the Group owns more than 50% of the ownership interest in Samsung Bioepis Co., Ltd., it is classified as investments in associates because the Group cannot unilaterally control the activities of the Board and the decisions made on the shareholders' meeting in accordance with the composition of the Board of Directors under the shareholders' agreement and the quorum for resolution of the shareholders' meetings.

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1.4 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2019:

Subsidiaries	Description
Samsung Solar Energy 3 LLC	Newly established
SAMOO HU Designer and Engineering Services Limited Liability Company	Newly established

Subsidiaries excluded from the consolidation for the year ended December 31, 2019:

Subsidiaries	Description
SCNT Power Norte S. de R.L. de C.V.	Disposal
SRE GRW LP Holdings LP	Liquidation
SRE SKW LP Holdings LP	Liquidation
SRE Belle River LP Holdings LP	Liquidation
SRE Armow LP Holdings LP	Liquidation
SRE North Kent 1 LP Holdings LP	Liquidation
Natural 9 Co., Ltd.	Liquidation
Eight Seconds (Shanghai) Co., Ltd.	Liquidation
Eight Seconds (Shanghai) Trading Co., Ltd.	Liquidation

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1.5 Information about Non-Controlling Interest

Profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group, are as follows:

Accumulated non-controlling interests of subsidiaries as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Samsung BioLogics Co., Ltd.	₩	2,550,274	₩	2,513,827
Others		<u>45,688</u>		<u>88,518</u>
	₩	<u>2,595,962</u>	₩	<u>2,602,345</u>

Profit or loss attributed to the non-controlling interests for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Samsung BioLogics Co., Ltd.	₩	38,356	₩	148,767
Others		<u>(40,541)</u>		<u>(113,314)</u>
	₩	<u>(2,185)</u>	₩	<u>35,453</u>

Dividends paid to the non-controlling interests for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Parallel Petroleum LLC	₩	5,339	₩	10,959
Others		<u>880</u>		<u>96</u>
	₩	<u>6,219</u>	₩	<u>11,055</u>

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Summarized financial information for each subsidiary with non-controlling interests that are material to the Group as at and for the years ended December 31, 2019 and 2018, is as follows. The subsidiary's financial information was prepared using equity method for their associates and joint ventures.

Summarized Statement of Financial Position

(in millions of Korean won)

	Samsung BioLogics Co., Ltd.			
	December 31,		December 31,	
	2019		2018	
Current assets	₩	1,361,332	₩	1,577,681
Non-current assets		4,761,635		4,656,017
Current liabilities		692,874		709,919
Non-current liabilities		920,868		1,079,030
Equity		4,509,225		4,444,749

Summarized Statement of Comprehensive Income

(in millions of Korean won)

	Samsung BioLogics Co., Ltd.			
	2019		2018	
Sales	₩	701,592	₩	540,672
Profit for the year		67,815		263,025
Other comprehensive loss		(3,376)		(443)
Total comprehensive income		64,439		262,582

Summarized Statement of Cash Flows

(in millions of Korean won)

	Samsung BioLogics Co., Ltd.			
	2019		2018	
Cash flows from operating activities	₩	10,000	₩	37,375
Cash flows from investing activities		339,796		(701,782)
Cash flows from financing activities		(239,806)		323,941
Increase (decrease) in cash and cash equivalents		109,990		(340,466)
Cash and cash equivalents at the beginning of the year		17,622		358,088
Effects of exchange rate changes on cash and cash equivalents		(2,511)		-
Cash and cash equivalents at the end of the year	₩	125,101	₩	17,622

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2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

The 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 4.

(a) 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, 2019.

- Enactment of Korean IFRS 1116 Leases

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases*. Under Korean IFRS 1116, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

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With implementation of Korean IFRS 1116 *Leases*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 32.

- Amendments to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendments do not have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments do not have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. The amendments also clarify that Korean IFRS 1109 requirements are applied to long-term interests that form part of the entity's net investment in an associate or joint venture before applying the impairment requirements of Korean IFRS 1028. The amendments do not have a significant impact on the consolidated financial statements.

- Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the consolidated financial statements.

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- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

- Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendments do not have a significant impact on the consolidated financial statements.

- Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendments do not have a significant impact on the consolidated financial statements.

- Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the consolidated financial statements.

- Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendments do not have a significant impact on the consolidated financial statements.

(b) New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been published that are not mandatory for annual reporting period commencing January 1, 2019 and have not been early adopted by the Group.

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- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

2.2 Consolidation

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

(a) 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.

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

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

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

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

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the entity in applying the equity method.

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(c) Joint Arrangements

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

2.3 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.

(b) 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 long-term and short-term financial instrument, loans, borrowings and debentures are presented as 'financial income or costs' in the consolidated statements of comprehensive income. All other foreign exchange gains and losses are presented in the statements of comprehensive income within 'other income or 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.

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The results and financial position of all the foreign operations that have a functional currency different from the presentation currency of the Group are translated into the presentation currency. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date, and income and expenses for each statement of profit or loss are translated at average exchange rates, and all resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity (accumulated comprehensive income).

Exchange differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and presented as a separate component of equity. When a foreign operation is partially disposed of or sold, the exchange differences that were recorded in equity are recognized in the statement of profit or loss where there is a loss of control.

(c) Translation of financial statements of overseas subsidiaries

Items on the statements of financial position are translated at the closing rate at the end of the reporting period, except historical exchange rate applied to equity accounts. Items on the statements of comprehensive are translated at average exchange rates. All resulting exchange differences are recognized in other comprehensive income and allocated to equity attributable to owners of the parent and non-controlling interests. Differences allocated to equity attributable to owners of the parent are presented on the consolidated statements of financial position as other component of equity (exchange differences).

2.4 Cash and Cash Equivalents Financial Assets

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

2.5 Revenue Recognition

(a) Identify performance obligation

The Group recognizes (i) goods or services (or a bundle of goods or services) that are distinct at inception of contract, or (ii) a series of distinct goods or services that are substantially the same, including the way they transfer to the customers, as separate performance obligations.

In addition, the Group is engaged in CMO business that manufactures and supplies made-to-order bio-medicine. Services mandatorily rendered prior to a production of bio-medicine do not form a part of a performance obligation since they are considered as a set-up process. Only sales of bio-medicine are recognized as performance obligations.

The Group is also engaged in CDO business that provides cell line and upstream/downstream process development services. As each research and development stages is linked together and is

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highly interdependent and highly interrelated, the Group recognizes a contract as single performance obligation.

(b) A performance obligation is satisfied over time

The contract revenue is recognized over time by measuring progress only if (i) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (ii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Goods manufactured from CMO business do not have an alternative use to the Group, and it has an enforceable right to payment for performance completed to date. This is because that the Group produces bio-medicine at a quality that a customer requires and is entitled to reimbursement of the costs incurred to date, including a reasonable margin if a customer terminates a contract. Therefore, revenue from contracts with customers is allocated and recognized over time as it satisfies its performance obligation over a contract period.

Revenue for bio-medicine other than payments related to transfer of technology and engineering batch production is recognized as revenues to the extent of the consideration equivalent to the Group's right to request for payment. Under the practical expedient of Korean IFRS 1115, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group recognizes the revenue over time since the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs research and development services.

(c) Input methods for measuring progress

The Group recognizes performance obligations satisfied overtime based on percentage of completion by input methods after excluding the effects of any inputs that do not depict the performance. In addition, if the Group may not be able to reasonably measure the outcome of a performance obligation, but the Group expects to recover the cost incurred in satisfying the performance obligation, the Group will recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Meanwhile, a faithful depiction of the Group's performance might be to recognize revenue at an amount equal to the cost of a goods used to satisfy a performance obligation if the Group expects at contract inception that all of the following conditions would be met: i) the goods are not distinct; ii) the customer is expected to obtain control of the goods significantly before receiving services related to the goods; iii) the cost of the transferred goods is significant relative to the total expected costs to completely satisfy the performance obligation; and iv) the Group procures the goods from a third party and is not significantly involved in designing and manufacturing the goods.

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(d) Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer. An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. For example, an amount of consideration would be variable if either a product was sold with a right of return or a fixed amount is promised as a performance bonus on achievement of a specified milestone.

(e) Incremental costs of obtaining a contract

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The costs to obtain a contract will be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group reviews the incremental costs of obtaining a contract based on each incurred items and recognizes the capitalized costs as contract cost based on percentage of completion.

(f) Costs to fulfill a contract

If the costs incurred in fulfilling a contract with a customer are related directly to a contract or to an anticipated contract that the entity can specifically identify, generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and are expected to be recovered, the costs are recognized as assets. And, the costs are recognized as contract costs based on percentage of completion.

(g) Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer, and a contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. The Group presents contract assets and liabilities arising from a contract in the statements of financial position at net amount by offsetting each other.

In CMO business, the Group recognizes the amount of the advance consideration by customers related to transfer of technology to manufacture products that customer request and engineering batch production as contract liabilities and related costs as contract assets. Such activities are required in advance for production of goods ordered but do not transfer goods or services to a customer. Accordingly, they are not included in a performance obligation.

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Also, in CDO business, a contract asset is an entity's right to receive consideration in exchange for goods or services that the entity has transferred to a customer, and a contract liability is the entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

2.6 Financial Assets

(a) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), 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.

See Note 11 for details about each type of financial asset.

(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.

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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 'financial income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other gains and losses' and 'financial income and 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 gains and losses' in the year in which it arises.

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 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 'other 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

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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. (Note 31 provides more detail of how the Group determines there has been a significant increase in credit risk.)

For trade receivables (including due from customer for contract work), The Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

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

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method or moving average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories are reduced for the estimated losses arising from excess, obsolescence, and decline in value. This reduction is determined by estimating market value based on future customer demand. The losses on inventory obsolescence are recorded as a part of cost of sales.

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2.8 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The costs that are estimated to be incurred to dismantle, remove assets, or restore sites are also included in the historical costs.

Depreciation of all property, plant and equipment, other than land, is calculated using the straight-line method (except property, plant and equipment for developing natural resources, which are depreciated using the units of production method) to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Buildings, structures	20 - 50 years
Others	4 - 50

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

2.9 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position either by deducting the grant in arriving at the carrying amount of the asset, and government grants related to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.10 Intangible Assets

Intangible assets are initially measured at their historical cost, and carried at cost less accumulated amortization. Intangible assets, except for mineral rights amortized using the units of production method, are amortized using the straight-line method to allocate their cost to their residual values of nil over their estimated useful lives, as stated below. Membership and certain brands are regarded as intangible assets with indefinite useful life and are not subject to amortization, because there is no foreseeable limit to the period over which the assets are expected to be utilized.

Goodwill arising on a business combination is cost of a business combination exceeding over the acquisition consideration to the fair value of the identifiable assets required, liabilities assumed and contingent liabilities at acquisition date. Goodwill is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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Useful lives

Industrial property rights	5 - 10 years
Right to use property	14 - 20 years
Memberships and certain brands	Indefinite
Others	5 - 20 years

2.11 Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured after initial measurement at depreciated cost (less any accumulated impairment losses). After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 25 ~ 50 years.

2.12 Biological Assets

A biological asset shall be measured on initial recognition and at the end of each reporting date at its fair value less estimated costs to sell. The fair value of a biological asset is measured by an independent professional organization by using Discounted Cash Flow (DCF) method. The cash flows during the life expectancy of a biological asset are determined under consideration of agricultural produce such as Fresh Fruit Bunch at the point of harvest, market price and the estimated cultivating costs and other variations.

2.13 Impairment of Non-financial Assets

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

2.14 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.

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

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

(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.

2.15 Borrowing Costs

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

2.16 Employee Benefits

The Group operates both defined contribution and defined benefit pension plans.

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 have been paid. The contribution are recognized as employee benefit expense when they are due.

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

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

2.17 Provisions

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.

2.18 Derivative Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group applies cash flow hedge accounting to hedge the interest rate risk associated with borrowings. The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income, and the ineffective portion is recognized in 'other income (expenses)'.

The effective portion of changes in fair value of derivatives that are cumulatively recognized as other comprehensive income are included within the initial cost of the asset when the hedged item subsequently results in the recognition of a non-financial asset. The amounts are ultimately recognized in profit or loss as 'financial income (expenses)'. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to profit or loss within 'other income (expenses)'.

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The Group applies fair value hedge accounting to hedge the changes in the fair value of unrecognized firm commitments in relation to purchase contracts. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss within 'cost of sales'. The gain or loss relating to the ineffective portion is recognized in profit or loss within 'other income (expenses)'. However, changes in the fair value of the hedged items attributable to hedged risk are recognized as 'financial expenses'.

When a hedge no longer meets the criteria for hedge accounting, any adjustment made in the carrying amount of the hedged item is amortized to profit or loss over the period of maturity using an 'effective interest rate method'.

2.19 Dividend Distribution

Dividend distribution to the Group's shareholders is recognized when the dividends are approved.

2.20 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting 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.

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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 where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.21 Earnings per Share

Basic earnings per share is calculated by dividing net profit for the period available to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated using the weighted-average number of ordinary shares outstanding adjusted to include the potentially dilutive effect of equivalent ordinary shares outstanding.

2.22 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Corporate Management Committee that makes strategic decisions.

2.23 Share Capital

Ordinary shares and preferred shares with no repayment obligations are classified as equity. When the Company purchases its ordinary shares, the acquisition cost including direct transaction costs are deducted from equity until the redemption or reissuance of treasury shares. Consideration received on the subsequent or issue of treasury shares is credited to equity.

2.24 Non-current Assets (or Disposal Group) Held for Sale

Non-current assets (or disposal group) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.25 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

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At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered in to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with KIFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of fair value of the consideration transferred, (if any) the excess is recognized immediately in profit or loss as a bargain purchase gain.

2.26 Lease

As explained in Note 2.1 above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 32.

(a) Leasing activities

The Group leases various offices, housing for employees, stores, heavy equipment and cars. 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.

(b) Accounting policies for lease

- Classification of lease

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

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- Measurement of right-of-use assets and lease liabilities

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. 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. 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. Meanwhile, the Group allocates the consideration to lease and non-lease components on the basis of the relative stand-alone price as at the lease commencement date or the reassessment date for any contract that contains a lease component.

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;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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; and
- restoration costs.

- Short-term leases and leases of low-value assets

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

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- Variable lease payments

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

- Subleases

The accounting treatment as a lessor did not change significantly from the one under Korean IFRS 1017 *Leases*. If the Group is an intermediate lessor, however, the Group determines the classification of the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

The Group subleased some of the buildings, and the leases are classified as operating leases or finance leases in accordance with Korean IFRS 1116.

2.27 Approval of Issuance of the Financial Statements

The consolidated financial statements 2019 were approved for issue by the Board of Directors on January 22, 2020 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. United States Dollar Amounts

The Company and its domestic subsidiaries operate primarily in Korean won and their official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information solely for the convenience of the reader. All Korean won amounts, other than those in statements of comprehensive income, have been translated into U.S. dollars at the exchange rate of ₩ 1,157.80 to US\$ 1, while Korean won amounts in the statements of comprehensive income have been translated into U.S. dollars at the exchange rate of ₩ 1,165.46 to US\$ 1. Such presentation is not in accordance with generally accepted accounting principles in either the Republic of Korea or the United States, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

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4. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

(a) Construction contract

- Uncertainty of the estimated total contract revenue

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

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

The measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Group's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed.

- Uncertainty of the estimated total contract costs

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

(b) Fair value of financial instruments

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

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(c) Net defined benefit liability

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

(d) 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. 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.

(e) Provisions

As at December 31, 2019, the Group recognizes provisions for warranties, repairs and others as explained in Note 2.17. These provisions are estimated based on past experience.

(f) Estimated impairment of goodwill

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

(g) Impairment of financial assets

The provision for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 31).

(g) Lease

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

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

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5. Construction Contracts

Details of recognized construction profit or loss for construction contracts for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Buildings	₩	8,233,152	₩	8,024,885
Civil engineering		1,869,274		2,461,841
Plant		1,498,399		1,547,138
Landscaping		158,645		178,843
	₩	<u>11,759,470</u>	₩	<u>12,212,707</u>

As at December 31, 2019, the Group's remaining balance of construction contracts amounts to ₩ 26,644,693 million.

As at December 31, 2019, the Group has accumulated revenues and costs¹ on the ongoing construction projects amounting to ₩ 31,705,096 million and ₩ 29,731,284 million, respectively. As at December 31, 2019, the total accumulated revenues and costs¹ incurred on all construction projects, including those completed during the current period, are ₩ 42,893,039 million and ₩ 39,697,209 million, respectively.

¹ The accumulated revenues and costs include the accumulated revenues and costs of the former Samsung C&T Corporation prior to the merger.

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The account balances of outstanding construction contracts as at December 31, 2019 and 2018, are summarized as follows:

(in millions of Korean won)		December 31, 2019					December 31, 2018
		Buildings	Civil engineering	Plant	Landscaping	Total	Total
Receivables	Receivables from construction contracts	₩ 1,471,009	₩ 162,554	₩ 70,079	₩ 40,564	₩1,744,206	₩ 2,565,112
	Guarantee deposits	130,632	106,787	137,244	2	374,665	370,550
	Long-term loans	147,143	-	-	-	147,143	146,790
	Short-term loans	121,185	-	-	-	121,185	283,654
Contract assets	Due from customer for construction work	481,443	244,283	421,294	20,408	1,167,428	826,463
	Prepaid expenses	83,922	7,740	1,038	19	92,719	77,435
Contract liabilities	Advances received	388,534	19,877	28,674	-	437,085	357,848
	Due to customer for contract work	1,167,847	360,689	283,124	171	1,811,831	1,997,503
Other assets	Advance payments	184,399	117,536	173,174	-	475,109	592,430

The Group is provided with payment guarantees amounting to ₩ 8,180,116 million (2018: ₩ 8,686,273 million), ₩ 494,458 million (2018: ₩ 924,263 million), ₩ 14,443 million (2018: ₩ 18,687 million), and ₩ 25,392 million (2018: ₩ 18,921 million) from financial institutions, and Construction Guarantee Cooperative, Software Guarantee Cooperative, and Engineering Guarantee Cooperative, respectively, in relation to the construction performance and others.

As at December 31, 2019, construction sites are covered by construction work insurance amounting to ₩ 7,910,076 million with Samsung Fire & Marine Insurance Co., Ltd. and others.

The Group arranges housing finance for the members engaged in redevelopment and reconstruction projects that the Group manages. Advances on housing finance temporarily received but not executed amounts to ₩ 569,363 million. The Group has provided a joint guarantee limit of ₩ 3,049,200 million (balance of ₩ 2,465,641 million) with regard to the housing finance in accordance with the agreements with the relevant financial institutions.

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As at December 31, 2019 and 2018, information of each contract¹ where contract revenue for the years ended December 31, 2019 and 2018, is more than 5% of the previous year's revenues, is as follows:

		December 31, 2019							
					Due from customers		Trade receivables (receivables from construction contracts)		
Contract Name ¹	Contract date	Contractual due date	Percentage of completion	Gross amount	Accumulated impairment loss	Gross amount	Provision for impairment		
Vietnam SDC Module 3	May. 2016	Nov. 2018	100.0%	₩ -	₩ -	₩ -	₩ -	₩ -	-
Pyeong-taek FAB 1 ²	Apr. 2017	Jan. 2019	99.8%	-	-	-	-	-	-
Australia Westconnex Stage 1b (M4 East) ²	Jun. 2015	Mar. 2019	99.8%	-	-	-	-	-	-
Hwaseong E-PJT	Nov. 2017	Nov. 2019	100.0%	129,719	-	198,107	-	-	-
Singapore Changi Airport Pkg.1 ²	Oct. 2015	Dec. 2019	90.1%	-	-	7,550	-	-	-
Algeria Naama	Feb. 2014	Feb. 2020	91.7%	-	-	30,655	-	-	-
Australia Westconnex Stage2 (M5 Main Tunnel)	Nov. 2015	Mar. 2020	93.8%	-	-	9,081	-	-	-
Pyeong-taek FAB 2	Dec. 2017	May. 2020	89.0%	-	-	219,494	-	-	-
UAE nuclear power plant	Mar. 2010	Dec. 2020	90.7%	-	-	1,462	-	-	-
Saudi Riyadh Metro	Oct. 2013	Dec. 2020	84.3%	12,673	-	52,892	-	-	-
Algeria Mostaghanem	Feb. 2014	Apr. 2021	53.2%	-	-	18,428	-	-	-
Gangneung Anin coal-fired power plant	Feb. 2014	Mar. 2023	31.8%	262,397	-	18,096	-	-	-
Singapore Thomson East Coast Line T313	Mar. 2016	Feb. 2024	50.7%	35,820	-	10,438	-	-	-
India Mumbai DAICEC	Dec. 2013	Mar. 2020	95.4%	29,289	-	36,908	-	-	-
Malaysia KL118 Tower	Nov. 2015	Dec. 2020	50.4%	58,437	-	-	-	-	-

¹ Construction projects that are practically completed as at December 31, 2019, are excluded.

² As at December 31, 2019, the contractual due dates have passed but the construction is still in process due to the customer's request for additional construction works. The Group is continuing the negotiation with the customer in relation to the extension of contractual due date.

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<i>(in millions of Korean won)</i>				December 31, 2018						
Contract Name¹	Contract date	Contractual due date	Percentage of completion	Due from customers		Trade receivables (receivables from construction contracts)				
				Gross amount	Accumulated impairment loss	Gross amount	Provision for impairment	Provision for impairment		
Turkey Kirikkale CCPP	Oct. 2014	June 2017	100.0%	₩	-	₩	-	₩	-	-
Saudi RABIGH 2 IPP	Nov. 2013	Feb. 2018	100.0%		-	-	501		-	-
Pyeong-taek P-PJT	May.2015	Feb. 2018	100.0%		-	-	-		-	-
Qatar UHP IWPP	May. 2015	June 2018	100.0%		11,153	-	-		-	-
Vietnam SDC Module 3 ²	May. 2016	Nov. 2018	98.0%		-	-	-		-	-
Garak Siyoung Complex 1	Oct. 2015	Dec. 2018	100.0%		-	-	202,460		-	-
Pyeong-taek FAB	Apr. 2017	Jan. 2019	84.1%		-	-	269,182		-	-
Australia Westconnex Stage 1b (M4 East)	Jun. 2015	Mar. 2019	96.2%		2,329	-	10,528		-	-
Singapore Changi Airport Pkg.1	Oct. 2015	July 2019	83.3%		13,791	-	27,499		-	-
Algeria Naama	Feb. 2014	Feb. 2020	77.4%		-	-	22,664		-	-
Australia Westconnex Stage2 (M5 Main Tunnel)	Nov. 2015	Mar. 2020	69.8%		-	-	21,271		-	-
UAE nuclear power plant	Mar.2010	May 2020	89.2%		1,219	-	1,384		-	-
Saudi Riyadh Metro	Oct. 2013	Dec. 2020	78.3%		10,744	-	22,118		-	-
Algeria Mostaghanem	Feb. 2014	Apr. 2021	41.7%		-	-	8,648		-	-
Gangneung Anin coal-fired power plant	Feb. 2014	Mar. 2022	10.9%		-	-	6,309		-	-
Singapore Thomson East Coast Line T313	Mar. 2016	Feb. 2024	35.5%		39,551	-	9,586		-	-
India Mumbai DAICEC ²	Dec. 2013	Dec. 2018	74.8%		73,290	-	49,634		-	-
Malaysia KL118 Tower	Nov. 2015	Dec. 2019	35.2%		41,797	-	50		-	-

¹ Construction projects that are practically completed as at December 31, 2018, are excluded.

² As at December 31, 2018, the contractual due dates have passed but the construction is still in process due to the customer's request for additional construction works. The Group is continuing the negotiation with the customer in relation to the extension of contractual due date.

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Details of major joint venture construction as at December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	Total contract amount	Amount of the Group	Percentage of ownership	Representative company
UAE nuclear power plant	₩ 7,227,677	₩ 3,252,455	45.00%	Hyundai Engineering & Construction Co., Ltd.
Saudi Riyadh Metro	9,755,404	2,755,902	28.25%	FCC
Australia Westconnex Stage2 (M5 Main Tunnel)	3,454,854	1,036,456	30.00%	CPB
Australia Westconnex Stage 1b (M4 East)	2,355,210	784,991	33.33%	CPB
Shin-Kori nuclear power plant #5, 6	1,366,872	697,105	51.00%	Samsung C&T Corporation
Singapore Changi Airport Pkg.1	987,666	691,366	70.00%	Samsung C&T Corporation
Hong Kong Metro SCLC1109	924,129	554,478	60.00%	Samsung C&T Corporation
Hong Kong, Tung Chung New Town reclamation	1,052,262	515,608	49.00%	BUILD KING
Bujeon-Masan DoubleTrack Electric Railway	426,120	303,312	71.18%	Samsung C&T Corporation
Hong Kong 3RS C3202	430,448	301,314	70.00%	Samsung C&T Corporation
Suseo-Pyeongtaek High-speed Railway Area 5	308,009	277,208	90.00%	Samsung C&T Corporation
Singapore TuasFinger1	801,197	224,335	28.00%	Hyundai Engineering & Construction Co., Ltd.
Canada Site C	1,895,628	887,154	46.80%	Acciona S.A.
Malaysia KL118 Tower	955,239	573,143	60.00%	Samsung C&T Corporation
Saudi Tadawul Tower PJT	538,424	323,054	60.00%	Samsung C&T Corporation
United Kingdom Mersey Gateway	742,648	247,524	33.33%	FCC S.A & Kier

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Changes in the estimated total contract revenue and estimated total contract costs by construction types for contracts in progress for the year ended December 31, 2019, and its impact on the Group's profit or loss for the year and in the succeeding periods, changes in balances of due from customers for contract work, and provisions for construction losses are as follows:

(in millions of Korean won)

Construction type	Changes in estimated total contract revenue	Changes in estimated total contract costs	Impact on profit or loss for the year	Impact on profit or loss for the succeeding year	Changes in due from (to) customers for contract work	Provisions for construction losses
Buildings	₩ 3,380,727	₩ 2,739,453	₩ 604,863	₩ 36,411	₩ 604,863	₩ 74,104
Civil engineering	507,052	842,915	(326,876)	(8,987)	(326,876)	71,324
Plant	203,142	160,616	(15,536)	58,062	(15,536)	32,778
Landscaping	5,233	925	6,384	(2,076)	6,384	-
	<u>₩ 4,096,154</u>	<u>₩ 3,743,909</u>	<u>₩ 268,835</u>	<u>₩ 83,410</u>	<u>₩ 268,835</u>	<u>₩ 178,206</u>

Uncertainty of the estimated total contract revenue due to construction delay

The measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The contract revenue can be decreased by the claims of liquidated damages when the completion of contract is delayed due to the Group's fault. Therefore, the damage claims for the delay are estimated based on historical experience in case the completion date is expected to be delayed. The Group strives to minimize damage claims by requesting extension of the completion date from the customers, and by giving evidence that the construction delay is not attributable to the Group. The Group will also undertake measures not to bear the damage claims from the delay.

For the year ended December 31, 2019, changes in provision for estimated warranty costs for the completed projects and provisions for construction losses from construction contract are as follows:

(in millions of Korean won)

	Beginning	Increase	Decrease	Ending
Provision for construction warranties	₩ 180,538	₩ 27,534	₩ 27,946	₩ 180,126
Provision for construction losses	162,136	64,432	48,362	178,206

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6. Inventories

Inventories as at December 31, 2019 and 2018, consist of the following:

<i>(in millions of Korean won)</i>	December 31, 2019			December 31, 2018		
	Acquisition cost	Valuation allowance	Book amount	Acquisition cost	Valuation allowance	Book amount
Merchandise	₩ 691,621	₩ (49,871)	₩ 641,750	₩ 684,051	₩ (51,587)	₩ 632,464
Finished goods	420,075	(26,501)	393,574	373,299	(30,636)	342,663
Raw materials	281,667	(5,174)	276,493	262,932	(6,948)	255,984
Land held for housing projects	63,675	(612)	63,063	63,991	(612)	63,379
Materials-in-transit	222,311	-	222,311	178,520	-	178,520
Semi-finished goods and work-in-progress	174,816	(5,372)	169,444	115,343	(425)	114,918
Others	131,328	(581)	130,747	112,008	(635)	111,373
	<u>₩ 1,985,493</u>	<u>₩ (88,111)</u>	<u>₩ 1,897,382</u>	<u>₩ 1,790,144</u>	<u>₩ (90,843)</u>	<u>₩1,699,301</u>

7. Financial Instruments by Category

Details of financial instruments by category as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Financial assets at fair value through profit or loss ¹	₩ 598,838	₩ 903,804
Financial assets at fair value through other comprehensive income	22,596,352	17,948,400
Financial assets at amortized cost		
Cash and cash equivalents	2,704,409	2,903,538
Short-term financial instruments	451,729	638,374
Trade receivables ²	3,093,978	3,907,226
Other current assets	1,048,862	1,779,764
Other non-current assets ³	981,792	627,763
Derivative instruments		
Held for trading	47,422	36,547
Hedging instruments	18,436	9,552
	<u>₩ 31,541,818</u>	<u>₩ 28,754,968</u>

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¹ Trade receivables held within a business model whose objective is achieved by selling amounting to ₩ 145,636 million (2018: ₩ 184,294 million) are included.

² Due from customer for contract work amounting to ₩ 1,130,119 million (2018: ₩ 791,929 million) is excluded.

³ Bank deposits amounting to ₩ 1,325 million (2018: ₩ 256 million) are subject to withdrawal restrictions in relation to the Group's loan facility agreement, and ₩ 8,167 million (2018: ₩ 2,934 million) is subject to withdrawal restrictions in relation to lease agreements.

<i>(in millions of Korean won)</i>	2019		2018	
Liabilities at amortized cost				
Trade payables	₩	1,558,089	₩	1,685,645
Short-term borrowings		1,537,514		922,594
Current portion of long-term liabilities		785,783		1,893,832
Other current liabilities		3,177,342		4,309,932
Debentures and long-term borrowings		704,315		1,253,312
Other non-current liabilities		275,310		100,133
Derivative instruments				
Held for trading		23,893		16,331
Hedging instruments		9,693		3,220
Other liabilities				
Short-term borrowings		389,718		446,908
Lease liabilities		33,427		37,255
Financial guarantee liabilities		544,807		-
	₩	<u>9,039,891</u>	₩	<u>10,669,162</u>

Fair value of financial instruments is the same as book amount, except for those which do not have market prices in active market and whose fair value cannot be reliably measured.

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Financial income (expenses) categorized by assets and liabilities for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019	2018
Dividend income		
Fair value through other comprehensive income (held during the year)	₩ 554,421	₩ 553,635
Fair value through profit or loss (derecognized during the year)	64	-
Fair value through profit or loss (held during the year)	801	1,124
Interest income/expense		
Fair value through profit or loss	4,701	4,702
Amortized cost	(29,199)	(70,278)
Other current liabilities	(17,151)	(10,676)
Gain (loss) on disposal of financial assets at fair value through profit or loss		
Gain (loss) on disposal	(23,838)	(79,472)
Gain (loss) on valuation of financial assets		
Fair value through profit or loss	99,667	(9,106)
Fair value through other comprehensive income	4,744,884	(5,192,720)
Net impairment loss (reversal)		
Trade receivables	10,819	5,637
Financial assets at amortized cost	556	(75,205)
Derivative instruments		
Ineffective portion	(35)	-
Gain (loss) on derivative instruments held for trading	10,107	33,362
Gain on valuation of committed transactions	(3,173)	9,871
Net gain on foreign currency translation	10,676	6,121
	₩ 5,363,300	₩ (4,823,005)

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8. Trade Receivables and Other Assets

Trade receivables and other assets as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	December 31, 2019			December 31, 2018
	Gross amount	Provision for impairment	Net amount	Net amount
Trade and other receivables				
Financial instruments	₩ 3,248,812	₩ (154,834)	₩ 3,093,978	₩ 3,907,226
Due from customer for contract work	1,167,428	(37,309)	1,130,119	791,929
Financial assets at fair value through profit or loss	145,636	-	145,636	184,294
	<u>4,561,876</u>	<u>(192,143)</u>	<u>4,369,733</u>	<u>4,883,449</u>
Other current assets				
Financial instruments:				
Short-term loans	232,093	(110,093)	122,000	302,908
Current portion of long-term receivables	3,885	-	3,885	2,153
Non-trade receivables	606,803	(32,360)	574,443	739,655
Accrued income	189,788	(54,603)	135,185	180,906
Deposits	204,914	(7,211)	197,703	554,142
Finance lease receivables	15,645	-	15,645	-
Derivative instruments (current)	64,856	-	64,856	46,100
	<u>1,317,984</u>	<u>(204,267)</u>	<u>1,113,717</u>	<u>1,825,864</u>
Advance payments	708,882	(4,318)	704,564	814,825
Prepaid expenses	228,601	(8,764)	219,837	198,392
Prepaid corporate income tax	42,242	-	42,242	139,365
Others	39,858	-	39,858	27,952
	<u>2,337,567</u>	<u>(217,349)</u>	<u>2,120,218</u>	<u>3,006,398</u>
Other non-current assets				
Financial instruments:				
Long-term receivables	641,577	(271,204)	370,373	366,075
Long-term financial instruments	9,492	-	9,492	709
Deposits	593,261	(1,806)	591,455	250,508
Overseas natural resources development	33,237	(22,765)	10,472	10,472
Derivative instruments	1,003	-	1,003	-
	<u>1,278,570</u>	<u>(295,775)</u>	<u>982,795</u>	<u>627,764</u>
Others	175,473	-	175,473	125,259
	<u>1,454,043</u>	<u>(295,775)</u>	<u>1,158,268</u>	<u>753,023</u>
	<u>₩ 8,353,486</u>	<u>₩ (705,267)</u>	<u>₩ 7,648,219</u>	<u>₩ 8,642,870</u>

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<i>(in millions of Korean won)</i>	December 31, 2019			December 31,
				2018
	Gross amount	Provision for impairment	Net amount	Net amount
Third party receivables	₩ 6,780,613	₩ (700,865)	₩ 6,079,748	₩ 6,540,081
Related party receivables	1,572,873	(4,402)	1,568,471	2,102,789
	<u>₩ 8,353,486</u>	<u>₩ (705,267)</u>	<u>₩ 7,648,219</u>	<u>₩ 8,642,870</u>

As at December 31, 2019, trade receivables amounting to ₩ 389,718 million (2018: ₩ 446,908 million), which were transferred to financial institutions but have not matured yet, are recognized as trade receivables and collateralized borrowings, respectively, due to a recourse in the event the debtor fails to pay (Note 15).

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model with the objective of collecting the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding

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Changes in provision for impairment for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	January 1, 2019		Impairment loss / reversal		Write-off		Others ¹		December 31, 2019	
Trade receivables	₩	196,555	₩	5,624	₩	(223)	₩	(9,813)	₩	192,143
Other current assets										
Financial instruments:										
Short-term loans		105,092		5,265		-		(264)		110,093
Non-trade receivables		37,677		(2,015)		(4,148)		846		32,360
Accrued income		47,056		7,540		-		7		54,603
Deposits		8,075		(864)		-		-		7,211
		<u>197,900</u>		<u>9,926</u>		<u>(4,148)</u>		<u>589</u>		<u>204,267</u>
Advance payments		26,123		711		(22,548)		32		4,318
Prepaid expenses		25,976		(4,076)		(13,136)		-		8,764
		<u>249,999</u>		<u>6,561</u>		<u>(39,832)</u>		<u>621</u>		<u>217,349</u>
Other non-current assets										
Financial instruments:										
Long-term receivables		265,104		(5,233)		(2,504)		13,837		271,204
Long-term deposits		1,806		-		-		-		1,806
Overseas natural resources development		22,765		-		-		-		22,765
		<u>289,675</u>		<u>(5,233)</u>		<u>(2,504)</u>		<u>13,837</u>		<u>295,775</u>
	₩	<u>736,229</u>	₩	<u>6,952</u>	₩	<u>(42,559)</u>	₩	<u>4,645</u>	₩	<u>705,267</u>

¹ Others include exchange differences, consolidation adjustments and others.

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<i>(in millions of Korean won)</i>	January 1, 2018		Effect of Korean IFRS 1115 adoption		Impairment loss / reversal		Write-off		Others ¹		December 31, 2018	
Trade receivables	₩	180,528	₩	-	₩	15,063	₩	(119)	₩	1,083	₩	196,555
Other current assets												
Financial instruments:												
Short-term loans		97,459		-		8,256		-		(623)		105,092
Non-trade receivables		21,970		-		16,104		(1,077)		680		37,677
Accrued income		44,389		-		5,794		(2,012)		(1,115)		47,056
Deposits		13,161		-		(5,086)		-		-		8,075
		<u>176,979</u>		-		<u>25,068</u>		<u>(3,089)</u>		<u>(1,058)</u>		<u>197,900</u>
Advance payments		26,336		-		(253)		-		40		26,123
Prepaid expenses		173,756		(117,597)		(30,388)		-		205		25,976
		<u>377,071</u>		<u>(117,597)</u>		<u>(5,573)</u>		<u>(3,089)</u>		<u>(813)</u>		<u>249,999</u>
Other non-current assets												
Financial instruments:												
Long-term receivables		219,018		-		49,206		(3,200)		80		265,104
Deposits		875		-		931		-		-		1,806
Overseas natural resources development		22,765		-		-		-		-		22,765
		<u>242,658</u>		-		<u>50,137</u>		<u>(3,200)</u>		<u>80</u>		<u>289,675</u>
	₩	<u>800,257</u>	₩	<u>(117,597)</u>	₩	<u>59,627</u>	₩	<u>(6,408)</u>	₩	<u>350</u>	₩	<u>736,229</u>

¹ Others include exchange differences, consolidation adjustments and others.

Impairment losses from trade receivables and other receivables are included in selling and administrative expenses, and other operating expenses, respectively, in the consolidated statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

As at December 31, 2019 and 2018, fair values of trade receivables, other current assets and other non-current assets are equal to their book amount. The maximum exposure of trade and other receivables to credit risk is the book amount of each class of receivables mentioned above.

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9. Other Liabilities

Details of other liabilities as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019	December 31, 2018
Other current liabilities		
Financial instruments:		
Non-trade payables	₩ 751,545	₩ 1,083,462
Accrued expenses	1,199,457	1,256,593
Guarantee deposits received	656,977	846,227
Advances received related to housing business (Note 5)	569,363	1,123,650
	<u>3,177,342</u>	<u>4,309,932</u>
Other financial instruments:		
Derivative instruments	33,585	19,361
Lease liabilities (Note 32)	145,852	-
Finance guarantee contract	33,427	37,255
	<u>212,864</u>	<u>56,616</u>
Advances received	2,565,582	2,721,801
Withholdings	271,900	322,199
Provisions (Note 17)	307,846	121,314
Others	62,756	60,401
	<u>6,598,290</u>	<u>7,592,263</u>
Other non-current liabilities		
Financial instruments:		
Long-term non-trade payables	48,564	83,761
Long-term deposits	226,746	16,372
	<u>275,310</u>	<u>100,133</u>
Derivative instruments	-	190
Long-term unearned revenue	116,554	77,315
Long-term advances received	6,012	-
Contingent liabilities	15,729	15,729
Long-term lease liabilities (Note 32)	398,955	-
	<u>812,560</u>	<u>193,367</u>
	<u>₩ 7,410,850</u>	<u>₩ 7,785,630</u>

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10. Contract Assets and Liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

<i>(in millions of Korean won)</i>	December 31, 2019	December 31, 2018
Contract assets relating to construction contracts - due from customers	₩ 1,167,428	₩ 826,463
Assets recognized for costs to fulfill contracts - prepaid expenses	244,202	174,014
Total contract assets	<u>1,411,630</u>	<u>1,000,477</u>
Contract liabilities relating to construction contracts - advances received for construction contracts	437,085	357,848
Contract liabilities relating to construction contracts - due to customers	1,811,831	1,997,503
Contract liabilities relating to customer loyalty program - advances received	17,897	19,107
Contract liabilities relating to subscription sales - advances received and unearned revenue	176,593	135,104
Total contract liabilities	<u>₩ 2,443,406</u>	<u>₩ 2,509,562</u>

Contract assets and contract liabilities for the construction contracts change significantly depending on the percentage of completion. Unsatisfied portion of the contract liabilities are expected to be recognized based on the percentage of completion until the contracts are terminated. Other contract liabilities are expected to be recognized as revenue when the performance obligations for customers are completed.

Assets recognized for costs to fulfill contracts are costs incurred directly to fulfill construction contracts with fixed-price, while indirect costs were recognized as selling and administrative expenses for the year ended December 31, 2019. The assets recognized are amortized over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

The revenue amounting to ₩ 2,376,702 million (2018: ₩ 2,222,102 million) was recognized in the current reporting period in relation to carried-forward contract liabilities (before offsetting contract assets).

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11. Financial Assets Measured at Fair Value

(a) Financial Assets at Fair Value through Profit or Loss

Changes in financial assets at fair value through profit or loss for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Beginning balance	₩	719,510	₩	24,439
Acquisition		1,273,549		1,290,642
Disposal		(1,719,671)		(750,569)
Transfer and others		81,358		160,981
Gain (loss) on valuation		98,456		(5,983)
Ending balance	₩	<u>453,202</u>	₩	<u>719,510</u>

Details of financial assets at fair value through profit or loss as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Non-current				
Equity instruments				
Domestic listed equities	₩	1	₩	1
Foreign non-listed equities		7,005		125,045
Debt instruments				
Beneficiary certificates		104		149
SOC shares		187,833		6,692
Contributions and others		48,219		47,542
		<u>243,162</u>		<u>179,429</u>
Current				
Beneficiary certificates		210,040		540,081
		<u>210,040</u>		<u>540,081</u>
	₩	<u>453,202</u>	₩	<u>719,510</u>

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Details of financial assets measured at fair value through profit or loss as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019						December 31, 2018
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Net asset value or fair value	Book amount	Book amount	
ACWA GUC ¹	767,999	10.00	₩ 9,106	₩ 9,106	₩ 9,106	₩ -	
Smart Rail Co.,Ltd. ¹	1,338,440	4.09	6,692	6,447	6,447	6,692	
Badaro No.19 Ship Investment Company	750,000	4.93	3,023	2,186	2,186	2,171	
MMF			210,040	210,040	210,040	540,081	
POSCO INDIA CHENNAI STEEL PROCESSING CENTRE PVT.LTD. and others ²			126,122	225,423	225,423	170,566	
			<u>₩ 354,983</u>	<u>₩ 453,202</u>	<u>₩ 453,202</u>	<u>₩ 719,510</u>	

¹ Investments in ACWA GUC (acquisition cost: ₩ 9,106 million) and Smart Rail Co., Ltd. (acquisition cost: ₩ 6,692 million), which were classified as financial assets at fair value through profit or loss, are pledged as collateral against borrowings of investees.

² Cooperative contributions classified as financial assets at fair value through profit or loss are pledged as collateral in relation to construction payment guarantees (acquisition cost of ₩ 42,084 million).

The amount recognized in profit or loss from financial assets at fair value through profit or loss for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019	2018
Profit or loss related to equity instruments at fair value through profit or loss	₩ (461)	₩ -
Profit or loss related to debt instruments at fair value through profit or loss	105,556	(283)
	<u>₩ 105,095</u>	<u>₩ (283)</u>

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(b) Financial Assets at Fair Value through Other Comprehensive Income

Changes in equity and debt instruments at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Beginning balance	₩	17,948,400	₩	23,204,733
Acquisition		575		2,754
Disposal		(18,022)		(1,694)
Transfer and others		(79,485)		(64,673)
Gain (loss) on valuation		4,744,884		(5,192,720)
Ending balance	₩	<u>22,596,352</u>	₩	<u>17,948,400</u>

Details of financial assets at fair value through other comprehensive income as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Equity instruments				
Listed equities	₩	22,427,332	₩	17,681,661
Non-listed equities		168,565		266,133
Debt instruments		455		606
	₩	<u>22,596,352</u>	₩	<u>17,948,400</u>
Current portion	₩	183	₩	151
Non-current portion		22,596,169		17,948,249

Details of listed equities, including preferred shares, measured at financial assets at fair value through other comprehensive income as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019					December 31, 2018	
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market value	Book amount	Book amount	
Samsung Electronics Co., Ltd.	298,818,100	4.40	₩ 6,484,353	₩16,674,050	₩16,674,050	₩11,564,260	
Samsung Life Insurance Co., Ltd.	38,688,000	19.34	34,819	2,882,256	2,882,256	3,156,941	
Samsung SDS Co., Ltd.	13,215,822	17.08	3,396,466	2,570,477	2,570,477	2,696,028	
Samsung Heavy Industries Co., Ltd. and others			202,379	300,549	300,549	264,432	
			<u>₩10,118,017</u>	<u>₩22,427,332</u>	<u>₩22,427,332</u>	<u>₩17,681,661</u>	

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Details of non-listed equities measured at financial assets at fair value through other comprehensive income as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	December 31, 2019				December 31, 2018
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Book amount	Book amount
Domestic Companies					
HAN ALL Co., Ltd.	-	-	₩ -	₩ -	₩ 14,867
SECUI Co., Ltd.	1,000,000	8.70	500	14,004	14,396
The Korea Economic Daily	1,187,563	6.35	7,095	12,600	11,462
Samsung Economics Research Institute	120,000	1.00	903	903	903
YOUNGJIN Global Co., Ltd. and others	-	-	33,895	24,993	18,338
			<u>42,393</u>	<u>52,500</u>	<u>59,966</u>
Overseas Companies					
Korea Ras laffan LNG Ltd.	2,783,333	10.00	80,279	65,184	80,780
iMarketAsia Co., Ltd.	772,657	19.32	8,941	19,564	21,267
Samsung SDI (Hongkong) Limited	5,500,000	2.44	4,477	14,715	4,477
Samsung SDI America, Inc. and others	-	-	19,675	16,602	99,643
			<u>113,372</u>	<u>116,065</u>	<u>206,167</u>
			<u>₩ 155,765</u>	<u>₩ 168,565</u>	<u>₩ 266,133</u>

Changes in gain or loss on valuation of financial assets at fair value through other comprehensive income for the year ended December 31, 2019, recorded as other component of equity, consist of the following:

(in millions of Korean won)

	December 31, 2019			
	Balance at January 1, 2019	Change for the year	Income tax allocated	Balance at December 31, 2019
Gain (loss) on valuation of financial assets at fair value	₩ 4,887,296	₩ 4,740,504	₩ (1,252,762)	₩ 8,375,038

Upon disposal of these equity investments, any balance in the accumulated other comprehensive income for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

Dividend income recognized from financial assets at fair value through other comprehensive income for year ended December 31, 2019, amounts to ₩ 553,643 million (2018: ₩ 553,635 million).

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As at December 31, 2019 and 2018, debt instruments at fair value through other comprehensive income are as follows and the contractual cash flows under the instruments solely represent payments of principal and interest.

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Current portion				
Government bonds	₩	183	₩	151
Non-current portion				
Government bonds		272		455
	₩	455	₩	606

Upon disposal of these debt investments, any balance in the accumulated other comprehensive income for these debt investments is reclassified to profit or loss.

12. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures as at December 31, 2019 and 2018, are as follows (Note 1.3):

<i>(in millions of Korean won)</i>			December 31, 2019		December 31, 2018			
Location	Percentage of ownership(%)	Acquisition		Book	Acquisition		Book	
		cost	Net assets	amount	cost	Net assets	amount	
Associates					₩	35,82		
Dongducheon Dream Power Co., Ltd. ²	Korea	31.52	₩ 115,456	₩ 88,470	7	₩ 115,456	₩ 90,276	₩ 37,680
Tianjin Eco-City Shengxing Development Co., Ltd.	China	40.00	10,968	12,981	10,746	10,968	12,382	10,147
KST POWER NORTE S.A. DE C.V.	Mexico	-	-	-	-	6,229	26,500	25,285
Hanwha General Chemical Co., Ltd.	Korea	20.05	274,900	651,041	648,028	274,900	604,930	601,676
Samsung Bioepis Co., Ltd. ³	Korea	50.00	2,868,389	332,941	2,586,901	2,868,389	201,067	2,494,952
Others ⁴			154,063	217,065	134,300	142,593	206,915	144,895
			3,423,776	1,302,498	3,415,802	3,418,535	1,142,070	3,314,635
Joint ventures								
Korea LNG Limited	Bermuda	20.00	83,507	46,558	46,558	83,507	38,861	38,861
South Kent Wind LP	Canada	49.99	69,311	(136,605)	-	69,311	6,946	63,258
SP Belle River LP	Canada	42.49	15,243	24,023	21,216	21,126	26,173	23,201
Kelar S.A.	Chile	35.00	40,026	39,877	47,024	40,026	34,659	42,084
Others			216,119	208,858	146,228	201,378	238,856	145,932
			424,206	182,711	261,026	415,348	345,495	313,336
			₩ 3,847,982	₩ 1,485,209	₩ 3,676,828	₩ 3,833,883	₩ 1,487,565	₩ 3,627,971

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¹ The investments in associates and joint ventures are all non-listed.

² As at December 31, 2019, investments in Dongducheon Dream Power Co., Ltd., (Acquisition cost: ₩ 115,456 million), are pledged as collateral to a financial institution against the borrowings (total borrowing limit of ₩ 1,285,000 million) of Dongducheon Dream Power Co., Ltd. In addition, the Group provides payment guarantees in relation to the debenture of Dongducheon Dream Power Co., Ltd. amounting to ₩ 18,800 million (Note 28).

³ On June 29, 2019, Biogen Therapeutics Inc. exercised a call option that would allow Biogen Therapeutics Inc. to increase its ownership interest in Samsung BioEpi Co., Ltd., the investee of the Group, up to 50% minus one share. Accordingly, the Group's ownership interest decreased from 94.61% to 50% plus one share subsequent to the exercise. Although the Group owns more than 50% of the ownership interest in Samsung BioEpi Co., Ltd., it is classified as investments in associates because the Group cannot unilaterally control the activities of the Board and the decisions made on the shareholders' meeting in accordance with the composition of the Board of Directors under the shareholders' agreement and the quorum for resolution of the shareholders' meetings.

⁴ Investments in Gaziantep SPV (acquisition cost: ₩ 12,183 million), and Qurayyah Investment Company (acquisition cost: ₩ 52,215 million), are pledged as collateral against borrowings of investees (Note 28).

Changes in investments in associates and joint ventures for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019					
	January 1, 2019	Acquisition	Disposal and others	Share of profit (loss) of investments in associates and joint ventures	Others ¹	December 31, 2019
Associates						
Dongducheon Dream Power Co., Ltd.	₩ 37,680	₩ -	₩ -	₩ (3,014)	₩ 1,161	₩ 35,827
Sino-Singapore Tianjin Eco-City Development Co., Ltd.	10,147	-	-	379	220	10,746
KST POWER NORTE S.A. DE C.V.	25,285	-	(25,285)	-	-	-
Hanwha General Chemical Co., Ltd.	601,676	-	-	43,404	2,948	648,028
Samsung Bioepis Co., Ltd.	2,494,952	-	-	91,871	78	2,586,901
Others	144,895	12,444	(473)	(4,484)	(18,082)	134,300
	<u>3,314,635</u>	<u>12,444</u>	<u>(25,758)</u>	<u>128,156</u>	<u>(13,675)</u>	<u>3,415,802</u>
Joint ventures						
Korea LNG Limited	38,861	-	-	13,501	(5,804)	46,558
South Kent Wind LP	63,258	-	-	100,991	(164,249)	-
SP Belle River LP	23,201	-	(5,882)	3,871	26	21,216
Kelar S.A.	42,084	-	-	4,946	(6)	47,024
Others	145,932	18,407	(3,666)	52,533	(66,978)	146,228
	<u>313,336</u>	<u>18,407</u>	<u>(9,548)</u>	<u>175,842</u>	<u>(237,011)</u>	<u>261,026</u>

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₩ 3,627,971	₩ 30,851	₩ (35,306)	₩ 303,998	₩ (250,686)	₩ 3,676,828
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¹Others include dividends, exchange differences, and others.

(in millions of Korean won)

	2018					
	January 1, 2018	Acquisition	Disposal and others	Share of profit (loss) of investments in associates and joint ventures	Others ¹	December 31, 2018
Associates						
Dongducheon Dream Power Co., Ltd.	₩ 43,548	₩ -	₩ -	₩ (14,008)	₩ 8,140	₩ 37,680
Sino-Singapore Tianjin Eco-City Development Co., Ltd.	10,189	-	-	27	(69)	10,147
Songdo Landmark City Limited	20,522	-	(20,522)	-	-	-
KST POWER NORTE S.A. DE C.V.	21,847	-	-	2,199	1,239	25,285
Hanwha General Chemical Co., Ltd.	274,900	-	-	327,082	(306)	601,676
Samsung Bioepis Co., Ltd.	4,882,445	-	(2,246,100)	(107,216)	(34,177)	2,494,952
Others	113,857	297	-	13,483	17,258	144,895
	<u>5,367,308</u>	<u>297</u>	<u>(2,266,622)</u>	<u>221,567</u>	<u>(7,915)</u>	<u>3,314,635</u>
Joint ventures						
Korea LNG Limited	35,837	-	-	10,544	(7,520)	38,861
South Kent Wind LP	62,992	-	-	25,654	(25,388)	63,258
SP Belle River LP	25,570	-	(5,118)	3,636	(887)	23,201
Kelar S.A.	34,695	-	-	5,973	1,416	42,084
Others	264,979	16,408	(5,318)	(17,218)	(112,919)	145,932
	<u>424,073</u>	<u>16,408</u>	<u>(10,436)</u>	<u>28,589</u>	<u>(145,298)</u>	<u>313,336</u>
	5,791,381	16,705	(2,277,058)	250,156	(153,213)	3,627,971
Less : Asset held for sale						
Songdo Landmark City Limited	(20,522)	-	20,522	-	-	-
	<u>₩ 5,770,859</u>	<u>₩ 16,705</u>	<u>₩ (2,256,536)</u>	<u>₩ 250,156</u>	<u>₩ (153,213)</u>	<u>₩ 3,627,971</u>

¹Others include dividends, exchange differences, and others.

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Summarized financial information of major associates and joint ventures, including dividends received by the Group, as at and for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)

	2019									
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Revenue	Profit(loss) for the year	Other comprehensive income	Total comprehensive income	Dividends received
Associates										
Dongducheon Dream Power Co., Ltd.	₩ 117,551	₩ 1,338,231	₩ 149,357	₩ 1,057,002	₩ -	₩ 603,512	₩ (16,297)	₩ -	₩ (16,297)	₩ -
Sino-Singapore Tianjin Eco City Shengxing Development Co., Ltd.	33,504	-	1,051	-	-	4	947	-	947	-
Hanwha General Chemical Co., Ltd.	874,481	2,705,272	279,353	53,824	-	1,635,416	216,481	11,990	228,471	-
Samsung Bioepis Co., Ltd. ¹	1,677,876	824,353	1,611,430	224,917	-	765,859	263,418	329	263,747	-
Joint ventures										
Korea LNG Limited	943	231,992	2	145	-	69,585	67,515	31,650	99,165	13,405
South Kent Wind LP	37,946	510,097	50,286	771,021	-	115,195	34,975	(9,187)	25,788	155,064
SP Belle River LP	10,005	255,760	12,279	196,948	-	33,709	8,722	(4,633)	4,089	-
Kelar S.A.	75,253	576,668	53,009	484,976	-	86,224	12,487	(3,458)	9,029	-

¹ Based on consolidated financial information.

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	2018										
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Non-controlling interests	Revenue	Profit(loss) for the year	Other comprehensive income	Total comprehensive income	Dividends received	
Associates											
Dongducheon Dream Power Co., Ltd.	₩ 100,133	₩1,401,459	₩ 193,457	₩1,053,622	₩ -	₩ 750,500	₩ (33,272)	₩ -	₩ (33,272)	₩ -	
Tianjin Eco City Shengxing Development Co., Ltd.	32,530	-	1,575	-	-	4	67	-	67	-	
KST POWER NORTE S.A. DE C.V.	95,667	440,141	40,239	417,629	-	109,726	10,273	567	10,840	-	
Hanwha General Chemical Co., Ltd.	1,075,205	2,430,377	412,608	76,344	-	1,867,019	442,748	1,668	444,416	-	
Samsung Bioepis Co., Ltd. ¹	1,332,992	564,199	1,229,279	265,777	-	368,734	(54,957)	(1,629)	(56,586)	-	
Joint ventures											
Korea LNG Limited	712	193,701	5	105	-	54,318	52,683	7,174	59,857	10,544	
South Kent Wind LP	30,347	486,566	27,721	475,297	-	111,896	44,771	3,794	48,565	27,017	
SP Belle River LP	12,299	245,826	10,134	186,393	-	32,187	8,168	272	8,440	-	
Kelar S.A.	78,591	557,105	68,997	467,674	-	80,216	6,235	-	6,235	-	

¹ Based on consolidated financial information.

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Reconciliation of financial information to book amount of the major investments in associates and joint ventures for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)

	Net assets	Percentage of ownership (%)	Share in net assets	2019			Book amount
				Difference between the cost of the investment and share in the investee's equity	Intragroup transactions		
Associates							
Dongducheon Dream Power Co., Ltd. ¹	₩ 249,423	31.52	₩ 88,470	₩ (28,545)	₩ (24,098)	₩	35,827
Tianjin Eco-City Shengxing Development Co., Ltd.	32,453	40.00	12,981	(2,235)	-		10,746
Hanwha General Chemical Co., Ltd.	3,246,575	20.05	651,041	(4,149)	1,136		648,028
Samsung Bioepis Co., Ltd.	665,882	50.00	332,941	2,323,120	(69,160)		2,586,901
Joint ventures							
Korea LNG Limited	232,788	20.00	46,558	-	-		46,558
South Kent Wind LP	(273,264)	49.99	(136,605)	59,965	76,640		-
SP Belle River LP	56,538	42.49	24,023	-	(2,807)		21,216
Kelar S.A.	113,936	35.00	39,877	7,390	(243)		47,024

¹ Since the disproportionate capital increase by the other investor was classified as financial liabilities, the Group applied 35% of ownership interest when calculating share of profit or loss of the associate.

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				2018			
	Net assets	Percentage of ownership (%)	Share in net assets	Difference between the cost of the investment and share in the investee's equity	Intragroup transactions	Book amount	
Associates							
Dongducheon Dream Power Co., Ltd. ¹	₩ 254,513	31.52	₩ 90,276	₩ (29,702)	₩ (22,894)	₩ 37,680	
Tianjin Eco-City Shengxing Development Co., Ltd.	30,955	40.00	12,382	(2,235)	-	10,147	
KST POWER NORTE S.A. DE C.V.	77,940	34.00	26,500	-	(1,215)	25,285	
Hanwha General Chemical Co., Ltd.	3,016,630	20.05	604,930	(3,254)	-	601,676	
Samsung Bioepis Co., Ltd.	378,449	50.00	201,067	2,334,588	(40,703)	2,494,952	
Joint ventures							
Korea LNG Limited	194,304	20.00	38,861	-	-	38,861	
South Kent Wind LP	13,895	49.99	6,946	64,173	(7,861)	63,258	
SP Belle River LP	61,598	42.49	26,173	-	(2,972)	23,201	
Kelar S.A.	99,025	35.00	34,659	7,390	35	42,084	

¹ Since the disproportionate capital increase by the other investor was classified as financial liabilities, the Group applied 35% of ownership interest when calculating share of profit or loss of the associate.

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13. Property, Plant and Equipment, and Intangible Assets

Changes in property, plant and equipment for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019					
	Land	Buildings and structures	Animals& plants	Others	Construction in progress	Total
Beginning balance						
Acquisition cost	₩ 1,765,847	₩ 2,445,589	₩ 70,112	₩ 2,311,017	₩ 101,085	₩ 6,693,650
Accumulated impairment and depreciation	(11,597)	(669,005)	(8,365)	(968,596)	(8,953)	(1,666,516)
Beneficiary's share of construction cost	-	-	-	(2,730)	-	(2,730)
	<u>1,754,250</u>	<u>1,776,584</u>	<u>61,747</u>	<u>1,339,691</u>	<u>92,132</u>	<u>5,024,404</u>
Changes during the year						
Acquisition	745	4,858	2,996	92,795	168,949	270,343
Disposal and others	(22,136)	(12,402)	(83)	(14,091)	(418)	(49,130)
Depreciation	-	(73,814)	(2,575)	(253,627)	-	(330,016)
Transfer	1,494	39,245	1,532	168,364	(213,438)	(2,803)
Others ¹	401	764	2,631	3,275	6,160	13,231
Ending balance	<u>1,734,754</u>	<u>1,735,235</u>	<u>66,248</u>	<u>1,336,407</u>	<u>53,385</u>	<u>4,926,029</u>
Acquisition cost	1,746,351	2,478,948	77,251	2,446,469	62,340	6,811,359
Accumulated impairment and depreciation	(11,597)	(743,713)	(11,003)	(1,107,599)	(8,955)	(1,882,867)
Beneficiary's share of construction cost	-	-	-	(2,463)	-	(2,463)
	<u>₩ 1,734,754</u>	<u>₩ 1,735,235</u>	<u>₩ 66,248</u>	<u>₩ 1,336,407</u>	<u>₩ 53,385</u>	<u>₩ 4,926,029</u>

¹ Others include exchange differences, changes in scope of consolidation and others.

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	2018					
	Land	Buildings and structures	Animals& plants	Others	Construction in progress	Total
Beginning balance						
Acquisition cost	₩ 1,833,890	₩ 2,361,047	₩ 69,108	₩ 1,952,215	₩ 288,863	₩ 6,505,123
Accumulated impairment and depreciation	(7,349)	(624,151)	(6,429)	(878,268)	-	(1,516,197)
Beneficiary's share of construction cost	-	-	-	(2,982)	-	(2,982)
	<u>1,826,541</u>	<u>1,736,896</u>	<u>62,679</u>	<u>1,070,965</u>	<u>288,863</u>	<u>4,985,944</u>
Changes during the year						
Acquisition	1,549	11,250	2,279	94,957	413,978	524,013
Disposal and others	(69,291)	(22,860)	(79)	(31,869)	(2,921)	(127,020)
Depreciation	-	(80,295)	(2,295)	(187,336)	-	(269,926)
Transfer	-	154,466	78	388,108	(598,777)	(56,125)
Impairment	(4,249)	-	-	-	(8,953)	(13,202)
Others ¹	(300)	(22,873)	(915)	4,866	(58)	(19,280)
Ending balance	<u>1,754,250</u>	<u>1,776,584</u>	<u>61,747</u>	<u>1,339,691</u>	<u>92,132</u>	<u>5,024,404</u>
Acquisition cost	1,765,847	2,445,589	70,112	2,311,017	101,085	6,693,650
Accumulated impairment and depreciation	(11,597)	(669,005)	(8,365)	(968,596)	(8,953)	(1,666,516)
Beneficiary's share of construction cost	-	-	-	(2,730)	-	(2,730)
	<u>₩ 1,754,250</u>	<u>₩ 1,776,584</u>	<u>₩ 61,747</u>	<u>₩ 1,339,691</u>	<u>₩ 92,132</u>	<u>₩ 5,024,404</u>

¹ Others include exchange differences, changes in scope of consolidation and others.

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Changes in intangible assets for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019										
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Customer relationships	Brands	Orders on hand	Others	Total	
Beginning balance	₩ 289,346	₩ 53,650	₩ 72,723	₩ 4,272	₩ 60,064	₩ 42,964	₩ 188,343	₩ 294,175	₩ 55,911	₩1,061,448	
Acquisition	9,964	2,143	4,736	-	-	-	-	-	25,738	42,581	
Disposal	-	(765)	(365)	-	-	-	-	-	(256)	(1,386)	
Amortization	(20,565)	-	(30,503)	(1,104)	-	(5,489)	-	(48,496)	(8,808)	(114,965)	
Impairment and reversal	(104,488)	(81)	-	-	-	-	(15,000)	-	-	(119,569)	
Transfer	-	240	24,094	-	-	-	-	-	(22,196)	2,138	
Others ¹	11,992	381	104	5	231	-	12	-	388	13,113	
Ending balance	<u>₩ 186,249</u>	<u>₩ 55,568</u>	<u>₩ 70,789</u>	<u>₩ 3,173</u>	<u>₩ 60,295</u>	<u>₩ 37,475</u>	<u>₩ 173,355</u>	<u>₩ 245,679</u>	<u>₩ 50,777</u>	<u>₩ 883,360</u>	

¹ Others include exchange differences, changes in scope of consolidation and others.

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	2018									
	Mineral rights	Memberships	Software	Right to use property	Goodwill	Customer relationships	Brands	Orders on hand	Others	Total
Beginning balance	₩ 439,694	₩ 52,995	₩ 78,309	₩ 5,374	₩ 60,132	₩ 48,452	₩ 188,828	₩ 380,803	₩ 56,885	₩1,311,472
Acquisition	23,043	494	6,714	-	-	-	-	-	35,249	65,500
Disposal	(143)	(1,994)	(407)	(3)	-	-	-	-	(444)	(2,991)
Amortization	(44,769)	(12)	(43,247)	(1,105)	-	(5,488)	(529)	(86,731)	(8,494)	(190,375)
Impairment and reversal	(186,397)	5	-	-	-	-	-	-	-	(186,392)
Transfer	-	2,127	31,312	-	-	-	-	-	(27,706)	5,733
Others ¹	57,918	35	42	6	(68)	-	44	103	421	58,501
Ending balance	<u>₩ 289,346</u>	<u>₩ 53,650</u>	<u>₩ 72,723</u>	<u>₩ 4,272</u>	<u>₩ 60,064</u>	<u>₩ 42,964</u>	<u>₩ 188,343</u>	<u>₩ 294,175</u>	<u>₩ 55,911</u>	<u>₩1,061,448</u>

¹ Others include exchange differences, changes in scope of consolidation and others.

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Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment (cash-generating unit or groups of cash-generating units) as at December 31, 2019 and 2018:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Fashion segment: acquisition of fashion business segment of Samsung SDI Co., Ltd.	₩	56,262	₩	56,262
Others		4,033		3,802
	₩	<u>60,295</u>	₩	<u>60,064</u>

The Group entered into a Collateral Trust Agreement with Woori Lake 1st, Ltd., which the Group provided its land and building located in Yongin-si, Gyeonggi-do as trust property. Simultaneously, the Group pledged the primary beneficiary certificate of the trust property as collateral to Woori Bank in relation to the short-term borrowings.

Goodwill or intangible assets with indefinite useful lives are tested annually for impairment.

(a) Fashion segment: acquisition of fashion business segment of Samsung SDI Co., Ltd.

The recoverable amounts of cash generating unit (CGU) have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering five-year period. The key assumptions used for value-in-use calculations of the CGU as at December 31, 2019, are as follows:

	Key assumptions
Gross margin (% of revenue)	58.7%~59.0%
Sales growth rate ¹	3.7%~4.5%
Perpetual growth rate	-
Pre-tax discount rate ²	7.87%

¹ The growth rate is a weighted average sales growth rate used to estimate cash flows for five years and determined based on past performance and the Group's expectations of market development.

² The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

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Meanwhile, the recoverable amount of the cash-generating unit of the Group is determined based on the key assumptions used for goodwill impairment test. The effects of the changes in the assumptions in excess of the carrying amount are as follows:

<i>(in millions of Korean won)</i>	Pre-tax discount rate	
	1% increase	1% decrease
Excess of recoverable amount of goodwill	₩ (190,155)	₩ 246,771

(b) Construction segment: Raemian brand

The recoverable amount of the brand has been determined by income approach, which is based on the excess earnings of the relevant operating segment. These calculations use operating profit projections based on financial budgets approved by management covering five-year period. The key assumptions used for calculation of the brand value as at December 31, 2019, are as follows:

Key assumptions	
Excess earnings ratio	0.8%
Perpetual growth rate	-
Pre-tax discount rate ¹	15.47%

¹ The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

Meanwhile, the recoverable amount of the cash-generating unit of the Group is determined based on the key assumptions used for brand impairment test. The effects of the changes in the assumptions in the excess of the carrying amount are as follows:

<i>(in millions of Korean won)</i>	Pre-tax discount rate	
	1% increase	1% decrease
Excess of recoverable amount of goodwill	₩ (1,126)	₩ 1,287

As at December 31, 2019, the value of land owned by the Group, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately ₩ 1,767,640 million.

The right to use property is on the off-street parking area donated to the Seoul city government, and others. The Group is able to use the facility for free for 14 - 20 years after the completion of the construction.

Depreciation and amortization expenses allocated to cost of sales, selling and general administrative expense, and other expenses amount to ₩ 303,481 million, ₩ 140,559 million and ₩ 7,550 million, respectively.

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14. Investment Properties

Changes in investment properties for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019			2018		
	Land	Building	Total	Land	Building	Total
Beginning balance	₩ 33,412	₩ 7,535	₩ 40,947	₩ 475,184	₩ 196,477	₩ 671,661
Effect of Korean IFRS 1116 adoption (Note 32)	-	88,647	88,647	-	-	-
Acquisition	578	20,525	21,103	-	-	-
Disposal	-	-	-	(441,772)	(186,525)	(628,297)
Depreciation	-	(15,040)	(15,040)	-	(2,816)	(2,816)
Others ¹	-	11,682	11,682	-	399	399
Ending balance	<u>₩ 33,990</u>	<u>₩ 113,349</u>	<u>₩ 147,339</u>	<u>₩ 33,412</u>	<u>₩ 7,535</u>	<u>₩ 40,947</u>

¹ Others include adjustments due to exchange difference.

As at December 31, 2019, fair value of the investment properties above is ₩ 173,631 million (2018: ₩ 66,923 million).

The rental income for the years ended December 31, 2019 and 2018, arising from the investment properties above, amounts to ₩ 8,437 million and ₩ 32,545 million, respectively.

15. Debentures and Borrowings

Details of debentures and borrowings as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	December 31, 2019	December 31, 2018
Current liabilities		
Short-term borrowings	₩ 1,927,232	₩ 1,369,502
Current portion of long-term borrowings	536,073	874,319
Current portion of debentures	250,000	1,020,000
Less: Discount on debentures	(290)	(487)
	<u>2,713,015</u>	<u>3,263,334</u>
Non-current liabilities		
Long-term borrowings	175,059	474,932
Debentures	530,000	780,000
Less: Discount on debentures	(744)	(1,620)
	<u>704,315</u>	<u>1,253,312</u>
	<u>₩ 3,417,330</u>	<u>₩ 4,516,646</u>

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Short-term borrowings as at December 31, 2019 and 2018, consist of the following:

(in millions of Korean won)

	Creditors	Annual interest rate (%)	December 31, 2019	December 31, 2018
Samsung C&T and domestic subsidiaries				
Loans in local currency ¹	Construction Guarantee Cooperative and others	1.4 ~ 2.88	₩ 687,223	₩ 211,223
Loans in foreign currency	Santander and others	BBSW+1.20	54,050	47,347
Banker's usance	Woori Bank and others	L+0.40 ~ 2.00	29,004	44,469
Secured loans (Note 8)	Woori Bank and others	L+0.40 ~ 2.00	388,300	446,908
			<u>1,158,577</u>	<u>749,947</u>
Foreign subsidiaries				
General loans	Citibank and others	0.50 ~ 8.95	767,237	619,555
Secured loans	BTMU	-	1,418	-
			<u>768,655</u>	<u>619,555</u>
			<u>₩ 1,927,232</u>	<u>₩ 1,369,502</u>

¹ In relation to the borrowings, the land and building of the Group are provided as collateral to Woori Bank (Note 13).

As at December 31, 2019, the Group has entered into bank overdraft facility agreements amounting to ₩ 158,500 million and credit facility agreements amounting to ₩ 918,000 million with 11 banks, including Woori Bank. Also, the Group has entered into credit agreements using its notes receivables which are guaranteed, as collateral for up to ₩ 224,000 million with four banks, including Shinhan Bank.

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Debentures as at December 31, 2019 and 2018, consist of the following:

(in millions of Korean won)

	Issue date	Maturity	Annual interest rate (%)	December 31, 2019	December 31, 2018
Non-guaranteed and publicly listed					
No. 104-2	Mar. 7, 2014	Mar. 7, 2019	-	₩ -	₩ 150,000
No. 105-2	Oct. 6, 2014	Oct. 6, 2019	-	-	150,000
No. 108-2 ¹	Apr. 3, 2014	Apr. 3, 2019	-	-	260,000
No. 109-2	Dec. 1, 2015	Dec. 1, 2020	2.5	100,000	100,000
No. 110-1	June 16, 2016	June 16, 2019	-	-	200,000
No. 110-2	June 16, 2016	June 16, 2021	1.89	100,000	100,000
No. 111-1	Nov. 3, 2016	Nov. 3, 2019	-	-	210,000
No. 111-2	Nov. 3, 2016	Nov. 3, 2021	2.19	190,000	190,000
No. 112-1	Nov. 3, 2017	Nov. 3, 2020	2.59	150,000	150,000
No. 112-2	Nov. 3, 2017	Nov. 3, 2022	2.94	50,000	50,000
Private bonds	Oct. 24, 2014	Oct. 24, 2019	-	-	50,000
Private bonds	Apr. 27, 2018	Apr. 27, 2021	3.1	150,000	150,000
Private bonds	Apr. 27, 2018	Apr. 27, 2023	3.53	40,000	40,000
				<u>780,000</u>	<u>1,800,000</u>
Less: Current portion of debentures				<u>(250,000)</u>	<u>(1,020,000)</u>
				<u>₩ 530,000</u>	<u>₩ 780,000</u>

¹ Publicly listed debentures of former Cheil Industries Inc. (No. 44) were renamed as publicly listed debentures of Samsung C&T Corporation, No. 108, due to business combination and change of the Company's name.

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Long-term borrowings (including foreign currency) as at December 31, 2019 and 2018, consist of the following:

(in millions of Korean won)

Creditors	Annual interest rate (%)	December 31, 2019	December 31, 2018
Denominated in Korean won			
(Samsung C&T and domestic subsidiaries)			
Korea Development Bank (Facility loans)	2.86~3.13	₩ 251,750	₩ 472,050
Korea Housing & Urban Guarantee Corporation (Working capital loans)	-	6,980	7,259
Shinhan Bank and others (Long-term commercial paper)	1.95	100,000	400,000
		<u>358,730</u>	<u>879,309</u>
Less: Current portion of long-term borrowings		<u>(351,929)</u>	<u>(520,579)</u>
		<u>6,801</u>	<u>358,730</u>
Denominated in foreign currency			
(Samsung C&T and domestic subsidiaries)			
Korea National Oil Corporation (Condition loans and others)	1.50~5.00	26,379	32,899
Citibank Korea Inc. and others (General borrowings)	-	-	110,965
SMBC (General borrowings)	Libor + 0.60	177,143	171,069
The Export-Import Bank of Korea and others (Facility loans)	Libor + 1.10, 1.70	46,312	71,007
Foreign subsidiaries			
SC Bank and others (General borrowings)	0.80~7.59	102,568	84,002
		<u>352,402</u>	<u>469,942</u>
Less: Current portion of long-term borrowings		<u>(184,144)</u>	<u>(353,740)</u>
		<u>168,258</u>	<u>116,202</u>
		<u>₩ 175,059</u>	<u>₩ 474,932</u>

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The annual maturities of long-term debts outstanding (excluding current portion) as at December 31, 2019, are as follows:

(in millions of Korean won)

	Debtures		Borrowings in Korean won		Borrowings in foreign currencies		Total	
January 1, 2021~ December 31, 2021	₩	440,000	₩	379	₩	15,568	₩	455,947
January 1, 2022~ December 31, 2022		50,000		279		13,878		64,157
January 1, 2023~ December 31, 2023		40,000		279		35,344		75,623
After January 1, 2024		-		5,864		103,468		109,332
	₩	530,000	₩	6,801	₩	168,258	₩	705,059

Long-term borrowings and debtures by currencies as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	Long-term borrowings		Debtures (Amortized cost)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
US Dollars	₩ 111,107	₩ 83,630	₩ -	₩ -
Korean Won	6,800	358,730	529,256	778,380
Japanese Yen	12,007	6,678	-	-
Others	45,145	25,894	-	-
	₩ 175,059	₩ 474,932	₩ 529,256	₩ 778,380

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16. Net Defined Benefit Liabilities

Details of net defined benefit liabilities as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Defined benefit obligation	₩	922,715	₩	790,078
Less: Plan assets		(819,587)		(681,695)
Less: Contribution to National Pension Fund		(588)		(660)
	₩	<u>102,540</u>	₩	<u>107,723</u>

The Group under defined benefit plans is required to pay post-employment benefits to any employee who has provided one year or more of services as at reporting date, in accordance with the Group's policies on payment of post-employment benefits (in accordance with local regulations for overseas subsidiaries). Additionally, as at December 31, 2019, the Group is under contracts with Samsung Life Insurance Co., Ltd. and others for operations management and asset management of their defined benefit pension plans.

Details of defined benefit liabilities recognized in the consolidated statements of financial position as at December 31, 2019 and 2018, are determined as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Present value of funded defined benefit obligations	₩	922,715	₩	790,078
Fair value of plan assets ¹		<u>(820,175)</u>		<u>(682,355)</u>
Net defined benefit liabilities	₩	<u>102,540</u>	₩	<u>107,723</u>

¹ The amount includes contributions to the National Pension Fund of ₩ 588 million (2018: ₩ 660 million).

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Movements in the defined benefit obligations for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Beginning balance	₩	790,078	₩	748,931
Current service cost		102,276		97,140
Interest expense		22,370		24,425
Remeasurement (before tax effect)				
Actuarial gain from change in demographic assumptions		(9,532)		(4,868)
Actuarial loss from change in financial assumptions		38,576		63,683
Actuarial loss from experience adjustments		49,178		8,627
Benefits paid		(71,316)		(151,415)
Transfer-in		361		3,628
Others ¹		724		(73)
Ending balance	₩	<u>922,715</u>	₩	<u>790,078</u>

¹ Others include exchange differences.

Movements in the fair value of plan assets for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Beginning balance	₩	682,355	₩	690,574
Return on plan assets		17,828		22,080
Remeasurement (before tax effect)		(6,877)		(13,260)
Employer contributions		176,105		96,020
Benefits paid		(49,776)		(114,078)
Transfer-in		540		1,019
Ending balance	₩	<u>820,175</u>	₩	<u>682,355</u>

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The amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Defined benefit plan				
Current service cost	₩	102,275	₩	97,140
Interest expense		22,370		24,425
Return on plan assets		(17,828)		(22,080)
Defined contribution plan				
Post-employment benefits		6,673		4,433
Others		24,998		57,217
	₩	<u>138,488</u>	₩	<u>161,135</u>

Details of allocation of expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Cost of sales	₩	80,854	₩	77,793
Selling and administrative expenses (post-employment benefits)		38,897		69,361
Selling and administrative expenses (research and development)		6,523		8,111
Other assets		12,214		5,870
	₩	<u>138,488</u>	₩	<u>161,135</u>

The significant actuarial assumptions as at December 31, 2019 and 2018, are as follows:

<i>(in Percentage)</i>	December 31, 2019	December 31, 2018
Discount rate	2.00% - 3.38%	2.90% - 3.20%
Salary growth rate	3.50% - 6.01%	3.50% - 6.05%

Discount rate is measured by reference to corporate bond rated AA-. Mortality rate for defined benefit pension plan announced by Korea Insurance Development Institute is adopted and the retirement rate is measured by reference to the historical record of retirement.

Accumulated actuarial gains and losses recognized as other comprehensive income amount to ₩ 184,299 million as at December 31, 2019 (2018: ₩ 123,284 million).

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The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

<i>(in percentage)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	5% decrease	6% increase
Salary growth rate	1%	5% increase	5% decrease

Plan assets as at December 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Equity and debt securities	₩ 323,492	39.44%	₩ 427,905	62.71%
Loans	237,859	29.00%	237,528	34.81%
Deposits and others	258,824	31.56%	16,922	2.48%
	₩ 820,175	100.00%	₩ 682,355	100.00%

The estimated amount that the Group's management expects to contribute to plan assets within 12 months after the end of the reporting period is ₩ 86,531 million.

Actual income on plan assets for the year ended December 31, 2019, is ₩ 10,736 million.

Expected maturity analysis of undiscounted pension benefits as at December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Pension benefits	₩ 136,745	₩ 153,357	₩ 355,137	₩ 464,287	₩ 1,109,526

The weighted average duration of the defined benefit obligation as at December 31, 2019 is 4.39 to 12.86 years.

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17. Provisions

Changes in provisions for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019				
	Construction warranties ¹	Restoring cost ²	Provisions for construction losses ³	Others ⁴	Total
January 1, 2019	₩ 180,538	₩ 38,477	₩ -	₩ 223,804	₩ 442,819
Additional provisions	27,534	5,953	64,432	115,715	213,634
Used and reversal	(28,182)	(17)	(48,362)	(38,110)	(114,671)
Transfer	-	-	162,136	14,353	176,489
Exchange differences	236	1,330		2,323	3,889
December 31, 2019	<u>₩ 180,126</u>	<u>₩ 45,743</u>	<u>₩ 178,206</u>	<u>₩ 318,085</u>	<u>₩ 722,160</u>
Current (Note 9)	₩ -	₩ -	₩ 178,206	₩ 129,639	₩ 307,845
Non-current	180,126	45,743	-	188,446	414,315

¹ The Group recognizes expenses, which are expected to be spent for future repairs, as a provision based on historical experience.

² The Group recognizes amounts discounted at present value, which are expected to be spent for future dismantling and removing of the oil and gas equipment or restoring the site, as a provision.

³ The Group recognizes losses, which are expected to occur in construction contract, as a provision.

⁴ Others include a provision for product warranty and a provision for bonuses.

(in millions of Korean won)

	2018			
	Construction warranties ¹	Restoring cost ²	Others ³	Total
January 1, 2018	₩ 180,633	₩ 43,369	₩ 155,215	₩ 379,217
Effect arising from adoption of Korean IFRS 1115	(640)	-	3,223	2,583
Additional provisions	26,372	8,630	102,679	137,681
Used and reversal	(26,207)	(1,790)	(39,608)	(67,605)
Exchange differences	379	1,685	2,295	4,359
Other changes	-	(13,417)	-	(13,417)
December 31, 2018	<u>₩ 180,537</u>	<u>₩ 38,477</u>	<u>₩ 223,804</u>	<u>₩ 442,818</u>
Current (Note 9)	₩ -	₩ -	₩ 121,314	₩ 121,314
Non-current	180,537	38,477	102,490	321,504

¹ The Group recognizes expenses, which are expected to be spent for future repairs, as a provision based on historical experience.

² The Group recognizes amounts discounted at present value, which are expected to be spent for

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future dismantling and removing of the oil and gas equipment or restoring the site, as a provision.

³ The Group recognizes losses, which are expected to occur in construction contract, as a provision.

⁴ Others include provisions for product warranty, bonuses, and others.

18. Contingencies and Commitments

As at December 31, 2019, the Group has agreements with several financial institutions, including Woori Bank, for the guarantees of letters of credit related to the Group's export and import, totaling USD 493,544 thousand, for the guarantee of the performance of export contracts amounting to USD 360,606 thousand and ₩ 39,500 million and for the guarantee of various trade finance with a limit of USD 2,662,284 thousand. The receivables from export transactions sold to financial institutions, which amount to USD 379,986 thousand, are not yet due as at December 31, 2019.

As at December 31, 2019, the Group has provided a note amounting to ₩ 500 million, and 21 blank checks and notes as collateral to related institutions for borrowings, performance guarantees, construction payment guarantees, and others.

As at December 31, 2019, the Group is contingently liable for loan guarantees, principally for foreign associates and joint ventures amounting to USD 135,892 thousand (Note 28). The Group provides performance guarantees on the construction contracts of its foreign operations limited to USD 207,811 thousand, and there are no guarantees provided by the Group for the performance of other construction companies' projects. Conversely, other construction companies provide guarantees for the performance of the Group's projects amounting to ₩ 640,058 million.

As at December 31, 2019, the Group has short-term export insurance with Korea Trade Insurance Corporation. The certificates issued by Korea Trade Insurance Corporation (insured amount of ₩ 36,612 million) relating to guarantees provided by financial institutions are pledged as collateral.

As at December 31, 2019, the Group has been named as the defendant in certain lawsuits brought against it in the normal course of business. The aggregate amount of 375 claims brought against the Group, is approximately ₩ 604,934 million and USD 444,797 thousand. The Group also files 76 counterclaims amounting to ₩ 359,541 million and USD 411,915 thousand. The Group's management believes that the ultimate resolution of the case will not have a material adverse effect on the operations or financial position of the Group.

Meanwhile, on July 12, 2018, the Securities & Futures Commission ("SFC") imposed the first administrative measures in accordance with the Act on External Audit of Stock Companies against Samsung Biologics Co., Ltd. ("Logics"), a subsidiary of the Group, for alleged failure to disclose sufficient information in Logics' financial statements from 2012 to 2015 regarding Logics' joint venture agreement with Biogen Therapeutics Inc. The measures included i) compulsory designation of external auditors for three years; ii) recommendation of dismissal of Logics' executives in charge; and iii) prosecution against Logics and its representative director (CEO). On November 14, 2018, the SFC imposed the second administrative measures in accordance with the Act on External Audit of Stock Companies against Logics for violation of accounting standards by inappropriately applying

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consolidated method regarding investments in Samsung Bioepis from 2012 to 2018. The measures included i) compulsory designation of external auditors for three years; ii) recommendation of dismissal of Logics' representative director (CEO) and executives in charge; iii) referral of the case against Logics and its representative director (CEO) to the Prosecutors Office; iv) retrospective restatement of financial statements; and v) imposition of administrative fine of ₩ 8 billion.

In order to demonstrate the legitimacy of the Logics' accounting, Logics submitted requests for cancellation of the measures ordered by SFC on October 8, 2018 and November 27, 2018, and submitted requests for suspension of measures on November 27, 2018 and December 18, 2018, to the Seoul Administrative Court (the "Court"). The trial proceedings are in progress (as discussed more in the following paragraphs).

Upon the request to the Court on November 27, 2018 relating to the second measures (made in November 14, 2018), Logics received the decision from the Court to suspend the measures imposed by SFC, which include: i) an order of a corrective measure (retrospective restatement of financial statements); ii) compulsory designation of external auditors for three years; iii) recommendation of dismissal of Logics' representative director (CEO) and the executives in charge until 30 days after the Court makes its final ruling. The SFC appealed the Court's decision on January 30, 2019, but the Seoul High Court affirmed the decision of the Court and rejected the appeal by the SFC on May 13, 2019. The SFC appealed to the Supreme Court on May 23, 2019, but the re-appeal was rejected by the Supreme Court on September 6, 2019.

In addition, regarding the request for suspension of the first measures imposed by the SFC (made in July 12, 2018) which were submitted on December 18, 2018, Logics received the decision from the Court to suspend measures ordered by the SFC on February 19, 2019, which include: i) external auditor designation by the regulator for three years; ii) recommendation of dismissal of Logics' representative director (CEO) and the executives in charge until 30 days after the Court makes its final ruling. The SFC appealed to the Seoul High Court for the decision on February 21, 2019, but the Seoul High Court affirmed the decision of the Court and rejected the appeal by the SFC on March 24, 2019. The SFC appealed to the Supreme Court on June 10, 2019, but the re-appeal was rejected by the Supreme Court on October 11, 2019.

With respect to this matter, the investigation by the Seoul Central Prosecutors Office against the Logics' CEO and CFO for alleged violation of the Act on External Audit of Stock Companies, the Financial Investment Services and Capital Market Act, the Act on the Aggregated Punishment, Etc. of Specific Economic Crimes, and the allegations of document destruction under Criminal Act is also in progress. It is not possible to predict the outcome of the investigation.

Meanwhile, on December 9, 2019, employees of Logics and Logics' affiliate who were arrested on suspicion of evidence destruction, were found guilty of violating the Act on External Audit of Stock companies and Criminal Act in the first ruling of the Seoul Central District Court. All the employees of the Logics' affiliates appealed the ruling above, and the employee of Logics who abandoned their appeal received suspended sentences for the destruction of evidence.

As disclosed in Note 35 to the consolidated financial statements for the year ended December 31, 2015, issued on March 3, 2016, the Parent Company (formerly, Cheil Industries Inc.) of the Group merged with the former Samsung C&T Corporation on September 1, 2015, and acquired an

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additional 4.25% of shares in Logics held by the former Samsung C&T Corporation. Accordingly, the Group obtained a control over Logics. As a result, the Group measured the assets and liabilities of Logics at fair value in accordance with Korean IFRS 1103 paragraphs 18, 45 and others. As a result, the Group expects that the first and second measures of the SFC for the Logics, dated July 12, 2018 and November 14, 2018, respectively, will not affect the consolidated financial statements of the Group. The Group's management will continue to monitor the progress of the lawsuit in the future.

As at December 31, 2019, the Group has 1,162 forward exchange contracts amounting to USD 505,357 thousand and EUR 13,544 thousand, and one interest rate swap contract with financial institutions whose contracts amount to ₩ 100,000 million. These forward exchange contracts and interest rate swap contracts are intended to hedge foreign exchange risk and interest risk exposures of the Group. In addition, the Group has entered into 164 commodity futures contracts with financial institutions with contract prices amounting to USD 119,740 thousand and one currency swap contracts with contract prices amounting to USD 30,000 thousand. For the year ended December 31, 2019, realized gains and losses from the contracts mentioned above, included in 'foreign exchange gain and loss', amount to approximately ₩ 77,937 million and ₩ 76,044 million, respectively.

As at December 31, 2019, details of gain (loss) on valuation of derivative instruments are as follows:

(in millions of Korean won)

	Gain on valuation		Loss on valuation		Accumulated other comprehensive income (loss)
Currency forward contracts	₩	8,663	₩	(1,851)	₩ -
Interest swap contracts		-		-	86
Currency swaps contracts		1,193		(101)	(153)
Commodity futures contracts		(6,201)		2,366	(1,586)
Options		6,002		-	-

Details of derivative assets and liabilities by instrument type as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019				2018			
	Assets		Liabilities		Assets		Liabilities	
Currency forward contracts								
Current assets	₩	13,783	₩	2,951	₩	9,901	₩	5,169
Interest swap contracts								
Current assets		-		172		1,374		-
Non-current assets		-		-		-		190
Currency swap contracts								
Current assets		-		-		-		696
Non-current assets		1,003		-		-		-
Commodity futures contracts								
Current assets		4,658		8,412		2,287		1,794
Options								

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Current assets	33,387	-	26,990	-
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The Group recognized valuation gain of ₩ (-)287 million as other comprehensive income in relation to the effective portion of changes in the fair value of cash flow hedge derivatives.

As at December 31, 2019, the Group has corporate purchase card agreements and collateral loan agreements using the trade receivables with a limit of ₩ 409,260 million with financial institutions, including Woori Bank.

On April 30, 2015, the former Samsung C&T Corporation sold 22.99% of equity shares of Hanwha General Chemicals Co., Ltd. (formerly Samsung General Chemical Co., Ltd.) to Hanwha Chemical Co., Ltd. and Hanwha Energy Corporation (collectively "Acquirers"). According to the Share Purchase Agreement, the Group has the right to receive additional proceeds depending on the subsequent operating performance of Hanwha Total Petrochemical Co., Ltd. (formerly Samsung Total Petrochemical Co., Ltd.). The Group also has a priority right to request the Acquirers to purchase the remaining equity shares when Hanwha General Chemicals Co., Ltd. is publicly listed. However, if Hanwha General Chemicals Co., Ltd. is not listed within 6 years (7 years if requested by Acquirers) from the closing date of the transaction, the Group and the Acquirers have the right to exercise put option (exercise price: the higher of a) the price per share calculated based on EV of 11.07 times the acquiree's adjusted EBITDA for the year prior to the fiscal year in which the put option is exercised, and b) ₩ 33,165.6 per share) and call option, respectively, on the remaining equity shares. In addition, the Acquirers have the right of first refusal when the Group attempts to dispose of the remaining equity shares. Also, if the Acquirers attempt to dispose of the equity shares of Hanwha General Chemicals Co., Ltd., the Group and the Acquirers respectively have tag-along right and drag-along right.

The Group has entered into agreements for long-term borrowings with financial institutions. If the Group fails to meet conditions specified below, the Group could lose benefit of time which could lead to early redemption of the borrowings.

Financial Institution	Condition	Description
Kookmin Bank	Retention of control	The Group shall remain as an affiliate of Samsung Group and current major shareholders shall hold control over the Group
SMBC	Retain Component ratio of shareholders	The proportion of shares held by Samsung Group and the Group shall remain over 50% and 30%, respectively
Mizuho Bank	Retain Component ratio of shareholders	The proportion of shares held by Samsung Group (Samsung C&T Corporation and Samsung Electronics Co., Ltd.) shall remain over 60%

In relation to the land lease agreement with Incheon Metropolitan City ("Incheon"), the Group receives exemption of rent from Incheon since the Group fulfilled the requirements set by the Public Property Management Ordinance of Incheon. The Group recognizes the fair value of exempt rent as

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intangible assets, and at the same time, the Group recognizes the same amount of government grants as a deduction of the carrying amount of the asset. Details of the lease agreement are as follows:

(a) *Period*

With the total lease period of 50 years, the initial lease period is 20 years from April 28, 2011, and can be extended on a 10-year basis.

(b) *Exemption requirement*

In order to remain qualified for rent exemption in accordance with Article 32 of Shared Assets Management Act of Incheon Metropolitan City, the Group has to meet certain requirements such as it shall maintain foreign direct investment of USD 20 million for the first 5 years of the lease period, and for the period thereafter the Group shall remain as foreign investment enterprise with employees over 300.

The Group has entered into a memorandum of understanding with Samsung Life Insurance Co., Ltd., a major shareholder of Beijing Samsung Real Estate Co., Ltd., to transfer all of the Group's investment in Beijing Samsung Real Estate Co., Ltd. upon completion of constructing Samsung Beijing Office. The sales price will be determined by the median value of appraised values given by appraisal companies appointed by each parties.

As at December 31, 2019, the Group, as a contractor, provides a construction completion guarantee, against the damages for not completing the project, amounting to ₩ 370,000 million for the developer of Pangyo Alpha dome 6-1 Block construction. However, if the developer fails to make progress payments for more than three consecutive times due to the reasons caused by the developer, the Group is exempted from the obligation to complete the construction.

The Group has entered into a collateral trust agreement with Woori Bank for land and buildings in relation to the loan arrangements with Woori Lake 1^{st.}, Ltd. As at December 31, 2019, the details of the collateral trust agreement are as follows:

(in millions of Korean won)

Collateral provided	Priority	Beneficiary	Issue amount
Land and buildings	First priority	Woori Lake 1 ^{st.} , Ltd.	12,000

19. Share Capital

The Group is authorized to issue 500 million shares with a par value of ₩ 100 per share. As at December 31, 2019, 189,690,043 shares of ordinary share and 1,627,440 shares of preferred share are issued and outstanding.

On September 14, 2015, the Group issued 56,317,483 shares (54,690,043 shares of ordinary share and 1,627,440 shares of preferred share) of new share for the merger with the former Samsung

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C&T Corporation.

As authorized in its Articles of Incorporation, the Group is able to issue convertible bonds which can be converted into ordinary shares and preferred shares of the Group, and bonds with warrants which grant the right to purchase new preferred shares to the amount of ₩ 850 billion each. As at December 31, 2019, there are no convertible bonds and bonds with warrants issued under these terms.

Details of treasury shares as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won, except number of shares)</i>	December 31, 2019		December 31, 2018	
	Preferred share	Ordinary share	Preferred share	Ordinary share
Number of shares	159,850	26,225,650	159,850	26,225,649
Acquisition cost	₩ 16,978	₩ 1,895,530	₩ 16,978	₩ 1,895,529

20. Other Components of Equity

Other components of equity as at December 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Treasury shares (Note 19)	₩	(1,912,508)	₩	(1,912,508)
Other capital adjustments		(244,998)		(245,036)
Financial assets at fair value through other comprehensive income (Note 11)		8,375,038		4,887,296
Share of other comprehensive income of associates and joint ventures		53,616		46,172
Share of other comprehensive loss of associates and joint ventures		(113,400)		(83,831)
Exchange differences		(147,049)		(183,675)
Cash flow hedge (Note 18)		(1,653)		699
	₩	<u>6,009,046</u>	₩	<u>2,509,117</u>

21. Consolidated Retained Earnings

Consolidated retained earnings as at December 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Legal reserves ¹	₩	9,566	₩	9,566
Discretionary reserves		5,892,604		5,205,317
Retained earnings before appropriation		<u>1,698,824</u>		<u>1,734,582</u>

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₩	7,600,994	₩	6,949,465
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¹ The Korean Commercial Code requires the Group to appropriate, as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends paid, until the reserve equals 50% of 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.

22. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Salaries and others	₩	724,487	₩	738,569
Welfare		119,594		115,565
Depreciation		197,704		155,914
Travel		57,711		49,450
Commission		678,083		659,807
Rent		329,955		379,405
Freight		317,954		307,525
Taxes and dues		50,743		35,381
Advertising		59,259		63,314
Research and development		92,979		78,036
Impairment loss (Note 9)		10,819		(2,529)
Computational service fee		43,078		47,589
Sales promotion cost		34,682		35,170
Others		219,011		218,223
	₩	<u>2,936,059</u>	₩	<u>2,881,419</u>

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23. Other Income and Expenses

Other income and expenses for the years ended December 31, 2019 and 2018, consist of:

(in millions of Korean won)

	2019		2018	
Other income				
Share of profit of associates and joint ventures	₩	185,956	₩	79,821
Dividend income		555,287		554,759
Foreign exchange gain		237,915		234,939
Gain on translation of foreign currency		64,675		137,973
Gain on valuation of financial assets at fair value through profit or loss		101,321		3,649
Gain on disposal of investments		13,779		509,539
Gain on disposal of property, plant and equipment		15,793		67,631
Gain on disposal of investment properties		-		241,127
Reversal of impairment loss on intangible assets		279		335
Gain on disposal of intangible assets		37		226
Reversal of provision for impairment (Note 8)		44,057		49,256
Gain on insurance settlement		856		249
Others		97,671		273,385
	₩	<u>1,317,626</u>	₩	<u>2,152,889</u>
Other expenses				
Share of loss of associates and joint ventures	₩	4,966	₩	1,519
Foreign exchange loss		247,909		254,533
Loss on translation of foreign currency		46,751		106,412
Loss on valuation of financial assets at fair value through profit or loss		498		9,106
Impairment loss on investments		-		28,569
Loss on disposal of investments		507		7,374
Impairment loss on property, plant and equipment		-		13,202
Loss on disposal of property, plant and equipment		6,123		10,019
Impairment loss on intangible assets		119,861		186,727
Loss on disposal of intangible assets		1,065		681
Loss on disposal of trade receivables		23,699		23,328
Donations		18,145		17,006
Other impairment loss (Note 8)		40,191		90,712
Others		235,703		252,381
	₩	<u>745,418</u>	₩	<u>1,001,569</u>

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24. Breakdown of Expenses by Nature

Expenses recorded by nature as cost of sales, selling and administrative expenses in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
Changes in finished goods and work-in-process	₩	16,766,167	₩	16,568,529
Construction outsourcing		6,357,647		6,096,682
Employee benefit expenses		2,391,164		2,491,397
Commission		1,253,696		1,496,215
Freight		324,289		312,546
Research and development		92,979		78,036
Heavy construction equipment usage		180,505		204,405
Rent		422,785		500,327
Taxes and dues		130,415		159,335
Depreciation and amortization		444,040		418,159
Insurance		50,533		55,951
Outsourcing fee		458,704		455,963
Others		1,021,807		1,214,202
	₩	<u>29,894,731</u>	₩	<u>30,051,747</u>

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25. Financial Income and Expenses

Financial income and expenses for the years ended December 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019		2018	
Interest income:				
Deposits in bank	₩	50,069	₩	46,837
Securities		4,701		4,702
Loans		15,075		31,885
Overdue interest		31		27
Present value discounts		3,073		3,097
Finance lease receivables		717		-
Others		20,429		25,207
Foreign exchange gain		20,435		40,784
Gain on translation of foreign currency		43,283		101,699
Total financial income		<u>157,813</u>		<u>254,238</u>
Interest expense:				
Short-term borrowings		48,820		51,861
Long-term borrowings		17,479		29,046
Debentures		33,919		62,833
Lease liabilities		9,084		-
Others		25,726		55,741
Capitalized interests		-		(11,488)
Foreign exchange loss		17,747		16,795
Loss on translation of foreign currency		40,462		93,776
Total financial expenses		<u>193,237</u>		<u>298,564</u>
Financial expenses, net	₩	<u>35,424</u>	₩	<u>44,326</u>

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26. Income Tax Expense

Income tax expense for the years ended December 31, 2019 and 2018, consist of:

<i>(in millions of Korean won)</i>	2019	2018
Current income taxes of the Parent Company	₩ 275,713	₩ 452,642
Deferred taxes from changes of temporary differences	1,259,789	(1,474,614)
Income tax directly charged to equity	<u>(1,232,019)</u>	<u>1,389,962</u>
Income tax expense of the Parent Company	303,483	367,990
Income tax expense of subsidiaries	<u>175,188</u>	<u>266,504</u>
Income tax expense	<u>₩ 478,671</u>	<u>₩ 634,494</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in millions of Korean won)</i>	2019	2018
Profit before income tax	₩ 1,526,562	₩ 2,382,738
Tax at domestic tax rates applicable to profits in the respective countries	346,726	478,957
Tax effect of:		
- Expenses (income) not deductible (taxable) for tax purposes	(121,654)	(81,403)
- Tax credit	(10,207)	(101,668)
- Tax effects on loss of subsidiaries and others	77,169	101,653
- Others	8,258	74,409
Net adjustment items	<u>178,379</u>	<u>162,546</u>
Income tax expense	<u>₩ 478,671</u>	<u>₩ 634,494</u>

The analysis of deferred tax assets and liabilities as at December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2019	December 31, 2018
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	₩ 911,244	₩ 1,081,972
Deferred tax assets to be recovered within 12 months	165,492	185,648
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	(7,192,414)	(6,126,718)
Deferred tax liabilities to be recovered within 12 months	(16,733)	(8,078)
	<u>₩ (6,132,411)</u>	<u>₩ (4,867,176)</u>

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Changes in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019					
	Temporary differences			Deferred tax assets(liabilities)		
	Beginning balance	Increase /decrease	Ending balance	Beginning balance	Increase /decrease	Ending balance
Deferred taxes						
Provisions	₩ 1,683,450	₩ (171,881)	₩ 1,511,569	₩ 444,431	₩ (45,377)	₩ 399,054
Equity investments	(2,011,032)	(103,828)	(2,114,860)	(530,912)	(27,411)	(558,323)
Impairment losses on assets	538,952	(88,838)	450,114	142,283	(23,453)	118,830
Foreign currency						
receivables/payables	754	2,600	3,354	199	687	886
Long-term receivables	856	-	856	226	-	226
Others	(161,763)	72,462	(89,301)	(42,705)	19,131	(23,574)
	51,217	(289,485)	(238,268)	13,522	(76,423)	(62,901)
Income taxes directly charged to equity						
Available-for-sale financial						
assets	(16,677,043)	(4,742,119)	(21,419,162)	(4,402,739)	(1,251,920)	(5,654,659)
Cash flow hedges	14,907	2,055	16,962	3,935	543	4,478
Advanced depreciation						
provision for land	(96,866)	666	(96,200)	(25,573)	176	(25,397)
Remeasurements of net						
defined benefit liabilities	144,806	72,658	217,464	38,229	19,182	57,411
	(16,614,196)	(4,666,740)	(21,280,936)	(4,386,148)	(1,232,019)	(5,618,167)
				(4,372,626)	(1,308,442)	(5,681,068)
Deferred foreign tax credit carryforward				-	47,201	47,201
Deferred taxes of subsidiaries				(490,296)	(8,248)	(498,544)
				₩ (4,862,922)	₩ (1,269,489)	₩ (6,132,411)

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(in millions of Korean won)

	2018					
	Temporary differences			Deferred tax assets(liabilities)		
	Beginning balance	Increase /decrease	Ending balance	Beginning balance	Increase /decrease	Ending balance
Deferred taxes						
Provisions	₩ 1,745,765	₩ (62,315)	₩ 1,683,450	₩ 460,882	₩ (16,451)	₩ 444,431
Equity investments	(1,305,756)	(705,276)	(2,011,032)	(344,720)	(186,192)	(530,912)
Impairment losses on assets	495,108	43,844	538,952	130,709	11,574	142,283
Foreign currency receivables/payables	3,355	(2,601)	754	886	(687)	199
Long-term receivables	856	-	856	226	-	226
Others	(637,780)	459,903	(177,877)	(167,790)	120,831	(46,959)
	301,548	(266,445)	35,103	80,193	(70,925)	9,268
Income taxes directly charged to equity						
Available-for-sale financial assets	(21,870,303)	5,193,260	(16,677,043)	(5,773,760)	1,371,021	(4,402,739)
Cash flow hedges	14,337	570	14,907	3,785	150	3,935
Advanced depreciation provision for land	(96,866)	-	(96,866)	(25,573)	-	(25,573)
Remeasurements of net defined benefit liabilities	73,629	71,177	144,806	19,438	18,791	38,229
	(21,879,203)	5,265,007	(16,614,196)	(5,776,110)	1,389,962	(4,386,148)
				(5,695,917)	1,319,037	(4,376,880)
Deferred taxes of subsidiaries				(523,970)	33,674	(490,296)
				₩ (6,219,887)	₩ 1,352,711	₩ (4,867,176)

The Group annually assesses its ability to recover deferred tax assets, and recognizes deferred tax assets to the extent that it is almost certain that benefits from such deferred tax assets will be realized. However, deferred tax assets have not been recognized for temporary differences arising from investments in subsidiaries, associates and joint ventures, as it is not probable that such differences will reverse in the foreseeable future due to disposal of equity shares or dividends. Deferred tax liabilities have been recognized for temporary differences arising from undistributed profits of subsidiaries, associates and joint ventures, considering the probability that such differences will subsequently reverse due to dividends.

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27. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2019 and 2018, are as follows:

<i>(in Korean won and in shares)</i>	2019	2018
Profit for the year ¹	₩ 1,050,076 million	₩ 1,712,790 million
Profit for the year attributable to ordinary shares	1,040,660 million	1,697,477 million
Weighted average number of ordinary shares outstanding	163,464,394 shares	163,464,532 shares
Basic earnings per ordinary share	₩ 6,366	₩ 10,384

¹ The amount is the profit attributable to the owners of the Parent Company for the year.

Basic earnings per preferred share for the years ended December 31, 2019 and 2018, are as follows:

<i>(in Korean won and in shares)</i>	2019	2018
Profit for the year ¹	₩ 1,050,076 million	₩ 1,712,790 million
Profit for the year attributable to preferred shares	9,416 million	15,313 million
Weighted average number of preferred shares outstanding	1,467,590 shares	1,467,591 shares
Basic earnings per preferred share	₩ 6,416	₩ 10,434

¹ The amount is the profit attributable to the owners of the Parent Company for the year.

Since there is no dilutive potential ordinary share, the diluted earnings per ordinary share and the basic earnings per ordinary share are the same for the years ended December 31, 2019 and 2018, respectively.

28. Related Party Transactions

As at December 31, 2019, the Group's related parties consist of 47 associates and joint ventures, including Samsung Bioepis Co., Ltd. and other related parties (Note 1.3). Meanwhile, the Enterprise Group, which the Group belongs to, in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea, consists of 60 entities including Samsung Electronics Co., Ltd., as at December 31, 2019.

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Significant transactions between the Parent Company and related parties (associates, joint ventures and other related party) for the years ended December 31, 2019 and 2018, and the related account balances as at December 31, 2019 and 2018, consist of the following:

<i>(in millions of Korean won)</i>	Sales²		Purchases		Receivables		Payables	
	2019	2018	2019	2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Associates								
Samsung Bioepis Co., Ltd.	₩ 23,761	₩ 5,742	₩ -	₩ -	₩ 11,381	₩ 2,181	₩ -	₩ -
Waris Gigih Engineering & Technology Sdn. Bhd.	61	48	-	-	-	-	-	-
Gangneung Eco Power Co.,Ltd.	498,390	121,575	-	-	18,525	6,832	-	118,263
Gaziantep Hospital Management Investment Company	14,990	23,673	-	-	91	-	15,504	-
TOK Advanced Materials Co., Ltd.	-	-	89,330	92,197	-	-	4,935	4,560
Rabigh Investment Company	-	-	-	-	-	51,926	-	-
Others	606	592	1,851	4,571	-	98	-	-
Joint ventures								
FCC Saudi LLC	6,240	31,978	-	-	3,894	-	-	-
Others	1,256	1,753	-	5	12,506	10,843	-	-
Other related parties⁴								
Samsung Electronics Co., Ltd.	4,279,790	3,593,212	111,363	85,078	1,156,091	1,678,553	201,947	196,829
Others	325,639	942,546	22,276	9,258	45,901	46,994	28,588	28,777
Others¹								
Samsung SDS Co., Ltd.	35,597	25,948	84,461	95,350	4,299	13,901	32,567	27,461
Samsung Life Insurance Co., Ltd. ³	12,205	64,189	3,852	3,468	2,458	6,870	41,767	41,767
Others	90,173	100,092	91,186	104,109	37,265	46,179	146,878	149,798

¹ The entities are not included in the scope of related parties in accordance with Korean IFRS 1024, but are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea.

² Unbilled revenue from construction contracts based on the percentage of completion of ₩ (-) 922,533 million (2018: ₩ (-) 261,002 million) is excluded from sales. In addition, Due from customer for contract work amounting to ₩ 500,956 million (December 31, 2018: ₩ 223,627 million) and due to customers for contract work amounting to ₩ 371,505 million (December 31, 2018: ₩ 931,316 million) are excluded from receivables and payables, respectively.

³ As at December 31, 2019, the Group deposited ₩ 602,578 million (2018: ₩ 494,669 million) in Samsung Life Insurance Co., Ltd. as plan assets. The amount contributed by the Group for the year

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ended December 31, 2019, is ₩ 139,000 million.

⁴ For the period ended December 31, 2019, over 10% of the Group's revenue (including its subsidiaries' revenues) is derived from the customer. The revenue derived from the customer amounting to ₩ 7,353,085 million is reported from Construction, Trading and Resort segments of the Group.

Significant transactions between the Group and related parties (excluding the above transactions between the Parent Company and related parties) for the years ended December 31, 2019 and 2018, and the related account balances as at December 31, 2019 and 2018, consist of the following:

<i>(in millions of Korean won)</i>	Sales²		Purchases		Receivables		Payables	
	2019	2018	2019	2018	December 30, 2019	December 31, 2018	December 30, 2019	December 31, 2018
Associates								
Samsung Bioepis Co., Ltd.	₩204,366	₩245,741	₩ 20,664	₩	1 ₩ 101,656	₩ 69,667	₩ 77,541	₩ 20,367
KST POWER NORTE S.A. DE C.V.	-	1,524	-	-	-	40,862	-	-
Others	626	244	-	1	45,642	184	-	-
Joint ventures								
FCC Saudi LLC	109,068	73,762	-	-	-	-	5,096	43,519
LJG Green Source Energy Alpha S.R.L.	1,452	1,446	-	-	22,124	19,705	-	-
Kelar S.A.	2,034	2,093	-	-	23,629	30,345	-	-
Others	2,574	2,497	-	9	303	473	-	-
Other related parties								
Samsung Electronics Co., Ltd.	473,913	468,049	42,388	13,154	64,724	81,651	11,666	9,221
Others	1,686,040	1,440,231	3,490	4,877	62,004	62,475	1,347	1,295
Others¹								
Samsung SDS Co., Ltd.	30,334	29,820	47,029	61,521	2,830	2,852	6,311	20,110
Samsung Life Insurance Co., Ltd. ³	17,923	15,030	1,392	2,698	951	955	1,410	1,410
Others ³	741,584	687,608	46,759	182,233	61,363	123,411	10,750	86,663

¹ The entities are not included in the scope of related parties in accordance with Korean IFRS 1024, but are included in the scope of Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea.

² Unbilled revenue from construction contracts based on the percentage of completion of ₩ 43,074 million (2018: ₩ (-)89,168 million) is excluded from sales. In addition, Due from customer for contract work amounting to ₩ 47,201 million (December 31, 2018: ₩ 11,834 million) and due to customers for contract work amounting to ₩ 108,172 million (December 31, 2018: ₩ 39,447 million) are excluded from receivables and payables, respectively.

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³ As at December 31, 2019, the Group (except for the Parent Company) deposited ₩ 169,467 million (2018: ₩ 151,930 million) and ₩ 47,537 million (2018: ₩ 35,091 million) as plan assets in Samsung Life Insurance Co., Ltd. and Samsung Fire & Marine Insurance Co., Ltd., respectively.

Major fund transactions with a related party for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019		2018	
	Loans	Repayments	Loans	Repayments
Associates				
KST POWER NORTE S.A. DE C.V. ¹	₩ -	₩ 30,380	₩ -	₩ -
Rabigh Investment Company	-	56,046	-	-
Bahrain LNG W.L.L	45,608	-	-	-
LLC. Uglegorskugol	-	-	-	145
Kelar S.A.	-	4,297	-	-

¹ During the period ended December 31, 2019, the Group disposed its loans to KST POWER NORTE S.A. DE C.V. to Samsung Asset Management Co., Ltd., an entity included in the scope of Enterprise Group.

Payment guarantees for the liabilities of associates and joint ventures provided by the Group as at December 31, 2019, are as follows:

(in thousands of US dollars)

	Principal debtor	Guaranteed period	Guaranteed amount
Associates			
Terminal KMS de GNL, S. de R.L. de C.V.	Santander and others	September 1, 2029	\$ 87,248
Bahrain LNG W.L.L	Societe Generale and others	November 29, 2020	21,861
Joint venture			
Kelar S.A.	Hana Bank	April 30, 2031	13,304
			<u>\$ 122,413</u>

For the year ended December 31, 2019, the Group received ₩ 655,858 million of dividends (2018: ₩ 506,766 million) from the related parties. For the year ended December 31, 2019, the Group received ₩ 129,105 million (2018: ₩ 103,958 million) from the entities that are not related parties of the Group in accordance with Korean IFRS 1024, but included in the Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act of the Republic of Korea. For the year ended December 31, 2019, there are no declared dividends to related parties, and there are no unpaid dividends to related parties as at December 31, 2019 and 2018. Also, for the year ended December 31, 2019, there are no declared dividends to the entities in the same Enterprise Group (2018: ₩ 23,320 million) to the entities in the same Enterprise Group. As at December 31, 2019 and 2018, there are no unpaid dividends to these entities.

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For the year ended December 31, 2019, the Group made additional contribution of ₩ 29,609 million (2018: ₩ 50,973 million) to associates, and recovered ₩ 9,548 million (2018: ₩ 10,435 million) from associates and joint ventures. Meanwhile, the Group disposed an associate to the entity belongs to the Large Enterprise Group in accordance with the Monopoly Regulation and Fair Trade Act during the year ended December 31, 2019 and recovered ₩ 35,397 million.

As at December 31, 2019, the Group recognized lease liabilities of ₩ 52,616 million and lease receivables of ₩ 15,645 million in relation to the lease of buildings from entities that are not related parties of the Group in accordance with Korean IFRS 1024, but belong to the Large Enterprise Group to which the Group also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

As at December 31, 2019, investments in Dongducheon Dream Power Co., Ltd., (Acquisition cost: ₩ 115,456 million), are pledged as collateral to a financial institution against the borrowings (total borrowing limit of ₩ 1,285,000 million) of Dongducheon Dream Power Co., Ltd. In addition, the Group provides payment guarantees in relation to the debenture of Dongducheon Dream Power Co., Ltd. amounting to ₩ 18,800 million (Note 12).

As at December 31, 2019, investments in Gaziantep SPV (acquisition cost: ₩ 12,183 million) and Qurayyah Investment Company (acquisition cost: ₩ 52,215 million), are pledged as collateral against borrowings of investees (Note 12).

The Group recognized salaries and post-employment benefits for the key management as expenses, amounting to ₩ 6,272 million and ₩ 648 million, respectively. The key management includes directors (executive and non-executive), auditors and other managements. Meanwhile, the Group introduced long-term incentive plans for its executives based on a three-year management performance criteria and has made a provision for the cumulative estimated incentive cost for the past periods as non-trade payable and provision for bonuses. For the year ended December 31, 2019, the Group recognized expenses amounting to ₩ 2,420 million.

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29. Cash Generated from Operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities, for the years ended December 31, 2019 and 2018, is as follows:

<i>(in Korean won)</i>	2019	2018
Profit for the year	₩ 1,047,890,680,687	₩ 1,748,243,543,408
Addition		
Income tax expense	478,671,236,562	634,494,002,250
Interest expense	135,026,551,543	187,993,670,365
Depreciation and amortization	556,106,814,227	463,117,468,688
Post-employment benefits	106,816,996,815	99,484,876,955
Impairment loss	10,818,829,392	(2,529,329,990)
Other impairment loss (reversal)	40,191,292,651	90,711,540,047
Transfer in provision for construction losses	64,432,308,825	96,355,297,128
Transfer in provision for construction warranties	22,214,801,190	26,371,851,590
Loss on foreign currency translation	87,213,780,058	200,188,062,643
Loss on disposal of investments	506,811,968	7,374,435,990
Impairment loss on investments	-	28,569,229,358
Loss on valuation of financial assets at fair value through profit or loss	497,585,233	9,105,613,666
Loss on disposal of property, plant and equipment	6,123,074,405	10,019,200,518
Impairment loss on property, plant and equipment	-	13,201,520,486
Loss on disposal of intangible assets	1,064,705,128	680,966,671
Impairment loss on intangible assets	119,861,341,084	186,726,756,919
Share of loss of associates and joint ventures	22,846,384,889	179,272,770,646
Other expenses	110,858,773,752	124,008,622,730
	<u>1,763,251,287,722</u>	<u>2,355,146,556,660</u>
Deduction		
Interest income	(94,095,382,426)	(111,755,277,312)
Dividend income	(555,286,567,520)	(554,759,400,026)
Gain on foreign exchange translation	(107,957,724,411)	(239,671,342,264)
Reversal of provision for construction losses	(48,362,539,876)	(53,360,698,514)
Reversal of provision for impairment	(44,057,314,882)	(49,255,829,284)
Gain on disposal of investments	(13,779,377,113)	(509,538,649,399)
Gain on valuation of financial assets at fair value through profit or loss	(100,164,696,458)	(525,629,155)
Gain on disposal of property, plant and equipment	(15,793,190,344)	(67,630,982,542)
Gain on disposal of intangible assets	(37,203,238)	(226,497,620)
Reversal of impairment loss on intangible assets	(279,036,368)	(334,792,667)
Gain on disposal of investment properties	-	(241,126,628,059)
Share of profit of associates and joint ventures	(326,844,558,179)	(429,428,237,465)
Gain on disposal of assets held for sale	-	(33,715,517,759)
Other income	(31,875,738,246)	(142,003,725,555)
	<u>(1,338,533,329,061)</u>	<u>(2,433,333,207,621)</u>

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<i>(in Korean won)</i>	2019	2018
Changes in operating assets and liabilities		
Decrease in trade receivables	480,910,165,404	98,681,757,382
Decrease (increase) in other current assets	95,010,588,260	(314,876,693,518)
Increase in inventories	(160,756,245,857)	(153,602,663,917)
Decrease in trade payables	(91,846,690,657)	(168,347,738,324)
Increase (decrease) in other current liabilities	(788,836,303,517)	254,908,651,046
Decrease in provisions for construction warranties	(22,986,786,742)	(26,206,505,921)
Increase in long-term unearned income	44,024,466,934	43,664,407,237
Increase (decrease) in long-term non-trade receivables	(1,751,246,322)	13,745,851,384
Payment of defined benefit liability	(71,316,329,286)	(151,414,597,645)
Decrease (increase) in plan assets	(126,328,834,052)	18,059,011,954
Transfer in (out) of defined benefit liability	(179,399,709)	2,608,520,553
Others	(68,642,724,119)	(85,908,554,091)
	<u>(712,699,339,663)</u>	<u>(468,688,553,860)</u>
Cash generated from operations	<u>₩ 759,909,299,685</u>	<u>₩ 1,201,368,338,587</u>

Changes in liabilities arising from financial activities for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>			Transactions without cash flows				At
	At January 1, 2019	Effect of Korean IFRS 1116 adoption	Cash flows from financial activities	New lease	Amortization	Others²	December 31, 2019
Short-term borrowings	₩ 1,369,502	₩ -	₩ 491,491	₩ -	₩ -	₩ 66,239	₩ 1,927,232
Long-term borrowings ¹	1,349,251	-	(608,158)	-	-	(29,961)	711,132
Debentures ¹	1,797,893	-	(1,020,000)	-	1,073	-	778,966
Lease liabilities	-	596,995	(134,054)	63,591	9,084	9,191	544,807
	<u>₩ 4,516,646</u>	<u>₩ 596,995</u>	<u>₩ (1,270,721)</u>	<u>₩ 63,591</u>	<u>₩ 10,157</u>	<u>₩ 45,469</u>	<u>₩ 3,962,137</u>

¹ Long-term borrowings include current portion of borrowings and debentures.

² Others include changes due to exchange differences and others.

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30. Segment Information

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

Also, a summary of information on the Group's operations by business segment as at and for the years ended December 31, 2019 and 2018, is prepared after elimination of intercompany transactions in operating profit, and liabilities of operating segments are not included as those are not periodically reported to the Group's management.

Summary of information on the Group's operations by business segment as at and for the years ended December 31, 2019 and 2018, is as follows:

*(in millions of
Korean won)*

	2019							
	Construction	Trading	Fashion	Resort	Food and beverages	Bio	Common	Total
External sales	₩ 11,717,224	₩ 17,162,480	₩ 1,833,160	₩ 704,324	₩ 2,206,404	₩ 701,592	₩ -	₩ 34,325,184
Internal sales	(64,830)	(3,300,819)	(101,016)	(8,318)	(88,700)	-	-	(3,563,683)
Net sales	11,652,394	13,861,661	1,732,144	696,006	2,117,704	701,592	-	30,761,501
Operating profit	539,643	106,204	32,299	48,261	94,355	46,008	-	866,770
Total assets ¹	8,154,918	3,923,016	1,289,737	2,513,431	664,204	6,122,967	23,237,244	45,905,517

¹ For total assets, the common amount is separately presented.

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(in millions of
Korean won)

	2018							
	Construction	Trading	Fashion	Resort	Food and beverages	Bio	Common	Total
External sales	₩ 12,191,227	₩ 17,303,961	₩ 1,851,520	₩ 698,654	₩ 2,013,915	₩ 540,672	₩ -	₩ 34,599,949
Internal sales	(72,183)	(3,190,858)	(92,077)	(9,084)	(80,110)	-	-	(3,444,312)
Net sales	12,119,044	14,113,103	1,759,443	689,570	1,933,805	540,672	-	31,155,637
Operating profit	772,954	145,905	25,478	41,067	105,540	12,946	-	1,103,890
Total assets ¹	8,683,266	3,908,398	1,159,240	2,376,542	672,375	6,233,698	19,373,133	42,406,652

¹ For total assets, the common amount is separately presented.

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Summary of information on the Group's operations by geographic areas for the years ended December 31, 2019 and 2018, is as follows:

(in millions of Korean won)

	2019				
	Domestic	Asia	Europe	The Americas	Total
Total revenue	₩ 22,996,877	₩ 8,496,931	₩ 1,163,365	₩ 1,668,011	₩ 34,325,184
Intercompany revenue	(2,184,046)	(1,086,660)	(255,972)	(37,005)	(3,563,683)
Revenue from external customers	₩ 20,812,831	₩ 7,410,271	₩ 907,393	₩ 1,631,006	₩ 30,761,501

(in millions of Korean won)

	2018				
	Domestic	Asia	Europe	The Americas	Total
Total revenue	₩ 23,580,951	₩ 7,955,470	₩ 1,171,007	₩ 1,892,521	₩ 34,599,949
Intercompany revenue	(2,307,922)	(749,182)	(230,237)	(156,971)	(3,444,312)
Revenue from external customers	₩ 21,273,029	₩ 7,206,288	₩ 940,770	₩ 1,735,550	₩ 31,155,637

31. Financial Risk Management

31.1 Financial Risk Management

The Group is exposed to credit risk, liquidity risk and market risk. Market risk arises from currency risk, interest rate risk and fair value risk associated with investments and others. The Group has a risk management program in place to monitor and actively manage such risks.

The Group's financial assets that are under financial risk management are composed of cash and cash equivalents, trade receivables, other financial instruments at amortized costs, financial instruments at fair value through other comprehensive income, financial instruments at fair value through profit or loss and others. The Group's financial liabilities under financial risk management are composed of trade and other payables, borrowings, debentures and others.

(a) Market risk

i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from international operations and transactions with different foreign currencies. Most widely used foreign currencies are the US Dollar, Euro, Japanese Yen and others. Foreign exchange risk management is carried out by considering the nature of the businesses and using risk management tools. The Group operates a system to manage receivables and payables denominated in foreign currencies. The risks of foreign currency exposure to receivables and payables are periodically evaluated, managed and reported through

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the system.

Details of foreign assets and liabilities of the Group as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019			
	USD	EUR	JPY	Others
Financial assets	₩ 1,643,889	₩ 145,649	₩ 19,427	₩ 96,254
Financial liabilities	1,367,476	151,019	22,284	63,361

<i>(in millions of Korean won)</i>	December 31, 2018			
	USD	EUR	JPY	Others
Financial assets	₩ 1,198,815	₩ 194,341	₩ 16,853	₩ 96,173
Financial liabilities	1,115,875	145,247	22,219	37,637

The table below summarizes the impact of weakened/strengthened Korean won on the Group's profit before income tax. The analysis is based on the assumption that Korean won has weakened/strengthened by 5% with all other variables held constant.

<i>(in millions of Korean won)</i>	December 31, 2019	
	Strengthened	Weakened
Financial assets	₩ (95,261)	₩ 95,261
Financial liabilities	80,207	(80,207)
Net effect	₩ (15,054)	₩ 15,054

<i>(in millions of Korean won)</i>	December 31, 2018	
	Strengthened	Weakened
Financial assets	₩ (75,309)	₩ 75,309
Financial liabilities	66,049	(66,049)
Net effect	₩ (9,260)	₩ 9,260

ii) Equity price risk

The Group's investment portfolio consists of direct and indirect investments in listed and non-listed securities for utilization of finances and enhancement of enterprise value. The book amount of the Group's equity investments as at December 31, 2019 and 2018, are ₩ 23,049,554 million and ₩ 18,667,910 million, respectively (Note 11 and 12). As at December 31, 2019, if listed share prices fluctuate by 1% without other variables changing, the effects on other comprehensive income and profit or loss for the year are ₩ 165,065 million (2018: ₩ 130,137 million) and ₩ 16 million (2018: ₩ 16 million), respectively.

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iii) Interest rate risk

The Group is exposed to interest rate risk fluctuations since the value of financial statement line items and interest expenses changes as a result of investment risk. The Group's position with regard to interest rate risk exposure is mainly related to debt obligations such as debentures. To mitigate interest rate risk, the Group manages interest rate risk proactively by establishing and operating policies for minimizing interest risks, monitoring periodically interest rate trends in domestic and international markets and preparing countermeasures.

As at December 31, 2019 and 2018, financial liabilities exposed to interest rate risk are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Financial liabilities	₩	1,921,585	₩	1,493,042

Interest sensitivity of the Group is determined based on the following assumption:

- Changes in market interest rate which influence interest expense related to floating interest rate financial instruments.

As at December 31, 2019 and 2018, under the assumption above, if interest rates fluctuate by 1% without other variables changing, the effects on expenses related to borrowings with variable interest rates are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
Decrease (increase) in interest expense	₩ (19,216)	₩ 19,216	₩ (14,930)	₩ 14,930

(b) Credit risk

Credit risk arises in connection with the normal course of transactions and investing activities, where clients or other parties fail to discharge an obligation. The Group monitors and sets the counterparty's credit limit on a periodic basis based on the counterparty's financial conditions, default history and other important factors.

Credit risk arises from cash and cash equivalents, savings and derivative instruments transactions with financial institutions. To mitigate or eliminate certain of those exposures, the Group transacts only with highly rated financial institutions. The maximum amount exposed to credit risks by each financial instrument is its book amount.

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i) Trade receivables and contract assets

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at December 31, 2019 is determined as follows; the expected credit losses below also include forward looking information.

(in millions of Korean won)	Less than 90 days past due							Total
	and within due	Less than 180 days past due	Less than 270 days past due	Less than 1 year past due	More than 1 year past due	Impaired receivables		
Expected loss rate	0.63%	1.49%	1.73%	7.24%	22.91%	63.26%		
Total carrying amount	₩ 4,008,906	₩ 90,693	₩ 22,530	₩ 7,301	₩ 44,118	₩ 242,692	₩ 4,416,240	
Loss allowance	(26,235)	(1,351)	(390)	(528)	(10,107)	(153,533)	(192,144)	

Movements in the loss allowance provision for trade receivables for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Beginning balance	₩ 196,555	₩ 180,528
Increase in loss allowance recognized in profit or loss during the year	5,624	15,063
Receivables written off during the year as uncollectible	(223)	(119)
Others ¹	(9,813)	1,083
Ending balance	<u>₩ 192,143</u>	<u>₩ 196,555</u>

¹ Others include exchange differences, consolidation adjustments and others.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. For these receivables, the estimated impairment losses are recognized in a separate provision for impairment. The Group considers that there is an evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization, and
- default or delinquency in payments

As at December 31, 2019, the gross carrying amount of trade receivables (including due from customer for contract work), reflecting the maximum exposure to credit risk, is ₩ 4,369,733 million (2018: ₩ 4,883,449 million).

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The amounts recognized in profit or loss in relation to impaired receivables for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Impairment loss				
- Selling and administrative expenses	₩	5,624	₩	15,063

ii) Other financial assets at amortized costs

The loss allowance provision for other financial assets at amortized costs recognized is limited to 12 months expected loss when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. However, when a significant increase in credit risk is identified, the loss allowance provision for lifetime expected credit losses should be recognized.

Movements in loss allowance provision for other financial assets at amortized cost for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Beginning balance	₩	487,575	₩	419,637
Increase in loss allowance recognized in profit or loss during the year		4,693		75,205
Receivables written off during the year as uncollectible		(6,652)		(6,289)
Others ¹		14,426		(978)
Ending balance	₩	<u>500,042</u>	₩	<u>487,575</u>

¹ Others include exchange differences, consolidation adjustments and others.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. For these receivables, the estimated impairment losses are recognized in a separate provision for impairment. The Group considers that there is an evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization, and
- default or delinquency in payments

As at December 31, 2019, the gross carrying amount of other financial assets at amortized costs, reflecting the maximum exposure to credit risk, is ₩ 2,096,512 million (2018: ₩ 2,453,628 million).

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The amounts recognized in profit or loss in relation to impaired receivables for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019		2018	
Impairment loss				
- Other expenses	₩	4,693	₩	75,205

(c) Liquidity risk

The Group manages its liquidity risk to maintain adequate net working capital by constantly managing projected cash flows. Beyond effective working capital and cash management, the Group mitigates liquidity risk by factoring and contracting with financial institutions with respect to bank overdrafts and others. In addition, for efficient application of funds, the Group monitors its cash flows through medium and long-term management planning and short-term management strategy.

As at December 31, 2019 and 2018, the financial liabilities are classified according to the remaining period of time to the expiration date of the contract.

<i>(in millions of Korean won)</i>		December 31, 2019				
		Cash flow schedule until the expiration date				
	Book amount	Cash flows by terms of contract	1 year or less	1 year ~ 2 years	2 years ~ 3 years	More than 3 years
Borrowings	₩ 2,638,364	₩ 2,692,056	₩ 2,443,412	₩ 167,079	₩ 15,844	₩ 65,721
Debentures	778,966	813,330	268,202	451,151	52,804	41,173
Derivative liabilities ¹	11,787	11,535	11,358	177	-	-
Financial guarantee liabilities ²	33,427	2,620,327	930,022	557,400	389,422	743,483
Trade payables	1,558,089	1,558,089	1,558,089	-	-	-
Other payables	3,452,652	3,452,652	3,177,342	55,062	82,593	137,655
	<u>₩ 8,473,285</u>	<u>₩ 11,147,989</u>	<u>₩ 8,388,425</u>	<u>₩ 1,230,869</u>	<u>₩ 540,663</u>	<u>₩ 988,032</u>

¹ The cash flow of derivative liability is estimated based on the net amount for payment.

² The cash flow presented is principal amount of the borrowings for which the Group provides the financial guarantee.

<i>(in millions of Korean won)</i>		December 31, 2018				
		Cash flow schedule until the expiration date				
	Book amount	Cash flows by terms of contract	1 year or less	1 year ~ 2 years	2 years ~ 3 years	More than 3 years
Borrowings	₩ 2,718,753	₩ 2,787,529	₩ 2,248,740	₩ 441,153	₩ 15,108	₩ 82,528
Debentures	1,797,893	1,863,068	1,051,343	269,545	452,180	90,000

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Derivative liabilities ¹	7,850	7,861	7,542	59	260	-
Financial guarantee liabilities ²	37,255	3,679,243	1,699,927	629,100	496,000	854,216
Trade payables	1,685,645	1,685,645	1,685,645	-	-	-
Other payables	4,410,064	3,286,626	3,186,282	20,069	30,103	50,172
	<u>₩10,657,460</u>	<u>₩13,309,972</u>	<u>₩ 9,879,479</u>	<u>₩ 1,359,926</u>	<u>₩ 993,651</u>	<u>₩ 1,076,916</u>

¹ The cash flow of derivative liability is estimated based on the net amount for payment.

² The cash flow presented is principal amount of the borrowings for which the Group provides the financial guarantee.

31.2 Capital Risk Management

The objective of capital management is to maintain sound capital structure. The Group's capital management considers the Group's debt ratio, computed by dividing total liabilities by total equity disclosed in the consolidated financial statements.

As at December 31, 2019 and 2018, debt-to-equity ratios are as follows:

<i>(in millions of Korean won)</i>	December 31, 2019		December 31, 2018	
Liabilities (A)	₩	19,213,420	₩	19,857,717
Equity (B)		<u>26,692,096</u>		<u>22,548,935</u>
Debt-to-equity ratio (A/B)		<u>71.98%</u>		<u>88.06%</u>

31.3 Assumptions in Determining Fair Value

The fair value of the financial instruments (available-for-sale securities and others) traded in wide market are estimated based on the publicly announced market price as at the reporting date. If there is no market for such financial instruments, the fair value is estimated by using certain valuation methods. For assessing the fair value, the Group uses various valuation methods, and establishes the assumptions based on the market condition as at the reporting date. For long-term liabilities, the official market price or dollar-asking price of the similar instruments is used. In addition, the Group uses various valuation methods such as estimated cash flows discount method to estimate fair value. Fair values of interest rate swap and currency swap are calculated by discounting future estimated cash flows. The fair values of metal futures and currency forward contract are estimated by using the official price and the official forward exchange rate as at the reporting date, respectively. The Group records the net book amount after deducting the provision for impairment from the gross amount as the approximate value of the trade receivables and other financial assets at amortized costs. The fair value of the financial liabilities is the discounted amount of the future cash flow under the terms of the contract by using current market interest rate applied on similar financial instruments.

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Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	₩ 22,427,332	₩ 455	₩ 168,565	₩ 22,596,352
Financial assets at fair value through profit or loss	2,209	210,040	240,953	453,202
Derivative financial instruments:				-
Held for trading	-	14,035	33,387	47,422
Hedging	-	18,436	-	18,436
	<u>₩ 22,429,541</u>	<u>₩ 242,966</u>	<u>₩ 442,905</u>	<u>₩ 23,115,412</u>
Liabilities measured at fair value				
Derivative financial instruments:				
Held for trading	₩ -	₩ 23,893	₩ -	₩ 23,893
Hedging	-	9,693	-	9,693
	<u>₩ -</u>	<u>₩ 33,586</u>	<u>₩ -</u>	<u>₩ 33,586</u>

(in millions of Korean won)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	₩ 17,681,661	₩ 605	₩ 266,134	₩ 17,948,400
Financial assets at fair value through profit or loss	2,172	540,081	177,257	719,510
Derivative financial instruments:				
Held for trading	-	9,557	26,990	36,547
Hedging	-	9,552	-	9,552
	<u>₩ 17,683,833</u>	<u>₩ 559,795</u>	<u>₩ 470,381</u>	<u>₩ 18,714,009</u>
Liabilities measured at fair value				
Derivative financial instruments:				
Held for trading	₩ -	₩ 16,331	₩ -	₩ 16,331
Hedging	-	3,220	-	3,220
	<u>₩ -</u>	<u>₩ 19,551</u>	<u>₩ -</u>	<u>₩ 19,551</u>

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

During the year ended December 31, 2019, there has been no significant change in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities.

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Valuation techniques and the inputs used in the fair value measurement related to recurring and non-recurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy and disclosed fair value are as follows:

<i>(in millions of Korean won)</i>	Fair value	Level	Fair value measurements	Inputs
Financial assets measured at fair value				
Energy industry equities	₩ 65,184	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Cooperative contribution	46,035	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Other equities	300,507	3	Net asset value method, discounted cash flow method and others	Growth rate, discount rate and others
Investment bonds	210,495	2	Discounted cash flow method	Counterparty credit risk and others
Derivatives (assets)				
Currency forwards and others	32,472	2	Market approach	Currency forwards rate, discount rate and others
Option	33,387	3	LSMC model	Underlying asset (East Central Tower Building)
Derivatives (liabilities)				
Currency forwards and others	33,586	2	Market approach	Currency forwards rate, discount rate and others

Valuation process of fair value measurements classified in level 3

The finance department of the Group's divisions is responsible for fair value measurements which contain fair value measurement categorized in Level 3 for the purpose of financial report and the said department reports periodically the fair value valuation process and its outcome on reporting schedule at the end of every year.

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

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The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument, which is categorized within Level 3 and subject to sensitivity analysis, are as follows:

(in millions of Korean won)

	2019					
	Favorable changes		Unfavorable changes			
	Profit for the year	Equity	Loss for the year	Equity		
Financial assets at fair value through other comprehensive income ¹	₩	-	₩ 24,928	₩	-	₩ (23,267)
Derivative financial instruments (option liabilities) ²		2,819	2,819	(2,784)		(2,784)

¹ For equity securities, changes in their fair value are calculated by increasing or decreasing the discount rate (-1%~1%), which are significant unobservable inputs. Beneficiary certificates are excluded from sensitivity analysis, as sensitivity computation of parameters is impracticable.

² For derivative financial instruments, changes in their fair value are calculated by increasing or decreasing the weighted average cost of capital (-1%~1%), perpetual growth rate (-0.5%~0.5%), and other significant unobservable inputs.

32. Changes in Accounting Policy

As explained in Note 2, the Group has adopted Korean IFRS 1116, retrospectively, from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are, therefore, recognized in the consolidated statement of financial position on January 1, 2019. Details of adjustments recognized on adoption of Korean IFRS 1116 Lease are as follows:

32.1 Adjustments recognized on adoption of Korean IFRS 1116 Leases

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.94%~3.23%.

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<i>(in millions of Korean won)</i>	2019	
Operating lease commitments disclosed as at December 31, 2018	₩	751,721
Discounted using the lessee's incremental borrowing rate of at the date of initial application		608,397
Less: short-term leases not recognized as a liability		(8,221)
Less: low-value leases not recognized as a liability		(3,181)
Lease liability recognized as at January 1, 2019		596,995
Of which are:		
Current lease liabilities		107,693
Non-current lease liabilities		489,302
	₩	596,995

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at December 31, 2018. The Group recognized impairment loss of ₩ 16,114 million and net lease investment bonds arising from sublease of ₩ 29,271 million that would have required an adjustment to the right-of-use assets at the date of initial application.

32.2 Impacts on the consolidated financial statements with adoption of Korean IFRS 1116 Leases

(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 millions of Korean won)</i>	December 31, 2019		January 1, 2019	
Right-of-use assets ¹				
Land	₩	114,094	₩	115,540
Buildings and structures		233,548		265,397
Animals & plants		12,095		13,230
Others		37,895		26,725
		397,632		420,892
Investment properties ²		85,634		88,647
	₩	483,266	₩	509,539

¹ Presented separately as the line item 'right-of-use assets' in the consolidated statements of financial position.

² Right-of-use assets for the lease contracts which satisfy the definition of investment properties are classified as investment properties and presented as the line item 'investment properties' in the consolidated statements of financial position.

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Additions to the right-of-use assets during the 2019 financial year were ₩ 63,591 million.

<i>(in millions of Korean won)</i>	December 31, 2019		January 1, 2019	
Lease liabilities ¹				
Current	₩	145,852	₩	107,693
Non-current		398,955		489,302
	₩	<u>544,807</u>	₩	<u>596,995</u>

¹ Included in the line item 'other current liabilities' and 'other non-current liabilities' in the statements of financial position.

As at December 31, 2019, the lease liabilities are classified according to the remaining period of time to the expiration date of the contract.

<i>(in millions of Korean won)</i>	December 31, 2019					
	Book amount	Cash flows by terms of contract	Cash flow schedule until the expiration date			
			1 year or less	1 year ~ 2 years	2 years ~ 3 years	More than 3 years
Lease liabilities	₩ 544,807	₩ 666,271	₩ 134,451	₩ 94,193	₩ 68,536	₩ 369,091

(b) Amounts recognized in the consolidated statements of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	2019	
Depreciation of right-of-use assets		
Land	₩	6,722
Buildings and structures		71,596
Animals & plants		795
Others		16,974
	₩	<u>96,087</u>
Depreciation of investment properties	₩	14,401
Interest expense relating to lease liabilities (included in cost of sales and financial expenses)		13,860
Expense relating to short-term leases (included in cost of sales and administrative expenses)		47,535
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)		49,698
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)		289,773

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(c) The total cash outflow from lease agreements was ₩ 523,159 million.

(d) Adjustments at the date of initial application

In applying Korean IFRS 1116 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying Korean IFRS 1017 and Interpretation 2104 *Determining whether an Arrangement contains a Lease*.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- right-of-use assets: increase by ₩ 420,892 million
- investment properties: increase by ₩ 88,647 million
- net lease receivables: increase by ₩ 29,271 million
- prepaid expenses: decrease by ₩ 1,292 million
- provisions: decrease by ₩ 43,363 million
- lease liabilities: increase by ₩ 596,995 million
- retained earnings: decrease by ₩ 11,860 million
- deferred tax liabilities: decrease by ₩ 4,254 million

(e) Impact on segment disclosure and earnings per share

For the period ended December 31, 2019, all segment assets and liabilities have increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

<i>(in millions of Korean won)</i>	2019						
	Construction	Trading	Fashion	Resort	Bio	Common	Total
Segment assets	₩ 168,803	₩ 36,841	₩ 147,743	₩ 129,392	₩ 16,119	₩ 13	₩ 498,911
Segment liabilities	(200,077)	(37,112)	(162,729)	(128,986)	(15,889)	(13)	(544,806)

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The impact on earnings per share of the adoption of Korean IFRS 1116 for the period ended December 31, 2019 is not material.

33. Events after the Reporting Period

The Group decided to retire the treasury shares (2,802,962 ordinary shares and 15 preferred shares) in accordance with a resolution of the Board of Directors on February 26, 2020.