

Hyosung Corporation and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2022 and 2021
with the independent auditor's report

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Independent auditor's report

(English Translation of a Report Originally Issued in Korean)

The Shareholders and Board of Directors Hyosung Corporation

Opinion

We have audited the accompanying consolidated financial statements of Hyosung Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the consolidated statements of profit or loss, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

(1) Impairment test of investment in the associate, Hyosung Heavy Industries Corporation

As described in Note 14 to the consolidated financial statements, the book value of the investment in the associate, Hyosung Heavy Industries Corporation is KRW 402,675 million as of December 31, 2022.

The Group assesses whether there is an indication that an associate may be impaired on an annual basis. As of December 31, 2022, there was an indication of impairment on the investment in the associate due to the continuous decline of stock prices in active markets. Accordingly, the Group identified an indication of the impairment and performed an impairment test on the investment. The Group performs the impairment test on investments with an indication of impairment. The impairment amount of the investments with indication of impairment is determined as the difference between the investments' book value and the higher of value in use and fair value. The determination of key assumptions used in estimating the value in use of investment involves management's judgment, such as long-term business plans, discount rate, and permanent growth rate. Therefore, considering the involvement of management's judgments for assumptions on valuation of investments and its bias that may exist, we determined the impairment test on the investment in the associate. Hyosung Heavy Industries Corporation, for which the investments are significant as a key audit matter.

We performed the following audit procedures regarding the key audit matter:

- Assessed the qualification and independence of the external specialists involved by management of the Group.
- Involved our internal valuation specialists to evaluate the appropriateness of the valuation model and discount rate used by the Group for estimating the value in use.
- Assessed the business plan approved by management in order to assess the rationality of key inputs, such as estimated sales, operating expenses and growth rate of the investee used in calculating the value in use by the Group and comparing them with information from observable market data.
- Performed an independent recalculation to assess the accuracy of the value in use by involving our internal valuation specialists.
- Compared the estimated cash flows in prior year to the actual result in current year to evaluate the accuracy of the management's estimates.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yong Soo Jung.



March 9, 2023

This audit report is effective as of March 9, 2023, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Hyosung Corporation and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2022 and 2021

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Hyun-Joon Cho, Kyoo-Young Kim
Chief Executive Officers
Hyosung Corporation

Hyosung Corporation and its subsidiaries
Consolidated statements of financial position
as of December 31, 2022 and 2021

(Korean won in millions)

	Notes		Dec 31, 2022		Dec 31, 2021
Assets					
Current assets:					
Cash and cash equivalents	4,6,34	₩	143,610	₩	181,960
Trade and other receivables	4,7,16,34,35		651,632		738,947
Due from customers for contract work	25,34		156		696
Other current financial assets	4,8,34,35		269,850		206,962
Other current assets	15		65,005		65,775
Inventories	9, 35		907,204		696,362
Current tax assets			22,609		15,810
			<u>2,060,066</u>		<u>1,906,512</u>
Non-current assets:					
Long-term trade and other receivables	4,7,16,34		28,025		29,792
Property, plant and equipment	10,13,35		999,988		1,000,116
Investment property	11		261,252		263,733
Intangible assets	12,16		66,626		67,740
Investments in associates and joint ventures	2,14,30		1,603,525		1,783,374
Net defined benefit assets	20		32,528		-
Other non-current financial assets	4,8,34,35		158,071		149,785
Other non-current assets	15		32,406		32,271
Deferred tax assets	30		24,798		22,099
			<u>3,207,219</u>		<u>3,348,910</u>
Total assets		₩	<u>5,267,285</u>	₩	<u>5,255,422</u>
Liabilities					
Current liabilities:					
Trade and other payables	4,16,17,19,34	₩	510,532	₩	538,403
Due to customers for contract work	25		32		356
Short-term borrowings and current portion of long term borrowings	4,7,18,33,34,35		1,085,634		837,517
Other current financial liabilities	4,8,13,33,34		39,231		23,426
Current tax liabilities			26,592		27,852
Other current liabilities	21		149,836		133,685
			<u>1,811,857</u>		<u>1,561,239</u>
Non-current liabilities:					
Long-term trade and other payables	4,16,17,19,34		18,712		15,070
Long-term borrowings	4,18,33,34		159,693		270,436
Net defined benefit liabilities	20		305		2,094
Deferred tax liabilities	30		269,376		308,954
Other non-current financial liabilities	4,8,13,33,34		97,006		95,845
Other non-current liabilities	21		13,031		11,962
			<u>558,123</u>		<u>704,361</u>
Total liabilities			<u>2,369,980</u>		<u>2,265,600</u>
Equity					
Equity attributable to owners of the Parent Company					
Share capital	22		105,355		105,355
Share premium			451,188		451,188
Retained earnings	2,22		6,414,345		6,495,882
Other components of equity	2,22		(4,415,839)		(4,429,628)
			<u>2,555,049</u>		<u>2,622,797</u>
Non-controlling interests	36		342,256		367,025
Total equity			<u>2,897,305</u>		<u>2,989,822</u>
Total liabilities and equity		₩	<u>5,267,285</u>	₩	<u>5,255,422</u>

The accompanying notes are an integral part of the consolidated financial statements.

Hyosung Corporation and its subsidiaries
Consolidated statements of profit or loss
for the years ended December 31, 2022 and 2021

(Korean won in millions, except for earnings (loss) per share)

	Notes	2022	2021
Revenue	5,11,14,16, 23,24,25,37	₩ 3,719,326	₩ 3,536,523
Cost of sales	9,16,20,25,27,37	3,343,962	2,601,583
Gross profit	37	375,364	934,940
Selling and administrative expenses	7,16,20,26,27	289,443	277,362
Research and development expenses	27	21,034	19,435
Operating profit	5	64,887	638,143
Other income	4,28	32,716	29,657
Other expenses	28	16,042	16,794
Finance income	4,29	158,463	63,896
Finance costs	4,29	219,165	78,412
Profit before tax from continuing operations	5,31	20,859	636,490
Income tax expenses (benefit)	30	(3,948)	95,906
Profit for the year from continuing operations	5,31	24,807	540,584
Loss for the year from discontinued operation	31,37	-	(2,418)
Profit for the year		₩ 24,807	₩ 538,166
Profit for the year attributable to:			
Owners of the Parent Company		₩ 15,648	₩ 435,815
Non-controlling interests		9,159	102,351
		₩ 24,807	₩ 538,166
Earnings (loss) per share attributable to owners of the Parent Company (in Korean won):			
Basic earnings per share from continuing operations	31	₩ 786	₩ 22,011
Basic loss per share from discontinued operation	31,37	-	(121)

The accompanying notes are an integral part of the consolidated financial statements.

Hyosung Corporation and its subsidiaries
Consolidated statements of other comprehensive income
for the years ended December 31, 2022 and 2021

(Korean won in millions)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Profit for the year	31	₩ 24,807	₩ 538,166
Other comprehensive income		64,225	74,679
Items that will not be subsequently reclassified to profit or loss (net of tax):			
Net loss on equity instruments at fair value through OCI	30	(7,681)	(2,108)
Remeasurements gain (loss) on net defined benefit liabilities	20	12,242	(16,088)
Shares of remeasurement gain (loss) of associates		17,476	(5,317)
Items that may be subsequently reclassified to profit or loss (net of tax):			
Net gain on valuation of investments in associates		26,754	83,880
Exchange difference of translation of foreign operations		15,434	14,312
Other comprehensive income for the year, net of tax		<u>64,225</u>	<u>74,679</u>
Total comprehensive income for the year		<u>₩ 89,032</u>	<u>₩ 612,845</u>
Total comprehensive income for the year attributable to:			
Owners of the Parent Company		₩ 59,169	₩ 488,348
Non-controlling interests		29,863	124,497
		<u>₩ 89,032</u>	<u>₩ 612,845</u>

The accompanying notes are an integral part of the consolidated financial statements.

Hyosung Corporation and its subsidiaries
Consolidated statements of changes in equity
for the years ended December 31, 2022 and 2021

(Korean won in millions)

	Attributable to owners of the Parent Company					Non-controlling interests	Total Equity
	Share capital	Share premium	Retained earnings	Other components of equity	Total		
As of January 1, 2021	₩ 105,355	₩ 451,188	₩ 6,180,531	₩ (4,503,806)	₩ 2,233,268	₩ 281,055	₩ 2,514,323
Total comprehensive income:							
Profit for the year	-	-	435,814	-	435,814	102,352	538,166
Remeasurements loss on net defined benefit liabilities	-	-	(15,613)	-	(15,613)	(475)	(16,088)
Share of remeasurement loss of associates and joint venture	-	-	(5,317)	-	(5,317)	-	(5,317)
Net loss on equity instruments at fair value through OCI	-	-	-	(1,021)	(1,021)	(1,087)	(2,108)
Net gain on valuation of investments in associates and joint venture	-	-	-	62,843	62,843	21,037	83,880
Exchange differences on translation of foreign operations	-	-	-	11,642	11,642	2,670	14,312
Transactions with owners of the parent company:							
Dividend (Note 32, 36)	-	-	(99,547)	-	(99,547)	(38,553)	(138,100)
Others	-	-	13	715	728	26	754
As of December 31, 2021	₩ 105,355	₩ 451,188	₩ 6,495,881	₩ (4,429,627)	₩ 2,622,797	₩ 367,025	₩ 2,989,822
As of January 1, 2022	₩ 105,355	₩ 451,188	₩ 6,498,302	₩ (4,429,596)	₩ 2,625,249	₩ 367,025	₩ 2,992,274
Adoption of amendment to KIFRS 1016 (Note 2)	-	-	(2,421)	(31)	(2,452)	-	(2,452)
As of January 1, 2022 (After Adoption)	₩ 105,355	₩ 451,188	₩ 6,495,881	₩ (4,429,627)	₩ 2,622,797	₩ 367,025	₩ 2,989,822
Total comprehensive loss:							
Profit for the year	-	-	15,648	-	15,648	9,159	24,807
Remeasurements loss on net defined benefit liabilities	-	-	10,003	-	10,003	2,239	12,242
Share of remeasurement loss of associates and joint venture	-	-	17,476	-	17,476	-	17,476
Net loss on equity instruments at fair value through OCI	-	-	-	(6,740)	(6,740)	(941)	(7,681)
Net gain on valuation of investments in associates and joint venture	-	-	-	7,691	7,691	19,063	26,754
Exchange differences on translation of foreign operations	-	-	-	15,091	15,091	343	15,434
Transactions with owners of the parent company:							
Dividend (Note 32, 36)	-	-	(129,411)	-	(129,411)	(54,621)	(184,032)
Change in scope of consolidation	-	-	-	-	-	(1)	(1)
Others	-	-	4,747	(2,254)	2,493	(9)	2,484
As of December 31, 2022	₩ 105,355	₩ 451,188	₩ 6,414,345	₩ (4,415,639)	₩ 2,555,049	₩ 342,256	₩ 2,897,305

The accompanying notes are an integral part of the consolidated financial statements.

Hyosung Corporation and its subsidiaries
Consolidated statements of cash flows
for the years ended December 31, 2022 and 2021

(Korean won in millions)

	Notes	2022	2021
Cash flows from operating activities:			
Profit for the year from continuing operations		₩ 24,807	₩ 540,584
Loss for the year from discontinued operation	37	-	(2,418)
Cash generated from operations	33	243,386	(302,893)
Working capital adjustments	33	(222,139)	(280,456)
Income taxes paid		(49,558)	(47,370)
Interest paid		(46,921)	(18,696)
Interest received		10,577	3,986
Dividend received		208,057	35,972
Net cash flows provided by (used in) operating activities:		168,209	(71,291)
Cash flows from investing activities:			
Collection of short-term loans		2,539	21
Decrease in short-term deposits		1,771	4,391
Proceeds from disposal of financial instruments		6,599	7,718
Collection of long-term loans		296	-
Decrease in long-term deposits		598	6,480
Proceeds from disposal of property, plant and equipment		12,871	5,282
Proceeds from disposal of investment properties		-	1,500
Proceeds from disposal of intangible assets		434	5,259
Change in scope of consolidation		-	5,691
Proceeds from disposal of associates		-	15,318
Increase in short-term loans		(1,454)	(234)
Increase in short-term deposits		(1)	(93)
Acquisition of other financial instruments		(87,615)	(2,067)
Increase in long-term loans		(1,971)	(545)
Increase in long-term deposits		(1,200)	(9,694)
Acquisition of property, plant and equipment		(65,865)	(99,258)
Acquisition of investment properties		-	(3,933)
Acquisition of intangible assets		(6,915)	(7,260)
Change in scope of consolidation		(2,312)	-
Acquisition of associates		(11,943)	-
Acquisition of other non-current assets		(96)	(119)
Net cash flows used in investing activities		(154,264)	(71,543)
Cash flows from financing activities:			
Proceeds from long-term borrowings and issuance of debentures		90,860	45,097
Proceeds from short-term borrowings		291,699	487,997
Government grants received		1,654	2,613
Repayment of short-term borrowings		-	(244,997)
Redemption of long-term borrowings and debentures		(38,656)	(20,000)
Repayment of current portion of long-term borrowings		(205,426)	(8,136)
Payments of lease liabilities		(19,457)	(27,858)
Dividends paid		(184,032)	(138,100)
Repayment of government grants		-	(934)
Net cash flows provided by (used in) financing activities		(63,358)	95,682
Effects of exchange rate changes on cash and cash equivalents		11,063	7,097
Net decrease in cash and cash equivalents		(38,350)	(40,055)
Cash and cash equivalents at the beginning of the year		181,960	222,015
Cash and cash equivalents at the end of the year		₩ 143,610	₩ 181,960

The accompanying notes are an integral part of the consolidated financial statements.

Hyosung Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2022 and 2021

1. Group information

Hyosung Corporation (the “Company” or the “Parent Company”) and its subsidiaries (collectively, the “Group”) was established on November 3, 1966, primarily manufactures and sells synthetic fiber products and electronic products, and is engaged in construction, international trade and other related business activities. As a result of the spin-off dated on June 1, 2018, the Company was separated into the surviving company; Hyosung Corporation that manages the equities and investments of the subsidiaries, and newly established companies; Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation that operate business in textile and trading, heavy industries and construction, industrial materials and chemical products, respectively.

As of December 31, 2022, the shareholders of the Company are as follows:

Shareholder	Number of Shares	Percentage of Ownership (%)
Cho Seok-Rae	2,057,443	9.76
Cho Hyun-Joon	4,623,736	21.94
Cho Hyun-Sang	4,513,596	21.42
Song Gwang-Ja	101,387	0.48
Cho Yang-Rae and others	153,126	0.73
Others	8,460,116	40.16
Treasury shares	1,161,621	5.51
Total	21,071,025	100

Hyosung Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2022 and 2021

1. Group information (cont'd)

A. Consolidated subsidiaries

Details of the consolidated subsidiaries as of December 31, 2022 are as follows:

Subsidiaries	Percentage of ownership (%)	Location	Closing month	Main business
Hyosung GoodSprings, Inc.	100	Korea	December	Liquid pump manufacturing
Taeansolarfarm Corp.	100	Korea	December	Photovoltaic power generation business
Hyosung Investment & Development Corporation	58.75	Korea	December	Property leasing
Gongdeok Gyeongwoo development Corporation	73.33	Korea	December	Property leasing
Hyosung TNS Inc.	54.02	Korea	December	ATM manufacturing
Atmplus, Inc	53.11	Korea	December	CD VAN business
NAUTILUS HYOSUNG CMS INC.	100	Korea	December	ATM cash transportation
NAUTILUS HYOSUNG TECH INC.	100	Korea	December	ATM machine maintenance, interior
HYOSUNG FMS INC.	100	Korea	December	Electronic payment agency
Forza Motors Korea Corp.	100	Korea	December	Automobile sales and maintenance
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	100	Korea	December	Real estate services
Hyosung Solutions S DE RL DE CV	100	Mexico	December	Manufacture and sales of financial automation equipment
Hyosung Financial System (Huizhou) Co., LTD	100	China	December	Manufacture and sales of financial automation equipment
HYOSUNG FINANCIAL SYSTEM VINA Co., Ltd	100	Vietnam	December	Manufacture and sales of financial automation equipment
Hyosung USA Inc.	100	USA	December	Tire reinforcement production
Hyosung Brasil Participacoes LTDA	100	Brazil	December	Production and sales of tire reinforcing materials
Hyosung Holdings USA, Inc.	100	USA	December	US holding company
Hyosung Mexico S. de R.L. de C.V.	100	Mexico	December	Leasing business
GST Safety Textiles Mexico S. de R.L. de C.V	100	Mexico	December	Manufacture and sale of airbag cushion and fabric
Nautilus Hyosung America Inc.	100	USA	December	Sales and maintenance of ATM machines
Hyosung RUS	100	Russia	December	ATM sales
Hyosung Resource (Australia) PTY Ltd.	100	Australia	December	Mine development
HYOSUNG TNS RUS L.L.C	100	Russia	December	ATM sales
Hyosung Europe SRL	100	Romania	December	Production and sales of tire reinforcing materials
New Star Gongdeok Chesam Co., Ltd.(*1)	-	Korea	December	Other finance business
New Star Gongdeok Chesa Co., Ltd.(*1)	-	Korea	December	Other finance business
HYOSUNG Ventures Corporation	100	Korea	December	New technology industry Investment and management

(*1) The Group's ownership is less than 50% of voting rights. However, considering the power to direct relevant activities of the investees, exposure to variable returns, and the ability to use its power over the investees to affect the amount of the Company's returns, the Group is considered to have control over the entities.

Hyosung Corporation and its subsidiaries
Notes to the consolidated financial statements
December 31, 2022 and 2021

1. Group information (cont'd)

B. Summary of financial information on consolidated subsidiaries

Summary of consolidated statements of financial position and comprehensive income of significant subsidiaries as of and for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	As of December 31, 2022			For the year ended December 31, 2022		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Hyosung TNS Inc. (*1)	1,086,563	803,486	283,077	995,026	(10,855)	(5,287)
Hyosung USA Inc.	473,034	295,403	177,631	1,054,456	21,958	32,494
Hyosung Holdings USA	337,303	251,720	85,583	346,674	(2,754)	(1,883)
Hyosung GoodSprings, Inc.	207,819	139,159	68,660	202,775	3,627	6,458
Gongdeok Gyeongwoo Development Corporation	204,458	233,465	(29,007)	21,408	(1,097)	(1,071)
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	163,404	161,004	2,400	7,012	(1,811)	(1,811)
Forza Motors Korea Corp.	151,051	108,512	42,539	216,394	3,024	3,946

(*1) Consolidated financial information basis

	As of December 31, 2021			For the year ended December 31, 2021		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Hyosung TNS Inc. (*1)	985,964	654,699	331,265	939,032	39,195	45,004
Hyosung USA Inc.	432,384	287,247	145,137	759,789	21,356	32,262
Hyosung Holdings USA	285,845	203,464	82,381	223,694	835	1,650
Hyosung GoodSprings, Inc.	210,911	148,709	62,202	208,977	1,718	1,718
Gongdeok Gyeongwoo Development Corporation	212,920	240,857	(27,937)	20,099	2,381	2,381
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	166,019	160,831	5,188	7,254	(1,092)	(1,092)
Forza Motors Korea Corp.	121,969	82,676	39,293	228,606	5,144	5,143

(*1) Consolidated financial information basis

C. Changes in scope for consolidation

(1) Subsidiaries newly included in the consolidation for the year ended December 31, 2022 are as follows:

Subsidiary	Description
New Star Gongdeok Chesam Co., Ltd.	Newly acquired
New Star Gongdeok Chesa Co., Ltd.	Newly acquired
HYOSUNG Ventures Corporation	Newly acquired

(2) Subsidiaries excluded from the consolidation for the year ended December 31, 2022 are as follows:

Subsidiary	Description
Hyosung (H.K) LIMITED	Liquidated
Luck Faith Investment Ltd.	Liquidated
PT. HYOSUNG JAKARTA	Disposal

2. Significant accounting policies

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

2.1 Basis of preparation

The Group prepared statutory financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”) enacted by the *Act on External Audit of Stock Companies*. The accompanying consolidated financial statements have been translated into English from the Korean consolidated financial statements. In the event of any differences in interpreting the financial statements or the independent auditor’s report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets that are measured at fair values. The consolidated financial statements are presented in Korean won (KRW) except when otherwise indicated.

2.2 New and amended standards and interpretations adopted by the Group

(1) New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037

An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. This amendment has no impact on the group’s consolidated financial statements.

Reference to the Conceptual Framework – Amendments to KIFRS 1103

The amendments replace a reference to a previous version of the International Accounting Standards Board (IASB)’s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of KIFRS 1103 *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* or KIFRS Interpretation 2121 *Levies*, if incurred separately. The exception requires entities to apply the criteria in KIFRS 1037 or KIFRS Interpretation 2121, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to KIFRS 1103 to clarify that contingent assets do not qualify for recognition at the acquisition date.

2. Significant accounting policies (cont'd)

2.2 New and amended standards and interpretations adopted by the Group (cont'd)

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Amendments to KIFRS 1016 *Property, plant and equipment*

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group retrospectively applied the amendments only to tangible assets available after the start date of the earliest period (date of initial application) indicated when the amendments were first applied.

The consolidated statement of financial position as of December 31, 2021, and the consolidated statement of profit and loss, statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the reporting period ended on the same date have been restated.

The effects of the amendments are as follows.

A. Consolidated statements of financial position (KRW in millions)

	Before adjustments	Adjusted amounts Changed amount	After adjustments
1. Adjustment details			
Investments in associates and joint ventures	1,785,825	(2,451)	1,783,374
Other components of equity	(4,429,597)	(31)	(4,429,628)
Retained earnings	6,498,302	(2,420)	6,495,882
2. Impact on the total assets	5,257,873	(2,451)	5,255,422
3. Impact on the total liabilities	2,265,600	-	2,265,600
4. Impact on the total equity	2,992,273	(2,451)	2,989,822

2. Significant accounting policies (cont'd)

2.2 New and amended standards and interpretations adopted by the Group (cont'd)

B. Consolidated statements of other comprehensive income (KRW in millions)

	Before adjustments	Adjusted amount	After adjustments
1. Adjustment details			
Revenue	537,983	(2,420)	535,563
Net gain (loss) on valuation of investments in subsidiaries and associates	83,911	(31)	83,880
2. Profit (loss) for the year	540,586	(2,420)	538,166
3. Total comprehensive income (loss) for the year	615,297	(2,451)	612,846

KIFRS 1101 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to KIFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

KIFRS 1109 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for KIFRS 1039 *Financial Instruments: Recognition and Measurement*. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

KIFRS 1041 *Agriculture* – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of KIFRS 1041 as of the reporting date.

(2) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's separate financial statements are disclosed below.

2. Significant accounting policies (cont'd)

2.2 New and amended standards and interpretations adopted by the Group (cont'd)

KIFRS 1117 Insurance Contracts

KIFRS 1117 *Insurance Contracts* issued in 2021 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, KIFRS 1117 will replace KIFRS 1104 *Insurance Contracts* that was issued in 2007. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of KIFRS 1117 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

KIFRS 1117 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies KIFRS 1109 and KIFRS 1115 on or before the date it first applies KIFRS 1117. This standard is not applicable to the Group.

Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That Classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to KIFRS 1001

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to KIFRS 1001 are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Group.

2. Significant accounting policies (cont'd)

2.2 New and amended standards and interpretations adopted by the Group (cont'd)

Amendments to KIFRS 1012 *Income Taxes* – Narrowing the scope of the initial recognition exception of deferred income taxes

The amendments narrowed the scope of the initial recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary difference, thus to resolve accounting diversity in the recognizing of deferred tax assets and liabilities. Paragraphs 15 and 24 (initial recognition exemption of deferred income taxes) of KIFRS 1012 were amended to include an additional condition (3) where a deferred tax asset and liability shall be recognized for a temporary difference that arises on initial recognition of an asset or liability in a single transaction if that transaction give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment is recognized at fair value.

2. Significant accounting policies (cont'd)

2.4 Associates and joint ventures

An associate is an entity over which the parent has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost and adjusted thereafter to recognize the Group's share of the changes in net assets of the associates and joint ventures. Goodwill relating to the associates and joint ventures is included in the carrying amount of the investment and is not amortized or otherwise tested for impairment.

The consolidated statement of profit or loss and consolidated statement of other comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in its associates and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of other comprehensive income.

Upon loss of significant influence over the associate, joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2. Significant accounting policies (cont'd)

2.5 Classification of current/non-current

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax liabilities are classified as non-current liabilities.

2.6 Fair value measurement

The Group measures financial instruments at their fair value as of the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

2. Significant accounting policies (cont'd)

2.6 Fair value measurement (cont'd)

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purposes of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Quantitative disclosure of the fair value measurement hierarchy - Note 4
- Investment properties - Note 11

2.7 Foreign currency translation

Items included in the consolidated financial statements of the Group are measured using Korean won (KRW), the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in Korean won.

Transactions in foreign currency are initially recorded by the Group at functional currency spot rates at the date the transaction first qualifies for recognition.

Foreign exchange gains and losses resulting from the settlement of such transactions are from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss is also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2. Significant accounting policies (cont'd)

2.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedients are measured at the transaction price determined under KIFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, the cash flows need be composed exclusively of solely payments of principal and interest (SPPI) This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets is related to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortized cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at fair value through profit or loss.

① Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets measured at amortized cost include trade and other receivables, finance lease receivables, and other financial assets.

2. Significant accounting policies (cont'd)

2.8 Financial instruments (cont'd)

② Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

③ Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 '*Financial Instruments: Presentation*' and are not held for investment.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group may also elect to classify irrevocably its non-listed equity investments under this category.

④ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated or required upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivatives and listed equity instruments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity instruments are recognized in profit or loss at the time the rights are established.

2. Significant accounting policies (cont'd)

2.8 Financial instruments (cont'd)

3) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

When the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – Note 3
- Trade and other receivables – Note 7

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Significant accounting policies (cont'd)

2.8 Financial instruments (cont'd)

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category by the credit rating agency to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from an independent credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

(2) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

2) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Group has not designated any financial liability as of fair value through profit or loss.

2. Significant accounting policies (cont'd)

2.8 Financial instruments (cont'd)

② Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.9 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position consist of ordinary deposits, small amounts of cash and short-term deposits with maturities of three months or less from the acquisition date.

2.10 Derivative instruments

(1) Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

2. Significant accounting policies (cont'd)

2.10 Derivative instruments(cont'd)

Documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements.

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below.

(2) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the statements of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statements of income.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

(3) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statements of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to forward contracts is recognized as finance income or finance expenses. The ineffective portion relating to the forward product contract is recognized as other operating income or other operating expenses.

The Group has designated certain elements of forward contracts as hedging instruments. Forward elements are recognized in other comprehensive income and as a separate equity item of cash flow hedging reserves.

2. Significant accounting policies (cont'd)

2.10 Derivative instruments(cont'd)

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the year. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

(4) Hedges of a Net Investment in a Foreign Operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statements of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statements of profit or loss.

2.11 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the moving-weighted average method except for in-transit inventories and some products which are determined using the specific identification method.

2. Significant accounting policies (cont'd)

2.12 Non-current assets held for sale (or disposal group)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The costs to sell are incremental costs (excluding financial costs and income tax costs) that are directly attributable to the disposal of an asset (or disposal group).

This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. The measures required to complete the sale must show that the sale is unlikely to be significantly altered or withdrawn, and the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized. Assets and liabilities classified as held for sale or held for distribution are presented as separate current items in the statements of financial position.

A disposal group is considered a discontinued operation if:

- it is a separate main business line or business area;
- it is a part of a single plan to dispose of separate major business lines or business areas; or
- it is a subsidiary acquired solely for sale.

The Group excludes the profit or loss from the results of the continuing operation and displays the profit or loss as a single amount in the income statements. Additional details of discontinued operations are disclosed in Note 38. Notes to other financial statements include amounts of continuing operations unless otherwise stated.

2. Significant accounting policies (cont'd)

2.13 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers are initially measured at the fair value at the date on which control is obtained.

The Group does not depreciate land. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

	Useful Life
Buildings	10 ~ 60 years
Structures	5 ~ 40 years
Machinery	3 ~ 30 years
Vehicles	3 ~ 10 years
Tools and equipment	3 ~ 15 years
Other property, plant, and equipment assets	2 ~ 10 years
Lease assets	1 ~ 20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.**2.14 Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.15 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received, Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and the government grants related to income are recognized as 'other income' at the time of recognition or deducted from expenses related to the purpose of the government grants.

2. Significant accounting policies (cont'd)

2.16 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

	Useful life
Industrial rights	5~20 years
Facility usage right	3~50 years
Other intangible assets	5 years

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2.17 Investment property

Investment property is a property held to earn rentals or for capital appreciation or both. Investment properties are measured initially at cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, over their useful lives of 40 years and investment properties related to leases over the lease terms using the straight-line method.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The consideration (amount) to be included in the profit or loss arising from the disposal of investment property is calculated in accordance with the requirements for the calculation of transaction prices in KIFRS 1115.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2. Significant accounting policies (cont'd)

2.18 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2. Significant accounting policies (cont'd)

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement. The expense relating to a provision is presented in the consolidated statement of profit and loss net of any reimbursement.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

In addition, if an event occurred in the past but the Group has a potential obligation of which the existence is identified when an uncertain future event occurs, or if the past event or transaction causes a current obligation but resources are not likely to flow out of the Group, or if an amount required to perform the current obligation cannot be reliably estimated, the Group recognizes a contingent liability and discloses such a liability in its consolidated financial statements.

2.20 Taxes

(1) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that enacted or substantively enacted by the reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- the Group is able to control the timing of the reversal of the temporary difference relating to deferred tax liabilities associated with investments in subsidiaries, associates and joint ventures, and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

2. Significant accounting policies (cont'd)

2.20 Taxes (cont'd)

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(3) Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax. However, when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2. Significant accounting policies (cont'd)

2.21 Employee benefits

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

(1) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as an expense when an employee has rendered service.

(2) Defined benefit plan

The Group operates a defined benefit plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as years of service and compensation.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in other comprehensive income in the period in which they occur and will not be reclassified to profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales' and 'selling and administrative expenses' in the consolidated statements of profit or loss.

2.22 Revenue from contracts with customers

(1) Identifying performance obligations

The consolidated group engages in a variety of businesses, including facility rental, manufacturing and sales of financial automation equipment, and manufacturing and sales of tire reinforcement materials.

In accordance with KIFRS 1115, the Group identifies distinct performance obligations in contracts with customers and differentiates the time of recognition of the revenue from contracts with customers depending on whether a performance obligation is fulfilled at a point in time or over a period of time.

(2) Performance obligations satisfied at a point in time

Revenue from the sale of goods is recognized when the assets are transferred and performance obligations are fulfilled, and performance obligations satisfied at a point in time are fulfilled at the point in time when the control of the goods or services is transferred to the customer.

(3) Performance obligations satisfied over time

In accordance with KIFRS 1115, the revenue is recognized over time by measuring progress only if the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. Significant accounting policies (cont'd)

2.22 Revenue from contracts with customers (cont'd)

(4) Measurement of progress using input method

The Group applies the input method to performance obligations fulfilled over a period of time as a progress measurement method. In the process of transferring control of goods or services to customers, the influence of inputs that do not indicate the progress of the Group towards complete satisfaction is excluded from the input method. In addition, if the output of the performance obligation cannot be measured reasonably but costs are expected to be recovered, revenue is recognized only in the range of costs incurred to the extent that the output can be measured reasonably. At contract inception, the Group recognizes the same amount of revenue as the goods used to fulfil the performance obligation if the goods are not distinct, the control of the goods is expected to be transferred to the customer significantly earlier than the time when the customer is provided with services related to the goods, the costs of the goods transferred are expected to be significant compared to the total costs expected to fully satisfy the performance obligation, and the Group expects to procure the goods from a third party and is not significantly involved in the design and production of the goods.

(5) Incremental costs of obtaining a contract

In accordance with KIFRS 1115, the Group recognizes the incremental costs of obtaining a contract with customer as an asset if the Group expects to recover those costs. Incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained is recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(6) Variable consideration

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received or will be received for which the Group does not expect to be entitled.

(7) Significant financing component

With implementation of KIFRS 1115, when calculating the transaction price, the Group should recognize the revenue as an amount that reflects the price of the good or the service customer paid in cash, if the customer or the Group has a significant financial benefit when the goods or services are transferred due to the agreed payment date between contracting parties.

2. Significant accounting policies (cont'd)

2.23 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(1) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, refer Note 2.19 Impairment of non-financial assets.

2) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including substance fixed payments less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group classifies lease liabilities as interest-bearing borrowings.

3) Short-term and low-value leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd)

2.23 Leases (cont'd)

(2) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.24 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is accounted for as other components of equity.

2.25 Cash dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

2.26 Approval of consolidated financial statements

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on February 23, 2023 and are subject to change with approval of shareholders at their Annual General Meeting.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(1) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that non-financial assets may be impaired. The Group performs impairment tests for intangible assets with indefinite useful lives and goodwill every year or when there is an indication of impairment. The Group performs impairment tests for other nonfinancial assets if there is an indication that their book value is not recoverable. To calculate use value, management estimates expected future cash flows arising from cash generating units (CGU) or assets and selects an appropriate discount rate to compute the present value of the expected future cash flows.

(2) Pension benefits

The cost of the defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date

To determine an appropriate discount rate, management refers to the interest rate of corporate bonds rated AA or higher. Mortality rates are based on publicly available tables, and future wage growth rates and future pension growth rates are based on the Group's average salary increase rate.

(3) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3. Significant accounting judgments, estimates and assumptions (cont'd)

(4) Calculation of incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (i.e. leases that are not of the functional currency of subsidiaries).

(5) Deferred tax and corporate tax

Recognition and measurement of deferred tax assets and liabilities require the management's judgment, in particular, whether to recognize if the scope of deferred tax assets is affected by management's judgment and assumption in the future. In addition, in accordance with the "Special Taxation for Investment and Promoting Win-win Cooperation", The Group shall pay an additional corporate tax calculated by the method prescribed by the tax law. Accordingly, as the Group considers the tax effects from reflux taxes when computing its corporate income tax, the Group's corporate tax may change arising from changes in investment, wage growth, etc.

(6) Calculation of loss allowance for trade and other receivables

The Group estimates the amount of loss incurred by taking into account the age of the receivables, history of bad debt in the past, and other economic and industrial environment factors in order to calculate the loss allowance for trade and other receivables.

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4. Financial assets and financial liabilities

A. Financial assets

Financial assets of the Group as of December 31, 2022 and 2021 are as follows (KRW in millions):

December 31, 2022				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	143,610	143,610
Trade and other receivables	-	-	651,632	651,632
Other financial assets	210,246	48	59,556	269,850
Long-term trade and other receivables	-	-	28,025	28,025
Other non-current financial assets	19,416	37,657	100,998	158,071
Total	229,662	37,705	983,821	1,251,188

December 31, 2021				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	181,960	181,960
Trade and other receivables	-	-	738,947	738,947
Other financial assets	205,817	423	722	206,962
Long-term trade and other receivables	-	-	29,792	29,792
Other non-current financial assets	21,253	23,703	104,829	149,785
Total	227,070	24,126	1,056,250	1,307,446

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4. Financial assets and financial liabilities (cont'd)

B. Financial liabilities

Financial liabilities of the Group as of December 31, 2022 and 2021 are as follows (KRW in millions):

December 31, 2022			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables	-	510,532	510,532
Short-term borrowings and current portion of long-term borrowings	-	1,085,634	1,085,634
Other current financial liabilities	993	38,238	39,231
Long-term trade and other payables	-	18,712	18,712
Long-term borrowings	-	159,693	159,693
Other non-current financial liabilities	-	97,006	97,006
Total	993	1,909,815	1,910,808

December 31, 2021			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables	-	538,403	538,403
Short-term borrowings and current portion of long-term borrowings	-	837,517	837,517
Other current financial liabilities	3,313	20,113	23,426
Long-term trade and other payables	-	15,070	15,070
Long-term borrowings	-	270,436	270,436
Other non-current financial liabilities	-	95,845	95,845
Total	3,313	1,777,384	1,780,697

4. Financial assets and financial liabilities (cont'd)

C. Net profit and loss by financial instrument category

Net profit and loss for financial incurred for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Financial assets at amortized cost		
Interest income	10,089	4,964
Gain on foreign currency transactions	21,168	3,926
Gain (loss) on foreign currency translation	(32,919)	17
Loss on disposal of trade receivables	(9,484)	-
Bad debt expense	(180)	519
Reversal of allowance for other bad debts	110	299
Nego commission	(14)	(914)
Financial assets at FVPL		
Gain (loss) on disposal of financial assets	328	(13)
Valuation gain/loss on financial assets	926	192
Dividend income	455	1,383
Financial assets at FVOCI		
Valuation gain on financial assets	(7,681)	(2,108)
Dividend income	4,232	477
Financial liabilities at amortized cost		
Interest expense	(48,354)	(23,794)
Gain (loss) on foreign currency transactions	148	54
Gain (loss) on foreign currency translation	(730)	(336)
Derivative financial assets and liabilities		
Valuation loss on derivatives	125	(678)
Gain on derivative transactions	(1,985)	2,066

4. Financial assets and financial liabilities (cont'd)

D. Fair value hierarchy

Details of the carrying amounts and fair values of the Group's financial instruments that are measured at fair value as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022		December 31, 2021	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Financial assets at FVPL (Beneficiary certificates)	208,951	208,951	205,173	205,173
Financial assets at FVPL (Equity instruments)	15,373	15,373	17,228	17,228
Financial assets at FVPL (Debt certificates)	4,043	4,043	4,025	4,025
Financial assets at FVPL (Derivatives instruments)	1,295	1,295	644	644
Financial assets at FVOCI (Marketable equity)	15,118	15,118	16,373	16,373
Financial assets at FVOCI (Unmarketable equity)	21,652	21,652	6,459	6,459
Financial assets at FVOCI (Debt instruments)	935	935	1,294	1,294
Financial liabilities				
Financial liabilities at FVPL (Derivatives instruments)	993	993	3,313	3,313

On the other hand, the difference between carrying amount and fair value of financial assets and financial liabilities measured at amortized cost among the group's financial instruments is not significant.

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 (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

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4. Financial assets and financial liabilities (cont'd)

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value disclosed as of December 31, 2022 and 2021 are as follows (KRW in millions):

December 31, 2022				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
Assets				
Financial assets at FVPL (Beneficiary certificates)	-	208,951	-	208,951
Financial assets at FVPL (Equity instruments)	-	-	15,373	15,373
Financial assets at FVPL (Debt instruments)	-	-	4,043	4,043
Financial assets at FVPL (Derivatives instruments)	-	1,295	-	1,295
Financial assets at FVOCI (Equity instruments)	15,118	12,056	9,596	36,770
Financial assets at FVOCI (Debt instruments)	-	934	1	935
Total	15,118	223,236	29,013	267,367
Liabilities				
Financial liabilities at FVPL (Derivatives instruments)	-	993	-	993

(*1) The Group uses the market approach model as the valuation technique for derivative liabilities classified as Level 2 in the fair value hierarchy, and exchange rates and others are used as the input variable.

(*2) The Group uses the discounted cash flow method, the comparable company analysis method, and the risk-adjusted discount rate model for fair value measured financial assets classified as Level 3, and the main input variables include discount rate and growth rate.

December 31, 2021				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
Assets				
Financial assets at FVPL (Beneficiary certificates)	-	205,173	-	205,173
Financial assets at FVPL (Equity instruments)	-	-	17,228	17,228
Financial assets at FVPL (Debt instruments)	-	-	4,025	4,025
Financial assets at FVPL (Derivatives instruments)	-	644	-	644
Financial assets at FVOCI (Equity instruments)	16,373	-	6,459	22,832
Financial assets at FVOCI (Debt instruments)	-	1,294	-	1,294
Total	16,373	207,111	27,712	251,196
Liabilities				
Financial liabilities at FVPL (Derivatives instruments)	-	3,313	-	3,313

4. Financial assets and financial liabilities (cont'd)

(*1) The Group uses the market approach model as the valuation technique for derivative liabilities classified as Level 2 in the fair value hierarchy, and exchange rates and others are used as the input variable.

(*2) The Group uses the discounted cash flow method, the comparable company analysis method, and the risk-adjusted discount rate model for fair value measured financial assets classified as Level 3, and the main input variables include discount rate and growth rate.

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

E. Valuation technique and inputs

The following table presents the valuation technique and the inputs used for major financial instruments classified as Level 3 as of December 31, 2022 (KRW in millions).

	Fair value	Level	Valuation technique	Inputs	Input range
Financial assets at FVPL (Beneficiary certificates)	15,373	3	Net asset valuation technique	Stock price, sales revenue etc.	N/A
Financial assets at FVPL (Equity instruments)	4,043	3	Estimated liquidating price valuation technique	Estimated liquidating price	N/A
Financial assets at FVPL (Debt instruments)	9,596	3	Income approaching technique	Stock price, Net income etc.	N/A

F. Restricted financial instruments

Restricted financial instruments as of December 31, 2022 and 2021 are as follows (KRW in millions):

	Description	December 31, 2022	December 31, 2021
Cash and cash equivalents	Others	719	455
Other current financial assets	Others	700	700
Other non-current financial assets	Restricted for checking account and lease deposits	1,430	1,430
	Pledge for borrowings	1,957	1,948
Total		4,806	4,533

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5. Segment information

Management who makes strategic decisions has determined the operating segments. Management makes strategic decisions on allocation of resources to segments and assesses the performance of operating segments based on the operating profit.

Segment	Details
Holdings	Managing subsidiaries and running lease business
Trading	Importing and selling steels, tire stiffeners etc.
Textile manufacturing	Manufacturing tire stiffeners, carpet etc.
Information Communication	Manufacturing and maintaining ATM
Pump manufacturing	Manufacturing liquor and pump
Imported car dealer	Selling and maintaining imported cars
Others	Sunlight generating business, lease business etc.

The Group's operating segment information for the years ended December 31, 2022 and 2021 are as follows (KRW in millions)

2022									
	Holdings (*1)	Trading	Textile manufacturing	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidati on adjustment	Total
Total revenue	752,215	1,086,532	315,814	1,152,960	202,775	216,394	45,983	(53,347)	3,719,326
Operating profit (loss)	(27,092)	10,000	26,298	39,012	9,634	520	9,548	(3,033)	64,887
Profit (loss) before tax from continuing operations	(15,538)	8,183	17,695	5,457	5,054	4,456	(5,677)	1,229	20,859
Profit (loss) from continuing operations	16,558	6,627	13,301	993	3,627	3,024	(26,349)	7,026	24,807
Total assets	2,982,660	639,872	185,653	1,106,040	207,819	151,052	566,562	(572,373)	5,267,285
Total liabilities	399,301	444,320	108,176	813,111	139,159	108,513	453,265	(95,865)	2,369,980

(*1) The revenue from freight forwarding and textile manufacturing business is included.

2021									
	Holdings (*1)	Trading	Textile manufacturing	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Total revenue	1,146,249	768,370	214,792	926,401	208,977	228,606	81,654	(38,526)	3,536,523
Operating profit	535,740	15,146	12,905	54,504	6,096	610	11,439	1,703	638,143
Profit (loss) before tax from continuing operations	550,109	19,862	10,112	50,335	2,202	6,655	4,019	(6,804)	636,490
Profit (loss) from continuing operations	526,455	14,907	6,974	36,313	1,718	5,143	(6,164)	(44,762)	540,584
Total assets	3,111,829	489,992	248,485	1,012,819	210,911	121,968	827,066	(767,648)	5,255,422
Total liabilities	459,324	359,315	142,925	688,626	148,710	82,675	476,126	(92,101)	2,265,600

(*1) The revenue from freight forwarding and textile manufacturing business is included

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6. Cash and cash equivalents

A. Cash and cash equivalents as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Cash on hand	8,756	10,524
Bank deposits, etc.	134,854	171,436
Total	143,610	181,960

7. Trade and other receivables

A. Trade and other receivables as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022			December 31, 2021		
	Receivable amount	Allowance for doubtful accounts	Carrying amount	Receivable amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	581,815	(6,930)	574,885	654,980	(7,610)	647,370
Other receivables	86,201	(9,454)	76,747	101,148	(9,571)	91,577
Subtotal	668,016	(16,384)	651,632	756,128	(17,181)	738,947
Long-term trade receivables	4,839	-	4,839	6,269	-	6,269
Long-term other receivables	23,186	-	23,186	23,523	-	23,523
Subtotal	28,025	-	28,025	29,792	-	29,792
Total	696,041	(16,384)	679,657	785,920	(17,181)	768,739

The Group has transferred trade receivables to the financial institutions in exchange for cash. The outstanding balances that have not been collected as of December 31, 2022 is KRW 100,500 million (2021: KRW 186,011 million). The Group 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. (See Note 18, 35).

B. Details of other receivables as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Other receivables		
Non-trade receivables	71,518	86,270
Short-term loans	933	1,328
Accrued income	1,527	1,104
Short-term deposits	2,769	2,792
Finance lease receivables	-	83
Subtotal	76,747	91,577
Long-term other receivables		
Long-term loans	2,173	1,210
Long-term deposits	21,013	22,196
Long-term finance lease receivables	-	117
Subtotal	23,186	23,523
Total	99,933	115,100

7. Trade and other receivables (cont'd)

C. Contract assets and contract liabilities

Details of contract assets and contract liabilities as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Contract assets	29,304	58,554
Contract liabilities	117,830	113,561

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

		December 31, 2022		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Current	467,319	0.044%	207
	Past due but not impaired			
	Up to 3 months	90,143	0.172%	155
	4 ~ 6 months	14,853	1.347%	200
	7 ~ 12 months	6,153	5.138%	316
	Over 12 months	2,419	11.779%	285
	Impaired receivables	5,767	100%	5,767
	Subtotal	586,654	-	6,930
Other receivables	Current	99,782	-	-
	Past due but not impaired			
	Up to 3 months	42	-	-
	4 ~ 6 months	20	-	-
	7 ~ 12 months	24	-	-
	Over 12 months	65	-	-
	Impaired receivables	9,454	100%	9,454
	Subtotal	109,387	-	9,454
Total		696,041	-	16,384

(KRW in millions):

7. Trade and other receivables (cont'd)

		December 31, 2022		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Current	541,988	0.118%	639
	Past due but not impaired			
	Up to 3 months	82,314	0.117%	96
	4 ~ 6 months	8,092	0.232%	19
	7 ~ 12 months	19,200	2.095%	402
	Over 12 months	3,568	10.302%	368
	Impaired receivables	6,086	100%	6,086
	Subtotal	661,248	-	7,610
Other receivables	Current	114,998	-	-
	Past due but not impaired			
	Up to 3 months	13	-	-
	4 ~ 6 months	14	-	-
	7 ~ 12 months	18	-	-
	Over 12 months	64	10.856%	7
	Impaired receivables	9,564	100%	9,564
	Subtotal	124,671	-	9,571
Total		696,041	-	17,181

The above amounts per age are based on the present value and before impairment evaluation.

E. Individually impaired receivables mainly relate to customers that are experiencing unexpected economic difficulties. The group expects that a portion of their receivables will be recovered. If the group determines that no objective evidence of impairment exists for an individually assessed receivables, those will be collectively assessed for impairment.

F. The changes in allowance for bad debt for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022		2021	
	Trade receivables	Other receivables	Trade receivables	Other receivables
January 1	7,610	9,571	6,090	12,197
Increase	180	(110)	(553)	(299)
Removal	(25)	(7)	(1,684)	(3)
Change in scope of consolidation	-	-	(190)	-
Others	(835)	-	3,947	(2,324)
December 31	6,930	9,454	7,610	9,571

At the end of the reporting periods, the maximum exposure to credit risk is the book value of each receivables mentioned above.

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8. Other financial assets and liabilities

A. Details of other financial assets and liabilities as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022			December 31, 2021		
	Current	Non-current	Carrying amount	Current	Non-current	Carrying amount
Other financial assets						
Financial assets at amortized cost	59,556	100,998	160,554	722	104,829	105,551
Financial assets at FVPL	208,951	19,416	228,367	205,173	21,253	226,426
Derivative assets	1,295	-	1,295	644	-	644
Financial assets at FVOCI	48	37,657	37,705	423	23,703	24,126
Total	269,850	158,071	427,921	206,962	149,785	356,747
Other financial liabilities						
Lease liabilities	38,238	97,006	135,244	20,113	95,845	115,958
Derivative liabilities	993	-	993	3,313	-	3,313
Total	39,231	97,006	136,237	23,426	95,845	119,271

B. The carrying amount of other financial assets by category as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Financial assets at amortized cost		
Debt securities	160,554	105,551
Financial assets at FVPL:		
Beneficiary certificates	208,951	205,173
Equity securities that are not traded in an active market	15,373	17,228
Capital investments, etc.	4,043	4,025
Derivative assets	1,295	644
Subtotal	229,662	227,070
Financial assets at FVOCI		
Equity securities that are traded in an active market	15,118	16,373
Equity securities that are not traded in an active market	21,652	6,459
Capital investments, etc.	935	1,294
Subtotal	37,705	24,126
Total	427,921	356,747

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8. Other financial assets and liabilities (cont'd)

C. Details of equity securities as of December 31, 2022 and 2021 are as follows (KRW in millions):

		December 31, 2022	December 31, 2021
Equity securities that are traded in an active market			
NICE corporation	Financial assets at FVOCI	3,607	4,474
NICE Information Service Co.,Ltd	Financial assets at FVOCI	4,331	6,390
Kumho Tire co.,Inc	Financial assets at FVOCI	1,235	2,048
Dong Anh EEMC (Vietnam transformer)	Financial assets at FVOCI	5,945	3,461
Subtotal		15,118	16,373
Equity securities that are not traded in an active market			
Channel A corporation	Financial assets at FVOCI	1,681	1,681
HANGIL TIS CORP.	Financial assets at FVOCI	292	292
KMH Shilla Leisure co.,Ltd	Financial assets at FVOCI	261	260
DOT Incorporation	Financial assets at FVOCI	1,000	-
Folletto Robotics Co.,Ltd.	Financial assets at FVOCI	900	-
The Kyungnam Shinmun	Financial assets at FVOCI	5	5
KMA Consultants Inc.	Financial assets at FVOCI	180	180
Gangwon-do Min Daily	Financial assets at FVOCI	20	20
The Korea Economic Daily	Financial assets at FVOCI	2,874	1,738
Namwoo Ad	Financial assets at FVOCI	333	333
Uiwang Baegun Project	Financial assets at FVOCI	100	100
Jeonbuk Center for Creative Economy & Innovation	Financial assets at FVOCI	100	100
BERTIS Inc.	Financial assets at FVOCI	1,750	1,750
Hanjinkal fund	Financial assets at FVOCI	12,056	-
Jeonbuk Innovation Startup Fund	Financial assets at FVOCI	100	-
TransLink Capital	Financial assets at FVPL	1,344	1,829
Creative Economy Fund	Financial assets at FVPL	4,166	4,275
Carbon Growth Fund	Financial assets at FVPL	2,910	4,921
Uiwang Industrial Complex PFV Co., Ltd.	Financial assets at FVPL	100	100
Digital Health Fund (HIKARI FUND)	Financial assets at FVPL	1,529	1,289
Leo 9th Youth Startup Fund	Financial assets at FVPL	5,324	4,814
Subtotal		37,025	23,687
Total		52,143	40,060

8. Other financial assets and liabilities (cont'd)

D. Changes in the financial assets measured at fair value through profit or loss excluding derivatives assets for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
January 1	226,426	361,292
Acquisition	1,328,814	297,893
Disposal	(1,327,799)	(432,951)
Valuation gain or loss	926	192
December 31	228,367	226,426

E. Changes in the financial assets measured at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
January 1	24,126	28,866
Acquisition	22,066	1,850
Disposal	(422)	(3,913)
Valuation gain or loss	(8,065)	(2,677)
December 31	37,705	24,126

F. Details of derivative financial assets and liabilities as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022		December 31, 2021	
	Asset	Liability	Asset	Liability
Current derivative assets and liabilities				
Currency forward exchange contracts	1,295	308	275	3,313
Instruments forward contracts currency swap	-	685	369	-
Total	1,295	993	644	3,313

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9. Inventories

A. Details of inventories as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022			December 31, 2021		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	429,130	(313)	428,817	365,504	(2,731)	362,773
Finished goods	227,897	(4,414)	223,483	173,820	(4,139)	169,681
Semi-finished goods	49,213	(1,101)	48,112	31,032	(307)	30,725
Work in process	28,880	(1,546)	27,334	21,131	(2,962)	18,169
Raw materials	112,586	(2,204)	110,382	72,292	(1,987)	70,305
Sub-materials	10,522	(27)	10,495	5,755	(19)	5,736
Supplies	8,025	-	8,025	5,986	-	5,986
Packing	77	(1)	76	115	-	115
Goods in transit	50,480	-	50,480	32,872	-	32,872
Total	916,810	(9,606)	907,204	708,507	(12,145)	696,362

Meanwhile, the reversal of valuation allowance for inventories deducted from the cost of sales for the year ended December 31, 2022 are KRW 2,539 million, and the loss on inventory valuation added to the cost of sales for the year ended December 31, 2021 are KRW 3,360 million.

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10. Property, plant and equipment

A. Details of property, plant and equipment as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated depreciation (*1)	Carrying amount	Acquisition cost	Accumulated depreciation (*1)	Carrying amount
Land	497,578	-	497,578	496,827	-	496,827
Buildings	215,566	(63,139)	152,427	174,613	(59,465)	115,148
Structures	33,595	(14,108)	19,487	28,209	(12,055)	16,154
Machinery	402,802	(342,596)	60,206	387,619	(324,201)	63,418
Vehicles	6,122	(4,713)	1,409	9,658	(5,337)	4,321
Tools and equipment	346,552	(264,398)	82,154	341,170	(253,881)	87,289
Construction in progress	42,460	-	42,460	78,866	-	78,866
Machinery in transit	155	-	155	130	-	130
Right-of-use assets	206,528	(62,416)	144,112	191,888	(53,925)	137,963
Total	1,751,358	(751,370)	999,988	1,708,980	(708,864)	1,000,116

(*1) Accumulated impairment losses are included.

B. Changes in property, plant and equipment for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022									
	January 1	Acquisition	Disposal	Depreciation	Transfer (*1)	Reclassification (*2)	Change in consolidation scope	Others (*3)	December 31
Land	496,827	-	(18)	-	-	(14)	-	783	497,578
Buildings	115,148	80	(187)	(6,148)	47,329	(8,734)	-	4,939	152,427
Structures	16,154	32	(10)	(1,796)	5,086	-	-	21	19,487
Machinery	65,273	2,247	(707)	(17,302)	9,792	-	-	2,497	61,800
(Government grant)	(1,855)	(153)	-	414	-	-	-	-	(1,594)
Vehicles	4,321	710	(2,739)	(747)	12	-	(149)	1	1,409
Tools and equipment	87,424	18,655	(7,979)	(33,198)	17,428	516	(243)	(325)	82,278
(Government grant)	(135)	(41)	-	52	-	-	-	-	(124)
Construction in progress	78,866	43,125	(226)	-	(81,363)	-	-	2,058	42,460
Machinery in transit	130	352	-	-	(319)	-	-	(8)	155
Right-of-use assets	137,963	34,705	(2,654)	(29,408)	-	-	-	3,506	144,112
Total	1,000,116	99,712	(14,520)	(88,133)	(2,035)	(8,232)	(392)	13,472	999,988

(*1) The amount transferred to intangible assets is KRW 2,035 million.

(*2) The amount of KRW 516 million of tool and equipment was transferred from inventory, and KRW 14 million of land and KRW 8,734 million of buildings were transferred to investment property.

(*3) The amount includes the effect of exchange rate fluctuations, etc.

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10. Property, plant and equipment (cont'd)

2021									
	January 1	Acquisition	Disposal	Depreciation	Transfer (*1)	Reclassification (*2)	Change in consolidation scope	Others (*3)	December 31
Land	491,510	333	-	-	-	5,050	-	(66)	496,827
Buildings	112,963	733	(378)	(6,231)	458	6,354	-	1,249	115,148
Structures	14,048	637	-	(1,580)	2,936	-	-	113	16,154
Machinery	68,223	4,205	(70)	(18,199)	8,526	3	-	2,585	65,273
(Government grant)	(1,382)	(1,018)	-	545	-	-	-	-	(1,855)
Vehicles	1,229	4,590	(638)	(839)	50	-	(101)	30	4,321
Tools and equipment	89,790	13,529	(1,113)	(33,360)	16,188	1,242	(50)	1,198	87,424
(Government grant)	(153)	(50)	-	68	-	-	-	-	(135)
Construction in progress	32,983	72,495	(250)	-	(28,281)	-	-	1,919	78,866
Machinery in transit	129	2,503	-	-	(2,502)	-	-	-	130
Right-of-use assets	121,569	50,811	(8,700)	(27,477)	-	-	(515)	2,275	137,963
Total	930,909	148,768	(11,149)	(87,073)	(2,625)	12,649	(666)	9,303	1,000,116

(*1) The amount transferred to intangible assets is KRW 2,625 million.

(*2) KRW 3 million of Machinery and KRW 1,242 million of tool and equipment were transferred from inventory, and KRW 5,050 million of land and KRW 6,354 million of buildings were transferred from investment property.

(*3) The amount includes the effect of exchange rate fluctuations, etc.

Some of land, buildings, machinery, and others are pledged as collateral to financial institutions in relation to the Group's borrowings, etc. (See Note 35).

11. Investment property

A. Details of investment as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022			December 31, 2021		
	Acquisition cost	Accumulated depreciation (*1)	Carrying amount	Acquisition cost	Accumulated depreciation (*1)	Carrying amount
Land	58,614	(55)	58,559	58,600	(43)	58,557
Buildings	264,670	(61,977)	202,693	254,250	(49,074)	205,176
Total	323,284	(62,032)	261,252	312,850	(49,117)	263,733

(*1) Accumulated impairment losses are included.

B. Changes in investment properties for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022				
	January 1	Depreciation	Reclassification (*1)	Impairment	December 31
Land	58,557	(8)	14	(4)	58,559
Buildings	205,176	(7,966)	8,734	(3,251)	202,693
Total	263,733	(7,974)	8,748	(3,255)	261,252

(*1) Replaced from property, plant and equipment are included.

	2021					
	January 1	Acquisition	Disposal	Depreciation	Reclassification (*1)	December 31
Land	64,067	-	(451)	(9)	(5,050)	58,557
Buildings	214,087	3,933	(31)	(6,459)	(6,354)	205,176
Total	278,154	3,933	(482)	(6,468)	(11,404)	263,733

(*1) Transfers to property, plant and equipment are included.

C. Rental income from investment properties recognized in the Group's consolidated statement of profit or loss for the year ended December 31, 2022 is KRW 30,397 million (2021: KRW 29,392 million).

D. Fair value of investment properties as of December 31, 2022 is KRW 452,309 million (2021: KRW 455,673 million). The fair value was estimated based on the land value publicly published.

E. The Group estimated a recoverable amount for investments property that show signs of impairment. The Group determined the recoverable amount for investments property that shows signs of impairment based on its value-in-use. The value-in-use was calculated by discounting estimated future cash flows of investments property with an appropriate discount rate. The major assumptions used in calculating the value-in-use reflect management's evaluation, which was determined by taking into account external and internal information (past historical information).

The discount rate which was used to calculate the present value of future cash flows is 6.29%

The Group recognized KRW 3,255 million of impairment as it determined by an impairment review of investment property that the recoverable failed to reach the carrying amount.

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12. Intangible assets

A. Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022									
	January 1	Acquisition	Disposal	Amortization	Impairment	Transfer (*1)	Change in consolidation scope	Others (*2)	December 31
Goodwill	2,216	-	-	-	-	-	-	-	2,216
Industrial property right	1,252	99	-	(426)	-	353	-	-	1,278
Others	27,492	6,293	(609)	(9,048)	-	1,682	(4)	41	25,847
Memberships	36,780	523	-	-	(18)	-	-	-	37,285
Total	67,740	6,915	(609)	(9,474)	(18)	2,035	(4)	41	66,626

(*1) Transfers made from property, plant and equipment.

(*2) The amount includes the effect of exchange rate fluctuations, etc.

2021								
	January 1	Acquisition	Disposal	Amortization	Impairment loss	Transfer (*1)	Others (*2)	December 31
Goodwill	2,216	-	-	-	-	-	-	2,216
Industrial property right	1,207	73	-	(397)	-	369	-	1,252
Others	30,145	4,664	-	(9,801)	-	2,256	228	27,492
Memberships	39,513	2,523	(5,286)	-	30	-	-	36,780
Total	73,081	7,260	(5,286)	(10,198)	30	2,625	228	67,740

(*1) Transfers made from property, plant and equipment.

(*2) The amount includes the effect of exchange rate fluctuations, etc.

13. Leases

A. Changes in right-of-use assets for the year ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022						
	January 1	Increase	Amortization	Decrease	Others (*1)	December 31
Buildings	72,460	14,251	(15,874)	(2,087)	2,059	70,809
Equipment	1,069	-	(382)	(2)	81	766
Vehicles	8,413	14,080	(5,864)	(565)	453	16,517
Others	56,021	6,374	(7,288)	-	913	56,020
Total	137,963	34,705	(29,408)	(2,654)	3,506	144,112

(*1) The amount includes the effect of exchange rate fluctuations, etc.

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13. Leases (cont'd)

2021							
	January 1	Increase	Amortization	Decrease	Change in scope of consolidation	Others (*1)	December 31
Buildings	58,252	31,890	(15,815)	(2,374)	(487)	994	72,460
Equipment	168	1,330	(380)	(46)	-	(3)	1,069
Vehicles	10,060	7,015	(7,332)	(1,722)	(3)	395	8,413
Others	53,089	10,576	(3,950)	(4,558)	(25)	889	56,021
Total	121,569	50,811	(27,477)	(8,700)	(515)	2,275	137,963

(*1) The amount includes the effect of exchange rate fluctuations, etc.

B. Changes in lease liabilities for the year ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022							
	January 1	Increase	Interest expenses	Repayment	Termination	Others (*1)	December 31
Lease liabilities	115,958	40,618	4,139	(23,596)	(2,168)	293	135,244

(*1) The amount includes the effect of exchange rate fluctuations, etc.

2021								
	January 1	Increase	Interest expenses	Decrease	Termination	Change in scope of consolidation	Others (*1)	December 31
Lease liabilities	102,171	49,535	4,066	(31,924)	(7,007)	(506)	(377)	115,958

(*1) The amount includes the effect of exchange rate fluctuations, etc.

C. The amounts recognized in profit or loss in relation to the lease for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Depreciation of right-of-use assets	29,408	27,340
Interest expenses relating to lease liabilities	4,139	4,059
Short-term lease payments	12,942	15,616
Expense relating to leases of low-value assets that are not short-term leases	2,219	1,252
Variable lease payments not included in lease liabilities	276	283

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14. Investments in associates and joint ventures

A. The carrying amount of investments in associates and joint ventures as of December 31, 2022 and 2021 as follows (KRW in millions):

Associate / Joint venture	Ownership (%)	Location	Acquisition cost	December 31, 2022	December 31, 2021
Hyosung TNC Corporation(*1)	20.32	Korea	176,483	322,672	367,559
Hyosung Heavy Industries Corporation(*1)	32.47	Korea	161,041	402,675	401,792
Hyosung Advanced Materials Corporation(*1)	21.20	Korea	116,476	174,490	153,378
Hyosung Chemical Corporation(*1)	20.17	Korea	97,688	42,682	119,420
Taebaek Wind Power Co., Ltd.	35.00	Korea	5,334	8,459	9,422
PyeongChang Wind Power Co., Ltd. (*2)	42.00	Korea	6,510	10,474	9,091
HYOSUNG INFORMATION SYSTEMS CO., LTD (*3)	50.00	Korea	24,860	53,655	49,853
Hyosung Toyota Corporation	40.00	Korea	800	3,846	3,372
Hyosung ITX Co., Ltd.(*1)	35.26	Korea	7,676	24,207	36,556
Suncheon Eco Green (*4,5)	29.50	Korea	-	-	-
THE KWANGJUILBO	49.00	Korea	3,920	1,665	2,455
PT. GELORA MANDIRI MEMBANGUN(GMM) (*6,7)	0.81	Indonesia	4,687	49	3,954
Epitone, Inc.(*6,8)	15.38	USA	11,943	10,758	-
Hyosung Vietnam Co., Ltd.	28.57	Vietnam	20,849	177,491	206,724
Hyosung Istanbul TEKSTIL LTD.STI (*9)	56.58	Turkey	12,731	370,402	419,798
Total			650,998	1,603,525	1,783,374

(*1) The effective stake considering treasury stocks is 20.37% for Hyosung TNC Co., Ltd., 32.52% for Hyosung Heavy Industries Co., Ltd., 21.26%, Hyosung Chemical Co., Ltd., 20.25%, and 36.8% for Hyosung ITX Co., Ltd.

(*2) The group provides its interests in PyeongChang Wind Power Co., Ltd. as collateral for the borrowings of PyeongChang Wind Power Co., Ltd (see Note 35)

(*3) The group and Hitachi Vantara Corporation have joint control over the investee and, therefore, are classified as a joint venture.

(*4) The group provides its interests in Suncheon Eco Green as collateral for the borrowings of Suncheon Eco Green (see Note 35)

(*5) The application of equity method was discontinued as the book value of investments in the associate became less than zero ("0") due to accumulated equity method losses.

(*6) Although the ownership ratio of the group is less than 20%, it is classified as an associate because the group is considered to have significant influence when considering the participation in the Board of Directors of the investee and mutual exchange of management.

(*7) The share ratio decreased due to the paid-in capital increase of the invested company.

(*8) It was newly acquired during the current term.

(*9) The group assigned the voting right on Hyosung Istanbul TEKSTIL LTD. STI to Hyosung TNC Corporation in accordance with the agreement between the shareholders. Therefore, it has been classified as associates even though the ownership ratio exceeds 50%.

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14. Investments in associates and joint ventures (cont'd)

B. Details of equity method valuation of associates and joint ventures for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022						
Associate / joint venture	January 1	Acquisition	Equity method gains and losses	Other comprehensive gains and losses	Others	December 31
Hyosung TNC Corporation	367,559	-	(2,248)	(1,292)	(41,347)	322,672
Hyosung Heavy Industries Corporation	401,792	-	(9,555)	787	9,651	402,675
Hyosung Advanced Materials Corporation	153,378	-	25,740	3,155	(7,783)	174,490
Hyosung Chemical Corporation(*1)	119,420	-	(83,655)	4,661	2,256	42,682
Taebaek Wind Power Co., Ltd.	9,422	-	192	-	(1,155)	8,459
PyeongChang Wind Power Co., Ltd.	9,091	-	1,544	-	(161)	10,474
HYOSUNG INFORMATION SYSTEMS CO., LTD	49,853	-	6,085	-	(2,283)	53,655
Hyosung Toyota Corporation	3,372	-	448	-	26	3,846
Hyosung ITX Co., Ltd.	36,556	-	6,472	(15,547)	(3,274)	24,207
THE KWANGJUILBO	2,455	-	(800)	-	10	1,665
PT. GELORA MANDIRI MEMBANGUN(GMM)	3,954	-	(3,974)	(32)	101	49
Epitone, Inc.	-	11,943	(1,422)	237	-	10,758
Hyosung Vietnam Co., Ltd.	206,724	-	28,199	4,642	(62,074)	177,491
Hyosung Istanbul TEKSTIL LTD.STI	419,799	-	(1,972)	27,174	(74,599)	370,402
Total	1,783,375	11,943	(34,946)	23,785	(180,632)	1,603,525

(*1) The amount at the beginning of the current term includes the effectiveness of the amendments to IAS 16

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14. Investments in associates and joint ventures (cont'd)

2021						
Associate / joint venture	January 1	Acquisition (disposal)	Equity method gains and losses	Other comprehensive gains and losses	Others	December 31
Hyosung TNC Corporation	208,024	-	149,554	15,525	(5,544)	367,559
Hyosung Heavy Industries Corporation	400,510	-	4,193	3	(2,914)	401,792
Hyosung Advanced Materials Corporation	97,783	-	47,016	9,010	(431)	153,378
Hyosung Chemical Corporation	102,814	-	10,851	5,715	40	119,420
Taebaek Wind Power Co., Ltd.	8,964	-	458	-	-	9,422
PyeongChang Wind Power Co., Ltd.	8,445	-	646	-	-	9,091
HYOSUNG INFORMATION SYSTEMS CO., LTD	48,930	-	4,713	-	(3,790)	49,853
Hyosung Toyota Corporation	3,040	-	282	-	50	3,372
Hyosung ITX Co., Ltd.	17,670	-	5,095	17,858	(4,067)	36,556
THE KWANGJUILBO	2,225	-	250	-	(20)	2,455
PT. Papua Agro Lestari	8,480	(9,043)	175	388	-	-
PT. GELORA MANDIRI MEMBANGUN(GMM)	4,134	-	(225)	45	-	3,954
Hyosung Vietnam Co., Ltd.	171,145	-	66,956	6,086	(37,463)	206,724
Hyosung Istanbul TEKSTIL LTD.STI	175,742	-	245,599	26,606	(28,148)	419,799
Total	1,257,906	(9,043)	535,563	81,236	(82,287)	1,783,375

C. Significant transactions in equity changes that were not recognized due to the discontinuation of the application of the equity method as of December 31, 2022 is as follows (KRW in millions):

Associate	January 1	Changes	December 31
Suncheon Eco Green	(7,833)	(1,976)	(9,809)

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14. Investments in associates and joint ventures (cont'd)

D. The financial information of significant associates and joint ventures that was adjusted to the carrying amount of the equity in the associates and joint ventures as of December 31, 2022 is as follows (KRW in millions):

Associate / joint venture	Net assets	Ownership (%)	Share of net assets	Differences	Fair value difference undepreciated balance	Intercompany transactions, others	Carrying amount
Hyosung TNC Corporation	1,222,260	20.32	249,026	16,986	58,077	(1,417)	322,672
Hyosung Heavy Industries Corporation	974,570	32.47	316,891	-	85,784	-	402,675
Hyosung Advanced Materials Corporation	707,472	21.20	150,397	1,599	30,565	(8,071)	174,490
Hyosung Chemical Corporation	114,617	20.17	23,209	2,828	16,645	-	42,682
Taebaek Wind Power Co., Ltd.	24,168	35.00	8,459	-	-	-	8,459
PyeongChang Wind Power Co., Ltd.	24,937	42.00	10,474	-	-	-	10,474
HYOSUNG INFORMATION SYSTEMS CO., LTD	107,310	50.00	53,655	-	-	-	53,655
Hyosung Toyota Corporation	9,616	40.00	3,846	-	-	-	3,846
Hyosung ITX Co., Ltd.	65,749	35.26	24,196	576	-	(565)	24,207
THE KWANGJUILBO	3,397	49.00	1,665	-	-	-	1,665
PT. GELORA MANDIRI MEMBANGUN(GMM)	6,097	0.81	49	-	-	-	49
Epitone, Inc	15,509	15.38	2,386	8,372	-	-	10,758
Hyosung Vietnam Co., Ltd.	266,693	28.57	76,194	102,421	15,458	(16,582)	177,491
Hyosung Istanbul TEKSTIL LTD.STI	596,170	56.58	337,311	27,444	10,967	(5,320)	370,402
Total	4,138,565	-	1,257,758	160,226	217,496	(31,955)	1,603,525

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14. Investments in associates and joint ventures (cont'd)

E. Summary of financial information of significant associates and joint ventures and dividends received as of December 31, 2022 is as follows (KRW in millions):

Associate / joint venture	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (loss) for the year	Other comprehensive income / (loss)	Total comprehensive income / (loss)	Dividends received
Hyosung TNC Corporation	2,143,068	2,176,811	2,184,964	619,391	8,882,730	19,183	23,149	42,332	43,965
Hyosung Heavy Industries Corporation	2,221,500	2,471,971	2,504,911	1,085,348	3,510,144	29,130	33,042	62,172	-
Hyosung Advanced Materials Corporation	1,331,275	1,603,438	1,624,968	510,188	3,841,373	160,238	29,306	189,544	9,498
Hyosung Chemical Corporation	819,924	2,311,194	1,715,749	1,300,753	2,878,558	(408,867)	34,183	(374,684)	-
Taebaek Wind Power Co., Ltd.	4,695	22,867	576	2,818	7,565	546	-	546	1,154
PyeongChang Wind Power Co., Ltd.	14,307	56,291	7,031	38,630	14,524	3,677	16	3,693	169
HYOSUNG INFORMATION SYSTEMS CO., LTD.	138,065	38,036	64,580	4,211	208,504	12,170	2,353	14,523	3,460
Hyosung Toyota Corporation	9,051	12,443	5,517	6,361	27,826	1,121	64	1,185	-
Hyosung ITX Co., Ltd.	98,643	78,176	97,624	13,446	511,018	14,921	(58,065)	(43,144)	3,291
Suncheon Eco Green	914	18,931	2,749	50,347	6,693	(6,700)	-	(6,700)	-
THE KWANGJUILBO	3,590	15,602	13,661	2,134	7,174	(1,632)	20	(1,612)	-
PT. GELORA MANDIRI	10,651	61,026	39,164	26,416	16,911	(40,520)	(2,344)	(42,864)	-
Epitone, Inc	14,416	1,577	409	75	-	(9,251)	1,544	(7,707)	-
Hyosung Vietnam Co., Ltd.	634,672	302,654	669,895	738	2,123,084	121,421	16,245	137,666	62,074
Hyosung Istanbul TEKSTIL LTD.STI	639,045	595,165	612,151	25,889	1,947,075	5,431	48,033	53,464	74,599

F. Fair value of marketable investments in associates with quoted market price as of December 31, 2022 is as follows (KRW in millions):

Associate	December 31, 2022
Hyosung TNC Corporation	307,752
Hyosung Heavy Industries Corporation	236,168
Hyosung Advanced Materials Corporation	316,771
Hyosung Chemical Corporation	64,026
Hyosung ITX Co., Ltd. (*1)	47,594

(*1) It shows fair value only for common stock.

G. The Group estimated recoverable amount for investments in associates that show signs of impairment. In calculating the recoverable amount, the Group considers fair value less costs of disposal and value-in-use. The fair value less costs of disposal was estimated based on the best information available to calculate the amount of consideration, which may be received in a sale of assets between independent parties with reasonable judgment and intentions, less costs of disposal at the end of the reporting period. The value-in-use was calculated by discounting estimated future cash flows of subsidiaries and associates with an appropriate discount rate. The major assumptions used in calculating the value-in-use reflect management's evaluation, which was determined by taking into account external and internal information (past historical information).

The discount rate applied to the calculation of the present value of future cash flows is 8.93%, and cash flows after 5 years were estimated by applying 0% permanent growth rate.

The Group did not recognize impairment for the year ended December 31, 2022 as it determined by an impairment review of investments in associates that the carrying amount did not exceed the recoverable amount.

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15. Other assets

A. Details of other assets as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Other current assets		
Advance payments	40,859	35,052
Prepaid expenses	24,146	30,723
Subtotal	65,005	65,775
Other non-current assets		
Long-term advance payments	7,059	6,617
Long-term prepaid expenses	75	749
Other investment assets	24,996	24,905
Right of return inventory	276	-
Subtotal	32,406	32,271
Total	97,411	98,046

B. Details of other investment assets as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Mining rights	1,016	925
Work of art	23,980	23,980
Total	24,996	24,905

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16. Related party transactions

A. Details of related parties as of December 31, 2022 are as follows (KRW in millions):

(1) Associates and joint ventures

Region	Related party
Domestic	Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Advanced Materials Corporation, Hyosung Chemical Corporation, Taebaek Wind Power Co., Ltd., PyeongChang Wind Power Co, Ltd, HYOSUNG INFORMATION SYSTEMS CO., LTD, Hyosung Toyota Corporation, Hyosung ITX Co., Ltd, Suncheon Eco Green, THE KWANGJUILBO
Asia	Hyosung Vietnam Co., Ltd., PT. GELORA MANDIRI MEMBANGUN(GMM)
Europe	Hyosung Istanbul TEKSTIL LTD.STI
America	Epitone, Inc.

(2) Other related parties (*1)

Region	Related party
Domestic	Galaxia device Co., Ltd., Galaxia Electronics Co., Ltd., Gongdeok Development Corporation, The Class Hyosung, The premium Hyosung Co., Ltd., Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., A-SEUNG AUTOMOTIVE GROUP, Trinity Asset Management Co., Ltd, HaengbokDoodrimee, Hyosung Premier Motors Corporation, ASC, Galaxia SM, INC., Galaxiamoneytree Co., Ltd., WOOJEON GNF CO.,LTD., Shinhwa Intertek, KB Wise Star Private Real Estate fund 11, SHINSUNG MOTORS.Co.Ltd., CHIN HUNG INTERNATIONAL,INC, Galaxia Micro Payment Co., Ltd. and others
America	Hyosung HICO, LTD and others
China	Tianjin Galaxia Device Electronics., Co.Ltd., Huizhou Galaxia Device Electronics., Co. Ltd., Qingdao Galaxia Device Electronics., Co.Ltd., Weihai Galaxia Device Electronics., Co.Ltd., Galaxia Electronics (China Huizhou) Co., Ltd., DNS Technology Co., Ltd., Hyosung Spandex (Jiaxing) Co., Ltd., Hyosung Steel Cord (Qingdao) Co., Ltd. and others
Asia	Hyosung Japan Co., Ltd., Hyosung Singapore PTE Ltd., Hyosung DongNai Co.,LTD, Hyosung Corporation India Private Limited., Hyosung Dong Nai Nylon Co., Ltd., Hyosung Vina Chemicals Co., Ltd., Hyosung Vina Industrial Machinery Co., Ltd., HYOSUNG VINA CONSTRUCTION CO., LTD, Galaxia Japan, VINA ASC AUTOMOTIVE COMPANY LIMITED, Hyosung Quang Nam., Ltd, MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED and others
Europe	Hyosung Europe SRL, Global Safety Textiles LLC, Hyosung Luxembourg S.A and others

(*1) Those entities that are not included in the scope of related party in accordance with KIFRS 1024 but belonged to a large enterprise group in accordance with the Monopoly Regulation and Fair-Trade Act are included.

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16. Related party transactions (cont'd)

B. Significant transactions with related parties

Significant transactions with related parties for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022					
	Related party	Sales and others (*1)	Dividends	Purchases and others (*1)	Acquisition of property, plant and equipment and intangible assets
Associates and joint ventures	Hyosung Heavy Industries Corporation	98,833	-	21,771	204
	Hyosung Chemical Corporation	177,434	-	18,687	-
	Hyosung TNC Corporation	175,130	43,965	149,520	-
	Hyosung Advanced Materials Corporation	52,582	9,498	166,812	-
	Hyosung Vietnam Co., Ltd.	1,709	62,073	562,098	-
	Hyosung ITX Co., Ltd.	3,125	3,291	4,902	1
	HYOSUNG INFORMATION SYSTEMS CO., LTD.	679	3,460	499	533
	Hyosung Istanbul TEKSTIL LTD.STI	398	74,599	54	-
	Taebaek Wind Power Co., Ltd.	-	1,155	-	-
	Others	214	168	224	-
	Subtotal	510,104	198,209	924,567	738
Others	GST Automotive Safety Components International LLC.	64,035	-	94	-
	Huizhou Galaxia Device Electronics., Co., Ltd	1,748	-	176,147	98
	Hyosung Japan Co., Ltd.	4,020	-	299	-
	Hyosung Corporation India Private Limited.	5,445	-	2,300	-
	Hyosung DongNai Co., LTD	1,729	-	187,064	-
	Hyosung Luxembourg S.A	-	-	7,745	-
	Galaxia device Co., Ltd	596	-	9,806	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	140	-	11,854	-
	Hyosung Vina Chemicals Co., Ltd.	2,159	-	-	-
	Shin Dong Jin Co., Ltd.	-	-	2,217	140
	Galaxiamoneytree Co., Ltd.	549	-	2,908	-
	MEGA TECHNOLOGY & SOLUTION VIETNAMCOMPANY LIMITED	3,311	-	44,206	-
	Hyosung Quang Nam., Ltd	381	-	30,686	-
	VINA ASC AUTOMOTIVE COMPANY LIMITED	3,251	-	-	-
	HYOSUNG VINA CONSTRUCTION CO., LTD	-	-	-	1,053
	Others	12,175	-	8,397	203
	Subtotal	99,539	-	483,723	1,494
	Total	609,643	198,209	1,408,290	2,232

(*1) Sales, rental income and interest income are included in sales and others. Purchase of raw materials, export expenses, commission fees, interest expenses, etc. are included in purchase and others.

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16. Related party transactions (cont'd)

2021					
	Related party	Sales and others (*1)	Dividends	Purchases and others (*1)	Acquisition of property, plant and equipment and intangible assets
Associates and joint ventures	Hyosung Heavy Industries Corporation	99,674	-	73,742	60
	Hyosung Chemical Corporation	131,364	-	7,217	-
	Hyosung TNC Corporation	125,659	4,396	104,617	-
	Hyosung Advanced Materials Corporation	53,412	-	145,808	-
	Hyosung Vietnam Co., Ltd.	1,999	37,458	454,396	-
	Hyosung ITX Co., Ltd.	1,903	3,291	4,163	772
	HYOSUNG INFORMATION SYSTEMS CO., LTD.	610	3,460	908	1,562
	Hyosung Istanbul TEKSTIL LTD.STI	2,826	28,162	34	-
	Taebaek Wind Power Co., Ltd.				
	Others	22	-	226	-
	Subtotal	417,469	76,767	791,111	2,394
Others	Global Safety Textiles LLC	47,766	-	616	-
	Huizhou Galaxia Device Electronics., Co., Ltd	6,137	-	233,690	136
	Hyosung Japan Co., Ltd.	4,187	-	167	-
	Hyosung Corporation India Private Limited.	5,956	-	2,025	-
	Hyosung DongNai Co., LTD	1,631	-	138,422	-
	Hyosung Steel Cord (Qingdao) Co., Ltd	2,308	-	259	47
	Hyosung Luxembourg S.A	-	-	5,556	-
	HYOSUNG VINA CONSTRUCTION CO., LTD	-	-	-	39,602
	SHINWHA INTERTEK	3,407	-	-	-
	HICO America Corporation	98	-	7,043	-
	Galaxia device Co., Ltd	195	-	10,896	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	87	-	10,414	-
	Others	10,120	-	11,753	1,624
	Subtotal	81,892	-	420,841	41,409
Total	499,361	76,767	1,211,952	43,803	

(*1) Sales, rental income and interest income are included in sales and others. Purchase of raw materials, export expenses, commission fees, interest expenses, etc. are included in purchase and others.

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16. Related party transactions (cont'd)

C. Significant outstanding balances to/from related parties as of December 31, 2022 and 2021 are as follows (KRW in millions):

December 31, 2022					
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables
Associates and joint ventures	Hyosung Heavy Industries Corporation (*2)	17,357	19,112	3,696	24,418
	Hyosung Chemical Corporation	17,953	100	4,355	52
	Hyosung TNC Corporation	15,230	1,293	753	1,835
	Hyosung Advanced Materials Corporation	5,623	226	7,514	5,704
	Hyosung Vietnam Co., Ltd.	98	352	66,614	-
	THE KWANGJUILBO	-	7,853	-	55
	Hyosung Istanbul TEKSTIL LTD.STI	4	30,044	-	-
	Others	360	487	6	957
	Subtotal	56,625	59,467	82,938	33,021
Others	GST Automotive Safety Components International LLC.	19,696	-	3,407	-
	KB Wise Star Private Real Estate Fund 11	-	590	-	1,211
	Huizhou Galaxia Device Electronics., Co., Ltd	-	-	533	-
	Hyosung Europe SRL	3,302	-	-	73
	HYOSUNG VINA CONSTRUCTION CO., LTD	-	-	-	1,358
	Hyosung DongNai Co., LTD	83	2,824	23,639	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	-	-	3,235	-
	Gongdeok Development Corporation	-	893	-	3,430
	Shin Dong Jin Co., Ltd.	-	1,157	-	1,234
	Galaxiamoneytree Co., Ltd.	8	600	-	933
	Hyosung Corporation India Private Limited.	4,678	31	-	-
	Hyosung Quang Nam., Ltd	21	-	1,844	-
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED	2,392	7,138	5,762	25
	Others	2,292	560	7,353	500
	Subtotal	32,472	13,793	45,773	8,764
Total		89,097	73,260	128,711	41,785

(*1) Other receivables include non-trade receivables, loans, lease deposits, advance payments, etc. Other payables include non-trade payables, deposits withheld and others.

(*2) The membership on Hyosung Heavy Industries Corporation amounting to KRW 25,200 million has been accounted for as intangible assets.

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16. Related party transactions (cont'd)

December 31, 2021					
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables
Associates and joint ventures	Hyosung Heavy Industries Corporation (*2)	15,261	18,790	1,198	26,184
	Hyosung Chemical Corporation	27,123	77	2,647	153
	Hyosung TNC Corporation	20,179	400	13,718	795
	Hyosung Advanced Materials Corporation	9,267	155	774	5,800
	Hyosung Vietnam Co., Ltd.	309	21,245	79,112	-
	THE KWANGJUILBO	-	7,963	-	55
	Others	409	22,773	10	941
	Subtotal	72,548	71,403	97,459	33,928
Others	Global Safety Textiles LLC	15,784	-	8,765	-
	KB Wise Star Private Real Estate Fund 11	-	60,398	-	1,848
	Huizhou Galaxia Device Electronics., Co., Ltd	3,402	54	33,832	11
	Hyosung Europe SRL	1,396	-	-	75
	HYOSUNG VINA CONSTRUCTION CO., LTD	-	3,382	-	2,666
	Hyosung DongNai Co., LTD	77	61	27,665	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	16	-	3,014	-
	Gongdeok Development Corporation	-	863	-	1,444
	Shin Dong Jin Co., Ltd.	-	1,181	-	608
	Galaxiamoneytree Co., Ltd.	2	1,287	-	915
	Hyosung Corporation India Private Limited.	4,741	31	-	-
	Others	2,491	1,003	3,807	989
	Subtotal	27,909	68,260	77,083	8,556
Total	100,457	139,663	174,542	42,484	

(*1) Other receivables include non-trade receivables, loans, lease deposits, advance payments, etc. Other payables include non-trade payables, deposits withheld and others.

(*2) The membership on Hyosung Heavy Industries Corporation amounting to KRW 25,200 million has been accounted for as intangible assets.

16. Related party transactions (cont'd)

D. Fund transactions with related parties for the year ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022					
	Related party	January 1	Loans	Collections	December 31
Associates	THE KWANGJUILBO (*1)	7,853	-	-	7,853
Others	KB Wise Star Private Real Estate Fund 11(*2)	60,000	-	60,000	-

(*1) Provision for bad debt is recognized in full for loans from THE KWANGJUILBO.

(*2) KB Wise Star Private Real Estate fund 11, which is a related party of the Group, borrowed KRW 85,700 million from a securitization company. The Group purchased beneficiary certificates issued by a securitization company using loan receivables for the borrowings as an underlying asset. The purchase amount of the beneficiary certificates is included in the related party transaction as it was deemed to have been substantially lent to the related party.

2021					
	Related party	January 1	Loans	Collections	December 31
Associates	THE KWANGJUILBO (*1)	7,853	-	-	7,853
Others	KB Wise Star Private Real Estate Fund 11(*2)	-	60,000	-	60,000

(*1) Provision for bad debt is recognized in full for loans and accrued income from THE KWANGJUILBO.

(*2) KB Wise Star Private Real Estate fund 11, which is a related party of the Group, borrowed KRW 85,700 million from a securitization company. The Group purchased beneficiary certificates issued by a securitization company using loan receivables for the borrowings as an underlying asset. The purchase amount of the beneficiary certificates is included in the related party transaction as it was deemed to have been substantially lent to the related party.

E. Details of compensations to key management personnel for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Salaries and other short-term employee benefits	14,216	14,637
Retirement benefits	1,240	882
Total	15,456	15,519

F. Payment guarantees provided by the Group for the financial supports to the related parties are described in Note 35.

G. The Group provides two pledged notes for the private investment business of Suncheon Eco Green.

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17. Trade and other payables

A. Details of trade and other payables as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Trade payables	308,661	344,617
Other payables	201,871	193,786
Subtotal	510,532	538,403
Long-term other payables	18,712	15,070
Total	529,244	553,473

B. The carrying amount of other payables as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Other payables		
Non-trade payables	109,183	93,490
Accrued expenses	34,164	26,026
Withholdings	55,318	66,836
Deposits withheld	3,206	7,434
Subtotal	201,871	193,786
Long-term other payables		
Non-trade payables	2,137	3,157
Accrued expenses	781	828
Deposits withheld	15,794	11,085
Subtotal	18,712	15,070
Total	220,583	208,856

18. Borrowings

A. Details of borrowings as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Current liabilities		
Short-term borrowings	913,257	631,697
Current portion of long-term borrowings	172,377	193,991
Current portion of Debentures	-	11,829
Subtotal	1,085,634	837,517
Non-current liabilities		
Long-term borrowings	159,693	270,436
Total	1,245,327	1,107,953

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18. Borrowings (cont'd)

B. Details of short-term borrowings as of December 31, 2022 and 2021 are as follows (KRW in millions):

	Creditor	Interest rate (%)	December 31, 2022	December 31, 2021
General loan	Woori Bank and others	3.78 ~ 7.05	300,035	226,898
Collateralized borrowings (*1)	Woori Bank and others	4.07 ~ 5.87	100,500	186,011
Short Term Bond	KB securities and others	9.30	179,000	-
Others	Woori Bank and others	4.79 ~ 6.47	333,722	218,788
Total			913,257	631,697

(*1) The Group sold trade receivables denominated in foreign currencies to the financial institutions. The Group 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 (see Note 7, 35).

C. Details of long-term borrowings as of December 31, 2022 and 2021 are as follows (KRW in millions):

	Creditor	Interest rate (%)	December 31, 2022	December 31, 2021
<Hyosung Corporation>				
Long-term borrowings denominated in KRW	Korea Energy Co	1.50	627	763
<Subsidiaries>				
Long-term borrowings denominated in KRW	Hanwha Life Insurance and others	2.85	130,000	312,000
Long-term borrowings denominated in foreign currency	The Export-Import Bank of Korea and others	5.63 ~ 7.87	201,499	151,744
Total			332,126	464,507
Less: Current portion			(172,377)	(193,991)
Present value discounts			(56)	(80)
Total			159,693	270,436

The above long-term borrowings are repaid in principal installments or temporarily at maturity. In this regard, other financial assets, property, plant and equipment of the Group are provided as collateral (see Note 35).

D. Details of debentures as of December 31, 2022 and 2021 are as follows (KRW in millions):

	Maturity date	Interest rate (%)	December 31, 2022	December 31, 2021
< Hyosung Goodsprings, Inc.>				
Private Placement Bond	2022-05-23	1.91	-	11,855
Less: Current portion of Debentures			-	(11,829)
Discount on Bond Payable			-	(26)
Total			-	-

19. Government grants

A. The Group entered into development agreements with Korea Evaluation Institute of industrial technology and others for various national research projects, including development of materials related to Polyketone.

B. The balance of government grants related to assets as of December 31, 2022 is KRW 1,716 million (2021: KRW 1,990 million), and the balance of government grants related to liabilities to be repaid is KRW 7,909 million (2021: KRW 7,937 million).

20. Retirement benefits

A. Defined contribution plan

The expense amount recognized in relation to retirement benefit plans under defined contribution plans for the year ended December 31, 2022 is KRW 2,329 million (2021: KRW 3,774 million).

B. Defined benefit plan

(1) Details of net defined benefit liabilities for the year ended December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	191,347	196,603
Fair value of plan assets (*1)	(223,570)	(194,509)
Net defined benefit liabilities (Assets)	(32,223)	2,094

(*1) The contributions to the National Pension Fund of KRW 92 million are included in the fair value of plan assets as of December 31, 2022 (2021: KRW 99 million).

(2) The changes in defined benefit obligations for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
January 1	196,603	166,588
Current service costs	20,766	18,607
Interest expenses	3,688	2,909
Service cost of the past period and adjustment	17	-
Benefits paid	(10,780)	(12,328)
Remeasurements:		
- Changes in demographical assumptions	(109)	1,983
- Changes in financial assumptions	(18,146)	(3,682)
- Experience adjustments	(583)	21,668
Transfer to affiliates, net	209	853
Change in scope of consolidation	(290)	(327)
Others	(28)	332
December 31	191,347	196,603

20. Retirement benefits (cont'd)

(3) The changes in the fair value of plan assets for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
January 1	194,509	159,915
Interest income	5,911	3,884
Employer's contributions	28,469	47,230
Benefits paid	(9,055)	(12,072)
Remeasurements	(2,420)	(1,860)
Transfer to affiliates, net	349	915
Others	5,807	(3,468)
Change in scope of consolidation	-	(35)
December 31	223,570	194,509

(4) Details of plan assets as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Deposits	102,634	52,572
Debt instruments	120,920	141,937
Cash and cash equivalents	16	-
Total	223,570	194,509

(5) The significant actuarial assumptions as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Discount rate	2.25%~5.34%	1.86%~2.99%
Salary increase rate	2.00%~3.75%	2.00%~3.75%

(6) The sensitivity of the defined benefit liabilities to changes in the principal assumptions is as follows (KRW in millions):

	Changes in assumption	When increased	When decreased
Discount rate	1.0% increase/decrease	(8,819)	10,057
Salary increase rate	1.0% increase/decrease	10,177	(9,075)

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 consolidated statements of financial position.

(7) The weighted average maturity of the defined benefit obligations is 1.30 years - 13.18 years as of December 31, 2022.

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21. Other liabilities

A. Details of other liabilities as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Other current liabilities		
Advances received	131,056	103,571
Unearned revenues	10,147	21,640
Provision	8,633	8,474
Subtotal	149,836	133,685
Other non-current liabilities		
Long-term advances	6,991	6,428
Long-term unearned revenues	2,181	1,881
Provision	3,859	3,652
Subtotal	13,031	11,961
Total	162,867	145,646

B. Details of provision for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022					
	January 1	Additional provisions	Used during the year	Others(*1)	December 31
Construction warranties	1,203	74	(440)	200	1,037
Product warranties	10,794	20,166	(19,910)	312	11,362
Other provisions	128	(46)	-	11	93
Total	12,125	20,194	(20,350)	523	12,492

(*1) The amount includes the effect of exchange rate fluctuations, etc.

22. Share capital

A. The Group's total number of authorized shares is 200,000,000 shares and the total number of ordinary shares issued is 21,071,025 shares with a par value of 5,000 KRW per share.

B. Retained Earnings

Details of retained earnings as of December 31, 2022 and 2021 are as follows (KRW in millions):

	Description	December 31, 2022	December 31, 2021
Legal reserves	Earned profit reserves (*1)	75,670	80,682
Discretionary reserves	Facility reserves	6,367,000	6,082,000
Unappropriated retained earnings		(28,325)	333,200
Total		6,414,345	6,495,882

(*1) The Commercial Act of the Republic of Korea requires the Group to appropriate for each financial period, as an earned profit reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its 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).

C. Other components of equity

Other components of equity as of December 31, 2022 and 2021 consist of the followings (KRW in millions):

	December 31, 2022	December 31, 2021
Other capital surplus	317,070	316,992
Treasury share	(42,119)	(42,119)
Loss on valuation of financial assets at FVOCI	(127,754)	(121,014)
Gain on valuation of derivatives	613	613
Equity adjustments in equity method	58,586	55,652
Cumulative effect of foreign currency translation	10,609	(4,481)
Losses on capital reduction (*1)	(4,816,959)	(4,816,959)
Gain on sales of treasury shares	186,340	183,913
Other capital adjustments	(2,225)	(2,225)
Total	(4,415,839)	(4,429,628)

(*1) The Group recognized the difference between carrying amount and fair value of the non-cash assets to be distributed to the stake holders because of the spin-off as gain on disposal of discontinued operation. In this regard, other capital injection was reduced.

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23. Revenue

Details of revenue for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Merchandise	1,385,346	1,241,204
Finished goods	1,171,650	794,808
Service sales	531,857	463,692
Gain on equity method(Loss)	(34,946)	535,563
Others	163,091	163,500
Freight forwarding	502,328	337,756
Total	3,719,326	3,536,523

24. Revenue from contracts with customers

A. Revenues generated from contracts with customers for the years ended December 31, 2022 and 2021 are classified as follows (KRW in millions)

2022									
	Holdings	Trading	Textile manufacturing	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
1. Type of good or service:									
merchandise	1,899	1,079,805	-	97,460	2,569	191,369	14,526	(2,282)	1,385,346
finished goods	94,698	-	314,064	565,765	200,086	-	406	(3,369)	1,171,650
service	97,488	-	-	448,268	-	-	-	(13,899)	531,857
Others (*1)	578,228	6,728	1,749	41,467	120	25,025	4,591	(22,886)	635,022
Total (*2)	772,313	1,086,533	315,813	1,152,960	202,775	216,394	19,523	(42,436)	3,723,875
2. Geographic market:									
Domestic	772,313	-	-	868,171	202,775	216,394	2,053	(41,635)	2,020,071
North and Central America	-	1,086,533	315,813	-	-	-	1,733	(371)	1,403,708
Asia	-	-	-	-	-	-	15,693	(430)	15,263
Europe	-	-	-	284,789	-	-	-	-	284,789
Others	-	-	-	-	-	-	44	-	44
Total(*2)	772,313	1,086,533	315,813	1,152,960	202,775	216,394	19,523	(42,436)	3,723,875
3. Revenue recognition:									
At a point in time	96,597	1,086,533	315,813	418,313	202,098	215,190	16,099	(6,079)	2,344,564
Over a period of time	675,716	-	-	734,647	677	1,204	3,424	(36,357)	1,379,311
Total(*2)	772,313	1,086,533	315,813	1,152,960	202,775	216,394	19,523	(42,436)	3,723,875

(*1) The revenue from freight forwarding business is included.

(*2) Equity method losses of KRW 34,946 million and operating lease income of KRW 30,397 million that are not covered by KIFRS 1115 are excluded from the revenue.

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24. Revenue from contracts with customers (cont'd)

2021									
	Holdings	Trading	Textile manufacturing	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
1. Type of good or service:									
merchandise	-	765,566	-	214,447	-	210,864	50,102	225	1,241,204
finished goods	95,499	-	194,712	300,686	203,961	-	1,885	(1,935)	794,808
service	98,697	-	-	375,986	-	-	-	(10,991)	463,692
Others (*1)	407,904	4,357	20,080	35,283	5,016	17,742	2,334	(20,852)	471,864
Total (*2)	602,100	769,923	214,792	926,402	208,977	228,606	54,321	(33,553)	2,971,568
2. Geographic market:									
Domestic	602,100	-	-	785,447	208,977	228,606	25,612	(32,224)	1,818,518
North and Central America	-	769,923	214,792	-	-	-	-	(326)	984,389
Asia	-	-	-	-	-	-	28,609	(1,003)	27,606
Europe	-	-	-	140,955	-	-	-	-	140,955
Others	-	-	-	-	-	-	100	-	100
Total(*2)	602,100	769,923	214,792	926,402	208,977	228,606	54,321	(33,553)	2,971,568
3. Revenue recognition:									
At a point in time	95,499	769,923	214,792	537,726	202,427	226,903	52,508	(2,709)	2,097,069
Over a period of time	506,601	-	-	388,676	6,550	1,703	1,813	(30,844)	874,499
Total(*2)	602,100	769,923	214,792	926,402	208,977	228,606	54,321	(33,553)	2,971,568

(*1) The revenue from freight forwarding business is included.

(*2) Equity method gains of KRW 535,563 million and operating lease income of KRW 29,392 million that are not covered by KIFRS 1115 are excluded from the revenue.

B. Information about major customers

There are no external customers accounting for 10 percent or more of the group's revenues for the years ended December 31, 2022 and 2021.

25. Construction contracts

A. The construction revenue and construction costs for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Construction revenue	37,019	37,506
Construction costs	34,579	32,476

B. The amount affecting the profit or loss for the current and future periods and unclaimed constructions due to changes in estimated total cost of contracts in progress are as follows (KRW in millions):

	Change in contract revenue	Change in estimated total contract costs	Impact on the profit or loss of the current period	Impact on the profit or loss of the future periods
Plant	533	448	(409)	494

C. As of the end of reporting period, there are no contracts whose sales are more than 5% of those in the previous fiscal year, using a progress standard as the group's input method.

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26. Selling and administrative expenses

Details of the selling and administrative expenses for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Salaries and wages	87,478	82,814
Bonus	32,683	35,247
Retirement benefits	8,614	9,309
Employee welfare	15,792	15,253
Education and training expenses	519	572
Travel expenses	7,444	4,552
Communication expenses	1,909	2,076
Taxes and dues	8,290	7,422
Rental expenses	12,883	11,289
Depreciation	24,681	24,399
Amortization	2,134	2,629
Bad debt expenses (reversal of allowance for bad debts)	180	(519)
Entertainment expenses	6,680	6,522
Advertisement	10,216	10,394
Service expenses	9,557	7,972
Commission	21,371	20,382
Export expenses	8,437	5,814
Insurance premium	7,216	5,373
Supplies expenses	1,797	6,752
Sales promotion expenses	3,338	5,658
Electricity (utility) expenses	2,658	2,003
Vehicle maintenance expenses	1,999	1,733
Others	13,567	9,716
Total	289,443	277,362

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27. Classification of expense by nature

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

	2022	2021
Changes in inventories of finished goods and work in process and others	(38,564)	5,203
Changes in merchandise	1,149,650	744,556
Raw materials and consumables used	953,211	825,170
Salaries and wages	361,276	343,181
Retirement benefits	21,117	20,460
Employee welfare	49,601	36,838
Depreciation and amortization	105,581	103,588
Electricity (utility) expense	25,594	19,037
Service expenses	64,561	42,301
Outsourcing expenses	136,806	118,188
Commission	96,836	80,377
Advertisement	32,223	35,152
Shipping expenses	514,330	371,301
Other	182,216	153,028
Total (*1)	3,654,438	2,898,380

(*1) Total of cost of sales, selling and administrative and research and development expenses in the consolidated statements of profit or loss.

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28. Other income and expenses

Details of other income and expenses for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Other income		
Gain on disposal of property, plant and equipment	5,524	8,899
Gains on disposal of leased assets	142	94
Investment property disposal gains	-	1,048
Reversal of impairment loss on intangible assets	-	30
Dividend income	4,687	1,860
Reversal of other allowance for bad debts	110	299
Rental income	154	177
Gain on disposal of subsidiaries	-	2,110
Gain on disposal of associates	19	6,054
Miscellaneous gains	22,080	9,086
Subtotal	32,716	29,657
Other expenses		
Loss on disposal of property, plant and equipment	4,529	6,314
Loss on disposal of investment property	-	138
Impairment loss on investment property	3,255	-
Loss on disposal of intangible assets	176	26
Impairment loss on intangible assets	18	-
Loss on disposal of leased assets	2	-
Donations	1,958	1,780
Loss on disposal of subsidiaries	277	1,097
Miscellaneous losses	5,827	7,439
Subtotal	16,042	16,794
Net other income	16,674	12,863

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29. Finance income and costs

A. Details of finance income and costs for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Finance income		
Interest income	10,089	4,964
Gain on foreign currency transactions	60,853	25,622
Gain on foreign currency translation	79,455	21,753
Gain on derivative transactions	5,100	6,789
Gain on valuation of derivatives	1,118	2,636
Gain on disposition of financial assets	328	2
Gain on valuation of financial assets	1,520	2,130
Subtotal	158,463	63,896
Finance costs		
Interest expenses	48,354	23,794
Loss on foreign currency transactions	39,537	21,642
Loss on foreign currency translation	113,104	22,072
Loss on derivative transactions	7,085	4,723
Loss on valuation of derivatives	993	3,314
Loss on disposition of financial assets	-	15
Loss on valuation of financial assets	594	1,938
Nego commission	14	914
Loss on disposal of trade receivables	9,484	-
Subtotal	219,165	78,412
Net finance costs	(60,702)	(14,516)

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30. Income tax expense (income) and deferred taxes

A. Income tax expenses(incomes) for the years ended December 31, 2022 and 2021 consists of the followings (KRW in millions):

	2022	2021
Current tax on profit for the year	46,507	49,685
Adjustments in respect for the prior years	(1,834)	(5,873)
Origination and reversal of temporary differences	(42,274)	55,338
Income tax added to or subtracted from equity	(6,348)	(916)
Income tax expenses(incomes)	(3,949)	98,234
Income tax expense from continuing operations	(3,949)	95,906
Income tax expense from discontinued operation	-	2,328

B. Reconciliation between actual income tax expenses and amount computed by applying the statutory tax rate to profit before income tax for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Profit before income tax	20,859	638,821
Profit from continuing operations before income tax expense	20,859	638,911
Loss from discontinued operation before income tax expense	-	(90)
Income tax expense calculated at each country's domestic corporate tax rate	5,834	156,297
Tax effects of:		
Income not subject to tax	(2,636)	(394)
Expenses not deductible for tax purposes	12,051	5,507
Adjustment in respect of prior years	(1,834)	(5,873)
Tax credits	(296)	(11,061)
Unrecognized deferred tax	(879)	(7,336)
Impact of change in tax rate	(28,698)	(38,442)
Others	12,509	(464)
Income tax expenses(incomes)	(3,949)	98,234
Income tax expense from continuing operations	(3,949)	95,906
Income tax expense from discontinued operation	-	2,328
Effective tax rate(*1)	-	15.0%

(*1) In 2022, the effective tax rate was not calculated as income tax incomes were generated.

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30. Income tax expense (income) and deferred taxes (cont'd)

C. The tax effects relating to components of other comprehensive income (loss) for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022			2021		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets FVOCI	(8,036)	355	(7,681)	(2,640)	532	(2,108)
Remeasurement of defined benefit obligations	15,963	(3,721)	12,242	(21,383)	5,295	(16,088)
Equity adjustments using equity method	30,791	(4,037)	26,754	89,690	(5,779)	83,911
Retained earnings of equity method	18,049	(573)	17,476	(5,998)	680	(5,318)
Gain on disposal of treasury stock	-	2,426	2,426	-	-	-
Capital Surplus	-	161	161	-	-	-
Gain (loss) on exchange of foreign business	16,393	(959)	15,434	15,956	(1,644)	14,312
Total	73,160	(6,348)	66,812	75,625	(916)	74,709

D. The movements in deferred tax assets and liabilities for the years ended December 31, 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows (KRW in millions):

	2022				
	January 1	Statement of profit or loss	Other comprehensive income (loss)	Change in consolidation scope	December 31
Gain on revaluation surplus of land	(95,288)	3,939	-	-	(91,349)
Investment in subsidiaries, associates and joint ventures	(162,875)	29,623	(4,610)	-	(137,862)
Pension plan assets	(26,342)	1,810	(1,291)	-	(25,824)
Defined benefit obligations	31,386	(5,159)	(2,432)	-	23,796
Other non-current financial assets	61	1,731	357	-	2,150
Allowance for doubtful accounts in excess of tax limit	491	240	-	-	731
Government grants	1,920	(87)	-	-	1,833
Loss on valuation of inventories	2,538	(1,174)	-	-	1,364
Impairment loss on property, plant and equipment	1,578	2,165	-	-	3,743
Accrued compensated absences	2,018	(184)	-	-	1,834
Long-term employee benefits liabilities	180	(37)	-	-	143
Others	(43,279)	16,441	1,628	1	(25,208)
Subtotal	(287,611)	49,307	(6,347)	1	(244,650)
Unused Taxable deficit	757	(686)	-	-	71
Total	(286,854)	48,621	(6,347)	1	(244,579)
Deferred tax assets	22,100				24,797
Deferred tax liabilities	(308,954)				(269,376)

30. Income tax expense (income) and deferred taxes (cont'd)

2021					
	January 1	Statement of profit or loss	Other comprehensive income (loss)	Change in scope of consolidation	December 31
Temporary difference	(225,142)	(53,755)	(916)	(7,798)	(287,612)
Unused Taxable deficit	1,424	(667)	-	-	758
Total	(223,718)	(54,422)	(916)	(7,798)	(286,854)
Deferred tax assets	28,702				22,100
Deferred tax liabilities	(252,420)				(308,954)

E. Details of the temporary difference without deferred tax assets as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Temporary difference	99,672	111,593
Unused tax deficit	33,694	33,281
Total	133,366	144,874

31. Earnings (loss) per share

A. The calculation details of basic earnings (loss) per share for the years ended December 31, 2022 and 2021 are computed as follows (KRW in millions, except for number of shares and earnings (loss) per share):

	2022	2021
Profit for the year attributable to ordinary share	15,648	435,815
Profit for the year from continuing operations	15,648	438,233
Loss for the year from discontinued operation	-	(2,418)
Weighted average number of ordinary shares outstanding	19,909,404 shares	19,909,404 shares
Earnings(loss) per share (in KRW)		
Basic earnings per share	786	21,890
Earnings per share for continuing operations	786	22,011
Loss per share from discontinued operation	-	(121)

31. Earnings (loss) per share (cont'd)

B. Weighted average number of ordinary shares for the years ended December 31, 2022 and 2021 are as follows (in shares):

	2022			2021		
	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding
January 1	19,909,404	365 days / 365 days	19,909,404	19,909,404	365 days / 365 days	19,909,404
Purchase of treasury shares	-	-	-	-	-	-
Weighted average number of ordinary shares outstanding	19,909,404	-	19,909,404	19,909,404	-	19,909,404

The Group has no potential ordinary share, so diluted earnings per share is the same as basic earnings per share for the year ended December 31, 2022

32. Dividends

The dividends paid were KRW 129,411 million (KRW 6,500 per share) and KRW 99,547 million (KRW 5,000 per share) for the years ended December 31, 2022 and 2021.

A dividend in respect of the year ended December 31, 2022, of KRW 4,500 per share, amounting to a total dividend of KRW 89,592 million, is to be proposed to shareholders at the annual general meeting to be held on March 17, 2023. These consolidated financial statements do not reflect this dividend payable.

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33. Cash generated from operation

A. Details of the adjustment of non-cash items for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Income tax expenses(income)	(3,949)	98,234
Interest income	(10,089)	(4,982)
Interest expenses	48,354	23,802
Gain on foreign currency translation	(79,455)	(21,905)
Loss on foreign currency translation	113,104	22,101
Gain on valuation of derivatives	(1,118)	(2,636)
Loss on valuation of derivatives	993	3,314
Amortization of property, plant, equipment	88,133	87,073
Amortization of investment properties	7,974	6,468
Amortization of intangible assets	9,474	10,198
Gain on disposal of property, plant, equipment	(5,524)	(8,899)
Loss on disposal of property, plant, equipment	4,529	6,314
Loss on disposal of intangible assets	176	26
Gain on disposal of investment properties	-	(1,048)
Loss on disposal of investment properties	-	138
Gain on disposal of lease assets	(142)	(94)
Loss on disposal of lease assets	2	-
Impairment loss on investment property	3,255	-
Bad debt expense(reversal)	180	(553)
Other bad debt expense(reversal)	(110)	(299)
Gain on disposal of financial assets	(328)	(2)
Loss on disposal of financial assets	-	15
Gain on valuation of financial assets	(1,520)	(2,130)
Loss on valuation of financial assets	594	1,938
Dividend income	(4,687)	(1,860)
Retirement benefits	18,560	17,634
Additional provisions	20,100	5,283
Gain on equity method(loss)	34,946	(535,563)
Gain on disposal of subsidiaries	-	(2,110)
Loss on disposal of subsidiaries	277	3,448
Gain on disposal of associates	(19)	(6,054)
Loss (reversal) on valuation of inventories	(2,539)	3,419
Others	2,215	(4,164)
Total	243,386	(302,894)

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33. Cash generated from operation (cont'd)

B. Details of the working capital adjustments for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Trade receivables	79,011	(183,470)
Inventories	(163,507)	(303,135)
Other receivables	257	6,797
Due from customers for contract work	537	2,377
Other current financial assets	(3,779)	131,538
Other non-current financial assets	(2,275)	7,472
Other assets	1,599	(23,252)
Trade payables	(95,640)	106,522
Other payables	(6,388)	(8,840)
Other liabilities	15,652	31,650
Provision	(627)	(576)
Defined benefit obligations	(29,726)	8,826
Plan assets	(17,253)	(56,293)
Others	-	(72)
Total	(222,139)	(280,456)

C. Details of non-cash transactions of the Group for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Transfer from construction-in-progress and machinery in transit to related property, plant and equipment	81,719	30,783
Increase in right-of-use assets due to increased lease liabilities	40,618	49,535
Transfer of investment properties to property, plant and equipment	8,748	11,404
Transfer of inventories to property, plant and equipment	516	1,245
Current portion of long-term borrowings.	170,743	205,820
Decrease in accounts payables related to acquisition of property, plant and equipment	858	1,301
Remeasurements of net defined benefit liabilities	12,242	(16,088)

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33. Cash generated from operation (cont'd)

D. Changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

	January 1	Cash flow	Liquidity reclassification	New lease	Others (*1)	December 31
Short-term borrowings and Current portion of long-term borrowings	837,517	86,274	170,743	-	(8,900)	1,085,634
Long-term borrowings	270,436	52,203	(170,743)	-	7,797	159,693
Lease liabilities	115,958	(19,457)	-	40,618	(1,875)	135,244
Total	1,223,911	119,020	-	40,618	(2,978)	1,380,571

(*1) Changes in foreign exchange rate are included.

2021							
	January 1	Cash flow	Liquidity reclassification	New lease	Change in scope of consolidation	Others (*1)	December 31
Short-term borrowings and Current portion of long-term borrowings	392,008	234,864	205,820	-	-	4,825	837,517
Long-term borrowings	448,281	25,097	(205,820)	-	-	2,878	270,436
Lease liabilities	102,172	(27,858)	-	49,535	(506)	(7,385)	115,958
Total	942,461	232,103	-	49,535	(506)	318	1,223,911

(*1) Changes in foreign exchange rate are included.

34. Financial risk management

34.1 Financial risk management factor

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group. The Group uses derivatives to avoid certain risks.

Risk management is carried out under policies approved by the steering committee in 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 investment of excess liquidity.

34.1.1 Market risk

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures to the US dollar, Russian rubles, etc. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

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

Foreign currency financial assets and foreign currency financial liabilities converted into KRW as of December 31, 2022 and 2021 are as follows (KRW in millions):

Foreign currency	December 31, 2022		December 31, 2021	
	Foreign currency financial assets	Foreign currency financial liabilities	Foreign currency financial assets	Foreign currency financial liabilities
USD	346,531	(508,599)	283,358	(378,554)
EUR	13,145	(5,971)	17,870	(6,012)
JPY	209	(844)	1,659	(2,022)
Others	78,228	(45,799)	24,589	(1,794)
Total	438,113	(561,213)	327,476	(388,382)

34. Financial risk management (cont'd)

34.1 Financial risk management factor (cont'd)

34.1.1 Market risk (cont'd)

The analysis is based on the assumption that KRW has increased/decreased by 10% with all other variables held constant. The impact of increased/decreased KRW on the Group's pre-tax profit as of December 31, 2022 and 2021 are as follows (KRW in millions):

Currency		Impact on pre-tax profit	
		2022	2021
US Dollar	Strengthened	(16,207)	(9,520)
	Weakened	16,207	9,520
EURO	Strengthened	717	1,186
	Weakened	(717)	(1,186)
JPY	Strengthened	(64)	(36)
	Weakened	64	36
Others	Strengthened	3,243	2,280
	Weakened	(3,243)	(2,280)

(2) Price risk

The Group is exposed to equity securities price risk arising from investments held by the Group that are classified as financial assets at FVOCI on the consolidated financial statement of the Group.

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

The analysis is based on the assumption that the stock price has increased/decreased by 30% with all other variables held constant. The impact of increases/decreases of the stock price on the Group's equity as of December 31, 2022 and 2021 are as follows (KRW in millions):

	2022	2021
Increase	3,536	3,795
Decrease	(3,536)	(3,795)

(3) Interest risk

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

The Group is exposed to interest rate risk due to its borrowings in fixed and floating interest rates. The Group's policy is to review on interest rate fluctuation periodically so that they can manage whether to repay or renew the borrowings.

The table below summarizes the impact of increases/decreases of interest rate on the Group's pre-tax profit for the years ended December 31, 2022 and 2021. The analysis is based on the assumption that the interest rate has increased/decreased by 100 basis points with all other variables held constant (KRW in millions).

	2022	2021
Increase	(10,265)	(9,763)
Decrease	10,265	9,763

34. Financial risk management (cont'd)

34.1 Financial risk management factor (cont'd)

34.1.2 Credit risk

Credit risk is managed on a consolidated corporate entity level. Credit risk arises from cash and cash equivalents, financial assets and outstanding receivables, etc. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit risk based on the credit quality of the customer, considering its financial position, past experience and other factors. The compliance with credit limits is monitored on a regular basis (see Note 7).

The maximum exposures to credit risk as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Cash and cash equivalents (*1)	134,854	171,436
Trade and other receivables	651,632	738,947
Due from customers for contract work	156	696
Other financial assets	269,850	206,962
Long-term trade and other receivables	28,025	29,792
Other non-current financial assets	158,071	149,785
Financial guarantee contracts (*2)	446,597	401,410

(*1) The difference with 'cash and cash equivalents' in the consolidated statements of financial position is cash on hand.

(*2) The maximum guarantee amount to be paid by the Group at the request of the guarantor.

34.1.3 Liquidity risk

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

Details of the Group's liquidity risk analysis as of December 31, 2022 and 2021 are as follows (KRW in millions):

December 31, 2022				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables	510,752	21,118	-	531,870
Borrowings (including interest)	1,118,345	175,902	-	1,294,247
Lease liabilities	27,997	50,448	82,442	160,887
Derivative liabilities	993	-	-	993
Total	1,658,087	247,468	82,442	1,987,997

34. Financial risk management (cont'd)

34.1 Financial risk management factor (cont'd)

34.1.3 Liquidity risk (cont'd)

December 31, 2021				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables	538,530	17,154	-	555,684
Borrowings (including interest)	850,344	279,816	-	1,130,160
Lease liabilities	22,378	45,812	86,199	154,389
Derivative liabilities	3,313	-	-	3,313
Total	1,414,565	342,782	86,199	1,843,546

The Group's trading portfolio derivative instruments have been included at their fair value of KRW 993 million (2021: KRW 3,313 million) within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net fair value basis rather than by maturity date.

Except above contracts, the Group has entered into payment guarantee contracts and supplementary fund contracts. Therefore, if the principal debtor fails to meet its obligation to pay, there may be an additional obligation to pay within one year (see Note 35).

The Group is required to be repaid immediately on some borrowings and project financing guarantees if the Group's credit rating falls below a certain level. The Group believes that the possibility of such an event is unlikely.

34.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so the Group 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 Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group is composed of net borrowings, which is borrowings less cash and cash equivalents, and equity, and the Group's comprehensive capital risk management is in line with that of the prior year,

Details of the Group's capital risk details as of December 31, 2022 and 2021 are as follows (KRW in millions):

	December 31, 2022	December 31, 2021
Total borrowings	1,245,328	1,107,953
Less: cash and cash equivalents	(143,610)	(181,960)
Net debt (A)	1,101,718	925,993
Total equity (B)	2,897,305	2,992,274
Gearing ratio (A/B)	38.03%	30.95%

35. Contingencies and commitments

A. Notes and others provided as collaterals

The Group provided 3 notes and 6 checks as collaterals to the customers and others as of December 31, 2022.

B. Commitment with financial institution

The Group entered into agreements such as bank overdrafts, trade bill discounts, open local L/C, general loans and others with financial institutions with a limit of KRW 1,204,937 million. On December 26, 2022, a PF loan agreement signed with New Star Gongdeok Chsam Co., Ltd and New Star Gongdeok Chsa Co., Ltd. for the Gyeongui Line Gongdeok Station Complex Facility Development Project. (As of December 31, 2022, execution amount: KRW 179,000 million). Also, the Group entered into trade receivables discount agreements with a limit of KRW 358,673 million as of December 31, 2022.

C. Guarantees provided for others

The Group has provided payment guarantees amounting to \$45,000 thousands and \$274,000 thousands respectively for the Group's associate Hyosung Istanbul TEKSTIL LTD.STI and its subsidiary Hyosung DongNai Co., Ltd.

The Group has provided payment guarantee amounting to \$5,100 thousands for the Group's client CMS Infosys.

The Group has provided a payment guarantee amounting to \$28,000 thousands for Hyosung T&D India Pvt Ltd, which is a subsidiary of the Group's associate, Hyosung Heavy Industries Corporation.

The Group has provided a joint guarantee with the Export-Import Bank of Korea and Construction Guarantee Cooperative as follows in relation to the contract execution and defect repair responsibilities of the Group's associate Hyosung Heavy Industries Corporation. (KRW in millions, USD in Thousands, EUR in Thousands, INR in Thousands):

	Currencies	Guaranteed amount
Performance guarantee for contracts	KRW	4,524
	INR	1,869,511
	EUR	2,779
	USD	2,542
	QAR	75,673
	EGP	41
	SAR	56,188
	VEB	865,277
Subcontracting payment	KRW	167

35. Contingencies and commitments (cont'd)

D. Other commitments

The Group entered into the agreements with Hanwha Life Insurance Co., Ltd. and 2 other financial institutions in relation to the borrowings of Hana Land Chip Private Real Estate Investment Trust No.39, one of the subsidiaries, amount to KRW 130,000 million for the year ended December 31, 2022 (2021: KRW 130,000 million). The Group has an obligation to purchase the specific real estate located in Gangnam-gu, Seoul at fair value in case of shortfalls to cover principal and interest expenses at maturity date.

In accordance with Article 530-9 (1) of Commercial Act of the Republic of Korea, the Group is jointly liable to pay the outstanding liabilities resulting from the liabilities as at the date of the spin-off for the newly established companies; Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation. The Group is jointly responsible with the newly established companies for the payment guarantee, commitment on cash deficiency support, conditional acceptance on debts and completion of construction that existed before the date of the spin-off.

The Group sets and receives brand usage fees based on sales and advertising expenses, and the royalties Income generated for the year ended December 31, 2022 is KRW 53,778 million (2021: KRW 50,386 million).

The Group, as an entity that constructs and manages complex facilities in accordance with the Gyeongui Line Gongdeok Station development project, entered into a business promotion agreement in February 2012 with the Korea Rail Network Authority. The business promotion method implemented is Build-Operate-Transfer (BOT) in which the business implementer holds the ownership of the facilities for the first 30 years following the completion of the construction before donating it to the country. In addition, the Group makes annual payment for the occupancy to the Korea Rail Network Authority during the occupancy permit period.

E. Guarantees provided by others

Details of guarantees provided by others as of December 31, 2022 is as follows (KRW in millions):

Guarantor	Details of guarantees	Guaranteed amounts
The Export-Import Bank of Korea, Woori bank etc.	Performance guarantee for contracts	86,430
Machinery Financial Cooperative	Warranty deposit for delivery contracts	55,459
Seoul Guarantee Insurance Company	Warranty deposit for delivery contracts	12,106
Korea Software Financial Cooperative	Performance guarantee for contracts	128,252
Construction Guarantee Cooperative	Performance guarantee for contracts	10,169

35. Contingencies and commitments (cont'd)

F. Assets pledged as collaterals

(1) Details of the Group's assets pledged as collaterals as of December 31, 2022 are as follows (KRW in millions, USD in thousands):

Pledged assets	Currency	Carrying amount	Amount of borrowing	Maximum pledge amount	Lien
Inventories	USD	53,956	54,000	163,474	Wells Fargo
Trade receivables	KRW	100,500	100,500	100,500	Woori Bank and others
Other financial assets	KRW	4,122	-	4,122	Machinery Financial Cooperative
Property, plant and equipment, etc.	KRW	18,683	34,900	35,000	KDB

Some of property, plant and equipment were provided as collaterals for the Group's borrowings (collateral amount: KRW 454,448 million) and the borrowings of the Group were transferred to the newly established companies.

(2) 1,302,000 shares of PyeongChang Wind Power Co., Ltd. owned by the Group was provided as collateral for the borrowings KRW 39,414 million of PyeongChang Wind Power Co., Ltd. as of December 31, 2022. 449,521 shares of Suncheon Eco Green Corporation owned by the Group was provided as collateral for the borrowings KRW 27,010 million of Suncheon Eco Green Corporation as of December 31, 2022.

G. Pending lawsuits

Details of pending lawsuits as of December 31, 2022 are as follows (KRW in millions):

	Number of lawsuits	Claim amount	Description
Lawsuit as a plaintiff	6	15,398	Administrative litigation on cancellation of corporate tax levy
Lawsuit as a dependent	8	6,055	Claims for damages

The final outcome of the above cases cannot yet be estimated as of December 31, 2022. Accordingly, no provision for potential losses arising from the claims was reflected in the consolidated financial statements.

36. Information on non-controlling interests

A. Changes in accumulated non-controlling interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2022 and 2021 are as follows (KRW in millions):

2022			
Subsidiary	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
Hyosung TNS Inc.	45.98%	665	128,560
Hyosung Investment Development Co., Ltd.	41.25%	1,470	140,976

The dividend paid to the non-controlling interests was KRW 54,621 million for the year ended December 31, 2022.

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36. Information on non-controlling interests (cont'd)

2021			
Subsidiary	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
Hyosung TNS Inc.	45.98%	15,291	144,471
Hyosung Investment & Development Co., Ltd.	41.25%	125,291	162,801

The dividend paid to the non-controlling interests was KRW 38,553 million for the year ended December 31, 2021.

B. The summarized financial information for each subsidiary with non-controlling interests that are material to the Group before inter-company eliminations is as follows (KRW in millions):

2022		
	Hyosung TNS Inc.	Hyosung Investment Development Co., Ltd.
<Summarized statements of financial position>		
Current assets	680,019	81,234
Non-current assets	406,544	570,372
Current liabilities	683,674	11,448
Non-current liabilities	119,812	2,974
<Summarized statements of comprehensive income>		
Revenues	995,026	411
Profit for the year	(10,855)	3,560
Total comprehensive income	(5,287)	33,087
<Summarized statements of cash flows>		
Cash flows from operating activities	(46,961)	130,921
Cash flows from investing activities	(39,983)	(49,500)
Cash flows from financing activities	79,612	(86,000)
Effects of exchange rate changes	(3,350)	-
Increase(decrease) in cash and cash equivalents	(10,682)	(4,579)

36. Information on non-controlling interests (cont'd)

2021		
	Hyosung TNS Inc.	Hyosung Investment Development Co., Ltd.
<Summarized statements of financial position>		
Current assets	621,179	49,079
Non-current assets	364,307	668,659
Current liabilities	582,990	7,727
Non-current liabilities	72,358	3,582
<Summarized statements of comprehensive income>		
Revenues	939,032	528
Profit for the year	38,312	303,731
Total comprehensive income	43,102	333,788
<Summarized statements of cash flows>		
Cash flows from operating activities	(134,573)	17,584
Cash flows from investing activities	(71,543)	1,500
Cash flows from financing activities	163,203	(19,200)
Increase(decrease) in cash and cash equivalents	(42,913)	(116)

37. Discontinued operation

The Group sold of its subsidiary, HICO America Sales & Tech. in the previous year.

A. Gain or loss from discontinued operation included in the consolidated statements of profit or loss for the years ended December 31, 2021 are as follows (KRW in millions):

	2021
	HICO America Sales & Tech.
Revenue	45,500
Cost of sales	38,662
Gross profit	6,838
Selling and administrative expenses	4,645
Operating profit	2,193
Other income	-
Other expenses	2,411
Finance income	176
Finance costs	48
Loss before tax	(90)
Income tax expenses	2,328
Loss from discontinued operation	(2,418)
Loss attributable to owners of the parent company	(2,418)
Non-controlling interest	-
Loss per share from discontinued operation	(121)

B. Cash flows incurred from the discontinued operation for the years ended December 31, 2021 are as follows (KRW in millions):

	2021
	HICO America Sales & Tech.
Cash flows from operating activities	2,140
Cash flows from investing activities	5,640
Cash flows from financing activities	712

38. Event after the reporting period

A. The Group signed a loan agreement of KRW 90,000 million with Kookmin Bank on February 27, 2023 for the purpose of repaying KRW 90,000 million of the current long-term borrowings of KRW 179,000 million. The shares of Gongdeok Kyungwoo Development Corporation owned by the Hyosung corporation were provided as a security.

39. Uncertainty of the impact of COVID-19

In order to prevent the spread of COVID-19, a various prevention and controls measures, including restrictions on traveling are being implemented worldwide, and as a result, the global economy has been extensively affected. In addition, governments are implementing various support measures to address COVID-19.

The Group's accounting did not have significant impact from COVID-19. The Group has prepared its consolidated financial statements with reasonable estimates of the impact of COVID-19. However, during the COVID-19 situation, there are significant uncertainties exist in estimating the end timing of COVID-19 and the impact of COVID-19 on the Group.

40. Uncertainty of the impact of the Ukraine crisis

The armed conflict in Ukraine, which began in February 2022, and related international sanctions against Russia affect not only the companies subject to the sanctions, but also those directly or indirectly doing business with Ukraine or Russia, and directly or indirectly to the industry or economy of Ukraine or Russia. It may indirectly affect exposed businesses.

As of the end of the reporting period, Hyosung RUS, a subsidiary of the consolidated group, and one other company are located in Russia, and the consolidated financial statements were prepared by reasonably estimating the impact of the Ukraine crisis as of the end of the reporting period. However, there are uncertainties in estimating the impact of the Ukraine crisis on the consolidated group.

41. The impact of introduction of global minimum tax

The OECD/G20 Comprehensive Implementation Framework Agreement on BEPS (Base Erosion and Profit Shifting) is intended to counter tax avoidance and tax source erosion through income transfer by multinational corporations in the digital economy. The BEPS Pillar 2 global minimum tax applies to multinational companies with consolidated sales exceeding 750 million euros.

In Korea, the global minimum tax was passed by the National Assembly at the end of 2022 as part of the revision of the '*Act on International Tax Adjustment*'. The Act is effective from January 1, 2024, and the enforcement decree on the global minimum tax has not been amended as of the end of the reporting period.

As the global minimum tax in Korea has not been substantially enacted for financial reporting purposes, there is no related tax effect recognized by the Group in its consolidated financial statements as of the end of the reporting period.