

# **Hyosung Chemical Corporation**

**Separate Financial Statements  
December 31, 2024 and 2023**

# Hyosung Chemical Corporation

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December 31, 2024 and 2023

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of  
Hyosung Chemical Corporation

### Opinion

We have audited the separate financial statements of Hyosung Chemical Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2024 and 2023, and the separate income statements, 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 material accounting policy information.

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, 2024 and 2023, 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, 2024, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*, and our report dated March 12, 2025 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.

## **Key Audit Matter**

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 of investments in subsidiaries**

#### **Why we determined this matter as a Key Audit Matter**

Investments in subsidiaries amount to ₩ 858,490 million as at December 31, 2024. 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, 2024: ₩ 809,094 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. (Note 20).

#### **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. 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 engaged 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 Seongpil Hwang, Certified Public Accountant.

Seoul, Korea

March 12, 2025

This report is effective as of March 12, 2025, 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, 2024 and 2023**

<i>(in Korean won)</i>	<b>Notes</b>	<b>2024</b>	<b>2023</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,8,9	₩ 2,740,195,032	₩ 2,997,672,517
Trade and other receivables	4,7,8,11	224,986,528,913	189,807,121,091
Other financial assets	4,5,8,12	26,187,240,733	764,234,465
Other current assets	13	20,504,654,387	28,425,426,739
Inventories	14	155,025,014,196	150,364,881,421
Current tax assets	25	-	552,082,645
Non-current assets held for sale and discontinued c	15	341,181,049,179	-
		<u>770,624,682,440</u>	<u>372,911,418,878</u>
<b>Non-current assets</b>			
Long-term trade and other receivables	4,8,11	146,160,559,048	22,073,611,174
Property, plant and equipment	16,17,19,38	606,690,087,497	939,513,711,421
Intangible assets	18	8,666,692,012	10,485,440,921
Investments in subsidiaries and associates	20	874,768,581,132	755,531,524,961
Other non-current financial assets	4,5,8,10,12,38	6,755,800,011	2,787,388,000
Other non-current assets	13	112,078,407	83,777,747
Net defined benefit assets	24	-	5,165,272,318
Deferred tax assets	25	48,949,617,951	17,033,988,713
		<u>1,692,103,416,058</u>	<u>1,752,674,715,255</u>
<b>Total assets</b>		<u>₩ 2,462,728,098,498</u>	<u>₩ 2,125,586,134,133</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4,8,22	₩ 336,819,056,093	₩ 415,000,083,386
Borrowings	4,7,8,23,38	1,084,958,406,769	582,673,652,242
Other financial liabilities	8,12,16	2,407,697,469	6,142,040,276
Current tax liabilities	25	5,152,370,093	-
Provisions	26,39	13,133,720,796	1,207,516,728
Other current liabilities	26	151,446,461,284	10,567,246,918
Non-current liabilities held for sale and discontinued	15	26,413,146,671	-
		<u>1,620,330,859,175</u>	<u>1,015,590,539,550</u>
<b>Non-current liabilities</b>			
Long-term trade and other payables	4,8,22	1,332,699,387	14,074,849,395
Long-term borrowings	4,8,23,38	185,284,403,835	448,122,064,776
Net defined benefit liabilities	24	6,256,728,391	-
Other non-current financial liabilities	8,12,17	1,759,941,702	1,718,726,831
Non-current provisions	26	60,829,836	10,165,668,782
Other non-current liabilities	26	81,579,164	464,912,741
		<u>194,776,182,315</u>	<u>474,546,222,525</u>
<b>Total liabilities</b>		<u>1,815,107,041,490</u>	<u>1,490,136,762,075</u>
<b>Equity</b>			
Issued capital	27	18,959,055,000	18,959,055,000
Share premium		374,675,055,762	374,675,055,762
Accumulated deficit	28	(195,077,151,823)	(7,253,236,683)
Other components of equity	29	449,064,098,069	249,068,497,979
<b>Total equity</b>		<u>647,621,057,008</u>	<u>635,449,372,058</u>
<b>Total liabilities and equity</b>		<u>₩ 2,462,728,098,498</u>	<u>₩ 2,125,586,134,133</u>

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

**Hyosung Chemical Corporation**  
**Separate Income Statements**  
**Years Ended December 31, 2024 and 2023**

<i>(in Korean won)</i>	<b>Notes</b>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>	6,21,30	₩ 1,751,631,796,150	₩ 1,843,523,908,958
<b>Cost of sales</b>	21,31,32	<u>1,731,214,379,112</u>	<u>1,842,142,956,964</u>
<b>Gross profit</b>		20,417,417,038	1,380,951,994
Selling general and administrative expenses	31,32,33	62,569,481,867	74,199,035,494
Research and development expenses	31,32	<u>19,101,855,165</u>	<u>18,617,758,894</u>
<b>Operating loss</b>		(61,253,919,994)	(91,435,842,394)
Other income	34	6,956,196,510	6,403,901,767
Other expenses	34	101,326,620,271	99,208,973,623
Finance income	35	92,395,235,134	79,366,662,467
Finance expenses	35	<u>147,066,154,791</u>	<u>123,394,436,855</u>
Loss before income tax		(210,295,263,412)	(228,268,688,638)
Income tax benefit	25	<u>(25,988,393,390)</u>	<u>(31,372,946,075)</u>
Profit (loss) from continuing operations		(184,306,870,022)	(196,895,742,563)
Profit (loss) from discontinued operations		<u>13,574,735,945</u>	<u>18,938,263,182</u>
<b>Loss for the year</b>		<u>₩ (170,732,134,077)</u>	<u>₩ (177,957,479,381)</u>
<b>Losses per share</b>			
Basic losses per share from continuing operations	40	₩ (52,143)	₩ (60,845)
Basic losses per share from discontinued operations		3,592	5,791

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



**Hyosung Chemical Corporation**  
**Separate Statements of Comprehensive Income**  
**Years Ended December 31, 2024 and 2023**

<i>(in Korean won)</i>	Notes	2024	2023
<b>Loss for the year</b>		<u>₩ (170,732,134,077)</u>	<u>₩ (177,957,479,381)</u>
<b>Other comprehensive income (loss)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities	24,25	(4,326,381,063)	(341,097,512)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	12,25	(4,399,910)	2,469,198
Revaluation surplus through other comprehensive income	16,25	-	150,918,140,399
<i>Items that may be subsequently reclassified to profit or loss</i>		<u>-</u>	<u>-</u>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<u>(4,330,780,973)</u>	<u>150,579,512,085</u>
<b>Total comprehensive loss for the year</b>		<u>₩ (175,062,915,050)</u>	<u>₩ (27,377,967,296)</u>
<b>Total comprehensive loss for the year is attributable to:</b>			
Total comprehensive income from continuing operations		₩ (188,637,650,995)	₩ (46,316,230,478)
Total comprehensive income from discontinued operations		<u>13,574,735,945</u>	<u>18,938,263,182</u>
		<u>₩ (175,062,915,050)</u>	<u>₩ (27,377,967,296)</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, 2024 and 2023**

(in Korean won)

	Share capital	Share premium	Retained Earnings (Accumulated deficit)	Other Components of Equity	Total Equity
<b>Balance at January 1, 2023</b>	₩ 15,950,630,000	₩ 327,697,938,702	₩ 173,120,340,210	₩ (1,852,111,618)	₩ 514,916,797,294
<b>Total comprehensive income</b>					
Loss for the year	-	-	(177,957,479,381)	-	(177,957,479,381)
Remeasurements of net defined benefit liabilities	-	-	(341,097,512)	-	(341,097,512)
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	2,469,198	2,469,198
Revaluation surplus through other comprehensive income	-	-	-	150,918,140,399	150,918,140,399
<b>Transactions with the owners</b>					
Capital increase with consideration	3,008,425,000	46,977,117,060	-	-	49,985,542,060
Issuance of hybrid securities and others	-	-	(2,075,000,000)	100,000,000,000	97,925,000,000
<b>Balance at December 31, 2023</b>	<u>₩ 18,959,055,000</u>	<u>₩ 374,675,055,762</u>	<u>₩ (7,253,236,683)</u>	<u>₩ 249,068,497,979</u>	<u>₩ 635,449,372,058</u>
<b>Balance at January 1, 2024</b>	₩ 18,959,055,000	₩ 374,675,055,762	₩ (7,253,236,683)	₩ 249,068,497,979	₩ 635,449,372,058
<b>Total comprehensive income</b>					
Loss for the year	-	-	(170,732,134,077)	-	(170,732,134,077)
Remeasurements of net defined benefit liabilities	-	-	(4,326,381,063)	-	(4,326,381,063)
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(4,399,910)	(4,399,910)
<b>Transactions with the owners</b>					
Issuance of hybrid securities and others	-	-	(12,765,400,000)	200,000,000,000	187,234,600,000
<b>Balance at December 31, 2024</b>	<u>₩ 18,959,055,000</u>	<u>₩ 374,675,055,762</u>	<u>₩ (195,077,151,823)</u>	<u>₩ 449,064,098,069</u>	<u>₩ 647,621,057,008</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, 2024 and 2023**

<i>(in Korean won)</i>	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	₩ 72,835,984,130	₩ 169,545,836,537
Income taxes paid		640,147,836	(264,218,531)
Interest paid		(63,783,003,116)	(46,409,573,798)
Interest received		1,715,751,873	2,620,390,872
Dividends received		115,200	61,440
<b>Net cash inflow from operating activities</b>		<b>11,408,995,923</b>	<b>125,492,496,520</b>
<b>Cash flows from investing activities</b>			
Collection of long-term loans		609,449,200	476,593,000
Proceeds from disposal of property plant and equipment		299,928,354	290,083,300
Proceeds from disposal of intangible assets		1,200,000,000	14,813,998
Issuance of long-term loans		(113,758,640,000)	(1,134,327,000)
Decrease in long-term guarantees		-	13,216,170
Increase in long-term guarantees		-	(271,167,810)
Payments for property, plant and equipment		(86,278,492,795)	(59,641,946,910)
Payments for intangible assets		(64,176,722)	(149,634,675)
Payments for investments in subsidiaries and associates		(207,815,184,600)	(257,497,500,000)
Increase (decrease) in derivatives		13,286,674,993	(5,146,166,127)
Increase in short-term guarantees		(204,002,783)	(286,760,000)
Decrease in short-term guarantees		59,624,929	174,172,400
Receipt of government grants		(3,200,000,000)	-
Payments for financial assets at fair value through profit or loss		(2,150,000,000)	(1,368,883,448)
Payments for short-term financial instruments		(21,591,191,337)	-
<b>Net cash outflow from investing activities</b>		<b>(419,606,010,761)</b>	<b>(324,527,507,102)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of bonds		169,171,700,000	149,292,510,000
Repayments of bonds		(194,000,000,000)	(127,000,000,000)
Proceeds from short-term borrowings		2,244,666,164,536	1,187,329,034,469
Repayments of short-term borrowings		(1,975,644,876,503)	(1,235,430,063,756)
Repayments of current portion of borrowings		(65,194,630,000)	(1,999,980,000)
Proceeds from long-term borrowings		50,000,000,000	60,000,000,000
Issuance of hybrid securities		200,000,000,000	100,000,000,000
Capital increase with consideration		-	50,000,023,500
Issuance cost of new shares		-	(14,481,440)
Interest payments for hybrid securities		(16,600,000,000)	(2,075,000,000)
Repayments of lease liabilities		(4,458,820,680)	(3,834,744,573)
<b>Net cash inflow from financing activities</b>		<b>407,939,537,353</b>	<b>176,267,298,200</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(257,477,485)</b>	<b>(22,767,712,382)</b>
Cash and cash equivalents at the beginning of the year		2,997,672,517	25,765,384,899
<b>Cash and cash equivalents at the end of the year</b>		<b>₩ 2,740,195,032</b>	<b>₩ 2,997,672,517</b>

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

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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#### 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, 2024, the Company has plants in Yongyeon, Gumi, Oksan and etc. In addition, the Company has a subsidiary in Vietnam and China.

As at December 31, 2024, the Company's major shareholders are as follows:

	Number of shares	Percentage of ownership (%)
Hyosung Corporation	1,245,166	32.84
Hyun-Joon Cho	470,211	12.40
Hyun-Sang Cho	233,663	6.16
Gwang-Ja Song	23,445	0.62
Yang-Rae Cho, etc.	11,367	0.30
Others	1,795,628	47.35
Treasury shares	12,331	0.33
	<u>3,791,811</u>	<u>100.00</u>

#### 2. Material 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 Korea.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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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
- Non-current assets held for sale – measured at fair value less costs to sell

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, 2024.

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

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

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

When applying supplier finance arrangements, an entity shall disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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liquidity risk. The Company has provided new disclosures for liabilities under supplier finance arrangements, as well as the associated cash flows, in Notes 22, and 38.

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

When subsequently measuring lease liabilities arising from a sale and leaseback, a seller-lessee shall determine lease payments or revised lease payments in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not have a significant impact on the financial statements.

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

The amendments require an additional disclosure if an entity holds cryptographic assets, or holds cryptographic assets on behalf of the customer, or issues cryptographic assets. The amendments do not have a significant impact on the financial statements.

#### 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, 2024 reporting periods and have not been early adopted by the Company.

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

When an entity estimates a spot exchange rate because exchangeability between two currencies is lacking, the entity shall disclose related information. The amendments should be applied for annual periods beginning on or after January 1, 2025, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

#### *(b) Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1107 Financial Instruments: Disclosures*

Korean IFRS 1109 *Financial Instruments* and Korean IFRS 1107 *Financial Instruments: Disclosures* have been amended to respond to recent questions arising in practice, and to include new requirements. The amendments should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;

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- add new disclosures of impact on the entity and the extent to which the entity is exposed for each type of financial instruments if the timing or amount of contractual cash flow changes due to amendment of contract term; and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

#### *(c) Annual Improvements to Korean IFRS -Volume 11*

Annual Improvements to Korean IFRS -Volume 11 should be applied for annual periods beginning on or after January 1, 2026, and earlier application is permitted. The Company is in review for the impact of these amendments 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 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.

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#### 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. 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



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

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#### *(d) Recognition and Derecognition*

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the 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 23).

#### *(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.

## **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.

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#### **2.9 Non-current Assets (or Disposal Group) Held for sale**

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

#### **2.10 Property, Plant and Equipment**

Land is measured at fair value based on valuations by external independent valuers. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income and shown as other reserves in equity. Decreases that offset previous increases of the same asset are charged to other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statements.

Property, plant and equipment, except for land, is stated at cost, and after initial recognition, carrying amount is presented with acquisition cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment is directly attributable to its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as a consolidated asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

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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 - 15
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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

#### 2.11 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.

#### 2.12 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 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.

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#### 2.13 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 ~ 10

#### 2.14 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.

#### 2.15 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.

#### 2.16 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.

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

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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 income statements as 'finance expenses', 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.

### **2.17 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 Customers*

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#### 2.18 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.

#### 2.19 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.

#### 2.20 Current and Deferred Tax

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

The 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.

#### 2.21 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 denominated in the currency in which the benefits will be paid, and that



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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.

#### **2.22 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. The Company will recognize the allocated transaction price for each performance obligation over the service period as revenue.

#### **2.23 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*

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The Company leases various offices, warehouses, vehicles, facilities and others. Lease contracts are typically made for fixed periods, but may have extension options or termination options.

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

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interest on the remaining balance of the liability for each period.

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the 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.

## **2.24 Segment Reporting**

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

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

The separate financial statements 2024 were approved for issue by the Board of Directors on February 28, 2025 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) 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 discounting estimated future cash flows of investments in subsidiaries and CGU with the appropriate discount rates (Notes 16 and 20).

#### *(b) 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 25).

If certain portion of the taxable income is not used for investments or increase in wages for a certain period, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects for such period. As the Company's income tax is dependent on the investments, increase in wages, there is an uncertainty measuring the final tax effects.

#### *(c) 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).

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#### *(d) 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).

#### *(e) 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 24).

#### *(f) 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) (Note 17).

## **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 involving the US dollar, Euro and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, as well as net investments in foreign operations.

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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 pre-tax profit	
		2024	2023
USD	Strengthened	₩ 4,267	₩ (8,490)
	Weakened	(4,267)	8,490
EUR	Strengthened	(279)	(285)
	Weakened	279	285
JPY	Strengthened	(287)	(334)
	Weakened	287	334
Others	Strengthened	(498)	(474)
	Weakened	498	474

#### (b) Price risk

The Company is exposed to equity securities price risk arising 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 in this index on the Company's equity and post-tax profit for the year. The analysis is based on the assumption that the equity index has increased/decreased by 10% with all other variables held constant.

(in millions of Korean won)

		Impact on equity	
		2024	2023
KOSPI	Increase 10%	₩ 2	₩ 2
	Decrease 10%	(2)	(2)

#### (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

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

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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 in the interest rate by 100 basis points on the Company's pre-tax profit for the period, with all other variables held constant.

(in millions of Korean won)	Impact on pre-tax profit			
	2024		2023	
Increase	₩	(2,387)	₩	(2,969)
Decrease		2,387		2,969

#### 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, those ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account their 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, 2024 and 2023, is as follows:

(in millions of Korean won)	2024		2023	
Cash and cash equivalents	₩	2,740	₩	2,998
Trade and other receivables		224,987		189,807
Other financial assets		26,187		764
Long-term trade and other receivables		146,161		22,074
Other non-current financial assets		6,756		2,787
Financial guarantee contracts <sup>1</sup>		2,190,935		1,842,137

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

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## Notes to the Separate Financial Statements

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#### 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 plans, compliance of covenants, and target financial ratios.

Details of the Company's liquidity risk analysis as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 336,819	₩ 1,333	₩ -	₩ 338,152
Lease liabilities	1,655	1,376	1,049	4,080
Borrowings (including interest expense)	1,123,975	192,235	-	1,316,210
Derivative instruments <sup>1</sup>	753	-	-	753
Financial guarantee contracts	2,190,935	-	-	2,190,935
Total	₩ 3,654,137	₩ 194,944	₩ 1,049	₩ 3,850,130

<sup>1</sup> 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 in understanding its timing of the cash flows. These contracts are managed on a net fair value basis rather than by maturity date.

(in millions of Korean won)

	2023			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 415,000	₩ 14,075	₩ -	₩ 429,075
Lease liabilities	4,275	1,319	1,121	6,715
Borrowings (including interest expense)	619,685	469,164	-	1,088,849
Derivative instruments <sup>1</sup>	2,007	-	-	2,007
Financial guarantee contracts	1,842,137	-	-	1,842,137
Total	₩ 2,883,104	₩ 484,558	₩ 1,121	₩ 3,368,783

<sup>1</sup> 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 in understanding its timing of the cash flows. These contracts are managed on a net fair value basis rather than by maturity date.



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#### 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 dividends paid to shareholders, issue new shares and undertake asset sales 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, 2024 and 2023, is as follows:

<i>(in millions of Korean won)</i>	2024	2023
Total borrowings	₩ 1,270,243	₩ 1,030,796
Less: cash and cash equivalents	(14,140)	(2,998)
Net debt	1,256,103	1,027,798
Total equity	647,621	728,818
Total capital	₩ 1,903,724	₩ 1,756,616
Gearing ratio	65.98%	58.51%

#### 5. Fair Value of Financial Instruments

During the year ended December 31, 2024, there have been no significant changes in the business and economic environment affecting the fair value of the Company's financial assets and liabilities.

##### 5.1 Fair Value Hierarchy

Items that are measured at fair value or 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).

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#### 5.2 Valuation Techniques and the Inputs

Valuation techniques and inputs within Level 2 and Level 3 of the fair value hierarchy as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

won)	2024					
	Fair value	Level	Valuation techniques	Inputs	Level 3 Range of inputs	
Derivatives						
Assets	₩ 5,954	2	Market approach	Exchange rate, discount rate	N/A	
Liabilities	753	2	Market approach	Exchange rate, discount rate	N/A	
Debt securities						
Corporate bonds			Asset value			
subordinated debt <sup>1</sup>	₩ 2,250	3	approach	N/A	N/A	
Hyosung CVC			Asset value			
Scale-Up Fund I	2,650	3	approach	N/A	N/A	
Investments in associates <sup>2</sup>	2,000	3	approach	N/A	N/A	

<sup>1</sup> Kodit 2022 the 15th Securitization Specialty Co.,Ltd., Kodit 2023 the 1st Securitization Specialty Co., Ltd. and Kodit 2024 the 3rd Securitization Specialty Co.,Ltd. established the right of pledge for the entire amount of the receivables (Note 38).

<sup>2</sup> This pertains to the investment in the Polyphenol Factory. It is classified as a financial asset at fair value through profit or loss, as it does not meet the definition of an equity instrument and its cash flow characteristics are not solely composed of principal and interest, in accordance with Korean IFRS 1109.

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## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

(in millions of Korean won)

2023						
	Fair value	Level	Valuation techniques	Inputs	Level 3 Range of inputs	
Derivatives						
Assets	₩ 764	2	Market approach	Exchange rate, discount rate	N/A	
Liabilities	2,007	2	Market approach	Exchange rate, discount rate	N/A	
Debt securities						
Corporate bonds subordinated debt <sup>1</sup>	₩ 1,950	3	Asset value approach	N/A	N/A	
Hyosung CVC Scale-Up Fund I	800	3	Asset value approach	N/A	N/A	

<sup>1</sup> Kodit 2022 the 15th Securitization Specialty Co., Ltd. and Kodit 2023 the 1st Securitization Specialty Co., Ltd. established the right of pledge for the entire amount of the receivables (Note 38).

**5.3** Fair value hierarchy classifications of the financial instruments that are measured at fair value as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

2024						
	Level 1	Level 2 <sup>1</sup>	Level 3	Total		
Assets						
Financial assets at fair value through profit or loss (derivative financial assets, debt securities)	₩ -	₩ 5,954	₩ 6,899	₩ 12,853		
Financial assets at fair value through other comprehensive income (equity securities)	16	-	-	16		
Total	₩ 16	₩ 5,954	₩ 6,899	₩ 12,869		
Liabilities						
Financial liabilities at fair value through profit or loss (derivative financial liabilities)	₩ -	₩ 753	₩ -	₩ 753		
Total	₩ -	₩ 753	₩ -	₩ 753		

<sup>1</sup> 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.

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(in millions of Korean won)

		2023			
		Level 1	Level 2 <sup>1</sup>	Level 3	Total
Assets					
Financial assets at fair value through profit or loss (derivative financial assets, debt securities)	₩	-	₩ 764	₩ 2,750	₩ 3,514
Financial assets at fair value through other comprehensive income (equity securities)		22	-	-	22
Total	₩	22	₩ 764	₩ 2,750	₩ 3,536
Liabilities					
Financial liabilities at fair value through profit or loss (derivative financial liabilities)	₩	-	₩ 2,007	₩ -	₩ 2,007
Total	₩	-	₩ 2,007	₩ -	₩ 2,007

<sup>1</sup> 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.

#### 5.4 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, 2024.

#### 5.5 Land Valuation Techniques and the Inputs

The valuation techniques used to measure the fair value of the land, the significant unobservable inputs used in the fair value measurement, and the relationship between the unobservable inputs and the fair value measurement are as follows:

1) Official standard land price valuation method

It is determined based on the official standard land price of the land nearby the subject land to be measured, with adjustments made for differences in the reference date of the announced price, individual factors, and other relevant factors.

2) Relationship between significant unobservable inputs and fair value

- Time adjustment (land price change rate): When land price change rate rises (falls), fair value increases (decreases)
- Local factors: When the regional factor increases (decreases), fair value increases (decreases)
- Individual factors: When the correction value such as the ground condition increases (decreases), fair value increases (decreases)
- Other factors: The correction for land price level etc. increases (decrease), fair value increases (decreases)

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### December 31, 2024 and 2023

**5.6** Details by fair value hierarchy level for fair value measurement of land as at December 31, 2024, are as follows:

(in millions of Korean won)

	2024			
	Level 1	Level 2	Level 3 <sup>1</sup>	Total
Land	₩ -	₩ -	₩ 335,022	₩ 335,022

<sup>1</sup> Fair value of land applying revaluation model is classified to level 3 of fair value hierarchy.

### 5.7 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 for 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, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	2023
Korea	₩ 790,029	₩ 828,917
North America	65,849	50,582
Asia	474,426	475,780
Europe	357,631	411,924
South America	28,551	21,015
Africa	24,186	45,004
Others	10,960	10,302
	<u>₩ 1,751,632</u>	<u>₩ 1,843,524</u>

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The key customer who contributed more than 10% of the Company's revenue is Hyosung TNC Corporation. Details for the year ended December 31, 2024 and 2023, is as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Hyosung TNC Corporation and its subsidiaries				
Hyosung TNC Corporation	₩	250,871	₩	232,139
Hyosung Chemicals (Jiaxing) Co., Ltd.		3,459		6,663
Hyosung Europe S.R.L		274		352
Hyosung International (HK) Limited		9,848		9,841
Hyosung Japan Co., Ltd.		52,395		48,235
Hyosung New Material & High Technology (Quzhou) Co., Ltd.		-		5,096
	₩	<u>316,847</u>	₩	<u>302,326</u>

## 7. Transfer of Financial Assets

Under factoring arrangement, the Company sold trade receivables at a discount to the financial institutions for the years ended December 31, 2024 and 2023. 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, 23 and 38).

Details of transferred financial assets that are not derecognized in their entirety as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>Loans and receivables</b>			
	<b>2024</b>		<b>2023</b>	
Carrying amount of assets	₩	52,553	₩	43,483
Carrying amount of the associated liabilities		(52,553)		(43,483)
Net position	₩	<u>-</u>	₩	<u>-</u>

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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, 2024 and 2023, are as follows:

*(in millions of Korean won)*

	<b>2024</b>			
	<b>Financial assets at amortized cost</b>	<b>Financial assets measured at FVTPL</b>	<b>Financial assets measured at FVTOCI</b>	<b>Total</b>
Assets				
Cash and cash equivalents	₩ 2,740	₩ -	₩ -	2,740
Trade and other receivables	203,523	21,464	-	224,987
Other financial assets	22,057	4,130	-	26,187
Investments in associates <sup>1</sup>	-	2,000	-	2,000
Long-term trade and other receivables	146,161	-	-	146,161
Other non-current financial assets	16	6,724	16	6,756
	₩ 374,497	₩ 34,318	16	₩ 408,831

<sup>1</sup> According to the scope of application of Korean IFRS 1109, it has been classified as a financial instrument at fair value through profit or loss because it does not meet the definition of an equity instrument, and its cash flow characteristics are not solely composed of principal and interest.

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	<b>2024</b>			
	<b>Financial liabilities at amortized cost</b>	<b>Other financial liabilities</b>	<b>Financial liabilities measured at FVTPL</b>	<b>Total</b>
Liabilities				
Trade and other payables <sup>1</sup>	₩ 325,305	₩ 2,689	₩ -	₩ 327,994
Borrowings	1,025,848	59,110	-	1,084,958
Other financial liabilities	-	1,655	753	2,408
Long-term trade and other payables	1,333	-	-	1,333
Long-term borrowings	185,284	-	-	185,284
Other non-current financial liabilities	-	1,760	-	1,760
	<u>₩ 1,537,770</u>	<u>₩ 65,214</u>	<u>₩ 753</u>	<u>₩ 1,603,737</u>

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

(in millions of Korean won)

	<b>2023</b>			
	<b>Financial assets at amortized cost</b>	<b>Financial assets measured at FVTPL</b>	<b>Financial assets measured at FVTOCI</b>	<b>Total</b>
Assets				
Cash and cash equivalents	₩ 2,998	₩ -	₩ -	₩ 2,998
Trade and other receivables	175,043	14,764	-	189,807
Other financial assets	-	764	-	764
Long-term trade and other receivables	22,074	-	-	22,074
Other non-current financial assets	15	2,750	22	2,787
	<u>₩ 200,130</u>	<u>₩ 18,278</u>	<u>₩ 22</u>	<u>₩ 218,430</u>



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(in millions of Korean won)

	<b>2023</b>					
	<b>Financial liabilities at amortized cost</b>		<b>Other financial liabilities</b>		<b>Financial liabilities measured at FVTPL</b>	<b>Total</b>
Liabilities						
Trade and other payables <sup>1</sup>	₩	399,425	₩	5,499	₩ -	₩ 404,924
Borrowings		535,423		47,251	-	582,674
Other financial liabilities		-		4,135	2,007	6,142
Long-term trade and other payables		14,075		-	-	14,075
Long-term borrowings		448,122		-	-	448,122
Other non-current financial liabilities		-		1,719	-	1,719
	₩	<u>1,397,045</u>	₩	<u>58,604</u>	₩ <u>2,007</u>	₩ <u>1,457,656</u>

<sup>1</sup> 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, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Financial assets measured at amortized cost:		
Interest income	₩ 4,473	₩ 5,406
Gain on foreign currency translation	28,859	13,434
Loss on foreign currency translation	(4,958)	(4,300)
Loss on foreign currency transaction	(7,631)	(13,766)
Gain on foreign currency transaction	9,307	9,674
Bad debt expense (reversal)	3,750	(2,744)
Financial liabilities measured at amortized cost:		
Interest expense	(64,229)	(50,410)
Gain on foreign currency translation	7,808	8,780
Loss on foreign currency translation	(25,105)	(12,580)
Loss on foreign currency transaction	(26,738)	(16,201)
Gain on foreign currency transaction	13,912	21,439
Other financial liabilities <sup>1</sup>		
Interest expense	(1,976)	(3,454)
Gain on foreign currency translation	498	1,493
Loss on foreign currency translation	(2,199)	(2,700)
Financial assets/liabilities at FVTPL		
Gain on transaction	14,529	3,220
Gain (loss) on valuation	5,201	(986)
Interest income	306	353
Financial assets/liabilities at FVTOCI		
Gain (loss) on valuation (other comprehensive income)	(4)	2

<sup>1</sup> Other financial liabilities include financial liabilities and financial guarantees that are related to transfer transactions not derecognized in their entirety. Such financial liabilities and financial guarantees are not subject to application of financial liability categorization.

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**9. Cash and Cash Equivalents**

Cash and cash equivalents as at December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Bank deposits	₩	2,740	₩	2,998

**10. Restricted Financial Instruments**

Restricted financial instruments as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>Description</b>	<b>2024</b>	<b>2023</b>
Other current financial assets	Collateral	₩ 17,603	₩ -
Other current financial assets	Trust deposit	4,454	-
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, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		
	<b>Receivable amount</b>	<b>Provision for impairment</b>	<b>Book amount</b>
Trade receivables	₩ 166,367	₩ (2,874)	₩ 163,493
Other receivables	61,515	(22)	61,493
Long-term other receivables	146,161	-	146,161
	<u>₩ 374,043</u>	<u>₩ (2,896)</u>	<u>₩ 371,147</u>

<i>(in millions of Korean won)</i>	<b>2023</b>		
	<b>Receivable amount</b>	<b>Provision for impairment</b>	<b>Book amount</b>
Trade receivables	₩ 159,668	₩ (6,710)	₩ 152,958
Other receivables	36,871	(22)	36,849
Long-term other receivables	22,074	-	22,074
	<u>₩ 218,613</u>	<u>₩ (6,732)</u>	<u>₩ 211,881</u>

# Hyosung Chemical Corporation

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### December 31, 2024 and 2023

The Company has transferred trade receivables amounting to ₩ 52,553 million (2023: ₩ 43,483 million) to banks in exchange for cash as at December 31, 2024. 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, 23 and 38).

Details of other receivables as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Other receivables		
Non-trade receivables	₩ 48,167	₩ 27,939
Short-term loans	-	-
Deposits provided	2,943	760
Accrued income	208	-
Financial lease receivables	10,175	8,150
	<u>61,493</u>	<u>36,849</u>
Long-term other receivables		
Long-term loans	126,928	2,487
Long-term deposits provided	71	2,182
Long-term financial lease receivables	19,162	17,405
	<u>146,161</u>	<u>22,074</u>
	<u>₩ 207,654</u>	<u>₩ 58,923</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>	<b>2024</b>	<b>2023</b>
Discount rate	1.20%~7.14%	1.20%~5.97%

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The aging analysis of trade and other receivables as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)		2024						
		Past due but not impaired					Impaired	Total
		Receivables not past due	Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩	114,436	₩ 38,809	₩ 3,513	₩ 2,256	₩ 5,411	₩ 1,942	₩ 166,367
Loss allowance provision		(12)	(21)	(49)	(19)	(831)	(1,942)	(2,874)
Expected loss rate		0.01%	0.05%	1.39%	0.86%	15.36%	100.00%	1.73%
		114,424	38,788	3,464	2,237	4,580	-	163,493
Other receivables		61,493	-	-	-	-	22	61,515
Loss allowance provision		-	-	-	-	-	(22)	(22)
		61,493	-	-	-	-	-	61,493
Long-term other receivables		146,161	-	-	-	-	-	146,161
	₩	322,078	₩ 38,788	₩ 3,464	₩ 2,237	₩ 4,580	₩ -	₩ 371,147

  

(in millions of Korean won)		2023						
		Past due but not impaired					Impaired	Total
		Receivables not past due	Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩	120,257	₩ 32,120	₩ 981	₩ 1,990	₩ 2,599	₩ 1,721	₩ 159,668
Loss allowance provision		(368)	(360)	(381)	(1,397)	(2,483)	(1,721)	(6,710)
Expected loss rate		0.31%	1.12%	38.85%	70.21%	95.54%	100.00%	4.20%
		119,889	31,760	600	593	116	-	152,958
Other receivables		36,849	-	-	-	-	22	36,871
Loss allowance provision		-	-	-	-	-	(22)	(22)
		36,849	-	-	-	-	-	36,849
Long-term other receivables		22,074	-	-	-	-	-	22,074
	₩	178,812	₩ 31,760	₩ 600	₩ 593	₩ 116	₩ -	₩ 211,881

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

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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, 2024 and 2023, are as follows:

(in millions of  
Korean won)

	2024			
	Beginning balance	Bad debt expense	Others	Ending balance
Trade receivables	₩ 6,710	₩ (3,750)	₩ (86)	₩ 2,874
Other receivables	22	-	-	22
	<u>₩ 6,732</u>	<u>₩ (3,750)</u>	<u>₩ (86)</u>	<u>₩ 2,896</u>

(in millions of  
Korean won)

	2023			
	Beginning balance	Bad debt expense	Others	Ending balance
Trade receivables	₩ 3,967	₩ 2,749	₩ (6)	₩ 6,710
Other receivables	22	-	-	22
	<u>₩ 3,989</u>	<u>₩ 2,749</u>	<u>₩ (6)</u>	<u>₩ 6,732</u>

Provision for impaired trade receivables and unused amounts reversed are included in the separate income statements within 'selling, general and administrative expenses' (Note 33). Provision for impaired other receivables and unused amounts reversed are included in the separate income statements within 'other income and expenses' (Note 34). 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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**Notes to the Separate Financial Statements**  
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**12. Other Financial Assets and Liabilities**

Other financial assets and liabilities as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Other financial assets		
Short-term financial assets	₩ 22,058	₩ -
Long-term financial assets	4,915	2,766
Derivative financial assets	5,954	764
Financial assets at fair value through other comprehensive income	16	22
	32,943	3,552
Less: current portion	(26,187)	(764)
	₩ 6,756	₩ 2,788
Other financial liabilities		
Lease liabilities	₩ 3,415	₩ 5,853
Derivative financial liabilities	753	2,007
	4,168	7,860
Less: current portion	(2,408)	(6,142)
	₩ 1,760	₩ 1,718

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, 2024. 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, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
<b>Listed equity securities</b>		
Kakao Bank Co., Ltd.	₩ 16	₩ 22

**Hyosung Chemical Corporation**  
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Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
<b>Beginning balance</b>	₩	22	₩	19
Acquisitions		-		-
Gain (loss) on valuation (other comprehensive income)		(6)		3
<b>Ending balance</b>	₩	<u>16</u>	₩	<u>22</u>

Changes in gain or loss on financial assets at fair value through other comprehensive income for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>					
	<b>Beginning balance</b>		<b>Other comprehensive income</b>		<b>Ending balance</b>	
Before tax	₩	(8)	₩	(6)	₩	(14)
Tax effect		<u>2</u>		<u>1</u>		<u>3</u>
After tax	₩	<u>(6)</u>	₩	<u>(5)</u>	₩	<u>(11)</u>

  

<i>(in millions of Korean won)</i>	<b>2023</b>					
	<b>Beginning balance</b>		<b>Other comprehensive income</b>		<b>Ending balance</b>	
Before tax	₩	(11)	₩	3	₩	(8)
Tax effect		<u>3</u>		<u>(1)</u>		<u>2</u>
After tax	₩	<u>(8)</u>	₩	<u>2</u>	₩	<u>(6)</u>

Valuation of derivative financial assets and liabilities as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>				<b>2023</b>			
	<b>Assets</b>		<b>Liabilities</b>		<b>Assets</b>		<b>Liabilities</b>	
Current derivative financial assets and liabilities								
Currency swap	₩	253	₩	488	₩	653	₩	746
Forward exchange		<u>3,877</u>		<u>265</u>		<u>112</u>		<u>1,261</u>
	₩	<u>4,130</u>	₩	<u>753</u>	₩	<u>765</u>	₩	<u>2,007</u>
Non - current derivative financial assets and liabilities								
Currency swap	₩	1,824	₩	-	₩	-	₩	-
		<u>1,824</u>		<u>-</u>		<u>-</u>		<u>-</u>



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₩	5,954	₩	753	₩	765	₩	2,007
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**13. Other Assets**

Details of other assets as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Other current assets				
Advance payments	₩	3,034	₩	8,319
Prepaid expenses <sup>1</sup>		17,471		20,106
		20,505		28,425
Other non-current assets				
Long-term prepaid expenses		112		84
		112		84
	₩	20,617	₩	28,509

<sup>1</sup> In relation to the performance obligation satisfied over time, contract assets of ₩ 4,754 million (2023: ₩ 2,561 million) are included.

**14. Inventories**

Details of inventories as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>			<b>2023</b>		
	<b>Cost</b>	<b>Provision</b>	<b>Book amount</b>	<b>Cost</b>	<b>Provision</b>	<b>Book amount</b>
Merchandise	₩ 5,266	₩ (71)	₩ 5,195	₩ 4,236	₩ (173)	₩ 4,063
Finished goods	108,578	(7,310)	101,268	90,462	(8,607)	81,855
Semi-finished goods	6,696	(315)	6,381	11,942	(552)	11,390
Raw materials	18,049	-	18,049	31,982	(32)	31,950
Sub-materials	13,559	(421)	13,138	11,699	(562)	11,137
Supplies	1,340	(35)	1,305	2,967	(191)	2,776
Packaging	723	(48)	675	602	(51)	551
Goods in transit	8,148	-	8,148	5,462	-	5,462
Rights of return assets	866	-	866	1,181	-	1,181
	₩ 163,225	₩ (8,200)	₩ 155,025	₩ 160,533	₩ (10,168)	₩ 150,365

Inventories recognized as an expense for the year ended December 31, 2024 amount to ₩ 1,766,445 million (2023: ₩ 1,902,139 million), which is included in 'cost of sales'. Also, the Company recognized reversal of loss on valuation of inventories amounting to ₩ 898 million

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

(2023: reversal of loss on valuation of inventories ₩ 8,060 million) for the year ended December 31, 2024, which is included in the income statements within 'cost of sales'.

#### 15. Non-current Assets Held for sale and Discontinued Operations

On December 12, 2024, the Company decided to sell the Neochem division with the approval of its management. As a result, the assets and liabilities related to the Neochem division are presented as held for sale, and the profit and loss on the related operations are presented as discontinued operations. The transaction was completed on January 31, 2025.

Details of assets and liabilities of disposal group classified as held for sale as at December 31, 2024, are as follows:

(in millions of Korean won)

**2024**

#### Assets of disposal group held for sale

Trade and other receivables	₩	12,054
Inventories		30,178
Other current assets		2,856
Property, plant and equipment		296,047
Intangible assets		30
Other non-current assets		16
	₩	341,181

#### Liabilities associated with assets of disposal group held for sale

Trade and other payables	₩	26,413
	₩	26,413

Profit and loss from discontinued operation for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

**2024**

**2023**

Revenue	₩	179,161	₩	170,678
Expense		161,509		146,051
Profit before income tax of discontinued operation		17,652		24,627
Income tax expense		4,077		5,689
Profit after income tax of discontinued operation	₩	13,575	₩	18,938

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## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Cash flows from discontinued operations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Net cash inflow from operating activities	₩	40,986	₩	41,285
Net cash outflow from investing activities		(27,151)		(25,613)
Net increase in cash generated from discontinued operations	₩	13,835	₩	15,672

## 16. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>			<b>2023</b>		
	<b>Cost</b>	<b>Accumulated depreciation<sup>1</sup></b>	<b>Book amount</b>	<b>Cost</b>	<b>Accumulated depreciation<sup>1</sup></b>	<b>Book amount</b>
Land	₩ 259,647	₩ -	₩ 259,647	₩ 335,022	₩ -	₩ 335,022
Building	152,878	(55,421)	97,457	176,985	(57,003)	119,982
Structures	172,749	(69,404)	103,345	182,782	(65,623)	117,159
Machinery	1,480,441	(1,390,024)	90,417	1,717,116	(1,584,257)	132,859
Vehicles	5,045	(4,848)	197	6,075	(5,589)	486
Tools and equipment	41,218	(36,912)	4,306	81,352	(67,444)	13,908
Others	27,212	(606)	26,606	22,483	(871)	21,612
Construction in progress	21,195	-	21,195	195,626	(3,200)	192,426
Machinery in transit	-	-	-	146	-	146
Right-of-use assets	11,139	(7,619)	3,520	10,260	(4,346)	5,914
	<u>₩ 2,171,524</u>	<u>₩ (1,564,834)</u>	<u>₩ 606,690</u>	<u>₩ 2,727,847</u>	<u>₩ (1,788,333)</u>	<u>₩ 939,514</u>

<sup>1</sup> Accumulated impairment losses and government grants are included.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Changes in property, plant and equipment for the years ended December 31, 2024 and 2023, are as follows:

(in millions  
of  
Korean  
won)

of Korean won)	2024																	
	Beginning balance		Additions <sup>1</sup>	Disposal <sup>1</sup>	Depreciation and others <sup>2</sup>	Transfers <sup>3</sup>	Recovery of government grants	Impairment loss	Transferred to disposal group classified as held for sale <sup>4</sup>	Ending balance								
Land	₩	335,022	₩	-	₩	-	₩	-	₩	-	₩	(75,375)	₩	259,647				
Buildings		119,981		-		(117)		(4,780)		22,165		481		(1,391)		(38,882)		97,457
Structures		117,160		-		-		(4,387)		7,350		79		(3,453)		(13,404)		103,345
Machinery		132,860		52		(54)		(64,956)		141,869		2,564		(5,694)		(116,224)		90,417
Vehicles		486		-		-		(295)		322		3		(170)		(149)		197
Tools and equipment		13,908		52		(1)		(5,800)		5,979		73		(21)		(9,884)		4,306
Others		21,613		8,591		-		(3,598)		-		-		-		-		26,606
Construction in progress		192,425		24,290		-		-		(153,391)		-		-		(42,129)		21,195
Machinery in transit		145		24,149		-		-		(24,294)		-		-		-		-
Right-of-use assets		5,914		2,935		(918)		(4,411)		-		-		-		-		3,520
	₩	939,514	₩	60,069	₩	(1,090)	₩	(88,227)	₩	-	₩	3,200	₩	(10,729)	₩	(296,047)	₩	606,690

<sup>1</sup> Additions and disposal of right-of-use assets include effect of lease contract changes.

<sup>2</sup> Others include loss of other tangible assets of ₩ 149 million and supplies expenses for process of ₩ 3,449 million.

<sup>3</sup> 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.

<sup>4</sup> The property, plant and equipment of ₩ 296,047 million related to the Neochem division were classified as non-current assets held for sale.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

(in millions of  
Korean won)

(in millions of Korean won)	2023													
	Beginning				Revaluation				Depreciation		Ending			
	balance		Additions <sup>1</sup>		of land		Disposal <sup>1</sup>		and others <sup>2</sup>		Transfers <sup>3</sup>		balance	
Land	₩	138,770	₩	-	₩	196,252	₩	-	₩	-	₩	-	₩	335,022
Buildings		124,218		-		-		-		(4,237)		-		119,981
Structures		121,587		-		-		-		(4,574)		147		117,160
Machinery		205,122		463		-		(3,766)		(83,078)		14,119		132,860
Vehicles		752		-		-		-		(266)		-		486
Tools and equipment		13,022		42		-		(21)		(5,326)		6,191		13,908
Others		17,204		8,048		-		-		(3,639)		-		21,613
Construction in progress		145,121		37,512		-		-		-		9,792		192,425
Machinery in transit		67		30,327		-		-		-		(30,249)		145
Right-of-use assets		8,682		5,562		-		(4,394)		(3,936)		-		5,914
	₩	774,545	₩	81,954	₩	196,252	₩	(8,181)	₩	(105,056)	₩	-	₩	939,514

<sup>1</sup> Additions and disposal of right-of-use assets include effect of lease contract changes.

<sup>2</sup> Others include loss of other tangible assets of ₩ 240 million and supplies expenses for process of ₩ 3,399 million.

<sup>3</sup> 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.

The allocation details of the depreciation in the income statements for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)	2024 <sup>1</sup>	2023
Cost of sales	₩ 80,932	₩ 98,214
Selling and administrative expenses	3,234	3,032
Research and development expenses	463	172
	₩ 84,629	₩ 101,418

Depreciation of ₩ 27,437 million (2023: ₩ 22,544 million) from the Neochem division, classified as a discontinued operation for the year ended December 31, 2024, is included.

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

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Technology and others for various national research projects, including development of materials related to Polyketone and High-Purity Hydrogen Chloride.

As at December 31, 2024, the balance of government grants related to asset acquisition is ₩ 125 million (2023: ₩ 3,748 million), and there is no balance of liabilities related to government grants.

## 17. Leases

(a) Lessee - amounts recognized in the separate statements of financial position

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

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Right-of-use assets <sup>1</sup>		
Real estate	₩ 1,278	₩ 4,562
Facility equipment	394	320
Vehicles	1,297	399
Others	551	633
	<u>₩ 3,520</u>	<u>₩ 5,914</u>

<sup>1</sup> Included in 'property, plant and equipment' in the separate statements of financial position.

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Lease liabilities <sup>1</sup>		
Current	₩ 1,655	₩ 4,135
Non-current	1,760	1,719
	<u>₩ 3,415</u>	<u>₩ 5,854</u>

<sup>1</sup> Included in 'other financial liabilities' in the separate statements of financial position.

Additions to right-of-use assets due to new contracts and changes in lease contracts amount to ₩ 2,934 million (2023: ₩ 5,562 million) for the year ended December 31, 2024.

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*(b) Lessee - amount recognized in the separate income statements*

The amounts recognized in the separate income statements in relation to leases are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Depreciation of right-of-use assets				
Real estate	₩	3,717	₩	3,387
Facility equipment		38		17
Vehicles		408		319
Others		247		213
	₩	4,410	₩	3,936
Interest expense on lease liabilities <sup>1</sup>	₩	226	₩	283
Expense relating to short-term leases and leases of low-value assets <sup>2</sup>		1,718		1,355
Others (interest expense and lease payments relating to Neochem division)		29		8
Expense relating to variable lease payments <sup>3</sup>		1,035		1,322

<sup>1</sup> Included in 'financial cost'.

<sup>2</sup> Included in 'cost of sales' and 'administrative expenses'.

<sup>3</sup> Included in 'cost of sales' and 'administrative expenses'.

The total cash outflow for leases in 2024 was ₩ 7,466 million (2023: ₩ 6,802 million).

*(c) Lessor under finance leases*

Details of gross investment, net investment and loss allowance in the finance leases as at December 31, 2024 and 2023, is as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>				
	<b>Initial lease payment</b>	<b>Unearned interest</b>	<b>Net investment</b>	<b>Loss allowance</b>	<b>Book amount</b>
Current financial lease receivables	₩ 10,737	₩ (561)	₩ 10,176	₩ -	₩ 10,176
Non-current financial lease receivables	20,436	(1,274)	19,162	-	19,162
	₩ 31,173	₩ (1,835)	₩ 29,338	₩ -	₩ 29,338

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(in millions of Korean won)

	2023				
	Initial lease payment	Unearned interest	Net investment	Loss allowance	Book amount
Current financial lease receivables	₩ 8,766	₩ (616)	₩ 8,150	₩ -	₩ 8,150
Non-current financial lease receivables	18,045	(640)	17,405	-	17,405
	₩ 26,811	₩ (1,256)	₩ 25,555	₩ -	₩ 25,555

There are no changes in loss allowance of financial lease receivables for the years ended December 31, 2024 and 2023.

Lease payments expected to be received due to the finance leases contract as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	
	Initial lease payment	Net investment in finance leases
Within 1 year	₩ 10,737	₩ 10,176
1 ~ 2 years	20,436	19,162
2 ~ 3 years	-	-
Undiscounted total lease payments	₩ 31,173	₩ 29,338

(in millions of Korean won)

	2023	
	Initial lease payment	Net investment in finance leases
Within 1 year	₩ 8,766	₩ 8,150
1 ~ 2 years	8,806	8,385
2 ~ 3 years	9,239	9,020
Undiscounted total lease payments	₩ 26,811	₩ 25,555

The interest income from financial lease receivables recognized in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	2023
Interest income	₩ 690	₩ 732



**Hyosung Chemical Corporation**  
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**18. Intangible Assets**

Changes in intangible assets for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)	2024			
	Industrial rights	Other intangible assets <sup>1</sup>	Membership	Total
Beginning balance	₩ 779	₩ 3,705	₩ 6,000	₩ 10,484
Additions	68	4	-	72
Disposals	-	-	(1,200)	(1,200)
Amortization	(293)	(367)	-	(660)
Transferred to disposal group classified as held for sale	(30)	-	-	(30)
Ending balance	₩ 524	₩ 3,342	₩ 4,800	₩ 8,666

<sup>1</sup> Facility usage rights are included.

(in millions of Korean won)	2023			
	Industrial rights	Other intangible assets <sup>1</sup>	Membership	Total
Beginning balance	₩ 1,041	₩ 4,038	₩ 6,000	₩ 11,079
Additions	36	115	-	151
Disposals	-	(15)	-	(15)
Amortization	(298)	(433)	-	(731)
Ending balance	₩ 779	₩ 3,705	₩ 6,000	₩ 10,484

<sup>1</sup> Facility usage rights and greenhouse gas emission permits, etc. are included.

The allocation details of amortization in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)	2024 <sup>1</sup>	2023
Cost of sales	₩ 174	₩ 184
Selling and administrative expenses	321	346
Research and development expenses	165	201
	₩ 660	₩ 731

<sup>1</sup> Amortization of ₩ 19 million (2023: ₩ 19 million) from the Neochem division, classified as a discontinued operation for the year ended December 31, 2024, is included.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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#### 19. Insurance Coverage

As at December 31, 2024, the details of assets for which the Group has insurance coverage are as follows:

<i>(in millions of Korean won)</i>	<b>Insured assets</b>	<b>Book amount</b>	<b>Insured amount</b>	<b>Insurance company</b>
Package insurance and others	Property, plant and equipment and others	₩ 476,517	₩ 3,960,236	Samsung Fire and Marine Insurance Co., Ltd. and others

#### 20. Investments in Subsidiaries and Associates

Changes in investments in subsidiaries and associates for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	₩ 755,532	₩ 458,283
Acquisitions <sup>1,2</sup>	2,000	-
Additional investment <sup>3</sup>	205,815	390,618
Impairment assessment	(88,578)	(93,369)
Ending balance	₩ 874,769	₩ 755,532

<sup>1</sup> The Company contributed ₩ 2,000 million in Polyphenol Factory for the year ended December 31, 2024.

<sup>2</sup> The Company acquired control over YKIB 1st Co.,Ltd. and DBY 1st Co.,LTD.

<sup>3</sup> The Company made an additional investment of ₩ 205,815 million (2023: ₩ 257,498 million) in Hyosung Vina Chemicals Co., Ltd., its 100% owned subsidiary, for the year ended December 31, 2024. In addition, the Company converted loans amounting to ₩ 133,120 million (USD 100 million) to investment for the year ended December 31, 2023.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Details of investments in subsidiaries as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	Location	Ownership (%)	Book Amount	
		2024	2024	2023
Hyosung Vina Chemicals Co., Ltd.	Vietnam	100%	₩ 809,094	₩ 691,857
Hyosung Film(Quzhou) Co., Ltd.	China	100%	49,396	49,396
YKIB 1st Co.,Ltd. <sup>1</sup>	Korea	-	-	-
DBY 1st Co.,Ltd. <sup>1</sup>	Korea	-	-	-
			₩ 858,490	₩ 741,253

<sup>1</sup> Although the Company does not hold a significant interest in YKIB 1st Co.,Ltd. and DBY 1st Co.,Ltd., the Company obtains substantially all of the profit earned by these special purpose companies and has the ability to direct the activities of structured entities that can significantly affect such gains and losses, based on the terms and conditions of their incorporate agreements.

Details of investments in associates as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	Location	Ownership (%)	Book Amount	
		2024	2024	2023
Shinwha Intertek Corp.	Korea	20%	₩ 14,279	₩ 14,279
Polyphenol Factory <sup>1</sup>	Korea	18%	2,000	-
			₩ 16,279	₩ 14,279

<sup>1</sup> The Company invested ₩ 2,000 million in Polyphenol Factory on August 30, 2024, and classified this investment as investment in an associate, determining that it has significant influence through participation on the Board of Directors. The Company has determined that the preferred shares do not provide access to the returns associated with an ownership interest in the investee, and therefore, it measures its investment in Polyphenol Factory at fair value.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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#### *Impairment Test on Investments in Subsidiaries*

The Company performed an impairment test on investments in subsidiaries that had an indication of impairment. The assumptions applied for estimating the value-in-use of investments in subsidiaries as at December 31, 2024, are as follows:

	<b>Hyosung Vina Chemicals Co., Ltd.</b>
Sales growth rate	1.0% ~ 18.8%
Gross margin	-7.4% ~ 11.3%
Perpetual growth rate	1.00%
Discount rate	7.34%

As a result, the book amount of investments in subsidiaries exceeds the recoverable amount, and the book value of excess is recognized as impairment loss.

<i>(in millions of Korean won)</i>		<b>Impairment</b>
Book amount	₩	898,482
Recoverable amount		809,904
Book amount exceeding recoverable amount	₩	<u>(88,578)</u>

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

<i>(in millions of Korean won)</i>		<b>Impairment</b>
Decrease in perpetual growth rate by 0.5%pt	₩	402,624
Increase in discount rate by 0.5%pt		366,237

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Fair value of marketable investments in associates as at December 31, 2024 and 2023, is as follows:

(in millions of Korean won)

	2024			
	Number of shares	Market price per share (in Korean won)	Fair value	Book amount
Shinwha Intertek Corp.	5,827,100	₩ 1,691	₩ 9,854	₩ 14,279

(in millions of Korean won)

	2023			
	Number of shares	Market price per share (in Korean won)	Fair value	Book amount
Shinwha Intertek Corp.	5,827,100	₩ 2,185	₩ 12,732	₩ 14,279

## 21. Related Party Transactions

Details of subsidiaries, associates and other related parties as at December 31, 2024, are as follows:

### Significant Influence over the Company

Location	Related party
Korea	Hyosung Corporation

### Subsidiaries

Location	Related party
Asia	Hyosung Vina Chemicals Co., Ltd., Hyosung Film(Quzhou) Co., Ltd., YKIB 1st Co.,Ltd., DBY 1st Co.,Ltd.

### Associates

Location	Related party
Korea	Shinwha Intertek Corp., Polyphenol Factory

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Others<sup>1</sup>

Location	Related party
Korea	HS Hyosung Corporation, Hyosung Heavy Industries Corporation, HS Hyosung Advanced Materials Corporation, Hyosung TNC Corporation, KB Wise Star Professional Investment Private Real Estate Investment Trust #11, CHINHUNG INTERNATIONAL INC., Taebaek Wind Power Co., Ltd., Pyeongchang Wind Power Co., Ltd., THE KWANGJUILBO, Somesevit Corporation, Hyosung ITX. CO., LTD, HS HYOSUNG INFORMATION SYSTEMS CO.,LTD, Hyosung CVC Scale-Up Fund I, Galaxia Device Co., Ltd., GALAXIA ELECTRONICS CO., LTD, Kongduk Development Co., Ltd., HS HYOSUNG The Class Corporation, HS HYOSUNG THE PREMIUM Corporation, Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., A-Seung Automotive Group, Trinity Asset Management Co., Ltd, HS 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., 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 New Material & High Technology (Quzhou) Co., Ltd., Hyosung Spandex (Guangdong) Co., Ltd., Hyosung Spandex (Zhuhai) Co., Ltd. and others
Asia	HYOSUNG FINANCIAL SYSTEM VINA Co., Ltd., Hyosung TNC (Taiwan) Corporation, Hyosung India Private Limited, Hyosung Corporation India Private Limited, Hyosung Dong Nai Co., Ltd., Hyosung International (HK) Limited, Hyosung Japan Co., Ltd., PT. HYOSUNG JAKARTA, Hyosung Singapore Pte. Ltd., Hyosung Vietnam Co., Ltd., HYOSUNG T&D INDIA Pvt Ltd. and others
America	HS Hyosung USA Holdings, Inc, Hyosung Mexico S. de R.L. de C.V., GST Safety Textiles Mexico S. de R.L. de C.V., 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	Hyosung RUS, Global Safety Textiles GmbH, Green Plan Energy (Wellingborough) Limited, GST Global GmbH, Hyosung Europe S.R.L, Hyosung Istanbul TEKSTIL LTD.STI., Hyosung Luxembourg S.A and others
Others	Hyosung Resource (Australia) PTY Ltd., GST Automotive Safety South Africa(Proprietary) Limited, Hyosung South Africa (PTY) LTD. and others

<sup>1</sup> 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.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Sales and purchases with related parties for the years ended December 31, 2024 and 2023, are as follows:

(in millions of  
Korean won)

		2024					
Related party		Sales and others <sup>1</sup>	Purchases and others <sup>1</sup>	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense <sup>2</sup>	
Significant influence over the Company	Hyosung Corporation	₩ 8	₩ 68,021	₩ -	₩ 148	₩ 4	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	11,591	-	-	-	-	
	Hyosung Film(Quzhou) Co., Ltd.	376	6,809	-	-	-	
		11,967	6,809	-	-	-	
Associates	Shinwha Intertek Corp.	13,387	-	-	-	-	
Others	Hyosung TNC Corporation	388,871	73,886	-	-	16	
	Hyosung Heavy Industries Corporation	522	320	3,107	-	-	
	HS Hyosung Advanced Materials Corporation	-	480	-	-	-	
	HS Hyosung Corporation	-	44,209	-	-	-	
	Shin Dong Jin Co., Ltd.	-	100	-	192	81	
	Kongduk Development Co., Ltd.	-	44	-	3	12	
	HS Hyosung USA Holdings, Inc	16,984	544	-	-	-	
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	18	49,543	-	-	-	
	Hyosung Chemicals (Jiaxing) Co., Ltd.	3,459	851	-	-	-	
	Hyosung International Trade (Jiaxing) Co., Ltd.	-	22,511	-	-	-	
	Hyosung International (HK) Limited	9,864	-	-	-	-	
	Hyosung New Material&High Technology (Quzhou) Co.,	-	-	-	-	-	
	Hyosung Japan Co., Ltd.	52,395	10,037	-	-	-	
	PT. HYOSUNG JAKARTA	-	487	-	-	-	
	Others	274	5,284	-	83	7	
		472,387	208,296	3,107	278	116	
		₩ 497,749	₩ 283,126	₩ 3,107	₩ 426	₩ 120	

<sup>1</sup> Sales, other income, interest income and others are included in sales and others. Purchase of raw materials, selling, general and administrative expenses, other expenses and others are included in purchases and others.

<sup>2</sup> Interest expense recognized in accordance with lease contracts of buildings is ₩ 120 million for the year ended December 31, 2024.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

(in millions of  
Korean won)

		2023					
	Related party	Sales and others <sup>1</sup>	Purchases and others <sup>1</sup>	Acquisition of property, plant and equipment and intangible assets	Acquisition of right-of-use assets	Interest expense <sup>2</sup>	
Significant influence over the Company	Hyosung Corporation	₩ 8	₩ 100,066	₩ -	₩ 151	₩ -	-
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	10,364	-	-	-	-	-
	Hyosung Film(Quzhou) Co., Ltd.	513	-	-	-	-	-
		10,877	-	-	-	-	-
Associates	Shinwha Intertek Corp.	11,296	-	-	-	-	-
Others	Hyosung TNC Corporation	232,139	70,034	-	-	-	33
	Hyosung Heavy Industries Corporation	70	10,388	1,356	-	-	-
	HS Hyosung Advanced Materials Corporation	-	429	-	-	-	-
	Shin Dong Jin Co., Ltd.	-	(1)	-	40	-	148
	Kongduk Development Co., Ltd.	-	8	-	49	-	23
	HS Hyosung USA Holdings, Inc	12,659	2,596	-	-	-	-
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	859	38,903	-	-	-	-
	Hyosung Chemicals (Jiaxing) Co., Ltd.	6,663	791	-	-	-	-
	Hyosung International Trade (Jiaxing) Co., Ltd.	-	23,987	-	-	-	-
	Hyosung International (HK) Limited	9,841	-	-	-	-	-
	Hyosung NEW Material & High Technology (Quzhou) Co., Ltd.	5,096	-	-	-	-	-
	Hyosung Japan Co., Ltd.	48,235	17,045	-	-	-	-
	PT. HYOSUNG JAKARTA	-	521	-	-	-	-
	Others	352	4,832	-	100	-	2
		315,914	169,533	1,356	189	-	206
		₩ 338,095	₩ 269,599	₩ 1,356	₩ 340	₩ 206	

<sup>1</sup> Sales, other income, interest income and others are included in sales and others. Purchase of raw materials, selling, general and administrative expenses, other expenses and others are included in purchases and others.

<sup>2</sup> Interest expense recognized in accordance with lease contracts of buildings is ₩ 206 million for the year ended December 31, 2023.



# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)		2024					
		Trade receivables	Other receivables and others <sup>1</sup>	Trade payables	Other payables and others <sup>1</sup>	Lease liabilities <sup>2</sup>	
Significant influence over the Company	Hyosung Corporation	₩ -	₩ 231	₩ -	₩ 2,757	₩ 136	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	8,433	199,233	-	-	-	
	Hyosung Film(Quzhou) Co., Ltd.	117	25	3,480	-	-	
	YKIB 1st Co.,Ltd.	-	-	-	30,000	-	
	DBY 1st Co.,Ltd.	-	-	-	20,000	-	
		8,550	199,258	3,480	50,000	-	
Associates	Shinwha Intertek Corp.	3,747	-	-	-	-	
Others	Hyosung TNC Corporation <sup>4</sup>	19,317	524	6,666	139,337	102	
	Hyosung Heavy Industries Corporation <sup>3</sup>	21	-	-	2,167	-	
	HS Hyosung Advanced Materials Corporation	-	366	6	39	-	
	HS Hyosung Corporation	-	-	522	13,280	-	
	Shin Dong Jin Co., Ltd.	-	1,539	-	246	237	
	Kongduk Development Co., Ltd.	-	138	-	-	66	
	HS Hyosung USA Holdings, Inc	4,217	-	-	74	-	
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	-	16	7,591	-	-	
	Hyosung Chemicals (Jiaxing) Co., Ltd.	717	-	-	-	-	
	Hyosung International Trade (Jiaxing) Co., Ltd.	-	-	4,946	73	-	
	Hyosung International (HK) Limited	1,104	-	-	-	-	
	Hyosung New Material&High Technology (Quzhou) Co.,	-	-	-	-	-	
	Hyosung Japan Co., Ltd.	1,654	-	2,089	-	-	
	PT. HYOSUNG JAKARTA	-	-	-	39	-	
	Others	392	133	37	703	120	
		27,422	2,716	21,857	155,958	525	
		₩ 39,719	₩ 202,205	₩ 25,337	₩ 208,715	₩ 661	

<sup>1</sup> Non-trade receivables, advance payments, guarantee deposits, financial lease receivables and others are included in other receivables. Non-trade payables, deposits received, provisions for restoration and others are included in other payables.

<sup>2</sup> The balance of lease liabilities recognized in accordance with lease contracts of buildings amount to ₩ 661 million as at December 31, 2024.

<sup>3</sup> The Company recognized ₩ 4,800 million of memberships for Hyosung Heavy Industries Corporation as memberships.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

<sup>4</sup> It includes a deposit of ₩ 138,000 million related to the sale of the Neochem division.

(in millions of  
Korean won)

		2023					
	Related party	Trade receivables	Other receivables and others <sup>1</sup>	Trade payables	Other payables and others <sup>1</sup>	Lease liabilities <sup>2</sup>	
Significant influence over the Company	Hyosung Corporation	₩ -	₩ 178	₩ 609	₩ 15,387	₩ 136	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	4,042	23,325	-	-	-	
	Hyosung Film(Quzhou) Co., Ltd.	74	35	-	-	-	
		4,116	23,360	-	-	-	
Associates	Shinwha Intertek Corp.	1,398	-	-	1,779	-	
Others	Hyosung TNC Corporation	22,687	524	5,416	1,352	666	
	Hyosung Heavy Industries Corporation <sup>3</sup>	57	-	804	10,477	-	
	HS Hyosung Advanced Materials Corporation	-	366	43	-	-	
	Shin Dong Jin Co., Ltd.	-	1,422	-	227	2,614	
	Kongduk Development Co., Ltd.	-	161	-	-	386	
	HS Hyosung USA Holdings, Inc	46	-	-	2,028	-	
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	265	-	1,471	-	-	
	Hyosung Chemicals (Jiaxing) Co., Ltd.	889	-	-	-	-	
	Hyosung International Trade (Jiaxing) Co., Ltd.	-	-	4,773	237	-	
	Hyosung International (HK) Limited	147	-	-	-	-	
	Hyosung New Material&High Technology (Quzhou) Co., Ltd.	-	-	-	-	-	
	Hyosung Japan Co., Ltd.	993	-	-	3,173	-	
	PT. HYOSUNG JAKARTA	-	-	-	65	-	
	Others	241	-	75	689	84	
		25,325	2,473	12,582	18,248	3,750	
		₩ 30,839	₩ 26,011	₩ 13,191	₩ 35,414	₩ 3,886	

<sup>1</sup> 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.

<sup>2</sup> The balance of lease liabilities recognized in accordance with lease contracts of buildings amount to ₩ 3,886 million as at December 31, 2023.

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

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Fund transactions with related parties for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

		2024							
		Loan transactions							
Related party		Beginning balance	Loans	Collections	Foreign currency valuation	Investment conversion	Ending balance	Contributions in cash	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd. <sup>1</sup>	₩ -	₩ 112,992	₩ -	₩ 11,958	₩ -	₩ 124,950	₩	205,815
		₩ -	₩ 112,992	₩ -	₩ 11,958	₩ -	₩ 124,950	₩	205,815

<sup>1</sup> For the year ended December 31, 2024, the Company increased its capital investment in Hyosung Vina Chemicals Co., Ltd. by ₩ 205,815 million (USD 146 million).

(in millions of Korean won)

		2024			
Related party		Borrowing transactions		Contributions in cash <sup>2</sup>	Hybrid securities <sup>3</sup>
		Borrowings <sup>1</sup>	Repayments <sup>1</sup>		
Significant influence over the Company	Hyosung Corporation	₩ 148	₩ 148	₩ -	₩ 200,000
	Hyosung Vina Chemicals Co., Ltd. <sup>2</sup>	-	-	205,815	-
Subsidiaries	YKIB 1st Co., Ltd.	30,000	-	-	-
	DBY 1st Co., Ltd.	20,000	-	-	-
		50,000	-	205,815	-
Associate	Polyphenol Factory	-	-	2,000	-
Others	Hyosung TNC Corporation	-	563	-	-
	Shin Dong Jin Co., Ltd.	192	2,569	-	-
	Kongduk Development Co., Ltd.	3	323	-	-
	KB Wise Star Professional Investment Private Real Estate Investment Trust #11	83	47	-	-
	Hyosung CVC Scale-Up Fund I <sup>4</sup>	-	-	1,850	-
		278	3,502	1,850	-
		₩ 50,426	₩ 3,650	₩ 209,665	₩ 200,000

<sup>1</sup> The Company recognized additional lease liabilities amounting to ₩ 426 million, due to lease contract of the office as at December 31, 2024. The repayments of lease liabilities and interest expense amount to ₩ 3,650 million and ₩ 120 million, respectively, for the year ended December 31, 2024.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

<sup>2</sup> The Company invested ₩ 205,815 million (USD 146 million) in Hyosung Vina Chemicals Co., Ltd. and provided a loan of ₩ 112,166 million (USD 85 million).

<sup>3</sup> The Company issued bond-type hybrid securities to Hyosung Corporation, its largest shareholder, on February 22, 2024 and September 26, 2024.

<sup>4</sup> As at December 31, 2024, the Company has made a capital contribution of ₩ 2,650 million out of the total committed amount of ₩ 5,000 million to Hyosung CVC Scale-Up Fund I. Additional capital contributions will be paid through capital call.

(in millions of Korean won)

		2023							
		Loan transactions							
Related party		Beginning balance	Loans	Collections	Foreign currency valuation	Investment conversion	Ending balance	Contributions in cash	
Subsidiaries	Hyosung Vina Chemicals Co., Ltd. <sup>1</sup>	₩ 126,730	₩ -	₩ -	₩ 6,390	₩ (133,120)	₩ -	₩	257,498
		₩ 126,730	₩ -	₩ -	₩ 6,390	₩ (133,120)	₩ -	₩	257,498

<sup>1</sup> For the year ended December 31, 2023, the Company converted loans to investment, and capital was increased by ₩ 133,120 million (USD 100 million).

(in millions of Korean won)

		2023					
		Borrowing transactions		Contributions in cash <sup>2</sup>	Investment conversion <sup>2</sup>	Acquisition of shares <sup>3</sup>	
Related party		Borrowings <sup>1</sup>	Repayments <sup>1</sup>				
Significant influence over the Company	Hyosung Corporation	₩ 151	₩ 12	₩ -	₩ -	₩	50,000
	Hyosung Vina Chemicals Co., Ltd. <sup>2</sup>	-	-	257,498	133,120	-	-
Subsidiaries		-	-	257,498	133,120	-	-
		-	-	-	-	-	-
Others	Hyosung TNC Corporation	-	547	-	-	-	-
	Shin Dong Jin Co., Ltd.	40	2,357	-	-	-	-
	Kongduk Development Co., Ltd.	47	279	-	-	-	-
	KB Wise Star Professional Investment Private Real Estate Investment Trust #11	96	39	-	-	-	-
	Hyosung CVC Scale-Up Fund I <sup>4</sup>	-	-	800	-	-	-
		183	3,222	800	-	-	-
		₩ 334	₩ 3,234	₩ 258,298	₩ 133,120	₩	50,000

<sup>1</sup> The Company recognized additional lease liabilities amounting to ₩ 334 million, due to lease contract of the office as at December 31, 2023. The repayments of lease liabilities and interest expense amount to ₩ 3,234 million and ₩ 206 million, respectively, for the year ended December 31, 2023.

<sup>2</sup> The Company invested ₩ 257,498 million (USD 195 million) to Hyosung Vina Chemicals Co., Ltd. and converted loans of ₩ 133,120 million (USD 100 million) to investment.

<sup>3</sup> The Company received a capital increase from Hyosung Corporation on October 23, 2023. The number of issued shares is 601,685 shares and the issued amount is ₩ 50,000 million.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

<sup>4</sup> As at December 31, 2023, the Company has made a capital contribution of ₩ 800 million out of the total committed amount of ₩ 5,000 million to Hyosung CVC Scale-Up Fund I. Additional capital contributions will be paid through capital call.

The compensation paid or payable to key management who are executive directors for employee services for the years ended December 31, 2024 and 2023, consists of:

<i>(in millions of Korean won)</i>	2024	2023
Short-term employee benefits	₩ 864	₩ 850
Post-employment benefits	126	95
	<u>₩ 990</u>	<u>₩ 945</u>

Details of payment guarantees provided by the Company for related parties as at December 31, 2024, are as follows:

<i>(in millions of Korean won)</i>		2024		
	Related party	Payment guarantee	Details of payment guarantee	Details
				Loan amount      Financial institutions
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	₩ 2,125,534	Facility loan and others	₩ 1,241,273      Korea Development Bank and others
	Hyosung Film(Quzhou) Co., Ltd.	66,017	Facility loan and others	55,649      Hana Bank and others
		<u>₩ 2,191,551</u>		<u>₩ 1,296,922</u>

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

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

Details of collaterals provided by the Company to the related parties as at December 31, 2024, are as follows:

(in millions of Korean won)		2024					
		Carrying amount		Assets pledged as collateral	Details		
Related party					Loan amount		Financial institutions
Subsidiaries	Hyosung Vina Chemicals Co., Ltd.	₩	11,400	Short-term financial instruments	₩	11,400	Shinhan Bank
		₩	11,400		₩	11,400	

**Hyosung Chemical Corporation**  
**Notes to the Separate Financial Statements**  
**December 31, 2024 and 2023**

**22. Trade Payables and Other Payables**

Trade payables and other payables as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Trade payables	₩	196,373	₩	188,169
Other payables		140,446		226,831
Long-term other payables		1,333		14,075
	₩	<u>338,152</u>	₩	<u>429,075</u>

(\*) Pursuant to the supplier finance arrangements, the Company classifies the amounts payable to financial institutions as trade payables and non-trade payables and the related cash flows as cash flows from operating activities in the statement of cash flows, as it is determined that they have similar characteristics and functions to trade payables and non-trade payables as part of the working capital used in the normal course of business. The liabilities under supplier finance arrangements amounted to ₩ 57,327 million as at December 31, 2024, and the payments to suppliers by the financial institutions amounted to ₩ 40,389 million as at December 31, 2024. In relation to these agreements, the due date has been extended to 90-180 days after the invoice date from the original 0-70 days after the invoice date. As the Company adopted the Amendments to Korean IFRS 1007 *Statement of Cash Flows*, Korean IFRS 1107 *Financial Instruments: Disclosures – Supplier finance arrangements* for the first-time during the year ended December 31, 2024, information that was not subject to mandatory comparative disclosure as at the date of initial adoption was excluded from the comparative presentation.

Details of other payables as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Other payables				
Non-trade payables	₩	100,456	₩	194,900
Accrued expenses		22,917		30,421
Withholdings		4,082		1,458
Deposits received		12,991		52
		<u>140,446</u>		<u>226,831</u>
Long-term other payables				
Non-trade payables		-		2
Accrued expenses		1,111		1,239
Deposits received		222		12,834
		<u>1,333</u>		<u>14,075</u>
	₩	<u>141,779</u>	₩	<u>240,906</u>

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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>	<b>2024</b>	<b>2023</b>
Discount rate	1.20%~4.02%	1.20%~4.53%

The fair value of trade and other payables are similar to the book amount as at December 31, 2024.

### **23. Borrowings**

Borrowings as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Short-term borrowings	₩ 490,454	₩ 219,408
Long-term borrowings	313,490	321,018
Debentures	466,299	490,370
	<u>1,270,243</u>	<u>1,030,796</u>
Less: current portion	<u>(1,084,959)</u>	<u>(582,674)</u>
	<u>₩ 185,284</u>	<u>₩ 448,122</u>

The Company provides a part of the Company's property, plant and equipment as collateral for the above borrowings (Notes 7, 11 and 38).



# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

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Details of carrying amount of short-term borrowings as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>		<b>Latest maturity date</b>	<b>Annual interest rate (2024) (%)</b>		<b>2024</b>		<b>2023</b>
	<b>Creditor</b>						
Short-term borrowings denominated in Korean won							
General loan	Kookmin Bank and others	2025-08-24	4.16~6.90%	₩	148,600	₩	59,900
	EUGENE						
CP discount and others	INVESTMENT & SECURITIES CO., LTD and others	2025-05-14	7.30~8.00%		275,400		94,000
Others	Shinhan Bank	2025-11-10	4.76%		1,000		800
Short-term borrowings denominated in foreign currency							
Borrowings on trade receivables sales <sup>1</sup>	Woori Bank and others	-	-		52,553		43,483
Banker's Usance	Hana Bank and others	2025-12-08	0.49~5.67%		6,344		17,457
Others					6,557		3,768
				₩	490,454	₩	219,408

<sup>1</sup> 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, 11 and 38).

Details of carrying amount of long-term borrowings as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>		<b>Latest maturity date</b>	<b>Annual interest rate (2024) (%)</b>		<b>2024</b>		<b>2023</b>
	<b>Creditor</b>						
Long-term borrowings denominated in Korean won							
General loan	Korea Development Bank and others	2025-12-15	4.93~7.50%	₩	174,000	₩	150,000
Facility loan	Korea Development Bank	2027-01-18	4.24~4.36%		75,000		100,000
Long-term borrowings denominated in foreign currency							
General loan	Korea Exim Bank and others	2026-04-28	1.15~3.46%		64,490		71,017
					313,490		321,017
Less: current portion					(227,913)		(169,453)
				₩	85,577	₩	151,564

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Details of carrying amount of debentures as at December 31, 2024 and 2023, are as follows:

*(in millions of Korean won)*

		<b>Latest maturity date</b>	<b>Annual interest rate (2024) (%)</b>	<b>2024</b>	<b>2023</b>
Public bond	2-2	2024-05-10	—	₩ -	₩ 50,000
Public bond	3-2	2024-12-03	—	-	54,000
Public bond	4-2	2025-02-19	2.74%	67,000	67,000
Private bond	6	2025-06-16	4.94%	50,000	50,000
Private bond	7	2025-08-25	4.95%	100,000	100,000
Private bond	8	2024-10-25	—	-	20,000
Public bond	9-1	2024-07-26	—	-	70,000
Public bond	9-2	2025-01-27	6.10%	50,000	50,000
Private bond	10	2026-02-27	5.58%	30,000	30,000
Private bond	11	2027-03-28	5.50%	20,000	-
Public bond	12	2025-10-17	7.50%	50,000	-
Public bond	13	2026-01-02	7.80%	50,000	-
Private bond	14	2025-10-25	7.00%	20,000	-
Public bond	15	2025-12-14	7.70%	30,000	-
				<u>467,000</u>	<u>491,000</u>
Discount on debentures				(701)	(630)
Less: current portion				<u>(366,591)</u>	<u>(193,812)</u>
				<u>₩ 99,708</u>	<u>₩ 296,558</u>

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**Notes to the Separate Financial Statements**  
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**24. Post-employment Benefits**

Details of net defined benefit liabilities (assets) recognized in the separate statements of financial position as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Present value of defined benefit obligations	₩	67,184	₩	65,667
Fair value of plan assets <sup>1</sup>		(60,927)		(70,833)
Net defined benefit liabilities (assets)	₩	6,257	₩	(5,166)

<sup>1</sup> The contributions to the National Pension Fund of ₩ 23 million (2023: ₩ 23 million) are included in the fair value of plan assets as at December 31, 2024.

The amounts of defined benefit plan recognized in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Current service cost	₩	7,323	₩	7,086
Past service cost		3,566		-
Interest expense		2,830		3,031
Interest income		(3,215)		(3,806)
Total expense included in employee benefit	₩	10,504	₩	6,311

<sup>1</sup> The expenses incurred from the Neochem division, classified as discontinued operations during the year ended December 31, 2024, are included in 2024 and 2023.

Line items including total expense of defined benefit plan in the separate income statements for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Cost of sales	₩	7,900	₩	4,147
Selling, general and administrative expenses		2,418		2,077
Research and development expenses		186		87
	₩	10,504	₩	6,311

<sup>1</sup> The expenses incurred from the Neochem division, classified as discontinued operations during the year ended December 31, 2024, are included in 2024 and 2023.

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Movements in the defined benefit obligations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Beginning balance	₩	65,667	₩	59,616
Current service cost		7,324		7,086
Interest expense		2,830		3,031
Benefit payments		(7,562)		(5,121)
Remeasurements:				
Change in demographic assumptions		1		(51)
Change in financial assumptions		4,854		1,307
Experience adjustments		27		(1,045)
Past service cost		3,566		-
Transfer from (to) associates		(449)		844
Transferred to disposal group classified as held for sale		(9,074)		-
Ending balance	₩	67,184	₩	65,667

Movements in the fair value of plan assets for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Beginning balance	₩	70,833	₩	70,850
Interest income		3,215		3,806
Employer's contributions		3,500		-
Benefit payments		(6,427)		(4,485)
Remeasurements		(744)		(233)
Transfer from (to) associates		(376)		895
Transferred to disposal group classified as held for sale		(9,074)		-
Ending balance	₩	60,927	₩	70,833

Plan assets as at December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
	<b>Amount</b>	<b>Portion (%)</b>	<b>Amount</b>	<b>Portion (%)</b>
Fixed interest financial instruments	₩ 20,371	33.4	₩ 45,812	64.7
Deposits and others	40,556	66.6	25,021	35.3
	₩ 60,927	100.0	₩ 70,833	100.0

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

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Remeasurements of net defined benefit liabilities recognized as other comprehensive income (expenses) for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Before income tax effects	₩ (5,626)	₩ (444)
Income tax effects	1,300	102
After income tax effects	₩ (4,326)	₩ (342)

Accumulated remeasurements of net defined benefit liabilities recognized as retained earnings is ₩ 4,572 million (2023: ₩ 246 million) as at December 31, 2024.

The significant actuarial assumptions as at December 31, 2024 and 2023, are as follows:

<i>(in percentage)</i>	<b>2024</b>	<b>2023</b>
Discount rate	4.02%	4.53%
Salary growth rate	3.00%	2.68%

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

<b>Impact on defined benefit obligation</b>			
	<b>Changes in assumption</b>	<b>Increase</b>	<b>Decrease</b>
Discount rate	1.0%	7.46% Decrease	8.70% Increase
Salary growth rate	1.0%	8.71% Increase	7.61% 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 separate 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, 2025, are ₩ 7,531 million and the expected balance of plan assets is ₩ 71,735 million as at December 31, 2025.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

The expected maturity analysis of undiscounted pension benefits as at December 31, 2024, is as follows:

<i>(in millions of Korean won)</i>		<b>Less than 1 year</b>		<b>Between 1~2 years</b>		<b>Between 2~5 years</b>		<b>Over 5 years</b>		<b>Total</b>
Pension benefits	₩	8,466	₩	8,174	₩	23,055	₩	106,002	₩	145,697

The weighted average duration of the defined benefit obligations is 8.92 years.

The expense recognized in the current period in relation to defined contribution plan was ₩ 1,473 million (2023: ₩ 1,313 million).

## 25. Tax Benefit and Deferred Tax

Income tax benefit for the years ended December 31, 2024 and 2023, consists of:

<i>(in millions of Korean won)</i>		<b>2024</b>		<b>2023</b>
Current tax				
Current tax on profit for the year	₩	-	₩	-
Tax investigations		5,334		-
Claim for tax return and others		(465)		(77)
		<u>4,869</u>		<u>(77)</u>
Deferred tax				
Decrease in temporary differences		(26,780)		(25,607)
		<u>(26,780)</u>		<u>(25,607)</u>
Income tax benefit	₩	<u>(21,911)</u>	₩	<u>(25,684)</u>

<sup>1</sup> The expense incurred from the Neochem division, classified as discontinued operations during the year ended December 31, 2024, is included in 2023.

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

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Loss before income tax expense	₩	(192,643)	₩	(203,642)
Tax benefit at Korea tax rates		(44,500)		(47,041)
Income tax effects:				
- Income not subject to tax		(11)		(481)
- Expenses not deductible for tax purposes		206		31,046
- Effect of temporary differences for which no deferred tax asset was recognized		20,462		(9,182)
- Effect of tax losses		2,415		(528)
- Effect of tax credit and tax exemptions		(5,049)		-
- Tax investigations		5,334		-
- Others		(768)		502
Income tax benefit	₩	(21,911)	₩	(25,684)

The tax effect relating to components of other comprehensive income (expenses) for the years ended December 31, 2024 and 2023, is as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>			<b>2023</b>		
	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax effect</b>	<b>After tax</b>
Remeasurements of post-employment benefit obligation	₩ (5,626)	₩ 1,300	₩ (4,326)	₩ (444)	₩ 102	₩ (342)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	(6)	1	(5)	3	(1)	2
Surplus on revaluation of land	150,918	-	150,918	196,252	(45,334)	150,918
Interest for hybrid securities	(16,600)	3,835	(12,765)	-	-	-
	₩ 128,686	₩ 5,136	₩ 133,822	₩ 195,811	₩ (45,233)	₩ 150,578

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The analysis of deferred tax assets and deferred tax liabilities as at December 31, 2024 and 2023, is as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	₩ 38,713	₩ 85,804
Deferred tax assets to be recovered within 12 months	83,810	4,960
	<u>122,523</u>	<u>90,764</u>
Deferred tax liabilities		
Deferred tax liabilities be recovered after more than 12 months	(62,320)	(71,542)
Deferred tax liabilities to be recovered within 12 months	(11,254)	(2,188)
	<u>(73,574)</u>	<u>(73,730)</u>
Deferred tax assets, net	<u>₩ 48,949</u>	<u>₩ 17,034</u>

The movements in the deferred income tax account for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Beginning balance	₩ 17,034	₩ 36,660
Tax charged to the income statements	26,779	25,607
Tax charged to components of other comprehensive income	5,136	(45,233)
Ending balance	<u>₩ 48,949</u>	<u>₩ 17,034</u>



**Hyosung Chemical Corporation**  
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The movement in deferred tax assets and liabilities for the years ended December 31, 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in millions of Korean won)

	2024			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
<b>Deferred tax liabilities</b>				
Surplus on revaluation of land	₩ (55,961)	₩ -	₩ -	₩ (55,961)
Defined benefit pension plan assets	(16,125)	(40)	-	(16,165)
Others	(1,645)	197	-	(1,448)
	<u>(73,731)</u>	<u>157</u>	<u>-</u>	<u>(73,574)</u>
<b>Deferred tax assets</b>				
Post-employment benefit obligation	15,116	1,194	1,300	17,610
Provision for receivables in excess of tax limit	1,215	(1,215)	-	-
Government grants	152	(105)	-	47
Loss on valuation of inventories	2,349	(193)	-	2,156
Impairment loss on property, plant and equipment	12,883	(1,679)	-	11,204
Accrued compensated absence	914	108	-	1,022
Long-term employment allowance	286	22	-	308
Tax credit carried-forward	-	5,049	-	5,049
Unused tax losses	51,298	20,026	3,835	75,159
Others	6,552	3,415	1	9,968
	<u>90,765</u>	<u>26,622</u>	<u>5,136</u>	<u>122,523</u>
	<u>₩ 17,034</u>	<u>₩ 26,779</u>	<u>₩ 5,136</u>	<u>₩ 48,949</u>

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(in millions of Korean won)

	2023			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
<b>Deferred tax liabilities</b>				
Surplus on revaluation of land	₩ (10,673)	₩ 46	₩ (45,334)	₩ (55,961)
Defined benefit pension plan assets	(16,368)	257	(14)	(16,125)
Others	(55)	(1,590)	-	(1,645)
	<u>(27,096)</u>	<u>(1,287)</u>	<u>(45,348)</u>	<u>(73,731)</u>
<b>Deferred tax assets</b>				
Post-employment benefit obligation	13,823	1,176	117	15,116
Provision for receivables in excess of tax limit	570	645	-	1,215
Government grants	115	37	-	152
Loss on valuation of inventories	4,228	(1,879)	-	2,349
Impairment loss on property, plant and equipment	13,251	(368)	-	12,883
Accrued compensated absence	923	(9)	-	914
Long-term employment allowance	249	37	-	286
Unused tax losses	25,684	25,614	-	51,298
Others	4,913	1,641	(2)	6,552
	<u>63,756</u>	<u>26,894</u>	<u>115</u>	<u>90,765</u>
	<u>₩ 36,660</u>	<u>₩ 25,607</u>	<u>₩ (45,233)</u>	<u>₩ 17,034</u>

The Company recognized deferred income tax assets as the Company determined it is probable that there will be sufficient taxable profits before unused tax losses expire. Meanwhile, 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 (liabilities) 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 (liabilities) amounting to ₩ 70,089 million (2023: ₩ (18,489) million) as at December 31, 2024.

Under the Pillar Two legislation effective from January 1, 2024, the Company is liable to pay a top-up tax for the difference between their effective tax rate per jurisdiction and the 15% minimum rate. However, although the average effective tax rate of a specific country is below 15%, the Company might not be exposed to paying Pillar Two income taxes. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The Company has no impact on its financial statements due to the enforcement of the Pillar Two legislation.

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## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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#### 26. Other Liabilities

Details of other liabilities as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Other current liabilities		
Unearned revenues <sup>1</sup>	₩ 4,815	₩ 2,561
Provision for loss	12,191	-
Provision for service warranties <sup>2</sup>	943	1,208
Advances from customers <sup>3,4</sup>	146,632	8,006
	<u>164,581</u>	<u>11,775</u>
Other non-current liabilities		
Unearned revenues	82	465
Provision for loss	-	10,105
Provision for restoration	61	61
	<u>143</u>	<u>10,631</u>
	<u>₩ 164,724</u>	<u>₩ 22,406</u>

<sup>1</sup> In relation to the performance obligation satisfied over time, contract liabilities of ₩ 4,754 million (2023: ₩ 2,561 million) are included.

<sup>2</sup> 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.

<sup>3</sup> In relation to the performance obligation satisfied at a point in time, contract liabilities of ₩ 5,270 million (2023: ₩ 4,176 million) are included.

<sup>4</sup> It includes a deposit of ₩ 138,000 million related to the sale of the Neochem division.

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Changes in provisions for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024				
	Greenhouse gas emission	Loss	Restoration	Service warranties	Total
Beginning balance	₩ -	₩ 10,105	₩ 61	₩ 1,208	₩ 11,374
Profit or loss:	-	2,086	-	(265)	1,821
Additional provisions (reversal)	-	2,237	13	(265)	1,985
Used during the year	-	(151)	(13)	-	(164)
Ending balance	₩ -	₩ 12,191	₩ 61	₩ 943	₩ 13,195
Current	₩ -	₩ 12,191	₩ -	₩ 943	₩ 13,134
Non-current	-	-	61	-	61

(in millions of Korean won)

	2023				
	Greenhouse gas emission	Loss	Restoration	Service warranties	Total
Beginning balance	₩ 182	₩ 10,423	₩ 58	₩ 3,260	₩ 13,923
Profit or loss:	(182)	(318)	3	(2,052)	(2,549)
Additional provisions (reversal)	-	(286)	20	(2,052)	(2,318)
Used during the year	(182)	(32)	(17)	-	(231)
Ending balance	₩ -	₩ 10,105	₩ 61	₩ 1,208	₩ 11,374
Current	₩ -	₩ -	₩ -	₩ 1,208	₩ 1,208
Non-current	-	10,105	61	-	10,166

## 27. Share Capital

The Company's total number of authorized shares is 200,000,000 shares and the total number of ordinary shares issued is 3,791,811 shares with a par value of ₩ 5,000 per share.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

#### 28. Accumulated Deficit

Accumulated deficit as at December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>	<b>Remark</b>
Legal reserves	₩ 1,907	₩ 1,907	<sup>1</sup>
Undisposed accumulated deficit	(196,984)	(9,161)	
	<u>₩ (195,077)</u>	<u>₩ (7,254)</u>	

<sup>1</sup> 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 disposition of accumulated deficit for the year ended December 31, 2024, is expected at the shareholders' meeting on March 31, 2025. The appropriation date for the year ended December 31, 2023, was March 14, 2024.

The disposition of accumulated deficit for the years ended December 31, 2024 and 2023, is as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
<b>Accumulated deficit available for disposition</b>		
Unappropriated retained earnings (undisposed accumulated deficit) carried over from prior year	₩ (9,161)	₩ 171,213
Remeasurements of net defined benefit liabilities	(4,326)	(342)
Loss for the year	(170,732)	(177,957)
Interest payments for hybrid securities	(12,765)	(2,075)
	<u>(196,984)</u>	<u>(9,161)</u>
<b>Appropriation of retained earnings</b>	<u>-</u>	<u>-</u>
<b>Undisposed accumulated deficit to be carried forward</b>	<u>₩ (196,984)</u>	<u>₩ (9,161)</u>

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

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#### 29. Other Components of Equity

Other components of equity as at December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Treasury shares <sup>1</sup>	₩	(1,843)	₩	(1,843)
Loss on valuation of financial assets at fair value through other comprehensive income		(11)		(7)
Revaluation surplus through other comprehensive income		150,918		150,918
Hybrid securities		300,000		100,000
	₩	<u>449,064</u>	₩	<u>249,068</u>

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

Details of hybrid securities as at December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>			<b>2024</b>		<b>2023</b>	
	<b>Type</b>	<b>Issuance date</b>				
The 1 <sup>st</sup> unregistered non-guarantee subordinated bond	Bond-type hybrid securities	2023.08.29	₩	70,000	₩	70,000
The 2 <sup>nd</sup> unregistered non-guarantee subordinated bond	Bond-type hybrid securities	2023.09.06		30,000		30,000
The 3 <sup>rd</sup> unregistered non-guarantee subordinated bond	Bond-type hybrid securities	2024.02.22		100,000		-
The 4 <sup>th</sup> unregistered non-guarantee subordinated bond	Bond-type hybrid securities	2024.09.26		100,000		-
			₩	<u>300,000</u>	₩	<u>100,000</u>

# Hyosung Chemical Corporation

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The Company has issued unregistered non-guarantee subordinated bond for the purpose of capital enhancement and securing funds for debt repayment. The newly issued hybrid securities by the Company have been classified as equity as there is no contractual obligation to transfer financial assets to the counterparty. The main issuance conditions as of the end of this period are as follows:

	<b>The 1<sup>st</sup> unregistered non-guarantee subordinated bond</b>	<b>The 2<sup>nd</sup> unregistered non-guarantee subordinated bond</b>	<b>The 3<sup>rd</sup> unregistered non-guarantee subordinated bond</b>	<b>The 4<sup>th</sup> unregistered non-guarantee subordinated bond</b>
Issuance date	2023.08.29	2024.09.06	2024.02.22	2024.09.26
Value at issue	₩ 70,000 million	₩ 30,000 million	₩ 100,000 million	₩ 100,000 million
Maturity date <sup>1</sup>	2053.08.29	2053.09.06	2054.02.22	2054.09.26
Interest payments	Interest will be paid at an annual rate of 8.30% for the first 2 years from the date of issue, 11.8% for the period after 2 years from the issuance date, 12.8% for the period after 5 years from the issuance date, and 13.8% for the period after 10 years from the issuance date.			
Suspension of interest payment	The issuing company may choose not to pay interest on bonds. In case the issuer delayed the payment of interest, the interest for deferral is deferred to the next interest payment date, and an additional interest that applied guaranteed yield-to-maturity compounded quarterly on the interest for deferral is occurred.			
Early redemption right	Early redemption right by a bond holder was prohibited. The issuing company may redeem all or part of this bond on each interest payment date after 2 years from the issuance date, or if all or part of this bond is no longer classified as the issuing company's capital due to the change of Korean IFRS or its interpretation after the bond issuance.			

<sup>1</sup> The maturity of the hybrid securities is 30 years. If the Company notifies the extension of the maturity date 30 days before the maturity date, the maturity can be extended for another 30 years under the same conditions.

**Hyosung Chemical Corporation**  
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**30. Revenue**

Details of revenue for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Revenue from contracts with customers	₩ 1,743,764	₩ 1,834,868
Performance obligation satisfied at a point in time	1,661,976	1,773,699
Performance obligation satisfied over time	81,788	61,169
Revenue from other sources: rental and sub-lease rental income	7,868	8,656
	<u>₩ 1,751,632</u>	<u>₩ 1,843,524</u>

**31. Expenses by Nature**

Cost of sales, selling, general and administrative expenses and research and development expenses by nature for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Changes in inventories of finished goods and semi-finished goods and others	₩ 30,402	₩ 47,993
Sales of merchandise	78,824	48,015
Raw materials and sub-materials used	1,167,737	1,222,030
Employee benefits expenses (Note 32)	97,192	90,870
Depreciation and amortization	61,446	83,226
Electricity expenses	151,445	143,987
Export expenses	113,318	96,249
Fuel expenses	21,729	21,427
Service expenses	19,280	19,957
Outsourcing expenses	7,158	4,903
Other expenses	64,355	156,303
Total <sup>1</sup>	<u>₩ 1,812,886</u>	<u>₩ 1,934,960</u>

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



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**32. Employee Benefits Expenses**

Employee benefits expenses for the years ended December 31, 2024 and 2023, consist of:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Salaries	₩	77,960	₩	74,925
Employee welfare benefits		9,313		9,291
Pension costs – defined contribution plans (Note 24)		1,462		1,302
Pension costs – defined benefit plans (Note 24)		8,457		5,352
	₩	<u>97,192</u>	₩	<u>90,870</u>

**33. Selling, General and Administrative Expenses**

Selling, general and administrative expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Salaries	₩	19,733	₩	19,774
Post-employment benefits		2,477		2,921
Employee welfare benefits		2,263		2,227
Training		667		594
Service expenses		132		347
Transportation		937		1,332
Communications		265		287
Taxes and dues		1,352		1,321
Rental expenses		179		216
Depreciation		3,077		2,896
Amortization		302		328
Bad debt expenses (reversal)		(3,750)		2,743
Advertising expenses		626		706
Commission expenses		20,147		20,203
Export expenses		9,952		11,449
Others		4,210		6,855
	₩	<u>62,569</u>	₩	<u>74,199</u>

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**34. Other Income and Other Expenses**

Details of other income and other expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Other income		
Rental income	₩ 323	₩ 314
Gain on disposal of property, plant and equipment	237	290
Gain on disposal of leased assets	3	24
Miscellaneous gains	6,393	5,776
	<u>6,956</u>	<u>6,404</u>
Other expenses		
Donations	410	747
Loss on disposal of property, plant and equipment	46	3,787
Loss on disposal of lease assets	4	-
Impairment loss on property, plant and equipment	10,729	-
Miscellaneous expenses	1,559	1,305
Impairment loss on investments in subsidiaries	88,578	93,369
	<u>101,326</u>	<u>99,208</u>
	<u>₩ (94,370)</u>	<u>₩ (92,804)</u>

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

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#### 35. Finance Income and Expenses

Details of finance income and expenses for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>	<b>2023</b>
Finance income		
Interest income		
- Financial assets at amortized costs	₩ 4,473	₩ 5,406
- Financial assets at fair value through profit or loss	306	353
Gain on foreign currency transactions	23,219	31,112
Gain in foreign currency translation	37,164	23,707
Gain on derivative transactions	21,279	16,699
Gain on valuation of derivatives	5,954	2,089
	<u>92,395</u>	<u>79,366</u>
Finance expenses		
Interest income		
- Financial liabilities at amortized costs	62,728	44,386
- Other financial liabilities	1,976	3,454
Loss on foreign currency transactions	34,369	29,967
Loss on foreign currency translation	32,262	19,579
Loss on derivative transactions	6,749	13,360
Loss on valuation of derivatives	753	3,075
Others	8,229	9,573
	<u>147,066</u>	<u>123,394</u>
	<u>₩ (54,671)</u>	<u>₩ (44,028)</u>

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

#### 36. Dividends

There are no dividends per share and a total dividend in respect of the years ended December 31, 2022 and 2023.

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**37. Statement of Cash Flows**

Details of cash generated from operations for the years ended December 31, 2024 and 2023, are as follows:

<i>(in millions of Korean won)</i>	<b>2024</b>		<b>2023</b>	
Loss before income tax	₩	(192,643)	₩	(203,642)
Adjustments for:				
Interest income and expenses		59,942		42,142
Gain on foreign currency translation		(4,836)		(4,294)
Reversal of provision for loss on valuation of inventories		(835)		(8,060)
Loss on valuation and scrap loss of inventories		1,141		1,462
Gain on derivative transactions and valuation of derivatives		(19,731)		(2,353)
Depreciation and amortization		85,289		102,148
Loss (gain) on disposal of property, plant and equipment, and intangible assets		(128)		3,497
Impairment loss on property, plant and equipment, and intangible assets		10,728		-
Bad debt expense and other bad debt expense (reversal)		(3,757)		2,750
Post-employment benefits		10,504		6,311
Impairment loss on investments in subsidiaries and associates		88,578		93,369
Others		15,620		9,458
Changes in operating assets and liabilities:				
Decrease (increase) in trade receivables		(21,428)		45,993
Decrease (increase) in inventories		(35,408)		56,634
Increase in other receivables		(5,755)		(3,051)
Decrease (increase) in other assets		1,965		(7,506)
Increase (decrease) in trade payables		9,089		(56,973)
Increase in other payables		79,209		92,347
Payment of defined benefit liabilities		(1,208)		(686)
Contributions to plan assets		(3,500)		-
Cash generated from operations	₩	<u>72,836</u>	₩	<u>169,546</u>

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Changes in liabilities arising from financial activities for the years ended December 31, 2024 and 2023, are as follows:

(in millions of  
Korean won)

	2024					
	Short-term borrowings	Current portion of long-term borrowings	Debentures	Long-term borrowings	Lease liabilities	Total
Beginning balance	₩ 219,408	₩ 363,266	₩ 296,558	₩ 151,565	₩ 5,853	₩ 1,036,650
Cash flows	269,021	(259,195)	169,172	50,000	(4,459)	224,539
Gain on foreign currency translation	2,025	-	-	7,665	5	9,695
Amortization of discount on debentures	-	-	757	-	-	757
Effect of non-cash transactions	-	490,434	(366,779)	(123,654)	2,016	2,017
Ending balance	₩ 490,454	₩ 594,505	₩ 99,708	₩ 85,576	₩ 3,415	₩ 1,273,658

(in millions of  
Korean won)

	2023					
	Short-term borrowings	Current portion of long-term borrowings	Debentures	Long-term borrowings	Lease liabilities	Total
Beginning balance	₩ 266,279	₩ 128,975	₩ 340,455	₩ 260,362	₩ 8,597	₩ 1,004,668
Cash flows	(48,101)	(129,000)	149,293	60,000	(3,835)	28,357
Gain on foreign currency translation	1,230	-	-	656	-	1,886
Amortization of discount on debentures	-	-	648	-	-	648
Effect of non-cash transactions	-	363,291	(193,838)	(169,453)	1,091	1,091
Ending balance	₩ 219,408	₩ 363,266	₩ 296,558	₩ 151,565	₩ 5,853	₩ 1,036,650

Details of major transactions without cash inflows and outflows for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	2024	2023
Transfer of borrowings and bonds to current portion	₩ 490,434	₩ 363,291
Investment conversion of loan for investment in subsidiaries	-	133,120
Transfer of construction in progress	180,550	20,457
Acquisition of right-of-use assets	2,934	5,561

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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### 38. Contingencies and Commitments

(a) There are no notes provided as collateral as at December 31, 2024.

(b) Commitment contracted with financial institutions

The Company entered into a credit limit agreement with financial institutions including bank overdrafts of ₩ 161,000 million (exercised amount: ₩ 96,600 million) and a trade finance agreement including trade bill discounts, open L/C and others of ₩ 358,827 million (exercised amount: ₩ 344,803 million) as at December 31, 2024.

(c) Guarantees provided for others

The Company has provided payment guarantees in relation to Hyosung Vina Chemicals Co., Ltd., a subsidiary, amounting to ₩ 2,124,918 million (USD 1,445,522 thousand).

The Company shall ensure Debt-Equity Ratio under 400% regarding USD 294 million of total committed amount of USD 710 million of 1<sup>st</sup> syndicated loans. For USD 294 million of 1<sup>st</sup> syndicated loans, the Company has an obligation to supplement the additional financing in case of non-compliance with following covenants:

1 <sup>st</sup> Syndicated loans	Covenants	Year	Ratio
USD 294 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 shall ensure Debt-Equity Ratio under 400% regarding USD 129 million of total committed amount of USD 215 million of 2<sup>nd</sup> syndicated loans.

2 <sup>nd</sup> Syndicated loans	Covenants	Year	Ratio
USD 129 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 shall ensure Debt-Equity Ratio under 400% regarding USD 72 million of other operating funds.

The Company entirely repaid the USD 423 million syndicated loans on February 28, 2025.

The Company has provided payment guarantees in relation to Hyosung Film (Quzhou) Co., Ltd., a subsidiary, amounting to ₩ 66,017 million (CNY 328 million).

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(d) Guarantees provided by others

Details of payment guarantees provided by others as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

(in millions of Korean won)

	2024				
	Guaranteed amount		Exercised amount		Details
Kookmin Bank	₩	62,622	₩	57,551	Performance guarantee and others
Nonghyup Bank		44,100		42,924	Performance guarantee and others
Woori Bank		49,980		49,980	Performance guarantee and others
Shinhan Bank		32,340		30,135	Performance guarantee and others
Hana Bank		29,400		29,106	Performance guarantee and others
Seoul Guarantee Insurance Company		100,541		100,541	Defect warranty according to supply contract and others
	₩	318,983	₩	310,237	

(in millions of Korean won)

(in millions of Korean won)

	2023				
	Guaranteed amount		Exercised amount		Details
Kookmin Bank	₩	54,928	₩	50,480	Performance guarantee and others
Nonghyup Bank		38,682		38,682	Performance guarantee and others
Woori Bank		38,682		38,682	Performance guarantee and others
Shinhan Bank		28,367		26,433	Performance guarantee and others
Hana Bank		25,788		25,788	Performance guarantee and others
Seoul Guarantee Insurance Company		86,951		86,951	Defect warranty according to supply contract and others
	₩	273,398	₩	267,016	

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(e) Assets pledged as collaterals

Details of assets pledged as collaterals as at December 31, 2024 and 2023, are as follows:

(in millions of Korean won)

	<b>2024</b>				
	<b>Executed amount of agreement</b>		<b>Related borrowings</b>		<b>Provided to</b>
Property, plant and equipment <sup>1</sup>	₩	420,000	₩	165,600	Korea Development Bank
Property, plant and equipment <sup>1</sup>		84,000		20,000	Woori Bank
Property, plant and equipment <sup>1</sup>		84,000		64,000	Nonghyup Bank
Property, plant and equipment <sup>1</sup>		55,000		51,000	Shinhan Bank
Short-term financial instruments <sup>2</sup>		11,400		-	Shinhan Bank
Short-term financial instruments <sup>3</sup>		6,204		-	Woori Bank
Trade receivables		52,553		52,553	Woori Bank and others
	₩	<u>713,157</u>	₩	<u>353,153</u>	

<sup>1</sup> In addition to borrowings, property, plant and equipment are also collateralized in relation to other agreements such as trade finance and comprehensive limits.

<sup>2</sup> As at December 31, 2024, time deposits held by the Company are provided as collateral to Shinhan Bank in relation to trade finance of Hyosung Vina Chemicals Co., Ltd. (Note 21).

<sup>3</sup> As at December 31, 2024, short-term financial instruments are provided as collateral to Woori Bank in relation to payment guarantee in foreign currencies.

(in millions of Korean won)

	<b>2023</b>				
	<b>Executed amount of agreement</b>		<b>Related borrowings</b>		<b>Provided to</b>
Property, plant and equipment <sup>1</sup>	₩	420,000	₩	167,900	Korea Development Bank
Property, plant and equipment <sup>1</sup>		84,000		20,000	Woori Bank
Property, plant and equipment <sup>1</sup>		84,000		69,000	Nonghyup Bank
Property, plant and equipment <sup>1</sup>		55,000		20,800	Shinhan Bank
Trade receivables		47,251		47,251	Woori Bank and others
	₩	<u>690,251</u>	₩	<u>324,951</u>	

<sup>1</sup> In addition to borrowings, property, plant and equipment are also collateralized in relation to other agreements such as trade finance and comprehensive limits.



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### December 31, 2024 and 2023

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#### (f) Pending lawsuits

Details of lawsuits filed against and by the Company as at December 31, 2024, are as follows:

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

As at December 31, 2024, 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.

#### (g) 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 530-9 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.

#### (h) Right of pledge

Kodit 2022 The 15th Securitization Specialty Co.,Ltd. entirely acquired 7th P-CBO non-guarantee private bonds issued by the Company and issued asset-backed securities. The Company acquired ₩ 1,500 million of the subordinated bonds issued by Kodit 2022 The 15th Securitization Specialty Co.,Ltd. Kodit 2022 The 15th Securitization Specialty Co.,Ltd., has established a pledge for the entire amount of the corresponding bonds.

Kodit 2023 The 1st Securitization Specialty Co., Ltd. entirely acquired 10th P-CBO non-guarantee private bonds issued by the Company and issued asset-backed securities. The Company acquired ₩ 450 million of the subordinated bonds issued by Kodit 2023 The 1st Securitization Specialty Co., Ltd. Kodit 2023 The 1st Securitization Specialty Co., Ltd. has established a pledge for the entire amount of the corresponding bonds.

Kodit 2024 The 3rd Securitization Specialty Co., Ltd. entirely acquired 11th P-CBO non-guarantee private bonds issued by the Company and issued asset-backed securities. The Company acquired ₩ 300 million of the subordinated bonds issued by Kodit 2024 The 3rd Securitization Specialty Co., Ltd. Kodit 2024 The 3rd Securitization Specialty Co., Ltd. has established a pledge for the entire amount of the corresponding bonds.

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#### (i) Other agreements

The Company has an obligation to make additional investments in Hyosung CVC Scale-Up Fund I according to the agreement. As at December 31, 2024, the Company plans to pay an additional remaining agreed amount of ₩ 2,350 million through a capital call.

#### (j) Nature of the risks associated with interests in separate structured entities

YKIB 1st Co.,Ltd. and DBY 1st Co.,Ltd., subsidiaries of the Company, are consolidated structured entities, established to securitize trade receivables. The Company has an obligation to purchase the assets for ₩ 50,000 million in the events of default of the underlying securitized assets for these entities. In addition, the Company is liable for fund supplemental commitments against these subsidiaries.

### 39. Greenhouse Gas Emission Permits and Obligations

The quantities of emission permits which are allocated free of charge for the 3rd planning period (2024~2025) are as follows.

(in tCO <sub>2</sub> -eq)	2024	2025	Total
Allocation with nil consideration	848,963	848,963	1,697,926

The Company's free allocation of emission rights and the estimated quantity of greenhouse gas emission as at December 31, 2024, are as follows:

(in tCO <sub>2</sub> -eq, in millions of Korean won)	2024					
	2023		2024		2025	
	Quantity	Amount <sup>4</sup>	Quantity	Amount <sup>4</sup>	Quantity	Amount <sup>4</sup>
Beginning balance	- ₩	-	- ₩	-	- ₩	-
Free allocation	860,860	-	848,963	-	848,963	-
Additional allocation	-	-	-	-	-	-
Provision	-	-	-	-	-	-
Purchases <sup>1</sup>	-	-	-	-	-	-
Submission to the government <sup>2</sup>	(839,757)	-	(767,607)	-	-	-
Sales	(5,280)	-	-	-	-	-
Carryforward	(15,823)	-	-	-	-	-
Ending balance <sup>3</sup>	- ₩	-	81,356 ₩	-	848,963 ₩	-

<sup>1</sup> The actual quantity of emissions purchased is written for 2023.

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<sup>2</sup> The actual quantity of emissions submitted is written for 2023, and the expected quantity of emissions to submit is written for 2024. The expected emissions as at December 31, 2024 is 767,607 tCO<sub>2</sub>-eq.

<sup>3</sup> Emission rights related to the business held for sale are included in the number of emission rights at the end of the period.

<sup>4</sup> 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, 2023, are as follows:

(in tCO <sub>2</sub> -eq, in millions of Korean won)	2023					
	2022		2023		2024 ~ 2025	
	Quantity	Amount <sup>3</sup>	Quantity	Amount <sup>3</sup>	Quantity	Amount <sup>3</sup>
Beginning balance	- ₩	-	- ₩	-	- ₩	-
Free allocation	860,616	-	860,616	-	1,705,110	-
Additional allocation	194	-	-	-	-	-
Provision	-	-	-	-	-	-
Purchases <sup>1</sup>	1,423	14	-	-	-	-
Submission to the government <sup>2</sup>	(862,233)	(14)	(859,746)	-	-	-
Carryforward	-	-	-	-	-	-
Ending balance	- ₩	-	870 ₩	-	1,705,110 ₩	-

<sup>1</sup> The actual quantity of emissions purchased is written for 2022. The emission rights purchased by the Company is 1,423 tCO<sub>2</sub>-eq for the year ended December 31, 2023.

<sup>2</sup> The actual quantity of emissions submitted is written for 2022, and the expected quantity of emissions to submit is written for 2023. The expected emissions as at December 31, 2023 is 859,746 tCO<sub>2</sub>-eq.

<sup>3</sup> The amounts of emission rights purchased are included in other intangible assets.

Changes in provisions for the years ended December 31, 2024 and 2023, are as follows:

(in millions of Korean won)	2024		2023	
Beginning balance	₩	-	₩	182
Profit or loss:		-		(182)
Additional provisions		-		-
Used during the year		-		(182)
Ending balance	₩	-	₩	-
Current	₩	-	₩	-
Non-current		-		-

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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#### 40. Earnings (Loss) Per Share

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

<i>(in millions of Korean won)</i>	2024	2023
Loss from continuing operations attributable to the ordinary equity holders <sup>1</sup>	₩ (197,072)	₩ (198,971)
Profit from discontinued operation attributable to the ordinary equity holders	13,575	18,938
Weighted average number of ordinary shares outstanding <sup>2</sup>	3,779,480	3,270,108
Basic loss per share from continuing operations <i>(in Korean won)</i>	₩ (52,143)	₩ (60,845)
Basic earnings per share from discontinued operations <i>(in Korean won)</i>	3,592	5,791

<sup>1</sup> It was calculated by deducting interest payments on hybrid capital securities from the Company's loss from continuing operations.

<sup>2</sup> Weighted average number of ordinary shares outstanding for the year ended December 31, 2024, are 3,779,480 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 newly listed 601,685 shares on November 6, 2023.

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

#### 41. Events After the Reporting Period

##### *Transfer of Neochem Division*

The business transfer agreement for Neochem division with Hyosung TNC Corporation, entered into on December 12, 2024, was concluded on January 31, 2025. The contract amount was ₩ 920,000 million, and the assets and liabilities related to Neochem division were classified as held for sale, and the related operating income (expenses) were presented as discontinued operations as at December 31, 2024 (Note 15).

##### *Occurrence of basis for Share Trading Suspension and Delisting*

On February 28, 2025, the Company disclosed its complete capital impairment as at December 31, 2024. The Korea Exchange required the Company to submit document by March 31, 2025, proving that this issue had been resolved. If the Company cannot submit the document, it could meet the delisting criteria under the Article 48 of the Securities Listing Regulations. Due to this reason, the shares of the Company were suspended from trading.

# Hyosung Chemical Corporation

## Notes to the Separate Financial Statements

### December 31, 2024 and 2023

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#### *Payment guarantee agreement with subsidiaries*

A debt guarantee of ₩ 45,760 million (VND 800,000 thousand) was decided on January 24, 2025 for Hyosung Vina Chemicals Co., Ltd., a subsidiary of the Company. The period for debt guarantee is from January 24, 2025 to January 24, 2026.

#### *Repayment of Syndicated Loans*

The Company entirely repaid the syndicated loans amounting to USD 423 million on February 28, 2025.

#### *Decision on Loan*

The Company decided to lend ₩ 577,751 million (USD 403,514 million) to Hyosung Vina Chemicals Co., Ltd., a subsidiary of the Company, on February 27, 2024.

#### *Capital Increase for Subsidiary*

The Company decided to participate in the capital increase of its subsidiary, Hyosung Vina Chemicals Co., Ltd., with a contribution of ₩ 27,204 million (USD 19 million) on February 27, 2024.



## **Independent Auditor's Report on 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, 2024, 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, 2024, 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 statement of financial position as at December 31, 2024, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including material accounting policy information, and our report dated March 12, 2025 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 Management's 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 an 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 directors of the entity; 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 SeongPil Hwang, Certified Public Accountant.

The image shows a handwritten signature in black ink. The signature is written in a cursive style and appears to read "SeongPil Hwang".

Seoul, Korea

March 12, 2025

This report is effective as at March 12, 2025, 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, 2024.

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 Guidance 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, 2024, 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.

February 28, 2025

Kun-jong Lee,  
Chief Executive Officer

Ki-ho Song,  
Internal Control over Financial Reporting Officer