

Hyosung Chemical Corporation

**Separate Financial Statements
December 31, 2022 and 2021**

Hyosung Chemical Corporation

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December 31, 2022 and 2021

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors of and Shareholders of
Hyosung Chemical Corporation

Opinion

We have audited the accompanying separate financial statements of Hyosung Chemical Corporation (the Company) which comprise the separate statements of financial position as at December 31, 2022 and 2021, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of Hyosung Chemical Corporation as at December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 8, 2023 expressed an unqualified opinion.

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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the separate 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the separate financial statements of the Company. Note 3 to the separate financial statements describes uncertainty relating to the impact of Coronavirus disease 2019 (COVID-19) on the Company's productivity and ability to satisfy customer's orders, and to solve these events or circumstances.

Key Audit Matters

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

(1) Impairment assessment on cash-generating units

Why we determined this matter as Key Audit Matter

A cash generating unit (CGU) is tested for impairment if there is an indication of impairment. 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.

The Company determined that there is an indication of asset impairment in POK(POLYKETONE) segment's CGU. We focused on this area due to the significant size of this CGU and because the assessment of the 'value in use' of the Company's CGU involves management's judgements about the expectations for the future business and on the discount rates. The Company engaged an independent external expert to assist the Company in valuation of the fair value of the POK(POLYKETONE) segment's CGU.

How our audit addressed the Key Audit Matter

We have performed audit procedures in relation to the impairment assessment on the CGU are as follows:

- We evaluated the appropriateness of determination of the CGU of the Company and the book amount of the CGU.
- We evaluated the independence and eligibility of the external expert hired by the Company to assess the value in use.
- We evaluated the adequacy of the valuation model used in estimating value in use.
- We confirmed the consistency of the cash flow forecasts and the approved forecasts by management.
- We compared current year actual results with the prior year forecast.
- We evaluated the reasonableness of key assumptions used in estimating value in use.
- We examined the accuracy of value in use calculations.

(2) Impairment assessment of investments in subsidiaries

Why we determined this matter as Key Audit Matter

Investments in subsidiaries amount to ₩ 444,004 million as at December 31, 2022. Investments in subsidiaries are tested for impairment if there is an indication of impairment. 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.

The Company determined that there is an indication of asset impairment in investments in subsidiaries of Hyosung Vina Chemicals Co., Ltd. We focused on this area due to the significant size of this investment in Hyosung Vina Chemicals Co., Ltd. (December 31, 2022: ₩ 394,608 million) and because the future cash flow forecast included in the assessment of the 'value in use' of the Company's investments in subsidiaries involves management's judgements about the expectations for future results of the business and on the discount rates. The Company engaged an independent external expert to assist the Company in valuation of the fair value of the investment in Hyosung Vina Chemicals Co., Ltd.

How our audit addressed the Key Audit Matter

We have performed the audit procedures in relation to impairment assessment on investment in Hyosung Vina Chemicals Co., Ltd. are as follows:

- We obtained an understanding of and evaluated the controls related to impairment assessment on investments in subsidiaries of the Company.
- We evaluated the appropriateness of identification of investments in subsidiaries with any indication of impairment in accordance with accounting policy of the Company.
- We evaluated the independence and eligibility of the external expert hired by the Company to assess the value in use.
- We evaluated the adequacy of the valuation model used in estimating value in use.
- We confirmed the consistency of the cash flow forecasts and the approved forecasts by management.
- We compared current year actual results with the prior year forecast.
- We evaluated the reasonableness of key assumptions used in estimating value in use.
- We examined the accuracy of value in use calculations.

Other Matter

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

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

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

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations.

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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.
- 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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 separate 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 Youngseok Bae, Certified Public Accountant.

Seoul, Korea
March 8, 2023

This report is effective as of March 8, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate 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.

Hyosung Chemical Corporation
Separate Statements of Financial Position
December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents	4,8,9	₩ 25,765,384,899	₩ 1,045,954,389
Trade and other receivables	4,7,8,11	220,067,936,333	210,222,393,062
Other financial assets	4,5,8,12	751,009,948	45,120,271
Other current assets	13	31,256,923,272	40,212,636,219
Other intangible assets	17	-	7,343,879
Inventories	14	202,453,027,338	171,939,817,246
Current tax assets	24	226,994,870	-
		<u>480,521,276,660</u>	<u>423,473,265,066</u>
Non-current assets			
Long-term trade and other receivables	4,8,11	148,635,036,409	24,906,396,032
Property, plant and equipment	15,16,18,38	774,545,204,648	757,157,518,697
Intangible assets	17	11,079,782,179	11,647,015,049
Investments in subsidiaries and associates	19	458,283,024,961	408,887,024,961
Other non-current financial assets	4,5,8,10,12	1,534,162,400	60,812,000
Other non-current assets	13,23	11,342,215,500	5,212,879,120
Deferred tax assets	24	36,659,551,361	10,631,926,966
		<u>1,442,078,977,458</u>	<u>1,218,503,572,825</u>
Total assets		<u>₩ 1,922,600,254,118</u>	<u>₩ 1,641,976,837,891</u>
Liabilities			
Current liabilities			
Trade and other payables	4,8,21	₩ 358,185,663,563	₩ 330,142,543,931
Borrowings	4,7,8,22,38	395,253,769,610	326,477,147,688
Other financial liabilities	8,12,15	12,936,807,875	4,250,708,286
Current tax liabilities	24	-	39,421,732,107
Other current liabilities	25,39	10,482,081,128	12,711,347,029
		<u>776,858,322,176</u>	<u>713,003,479,041</u>
Non-current liabilities			
Long-term trade and other payables	4,8,21	13,594,408,420	13,269,714,535
Long-term borrowings	4,8,22,38	600,817,592,980	299,436,019,023
Other non-current financial liabilities	8,12,16	5,153,542,554	2,713,434,439
Other non-current liabilities	25	11,259,590,694	13,295,302,650
		<u>630,825,134,648</u>	<u>328,714,470,647</u>
Total liabilities		<u>1,407,683,456,824</u>	<u>1,041,717,949,688</u>
Equity			
Share capital	26	15,950,630,000	15,950,630,000
Share premium		327,697,938,702	327,697,938,702
Retained earnings	27	173,120,340,210	258,442,117,826
Other components of equity	28	(1,852,111,618)	(1,831,798,325)
Total equity		<u>514,916,797,294</u>	<u>600,258,888,203</u>
Total liabilities and equity		<u>₩ 1,922,600,254,118</u>	<u>₩ 1,641,976,837,891</u>

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

Hyosung Chemical Corporation
Separate Statements of Profit or Loss
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Revenue	6,20,29	₩ 2,287,412,310,278	₩ 2,108,872,039,217
Cost of sales	20,30,31	<u>2,295,599,783,948</u>	<u>1,826,175,938,291</u>
Gross profit (loss)		(8,187,473,670)	282,696,100,926
Selling general and administrative expenses	30,31,32	75,221,524,305	70,018,727,366
Research and development expenses	30,31	<u>20,882,685,874</u>	<u>21,782,796,209</u>
Operating profit (loss)		(104,291,683,849)	190,894,577,351
Other income	33	10,454,931,069	7,592,904,587
Other expenses	33	4,789,546,726	2,217,918,391
Finance income	34	121,276,503,056	29,245,305,932
Finance expenses	34	<u>153,182,854,032</u>	<u>51,538,393,585</u>
Profit (loss) before income tax		(130,532,650,482)	173,976,475,894
Income tax expense (benefit)	24	<u>(35,379,131,528)</u>	<u>43,956,293,060</u>
Profit (loss) for the year		<u>₩ (95,153,518,954)</u>	<u>₩ 130,020,182,834</u>
Earnings (loss) per share			
Basic earnings (loss) per share	35	₩ (29,943)	₩ 40,915

The above separate statements of profit or loss should be read in conjunction with the accompanying notes.

Hyosung Chemical Corporation
Separate Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Notes	2022	2021
Profit (loss) for the year		<u>₩ (95,153,518,954)</u>	<u>₩ 130,020,182,834</u>
Other comprehensive income (loss)			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities	23,24	9,831,741,338	113,111,724
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	12	(20,313,293)	11,642,880
<i>Items that may be subsequently reclassified to profit or loss</i>		<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of tax		<u>9,811,428,045</u>	<u>124,754,604</u>
Total comprehensive income (loss) for the year		<u>₩ (85,342,090,909)</u>	<u>₩ 130,144,937,438</u>

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

Hyosung Chemical Corporation
Separate Statements of Changes in Equity
Years Ended December 31, 2022 and 2021

(in Korean won)

	Share capital	Share premium	Retained Earnings	Other Components of Equity	Total Equity
Balance at January 1, 2021	₩ 15,950,630,000	₩ 327,697,938,702	₩ 128,308,823,268	₩ (1,843,441,205)	₩ 470,113,950,765
Total comprehensive income					
Profit for the year	-	-	130,020,182,834	-	130,020,182,834
Remeasurements of net defined benefit liabilities	-	-	113,111,724	-	113,111,724
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	11,642,880	11,642,880
Balance at December 31, 2021	<u>₩ 15,950,630,000</u>	<u>₩ 327,697,938,702</u>	<u>₩ 258,442,117,826</u>	<u>₩ (1,831,798,325)</u>	<u>₩ 600,258,888,203</u>
Balance at January 1, 2022	₩ 15,950,630,000	₩ 327,697,938,702	₩ 258,442,117,826	₩ (1,831,798,325)	₩ 600,258,888,203
Total comprehensive income					
Loss for the year	-	-	(95,153,518,954)	-	(95,153,518,954)
Remeasurements of net defined benefit liabilities	-	-	9,831,741,338	-	9,831,741,338
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(20,313,293)	(20,313,293)
Balance at December 31, 2022	<u>₩ 15,950,630,000</u>	<u>₩ 327,697,938,702</u>	<u>₩ 173,120,340,210</u>	<u>₩ (1,852,111,618)</u>	<u>₩ 514,916,797,294</u>

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

Hyosung Chemical Corporation
Separate Statements of Cash Flows
Years Ended December 31, 2022 and 2021

<i>(in Korean won)</i>	Note	2022	2021
Cash flows from operating activities			
Cash generated from operations	37	₩ 44,671,266,626	₩ 330,642,302,871
Income taxes paid		(33,429,777,210)	(21,544,778,118)
Interest paid		(21,827,490,175)	(18,863,506,284)
Interest received		1,159,036,417	64,477,800
Dividends received		-	291,355,000
Net cash inflow (outflow) from operating activities		<u>(9,426,964,342)</u>	<u>290,589,851,269</u>
Cash flows from investing activities			
Collection of long-term loans		337,710,000	243,642,518
Proceeds from disposal of property plant and equipment		2,630,949,674	295,745,770
Proceeds from disposal of intangible assets		-	1,200,000,000
Payments for financial assets at fair value through other comprehensive income		-	(29,952,000)
Increase in long-term loans		(134,162,950,000)	(340,000,000)
Decrease in long-term guarantees		6,742,830	253,704,104
Increase in long-term guarantees		(40,028,350)	(67,901,844)
Payments for property, plant and equipment		(173,611,338,904)	(55,759,928,915)
Payments for intangible assets		(277,628,471)	(299,956,553)
Payments for investments in subsidiaries and associates		(49,396,000,000)	-
Increase (decrease) in derivatives		20,735,843,390	(701,107,006)
Increase in prepaid expenses		(11,330,118,243)	(9,940,458,329)
Payments for leased assets		-	(43,000,000)
Increase in short-term guarantees		(105,000,000)	(18,000,000)
Decrease in short-term guarantees		236,888,200	1,000,000,000
Receipt of government grants		3,467,034,851	346,468,089
Increase in advance payments		-	(12,557,079,800)
Decrease in advance payments		12,557,079,800	-
Payments for financial assets at fair value through profit or loss		(1,610,985,920)	(73,206,000)
Proceeds from disposal of financial assets at fair value through profit or loss		136,950,000	74,823,000
Net cash outflow from investing activities		<u>(330,424,851,143)</u>	<u>(76,416,206,966)</u>
Cash flows from financing activities			
Proceeds from issuance of bonds		169,673,740,000	20,867,968
Repayments of bonds		(195,000,000,000)	(98,000,000,000)
Proceeds from short-term borrowings		1,488,042,560,008	996,967,474,379
Repayments of short-term borrowings		(1,306,597,450,326)	(1,053,327,805,635)
Repayments of current portion of borrowings		(27,999,970,000)	(43,614,540,000)
Proceeds from long-term borrowings		240,235,400,000	-
Repayments of long-term borrowings		-	(12,500,000,000)
Repayments of lease liabilities		(3,783,033,687)	(3,595,435,638)
Net cash inflow (outflow) from financing activities		<u>364,571,245,995</u>	<u>(214,049,438,926)</u>
Net increase in cash and cash equivalents		24,719,430,510	124,205,377
Cash and cash equivalents at the beginning of the year		1,045,954,389	921,749,012
Cash and cash equivalents at the end of the year		<u>₩ 25,765,384,899</u>	<u>₩ 1,045,954,389</u>

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

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Notes to the Separate Financial Statements

December 31, 2022 and 2021

1. General Information

Hyosung Chemical Corporation (the “Company”) was spun off on June 1, 2018, from Hyosung Corporation to engage in chemical related business.

As at December 31, 2022, the Company has plants in Yongyeon, Gumi, Oksan and Daejeon, etc. In addition, the Company has a subsidiary in Vietnam and China.

As at December 31, 2022, the Company’s major shareholders are as follows:

	Number of shares	Percentage of ownership (%)
Hyosung Corporation	643,481	20.17
Seok-Rae Cho	231,927	7.27
Hyun-Joon Cho	279,355	8.76
Hyun-Sang Cho	233,663	7.32
Gwang-Ja Song	23,445	0.73
Yang-Rae Cho, etc.	11,367	0.36
Others	1,754,557	55
Treasury shares	12,331	0.39
	3,190,126	100

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 Company 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 separate 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 Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company 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

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Korea.

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

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment and investment property – measured at fair value
- defined benefit pension plans – plan assets measured at fair value

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

2.2 Changes in Accounting Policies and Disclosures

2.2.1 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022.

(a) Amendment to Korean IFRS 1116 Leases - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment does not have a significant impact on the financial statements.

(b) Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendment does not have a significant impact on the financial statements.

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(c) Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment does not have a significant impact on the financial statements.

(d) Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendment does not have a significant impact on the financial statements.

(e) Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2021 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendment does not have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards*
– Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1041 *Agriculture* – Measuring fair value

2.2.2 New standards and interpretations not yet adopted by the Company

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Company.

(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity

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instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(b) Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

(c) Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

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

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

(e) New Standard: Korean IFRS 1117 Insurance Contract

Korean IFRS 1117 *Insurance Contracts* replaces Korean IFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (Refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied Korean IFRS 1109 Financial Instruments. The Company does not expect that these amendments have a significant impact on the financial statements.

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Further amendments made in December 2022 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of Korean IFRS 1117. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of Korean IFRS 1117. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of Korean IFRS 1109. The classification can be applied on an instrument-by-instrument basis.

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

If the entire or a part of financial instrument, whose exercise price is subject to change due to the issuer's share price, is classified as a financial liability, the carrying amount of the financial liability and related gains and losses shall be disclosed. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

2.3 Subsidiaries, Joint Ventures and Associates

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027 *Separate Financial Statements*. Investments in subsidiaries, joint ventures and associates are recognized at cost under the direct equity method. Management applied the carrying amounts under the previous K-GAAP at the time of transition to Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, joint ventures and associates in profit or loss when its right to receive the dividend is established.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The separate financial statements are presented in Korean won, which is the 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.

Non-monetary items in foreign currency that are measured as historical cost are recognized using

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the exchange rate as at the date of initial transaction. Non-monetary items in foreign currency measured at fair value are recognized using the exchange rate at the date of the fair value measurement. The gain or loss arising from translation of non-monetary items is treated in line with the recognition of gain or loss on the change in fair value of the item, as either profit or loss or other comprehensive income or loss.

2.5 Financial Assets

(a) Classification

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

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

The classification depends on the Company'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.

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

(b) Measurement

At initial recognition, the Company 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.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company 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.

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A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

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

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

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

(c) Impairment

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

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the receivables. (Note 11 provides more detail of how the Company determines there has been a significant increase in credit risk.)

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Company classified the financial liability as “borrowings” in the statement of financial position (Note 22).

(e) Offsetting of financial instruments

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

2.6 Derivative Instruments

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

2.7 Trade Receivables

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

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2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method except for in-transit inventories which are determined using the specific identification method.

2.9 Property, Plant and Equipment

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

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

	Useful lives
Buildings	20 - 40 years
Structures	20 - 40
Machinery	8 - 10
Vehicles	5
Tools and equipment	5
Right-of-use assets	1 - 36
Others	5

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

2.10 Borrowing Costs

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

2.11 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by

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deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.12 Intangible Assets

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

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Industrial rights	5 - 10 years
Facility usage rights	10
Other intangible assets	5

2.13 Impairment of Non-financial Assets

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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.14 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Financial Liabilities

(a) Classification and measurement

The Company'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 other financial liabilities.

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The Company 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 and other payables', and 'borrowings' in the statement of financial position.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Preferred shares that require mandatory redemption on a specific 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.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(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.

2.16 Financial Guarantee Contracts

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

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

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Customers

2.17 Greenhouse Gas Emission Permits and Obligations

With enforcement of *The Act on the Allocation and Trading of Greenhouse Gas Emission Permits*, emission permits that are allocated free of charge from the government are measured at zero, and emission permits purchased are recognized at acquisition cost by including any directly attributable costs incurred during the normal course of business. Emission permits are carried at cost less accumulated impairment losses, and those to be submitted to the government within one year from the end of reporting period are classified as current assets.

Emission obligation is a present obligation of submitting the allowances to the government. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The emission obligations to be settled within one year from the end of the reporting period are classified as current liabilities.

The Company derecognizes the emission permits when the emission allowance is disposed or submitted to the government or becomes unable to be disposed or submitted, and accordingly, the future economic benefits are no longer expected to be probable. The Company derecognizes the emission obligations when the Company submits the emission permits to the government. The emission permits and emission obligations are classified as intangible assets and provisions, respectively, in the statement of financial position.

2.18 Provisions

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

2.19 Current and Deferred Tax

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

The current income tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

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The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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 separate 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 Company 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 Company 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 Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

2.20 Employee Benefits

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

For defined contribution plans, the Company pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Company has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

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

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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.

The Company provides long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Company recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

2.21 Revenue Recognition

The Company manufactures and sells a variety of products and merchandises including polypropylene, TPA, film, NF3, optical film and polyketone.

Sales are recognized when control of products and merchandises has transferred, being when the products and the merchandises are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the merchandises. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. Also, when the Company exports products and merchandises under the terms of Incoterms Group C, the Company identifies the transportation service as a separate performance obligation since the transportation service is carried out after the control of products and merchandises has been transferred to the customer.

2.22 Leases

(a) Lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Company leases various offices, warehouses, vehicles, facilities and others. Lease contracts

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are typically made for fixed periods, but may have extension options or termination options as described in (c) below.

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

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

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

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

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

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

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

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on the remaining balance of the liability for each period.

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases 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 without a purchase option. Low-value assets comprise IT-equipment and small items.

(c) Extension and termination options

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

(d) Residual value guarantees

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

2.23 Segment Reporting

The Company has a single operating segment in accordance with Korean IFRS 1108 *Operating Segments*.

2.24 Approval of Issuance of the Financial Statements

The separate financial statements 2022 were approved for issue by the Board of Directors on January 30, 2023 and are subject to change with the approval of shareholders at their Annual General Meeting.

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3. Critical Accounting Estimates and Assumptions

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

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

(a) Impact of Coronavirus disease 2019 ("COVID-19")

Although global economy deteriorated due to Coronavirus disease 2019 ("COVID-19"), the Company has not identified any risks that could impact the financial performance or position of the Company as at December 31, 2022. It has sufficient headroom and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investments. However, significant accounting estimates and assumptions applied in the preparation of the separate financial statements can be adjusted depending on changes in the uncertainty from COVID-19. Also, the ultimate effect of COVID-19 to the Company's business, financial position and financial performance cannot presently be determined.

(b) Impact of Russia's war on Ukraine

Russia's war on Ukraine is continuing and Russia is imposed to the international sanctions. Due to the limitations of Russian banks' access to the SWIFT (Society for Worldwide Interbank Financial Telecommunication) payment system, the lack of liquidity in the foreign exchange market as well as the significant decline in value of the Rubles and the decline in value of Russian companies' securities are in progress. As a result, the Company may experience situations such as a decrease in value of financial assets or operating assets owned by the Company regarding the conflict, an increase in receivable payment terms, limitation to transfer funds, a decrease in the profit. As at December 31, 2022, the Company holds approximately ₩ 107 million of trade receivables for companies in Russia and Ukraine, but these trade receivables are insured by the Korea Trade Insurance Corporation. The Company does not expect these receivables to have a significant impact on the financial statements.

(c) Impairment of assets

The Company considers value-in-use when calculating recoverable amount for the impairment test of investments in subsidiaries and cash generating units (CGU). The value-in-use is calculated by

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discounting estimated future cash flows of investments in subsidiaries and CGU with the appropriate discount rates (Notes 15 and 19).

(d) Income taxes

The Company'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 (Note 24).

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 Company is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Company's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(e) 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 Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(f) Impairment of financial assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 11).

(g) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 23).

(h) 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).

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4. Financial Risk Management

4.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize any adverse effects on the financial performance of the Company. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the management committee within the Board of Directors. The committee reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investments exceeding liquidity.

4.1.1 Market Risk

(a) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk, primarily the US dollar, Euro and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognized assets liabilities and net investments in foreign operations.

Management has set up a policy to require operations to manage their foreign exchange risk against their functional currency.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The table below summarizes the impact of weakened/strengthened Korean won by 10% against foreign currencies on the Company's pre-tax profit for the period, with all other variables held constant.

(in millions of Korean won)

		Impact on post-tax profit			
		2022		2021	
USD	Strengthened	₩	(1,822)	₩	(10,465)
	Weakened		1,822		10,465
EUR	Strengthened		(125)		(274)
	Weakened		125		274
JPY	Strengthened		(21)		10
	Weakened		21		(10)
Others	Strengthened		(290)		-
	Weakened		290		-

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(b) Price risk

The Company is exposed to equity securities price risk arises from investments held by the Company that are classified as at fair value through other comprehensive income in the separate statement of financial position.

The Company's equity investments are publicly traded and are included in the KOSPI index.

The table below summarizes the impact of increases/decreases of this index on the Company's equity and post-tax profit for the year. The analysis is based on the assumption that the equity indexes has increased/decreased by 10% with all other variables held constant.

<i>(in millions of Korean won)</i>		Impact on equity			
		2022		2021	
KOSPI	Increase 10%	₩	2	₩	5
	Decrease 10%		(2)		(5)

(c) Interest rate risk

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

The Company holds fixed and floating interest rate borrowings and is exposed to interest rate risk from the floating interest rate borrowings. The Company's management reviews interest rate fluctuation periodically and manages the interest rate risk by repaying or refinancing the borrowings.

The table below summarizes the impact of increase/decrease of interest rate by 100 basis points on the Company's pre-tax profit for the period, with all other variable held constant.

<i>(in millions of Korean won)</i>		Impact on post-tax profit			
		2022		2021	
Increase		₩	(1,340)	₩	(506)
Decrease			1,340		506

4.1.2 Credit Risk

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents, financial assets and outstanding receivables, etc. If customers are independently rated, these

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ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limit is regularly monitored by line management. See Note 11 for more information about credit risk.

The maximum exposure to credit risk as at December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Cash and cash equivalents	₩	25,765	₩	1,046
Trade and other receivables		220,068		210,222
Other financial assets		751		45
Long-term trade and other receivables		148,635		24,906
Other non-current financial assets		1,534		61
Financial guarantee contracts ¹		1,756,710		1,544,829

¹ The maximum risk exposed in relation to financial guarantee contracts is the maximum amount that the Company should pay when the guarantee is charged.

4.1.3 Liquidity Risk

The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Company's liquidity forecast comprehensively considers short-term and long-term financing plan, compliance of covenants, and target financial ratios.

Details of the Company's liquidity risk analysis as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 358,185	₩ 13,594	₩ -	₩ 371,779
Lease liabilities	3,794	4,545	1,199	9,538
Borrowings (including interest expense)	426,266	640,389	-	1,066,655
Derivative instruments	9,215	278	-	9,493
Financial guarantee contracts	1,756,710	-	-	1,756,710
Total	<u>₩ 2,554,170</u>	<u>₩ 658,806</u>	<u>₩ 1,199</u>	<u>₩ 3,214,175</u>

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	2021			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 330,142	₩ 13,270	₩ -	₩ 343,412
Lease liabilities	3,715	2,444	686	6,845
Borrowings (including interest expense)	338,998	309,916	-	648,914
Derivative instruments ¹	535	-	-	535
Financial guarantee contracts	1,544,829	-	-	1,544,829
Total	₩ 2,218,219	₩ 325,630	₩ 686	₩ 2,544,535

¹ Trading portfolio derivative instruments are included at their fair value within the less than 1 year time bucket. This is because the contractual maturities are not essential to understand the timing of the cash flows. These contracts are managed on a net fair value basis rather than by maturity date.

4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is total borrowings (including 'short and long-term borrowings' as shown in the separate statement of financial position) less cash and cash equivalents. Total capital is 'equity' as shown in the separate statement of financial position plus net debt.

The gearing ratio as at December 31, 2022 and 2021, is as follows:

(in millions of Korean won)

	2022	2021
Total borrowings	₩ 996,071	₩ 625,913
Less: cash and cash equivalents	<u>(25,765)</u>	<u>(1,046)</u>
Net debt	970,306	624,867
Total equity	<u>514,917</u>	<u>600,259</u>
Total capital	₩ 1,485,223	₩ 1,225,126
Gearing ratio	65.33%	51.00%

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5. Fair Value

5.1 Financial Instruments Measured at Fair value

The book value is similar to the fair value of financial instruments measured at amortized cost.

5.2 Fair Value Hierarchy

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

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

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

		2022			
		Level 1	Level 2¹	Level 3	Total
Assets					
Financial assets at fair value through profit or loss (derivative financial assets, debt securities)					
	₩	-	₩ 751	₩ 1,500	₩ 2,251
Financial assets at fair value through other comprehensive income (equity securities)					
		19	-	-	19
Total	₩	19	₩ 751	₩ 1,500	₩ 2,270
Liabilities					
Financial liabilities at fair value through profit or loss (derivative financial liabilities)					
	₩	-	₩ 9,493	₩ -	₩ 9,493
Total	₩	-	₩ 9,493	₩ -	₩ 9,493

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(in millions of Korean won)

	2021							
	Level 1	Level 2 ¹	Level 3	Total				
Assets								
Financial assets at fair value through profit or loss (derivative financial assets)	₩	-	₩	45	₩	-	₩	45
Financial assets at fair value through other comprehensive income (equity securities)		45		-				45
Total	₩	45	₩	45	₩	-	₩	90
Liabilities								
Financial liabilities at fair value through profit or loss (derivative financial liabilities)	₩	-	₩	536	₩	-	₩	536
Total	₩	-	₩	536	₩	-	₩	536

¹ The Company uses market approach as valuation technique for derivative financial assets and liabilities classified as level 2 in fair value hierarchy. Inputs are exchange rates and others.

5.3 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

There were no transfers between fair value hierarchy levels for the year ended December 31, 2022.

5.4 Valuation Techniques and the Inputs

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

(in millions of Korean won)

	2022					
	Fair value	Level	Valuation techniques	Inputs	Level 3 Range of inputs (weighted average)	
Derivatives						
Assets	₩	751	2	Market approach	Exchange rate, discount rate	N/A
Liabilities		9,493	2	Market approach	Exchange rate, discount rate	N/A
Debt securities						
Corporate bonds subordinated debt	₩	1,500	3	Asset value approach	N/A	N/A

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won)

	2021					
	Fair value	Level	Valuation techniques	Inputs	Level 3 Range of inputs (weighted average)	
Derivatives						
Assets	₩ 45	2	Market approach	Exchange rate, discount rate	N/A	
Liabilities	536	2	Market approach	Exchange rate, discount rate	N/A	

5.5 Impairment of Financial Assets

The provisions for impairment for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period (Note 11).

6. Segment Information

The Company has a single operating segment in accordance with Korean IFRS 1108 *Segment Reporting*.

Details of revenue broken down by location of the customers for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)	2022		2021	
Korea	₩	1,070,967	₩	855,274
North America		71,110		74,549
Asia		608,116		653,501
Europe		435,776		450,698
South America		21,397		16,712
Africa		70,418		49,891
Others		9,628		8,247
	₩	2,287,412	₩	2,108,872

The key customer who contributed more than 10% of the Company's revenue is Hyosung TNC Corporation. Details for the year ended December 31, 2022, is as follows:

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<i>(in millions of Korean won)</i>	2022		2021	
	Revenue amount	Revenue %	Revenue amount	Revenue %
Hyosung TNC Corporation ₩	311,664	13.63%	₩ 224,615	10.65%

7. Transfer of Financial Assets

Under factoring arrangement, the Company sells trade receivables at a discount to the financial institutions for the years ended December 31, 2022 and 2021. The Company may retain an obligation to compensate a financial institution for debtors' failure to make payment when they become due, an obligation known as a 'recourse obligation'. Recourse obligations related to the sales of receivables with recourse are accounted for as collateralized borrowings (Notes 11, 22 and 38).

Details of transferred financial assets that are not derecognized in their entirety as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Loans and receivables	
	2022	2021
Carrying amount of assets	₩ 68,506	₩ 65,517
Carrying amount of the associated liabilities	(68,506)	(65,517)
Net position	₩ -	₩ -

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8. Financial Instruments by Categories

(a) Carrying Amounts of Financial Instruments by Category

Carrying amounts of financial assets and liabilities by category as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022			
	Financial assets at amortized cost	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Assets				
Cash and cash equivalents	₩ 25,765	₩ -	₩ -	₩ 25,765
Trade and other receivables	201,295	18,773	-	220,068
Other financial assets	-	751	-	751
Long-term trade and other receivables	148,635	-	-	148,635
Other non-current financial assets	15	1,500	19	1,534
	<u>₩ 375,710</u>	<u>₩ 21,024</u>	<u>₩ 19</u>	<u>₩ 396,753</u>

(in millions of Korean won)

	2022			
	Financial liabilities at amortized cost	Other financial liabilities	Financial liabilities measured at FVTPL	Total
Liabilities				
Trade and other payables ¹	₩ 339,446	₩ 8,905	₩ -	₩ 348,351
Borrowings	324,472	70,782	-	395,254
Other financial liabilities	-	3,722	9,215	12,937
Long-term trade and other payables	13,594	-	-	13,594
Long-term borrowings	600,818	-	-	600,818
Other non-current financial liabilities	-	4,875	278	5,153
	<u>₩ 1,278,330</u>	<u>₩ 88,284</u>	<u>₩ 9,493</u>	<u>₩ 1,376,107</u>

¹ The liabilities related to employee benefits are excluded from above trade and other payables.

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(in millions of Korean won)

	2021			
	Financial assets at amortized cost	Financial assets measured at FVTPL	Financial assets measured at FVTOCI	Total
Assets				
Cash and cash equivalents	₩ 1,046	₩ -	₩ -	₩ 1,046
Trade and other receivables	186,616	23,606	-	210,222
Other financial assets	-	45	-	45
Long-term trade and other receivables	24,906	-	-	24,906
Other non-current financial assets	16	-	45	61
	<u>₩ 212,584</u>	<u>₩ 23,651</u>	<u>₩ 45</u>	<u>₩ 236,280</u>

(in millions of Korean won)

	2021			
	Financial liabilities at amortized cost	Other financial liabilities	Financial liabilities measured at FVTPL	Total
Liabilities				
Trade and other payables ¹	₩ 311,604	₩ 9,235	₩ -	₩ 320,839
Borrowings	258,523	67,954	-	326,477
Other financial liabilities	-	3,715	536	4,251
Long-term trade and other payables	13,270	-	-	13,270
Long-term borrowings	299,436	-	-	299,436
Other non-current financial liabilities	-	2,713	-	2,713
	<u>₩ 882,833</u>	<u>₩ 83,617</u>	<u>₩ 536</u>	<u>₩ 966,986</u>

¹ The liabilities related to employee benefits are excluded from above trade and other payables.

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(b) Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Financial assets measured at amortized cost:				
Interest income	₩	2,636	₩	199
Gain on foreign currency translation		17,392		3,563
Loss on foreign currency translation		(19,395)		(744)
Gain on foreign currency transaction		(17,730)		(6,374)
Loss on foreign currency transaction		18,608		8,038
Bad debt expense		(2,589)		(151)
Financial liabilities measured at amortized cost:				
Interest expense		(22,290)		(18,288)
Gain on foreign currency translation		23,586		616
Loss on foreign currency translation		(24,404)		(5,010)
Gain on foreign currency transaction		(37,311)		(14,460)
Loss on foreign currency transaction		23,310		6,236
Other financial liabilities ¹				
Interest expense		(2,039)		(680)
Gain on foreign currency translation		4,231		200
Loss on foreign currency translation		(5,468)		(1,243)
Financial assets/liabilities at FVTPL				
Gain (loss) on transaction (profit or loss for the year)		21,252		8,930
Gain (loss) on valuation (profit or loss for the year)		(8,742)		(489)
Financial assets/liabilities at FVTOCI				
Gain (loss) on valuation (other comprehensive income)		(20)		12

¹ Other financial liabilities include financial liabilities that are related to transfer transactions of financial assets not derecognized in their entirety. Such financial liabilities are not subject to application of financial liability categorization.

9. Cash and Cash Equivalents

Cash and cash equivalents as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	2022		2021	
Bank deposits	₩	25,765	₩	1,046

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10. Restricted Financial Instruments

Restricted financial instruments as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Description	2022		2021	
Other non-current financial assets	Checking account deposits	₩	15	₩	15

11. Trade and Other Receivables

Details of trade and other receivables as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022					
	Receivable amount		Provision for impairment		Book amount	
Trade receivables	₩	203,334	₩	(3,967)	₩	199,367
Other receivables		20,723		(22)		20,701
Long-term other receivables		148,635		-		148,635
	₩	<u>372,692</u>	₩	<u>(3,989)</u>	₩	<u>368,703</u>

<i>(in millions of Korean won)</i>	2021					
	Receivable amount		Provision for impairment		Book amount	
Trade receivables	₩	199,301	₩	(1,378)	₩	197,923
Other receivables		12,322		(22)		12,300
Long-term other receivables		24,906		-		24,906
	₩	<u>236,529</u>	₩	<u>(1,400)</u>	₩	<u>235,129</u>

The Company has transferred trade receivables amounting to ₩ 68,506 million (2021: ₩ 65,517 million) to banks in exchange for cash as at December 31, 2022. The Company may retain an obligation to compensate a bank for debtors' failure to make payment when they become due; therefore, the transaction has been accounted for as a collateralized borrowing (Notes 7 and 22).

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Details of other receivables as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Other receivables		
Non-trade receivables	₩ 13,908	₩ 5,772
Short-term loans	5	12
Deposits provided	676	704
Accrued income	277	-
Finance lease receivables	5,835	5,811
	<u>20,701</u>	<u>12,299</u>
Long-term other receivables		
Long-term loans	128,561	1,406
Long-term deposits provided	1,885	2,003
Long-term finance lease receivables	18,189	21,498
	<u>148,635</u>	<u>24,907</u>
	<u>₩ 169,336</u>	<u>₩ 37,206</u>

The fair value of long-term trade and other receivables is calculated by discounting nominal value of expected future cash inflows at a discount rate which reflects credit risk.

<i>(in percentage)</i>	2022	2021
Discount rate	1.20%~4.35%	1.60%~3.36%

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The aging analysis of trade and other receivables as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022						
	Receivables not past due	Past due but not impaired				Impaired	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 151,367	₩ 42,774	₩ 3,895	₩ 3,283	₩ 835	₩ 1,180	₩ 203,334
Loss allowance provision	(326)	(188)	(555)	(1,252)	(466)	(1,180)	(3,967)
Expected loss rate	0.22%	0.44%	14.24%	38.14%	55.82%	100.00%	1.95%
	<u>151,041</u>	<u>42,586</u>	<u>3,340</u>	<u>2,031</u>	<u>369</u>	<u>-</u>	<u>199,367</u>
Other receivables	20,701	-	-	-	-	22	20,723
Loss allowance provision	-	-	-	-	-	(22)	(22)
	<u>20,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,701</u>
Long-term other receivables	148,635	-	-	-	-	-	148,635
	<u>₩ 320,377</u>	<u>₩ 42,586</u>	<u>₩ 3,340</u>	<u>₩ 2,031</u>	<u>₩ 369</u>	<u>₩ -</u>	<u>₩ 368,703</u>

<i>(in millions of Korean won)</i>	2021						
	Receivables not past due	Past due but not impaired				Impaired	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 148,887	₩ 46,496	₩ 1,194	₩ 1,132	₩ 425	₩ 1,167	₩ 199,301
Loss allowance provision	(17)	(12)	(34)	(54)	(94)	(1,167)	(1,378)
Expected loss rate	0.01%	0.02%	2.85%	4.80%	22.18%	100.00%	0.69%
	<u>148,870</u>	<u>46,484</u>	<u>1,160</u>	<u>1,078</u>	<u>331</u>	<u>-</u>	<u>197,923</u>
Other receivables	12,300	-	-	-	-	22	12,322
Loss allowance provision	-	-	-	-	-	(22)	(22)
	<u>12,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,300</u>
Long-term other receivables	24,906	-	-	-	-	-	24,906
	<u>₩ 186,076</u>	<u>₩ 46,484</u>	<u>₩ 1,160</u>	<u>₩ 1,078</u>	<u>₩ 331</u>	<u>₩ -</u>	<u>₩ 235,129</u>

The above amounts do not reflect the present value discount and provisions for impairment.

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Individually impaired receivables mainly relate to customers that are experiencing unexpected economic difficulties. The Company expects that a portion of their receivables will be recovered. If the Company determines that no objective evidence of impairment exists for an individually assessed receivable, it collectively assesses them for impairment. The collective impairment assessment is calculated based on credit loss information from sales and related payment data for 24 months as of the end of the reporting period.

Movements on the provisions for impairment of receivables for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			
	Beginning balance	Bad debt expense	Write-off	Ending balance
Trade receivables	₩ 1,378	₩ 2,589	₩ -	₩ 3,967
Other receivables	22	-	-	22
	<u>₩ 1,400</u>	<u>₩ 2,589</u>	<u>₩ -</u>	<u>₩ 3,989</u>

<i>(in millions of Korean won)</i>	2021			
	Beginning balance	Bad debt expense	Write-off	Ending balance
Trade receivables	₩ 1,360	₩ 151	₩ (133)	₩ 1,378
Other receivables	22	-	-	22
	<u>₩ 1,382</u>	<u>₩ 151</u>	<u>₩ (133)</u>	<u>₩ 1,400</u>

Provision for impaired trade receivables and unused amounts reversed are included in the separate statement of profit or loss within 'selling, general and administrative expenses' (Note 32). Provision for impaired other receivables and unused amounts reversed are included in the separate statement of profit or loss within 'other income and expenses' (Note 33). Receivables for which an impairment provision was recognized are written off against the provision when there is no expectation of recovering additional cash.

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12. Other Financial Assets and Liabilities

Other financial assets and liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Other financial assets				
Long-term financial assets	₩	1,515	₩	15
Derivative financial assets		751		45
Financial assets at fair value through other comprehensive income		19		46
		<u>2,285</u>		<u>106</u>
Less: current portion		<u>(751)</u>		<u>(45)</u>
	₩	<u>1,534</u>	₩	<u>61</u>
Other financial liabilities				
Lease liabilities	₩	8,597	₩	6,428
Derivative financial liabilities		9,493		536
		<u>18,090</u>		<u>6,964</u>
Less: current portion		<u>(12,937)</u>		<u>(4,251)</u>
	₩	<u>5,153</u>	₩	<u>2,713</u>

The Company has entered into currency swap contracts to hedge the risk of foreign currency exchange rate fluctuations relating to borrowings as at December 31, 2022. The Company recognizes gain or loss on valuation of derivatives in profit or loss.

Details of financial assets at fair value through other comprehensive income as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Listed equity securities				
Kakao Bank Co., Ltd	₩	20	₩	46

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Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022		2021	
Beginning balance	₩	46	₩	-
Acquisitions		-		31
Gain (loss) on valuation (other comprehensive income)		(26)		15
Ending balance	₩	<u>20</u>	₩	<u>46</u>

Changes in gain or loss on financial assets at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022					
	Beginning balance		Other comprehensive income		Ending balance	
Before tax	₩	15	₩	(26)	₩	(11)
Tax effect		(3)		6		3
After tax	₩	<u>12</u>	₩	<u>(20)</u>	₩	<u>(8)</u>

(in millions of Korean won)

	2021					
	Beginning balance		Other comprehensive income		Ending balance	
Before tax	₩	-	₩	15	₩	15
Tax effect		-		(3)		(3)
After tax	₩	<u>-</u>	₩	<u>12</u>	₩	<u>12</u>

Valuation of derivative financial assets and liabilities as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)

	2022				2021			
	Assets		Liabilities		Assets		Liabilities	
Current derivative financial assets and liabilities								
Currency swap	₩	676	₩	258	₩	-	₩	-
Forward exchange		75		8,956		45		536
	₩	<u>751</u>	₩	<u>9,214</u>	₩	<u>45</u>	₩	<u>536</u>
Non - current derivative financial assets and liabilities								
Currency swap		-	₩	278		-		-
		-		278		-		-
	₩	<u>751</u>	₩	<u>9,492</u>	₩	<u>45</u>	₩	<u>536</u>

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13. Other Assets

Details of other assets as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Other current assets				
Advance payments	₩	5,175	₩	17,167
Prepaid expenses ¹		26,082		23,046
		<u>31,257</u>		<u>40,213</u>
Other non-current assets				
Long-term prepaid expenses		108		92
Other investment assets		11,234		5,121
		<u>11,342</u>		<u>5,213</u>
	₩	<u>42,599</u>	₩	<u>45,426</u>

¹ In relation to the performance obligation satisfied over time, contract assets of ₩ 4,165 million (2021: ₩ 8,607 million) are included.

14. Inventories

Details of inventories as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			2021		
	Cost	Provision	Book amount	Cost	Provision	Book amount
Merchandise	₩ 3,038	₩ (144)	₩ 2,894	₩ 2,369	₩ (55)	₩ 2,314
Finished goods	144,223	(14,544)	129,679	119,366	(5,350)	114,016
Semi-finished goods	14,426	(190)	14,236	10,863	(159)	10,704
Raw materials	21,164	(1,163)	20,001	17,740	(186)	17,554
Sub-materials	19,175	(1,650)	17,525	16,395	(982)	15,413
Supplies	3,978	(491)	3,487	3,889	(263)	3,626
Packaging	1,020	(47)	973	878	(48)	830
Goods in transit	10,398	-	10,398	7,483	-	7,483
Rights of return assets	3,260	-	3,260	-	-	-
	<u>₩ 220,682</u>	<u>₩ (18,229)</u>	<u>₩ 202,453</u>	<u>₩ 178,983</u>	<u>₩ (7,043)</u>	<u>₩ 171,940</u>

Inventories recognized as an expense for the year ended December 31, 2022 amount to ₩ 2,125,144 million (2021: ₩ 1,719,379 million), which is included in 'cost of sales'. Also, the Company recognized loss on valuation of inventories amounting to ₩ 11,185 million (2021:

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reversal of provisions for inventories ₩ 4,492 million) for the year ended December 31, 2022, which is included in the statement of profit or loss within 'cost of sales'.

15. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			2021		
	Cost	Accumulated depreciation¹	Book amount	Cost	Accumulated depreciation¹	Book amount
Land	₩ 138,770	₩ -	₩ 138,770	₩ 138,770	₩ -	₩ 138,770
Building	176,984	(52,766)	124,218	177,424	(48,699)	128,725
Structures	182,635	(61,048)	121,587	182,126	(56,488)	125,638
Machinery	1,734,223	(1,529,101)	205,122	1,739,791	(1,443,360)	296,431
Vehicles	6,076	(5,324)	752	5,875	(5,140)	735
Tools and equipment	75,623	(62,601)	13,022	72,053	(59,350)	12,703
Others	17,856	(652)	17,204	16,412	(459)	15,953
Construction in progress	148,321	(3,200)	145,121	31,538	-	31,538
Machinery in transit	67	-	67	146	-	146
Right-of-use assets	13,322	(4,640)	8,682	10,355	(3,838)	6,517
	<u>₩ 2,493,877</u>	<u>₩ (1,719,332)</u>	<u>₩ 774,545</u>	<u>₩ 2,374,490</u>	<u>₩ (1,617,334)</u>	<u>₩ 757,156</u>

¹ Accumulated impairment losses and government grants are included.

Changes in property, plant and equipment for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022					
	Beginning balance	Additions¹	Disposal¹	Depreciation and others²	Transfers³	Ending balance
Land	₩ 138,770	₩ -	₩ -	₩ -	₩ -	₩ 138,770
Buildings	128,725	-	(410)	(4,255)	158	124,218
Structures	125,639	-	(53)	(4,577)	578	121,587
Machinery	296,431	2,862	(2,247)	(118,395)	26,471	205,122
Vehicles	736	-	-	(350)	366	752
Tools and equipment	12,703	758	(25)	(5,253)	4,839	13,022
Others	15,953	10,613	-	(3,777)	(5,585)	17,204
Construction in progress	31,538	104,627	-	-	8,956	145,121
Machinery in transit	146	41,275	-	-	(41,354)	67
Right-of-use assets	6,517	6,169	(111)	(3,893)	-	8,682
	<u>₩ 757,158</u>	<u>₩ 166,304</u>	<u>₩ (2,846)</u>	<u>₩ (140,500)</u>	<u>₩ (5,571)</u>	<u>₩ 774,545</u>

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¹ Acquisition and disposal of right-of-use assets include effect of lease contract changes.

² Others include loss of other tangible assets of ₩ 232 million and supplies expenses for process of ₩ 3,545 million.

³ Transfers include transfer of construction in progress and machinery in transit transferred to property, plant and equipment, transfers between property, plant and equipment and intangible assets, and others.

(in millions of Korean won)	2021					
	Beginning balance	Additions	Disposal ¹	Depreciation and others ²	Transfers ³	Ending balance
Land	₩ 138,770	₩ -	₩ -	₩ -	₩ -	₩ 138,770
Buildings	130,645	121	-	(4,229)	2,188	128,725
Structures	129,872	-	(18)	(4,564)	349	125,639
Machinery	392,572	1,742	(68)	(118,783)	20,968	296,431
Vehicles	1,112	-	-	(502)	126	736
Tools and equipment	14,272	334	(9)	(5,956)	4,062	12,703
Others	30,700	3,473	-	(3,733)	(14,487)	15,953
Construction in progress	7,910	32,834	-	-	(9,206)	31,538
Machinery in transit	101	18,489	-	-	(18,444)	146
Right-of-use assets	9,248	1,272	(282)	(3,721)	-	6,517
	<u>₩ 855,202</u>	<u>₩ 58,265</u>	<u>₩ (377)</u>	<u>₩ (141,488)</u>	<u>₩ (14,444)</u>	<u>₩ 757,158</u>

¹ Disposal of right-of-use assets include effect of lease contract changes.

² Others include loss of other tangible assets of ₩ 160 million and supplies expenses for process of ₩ 3,572 million.

³ Transfers include transfer of construction in progress and machinery in transit transferred to property, plant and equipment, transfers between other tangible assets and finance lease receivables (₩ 14,487 million), transfers between property, plant and equipment and intangible assets, and others.

Depreciation includes ₩ 133,540 million (2021: ₩ 134,238 million) in manufacturing costs, ₩ 3,059 million (2021: ₩ 2,976 million) in 'selling, general and administrative expenses' and ₩ 122 million (2021: ₩ 541 million) in 'research and development expenses'.

Certain amounts of the property, plant and equipment are provided as collaterals to financial institutions for borrowings (Note 38).

Government grants

The Company entered into development agreements with Korea Evaluation Institute of Industrial Technology and others for various national research projects, including development of materials related to Polyketone and High-Purity Hydrogen Chloride.

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As at December 31, 2022, the balance of government grants related to asset acquisition is ₩ 3,924 million (2021: ₩ 610 million), and there is no balance of liabilities related to government grants.

Fair value of land as at December 31, 2022, is ₩ 173,845 million (2021: ₩ 165,669 million) and the fair value is estimated based on the value determined by the Korean government, which is announced for property tax assessment purposes, etc.

Impairment Test on Cash Generating Unit (CGU)

The Company performed impairment test on CGU of POK business that had an indication of impairment, and cash flows were estimated assuming that COVID-19 will end within the estimated period upon measurement of value-in use. In addition, when estimating the recovery rate, the recovery period and the discount rate of cash flows, the industry characteristics and historical data of the CGU were comprehensively considered. The assumptions applied for the estimate of value-in-use of CGU as at December 31, 2022, are as follows:

	POK business
Sales growth rate	0.0 ~ 39.6%
Gross margin	2.8% ~ 16.6%
Perpetual growth rate	0.00%
Discount rate	11.01%

As a result, the book amount of property, plant and equipment is not expected to exceed the recoverable amount.

The expected impairment loss upon fluctuation in perpetual growth rate and discount rate are as follows:

	Impairment	
Decrease in perpetual growth rate by 0.5%pt	₩	-
Increase in discount rate by 0.5%pt		-

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16. Leases

(a) Lessee

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

<i>(in millions of Korean won)</i>	2022		2021
Right-of-use assets ¹			
Real estate	₩ 7,166	₩	5,011
Facility equipment	260		11
Vehicles	467		580
Others	789		915
	<u>₩ 8,682</u>	<u>₩</u>	<u>6,517</u>

¹ Included in 'property, plant and equipment' in the statements of financial position.

<i>(in millions of Korean won)</i>	2022		2021
Lease liabilities ¹			
Current	₩ 3,722	₩	3,715
Non-current	4,875		2,713
	<u>₩ 8,597</u>	<u>₩</u>	<u>6,428</u>

¹ Included in 'other financial liabilities' in the statements of financial position.

Additions to right-of-use assets due to new contracts and changes in lease contracts amount to ₩ 6,168 million for the year ended December 31, 2022 (2021: ₩ 1,273 million).

The amounts recognized in the statements of profit or loss in relation to leases are as follows:

<i>(in millions of Korean won)</i>	2022		2021
Depreciation of right-of-use assets			
Real estate	₩ 3,405	₩	3,317
Facility equipment	10		21
Vehicles	342		311
Others	136		72
	<u>₩ 3,893</u>	<u>₩</u>	<u>3,721</u>
Interest expense (included in financial cost)	₩ 318	₩	179
Expense relating to short-term leases and leases of	3,462		2,937

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(in millions of Korean won)

2022

2021

low-value assets (included in 'cost of sales' and
'selling, general and administrative expenses')

The total cash outflow for leases in 2022 was ₩ 7,563 million (2021: ₩ 6,711 million).

(b) Lessor under finance lease

Details of gross investment, net investment and loss allowance in the finance lease as at
December 31, 2022 is as follows:

(in millions of Korean won)

	2022				
	Initial lease payment	Unearned interest	Net investment	Loss allowance	Book amount
Current finance lease receivables	₩ 6,336	₩ (501)	₩ 5,835	₩ -	₩ 5,835
Non-current finance lease receivables	18,943	(754)	18,189	-	18,189
	<u>₩ 25,279</u>	<u>₩ (1,255)</u>	<u>₩ 24,024</u>	<u>₩ -</u>	<u>₩ 24,024</u>

(in millions of Korean won)

	2021				
	Initial lease payment	Unearned interest	Net investment	Loss allowance	Book amount
Current finance lease receivables	₩ 5,928	₩ (117)	₩ 5,811	₩ -	₩ 5,811
Non-current finance lease receivables	24,142	(2,644)	21,498	-	21,498
	<u>₩ 30,070</u>	<u>₩ (2,761)</u>	<u>₩ 27,309</u>	<u>₩ -</u>	<u>₩ 27,309</u>

There are no changes in loss allowance of finance lease receivables for the year ended December 31, 2022.

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The maturity of finance lease receivables as at December 31, 2022, is as follows:

<i>(in millions of Korean won)</i>	2022		2021	
		Platinum catalyst		Platinum catalyst
Within 1 year	₩	6,336	₩	5,928
Over 1 year		18,943		24,142
Undiscounted total lease payments		25,279		30,070
Unrealized finance income		(1,255)		(2,761)
Net investment in finance lease	₩	24,024	₩	27,309

Lease payments expected to be received due to the finance lease contract as at December 31, are as follows:

<i>(in millions of Korean won)</i>	2022			
		Initial lease payment		Net investment in finance lease
Within 1 year	₩	6,336	₩	5,835
1 ~ 2 years		6,336		5,958
2 ~ 3 years		6,375		6,122
3 ~ 4 years		6,232		6,109
4 ~ 5 years		-		-
Undiscounted total lease payments	₩	25,279	₩	24,024

<i>(in millions of Korean won)</i>	2021			
		Initial lease payment		Net investment in finance lease
Within 1 year	₩	5,928	₩	5,811
1 ~ 2 years		5,928		5,548
2 ~ 3 years		5,928		5,367
3 ~ 4 years		5,928		5,193
4 ~ 5 years		6,358		5,390
Undiscounted total lease payments	₩	30,070	₩	27,309

The interest income from finance lease receivables recognized in the statements of Profit or loss for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Interest income	₩	605	₩	76

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17. Intangible Assets

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022			
	Industrial rights	Other intangible assets¹	Membership	Total
Beginning balance	₩ 1,305	₩ 4,349	₩ 6,000	₩ 11,654
Additions	58	220	-	278
Disposals	-	-	-	-
Amortization	(322)	(454)	-	(776)
Transfers	-	(77)	-	(77)
Ending balance	<u>₩ 1,041</u>	<u>₩ 4,038</u>	<u>₩ 6,000</u>	<u>₩ 11,079</u>

¹ Construction in progress assets, Greenhouse Gas Emission Permits and etc. are included.

<i>(in millions of Korean won)</i>	2021			
	Industrial rights	Other intangible assets¹	Membership	Total
Beginning balance	₩ 1,602	₩ 4,601	₩ 7,200	₩ 13,403
Additions	69	2,745	-	2,814
Disposals	-	(2,507)	(1,200)	(3,707)
Amortization	(366)	(447)	-	(813)
Transfers	-	(43)	-	(43)
Ending balance	<u>₩ 1,305</u>	<u>₩ 4,349</u>	<u>₩ 6,000</u>	<u>₩ 11,654</u>

¹ Facility usage rights, Greenhouse Gas Emission Permits and etc. are included.

Amortization of ₩ 212 million (2021: ₩ 257 million) is included in manufacturing costs, ₩ 231 million (2021: ₩ 253 million) in 'research and development expenses', and ₩ 332 million (2021: ₩ 303 million) in 'selling, general and administrative expenses'

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18. Insurance Coverage

As at December 31, 2022, property, plant and equipment are insured, and details of insurance are as follows:

<i>(in millions of Korean won)</i>	Insured assets	Book amount	Insured amount	Insurance company
Package insurance	Property, plant and equipment and others	₩ 684,349	₩ 3,957,085	Samsung Fire and Marine Insurance Co., Ltd. and others

19. Investments in Subsidiaries and Associates

Changes in investments in subsidiaries and associates for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	408,887	₩	408,887
Acquisitions ¹		23,764		-
Additional investment ²		25,632		-
Ending balance	₩	458,283	₩	408,887

¹ The Company contributed ₩ 23,764 million (USD 20 million) to Hyosung Film (Quzhou) Co., Ltd., 100% owned subsidiary which was newly established on January 14, 2022.

² The Company made an additional investment of ₩ 25,632 million (USD 20 million) to Hyosung Film (Quzhou) Co., Ltd., 100% owned subsidiary, on May 17, 2022.

Details of investments in subsidiaries as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Location	Ownership (%)		Book Amount	
		2022	2022	2021	2021
Hyosung Vina Chemicals Co., Ltd.	Vietnam	100%	₩ 394,608	₩	394,608
Hyosung Film(Quzhou) Co., Ltd.	China	100%	49,396		-

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Details of investments in associates as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)	Location	Ownership (%)	Book Amount		
		2022	2022	2021	2021
Shinwha Intertek Corp.	Korea	20%	₩ 14,279	₩ 14,279	14,279

Impairment Test on Investments in Subsidiaries

The Company performed an impairment test on investments in subsidiaries that had an indication of impairment, and cash flows were estimated assuming that COVID-19 will end within the estimated period upon measurement of value-in use. In addition, when estimating the recovery rate, recovery period and discount rate of cash flows, the industry characteristics and historical data of the subsidiary were comprehensively considered. The assumptions applied for estimate of value-in-use of investments in subsidiaries as at December 31, 2022, are as follows:

Hyosung Vina Chemicals Co., Ltd.

Sales growth rate	9.3% ~ 71.4%
Gross margin	-19.8% ~ 15.4%
Perpetual growth rate	1.0%
Discount rate	10.07%

As a result, the book amount of investments in subsidiaries does not exceed the recoverable amount.

The expected impairment loss upon fluctuation in perpetual growth rate and discount rate are as follows:

Impairment

Decrease in perpetual growth rate 0.5%pt	₩	-
Increase in discount rate 0.5%pt		(25,846)

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Fair value of marketable investments in associates as at December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022			
	Number of shares	Market price per share (in Korean won)	Fair value	Book amount
Shinwha Intertek Corp.	5,827,100 ₩	3,365 ₩	19,608 ₩	14,279

<i>(in millions of Korean won)</i>	2021			
	Number of shares	Market price per share (in Korean won)	Fair value	Book amount
Shinwha Intertek Corp.	5,827,100 ₩	3,055 ₩	17,802 ₩	14,279

20. Related Party Transactions

Details of subsidiaries, associates and other related parties as at December 31, 2022, are as follows:

Significant Influence over the Company

Location	Related party
Domestic	Hyosung Corporation

Subsidiaries

Location	Related party
Asia	Hyosung Vina Chemicals Co., Ltd., Hyosung Film(Quzhou) Co., Ltd.

Associates

Location	Related party
Domestic	Shinwha Intertek Corp.

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Other related parties

Location	Related party
Domestic	Galaxia Device Co., Ltd., GALAXIA ELECTRONICS CO.,LTD., Kongduk Development Co., Ltd., THE CLASS HYOSUNG, THE PREMIUM HYOSUNG Co., Ltd., Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., A-Seung Automotive Group, Trinity Asset Management Co., Ltd, Hyosung Premier Motors Corporation, ASC Co. Ltd, Hyosung GoodSprings, Inc., HYOSUNG TNS INC., atmplus,Inc, NAUTILUS HYOSUNG CMS INC., Forza Motors Korea Corp., HYOSUNG FMS INC. and others
China	DONGGUAN SHINWHA INTERTEK CORP., SHINWHA INTERTEK(SUZHOU) CO.,LTD and others
Asia	HYOSUNG FINANCIAL SYSTEM VINA Co.,Ltd. and others
Europe	Hyosung RUS and others
America	Hyosung Holdings USA, Inc., Hyosung Mexico S. de R.L. de C.V., GST Safety Textiles Mexico S. de R.L. de C.V, and others
Others	Hyosung Resource (Australia) PTY Ltd. and others

Others¹

Location	Related party
Domestic	Hyosung Heavy Industries Corporation, Hyosung Advanced Materials Corporation, Hyosung TNC Corporation, CHINHUNG INTERNATIONAL INC., Taebaek Wind Power Co., Ltd., PyeongChang Wind Power Co., Ltd., THE KWANGJUILBO, Somesevit Corporation, HYOSUNG ITX.CO.,LTD, HYOSUNG INFORMATION SYSTEMS CO.,LTD and others
China	GST Automotive Safety(Changshu) Co. Ltd, Hyosung Spandex (Jiaxing) Co., Ltd., Hyosung Chemical Fiber(Jiaxing) Co., Ltd., Hyosung Spandex (Quzhou) Co., Ltd., Hyosung Chemicals(Jiaxing) Co., Ltd., Hyosung International Trade(Jiaxing) Co., Ltd., Hyosung Spandex (GuangDong) Co., Ltd., Hyosung Spandex (Zhuhai) Co., Ltd., and others
Asia	Hyosung (Taiwan) Corporation, HYOSUNG INDIA Pvt Ltd, Hyosung Corporation India Private Limited., Hyosung DongNai Co,LTD, Hyosung International(HK) Ltd., Hyosung Japan Co., Ltd., Hyosung Singapore PTE Ltd., Hyosung Vietnam Co., Ltd., HYOSUNG T&D INDIA Pvt Ltd, and others
America	GST Automotive Safety Components International LLC, HICO America Sales & Tech., HYOSUNG BRASIL INDUSTRIA E COMERCIO DE FIBRAS LTDA., Hyosung Mexico CITY S.A de C.V. and others
Europe	Global Safety Textiles GmbH, Green Plan Energy (Wellingborough) Limited, GST Global GmbH, Hyosung Europe SRL, Hyosung Istanbul TEKSTIL LTD.STI, Hyosung Luxembourg S.A and others

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Others	GST Automotive Safety South Africa(Proprietary) Limited., Hyosung South Africa (PTY) LTD. and others
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¹ Although the entities are not related parties of the Company in accordance with Korean IFRS 1024, the entities belong to the large enterprise group that the Company also belongs to in accordance with the Monopoly Regulation and Fair Trade Act.

Sales and purchases with related parties for the years ended December 31, 2022 and 2021, are as follows:

(in millions of Korean won)		2022											
		Sales and others ¹		Dividend income		Purchases and others ¹		Acquisition of property, plant and equipment and intangible assets		Acquisition of right-of-use assets		Interest expense ²	
Related party		W	₩	W	₩	W	₩	W	₩	W	₩	W	₩
Significant influence over the Company	Hyosung Corporation	W	15	W	-	W	176,532	W	-	W	-	W	-
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.		7,277		-		-		-		-		-
	Hyosung Film(Quzhou) Co., Ltd.		200		-		-		-		-		-
			<u>7,477</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
Associates	Shinwha Intertek Corp.		11,916		-		-		-		-		-
Other related parties	Shin Dong Jin Co., Ltd.		-		-		122		-		4,462		178
	Kongduk Development Co., Ltd.		-		-		6		-		516		24
	PT.Hyosung Jakarta ³		-		-		249		-		-		-
	Hyosung Holdings USA		18,671		-		27		-		-		-
	Others		-		-		501		-		-		-
				<u>18,671</u>		<u>-</u>		<u>905</u>		<u>-</u>		<u>4,978</u>	
Others	Hyosung TNC Corporation		311,665		-		111,797		-		-		48
	Hyosung Heavy Industries Corporation		-		-		3,389		9,706		-		-
	Hyosung Advanced Materials Corporation		-		-		367		-		-		-
	Hyosung Japan Co., Ltd.		60,445		-		2,305		-		-		-
	Hyosung NEW Material & High Technology(Quzhou)		-		-		150		-		-		-

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(in millions of
Korean won)

Related party	2022					
	Sales and others ¹	Dividend income	Purchases and others ¹	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense ²
Co., Ltd						
Hyosung International(HK) Ltd.	8,538	-	-	-	-	-
Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	7,080	-	49,654	-	-	-
Others	4,003	-	12,148	-	45	2
	<u>391,731</u>	<u>-</u>	<u>179,810</u>	<u>9,706</u>	<u>45</u>	<u>50</u>
	₩ 429,810	₩ -	₩ 357,247	₩ 9,706	₩ 5,023	₩ 252

¹ Sales, other income, interest income and others are included in sales and others.

² Interest expense recognized in accordance with lease contracts of buildings is ₩ 252 million for the year ended December 31, 2022.

³ In June 2022, its shares were transferred from Hyosung Corporation to Hyosung TNC Corporation and therefore, it was changed from other related parties to others.

(in millions of
Korean won)

Related party	2021					
	Sales and others ¹	Dividend income	Purchases and others ¹	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense ²
Significant influence over the Company						
Hyosung Corporation	₩ 6	₩ -	₩ 125,176	₩ -	₩ -	₩ -
Subsidiaries						
Hyosung Vina Chemicals Co., Ltd.	4,160	-	22	-	-	-
Associates						
Shinwha Intertek Corp.	11,869	291	113	-	-	-
Other related parties						
Shin Dong Jin Co., Ltd.	-	-	97	-	37	55
Kongduk Development Co., Ltd.	-	-	8	-	-	6
Hyosung Trans World Co., Ltd. ³	-	-	5,310	-	-	-
Hyosung Holdings USA	7,208	-	32	-	-	-
Others	-	-	915	-	-	-
	<u>7,208</u>	<u>-</u>	<u>6,362</u>	<u>-</u>	<u>37</u>	<u>61</u>
Others						
Hyosung TNC	224,615	-	94,542	-	-	64

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Related party	2021					
	Sales and others ¹	Dividend income	Purchases and others ¹	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense ²
Corporation						
Hyosung Heavy Industries Corporation	-	-	429	13,309	-	-
Hyosung Advanced Materials Corporation	-	-	356	-	-	-
Hyosung Japan Co., Ltd.	53,683	-	18	-	-	-
Hyosung NEW Material & High Technology(Quzhou) Co., Ltd	8,523	-	-	-	-	-
Hyosung International(HK) Ltd.	13,307	-	-	-	-	-
Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	4,209	-	35,824	-	-	-
Others	2,191	-	6,461	-	115	1
	<u>306,528</u>	<u>-</u>	<u>137,630</u>	<u>13,309</u>	<u>115</u>	<u>65</u>
	<u>₩ 329,771</u>	<u>₩ 291</u>	<u>₩ 269,303</u>	<u>₩ 13,309</u>	<u>₩ 152</u>	<u>₩ 126</u>

¹ Sales, other income, interest income and others are included in sales and others.

² Interest expense recognized in accordance with lease contracts of buildings is ₩ 126 million for the year ended December 31, 2021.

³ It represented the transaction amounts before the merger with Hyosung Corporation in February 2021.

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Outstanding balances arising from sales/purchases of goods and services as at December 31, 2022 and 2021, are as follows:

(in millions of Korean won)		2022				
		Trade receivables	Other receivables ¹	Trade payables	Other payables ¹	Lease liabilities ²
	Related party					
Significant influence over the Company	Hyosung Corporation	₩ 3	₩ 52	₩ 380	₩ 17,660	₩ -
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	1,224	177,565	-	-	-
	Hyosung Film(Quzhou) Co., Ltd.	-	24	-	-	-
		<u>1,224</u>	<u>177,589</u>	<u>-</u>	<u>-</u>	<u>-</u>
Associates	Shinwha Intertek Corp.	3,999	-	-	-	-
Other related parties	Shin Dong Jin Co., Ltd.	-	1,381	-	226	4,931
	Kongduk Development Co., Ltd.	-	144	-	1	618
	Hyosung Holdings USA	4,352	-	-	1	-
	Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>4,352</u>	<u>1,525</u>	<u>-</u>	<u>228</u>	<u>5,549</u>
Others	Hyosung TNC Corporation	21,577	524	8,163	1,306	1,349
	Hyosung Heavy Industries Corporation ³	-	-	154	124	-
	Hyosung Advanced Materials Corporation	-	366	36	-	-
	PT.Hyosung Jakarta. ⁴	-	-	-	38	-
	Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	1,980	-	4,685	-	-
	Hyosung Japan Co., Ltd.	583	1,530	-	-	-
	Hyosung NEW Material & High Technology(Quzho u) Co., Ltd	-	-	-	-	-
	Hyosung Chemical (Jiaxing) Co., Ltd.	1,872	18	-	-	-

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		2022				
Related party	Trade receivables	Other receivables ¹	Trade payables	Other payables ¹	Lease liabilities ²	
Others	701	-	2,701	305	27	
	26,713	2,438	15,739	1,773	1,376	
	₩ 36,291	₩ 181,604	₩ 16,119	₩ 19,661	₩ 6,925	

¹ Non-trade receivables, advance payments, guarantee deposits and others are included in other receivables. Non-trade payables, deposits received, provisions for restoration and others are included in other payables.

² The balance of lease liabilities recognized in accordance with lease contracts of buildings amount to ₩ 6,925 million as at December 31, 2022.

³ The Company recognized ₩ 6,000 million of memberships for Hyosung Heavy Industries Corporation as memberships.

⁴ In June 2022, its shares were transferred from Hyosung Corporation to Hyosung TNC Corporation and therefore, it was changed from other related parties to others.

(in millions of
Korean won)

		2021				
Related party	Trade receivables	Other receivables ¹	Trade payables	Other payables ¹	Lease liabilities ²	
Significant influence over the Company	₩ -	₩ 52	₩ 342	₩ 26,637	₩ -	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd. 886	27,624	-	-	-	
Associates	Shinwha Intertek Corp. 1,417	-	-	-	-	
Other related parties	Shin Dong Jin Co., Ltd. -	1,122	-	-	2,444	
	Kongduk Development Co., Ltd. -	151	-	-	360	
	PT.Hyosung Jakarta. -	-	-	35	-	
	Hyosung Holdings USA 2,647	-	-	2	-	
	Others -	-	-	184	-	
	2,647	1,273	-	221	2,804	
Others	Hyosung TNC Corporation 22,648	524	9,144	935	1,880	
	Hyosung Heavy Industries Corporation ³ -	-	242	6,623	-	
	Hyosung Advanced -	366	38	-	-	

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Related party	2021				
	Trade receivables	Other receivables ¹	Trade payables	Other payables ¹	Lease liabilities ²
Materials Corporation					
Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	1,787	-	7,743	-	-
Hyosung Japan Co., Ltd.	921	-	10	-	-
Hyosung NEW Material & High Technology(Quzhou) Co., Ltd	499	-	-	-	-
Hyosung Chemical (Jiaxing) Co., Ltd.	656	18	-	-	-
Others	1,922	8	-	1,044	149
	<u>28,433</u>	<u>916</u>	<u>17,177</u>	<u>8,602</u>	<u>2,029</u>
	₩ 33,383	₩ 29,865	₩ 17,519	₩ 35,460	₩ 4,833

¹ Non-trade receivables, advance payments, guarantee deposits and others are included in other receivables. Non-trade payables, deposits received, provisions for restoration and others are included in other payables.

² The balance of lease liabilities recognized in accordance with lease contracts of buildings amount to ₩ 4,883 million as at December 31, 2021.

³ The Company recognized ₩ 6,000 million of memberships for Hyosung Heavy Industries Corporation as memberships.

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

(in millions of
Korean won)

Related party	2022				
	Loan transactions				
	Beginning balance	Loans	Collections	Foreign currency valuation	Ending balance
Subsidiaries					
Hyosung Vina Chemicals Co., Ltd. ¹	₩ -	₩ 133,410	₩ -	₩ (6,680)	₩ 126,730
Hyosung Film(Quzhou) Co., Ltd. ²	-	-	-	-	-
	<u>₩ -</u>	<u>₩ 133,410</u>	<u>₩ -</u>	<u>₩ (6,680)</u>	<u>₩ 126,730</u>

¹ The Company loaned to Hyosung Vina Chemicals Co., Ltd. in the amount of USD 100 million (₩ 126,730 million) for the year ended December 31, 2022.

² The Company invested in the Hyosung Film(Quzhou) Co., Ltd.'s capital increase in the amount of USD 40 million (₩ 49,396 million) for the year ended December 31, 2022.

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(in millions of Korean won)		2022				
		Borrowing transactions		Contributions	Acquisition of	
	Related party	Borrowings ¹	Repayments ¹	in cash	shares	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	₩ -	₩ -	₩ -	₩ -	
	Hyosung Film(Quzhou) Co., Ltd. ²	-	-	49,396	-	
		-	-	49,396	-	
Other related parties	Shin Dong Jin Co., Ltd.	4,463	2,162	-	-	
	Kongduk Development Co., Ltd.	521	258	-	-	
			4,984	2,420	-	-
Others	Hyosung TNC Corporation	-	531	-	-	
	KB Wise Star Professional Investment Private Real Estate Investment Trust #11	-	48	-	-	
			-	579	-	-
			₩ 4,984	₩ 2,999	₩ -	₩ -

¹ The Company recognized additional lease liabilities amounting to ₩ 4,984 million, due to lease contract of the office as at December 31, 2022. The repayments of lease liabilities and interest expense amount to ₩ 2,999 million and ₩ 252 million, respectively, for the year ended December 31, 2022.

² The Company contributed ₩ 23,764 million (USD 20 million) to Hyosung Film (Quzhou) Co., Ltd., 100% owned subsidiary which was newly established on January 14, 2022. The Company made an additional investment of ₩ 25,632 million (USD 20 million) to Hyosung Film (Quzhou) Co., Ltd., 100% owned subsidiary, on May 17, 2022.

(in millions of Korean won)		2021			
		Borrowing transactions		Contributions	Acquisition of
	Related party	Borrowings ¹	Repayments ¹	in cash	shares
Other related parties	Shin Dong Jin Co., Ltd.	₩ 37	₩ 2,239	₩ -	₩ -
	Kongduk Development Co., Ltd.	-	500	-	-
		37	2,739	-	-
Others	Hyosung TNC Corporation	-	515	-	-
	KB Wise Star Professional Investment Private Real	113	29	-	-

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Estate Investment Trust
#11

	113	544	-	-
₩	150	₩ 3,283	₩ -	₩ -

¹ The Company recognized additional lease liabilities amounting to ₩ 150 million, due to lease contract of the office as at December 31, 2021. The repayments of lease liabilities and interest expense amount to ₩ 3,283 million and ₩ 126 million, respectively, for the year ended December 31, 2021.

The compensation paid or payable to key management who are executive directors for employee services for the years ended December 31, 2022 and 2021, consists of:

<i>(in millions of Korean won)</i>	2022		2021	
Salaries and other short-term employee benefits	₩	673	₩	782
Post-employment benefits		116		93
	₩	789	₩	875

Details of payment guarantees provided by the Company for related parties as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>		2022			
Related party	Payment guarantee	Details of payment guarantee	Details		
			Loan amount	Financial institutions	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	₩ 1,694,379	Facility loan and others	₩ 1,422,209	Korea Development Bank and others
	Hyosung Film(Quzhou) Co., Ltd.	70,930	Facility loan and others	35,009	Hana Bank and others
		₩ 1,765,309		₩ 1,457,218	

In relation to Hyosung Vina Chemicals Co., Ltd.'s borrowings, the Company has an obligation to supplement the access financing in case of non-compliance with covenants (Note 38).

There are no collaterals provided by the Company to the related parties as at December 31, 2022.

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21. Trade Payables and Other Payables

Trade payables and other payables as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Trade payables	₩	241,969	₩	190,667
Other payables		116,216		139,475
Long-term other payables		13,594		13,270
	₩	<u>371,779</u>	₩	<u>343,412</u>

Details of other payables as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Other payables				
Non-trade payables	₩	84,893	₩	105,110
Accrued expenses		29,951		32,186
Withholdings		1,315		2,122
Deposits received		57		57
		<u>116,216</u>		<u>139,475</u>
Long-term other payables				
Non-trade payables		2		2
Accrued expenses		1,072		1,264
Deposits received		12,520		12,004
		<u>13,594</u>		<u>13,270</u>
	₩	<u>129,810</u>	₩	<u>152,745</u>

The fair value of long-term other payables is calculated by discounting nominal value of expected future cash inflows at a discount rate which reflects credit risk.

<i>(in percentage)</i>	2022	2021
Discount rate	1.20%~2.50%	1.20%~2.50%

The fair value of trade and other payables are similar to the book amount as at December 31, 2022.

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22. Borrowings

Borrowings as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Short-term borrowings	₩	195,497	₩	15,642
Borrowings on trade receivables sales ¹		70,782		67,954
Long-term borrowings		262,362		50,000
Debentures		467,430		492,317
		<u>996,071</u>		<u>625,913</u>
Less: current portion		<u>(395,253)</u>		<u>(326,477)</u>
	₩	<u>600,818</u>	₩	<u>299,436</u>

¹ The Company sells trade receivables in foreign currency to financial institutions and accounts for as collateralized borrowings for transactions in which the Company has recourse to pay the relevant amount to the bank when the sales customers go bankrupt. (Notes 7 and 38)

The Company provides a part of the Company's property, plant and equipment as collateral for the above borrowings. (Notes 15 and 38)

Details of carrying amount of short-term borrowings as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	Creditor	Latest maturity date	Annual interest rate (2022) (%)			2022			2021
Short-term borrowings denominated in Korean won									
General loan	Kookmin Bank and others	2023-08-24	4.09~4.88%	₩	53,000	₩	7,900		
Others	Korea Development Bank and others	2023-09-21	0.44~6.92%		142,497		7,742		
Short-term borrowings denominated in foreign currency									
Borrowings on trade receivables sales	Woori Bank and others	-	-		70,782		67,954		
				₩	<u>266,279</u>	₩	<u>83,596</u>		

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Details of carrying amount of long-term borrowings as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>		Latest maturity date	Annual interest rate (2022) (%)		2022		2021
	Creditor						
Long-term borrowings denominated in Korean won							
General loan	Korea Development Bank and others	2024-10-28	2.48~5.07%	₩	92,000	₩	50,000
Facility loan	Korea Development Bank and others	2027-01-18	2.27~4.87%		100,000		-
Long-term borrowings denominated in foreign currency							
General loan	The Export-Import Bank of Korea and others	2026-03-11	1.15~3.46%		70,362		-
					262,362		50,000
					(2,000)		(48,000)
Less: current portion					₩	₩	2,000

Details of carrying amount of debentures as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>		Latest maturity date	Annual interest rate (2022) (%)		2022		2021
Private bond	1	2022-03-08	3.19%	₩	-	₩	30,000
Public bond	2-1	2022-05-10	2.55%		-		85,000
Public bond	2-2	2024-05-10	3.03%		50,000		50,000
Public bond	3-1	2022-12-02	2.49%		-		80,000
Public bond	3-2	2024-12-03	2.89%		54,000		54,000
Public bond	4-1	2023-02-17	2.47%		117,000		117,000
Public bond	4-2	2025-02-19	2.74%		67,000		67,000
Private bond	5	2023-09-22	2.42%		10,000		10,000
Private bond	6	2025-06-16	4.94%		50,000		-
Private bond	7	2025-08-25	4.95%		100,000		-
Private bond	8	2024-10-25	6.80%		20,000		-
					468,000		493,000
Discount on debentures					(570)		(683)
Less: current portion					(126,975)		(194,881)
				₩	₩	₩	297,436

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23. Post-employment Benefits

Details of net defined benefit assets recognized in the statements of financial position as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Present value of defined benefit obligations	₩	59,616	₩	68,443
Fair value of plan assets ¹		(70,850)		(73,564)
Net defined benefit assets	₩	(11,234)	₩	(5,121)

¹ The contributions to the National Pension Fund of ₩ 31 million (2021: ₩ 34 million) are included in the fair value of plan assets as at December 31, 2022.

The amounts of defined benefit plan recognized in the statements of income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Current service cost	₩	8,282	₩	8,201
Interest expense		1,956		1,449
Interest income		(2,227)		(1,744)
Total expense included in employee benefit	₩	8,011	₩	7,906

Line items including total expense of defined benefit plan in the statements of income for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Cost of sales	₩	5,262	₩	5,269
Selling, general and administrative expenses		2,633		2,531
Research and development expenses		116		106
	₩	8,011	₩	7,906

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Movements in the defined benefit obligations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	68,443	₩	65,126
Current service cost		8,282		8,201
Interest expense		1,956		1,449
Benefit payments		(6,183)		(4,722)
Remeasurements:				
Change in demographic assumptions		-		(1,431)
Change in financial assumptions		(14,586)		(1,278)
Experience adjustments		629		1,615
Transfer from (to) associates		1,075		(517)
Ending balance	₩	<u>59,616</u>	₩	<u>68,443</u>

Movements in the fair value of plan assets for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	73,564	₩	68,562
Interest income		2,227		1,744
Employer's contributions		-		7,900
Benefit payments		(5,538)		(3,265)
Remeasurements		(986)		(944)
Transfer from (to) associates		1,583		(433)
Ending balance	₩	<u>70,850</u>	₩	<u>73,564</u>

Plan assets as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	2022		2021	
	Amount	Portion (%)	Amount	Portion (%)
Fixed interest financial instruments	₩ 36,581	51.7	₩ 66,768	90.8
Deposits and others	34,269	48.3	6,796	9.2
	<u>₩ 70,850</u>	<u>100.0</u>	<u>₩ 73,564</u>	<u>100.0</u>

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Remeasurements of net defined benefit liabilities recognized as other comprehensive income (expenses) for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Before income tax effects	₩	12,971	₩	149
Income tax effects		<u>(3,139)</u>		<u>(36)</u>
After income tax effects	₩	<u>9,832</u>	₩	<u>113</u>

Accumulated remeasurements of net defined benefit liabilities recognized as retained earnings is ₩ (95) million (2021: ₩ 9,737 million) as at December 31, 2022.

The significant actuarial assumptions as at December 31, 2022 and 2021, are as follows:

<i>(in percentage)</i>	2022	2021
Discount rate	5.33%	2.98%
Salary growth rate	2.93%	3.22%

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

	Impact on defined benefit obligation		
	Changes in assumption	Increase	Decrease
Discount rate	1.0%	7.01% Decrease	8.11% Increase
Salary growth rate	1.0%	8.23% Increase	7.24% Decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

Effect of defined benefit obligation on future cash flows

The Company reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2023, are ₩ 6,482 million and the expected balance of plan assets is ₩ 75,697 million as at December 31, 2023.

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The expected maturity analysis of undiscounted pension benefits as at December 31, 2022, is as follows:

<i>(in millions of Korean won)</i>		Less than 1 year	Between 1~2 years	Between 2~5 years	Over 5 years	Total				
Pension benefits	₩	5,296	₩	6,330	₩	20,066	₩	83,937	₩	115,629

The weighted average duration of the defined benefit obligations is 9.03 years.

The expense recognized in the current period in relation to defined contribution plan was ₩ 1,336 million (2021: ₩ 1,421 million).

24. Tax Expense(Benefit) and Deferred Tax

Income tax expense (benefit) for the years ended December 31, 2022 and 2021, consists of:

<i>(in millions of Korean won)</i>	2022	2021
Current tax		
Current tax on profit for the year	₩ -	₩ 47,280
Claim for tax return and others	(6,218)	(2,009)
	<u>(6,218)</u>	<u>45,271</u>
Deferred tax		-
Decrease in temporary differences	(29,635)	(1,315)
Effects of changes in tax rate	474	
	<u>(29,161)</u>	<u>(1,315)</u>
Income tax expense (benefit)	₩ (35,379)	₩ 43,956

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The tax on the Company's profit(loss) before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits(losses) of the Company as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Profit (loss) before income tax expense	₩	(130,533)	₩	173,976
Tax expense(benefit) at domestic tax rates		(30,284)		41,711
Income tax effects:				
- Income not subject to tax		(20)		(41)
- Expenses not deductible for tax purposes		569		415
- Claim for tax return and others		(1,656)		(1,957)
- Tax credits		-		(697)
- Effect of the tax system for recirculation of corporate income		(4,462)		4,525
- Changes in deferred taxes due to changes in the tax rate		474		-
Income tax expense (profit)	₩	<u>(35,379)</u>	₩	<u>43,956</u>

The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Remeasurements of post-employment benefit obligation	₩ 12,971	₩ (3,139)	₩ 9,832	₩ (149)	₩ 36	₩ (113)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	<u>(27)</u>	<u>6</u>	<u>(21)</u>	<u>(15)</u>	<u>4</u>	<u>(11)</u>
	<u>₩ 12,944</u>	<u>₩ (3,133)</u>	<u>₩ 9,811</u>	<u>₩ (164)</u>	<u>₩ 40</u>	<u>₩ (124)</u>

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The analysis of deferred tax assets and deferred tax liabilities as at December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022	2021
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	₩ 57,144	₩ 37,001
Deferred tax assets to be recovered within 12 months	6,611	3,423
	<u>63,755</u>	<u>40,424</u>
Deferred tax liabilities		
Deferred tax liabilities be recovered after more than 12 months	(27,064)	(28,944)
Deferred tax liabilities to be recovered within 12 months	(31)	(848)
	<u>(27,095)</u>	<u>(29,792)</u>
Deferred tax assets, net	<u>₩ 36,660</u>	<u>₩ 10,632</u>

The movements in the deferred income tax account for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Beginning balance	₩ 10,632	₩ 9,357
Tax charged to the statement of profit or loss	29,161	1,315
Tax charged to components of other comprehensive income	(3,133)	(40)
Ending balance	<u>₩ 36,660</u>	<u>₩ 10,632</u>

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The movement in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in millions of Korean won)

	2022			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Deferred tax liabilities				
Surplus on revaluation of land	₩ (11,133)	₩ 460	₩ -	₩ (10,673)
Defined benefit pension plan assets	(17,794)	4,564	(3,139)	(16,369)
Others	(865)	811	-	(54)
	<u>(29,792)</u>	<u>5,835</u>	<u>(3,139)</u>	<u>(27,096)</u>
Deferred tax assets				
Post-employment benefit obligation	16,306	(2,482)	-	13,824
Provision for receivables in excess of tax limit	-	570	-	570
Government grants	145	(30)	-	115
Loss on valuation of inventories	1,704	2,525	-	4,229
Impairment loss on property, plant and equipment	16,866	(3,616)	-	13,250
Accrued compensated absence	951	(27)	-	924
Long-term employment allowance	306	(57)	-	249
Unused tax losses	-	25,683	-	25,683
Others	4,146	760	6	4,912
	<u>40,424</u>	<u>23,326</u>	<u>6</u>	<u>63,756</u>
	<u>₩ 10,632</u>	<u>₩ 29,161</u>	<u>₩ (3,133)</u>	<u>₩ 36,660</u>

(in millions of Korean won)

	2021			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Deferred tax liabilities				
Surplus on revaluation of land	₩ (11,133)	₩ -	₩ -	₩ (11,133)
Defined benefit pension plan assets	(16,255)	(1,503)	(36)	(17,794)
Others	(65)	(800)	-	(865)
	<u>(27,453)</u>	<u>(2,303)</u>	<u>(36)</u>	<u>(29,792)</u>
Deferred tax assets				

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Post-employment benefit obligation	15,244	1,062	-	16,306
Provision for receivables in excess of tax limit	84	(84)	-	-
Government grants	21	124	-	145
Loss on valuation of inventories	617	1,087	-	1,704
Impairment loss on property, plant and equipment	16,866	-	-	16,866
Accrued compensated absence	785	166	-	951
Long-term employment allowance	357	(51)	-	306
Others	2,836	1,314	(4)	4,146
	<u>36,810</u>	<u>3,618</u>	<u>(4)</u>	<u>40,424</u>
	<u>₩ 9,357</u>	<u>₩ 1,315</u>	<u>₩ (40)</u>	<u>₩ 10,632</u>

The Company recognize deferred income tax assets as the Group determined it is probable that there will be sufficient taxable profits before unused tax losses were expired. The Company did not recognize deferred tax assets if it is not probable that the temporary difference will reverse in the foreseeable future, and also the Company did not recognize deferred tax assets for taxable temporary differences associated with investments in subsidiaries and associates, where deferred tax assets are unrealizable due to low possibility of potential dividend payment and disposal of investments in the foreseeable future. Accordingly, the Company did not recognize deferred tax assets amounting to ₩ 21,262 million (2021: ₩ 21,262 million) as at December 31, 2022.

25. Other Liabilities

Details of other liabilities as at December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Other current liabilities				
Unearned revenues ¹	₩	4,165	₩	8,607
Provision for greenhouse gas emission ²		182		76
Provision for service warranties ³		3,260		-
Advances from customers		2,875		4,028
		<u>10,482</u>		<u>12,711</u>
Other non-current liabilities				
Unearned revenues		779		996
Provision for loss		10,423		12,240
Provision for restoration		58		59
		<u>11,260</u>		<u>13,295</u>
	<u>₩</u>	<u>21,742</u>	<u>₩</u>	<u>26,006</u>

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¹ In relation to the performance obligation satisfied over time, contract liabilities of ₩ 4,165 million are included.

² Regarding greenhouse gas emissions, the Company sets provision for the expected expenses arising from emissions exceeding the Company's emission rights capacity in a given year (Note 39).

³ The Company estimates the costs expected to be paid in the future related to the return of sold finished goods and recognizes them as provisions.

Changes in provisions for the year ended December 31, 2022, are as follows:

(in millions of Korean won)

	Greenhouse gas emission		Loss	Restoration	Service warranties		Total			
Beginning balance	₩	76	₩	12,240	₩	59	₩	-	₩	12,375
Profit or loss:		106		(1,817)		(1)		3,260		1,548
Additional provisions		182		2,669		3		3,260		6,114
Used during the year		(76)		(4,486)		(4)		-		(4,566)
Ending balance	₩	182	₩	10,423	₩	58	₩	3,260	₩	13,923
Current	₩	182	₩	-	₩	-	₩	3,260	₩	3,442
Non-current		-		10,423		58		-		10,481

Changes in provisions for the year ended December 31, 2021, are as follows:

(in millions of Korean won)

	Greenhouse gas emission		Loss	Restoration	Others	Total				
Beginning balance	₩	2,960	₩	5,782	₩	59	₩	1	₩	8,802
Profit or loss:		(2,884)		6,458		-		(1)		3,573
Additional provisions		76		6,511		-		-		6,587
Used during the year		(2,960)		(53)		-		(1)		(3,014)
Ending balance	₩	76	₩	12,240	₩	59	₩	-	₩	12,375
Current	₩	76	₩	-	₩	-	₩	-	₩	76
Non-current		-		12,240		59		-		12,299

26. Share Capital

The Company's total number of authorized shares is 200,000,000 shares and the total number of ordinary shares issued is 3,190,126 shares with a par value of ₩ 5,000 per share. There is no change in share capital for the year ended December 31, 2022.

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27. Retained Earnings

Retained earnings as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	2022		2021		Remark
Legal reserves	₩	1,907	₩	1,907	1
Retained earnings before appropriation		<u>171,213</u>		<u>256,535</u>	
	₩	<u>173,120</u>	₩	<u>258,442</u>	

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

The appropriation of retained earnings for the years ended December 31, 2022 and 2021, is as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Retained earnings available for appropriation				
Unappropriated retained earnings carried over from prior year	₩	256,535	₩	126,402
Remeasurements of net defined benefit liabilities		9,832		113
Profit(loss) for the year		<u>(95,154)</u>		<u>130,020</u>
		171,213		256,535
Appropriation of retained earnings		<u>-</u>		<u>-</u>
Unappropriated retained earnings to be carried forward	₩	<u>171,213</u>	₩	<u>256,535</u>

28. Other Components of Equity

Other components of equity as at December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	2022		2021	
Treasury shares ¹	₩	(1,843)	₩	(1,843)

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Gain(loss) on valuation of financial assets at fair value through other comprehensive income	(9)	11
	₩ (1,852)	₩ (1,832)

¹ The Company holds 12,331 treasury shares due to spin-off in 2018.

29. Revenue

Details of revenue for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Revenue from contracts with customers	₩ 2,278,852	₩ 2,101,319
Performance obligation satisfied at a point in time	2,149,955	2,017,369
Performance obligation satisfied over time	128,897	83,950
Revenue from other sources: rental and sub-lease rental income	8,560	7,553
	₩ 2,287,412	₩ 2,108,872

30. Expenses by Nature

Cost of sales, selling, general and administrative expenses and research and development expenses by nature for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Changes in inventories of finished goods and work in process and others	₩ (19,196)	₩ (50,576)
Sales of merchandise	73,205	51,929
Raw materials and consumables used	1,511,113	1,191,858
Employee benefits expenses (Note 31)	109,441	114,265
Depreciation and amortization	137,496	138,568
Electricity expense	139,167	120,568
Export expense	180,340	116,675
Fuel expense	25,952	17,027
Service expense	19,340	17,824
Outsourcing expense	5,648	5,557
Other expenses	209,197	190,549
Total ¹	₩ 2,391,703	₩ 1,917,977

¹ Total of cost of sales, selling, general and administrative expenses and research and development expenses in the separate statements of income.

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31. Employee Benefits Expenses

Employee benefits expenses for the years ended December 31, 2022 and 2021, consist of:

<i>(in millions of Korean won)</i>	2022		2021	
Salaries	₩	87,596	₩	94,338
Employee welfare benefits		12,498		10,600
Pension costs – defined contribution plans (Note 23)		1,336		1,421
Pension costs – defined benefit plans (Note 23)		8,011		7,906
	₩	109,441	₩	114,265

32. Selling, General and Administrative Expenses

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

<i>(in millions of Korean won)</i>	2022		2021	
Salaries	₩	21,995	₩	24,168
Post-employment benefits		2,792		2,817
Employee welfare benefits		2,844		2,253
Training		577		468
Service expenses		3,075		2,809
Transportation		1,480		536
Communications		337		327
Taxes and dues		1,322		1,380
Rental expenses		248		278
Depreciation		3,059		2,976
Amortization		332		303
Bad debt expenses		2,589		151
Advertising expenses		1,005		225
Commission expenses		15,504		15,338
Export expenses		13,150		11,953
Others		4,913		4,037
	₩	75,222	₩	70,019

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33. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Other operating income		
Rental income	₩ 308	₩ 298
Gain on disposal of property, plant and equipment	2,129	275
Gain on disposal of leased assets	6	1
Dividend income	-	291
Miscellaneous gains	8,012	6,728
	<u>10,455</u>	<u>7,593</u>
Other operating expenses		
Donations	560	422
Loss on disposal of property, plant and equipment	2,233	74
Loss on disposal of lease assets	2	4
Miscellaneous expenses	1,995	1,718
	<u>4,790</u>	<u>2,218</u>
	<u>₩ 5,665</u>	<u>₩ 5,375</u>

34. Finance Income and Expenses

Details of finance income and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Finance income		
Interest income		
- Financial assets at amortized costs	₩ 2,636	₩ 199
Gain on foreign currency transactions	42,133	14,342
Gain in foreign currency translation	45,208	4,379
Gain on derivative transactions	30,747	10,278
Gain on valuation of derivatives	489	45
Others	63	2
	<u>121,276</u>	<u>29,245</u>
Finance expenses		
Interest income		
- Financial liabilities at amortized costs	22,290	18,288

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<i>(in millions of Korean won)</i>	2022	2021
- Other financial liabilities	2,039	680
Loss on foreign currency transactions	55,458	20,892
Loss on foreign currency translation	49,268	6,997
Loss on derivative transactions	9,521	1,348
Loss on valuation of derivatives	9,231	536
Others	5,376	2,797
	<u>153,183</u>	<u>51,538</u>
	₩ (31,907)	₩ (22,293)

The Company recognizes income and expenses related to exchange differences as finance income and expenses.

35. Earnings (loss) Per Share

Basic earnings (loss) per ordinary share is calculated as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Profit (loss) attributable to the ordinary equity holders ¹	₩	(95,154)	₩	130,020
Weighted average number of ordinary shares outstanding ²		<u>3,177,795</u>		<u>3,177,795</u>
Earnings (loss) per share <i>(in Korean won)</i>	₩	<u>(29,943)</u>	₩	<u>40,915</u>

¹ Profit attributable to the ordinary equity holders is equal to the profit for the year.

² Weighted average number of ordinary shares outstanding for the year ended December 31, 2022 is 3,177,795 shares. The Company purchased treasury shares of 12,331 as odd shares, which resulted from spin-off, after the Company got re-listed on July 13, 2018.

The Company has not issued the potential ordinary shares and accordingly diluted earnings per share is identical to basic earnings per share.

36. Dividends

There are no dividends per share and a total dividend in respect of the years ended December 31, 2021 and 2020.

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37. Statement of Cash Flows

Details of cash generated from operations for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Profit (loss) before income tax	₩ (130,533)	₩ 173,976
Adjustments for:		
Interest income and expenses	195,917	189,407
Loss on foreign currency translation	21,693	18,768
Provision for loss on valuation of inventories	4,060	2,618
Valuation and scrap loss of inventories	11,186	4,492
Loss on derivative transactions and valuation of derivatives	1,315	1,074
Depreciation and amortization	(12,485)	491
Gain on disposal of property, plant and equipment and investment property	137,498	138,568
Bad debt expense and other bad debt expense	104	(201)
Post-employment benefits	2,589	151
Contribution to provisions (Warranty expenses)	8,011	7,906
Others	6,767	3,213
Changes in operating assets and liabilities:	(20,713)	(32,741)
Increase in trade receivables	(1,771)	(49,980)
Increase in inventories	(39,753)	(69,218)
Increase in other receivables	(2,155)	(4,181)
Increase in other assets	(11,999)	(10,668)
Increase in trade payables	50,904	63,532
Increase (decrease) in other payables	(14,785)	47,216
Payment of defined benefit liabilities	(1,154)	(1,542)
Payment of plan assets	-	(7,900)
Cash generated from operations	₩ 44,671	₩ 330,642

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Changes in liabilities arising from financial activities for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022					
	Short-term borrowings	Current portion of long-term borrowings	Debentures	Long-term borrowings	Lease liabilities	Total
Beginning balance	₩ 83,595	₩ 242,881	₩ 297,436	₩ 2,000	₩ 6,428	₩ 632,340
Cash flows	181,446	(223,000)	169,674	240,235	(3,783)	364,572
Gain (loss) on foreign currency translation	1,238	-	-	127	-	1,365
Amortization of discount on debentures	-	-	439	-	-	439
Effect of non-cash transactions	-	109,094	(127,094)	18,000	5,952	5,952
Ending balance	<u>₩ 266,279</u>	<u>₩ 128,975</u>	<u>₩ 340,455</u>	<u>₩ 260,362</u>	<u>₩ 8,597</u>	<u>₩ 1,004,668</u>

<i>(in millions of Korean won)</i>	2021					
	Short-term borrowings	Current portion of long-term borrowings	Debentures	Long-term borrowings	Lease liabilities	Total
Beginning balance	₩ 139,298	₩ 111,418	₩ 491,828	₩ 92,500	₩ 9,072	₩ 844,116
Cash flows	(56,360)	(141,615)	21	(12,500)	(3,595)	(214,049)
Gain (loss) on foreign currency translation	657	175	-	-	-	832
Amortization of discount on debentures	-	-	490	-	-	490
Effect of non-cash transactions	-	272,903	(194,903)	(78,000)	952	952
Ending balance	<u>₩ 83,595</u>	<u>₩ 242,881</u>	<u>₩ 297,436</u>	<u>₩ 2,000</u>	<u>₩ 6,429</u>	<u>₩ 632,341</u>

Details of major transactions without cash inflows and outflows for the years ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022	2021
Transfer of borrowings and bonds to current portion	₩ 109,094	₩ 272,903
Transfer of construction in progress	32,398	27,650
Acquisition of right-of-use assets	6,168	1,273

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38. Contingencies and Commitments

(1) There are no notes provided as collateral as at December 31, 2022.

(2) Commitment contracted with financial institutions

The Company entered into agreements such as bank overdrafts, trade bill discounts, open L/C, general loans and others with financial institutions with a limit of ₩ 981,171 million. Also, the Company entered into trade receivables discount agreements with a limit of ₩ 3,150 million as at December 31, 2022.

(3) Guarantees provided for others

The Company has provided payment guarantees in relation to Hyosung Film (Quzhou) Co., Ltd., a subsidiary, amounting to ₩ 70,930 million (USD 9,600 thousand, EUR 19,320 thousand, CNY 180 million). Also, the Company has provided payment guarantees in relation to Hyosung Vina Chemicals Co., Ltd., a subsidiary, amounting to ₩ 1,694,379 million (USD 1,337,000 thousand).

The Company must maintain Debt-Equity Ratio under 400% regarding USD 663 million of 1st syndicated loans. For USD 663 million of 1st syndicated loans, the Company has an obligation to supplement the access financing in case of non-compliance with following covenants:

1st Syndicated loans	Covenants	Year	Ratio
USD 663 million	Maintaining the subsidiary's net debt/EBITDA ratio at the end of each year	2021	4.8:1
		2022	4:1
		2023	3:1
		2024	2:1
		2025	2:1

The Company must maintain Debt-Equity Ratio under 400% regarding USD 215 million of 2nd syndicated loans.

2nd Syndicated loans	Covenants	Year	Ratio
USD 215 million	Maintaining the subsidiary's net debt/EBITDA ratio at the end of each year	2022	4:1
		2023	3:1
		2024	2:1
		2025	2:1

The Company must maintain Debt-Equity Ratio under 400% regarding USD 70 million of other operating funds.

In 2022, regarding USD 878 million of syndicated loans, the Company violated the maintenance of the subsidiaries' net debt/EBITDA ratio as at December 31, 2022, but received the waiver consents from the lender in relation to this violation.

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(4) Guarantees provided by others

Details of payment guarantees provided by others as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Guaranteed amount		Details
Kookmin Bank	₩	39,033	Performance guarantee and others
Nonghyup Bank		38,019	Performance guarantee and others
Woori Bank		38,019	Performance guarantee and others
Shinhan Bank		25,346	Performance guarantee and others
Hana Bank		12,673	Performance guarantee and others
Seoul Guarantee Insurance Company		79,882	Performance guarantee and others
	₩	<u>232,972</u>	

(5) Assets pledged as collaterals

Details of assets pledged as collaterals as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Related borrowings		Executed amount of agreement		Provided to
Property, plant and equipment	₩	190,000	₩	420,000	Korea Development Bank
Property, plant and equipment		20,000		84,000	Woori Bank
Property, plant and equipment		20,000		55,000	Shinhan Bank
Trade receivables		70,782		70,782	Woori Bank and others
	₩	<u>300,782</u>	₩	<u>629,782</u>	

(6) Pending lawsuits

Details of lawsuits filed against and by the Company as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>	Number of cases	Litigation value		Details
Defendant's case	1	₩	100	Claims for indemnity

As at December 31, 2022, the results of the above pending lawsuits cannot be predicted, and accordingly, possible adjustments due to such uncertainty were not reflected on the financial statements of the Company.

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(7) Liability of the Company due to spin-off

The Company spun off by a special resolution of the shareholders in accordance with Paragraph 1 of Article 530-3 of the Commercial Code of Korea. The Company or newly established entity from the spin-off is jointly and severally liable for payables of the company before the spin-off, in accordance with Paragraph 1 of Article 530-9 of the Commercial Code of Korea.

(8) Purchase agreements of property, plant and equipment

The Company decided to expand the PP polymerization facilities and NF3 Oksan plant in September 2021. Details of purchase agreements of the property, plant, and equipment as at December 31, 2022, are as follows:

<i>(in millions of Korean won)</i>		2022
Contract amount	₩	135,352
Amount paid		116,763
Amount payable		121

(9) Right of pledge

The Company has established a pledge over subordinated securitized bonds amounting to ₩ 1,500 million purchased under the contract conditions of the issuance of 7th private bond for the securitization company.

39. Greenhouse Gas Emission Permits and Obligation

The quantities of emission permits which are allocated free of charge for the 3rd planning period (2022~2025) are as follows.

<i>(in tCO₂-eq)</i>	2022	2023	2024	2025	Total
Allocation with nil consideration	860,616	860,616	852,555	852,555	3,426,342

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The Company's free allocation of emission rights and the estimated quantity of greenhouse gas emission as at December 31, 2022, are as follows:

<i>(in tCO₂-eq, in millions of Korean won)</i>	2022					
	2021		2022		2023~2025	
	Quantity	Amount ³	Quantity	Amount ³	Quantity	Amount ³
Beginning balance	-	₩ -	-	₩ -	-	₩ -
Free allocation	860,616	-	860,616	-	2,565,726	-
Additional allocation	3	-	1,829	-	-	-
Provision	-	-	-	-	-	-
Purchases ¹	4,077	54	-	-	-	-
Submission to the government ²	(865,105)	(61)	(873,791)	(182)	-	-
Carryforward	409	7	-	-	-	-
Ending balance	-	₩ -	(11,346)	₩ (182)	2,565,726	₩ -

¹ The actual quantity of emissions purchased is written for 2021, and the expected quantity of emissions to purchase is written for 2022. The emission rights purchased by the Company is 4,077 tCO₂-eq for the year ended December 31, 2022.

² The actual quantity of emissions submitted is written for 2021, and the expected quantity of emissions to submit is written for 2022. The expected emissions as at December 31, 2022 is 873,791 tCO₂-eq.

³ The amounts of emission rights purchased are included in other intangible assets.

The Company's free allocation of emission rights and the estimated quantity of greenhouse gas emission as at December 31, 2021, are as follows:

<i>(in tCO₂-eq, in millions of Korean won)</i>	2021					
	2020		2021		2022~2025	
	Quantity	Amount ³	Quantity	Amount ³	Quantity	Amount ³
Beginning balance	-	₩ -	-	₩ -	-	₩ -
Free allocation	748,305	-	860,616	-	3,426,342	-
Provision	(26,379)	-	-	-	-	-
Purchases ¹	140,000	2,513	-	-	-	-
Submission to the government ²	(861,517)	(2,506)	(863,181)	(7)	-	-
Carryforward	(409)	(7)	409	7	-	-
Ending balance	-	₩ -	(2,156)	₩ -	3,426,342	₩ -

¹ The actual quantity of emissions purchased is written for 2020, and the expected quantity of emissions to purchase is written for 2021. The emission rights purchased by the Company is 140,000 tCO₂-eq for the year ended December 31, 2021.

Hyosung Chemical Corporation
Notes to the Separate Financial Statements
December 31, 2022 and 2021

² The actual quantity of emissions submitted is written for 2020, and the expected quantity of emissions to submit is written for 2021. The expected emissions as at December 31, 2021 is 863,181 tCO₂-eq.

³ The amounts of emission rights purchased are included in other intangible assets.

Changes in provisions for the year ended December 31, 2022 and 2021, are as follows:

<i>(in millions of Korean won)</i>	2022		2021	
Beginning balance	₩	76	₩	2,960
Profit or loss:				
Additional provisions		106		(2,884)
Used during the year		182		76
Ending balance		(76)		(2,960)
	₩	<u>182</u>	₩	<u>76</u>
Current	₩	182	₩	76
Non-current		-		-

40. Events After the Reporting Period

(a) Payment guarantee for subsidiaries

The Company decided to provide a debt guarantee for Hyosung Vina Chemicals Co., Ltd., 100% owned subsidiary, amounting to ₩ 70,232 million (USD 57,600 thousand) on February 3, 2023.

The Company decided to provide a debt guarantee for Hyosung Vina Chemicals Co., Ltd., 100% owned subsidiary, amounting to ₩ 42,290 million (USD 33,900 thousand) on February 7, 2023 .



**Report on Independent Auditor's
Audit of Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hyosung Chemical Corporation

Opinion on Internal Control over Financial Reporting

We have audited Hyosung Chemical Corporation's (the Company) Internal Control over Financial Reporting as at December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2022, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statements of financial position as at December 31, 2022, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 8, 2023 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting 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.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Report on the Effectiveness of Internal Control over Financial Reporting*.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Youngseok Bae, Certified Public Accountant.

Seoul, Korea
March 8, 2023

This report is effective as at March 8, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the Company's internal control over financial reporting 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.

**Report on the Effectiveness of
Internal Control over Financial Reporting**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders, Board of Directors and Audit Committee of
Hyosung Chemical Corporation

We, as the Chief Executive Officer (“CEO”) and the Internal Control over Financial Reporting Officer of Hyosung Chemical Corporation (the “Company”), assessed the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting (“ICFR”) for the year ended December 31, 2022.

The Company’s management, including ourselves, is responsible for designing and operating ICFR. We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting* established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on *Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting* established by the ICFR Committee.

Based on the assessment results, we believe that the Company’s ICFR, as at December 31, 2022, is designed and operating effectively, in all material respects, in accordance with *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care.

January 30, 2023

Kun-jong Lee,
Chief Executive Officer



Bo-young Yoon,
Internal Control over Financial Reporting Officer

