

# **Hyosung Corporation and its subsidiaries**

Consolidated financial statements  
for each of the two years in the period ended December 31, 2024  
with the independent auditor's report

## Table of contents

Independent auditor's report	
Consolidated financial statements	Page
Consolidated statements of financial position	1
Consolidated statements of profit or loss	2
Consolidated statements of other comprehensive income or loss	3
Consolidated statements of changes in equity	4
Consolidated statements of cash flows	5
Notes to the consolidated financial statements	6
Audit opinion on internal control over financial reporting	
Independent auditor's report on internal control over financial reporting	
Report on the effectiveness of internal control over financial reporting	

## 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 consolidated financial statements of Hyosung Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the consolidated statements of profit or loss, consolidated statements of other comprehensive income or loss, consolidated statements of changes in equity and consolidated statements of cash flows for each of the two years in the period ended December 31, 2024, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the two years in the period ended December 31, 2024 in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We also have audited the Group's internal control over financial reporting ("ICFR") as of December 31, 2024 based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea, in accordance with Korean Standards on Auditing ("KSA"), and our report dated March 13, 2025 expressed an unqualified opinion thereon.

#### Basis for opinion

We conducted our audit in accordance with 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

A key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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.

#### Accounting for the spin-off

As explained in Note 37 to the consolidated financial statements, the Group completed the spin-off of the business divisions responsible for managing and investing in the shares of the spun-off subsidiaries and the freight forwarding business divisions (hereinafter referred to as "the target business divisions being spun off") as of July 1, 2024. The profits and losses generated by the target business divisions being spun off until the spin-off date were classified as discontinued operations.

As of the spin-off date, the amounts of assets, liabilities, and non-controlling interests transferred from the target business divisions being spun off were KRW 1,044,322 million, 552,837 million, and 4,640 million, respectively. The fair values of the related unpaid dividends were estimated at KRW 794,582 million, and the profits from the disposal of discontinued operations amounting to KRW 307,737 million were recognized.

The amounts related to the spin-off were material, its accounting treatments were complex and the fair value measurements of accrued dividends require management's judgments and estimation uncertainties, thereby ending up with us to select the accounting for the spin-off as a key audit matter.

We performed the following audit procedures to address the key audit matter as follows:

- Review the spin-off plan to understand the terms and conditions of the spin-off and to evaluate accrued dividends and the impact thereof on discontinued operations.
- Evaluate the qualifications, experience, expertise, objectivity, and independence of the external specialists engaged by the Group.
- Review the fair value assessment report on the accrued dividends prepared by the Group's external valuation specialists.
- Compare the financial forecasts used in the measurement of value-in-use with the financial projections approved by management.
- Compare the current cash flow forecasts with the actual performance to assess management's estimations.
- Review the period to which profits or losses generated by the target business divisions being spun off are attributed prior to the spin-off date along with the classification and presentation as discontinued operations.

### **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 the 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.
- 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 Hyung-beom Kim.



March 13, 2025

This audit report is effective as of March 13, 2025, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report 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 each of the two years in the period ended December 31, 2024

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

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

**Hyosung Corporation and its subsidiaries**  
**Consolidated statements of financial position**  
**as of December 31, 2024 and 2023**

(Korean won in millions)

	Notes		December 31, 2024		December 31, 2023
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	4,6,33,34	₩	108,875	₩	147,662
Trade and other receivables	4,7,16,18,33,34		411,186		626,562
Other current financial assets	4,8,33,34		5,923		143,808
Other current assets	15		48,696		56,809
Inventories	9, 13, 34		440,220		778,475
Current tax assets			6,810		13,315
			<u>1,021,710</u>		<u>1,766,631</u>
<b>Non-current assets:</b>					
Long-term trade and other receivables	4,7,16,33		22,968		30,755
Property, plant and equipment	10,13,34		921,222		1,018,923
Investment property	11		247,489		253,304
Intangible assets	12,16,36		46,956		66,415
Investments in associates and joint ventures	14,34		1,602,210		1,659,709
Net defined benefit assets	20		1,309		14,634
Other non-current financial assets	4,8,33,34		397,303		199,175
Other non-current assets	15		34,844		34,344
Deferred tax assets	29		44,853		44,968
			<u>3,319,154</u>		<u>3,322,227</u>
<b>Total assets</b>		<b>₩</b>	<b><u>4,340,864</u></b>	<b>₩</b>	<b><u>5,088,858</u></b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Trade and other payables	4,16,17,33	₩	394,125	₩	546,450
Short-term borrowings and current portion of long-term borrowings	4,7,18,32,33,34		780,229		965,626
Other current financial liabilities	4,8,13,32,33		42,692		44,128
Current tax liabilities			10,540		11,318
Other current liabilities	21		124,242		141,371
			<u>1,351,828</u>		<u>1,708,893</u>
<b>Non-current liabilities:</b>					
Long-term trade and other payables	4,16,17,33		17,140		22,293
Long-term borrowings	4,18,32,33,34		54,609		158,672
Net defined benefit liabilities	20		2,605		381
Deferred tax liabilities	29		290,484		286,963
Current tax liabilities			109		3,813
Other non-current financial liabilities	4,8,13,32,33		105,654		117,502
Other non-current liabilities	21		13,996		14,109
			<u>484,597</u>		<u>603,733</u>
<b>Total liabilities</b>			<b><u>1,836,425</u></b>		<b><u>2,312,626</u></b>
<b>Equity</b>					
<b>Equity attributable to the owners of the Parent Company</b>					
Share capital	22		86,725		105,355
Share premium			369,049		451,188
Retained earnings	22		6,669,272		6,319,077
Other components of equity	22		(4,969,362)		(4,410,958)
			<u>2,155,684</u>		<u>2,464,662</u>
<b>Non-controlling interests</b>	35		348,755		311,570
<b>Total equity</b>			<b><u>2,504,439</u></b>		<b><u>2,776,232</u></b>
<b>Total liabilities and equity</b>		<b>₩</b>	<b><u>4,340,864</u></b>	<b>₩</b>	<b><u>5,088,858</u></b>

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

**Hyosung Corporation and its subsidiaries**  
**Consolidated statements of profit or loss**  
**for each of the two years in the period ended December 31, 2024**

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

	<b>Notes</b>	<b>2024</b>	<b>2023</b>
<b>Revenue</b>	5, 11, 14, 16, 23, 24	₩ 2,272,756	₩ 1,847,207
<b>Cost of sales</b>	9, 16, 20, 26	1,753,144	1,518,628
<b>Gross profit</b>		519,612	328,579
Selling and administrative expenses	7, 16, 20, 25, 26	284,145	254,075
Research and development expenses	26	14,334	16,846
<b>Operating profit</b>	5	221,133	57,658
Other income	4, 27	18,895	18,921
Other expenses	27	6,500	11,923
Finance income	4, 28	139,705	166,316
Finance expenses	4, 28	191,353	212,899
<b>Profit before income tax</b>	5	181,880	18,073
Income tax expenses	29	13,274	27,423
<b>Profit (loss) from continuing operations</b>	5	168,606	(9,350)
<b>Profit from discontinued operations</b>	37	315,652	8,912
<b>Profit (loss) for the year</b>		₩ 484,258	₩ (438)
<b>Profit (loss) for the year attributable to:</b>			
Owners of the Parent Company		₩ 453,157	₩ 68
Non-controlling interests		31,101	(506)
		₩ 484,258	₩ (438)
<b>Earnings per share attributable to the owners of the Parent Company (in Korean won):</b>		₩ 24,712	₩ 3
Basic earnings (losses) per share from continuing operations	30	7,510	(445)
Basic earnings per share from discontinued operations	37	17,202	448

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

Hyosung Corporation and its subsidiaries  
**Consolidated statements of other comprehensive income or loss**  
**for each of the two years in the period ended December 31, 2024**  
(Korean won in millions)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<b>Profit (loss) for the year</b>		₩ 484,258	₩ (438)
<b>Other comprehensive income (loss)</b>		87,872	(245)
<b>Items that will not be subsequently reclassified to profit or loss (net of tax):</b>			
Valuation gain (loss)			
on financial assets at fair value through other comprehensive income ("FVOCI")	29	5,676	(2,013)
Remeasurements of net defined benefit assets and liabilities	20,29	(11,192)	(1,561)
Shares of remeasurements of associates and joint ventures	29	(10,414)	(4,400)
<b>Items that may be subsequently reclassified to profit or loss (net of tax):</b>			
Net gain on valuation of investments in associates and joint ventures	29	85,680	3,602
Gain on translation of foreign operations	29	18,122	4,127
		<u>87,872</u>	<u>(245)</u>
<b>Total comprehensive income (loss) for the year</b>		<u>₩ 572,130</u>	<u>₩ (683)</u>
<b>Total comprehensive income (loss) for the year attributable to:</b>			
Owners of the Parent Company		₩ 515,785	₩ (1,053)
Non-controlling interests		56,345	370
		<u>₩ 572,130</u>	<u>₩ (683)</u>

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

Hyoosung Corporation and its subsidiaries  
Consolidated statements of changes in equity  
for each of the two years in the period ended December 31, 2024  
(Korean won in millions)

	Attributable to the owners of the Parent Company						Total Equity
	Share capital	Share premium	Retained earnings	Other components of equity	Total	Non-controlling interests	
<b>As of January 1, 2023</b>	₩ 105,355	₩ 451,188	₩ 6,414,345	₩ (4,415,839)	₩ 2,555,049	₩ 342,256	₩ 2,897,305
<b>Total comprehensive income:</b>							
Profit (loss) for the year	-	-	68	-	68	(506)	(438)
Valuation loss on financial assets at FVOCI	-	-	-	(1,752)	(1,752)	(261)	(2,013)
Remeasurements of net defined benefit assets and liabilities	-	-	(1,344)	-	(1,344)	(217)	(1,561)
Share of remeasurements of associates and joint ventures	-	-	(4,400)	-	(4,400)	-	(4,400)
Net gain on valuation of investments in associates and joint ventures	-	-	-	2,791	2,791	811	3,602
Gain on translation of foreign operations	-	-	-	3,584	3,584	543	4,127
<b>Transactions with the owners of the Parent Company:</b>							
Dividend (Note 27)	-	-	(89,592)	-	(89,592)	(35,475)	(125,067)
Change in scope of consolidation	-	-	-	-	-	4,419	4,419
Others	-	-	-	258	258	-	258
<b>As of December 31, 2023</b>	₩ 105,355	₩ 451,188	₩ 6,319,077	₩ (4,410,958)	₩ 2,464,662	₩ 311,570	₩ 2,776,232
<b>As of January 1, 2024</b>	₩ 105,355	₩ 451,188	₩ 6,319,077	₩ (4,410,958)	₩ 2,464,662	₩ 311,570	₩ 2,776,232
<b>Total comprehensive loss:</b>							
Profit for the year	-	-	453,158	-	453,158	31,100	484,258
Valuation gain on financial assets at FVOCI	-	-	-	5,278	5,278	398	5,676
Remeasurements of net defined benefit assets and liabilities	-	-	(9,643)	-	(9,643)	(1,549)	(11,192)
Share of remeasurements of associates and joint ventures	-	-	(10,414)	-	(10,414)	-	(10,414)
Net gain (loss) on valuation of investments in associates and joint venture	-	-	(1,536)	64,275	62,739	22,941	85,680
Gain on translation of foreign operations	-	-	-	14,668	14,668	3,455	18,123
<b>Transactions with the owners of the Parent Company:</b>							
Dividend (Note 27)	-	-	(59,728)	-	(59,728)	(14,520)	(74,248)
Disposition of treasury shares (Note 22)	-	-	-	30,698	30,698	-	30,698
Acquisition of treasury shares (Note 22)	-	-	-	(1,152)	(1,152)	-	(1,152)
Changes through spin-off (Notes 22 and 37)	(18,630)	(82,139)	1,399	(695,212)	(794,582)	(4,640)	(799,222)
Others							
Transfer of valuation gain (loss) on financial assets at FVOCI	-	-	(1,115)	1,115	-	-	-
Retirement of treasury shares (Note 22)	-	-	(21,926)	21,926	-	-	-
<b>As of December 31, 2024</b>	₩ 86,725	₩ 369,049	₩ 6,669,272	₩ (4,969,362)	₩ 2,155,684	₩ 348,755	₩ 2,504,439

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

**Hyosung Corporation and its subsidiaries**  
**Consolidated statements of cash flows**  
**for each of the two years in the period ended December 31, 2024**  
(Korean won in millions)

	Notes	2024	2023
<b>Cash flows from operating activities:</b>			
Profit (loss) from continuing operations		₩ 168,606	₩ (9,350)
Profit from discontinued operations		315,652	8,912
Non-cash items adjustments	32	(234,602)	203,439
Working capital adjustments	32	245,762	209,890
Income taxes paid		(22,736)	(36,839)
Interest paid		(78,374)	(104,401)
Interest received		15,067	37,325
Dividend received		55,427	89,865
<b>Net cash flows provided by operating activities:</b>		<b>464,802</b>	<b>398,841</b>
<b>Cash flows from investing activities:</b>			
Disposal of other financial assets		44,538	99,338
Collection of short-term loans		3,268	2,284
Decrease in short-term guarantee deposits		1,461	998
Collection of long-term loans		613	354
Decrease in long-term guarantee deposits		5,964	2,486
Disposal of property, plant and equipment		9,922	12,410
Government grants received in relation with property, plant and equipment		2,302	-
Disposal of intangible assets		14,998	-
Cash inflows from change in scope of consolidation		-	1,933
Disposal of associates		1,200	-
Acquisition of other financial assets		(221,955)	(97,476)
Increase in short-term loans		(2,102)	(1,134)
Increase in short-term guarantee deposits		(618)	(1,258)
Increase in long-term loans		(1,087)	(1,847)
Increase in long-term guarantee deposits		(5,419)	(3,912)
Acquisition of property, plant and equipment		(49,270)	(44,820)
Acquisition of investment property		-	(71)
Acquisition of intangible assets		(4,452)	(3,297)
Cash outflows from change in scope of consolidation		-	-
Acquisition of associates		(26,376)	(70,760)
Acquisition of other non-current assets		(358)	(102)
<b>Net cash flows used in investing activities</b>		<b>(227,371)</b>	<b>(104,874)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from short-term borrowings		1,661,080	3,069,116
Proceeds from long-term borrowings		190,408	484,383
Government grants received		4,877	2,624
Disposition of treasury shares		33,473	-
Repayment of short-term borrowings		(1,875,629)	(3,191,747)
Repayment of long-term borrowings		-	(472,543)
Repayment of current portion of long-term borrowings		(151,117)	(17,327)
Payments of lease liabilities		(34,020)	(35,142)
Dividends paid		(74,248)	(125,067)
Repayment of government grants		(420)	(1,176)
Acquisition of treasury shares		(1,152)	-
<b>Net cash flows used in financing activities</b>		<b>(246,748)</b>	<b>(286,879)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(430)</b>	<b>(3,036)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(9,747)</b>	<b>4,052</b>
<b>Changes through spin-off</b>	37	<b>(29,040)</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>147,662</b>	<b>143,610</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>₩ 108,875</b>	<b>₩ 147,662</b>

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, 2024 and 2023**

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**1. General information on the Group**

Hyosung Corporation (the “Company” or the “Parent Company”) and its subsidiaries (collectively, the “Group”) was established on November 3, 1966 to primarily engage in manufacture and sales of synthetic fiber products and electronic products, along with 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.

The Group spun-off on July 1, 2024, with the company remaining as a business unit focused on managing and investing in subsidiaries. The new company, HS Hyosung Corporation, was created through the spin-off, which focuses on managing and investing in the shares of the spun-off subsidiaries as well as operating the transportation brokerage business.

As of December 31, 2024, the shareholders of the Company are as follows:

Shareholder	Number of shares	Percentage of ownership (%)
Cho Hyun-Joon	6,866,655	41.02
Cho Hyun-Sang	2,354,205	14.06
Song Gwang-Ja	82,929	0.50
Cho Yang-Rae and others	125,242	0.75
Others	7,288,573	43.54
Treasury shares	22,803	0.13
Total	16,740,407	100.00

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**1. General information on the Group (cont'd)**

A. Consolidated subsidiaries

Details of the consolidated subsidiaries as of December 31, 2024 are as follows:

Subsidiaries	Percentage of ownership (%)	Location	Closing month	Main business
HYOSUNG TNS INC.	54.02	Korea	December	ATM manufacturing
Hyosung GoodSprings, Inc.	100	Korea	December	Liquid pump manufacturing
Forza Motors Korea Corp.	100	Korea	December	Automobile sales and maintenance
Gongdeok Gyeongwoo Development Corporation	73.33	Korea	December	Property leasing
Hyosung Investment & Development Corporation	58.75	Korea	December	Property leasing
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	100	Korea	December	Real estate services
Taeansolarfarm Corp.	100	Korea	December	Photovoltaic power generation business
Hyosung ventures Co., Ltd.	100	Korea	December	New technology industry investment and management
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
Hyosung Brasil Participacoes LTDA	100	Brazil	December	Production and sales of tire reinforcing materials
Hyosung Resource (Australia) PTY Ltd.	100	Australia	December	Mine development
Hyosung RUS	100	Russia	December	ATM machine maintenance
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
Nautilus Hyosung America Inc.	100	USA	December	Sales and maintenance of ATM machines
HYOSUNG TNS RUS L.L.C	100	Russia	December	ATM sales
HYOSUNG TNS EUROPE GMBH	100	Germany	December	ATM sales
New Star Gongdeok 3rd Co., Ltd.(*1)	-	Korea	December	Other finance business
New Star Gongdeok 4th Co., Ltd.(*1)	-	Korea	December	Other finance business

(\*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, 2024 and 2023**

**1. General information on the Group (cont'd)**

**B. Summary of financial information on consolidated subsidiaries**

The summarized consolidated statements of financial position and comprehensive income of significant subsidiaries as of December 31, 2024 and 2023 and for each of the two years in the period ended December 31, 2024 is as follows (KRW in millions):

	As of December 31, 2024			For the year ended December 31, 2024		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
HYOSUNG TNS INC. (*1)	1,073,748	792,180	281,568	1,387,191	18,799	23,591
Hyosung GoodSprings, Inc.	209,296	132,371	76,925	236,279	9,587	7,277
Forza Motors Korea Corp.	174,355	141,887	32,468	218,738	(6,402)	(6,573)
Hyosung Investment & Development Corporation	692,400	6,819	685,581	446	54,667	110,532
Gongdeok Gyeongwoo Development Corporation	192,728	228,940	(36,212)	24,224	(1,678)	(1,727)
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	158,538	161,726	(3,188)	10,290	(1,814)	(1,814)

(\*1) Consolidated financial information basis

	As of December 31, 2023			For the year ended December 31, 2023		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
HYOSUNG TNS INC. (*1)	1,101,467	843,487	257,980	1,104,255	(25,438)	(26,124)
Hyosung GoodSprings, Inc.	201,039	128,391	72,648	225,621	5,925	5,789
Forza Motors Korea Corp.	179,274	140,233	39,041	222,146	(2,688)	(3,027)
Hyosung Investment & Development Corporation	605,550	8,511	597,039	450	39,744	45,856
Gongdeok Gyeongwoo Development Corporation	201,992	236,479	(34,487)	22,703	(5,463)	(5,480)
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	161,394	161,799	(405)	7,991	(1,824)	(1,824)
Hyosung Holdings USA, Inc.	316,718	246,450	70,268	344,578	(17,039)	(16,690)
Hyosung USA, Inc.	344,457	159,990	184,467	962,214	4,133	6,837

(\*1) Consolidated financial information basis

**1. General information on the Group (cont'd)**

C. Changes in scope for consolidation

(1) A subsidiary newly included in the consolidation scope for the year ended December 31, 2024 is as follows:

Subsidiary	Description
HYOSUNG TNS EUROPE GMBH	Newly established

(2) Subsidiaries excluded from the consolidation scope for the year ended December 31, 2024 are as follows:

Subsidiary	Description
HS Hyosung USA Holdings, Inc. (*1)	Spin-off
HS Hyosung USA Inc. (*1)	
Hyosung Mexico S. de R.L. de C.V	
GST Safety Textiles Mexico S. de R.L. de C.V	
HS Hyosung Global Logistics Vina Co., Ltd. (*1)	
HS Hyosung Toyota Corporation	

(\*1) The company name was changed for the year ended December 31, 2024.

**2. Material accounting policies**

The material 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 its statutory financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") enacted based on 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 (presented as "KRW") except when otherwise indicated.

## 2. Material accounting policies (cont'd)

### 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, 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Amendments to KIFRS 1001 *Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current***

The amendments to 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; and
- that terms of a liability that could result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the entity classifies the option as an equity instrument, recognizing it separately from the liability as an equity component of a compound financial instrument.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments have no impact on the Group's consolidated financial statements.

#### **Amendments to KIFRS 1001 *Presentation of Financial Statements – Disclosure of Virtual Assets***

These amendments mandate the Group to disclose material information for the financial statement users such as the impact of holding and issuing virtual assets on their accounting policies and financial statements. The entities should separately disclose information related to holding virtual assets, holding them on behalf of the customers, and issuing them. The amendments have no impact on the Group's consolidated financial statements.

#### **Amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures – Supplier Finance Arrangements***

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

As a result of implementing the amendments, the Group has provided additional disclosures about its supplier finance arrangement. Please refer to Note 18.

#### **Amendments to KIFRS 1116 *Leases – Lease Liability in a Sale and Leaseback***

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments have no impact on the Group's consolidated financial statements.

## 2. Material accounting policies (cont'd)

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

#### (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 financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### **Amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* and KIFRS 1101 *First-time Adoption of KIFRS - Lack of Exchangeability***

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

#### **Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments***

The amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments* include the following:

- clarifying that a financial liability is derecognized on the settlement date and introducing an accounting policy choice to derecognize financial liabilities that are settled by using electronic payment system before the settlement date (if specific criteria are met);
- providing additional guidance as to how to assess contractual cash flows of financial assets that include environmental, social and governance (ESG)-linked features and similar features;
- clarifying what constitutes non-recourse features and the characteristics of contractually linked financial instruments; and
- introducing new disclosures for financial instruments with contingent features and adding a disclosure requirement for equity instruments measured at fair value through other comprehensive income.

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but only for the amendments for the classification of financial assets and related disclosures. The Group does not plan to early apply the amendments.

#### **Annual Improvements to KIFRS Volume 11**

Annual Improvements to KIFRS - Volume 11 have been announced for the purpose of improving consistency of requirements set out in each standard, enhancing clarity, and providing better understanding of the amendments.

- Amendments to KIFRS 1101 *First-time adoption of KIFRS*: Hedge accounting by a first-time adopter
- Amendments to KIFRS 1107 *Financial Instruments: Disclosures*: Gain or loss on derecognition, Guidance for application of amendments in practice
- Amendments to KIFRS 1109 *Financial Instruments*: Accounting for derecognition of lease liabilities and definition of transaction prices
- Amendments to KIFRS 1110 *Consolidated Financial Statements*: Determination of a "de facto agent"
- Amendments to KIFRS 1007 *Statement of Cash Flows*: Cost Method

## **2. Material accounting policies (cont'd)**

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

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

### **2.3 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2024. 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 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. Material 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 other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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 the 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. Material 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. Material 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; and
- 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; and
- 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 other comprehensive income or profit or loss is also recognized in other comprehensive income 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. Material 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 ("FVOCI"), and fair value through profit or loss ("FVPL").

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 FVPL, 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 FVOCI, the cash flows need to 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 FVOCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- financial assets at FVPL.

#### 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. Material accounting policies (cont'd)**

### **2.8 Financial instruments (cont'd)**

#### ② Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI 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 FVOCI, 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 other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

#### ③ Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI 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 other comprehensive income. Equity instruments designated at FVOCI 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 FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated or required upon initial recognition at FVPL. 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 FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL 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 FVOCI. Dividends on listed equity instruments are recognized in profit or loss at the time the rights are established.

## **2. Material 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; and
- Trade and other receivables – Note 7.

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. 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. Material accounting policies (cont'd)**

### **2.8 Financial instruments (cont'd)**

For debt instruments at FVOCI, 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 FVOCI 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 FVPL, 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.

When financial liabilities incurred from the supplier finance arrangements have similar nature and functions with trade payables, the Group classifies the liabilities as trade and other payables in its consolidated statements of financial position. The classification is allowed only if the Group's supplier finance arrangements are part of the working capital used in the normal operating cycle, the level of collateral provided is similar that of trade payables, and the conditions of the liabilities incurred from the arrangements are not substantially different from those of trade payables, not subject to supplier finance arrangements. The cashflows in relation with the liabilities being classified as trade and other payables are included in operating activities in the Group's consolidated statements of cash flows.

##### **2) Subsequent measurement**

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

###### **① Financial liabilities at FVPL**

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as of FVPL.

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 FVPL 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 FVPL.

## **2. Material 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.

#### 4) Financial guarantee liabilities

A financial guarantee contract refers to the contract that requires the issuer to pay the specified amounts to reimburse the holder for a loss because the specified debtor fails to make payment when due under original or revised contractual terms of debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with KIFRS 1109 (see financial assets above); or
- the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with KIFRS 1115.

#### (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. Material accounting policies (cont'd)**

### **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**

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized in profit or loss within finance income (costs).

### **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.

### **2.12 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 are not depreciated or amortized once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

## **2. Material 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
Right-of-use assets	1 ~ 30 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.

In particular, the Group considers the impact of health, safety and environmental legislations in its assessment of the expected useful lives and residual values. Furthermore, the Group considers climate-related matters, including physical and transition risks. Specifically, the Group determines whether climate-related legislations and regulations might impact either the useful lives or residual values, e.g., by banning or restricting the use of the Group's fossil fuel-driven machinery and equipment or imposing additional energy efficiency requirements on the Group's buildings and office properties.

## 2. Material accounting policies (cont'd)

### 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.

### 2.16 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
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. Material accounting policies (cont'd)**

### **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.

### **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.

## **2. Material accounting policies (cont'd)**

### **2.18 Impairment of non-financial assets (cont'd)**

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.

The Group assesses whether climate risks, including physical risks and transition risks could have a significant impact. If so, these risks are included in the cash-flow forecasts in assessing value-in-use amounts. See Note 2.31 for further discussion of the impact of climate-related risks on the value in use.

### **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. Material accounting policies (cont'd)**

### **2.19 Provisions (cont'd)**

#### *Greenhouse gas emissions*

The Group receives free emission rights as a result of emission trading schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. The Group recognizes the received emission rights at the nominal amount (i.e., nil). The Group recognizes a provision as emissions are made. As the Group intends to keep the emission rights received to settle its emission liability, the Group takes into consideration the value of received emission rights when measuring a provision. Therefore, until the emission limit is exceeded, there is no impact on the provisions stated in the consolidated statements of financial position and the consolidated statements of profit or loss. The emission costs are recognized as other operating expenses. Where emission rights are purchased from other parties, the cost of obtaining the allowances determine the measurement of the provision.

### **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;
- 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; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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. Material 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; or
- 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 other comprehensive income 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. Material 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; or
- 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 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. Material 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. Material 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 2.18 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. Material 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 Cash dividends and distribution of non-cash assets to the owners of the Parent Company**

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.

If all owners of the same class of equity instruments distribute non-cash assets at no cost, the Group shall measure the fair value of dividend payable at the time it is obligated to distribute the related assets and liabilities after it declares the distribution.

### **2.27 Discontinued operations**

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively for trading purposes.

When there are discontinued operations, the Group restates the prior period's consolidated statement of profit or loss as if the operation had been discontinued from the beginning of the comparative period.

## **2. Material accounting policies (cont'd)**

### **2.28 Events after the reporting period**

The Group evaluates whether the information obtained after the reporting period, but before the approval date of the financial statements, affects the amounts recognized in the consolidated financial statements. If the event after the reporting period requires an adjustment, the Group revises the recognized amounts in the consolidated financial statements and adjusts the disclosures accordingly to reflect the new information. For events after the reporting period that do not require adjustments, the Group does not change the recognized amounts but discloses an estimate of the nature and financial impact of the event. If such an estimate cannot be made, the Group discloses an explanation of the event.

### **2.29 Earnings per share**

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are calculated by adjusting the profit or loss attributable to ordinary shareholders of the Parent Company for the interest expense related to convertible preferred shares, if any, and dividing this by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of potential ordinary shares that would be issued if the dilutive potential ordinary shares were converted into ordinary shares.

### **2.30 Approval of consolidated financial statements**

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on February 5, 2025 and are subject to change with approval of shareholders at their Annual General Meeting.

### **2.31 Climate-related matters**

The Group considers climate-related risks in its estimates and assumptions. This assessment includes a wide range of potential impacts from both physical and transition risks that may affect the Group.

Although the Group believes its business model and products will remain viable after the transition to a low-carbon economy, climate-related risks increase the uncertainty in estimates and assumptions underlying several items in the financial statements. Even though climate-related risks may not have a significant impact on current measurements, the Group closely monitors relevant changes and developments, such as new climate-related legislations. The key items and considerations directly impacted by climate-related risks are as follows:

- useful lives of property, plant, and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related risks, such as climate-related legislation and regulations that may restrict the use of assets or require significant capital expenditures. For more details, please refer to Note 2.13;
- impairment of non-financial assets. Transition risks, such as climate-related legislation and regulations and changes in demand for the Group's products, may affect the value-in-use in several ways; and
- greenhouse gas emissions. The Group receives free emission rights annually and is required to remit emission rights equivalent to its actual emissions. The Group has adopted the net liability approach for allocated emission rights. For more details, please refer to Note 2.19.

### **3. Material 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) Retirement 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. Material 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 surtax on undistributed corporate earnings when computing its income tax, the Group’s income 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.

(7) Useful life and residual value of property, plant, and equipment

The Group reviews the estimated residual values and expected useful lives of property, plant, and equipment at least annually. In particular, when evaluating the expected useful lives and estimated residual values, the Group considers the impact of health, safety, and environmental legislations. Additionally, climate-related matters, including physical risks and transition risks, are taken into account. Specifically, the Group determines whether climate-related legislations and regulations may impact the useful lives and residual values (e.g., prohibiting or restricting the use of fossil fuel-powered machinery and equipment, or imposing additional energy efficiency requirements on buildings and office assets).

**4. Financial instruments by category**

A. Financial assets

Details of financial assets of the Group as of December 31, 2024 and 2023 are as follows (KRW in millions):

December 31, 2024				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	108,875	108,875
Trade and other receivables (*1, *2)	-	-	362,678	362,678
Other financial assets	767	-	5,156	5,923
Long-term trade and other receivables	-	-	22,968	22,968
Other non-current financial assets	87,592	229,268	80,443	397,303
Total	88,359	229,268	580,120	897,747

(\*1) Excluding contract assets of KRW 24,186 million.

(\*2) The tax-related assets that do not qualify as financial instruments have been excluded.

December 31, 2023				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	147,662	147,662
Trade and other receivables (*1, *2)	-	-	581,725	581,725
Other financial assets	124,657	-	19,151	143,808
Long-term trade and other receivables	-	-	30,755	30,755
Other non-current financial assets	87,263	23,333	88,579	199,175
Total	211,920	23,333	867,872	1,103,125

(\*1) Excluding contract assets of KRW 17,592 million.

(\*2) The tax-related assets that do not qualify as financial instruments have been excluded.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**4. Financial instruments by category (cont'd)**

B. Financial liabilities

Details of financial liabilities of the Group as of December 31, 2024 and 2023 are as follows (KRW in millions):

December 31, 2024			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables (*1)	-	375,223	375,223
Short-term borrowings and current portion of long-term borrowings	-	780,230	780,230
Other current financial liabilities	3,526	39,165	42,691
Long-term trade and other payables (*1)	-	16,401	16,401
Long-term borrowings	-	54,609	54,609
Other non-current financial liabilities	-	105,654	105,654
Total	3,526	1,371,282	1,374,808

(\*1) The employee and tax-related liabilities that do not qualify as financial instruments have been excluded.

December 31, 2023			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables (*1)	-	524,076	524,076
Short-term borrowings and current portion of long-term borrowings	-	965,627	965,627
Other current financial liabilities	351	43,777	44,128
Long-term trade and other payables (*1)	-	21,561	21,561
Long-term borrowings	-	158,672	158,672
Other non-current financial liabilities	-	117,502	117,502
Total	351	1,831,215	1,831,566

(\*1) The employee and tax-related liabilities that do not qualify as financial instruments have been excluded.

**4. Financial instruments by category (cont'd)**

C. Net profit and loss by financial instrument category

Net profits and losses for financial instruments for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

(*1)	2024	2023
Financial assets at amortized cost		
Interest income	15,895	14,261
Gain on foreign currency transactions	21,497	14,790
Gain on foreign currency translation	1,163	236
Loss on disposal of trade receivables	(7,947)	(14,069)
Bad debt expense	(3,727)	(3,141)
Financial assets at FVPL		
Gain on disposal of financial assets	2	6
Valuation gains on financial assets	1,084	10,135
Dividend income	1,365	148
Financial assets at FVOCI		
Valuation gain (loss) on financial assets	5,676	(2,013)
Dividend income	397	1,241
Financial liabilities at amortized cost		
Interest expense	(76,938)	(85,942)
Loss on foreign currency transactions	(19,874)	(6,292)
Gain (loss) on foreign currency translation	5,628	(11,182)
Derivative financial assets and liabilities		
Valuation gain (loss) on derivatives	(2,955)	293
Transaction gain (loss) on derivatives	(3,204)	621

(\*1) Including the amounts presented as income (loss) from discontinued operations.

**4. Financial instruments by category (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, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024		December 31, 2023	
	Book Value	Fair Value	Book Value	Fair Value
<b>Financial assets</b>				
Financial assets at FVPL (Beneficiary certificates)	-	-	123,642	123,642
Financial assets at FVPL (Marketable equity)	2,827	2,827	-	-
Financial assets at FVPL (Unmarketable equity)	194	194	881	881
Financial assets at FVPL (Debt instruments)	84,571	84,571	86,382	86,382
Financial assets at FVPL (Derivatives instruments)	767	767	1,015	1,015
Financial assets at FVOCI (Hybrid securities)	206,395	206,395	-	-
Financial assets at FVOCI (Marketable equity)	14,391	14,391	13,424	13,424
Financial assets at FVOCI (Unmarketable equity)	7,393	7,393	8,720	8,720
Financial assets at FVOCI (Debt instruments)	1,089	1,089	1,189	1,189
<b>Financial liabilities</b>				
Financial liabilities at FVPL (Derivatives instruments)	3,526	3,526	351	351

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); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**4. Financial instruments by category (cont'd)**

The classification of the fair value hierarchy for financial instruments that are measured at fair value or its fair value disclosed as of December 31, 2024 and 2023 are as follows (KRW in millions):

December 31, 2024				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
<b>Assets</b>				
Financial assets at FVPL (Equity instruments)	2,827	-	194	3,021
Financial assets at FVPL (Debt instruments)	-	24,146	60,425	84,571
Financial assets at FVPL (Derivatives instruments)	-	767	-	767
Financial assets at FVPL (Hybrid securities)	-	-	206,395	206,395
Financial assets at FVOCI (Equity instruments)	14,391	-	7,393	21,784
Financial assets at FVOCI (Debt instruments)	-	-	1,089	1,089
<b>Total</b>	<b>17,218</b>	<b>24,913</b>	<b>275,496</b>	<b>317,627</b>
<b>Liabilities</b>				
Financial liabilities at FVPL (Derivatives instruments)	-	3,526	-	3,526

(\*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, 2023				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
<b>Assets</b>				
Financial assets at FVPL (Beneficiary certificates)	-	123,642	-	123,642
Financial assets at FVPL (Equity instruments)	-	-	881	881
Financial assets at FVPL (Debt instruments)	-	23,270	63,112	86,382
Financial assets at FVPL (Derivatives instruments)	-	1,015	-	1,015
Financial assets at FVOCI (Equity instruments)	13,424	-	8,720	22,144
Financial assets at FVOCI (Debt instruments)	-	-	1,189	1,189
<b>Total</b>	<b>13,424</b>	<b>147,927</b>	<b>73,902</b>	<b>235,253</b>
<b>Liabilities</b>				
Financial liabilities at FVPL (Derivatives instruments)	-	351	-	351

(\*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 Net asset value method model for fair value measured financial assets classified as Level 3, and the main input variables include discount rate and growth rate.

**4. Financial instruments by category (cont'd)**

There were no transfers between fair value hierarchy levels for the year ended December 31, 2024.

**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, 2024 (KRW in millions).

	Fair value	Level	Valuation technique	Inputs
Financial assets at FVPL (Equity instruments)	194	3	Net asset valuation technique	Net asset etc.
Financial assets at FVPL (Debt instruments)	60,425	3	Net asset valuation technique	Net asset etc.
Financial assets at FVOCI (Hybrid securities)	206,395	3	Discounted cash flow method	Future cash flows, discount rate, etc.
Financial assets at FVOCI (Equity instruments)	7,393	3	Comparable transactions analysis	Price-to-Sales ratio
Financial assets at FVOCI (Debt instruments)	1,089	3	Cost method (*1)	N/A

(\*1) Since the amount of the investment was not significant in the consolidated financial statements, it was measured at cost.

Meanwhile, the sensitivity analysis on financial assets (hybrid securities) at FVOCI arising from changes in major assumptions is as follows (KRW in millions).

	When the discount rate increases by 0.50%	Base	When the discount rate decreases by 0.50%
Hybrid securities	205,080	206,395	207,726

**F. Restricted financial instruments**

Details of financial instruments restricted in use as of December 31, 2024 and 2023 are as follows (KRW in millions):

	Description	December 31, 2024	December 31, 2023
Cash and cash equivalents	Establishment of pledge related to borrowings	91	301
	Others	1,662	1,065
Other current financial assets	Others	543	628
Other non-current financial assets	Restricted for checking account and lease deposits	4,916	4,842
	Pledge for borrowings	1,987	1,969
Total		9,199	8,805

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**5. Segment information**

Operating segments are determined by management who makes strategic decisions. The management assesses the performance of the operating segments and resources distributed to each segment based on operating income.

Segment (*1)	Details
Holdings	Managing subsidiaries, Production and sales of carpets and running lease business
Information Communication	Manufacturing and maintaining ATM
Pump manufacturing	Manufacturing liquor and pump
Imported car dealer	Selling and maintaining imported cars
Others	Solar energy generation, lease business etc.

(\*1) Due to the Group's spin-off, the transportation service segment of the holdings business and trading and textile manufacturing segments were succeeded to the newly established company through the spin-off, and the operating income of related segments were classified as profit (loss) from discontinued operations.

The Group's operating segment information for each of the two years in the period ended December 31, 2024 is as follows (KRW in millions):

2024							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Total revenue	431,768	1,388,499	236,279	218,738	36,501	(39,029)	2,272,756
Operating profit (loss)	141,103	59,989	14,151	(6,734)	14,624	(2,000)	221,133
Profit (loss) before tax	162,723	21,631	11,694	(8,087)	(11,574)	5,493	181,880
Profit (loss)	155,282	19,217	9,587	(6,401)	(14,124)	5,045	168,606
Total assets	2,591,461	1,069,550	209,296	174,355	458,515	(162,313)	4,340,864
Total liabilities	400,692	779,893	132,371	141,887	490,293	(108,710)	1,836,426

2023							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Total revenue	296,368	1,105,444	225,621	222,146	32,999	(35,371)	1,847,207
Operating profit	19,519	22,693	11,680	(7,021)	10,270	517	57,658
Profit (loss) before tax	45,143	(27,893)	9,645	(2,841)	(7,479)	1,498	18,073
Profit (loss)	29,556	(25,678)	5,925	(2,159)	(23,342)	6,348	(9,350)
Total assets (*1)	2,902,597	1,108,181	201,039	179,267	1,193,966	(496,192)	5,088,858
Total liabilities (*1)	405,877	841,775	128,391	140,233	914,273	(117,923)	2,312,626

(\*1) The amounts above include assets and liabilities of segments succeeded to the entity newly established through the spin-off

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**6. Cash and cash equivalents**

A. Details of cash and cash equivalents as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Cash on hand	6,457	2,581
Bank deposits, etc.	102,418	145,081
Total	108,875	147,662

**7. Trade and other receivables**

A. Details of trade and other receivables as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024			December 31, 2023		
	Receivable amount	Allowance for doubtful accounts	Carrying amount	Receivable amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	390,614	(10,792)	379,822	575,018	(8,690)	566,328
Other receivables	40,818	(9,454)	31,364	69,688	(9,454)	60,234
Subtotal	431,432	(20,246)	411,186	644,706	(18,144)	626,562
Long-term trade receivables	1,895	-	1,895	3,257	-	3,257
Long-term other receivables	21,073	-	21,073	27,498	-	27,498
Subtotal	22,968	-	22,968	30,755	-	30,755
Total	454,400	(20,246)	434,154	675,461	(18,144)	657,317

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, 2024 is KRW 140,698 million (KRW 136,584 million in 2023). 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 Notes 18 and 34).

B. Details of other receivables as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Other receivables		
Non-trade receivables	24,621	52,798
Short-term loans	1,133	3,692
Accrued income	1,280	924
Short-term deposits	3,260	2,820
Due from customers for contract work	1,070	-
Subtotal	31,364	60,234
Long-term other receivables		
Long-term loans	1,542	2,622
Long-term deposits	19,531	24,876
Subtotal	21,073	27,498
Total	52,437	87,732

**7. Trade and other receivables (cont'd)**

C. Contract assets and liabilities

Details of contract assets and liabilities, as of December 31, 2024 and 2023, are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Contract assets (*1)	24,186	17,592
Contract liabilities (*2)	109,650	112,824

(\*1) They are recorded in accounts receivable, other bonds, and other assets in the consolidated statements of financial position.

(\*2) They are recorded in other liabilities in the consolidated statements of financial position.

For each of the two years in the period ended December 31, 2024, profits or losses recognized by the Group from the balances of contract liabilities recorded at the beginning of the reporting year are as follows (KRW in millions)

	2024 (*1)	2023
Balance of contract liabilities at the beginning of the year recognizing income	66,715	56,097

(\*1) Due to the spin-off, the contract liabilities of KRW 6,950 million at the beginning of the reporting period was transferred to the entity newly established through the spin-off.

D. The aging analysis on trade and other receivables as of December 31, 2024 and 2023 are as follows (KRW in millions)

		December 31, 2024		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Current	317,178	0.329%	1,045
	Past due but not impaired			
	Up to 3 months	46,163	0.108%	50
	4 ~ 6 months	14,758	0.298%	44
	7 ~ 12 months	4,079	4.609%	188
	Over 12 months	905	4.309%	39
	Impaired receivables	9,426	100.000%	9,426
	Subtotal	392,509	-	10,792
Other receivables	Current	52,195	-	-
	Past due but not impaired			
	Up to 3 months	115	-	-
	4 ~ 6 months	20	-	-
	7 ~ 12 months	36	-	-
	Over 12 months	71	-	-
	Impaired receivables	9,454	100.000%	9,454
	Subtotal	61,891	-	9,454
Total		454,400	-	20,246

7. Trade and other receivables (cont'd)

		December 31, 2023		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Current	404,024	0.097%	391
	Past due but not impaired			
	Up to 3 months	92,821	0.086%	80
	4 ~ 6 months	34,930	0.341%	119
	7 ~ 12 months	31,278	1.282%	401
	Over 12 months	8,001	5.974%	478
	Impaired receivables	7,221	100.000%	7,221
	Subtotal	578,275	-	8,690
Other receivables	Current	81,745	-	-
	Past due but not impaired			
	Up to 3 months	40	-	-
	4 ~ 6 months	2,222	-	-
	7 ~ 12 months	734	-	-
	Over 12 months	2,991	-	-
	Impaired receivables	9,454	100.000%	9,454
	Subtotal	97,186	-	9,454
Total		675,461	-	18,144

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. Those with no implication of impairment when assessed on an individual basis, are subject to assessment on collective basis.

F. Changes in allowance for bad debt for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024		2023	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	8,690	9,454	6,930	9,454
Record (reversal)	3,727	-	3,141	-
Removal	(2,039)	-	(16)	-
Spin-off	(269)	-	-	-
Others (*1)	683	-	(1,365)	-
Ending	10,792	9,454	8,690	9,454

(\*1) Including the effects of exchange rate fluctuations, etc.

The maximum exposure to credit risk at the end of the reporting periods presents the book value of each receivables mentioned above.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**8. Other financial assets and liabilities**

A. Details of other financial assets and liabilities as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024			December 31, 2023		
	Current	Non-current	Carrying amount	Current	Non-current	Carrying amount
<b>Other financial assets</b>						
Financial assets at amortized cost	5,156	80,443	85,599	19,151	88,579	107,730
Financial assets at FVPL	-	87,593	87,593	123,642	87,263	210,905
Derivative assets	767	-	767	1,015	-	1,015
Financial assets at FVOCI	-	229,268	229,268	-	23,333	23,333
<b>Total</b>	<b>5,923</b>	<b>397,304</b>	<b>403,227</b>	<b>143,808</b>	<b>199,175</b>	<b>342,983</b>
<b>Other financial liabilities</b>						
Lease liabilities	39,165	105,653	144,818	43,777	117,502	161,279
Derivative liabilities	3,526	-	3,526	351	-	351
<b>Total</b>	<b>42,691</b>	<b>105,653</b>	<b>148,344</b>	<b>44,128</b>	<b>117,502</b>	<b>161,630</b>

B. The carrying amounts of other financial assets by category as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
<b>Financial assets at amortized cost</b>		
Short-term deposit	5,156	19,151
Debt securities	80,443	88,579
<b>Subtotal</b>	<b>85,599</b>	<b>107,730</b>
<b>Financial assets at FVPL:</b>		
Beneficiary certificates	-	123,642
Equity securities that are traded in an active market	2,828	-
Equity securities that are not traded in an active market	194	881
Capital investments, etc.	84,571	86,382
Derivative assets	767	1,015
<b>Subtotal</b>	<b>88,360</b>	<b>211,920</b>
<b>Financial assets at FVOCI</b>		
Hybrid securities	206,395	-
Equity securities that are traded in an active market	14,391	13,424
Equity securities that are not traded in an active market	7,393	8,720
Capital investments, etc.	1,089	1,189
<b>Subtotal</b>	<b>229,268</b>	<b>23,333</b>
<b>Total</b>	<b>403,227</b>	<b>342,983</b>

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

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

C. Details of equity securities as of December 31, 2024 and 2023 are as follows (KRW in millions):

		December 31, 2024	December 31, 2023
Hybrid securities			
Hyosung Chemical Corporation	Financial assets at FVOCI	206,395	-
Equity securities that are traded in an active market			
NICE corporation	Financial assets at FVOCI	3,039	3,686
NICE Information Service Co.,Ltd	Financial assets at FVOCI	4,324	3,362
Kumho Tire Co., Ltd.	Financial assets at FVOCI	2,122	2,394
Dong Anh EEMC (Vietnam transformer)	Financial assets at FVOCI	4,906	3,982
Hanjin KAL Co., Ltd.	Financial assets at FVPL	2,828	-
Subtotal		17,219	13,424
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
KMH Shilla Leisure co.,Ltd	Financial assets at FVOCI	261	261
DOT Incorporation	Financial assets at FVOCI	1,000	1,000
Folletto Robotics Co.,Ltd.	Financial assets at FVOCI	900	900
Kyungnam Newspaper	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	1,778	2,088
Nam woo Ad	Financial assets at FVOCI	333	333
BERTIS Inc.	Financial assets at FVOCI	1,235	1,750
TransLink Capital	Financial assets at FVPL	194	1,091
Subtotal		7,587	9,601
Total		231,201	23,025

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

D. Changes in financial assets measured at FVPL excluding derivatives assets for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Beginning	210,905	228,367
Acquisition	3,191	54,557
Disposal	(2,446)	(3,487)
Transfer	-	5,143
Net increase/decrease in beneficiary certificates	(123,642)	(85,310)
Valuation gain	1,084	10,135
Spin-off	(1,500)	-
Changes in scope of consolidation	-	1,500
Ending	87,592	210,905

E. Changes in financial assets measured at FVOCI for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Beginning	23,333	37,705
Acquisition	200,000	-
Disposal	(1,036)	(48)
Transfer	-	(12,056)
Valuation loss	7,181	(2,479)
Spin-off	(210)	-
Changes in scope of consolidation	-	211
Ending	229,268	23,333

F. Details of derivative assets and liabilities as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024		December 31, 2023	
	Asset	Liability	Asset	Liability
Current derivative assets and liabilities				
Currency forward exchange contracts	767	3,526	1,015	351

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**9. Inventories**

A. Details of inventories as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024 (*1)			December 31, 2023		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise (*2)	103,478	(1,238)	102,240	327,054	(7,778)	319,276
Finished goods	225,756	(18,140)	207,616	246,377	(10,673)	235,704
Semi-finished goods	22,837	(761)	22,076	44,420	(871)	43,549
Work in process	32,031	(2,570)	29,461	34,481	(1,890)	32,591
Raw materials	33,881	(3,115)	30,766	77,235	(3,329)	73,906
Sub-materials	2,333	(12)	2,321	9,374	(13)	9,361
Supplies	16	-	16	10,034	-	10,034
Packing	81	(2)	79	167	-	167
Goods in transit	45,645	-	45,645	53,888	-	53,888
Total	466,058	(25,838)	440,220	803,030	(24,554)	778,476

(\*1) Due to the spin-off conducted by the Group, inventories amounting to KRW 338,402 million and impairment allowances for inventories amounting to KRW 6,076 million were transferred to the entity newly established through the spin-off.

(\*2) As of December 31, 2024, the Group is utilizing leases in relation to the purchase of used goods (used cars). Accordingly, the right-of-use assets included in the goods amount to KRW 9,390 million (2023: KRW 11,396 million) (see Note 13).

Meanwhile, the inventory impairment loss added to the cost of goods sold for the year ended December 31, 2024 is KRW 7,360 million, while the inventory impairment loss added to the cost of goods sold for the year ended December 31, 2023 was KRW 14,948 million.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**10. Property, plant and equipment**

A. Details of property, plant and equipment as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024			December 31, 2023		
	Acquisition cost	Accumulated depreciation (*1)	Carrying amount	Acquisition cost	Accumulated depreciation (*1)	Carrying amount
Land	484,975	-	484,975	490,452	-	490,452
Buildings	183,739	(59,974)	123,765	220,663	(69,131)	151,532
Structures	37,361	(15,214)	22,147	31,165	(12,689)	18,476
Machinery	328,558	(294,910)	33,648	416,108	(357,595)	58,513
Vehicles	5,249	(3,467)	1,782	9,564	(5,076)	4,488
Tools and equipment	365,277	(290,481)	74,796	353,009	(273,361)	79,648
Construction in progress	21,679	-	21,679	39,966	-	39,966
Machinery in transit	27	-	27	3,844	-	3,844
Right-of-use assets	257,213	(98,810)	158,403	256,779	(84,775)	172,004
Total	1,684,078	(762,856)	921,222	1,821,550	(802,627)	1,018,923

(\*1) Accumulated impairment losses are included.

B. Changes in property, plant and equipment for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024								
	Beginning	Acquisition	Disposal	Depreciation	Transfer (*1)	Others (*2)	Spin-off	Ending
Land	495,045	-	(1,310)	-	-	222	(8,982)	484,975
Less: government grants	(4,593)	-	-	-	-	684	3,909	-
Buildings	151,532	30	(1,381)	(5,091)	914	3,590	(25,829)	123,765
Structures	18,476	662	(2)	(2,371)	4,508	1,217	(343)	22,147
Machinery	60,493	2,516	(7)	(12,498)	22,617	2,851	(38,543)	37,429
Less: government grants	(1,980)	(2,302)	-	501	-	-	-	(3,781)
Vehicles	4,488	1,040	(1,537)	(532)	95	(1,170)	(602)	1,782
Tools and equipment	79,749	9,835	(979)	(29,580)	13,747	4,328	(2,244)	74,856
Less: government grants	(101)	-	-	41	-	-	-	(60)
Construction in progress	39,966	33,422	(136)	-	(38,609)	1,630	(14,594)	21,679
Machinery in transit	3,844	3,479	-	-	(5,117)	166	(2,345)	27
Right-of-use assets	172,004	30,449	(1,533)	(40,836)	-	7,688	(9,369)	158,403
Total	1,018,923	79,131	(6,885)	(90,366)	(1,845)	21,206	(98,942)	921,222

(\*1) Including the amount transferred to intangible assets of KRW 1,845 million.

(\*2) Including the effect of foreign exchange translation, etc.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

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

2023								
	Beginning	Acquisition	Disposal	Depreciation	Transfer (*1)	Change in consolidation scope	Others (*2)	Ending
Land	497,578	-	(3,628)	-	77	-	1,018	495,045
Less: government grants	-	-	-	-	-	-	(4,593)	(4,593)
Buildings	152,427	29	(86)	(5,528)	788	-	3,902	151,532
Structures	19,487	195	-	(1,866)	462	-	198	18,476
Machinery	61,799	2,706	(401)	(15,085)	10,506	-	968	60,493
Less: government grants	(1,593)	(729)	-	342	-	-	-	(1,980)
Vehicles	1,409	1,990	(246)	(545)	64	1,740	76	4,488
Tools and equipment	82,278	8,501	(3,554)	(30,304)	17,453	1,459	3,916	79,749
Less: government grants	(124)	(31)	-	54	-	-	-	(101)
Construction in progress	42,460	31,987	(376)	-	(35,226)	-	1,121	39,966
Machinery in transit	155	3,803	-	-	(2)	-	(112)	3,844
Right-of-use assets	144,112	44,408	(257)	(38,042)	-	5,561	16,222	172,004
Total	999,988	92,859	(8,548)	(90,974)	(5,878)	8,760	22,716	1,018,923

(\*1) Including the amount transferred to intangible assets of KRW 5,878 million.

(\*2) Including the effect of foreign exchange translation, etc.

Some of land, buildings, machinery, and others are pledged as collaterals to financial institutions in relation to the Group's borrowings, etc. (See Note 34).

**11. Investment property**

A. Details of investment properties as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024			December 31, 2023		
	Acquisition cost	Accumulated depreciation (*1)	Carrying amount	Acquisition cost	Accumulated depreciation (*1)	Carrying amount
Land	58,618	(72)	58,546	58,614	(64)	58,550
Buildings	267,720	(78,777)	188,943	264,739	(69,985)	194,754
Total	326,338	(78,849)	247,489	323,353	(70,049)	253,304

(\*1) Accumulated impairment losses are included.

B. Changes in investment properties for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024			
	Beginning	Depreciation	Others (*1)	Ending
Land	58,550	(8)	4	58,546
Buildings	194,754	(8,060)	2,249	188,943
Total	253,304	(8,068)	2,253	247,489

(\*1) Transfers from property, plant and equipment are included

	2023			
	Beginning	Acquisition	Depreciation	Ending
Land	58,559	-	(9)	58,550
Buildings	202,693	71	(8,010)	194,754
Total	261,252	71	(8,019)	253,304

C. Rental income from investment properties recognized in the Group's consolidated statement of profit or loss for the year ended December 31, 2024 is KRW 36,064 million (KRW 32,571 million in 2023) and rental expense including depreciation expense is KRW 4,579 million (KRW 4,359 million in 2023).

D. The fair value of investment properties as of December 31, 2024 is KRW 468,824 million (KRW 467,615 million in 2023). The fair value was estimated based on the Officially Assessed Land Price as determined by the Government of Republic of Korea for tax administration purposes (the "OALP").

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**12. Intangible assets**

A. Changes in intangible assets for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024								
	Beginning	Acquisition	Disposal	Amortization	Transfer (*1)	Others (*2)	Spin-off	Ending
Goodwill	2,341	-	-	-	-	-	(2,341)	-
Industrial property right	1,328	67	-	(559)	549	-	-	1,385
Others	25,441	3,916	(2)	(9,328)	1,296	585	(3,276)	18,632
Memberships	37,305	518	(10,623)	(4)	-	2	(259)	26,939
Total	66,415	4,501	(10,625)	(9,891)	1,845	587	(5,876)	46,956

(\*1) Including transfers from property, plant and equipment.

(\*2) Including the effect of exchange rate fluctuations, etc.

2023								
	Beginning	Acquisition	Disposal (*1)	Amortization	Subsequent gain	Transfer (*2)	Others (*3)	Ending
Goodwill	2,216	125	-	-	-	-	-	2,341
Industrial property right	1,278	83	-	(494)	-	461	-	1,328
Others	25,847	3,214	-	(9,134)	-	5,417	97	25,441
Memberships	37,285	-	-	-	20	-	-	37,305
Total	66,626	3,422	-	(9,628)	20	5,878	97	66,415

(\*1) The amount is less than KRW 1 million.

(\*2) Including transfers from property, plant and equipment.

(\*3) Including the effect of exchange rate fluctuations, etc.

**13. Leases**

A. Changes in right-of-use assets for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024							
	Beginning	Increase	Amortization	Decrease	Others (*1)	Spin-off	Ending
Buildings	88,842	4,873	(20,459)	(945)	8,489	(7,461)	73,339
Equipment	995	1,241	(655)	-	215	-	1,796
Vehicles	21,236	18,686	(12,182)	(588)	(3,329)	(1,908)	21,915
Others	60,931	5,649	(7,540)	-	2,313	-	61,353
Inventories	11,396	10,981	-	(18,905)	5,918	-	9,390
Total	183,400	41,430	(40,836)	(20,438)	(13,606)	(9,369)	167,793

(\*1) Including the effect of foreign currency translation, etc.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**13. Leases (cont'd)**

2023							
	Beginning	Increase	Amortization	Decrease	Changes in consolidation scope	Others (*1)	Ending
Buildings	70,809	17,957	(17,481)	(67)	5,561	12,063	88,842
Equipment	766	594	(383)	-	-	18	995
Vehicles	16,517	20,655	(12,697)	(190)	-	(3,049)	21,236
Others	56,020	5,202	(7,481)	-	-	7,190	60,931
Inventories	18,230	13,215	-	(23,138)	-	3,089	11,396
Total	162,342	57,623	(38,042)	(23,395)	5,561	19,311	183,400

(\*1) Including the effect of exchange rate fluctuations, etc.

B. Changes in lease liabilities for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024								
	Beginning	Increase	Interest expenses	Payment	Termination	Spin-off	Others (*1)	Ending
Lease liabilities	161,279	37,556	7,558	(41,578)	(14,351)	(10,391)	4,745	144,818

(\*1) Including the effect of foreign currency translation, etc.

2023								
	Beginning	Increase	Interest expenses	Payment	Termination	Changes in the Scope of Consolidation	Others (*1)	Ending
Lease liabilities	135,244	52,422	6,406	(41,548)	(14,720)	7,812	15,663	161,279

(\*1) Including the effect of foreign currency translation, etc.

C. The amounts recognized in profit or loss in relation to the lease for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Depreciation of right-of-use assets	(40,836)	(38,042)
Interest expenses relating to lease liabilities	(7,558)	(6,406)
Short-term lease payments	(10,848)	(10,351)
Expense relating to leases of low-value assets that are not short-term leases	(1,912)	(2,170)
Variable lease income	278	582

The total cash outflow for leases for the year ended December 31, 2024 is KRW 54,338 million (previous period: KRW 54,069 million).

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**14. Investments in associates and joint ventures**

A. The carrying amounts of investments in associates and joint ventures as of December 31, 2024 and 2023 are as follows (KRW in millions):

Associate / Joint venture	Ownership (%)	Location	Acquisition cost	December 31, 2024	December 31, 2023
Hyosung TNC Corporation (*1)	20.78	Korea	181,379	369,970	329,499
Hyosung Heavy Industries Corporation (*1)	32.47	Korea	161,041	500,227	437,012
Hyosung Chemical Corporation (*1,5)	32.84	Korea	147,688	-	10,090
Taebaek Wind Power Co., Ltd. (*2)	35.00	Korea	5,334	8,458	8,127
PyeongChang Wind Power Co., Ltd. (*2,3)	42.00	Korea	6,510	8,583	8,855
Hyosung ITX Co., Ltd. (*1)	35.26	Korea	7,676	25,972	25,813
Suncheon Eco Green (*4,5)	29.50	Korea	-	-	-
PT. GELORA MANDIRI MEMBANGUN(GMM) (*6)	0.81	Indonesia	4,687	67	47
Epitone, Inc. (*6,9)	13.99	USA	11,943	8,506	10,064
Hyosung CVC Scaleup Fund I (*10)	21.57	Korea	5,830	5,355	1,557
Startup Korea Hyosung Deep Tech Venture Fund (*11)	21.00	Korea	210	196	-
Leo 9th Youth Startup Fund	38.71	Korea	4,800	5,492	5,663
Carbon Growth Fund	24.00	Korea	4,800	1,411	1,411
Hyosung Vietnam Co., Ltd.	28.57	Vietnam	20,849	208,854	169,034
Hyosung Istanbul TEKSTIL LTD.STI (*12)	56.58	Turkey	12,731	459,119	402,501
HS Hyosung Advanced Materials Corporation (*7,8)	-	Korea	-	-	191,098
HS HYOSUNG INFORMATION SYSTEMS CO., LTD (*7,8)	-	Korea	-	-	57,558
THE KWANGJUILBO (*7)	-	Korea	-	-	1,380
Total			575,478	1,602,210	1,659,709

(\*1) The effective stake considering treasury stocks is 20.83% for Hyosung TNC Corporation, 32.52% for Hyosung Heavy Industries Corporation, Hyosung Chemical Corporation, 32.95%, and 36.80% for Hyosung ITX Co., Ltd.

(\*2) The Group and Korea Southern Power Co.,Ltd have joint controls over the investee and, therefore, are classified as a joint venture.

(\*3) The Group provides its interests in PyeongChang Wind Power Co., Ltd. as collateral for the borrowings of PyeongChang Wind Power Co., Ltd (see Note 34)

(\*4) The Group provides its interests in Suncheon Eco Green as collateral for the borrowings of Suncheon Eco Green (see Note 34)

(\*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) Due to the spin-off for the year ended December 31, 2024, it was succeeded to the entity newly established through the spin-off. (see Note 37)

(\*8) It changed its name for the year ended December 31, 2024.

(\*9) The share ratio decreased due to the paid-in capital increase of the invested company.

(\*10) It was newly acquired for the year ended December 31, 2023.

(\*11) It was newly acquired for the year ended December 31, 2024.

(\*12) 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%.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

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

B. Details of valuation of investments in associates and joint ventures under the equity method for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024							
Associate / joint venture	Beginning	Acquisition	Investment income (loss) under equity method	Other comprehensive income (loss)	Others	Spin-off	Ending
Hyosung TNC Corporation	329,499	4,896	25,430	21,387	(11,242)	-	369,970
Hyosung Heavy Industries Corporation	437,012	-	72,746	5,128	(14,659)	-	500,227
Hyosung Chemical Corporation	10,090	-	(10,090)	-	-	-	-
Taebaek Wind Power Co., Ltd.	8,127	-	331	-	-	-	8,458
PyeongChang Wind Power Co., Ltd.	8,855	-	(262)	-	(10)	-	8,583
Hyosung ITX Co., Ltd.	25,813	-	4,331	-	(4,172)	-	25,972
PT. GELORA MANDIRI MEMBANGUN(GMM)	47	-	15	5	-	-	67
Epitone, Inc.	10,064	-	(1,627)	69	-	-	8,506
Hyosung CVC Scaleup Fund I	1,557	4,070	(272)	-	-	-	5,355
Startup Korea Hyosung Deep Tech Venture Fund (*11)	-	210	(14)	-	-	-	196
Leo 9th Youth Startup Fund	5,663	(1,200)	1,029	-	-	-	5,492
Carbon Growth Fund	1,411	-	-	-	-	-	1,411
Hyosung Vietnam Co., Ltd.	169,034	-	29,617	10,203	-	-	208,854
Hyosung Istanbul TEKSTIL LTD.STI	402,501	-	28,335	58,617	(30,334)	-	459,119
HS Hyosung Advanced Materials Corporation	191,098	17,200	5,393	6,540	(7,283)	(212,948)	-
HS HYOSUNG INFORMATION SYSTEMS CO., LTD	57,558	-	3,374	-	(652)	(60,280)	-
THE KWANGJUILBO	1,380	-	(232)	-	(65)	(1,083)	-
Total	1,659,709	25,176	158,104	101,949	(68,417)	(274,311)	1,602,210

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

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

2023						
Associate / joint venture	Beginning	Acquisition	Investment income (loss) under equity method	Other comprehensive income (loss)	Others	Ending
Hyosung TNC Corporation	322,672	-	15,232	860	(9,265)	329,499
Hyosung Heavy Industries Corporation	402,675	-	37,667	(293)	(3,037)	437,012
Hyosung Chemical Corporation	42,682	50,000	(81,307)	(1,112)	(173)	10,090
Taebaek Wind Power Co., Ltd.	8,459	-	1,313	-	(1,645)	8,127
PyeongChang Wind Power Co., Ltd.	10,474	-	(989)	-	(630)	8,855
Hyosung Toyota Corporation	3,846	-	651	-	(4,497)	-
Hyosung ITX Co., Ltd.	24,207	-	5,365	-	(3,759)	25,813
PT. GELORA MANDIRI MEMBANGUN(GMM)	49	-	(4)	2	-	47
Epitone, Inc.	10,758	-	(1,797)	140	963	10,064
Hyosung CVC Scaleup Fund I	-	1,760	(203)	-	-	1,557
Leo 9th Youth Startup Fund	-	-	339	-	5,324	5,663
Carbon Growth Fund	-	-	(178)	-	1,589	1,411
Hyosung Vietnam Co., Ltd.	177,491	-	19,960	1,004	(29,421)	169,034
Hyosung Istanbul TEKSTIL LTD.STI	370,402	-	26,359	5,740	-	402,501
Hyosung Advanced Materials Corporation	174,490	19,000	11,503	392	(14,287)	191,098
HYOSUNG INFORMATION SYSTEMS CO., LTD	53,655	-	7,524	-	(3,621)	57,558
THE KWANGJUILBO	1,665	-	(312)	-	27	1,380
Total	1,603,525	70,760	41,123	6,733	(62,432)	1,659,709

C. Details of unrecognized equity in investments due to suspending the application of equity method as of December 31, 2024 are as follows (KRW in millions):

Associate	Beginning	Changes	Ending
Hyosung Chemical Corporation	-	(100,463)	(100,463)
Suncheon Eco Green	(9,909)	(517)	(10,426)

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

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

D. Reconciliations of the financial information to the carrying amount of its interests in the associates and joint ventures as of December 31, 2024 are as follows (KRW in millions):

Associate / joint venture	Net assets	Ownership (%)	Share of net assets	Goodwill	Unamortized amount of fair value	Intercompany transactions, others	Carrying amount
Hyosung TNC Corporation	1,458,971	20.83	303,948	16,986	49,168	(132)	369,970
Hyosung Heavy Industries Corporation	1,273,633	32.52	414,134	-	86,320	(227)	500,227
Taebaek Wind Power Co., Ltd.	24,166	35.00	8,458	-	-	-	8,458
PyeongChang Wind Power Co., Ltd.	20,435	42.00	8,583	-	-	-	8,583
Hyosung ITX Co., Ltd.	70,558	36.80	25,966	576	-	(570)	25,972
PT. GELORA MANDIRI MEMBANGUN(GMM)	8,258	0.81	67	-	-	-	67
Epitone, Inc	6,386	13.99	893	7,613	-	-	8,506
Hyosung CVC Scaleup Fund I	24,833	21.57	5,355	-	-	-	5,355
Hyosung Vietnam Co., Ltd.	334,132	28.57	95,464	102,421	12,366	(1,397)	208,854
Hyosung Istanbul TEKSTIL LTD.STI	738,023	56.58	417,601	27,444	7,786	6,288	459,119
Total	3,959,395		1,280,469	155,040	155,640	3,962	1,595,111

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

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

E. The summarized financial information on significant associates and joint ventures and dividends received from them as of and for the year ended December 31, 2024 are 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)	Dividends received
Hyosung TNC Corporation	2,034,208	2,689,975	2,328,368	575,877	7,776,065	183,832	140,854	8,793
Hyosung Heavy Industries Corporation	3,036,423	3,182,390	3,092,775	1,070,419	4,894,980	222,929	629,196	7,570
Hyosung Chemical Corporation	1,061,745	2,210,285	3,047,299	292,723	3,013,997	(325,724)	8,613	-
Taebaek Wind Power Co., Ltd.	7,936	19,797	521	3,046	6,431	945	-	-
PyeongChang Wind Power Co., Ltd.	6,623	49,721	4,325	31,584	9,021	(625)	(24)	-
Hyosung ITX Co., Ltd.	91,483	74,842	77,533	18,192	506,354	11,768	(2,446)	3,291
Suncheon Eco Green	2,821	15,477	3,175	50,464	8,247	(1,751)	-	-
PT. GELORA MANDIRI MEMBANGUN(GMM)	10,849	63,277	49,134	16,734	21,072	1,791	619	-
Epitone, Inc	5,829	1,754	1,197	-	722	(11,628)	492	-
Hyosung CVC Scaleup Fund I	1,149	23,999	315	-	-	(1,252)	-	-
Hyosung Vietnam Co., Ltd.	509,383	323,303	497,217	1,337	1,724,106	98,156	35,713	-
Hyosung Istanbul TEKSTIL LTD.STI	545,569	744,419	473,081	78,884	1,577,578	116,877	103,568	30,334

F. The fair values of marketable investments in associates with the quoted market price as of December 31, 2024 are as follows (KRW in millions):

Associate	December 31, 2024	December 31, 2023
Hyosung TNC Corporation	214,883	320,941
Hyosung Heavy Industries Corporation	1,189,926	490,201
Hyosung Chemical Corporation	49,309	107,084
Hyosung ITX Co., Ltd. (*1)	42,887	43,660

(\*1) It only represents the fair value of common stocks.

G. The Group estimated the recoverable amount of its investments in Hyosung TNC Corporation, where indications of impairment were identified, to assess the potential impairments. In determining the recoverable amount, the Group considered both the fair value less costs to sell and the value-in-use. The fair value less costs to sell was estimated based on the best available information, reflecting the amount that could be received from the sale of the asset in a transaction between knowledgeable, willing, and independent parties at the end of the reporting period, minus disposal costs. The value-in-use was calculated by discounting the future cash flow expected from the investments in Hyosung TNC Corporation using an appropriate discount rate. Key assumptions used in the calculation of value-in-use reflect management's assessments, which were determined with consideration of both the external and internal information.

The key assumptions used in the impairment testing of its investments in Hyosung TNC Corporation as of December 31, 2024 are as follows:

Recoverable amount	Growth rate	Discount rate
Value-in-use	0.0%	8.6%

**15. Other assets**

A. Details of other assets as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Other current assets		
Advance payments	24,488	29,080
Prepaid expenses	24,208	27,729
Subtotal	48,696	56,809
Other non-current assets		
Long-term advance payments	8,705	8,407
Long-term prepaid expenses	-	626
Other investment assets	26,140	25,126
Right of return inventories	-	185
Subtotal	34,845	34,344
Total	83,541	91,153

B. Details of other investment assets as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Mining rights	1,299	1,146
Work of art	24,841	23,980
Total	26,140	25,126

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**16. Related party transactions**

A. Details of the Group's related parties as of December 31, 2024 are as follows

(1) Associates and joint ventures

Region	Related party
Domestic	Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Chemical Corporation, Taebaek Wind Power Co., Ltd, PyeongChang Wind Power Co, Ltd, Hyosung ITX Co., Ltd, Suncheon Eco Green, Hyosung CVC Scaleup Fund I , Startup Korea Hyosung Deep Tech Venture Fund, Leo 9th Youth Startup Fund, Carbon Growth Fund and others
America	Epitone, Inc.
Asia	PT. GELORA MANDIRI MEMBANGUN(GMM), Hyosung Vietnam Co., Ltd.
Europe	Hyosung Istanbul TEKSTIL LTD.STI

(2) Other related parties (\*1)

Region	Related party
Domestic	Galaxia device Co., Ltd., Galaxia Electronics Co., Ltd., Gongdeok Development Corporation, Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., Trinity Asset Management Co., Ltd, HaengbokDoodrimee, ASC, Galaxia SM, INC., Galaxiamoneytree Co., Ltd., Woojeon G&F Co.,Ltd., Shinhwa Intert, SHINSUNG MOTORS CO.,LTD., JinHeung Corporation, KB Wise Star Private Real Estate fund 11, Hyosung Neo Chem Co., Ltd., HS Hyosung Corporation, HS Hyosung Advanced Materials Corporation, HS Hyosung Toyota Corporation, HS HYOSUNG INFORMATION SYSTEMS CO., LTD, HS Hyosung The Class, HS Hyosung The premium Co., Ltd., HS Hyosung Premier Motors Corporation, HS Hyosung Autoworks, THE KWANGJUILBO and others
America	Hyosung HICO, LTD., GST Automotive Safety Components International LLC., Hyosung Mexico S. de R.L. de C.V, GST Safety Textiles Mexico S. de R.L. de C.V, HS Hyosung USA Holdings, Inc., HS Hyosung USA Inc.
China	Huizhou Galaxia Device Electronics., Co. Ltd., Qingdao Galaxia Device Electronics., Co. Ltd., Galaxia Electronics (China Huizhou) CO., Ltd., Huizhou Galaxia Trading Co.,LTD., Hyosung Spandex (Jiaxing) Co., Ltd., Hyosung Steel Cord (Qingdao) Co., Ltd. And others
Asia	Hyosung Japan Co., Ltd., Hyosung Singapore PTE Ltd., 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., MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED., HS Hyosung Quang Nam., Ltd., HYOSUNG VINA CORE MATERIALS, HS Hyosung Global Logistics Vina Co., Ltd. And others
Europe	Hyosung Europe SRL, Hyosung Luxembourg S.A, Hyosung Spain, S.L. and others

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

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**16. Related party transactions (cont'd)**

B. Significant transactions with the Group's related parties

Significant transactions with its related parties for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024						
	Related party	Sales and others (*1)	Dividends	Disposal of property, plant and equipment and intangible assets	Purchases and others (*1)	Acquisition of property, plant and equipment and intangible assets
Associates and joint ventures	Hyosung TNC Corporation	74,935	8,793		57,938	-
	Hyosung Heavy Industries Corporation	102,346	7,570		23,142	21
	Hyosung Chemical Corporation	68,737	-	3	6,921	36
	Hyosung ITX Co., Ltd	2,760	3,291		5,152	219
	Hyosung Vietnam Co., Ltd.	22,770	-		228,959	-
	Hyosung Istanbul TEKSTIL LTD.STI.	474	30,334		95	-
	Others	1,299	-		-	-
	Subtotal	273,321	49,988	3	322,207	276
Others	Galaxia device Co., Ltd.	104	-		5,201	62
	Shin Dong Jin Co., Ltd.	-	-		2,465	-
	Galaxiamoneytree Co., Ltd.	184	-		7,212	-
	HS Hyosung Corporation	2,661	-	5,731	6,300	5
	HS Hyosung Advanced Materials Corporation (*3)	31,841	6,480	7,335	87,951	-
	GST Automotive Safety Components International LLC.	54,312	-		832	-
	HS Hyosung USA, Inc.(*3)	5,018	-		211	-
	Huizhou Galaxia Device Electronics., Co.Ltd.	168	-		34,895	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	112	-		3,983	-
	Hyosung Steel Cord (Qingdao) Co., Ltd.	3,684	-		1,394	-
	Hyosung Japan Co., Ltd.	1,946	-		3,746	-
	Hyosung DongNai Co,LTD	9,379	-		75,192	-
	Hyosung Corporation India Private Limited.	4,553	-		2,409	-
	Hyosung Vina Chemicals Co., Ltd.	267	-		13,727	-
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED	5,867	-		22	-
	VINA ASC AUTOMOTIVE COMPANY LIMITED	46,360	-		216,499	-
	HS Hyosung Quang Nam., Ltd(*3)	2,549	-		546	-
	HS Hyosung Global Logistics Vina Co., Ltd. (*3)	2,065	-		-	-
	Hyosung Europe SRL.	14,846	-		1,637	-
	Hyosung Luxembourg S.A	-	-		3,069	-
Hyosung Spain, S.L.	3,529	-		1,917	-	
Others	10,768	-		7,553	1,025	
	Subtotal	200,213	6,480	13,066	476,761	1,092
	Total (*2)	473,534	56,468	13,069	798,968	1,368

(\*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.

(\*2) The amount expressed as profit or loss from discontinued operations is included.

(\*3) The name has been changed for the year ended December 31, 2024.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**16. Related party transactions (cont'd)**

2023					
	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 TNC Corporation	104,587	8,793	130,463	-
	Hyosung Heavy Industries Corporation	113,654	-	20,164	84
	Hyosung Chemical Corporation	102,817	-	12,666	-
	Hyosung Advanced Materials Corporation	36,475	14,248	162,875	8
	Taebaek Wind Power Co., Ltd.	-	1,645	-	-
	Hyosung ITX Co., Ltd.	2,743	3,290	5,150	1,781
	HYOSUNG INFORMATION SYSTEMS CO., LTD.	715	3,460	416	388
	Hyosung Vietnam Co., Ltd.	1,375	29,420	352,043	-
	Hyosung Istanbul TEKSTIL LTD.STI	417	-	55	-
	Others (*2)	961	630	231	-
	Subtotal	363,744	61,486	684,063	2,261
Others	Galaxia device Co., Ltd	5,547	-	9,267	33
	Galaxiamoneytree Co., Ltd.	634	-	3,642	-
	GST Automotive Safety Components International LLC.	30,252	-	1,490	-
	Huizhou Galaxia Device Electronics., Co.Ltd	4,180	-	28,976	37
	Hyosung Spandex (Jiaxing) Co., Ltd.	138	-	7,263	-
	Hyosung Steel Cord (Qingdao) Co., Ltd.	3,053	-	2,575	-
	Hyosung Japan Co., Ltd.	1,995	-	307	-
	Hyosung Corporation India Private Limited.	3,985	-	2,801	-
	Hyosung DongNai Co,LTD	3,036	-	120,023	-
	Hyosung Quang Nam., Ltd	888	-	22,918	-
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED	33,255	-	131,915	-
	VINA ASC AUTOMOTIVE COMPANY LIMITED	3,486	-	-	-
	Hyosung Europe SRL.	4,791	-	763	-
	Hyosung Luxembourg S.A	1,840	-	11,791	-
	Others	9,899	-	11,621	8
	Subtotal	106,979	-	355,352	78
	Total	470,723	61,486	1,039,415	2,339

(\*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.

(\*2) Including the transactions with Hyosung Toyota Corporation having incurred before the entity's inclusion in the consolidation scope from the classification as an associate due to the additional acquisition of shares in the entity for the year ended December 31, 2023.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**16. Related party transactions (cont'd)**

C. Significant outstanding balances to/from its related parties as of December 31, 2024 and 2023 are as follows (KRW in millions):

December 31, 2024					
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables
Associates and joint ventures	Hyosung TNC Corporation	3,629	99	118	142
	Hyosung Heavy Industries Corporation (*2)	10,481	20,211	10,973	22,282
	Hyosung Chemical Corporation	2,799	1,143	26	237
	Hyosung ITX Co., Ltd.	273	-	12	653
	Hyosung CVC Scaieup Fund I	-	309	-	-
	Hyosung Vietnam Co., Ltd.	107	-	-	-
	Hyosung Istanbul TEKSTIL LTD.STI.	-	21	-	53
	Others	-	-	-	1
	Subtotal	17,289	21,783	11,129	23,368
Others	Galaxia device Co., Ltd	-	-	442	246
	Gongdeok Development Corporation	-	928	-	487
	Shin Dong Jin Co., Ltd.	-	1,187	-	59
	Galaxiamoneytree Co., Ltd.	14	1,064	-	820
	KB Wise Star Private Real Estate fund 11	-	625	-	646
	HS Hyosung Corporation	177	47	225	1,089
	HS Hyosung Advanced Materials Corporation (*3)	3,504	27	675	5,256
	THE KWANGJUILBO	-	7,853	-	33
	HS Hyosung USA Holdings, Inc.(*3)	46	112	-	-
	HS Hyosung USA, Inc.(*3)	938	18	83	-
	Huizhou Galaxia Device Electronics., Co.Ltd.	-	487	1,973	-
	Qingdao Galaxia Device Electronics., Co.Ltd.	-	-	126	-
	Hyosung Steel Cord (Qingdao) Co., Ltd.	2,140	-	158	-
	Hyosung Japan Co., Ltd.	431	-	6	-
	Hyosung Corporation India Private Limited.	2,318	31	-	378
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED	14,799	121	20,233	-
	HYOSUNG T&D INDIA Pvt Ltd	183	4	193	-
	PT.Hyosung Jakarta	-	-	-	218
	Hyosung Europe SRL.	6,681	-	-	171
	Hyosung Spain, S.L.	230	-	-	503
Others	4,426	50	1	160	
	Subtotal	35,887	12,554	24,115	10,066
	Total	53,176	34,337	35,244	33,434

(\*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 20,400 million has been accounted for as intangible assets.

(\*3) The name has been changed for the year ended December 31, 2024.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**16. Related party transactions (cont'd)**

December 31, 2023					
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables
Associates and joint ventures	Hyosung TNC Corporation (*2)	11,006	9,718	5,716	3,790
	Hyosung Heavy Industries Corporation (*3)	19,866	19,250	78	23,736
	Hyosung Chemical Corporation (*4)	15,980	2,107	444	178
	Hyosung Advanced Materials Corporation (*5)	8,081	120	42,575	5,352
	THE KWANGJUILBO	-	7,853	-	55
	Hyosung Vietnam Co., Ltd.	110	-	43,639	-
	Hyosung Istanbul TEKSTIL LTD.STI	-	39	-	5
	Others	632	4	8	751
	Subtotal	55,675	39,091	92,460	33,867
Others	Gongdeok Development Corporation	-	902	-	1,930
	Shin Dong Jin Co., Ltd.	-	1,175	-	677
	Galaxiamoneytree Co., Ltd.	139	1,776	-	811
	KB Wise Star Private Real Estate fund 11	-	610	-	1,185
	GST Automotive Safety Components International LLC.	17,038	-	3,211	-
	Huizhou Galaxia Device Electronics., Co.Ltd	1,162	-	5,004	27
	Hyosung Spandex (Jiaxing) Co., Ltd.	-	-	2,348	-
	Hyosung Corporation India Private Limited.	2,541	31	14	327
	Hyosung DongNai Co,LTD	63	2,336	20,620	-
	Hyosung Quang Nam., Ltd	100	-	4,253	-
	MEGA TECHNOLOGY & SOLUTION VIETNAM COMPANY LIMITED	16,007	1,439	8,091	-
	Hyosung Europe SRL	3,082	833	-	82
	Hyosung Luxembourg S.A	661	-	2,440	-
	Others	5,502	2,250	4,248	366
	Subtotal	46,295	11,352	50,229	5,405
	Total	101,970	50,443	142,689	39,272

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

(\*2) For December 31, 2023, KRW 2,797 million in foreign currency of trade receivables sold by Hyosung TNC Corporation to financial institutions are included as trade payables.

(\*3) The membership on Hyosung Heavy Industries Corporation amounting to KRW 25,200 million has been accounted for as intangible assets.

(\*4) For December 31, 2023, KRW 397 million in foreign currency of trade receivables sold by Hyosung Chemical Corporation to financial institutions are included as trade payables.

(\*5) For December 31, 2023, KRW 36,502 million in foreign currency of trade receivables sold by Hyosung Advanced Materials Corporation to financial institutions are included as trade payables.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**16. Related party transactions (cont'd)**

D. Fund transactions with its related parties for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024						
	Related party	Fund transactions				Cash contribution
		Beginning	Loans	Spin-off	Ending	
Associates	Hyosung Chemical Corporation (*1)	-	200,000	-	200,000	
	Hyosung TNC Corporation	-	-	-	-	4,896
	Hyosung CVC Scaleup Fund I (*2)	-	-	-	-	4,070
	Startup Korea Hyosung Deep Tech Venture Fund (*3)	-	-	-	-	210
Others	THE KWANGJUILBO (*4)	7,853	-	-	7,853	-
	HS Hyosung Advanced Materials Corporation	-	-	-	-	17,200
	HS Hyosung Premier Motors Corporation	660	-	(660)	-	-
	HS Hyosung Autoworks	2,200	-	(2,200)	-	-

(\*1) The Company purchased new bond-type capital securities issued by Hyosung Chemical Corporation for the year ended December 31, 2024 (see Note 8).

(\*2) The Company will pay KRW 5,170 million in additional remaining contract amount by capital call.

(\*3) The Company will pay KRW 20,790 million in additional remaining contract amount by capital call.

(\*4) Provisions for bad debt are recognized in full for loans and accrued income from THE KWANGJUILBO as of December 31, 2024.

2023						
	Related party	Fund transactions				Cash contribution
		Beginning	Loans	Changes in consolidation scope	Ending	
Associates	THE KWANGJUILBO (*1)	7,853	-	-	7,853	-
	Hyosung CVC Scaleup Fund I (*2)	-	-	-	-	1,760
	Hyosung Advanced Materials Corporation	-	-	-	-	19,000
	Hyosung Chemical Corporation	-	-	-	-	50,000
Others	HS Hyosung Premier Motors Corporation	-	-	660	660	-
	Hyosung The premium Co., Ltd.	-	-	2,200	2,200	-

(\*1) Provisions for bad debt are recognized in full for loans from THE KWANGJUILBO as of December 31, 2023.

(\*2) The Company will pay KRW 9,240 million in additional remaining contract amount by capital call.

**16. Related party transactions (cont'd)**

E. Details of compensations paid to key management personnel for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Salaries and other short-term employee benefits	21,085	13,499
Retirement benefits	1,200	1,273
Total	22,285	14,772

F. Payment guarantees provided by the Group for the financial supports to its related parties are described in Note 34.

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

**17. Trade and other payables**

A. Details of trade and other payables as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Trade payables	141,894	345,228
Other payables	252,231	201,223
Subtotal	394,125	546,451
Long-term other payables	17,140	22,293
Total	411,265	568,744

B. Details of other payables as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Other payables		
Non-trade payables	167,322	101,349
Accrued expenses	34,746	43,315
Withholdings	42,689	54,666
Deposits withheld	7,474	1,893
Subtotal	252,231	201,223
Long-term other payables		
Non-trade payables	4,153	3,296
Accrued expenses	739	1,045
Deposits withheld	12,248	17,952
Subtotal	17,140	22,293
Total	269,371	223,516

**17. Trade and other payables (cont'd)**

C. Supplier finance arrangements

The Group has established a supplier finance arrangement that is offered to some of the Group's key suppliers in the Republic of Korea. Participation in the arrangement is at the suppliers' own discretion. Suppliers that participate in the supplier finance arrangement will receive early payment on invoices sent to the Group from the Group's external finance provider.

If suppliers choose to receive early payment, they pay a fee to the finance provider, to which the Group is not party. In order for the finance provider to pay the invoices, the goods must have been received or supplied and the invoices approved by the Group.

Payments to suppliers ahead of the invoice due date are processed by the finance provider and, in all cases, the Group settles the original invoice by paying the finance provider in line with the original invoice maturity date described above. Payment terms with suppliers have not been renegotiated in conjunction with the arrangement. The Group provides no security to the finance provider. All trade payables subject to the supplier finance arrangement are included in trade and other payables in the consolidated statement of financial position and within trade payables in the table above. The Group's payment terms for trade payables covered by the arrangement are identical to the payment terms for other trade payables.

Details of supplier finance arrangements are as follows (KRW in millions):

	2024
The carrying amount of financial liabilities	
Trade and other payables that are part of the supplier finance arrangements	8,647
Of which suppliers have received payment	638
Range of payment date	
Trade and other payables that are part of the supplier finance arrangements	10~90 days
Trade and other payables that are not part of the supplier finance arrangements	5~90 days

(\*1) In accordance with a transitional exemption under the amendments to KIFRS 1007 *Supplier Finance Arrangement*, it is not required to disclose comparative information if the reporting period presented begins on or before January 1, 2024.

There were no significant non-cash changes in the carrying amount of the trade payables included in the Group's supplier finance arrangement.

**18. Borrowings**

A. Details of borrowings as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Current liabilities		
Short-term borrowings	480,043	798,300
Current portion of long-term borrowings	300,187	167,327
Subtotal	780,230	965,627
Non-current liabilities		
Long-term borrowings	54,609	158,672
Total	834,839	1,124,299

B. Details of short-term borrowings as of December 31, 2024 and 2023 are as follows (KRW in millions):

	Creditor	Interest rate (%)	December 31, 2024	December 31, 2023
General loan	Woori Bank and others	4.30 ~ 7.00	37,871	281,590
Collateralized borrowings (*1)	Woori Bank and others	-	140,698	136,584
Short Term Bond	KB securities	4.93 ~ 5.30	89,000	89,000
Others	Woori Bank and others	3.00 ~ 7.16	212,474	291,126
Total			480,043	798,300

(\*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 Notes 7 and 34).

**18. Borrowings (cont'd)**

C. Details of long-term borrowings as of December 31, 2024 and 2023 are as follows (KRW in millions):

	Creditor	Interest rate (%)	December 31, 2024	December 31, 2023
<Hyosung Corporation>				
Long-term borrowings denominated in KRW	Korea Energy Co	0.75	355	491
<Subsidiaries>				
Long-term borrowings denominated in KRW	Hanwha Life Insurance and others	4.76 ~ 5.30	229,000	237,000
Long-term borrowings denominated in foreign currency	The Export-Import Bank of Korea and others	6.46 ~ 6.67	125,441	88,540
Total			354,796	326,031
Less: Current portion			(300,187)	(167,327)
Present value discounts			-	(32)
Total			54,609	158,672

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 34).

**19. Government grants**

A. The Group is currently engaged in research and development under the development agreements with project partners such as the Korea Institute for Advancement of Technology (KIAT), related to the development of 6K high-elasticity carbon fiber and intermediate materials, as well as various other national research projects.

B. The balance of government grants related to assets as of December 31, 2024 is KRW 3,842 million (KRW 6,674 million in 2023), and the balance of government grants related to liabilities to be repaid is KRW 4,532 million (KRW 3,131 million in 2023).

**20. Retirement benefits**

A. Defined contribution plan

The expense recognized in relation to retirement benefit plans under defined contribution plans for the year ended December 31, 2024 is KRW 3,450 million (KRW 2,414 million in 2023).

B. Defined benefit plan

(1) Details of net defined benefit liabilities for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations	202,514	209,011
Fair value of plan assets (*1)	(201,218)	(223,264)
Net defined benefit liabilities (Assets)	1,296	(14,253)

(\*1) The contributions to the National Pension Fund of KRW 77 million are included in the fair value of plan assets as of December 31, 2024 (KRW 85 million in 2023).

(2) Changes in defined benefit obligations for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Beginning	209,011	191,347
Current service costs	21,122	21,141
Interest expenses	5,570	6,114
Service cost of the past period and adjustment	2,277	1,757
Benefits paid	(38,638)	(14,580)
Remeasurements:		
- Changes in demographical assumptions	(584)	23
- Changes in financial assumptions	7,521	7,576
- Experience adjustments	6,441	(6,387)
Transfer from (to) affiliates, net	(1,927)	618
Change in scope of consolidation	-	1,402
Spin-off	(8,279)	-
Ending	202,514	209,011

**20. Retirement benefits (cont'd)**

(3) Changes in the fair values of plan assets for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Beginning	223,264	223,570
Interest income	8,841	11,489
Employer's contributions	19,960	2,357
Benefits paid	(39,789)	(15,304)
Remeasurements	(1,667)	(1,003)
Transfer from (to) affiliates, net	(1,624)	775
Change in scope of consolidation	-	1,380
Spin-off	(7,767)	-
Ending	201,218	223,264

(4) Details of plan assets as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Deposits	101,903	122,172
Debt instruments	92,364	71,995
Cash and cash equivalents	6,951	29,097
Total	201,218	223,264

(5) The significant actuarial assumptions as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Discount rate	3.17%~4.55%	2.09%~4.69%
Salary increase rate	0.70%~4.50%	1.33%~4.80%

(6) The sensitivity analysis on 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	(9,298)	10,560
Salary increase rate	1.0% increase/decrease	10,550	(9,469)

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 1.28 years – 12.60 years as of December 31, 2024.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**21. Other liabilities**

A. Details of other liabilities as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
<b>Other current liabilities</b>		
Advances received	114,914	124,222
Unearned revenues	524	7,007
Provision	8,705	10,045
Due to customers for contract work	99	97
Subtotal	124,242	141,371
<b>Other non-current liabilities</b>		
Long-term advances	8,771	7,576
Long-term unearned revenues	2,115	2,150
Provision	3,111	4,382
Subtotal	13,997	14,108
Total	138,239	155,479

B. Changes in provisions for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024						
	Beginning	Additional provisions	Utilization	Spin-off	Others (*1)	Ending
Provision for construction warranties	1,060	1,026	(831)	-	-	1,255
Provision for product warranties	8,818	22,368	(20,430)	(154)	(722)	9,880
Provision for litigations	3,868	-	(3,868)	-	-	-
Other provisions	681	7	-	(7)	-	681
Total	14,427	23,401	(25,129)	(161)	(722)	11,816

(\*1) Including the effect of exchange rate fluctuations, etc.

2023					
	Beginning	Additional provisions	Utilization	Others (*1)	Ending
Provision for construction warranties	1,037	1,071	(934)	(114)	1,060
Provision for product warranties	11,362	6,071	(8,426)	(189)	8,818
Provision for litigations	-	3,868	-	-	3,868
Other provisions	93	6	-	582	681
Total	12,492	11,016	(9,360)	279	14,427

(\*1) Including the effect of exchange rate fluctuations, etc.

## 22. Share capital

A. Details of share capital as of December 31, 2024 and 2023 are as follows:

Description	December 31, 2024	December 31, 2023
Type of shares	Common stock	Common stock
Total number of authorized shares	200,000,000	200,000,000
Par value (in Korean won)	5,000	5,000
Number of shares issued	16,740,407	21,071,025
Common stock capital (KRW in millions)	86,725	105,355

(\*1) For the year ended December 31, 2024, the Company conducted a capital reduction through the retirement of 604,691 treasury shares using retained earnings. As a result, the number of issued common shares multiplied by the par value per share do not match the common stock capital.

(\*2) Changes in the number of shares and capital occurred due to the spin-off for the year ended December 31, 2024.

B. Details of retained earnings as of December 31, 2024 and 2023 are as follows (KRW in millions):

	Description	December 31, 2024	December 31, 2023
Legal reserves	Earned profit reserves (*1)	75,670	75,670
Discretionary reserves	Facility reserves	6,259,000	6,322,000
Unappropriated retained earnings		334,602	(78,593)
Total		6,669,272	6,319,077

(\*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).

**22. Share capital (cont'd)**

C. Other components of equity as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Other capital surplus	293,624	317,086
Treasury share (*1)	(1,152)	(42,119)
Gain on disposal of treasury shares (*1)	153,438	186,581
Losses on capital reduction (*2)	(5,425,833)	(4,816,959)
Other capital adjustments	(2,225)	(2,225)
Loss on valuation of financial assets at FVOCI	(95,790)	(129,506)
Equity adjustment in equity method	107,087	61,378
Gain on valuation of derivatives	613	613
Cumulative effect of foreign currency translation	876	14,193
<b>Total</b>	<b>(4,969,362)</b>	<b>(4,410,958)</b>

(\*1) The Company retired 604,691 shares of treasury stock it held and recognized a gain on disposal of treasury stock of KRW 10,504 million from the disposal of the remaining 556,930 shares. In addition, for the year ended December 31, 2024, the Company acquired 22,803 fractional shares through the spin-off.

(\*2) The Company recognized the difference between the carrying amount and fair value of non-cash assets to be distributed to the shareholders as a result of the spin-off as gains on disposal of discontinued operation. In this regard, losses on capital reduction include the decrease in other equity contributed.

**23. Revenue**

Details of revenue for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Service sales	560,165	526,442
Sales of merchandise/ finished goods	1,399,691	1,148,084
Share of profit of associates under equity method	149,569	21,727
Others	163,331	150,954
<b>Total</b>	<b>2,272,756</b>	<b>1,847,207</b>

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**24. Revenue from contracts with customers**

A. Revenues generated from contracts with customers for each of the two years in the period ended December 31, 2024 are classified as follows (KRW in millions):

2024							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Service	101,330	473,734	-	-	-	(14,899)	560,165
Merchandise/ Finished goods	107,437	868,824	231,747	191,533	241	(91)	1,399,691
Others	61,513	45,941	4,532	26,849	2,106	(14,579)	126,362
Total (*1)	270,280	1,388,499	236,279	218,382	2,347	(29,569)	2,086,218
Domestic	270,280	503,295	236,279	218,382	2,346	(29,478)	1,201,104
North and Central America	-	572,529	-	-	-	-	572,529
Asia	-	41,210	-	-	-	-	41,210
Europe	-	271,465	-	-	-	(91)	271,374
Others	-	-	-	-	1	-	1
Total (*1)	270,280	1,388,499	236,279	218,382	2,347	(29,569)	2,086,218
At a point in time	107,437	868,824	231,747	217,252	241	(91)	1,425,410
Over a period of Time	162,843	519,675	4,532	1,130	2,106	(29,478)	660,808
Total (*1)	270,280	1,388,499	236,279	218,382	2,347	(29,569)	2,086,218

(\*1) Share of profit of associates under equity method of KRW 149,569 million and operating lease income of KRW 36,969 million that are not covered by KIFRS 1115 are excluded from the revenue.

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

2023							
	Holdings	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Service	100,406	440,411	-	-	-	(14,375)	526,442
Merchandise/ Finished goods	106,215	621,241	224,973	195,515	295	(155)	1,148,084
Others	56,796	43,792	648	26,544	2,146	(13,292)	116,634
Total (*1)	263,417	1,105,444	225,621	222,059	2,441	(27,822)	1,791,160
Domestic	263,417	406,980	225,621	222,059	2,419	(27,676)	1,092,820
North and Central America	-	482,546	-	-	-	-	482,546
Asia	-	35,274	-	-	-	-	35,274
Europe	-	180,644	-	-	-	(146)	180,498
Others	-	-	-	-	22	-	22
Total (*1)	263,417	1,105,444	225,621	222,059	2,441	(27,822)	1,791,160
At a point in time	106,215	620,052	224,973	220,248	295	(155)	1,171,628
Over a period of Time	157,202	485,392	648	1,811	2,146	(27,667)	619,532
Total (*1)	263,417	1,105,444	225,621	222,059	2,441	(27,822)	1,791,160

(\*1) Share of profit of associates under equity method of KRW 21,727 million and operating lease income of KRW 34,320 million that are not covered by KIFRS 1115 are excluded from the revenue.

**B. Information about major customers**

The Group do not have any external customers from whom the revenue accounts for 10% or more of the Group's total revenues for each of the two years in the period ended December 31, 2024.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**25. Selling and administrative expenses**

Details of the selling and administrative expenses for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Salaries and wages	82,417	86,167
Bonus	23,173	11,241
Retirement benefits	18,482	7,176
Employee welfare	15,975	15,067
Depreciation	31,028	32,286
Amortization	1,700	1,882
Utilities	2,876	2,825
Export	8,861	7,680
Service	9,434	10,065
Commission	16,194	12,003
Travel	5,860	6,540
Vehicle maintenance	1,287	1,619
Taxes and dues	6,951	7,919
Rents	3,902	3,797
Bad debt expenses	2,199	2,656
Repairs	1,758	1,648
Supplies	1,264	1,388
Samples	475	917
Entertainment	5,500	5,827
Meetings	1,013	1,152
Sales promotion	3,258	3,327
Advertisement	10,864	12,301
Insurance premium	3,764	3,724
Post-service fee	18,192	8,298
Others	7,718	6,570
Total	284,145	254,075

**26. Classification of expense by nature**

Details of cost of sales, selling and administrative and research and development expenses by nature for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Changes in inventories of finished goods and work in process and others	(784,713)	(608,423)
Changes in merchandise	1,391,742	1,557,854
Raw materials and consumables used	1,012,496	1,053,546
Salaries and wages	376,240	373,195
Retirement benefits	35,174	22,071
Employee welfare	52,156	52,481
Depreciation and amortization	108,325	108,621
Electricity (utility) expense	22,834	27,069
Service expenses	36,310	38,065
Outsourcing expenses	115,529	134,696
Commission	97,881	94,262
Advertisement	29,342	34,650
Shipping expenses	154,941	258,869
Other	229,874	195,365
Adjustments for profit (loss) from discontinued operations	(826,508)	(1,552,772)
Total (*1)	2,051,623	1,789,549

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

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**27. Other income and expenses**

Details of other income and expenses for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Other income		
Rental income	213	162
Dividend income	1,762	1,389
Gains on disposal of property, plant and equipment	5,257	4,782
Gains on disposal of right-of-use assets	39	178
Gains on disposal of intangible assets	3,657	-
(Reversal of) Loss on impairment of intangible assets	-	23
Gains on disposal of investment securities in associates	-	980
Miscellaneous income, etc.	7,967	11,407
Subtotal	18,895	18,921
Other expenses		
Donation	739	1,778
Loss on disposal of property, plant and equipment	66	287
Loss on disposal of intangible assets	95	-
Loss on right-of-use assets	20	3
Loss on impairment of intangible assets	-	3
Other bad debt expense	-	1
Loss on disposal of investment securities in associates	-	12
Miscellaneous losses, etc.	5,580	9,839
Subtotal	6,500	11,923
Net other income	12,395	6,998

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**28. Finance income and expenses**

Details of finance income and expenses for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Finance income		
Interest income	15,175	12,982
Gain on foreign currency transactions	46,237	39,601
Gain on foreign currency translation	73,035	97,593
Gain on disposition of financial assets	2	7
Gain on valuation of financial assets	3,527	11,410
Gain on derivative transactions	962	3,754
Gain on valuation of derivatives	767	969
Subtotal	139,705	166,316
Finance expenses		
Interest expenses	69,085	66,068
Loss on foreign currency transactions	44,222	30,812
Loss on foreign currency translation	65,643	108,532
Loss on disposition of financial assets	-	1
Loss on valuation of financial assets	2,443	1,275
Loss on derivative transactions	4,166	3,133
Loss on valuation of derivatives	3,722	676
Loss on disposal of trade receivables	2,072	2,402
Subtotal	191,353	212,899
Net finance expenses	(51,648)	(46,583)

**29. Income tax expense (income) and deferred tax**

A. Income tax expenses (income) for each of the two years in the period ended December 31, 2024 consists of the followings (KRW in millions):

	2024	2023
Current tax on profit for the year	20,170	18,383
Adjustments in respect for the prior years	(2,523)	3,250
Origination and reversal of temporary differences	(3,635)	2,583
Income tax added to or subtracted from equity	351	(186)
Income tax expenses	14,363	24,030
- Continued operating income tax expenses	13,274	27,423
- Discontinued operating income tax expenses (income)	1,089	(3,393)

B. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to its profits as follows (KRW in millions):

	2024	2023
Profit before income tax	498,621	23,592
Income tax expense calculated at the tax statutory at each jurisdiction	121,120	5,279
Tax effects of:		
Income not subject to tax	(2,699)	(1,262)
Expenses not deductible for tax purposes	2,335	2,170
Adjustment in respect of prior years	(2,523)	3,250
Tax credits	(282)	(268)
Increase (decrease) in unrecognized deferred tax	352	(26)
Impact of change in tax rate arising from temporary difference	(29,258)	10,710
Spin-of effect	(74,389)	-
Others	(293)	4,177
Income tax expenses	14,363	24,030
Effective tax rate	2.9%	101.9%
- Continued operating income tax expenses	13,274	27,423
- Discontinued operating income tax expenses (income)	1,089	(3,393)

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

C. The tax effects relating to components of other comprehensive income (loss) for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024			2023		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of financial assets FVOCI	7,181	(1,505)	5,676	(2,387)	374	(2,013)
Remeasurement of defined benefit obligations	(14,489)	3,297	(11,192)	(2,047)	486	(1,561)
Equity adjustments using equity method	94,965	(9,285)	85,680	4,960	(1,358)	3,602
Retained earnings of equity method	(10,935)	521	(10,414)	(4,587)	186	(4,401)
Gain on disposal of treasury shares	13,279	(2,775)	10,504	-	243	243
Capital surplus	-	-	-	-	16	16
Gain (loss) on translation of foreign operations	21,508	(3,386)	18,122	4,260	(133)	4,127
Spin-off	(808,066)	13,484	(794,582)			
Total	(696,557)	351	(696,206)	199	(186)	13

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

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

D. The movements in deferred tax assets and liabilities for each of the two years in the period ended December 31, 2024, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows (KRW in millions):

2024					
	Beginning	Statement of profit or loss	Other comprehensive income (loss)	Spin-off	Ending
Revaluation surplus of land	(90,955)	148	-	-	(90,807)
Investments in subsidiaries and associates	(150,473)	(13,332)	(8,764)	13,573	(158,996)
Pension plan assets	(26,637)	(399)	1,777	1,636	(23,623)
Defined benefit obligations	25,871	(1,985)	1,520	(1,604)	23,802
Available-for-sale financial assets	871	1,337	(1,505)	-	703
Allowance for doubtful accounts	1,083	(214)	-	(17)	852
Government grants	723	323	-	-	1,046
Loss on valuation of inventories	1,733	(548)	-	-	1,185
Loss on impairment of property, plant and equipment	3,632	(166)	-	(6)	3,460
Accrued expenses associated with annual leave	1,857	136	-	(45)	1,948
Account payables to long-term service employees	143	25	-	(12)	156
Others	(10,585)	8,933	(6,161)	(10)	(7,823)
Subtotal	(242,737)	(5,742)	(13,133)	13,515	(248,097)
Unused taxable deficit	742	1,724	-	-	2,466
Total	(241,995)	(4,018)	(13,133)	13,515	(245,631)
Deferred tax assets	44,968				44,853
Deferred tax liabilities	(286,963)				(290,484)

2023					
	Beginning	Statement of profit or loss	Other comprehensive income (loss)	Change in consolidation scope	Ending
Revaluation surplus of land	(91,349)	394	-	-	(90,955)
Investments in subsidiaries and associates	(137,862)	(11,439)	(1,172)	-	(150,473)
Pension plan assets	(25,824)	(807)	282	(288)	(26,637)
Defined benefit liabilities	23,796	1,579	203	293	25,871
Available-for-sale financial assets	2,150	(1,653)	374	-	871
Allowance for doubtful accounts in excess of tax limit	731	335	-	17	1,083
Government grants	1,833	(1,110)	-	-	723
Loss on valuation of inventories	1,364	369	-	-	1,733
Loss on impairment of property, plant and equipment	3,743	(115)	-	4	3,632
Accrued expenses associated with annual leave	1,834	23	-	-	1,857
Account payables to long-term service employees	143	-	-	-	143
Others	(25,209)	14,235	127	262	(10,585)
Subtotal	(244,650)	1,811	(186)	288	(242,737)
Unused taxable deficit	72	670	-	-	742
Total	(244,578)	2,481	(186)	288	(241,995)
Deferred tax assets	24,798				44,968
Deferred tax liabilities	(269,376)				(286,963)

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

E. Details of temporary differences without deferred tax assets as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Temporary difference	191,403	194,570
Unused tax deficit	45,884	42,792
Total	237,287	237,362

F. As of December 31, 2024 and 2023, there is no temporary difference to be added that is not recognized as deferred tax liabilities.

G. Global Minimum Tax (Pillar Two) legislations have been enacted or substantially enacted in some of the jurisdictions in which the Group's constituent companies operate. These Pillar Two legislations have been implemented for the Group's fiscal year beginning on January 1, 2024. The Group has assessed its potential exposure to Pillar Two income tax for the fiscal year ending on December 31, 2024, as it is within the scope of the Pillar Two legislations enacted or substantially enacted. The assessment of potential exposure to Pillar Two income tax is based on the most recent tax returns, country-by-country reports and financial statements of the Group's constituent companies. As a result of the assessment, the effective tax rate in all jurisdictions in which the Group's constituent companies operate exceeds 15%, and therefore, there is no potential exposure to Pillar Two income tax. Accordingly, the Group has not recognized any amount of income tax expense in the current period in relation to Pillar Two income tax. In addition, the Group does not recognize deferred tax assets and liabilities and does not disclose information about them by applying the exception provisions for recognition and disclosure of deferred tax assets and liabilities related to Pillar Two.

### 30. Earnings per share

A. Basic earnings per share for each of the two years in the period ended December 31, 2024 are computed as follows (KRW in millions, except for number of shares and earnings per share):

	2024	2023
Profit for the year attributable to ordinary share	453,158	68
Profit (loss) for the year from continuing operations	137,714	(8,844)
Profit for the year from discontinued operations	315,444	8,912
Weighted average number of ordinary shares outstanding	18,337,459 shares	19,909,404 shares
Earnings per share (in KRW)		
Basic earnings per share	24,712	3
Earnings per share for continuing operations	7,510	(445)
Earnings per share for discontinued operations	17,202	448

B. The weighted average number of ordinary shares for each of the two years in the period ended December 31, 2024 is as follows (in shares):

	2024			2023		
	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding
Beginning	19,909,404	366 days / 366 days	19,909,404	19,909,404	365 days / 365 days	19,909,404
Disposition of treasury shares	556,930	204 days / 366 days	310,420	-	-	-
Changes through spin-off	(3,725,927)	184 days / 366 days	(1,873,144)	-	-	-
Purchase of treasury shares	(22,803)	148 days / 366 days	(9,221)	-	-	-
Ending	16,717,604		18,337,459	19,909,404	365 days / 365 days	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, 2024.

### 31. Dividends

KRW 59,728 million (KRW 3,000 per share) for the year ended December 31, 2024 and KRW 89,592 million (KRW 4,500 per share) for the year ended December 31, 2023, respectively.

A dividend in respect for the year ended December 31, 2024, of KRW 3,000 per share, amounting to a total dividend of KRW 50,153 million, is to be proposed to shareholders at the annual general meeting to be held on March 21, 2025. These consolidated financial statements do not reflect this dividend payable.

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**32. Cash generated from operation**

A. Details of the adjustment of non-cash items for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions)

	2024	2023
Income tax expense	14,363	24,030
Dividend income	(1,762)	(1,389)
Gain on disposal of property, plant, equipment	(5,464)	(4,795)
Gain on disposal of intangible assets	(3,657)	-
Loss on disposal of property, plant, equipment	66	678
Loss on disposal of intangible assets	95	-
Interest income	(15,895)	(14,261)
Gain on foreign currency translation	(76,562)	(99,718)
Gain on disposal of financial assets	(2)	(7)
Gain on valuation of financial assets	(3,527)	(11,410)
Gain on valuation of derivatives	(767)	(969)
Interest expenses	76,938	85,942
Loss on foreign currency translation	69,771	110,664
Loss on valuation of financial assets	2,443	1,275
Loss on disposal of accounts receivable	7,702	-
Loss on valuation of derivatives	3,722	676
Depreciation of property, plant, equipment	90,366	90,974
Amortization of intangible assets	9,890	9,628
Depreciation of investment properties	8,068	8,154
Bad debt expense	3,727	3,141
Additional provisions	23,401	11,016
Loss on valuation of inventories	7,360	14,948
Retirement benefits	20,128	17,523
Share of profit of associates under equity method	(158,104)	(41,123)
Gain on disposal of investment securities on associates	-	(1,052)
Gain on disposal of discontinued operations	(307,737)	-
Others	835	(487)
Total	(234,602)	203,438

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**32. Cash generated from operation (cont'd)**

B. Details of the working capital adjustments for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Trade receivables	26,164	7,487
Other receivables	11,104	(4,410)
Inventories	19,441	118,655
Other current financial assets	121,830	85,309
Other assets	(16,920)	2,628
Trade payables	36,345	21,182
Other payables	79,697	(2,283)
Other liabilities	13,530	(8,319)
Provision	(26,619)	(8,726)
Contributions to plan assets	19,829	12,947
Retirement benefits paid	(38,638)	(14,580)
Total	245,763	209,890

C. Details of significant transactions not involving cash inflows and outflows for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Transfer from construction-in-progress and machinery in transit to related property, plant and equipment	43,726	35,228
Increase in right-of-use assets due to increased lease liabilities	42,114	51,426
Decrease (Increase) in other payables related to acquisition of property, plant and equipment	(589)	3,822
Current portion of long-term borrowings.	296,413	16,738
Write-off of account receivables	(2,039)	-
Retirement of treasury shares	21,926	-
Net assets succeeded to the entity newly established through the spin-off	462,445	-
Remeasurements of net defined benefit liabilities	15,045	2,213

**Hyosung Corporation and its subsidiaries**  
**Notes to the consolidated financial statements**  
**December 31, 2024 and 2023**

**32. Cash generated from operation (cont'd)**

D. Changes in liabilities arising from financing activities for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024							
	Beginning	Cash flows	Transfer to current portion	New lease	Others (*1)	Spin-off	Ending
Short-term borrowings and current portion of long-term borrowings	965,627	(365,666)	296,413	-	88,813	(204,958)	780,229
Long-term borrowings	158,672	190,408	(296,413)	-	1,942	-	54,609
Lease liabilities	161,279	(34,020)	-	37,556	(9,606)	(10,391)	144,818
Total	1,285,578	(209,278)	-	37,556	81,149	(215,349)	979,656

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

2023						
	Beginning	Cash flows	Transfer to current portion	New lease	Others (*1)	Ending
Short-term borrowings and current portion of long-term borrowings	1,085,634	(139,959)	16,738	-	3,214	965,627
Long-term borrowings	159,693	11,840	(16,738)	-	3,877	158,672
Lease liabilities	135,244	(35,142)	-	49,623	11,554	161,279
Total	1,380,571	(163,261)	-	49,623	18,645	1,285,578

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

### 33. Financial risk management

#### 33.1 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 addressed in accordance with policies approved by the Executive Management Committee within the Board of Directors. The Executive Management Committee is responsible for reviewing the Group's documented policies in its comprehensive risk management as well as specified areas on foreign rate risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investments in excess of liquidity.

#### 33.1.1 Market risk

##### (1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar, Euro and Japanese yen. 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.

Financial assets and financial liabilities, denominated in foreign currencies, are converted into KRW as of December 31, 2024 and 2023 as follows (KRW in millions):

Foreign currency	December 31, 2024		December 31, 2023	
	Financial assets in foreign currencies	Financial liabilities in foreign currencies	Financial assets in foreign currencies	Financial liabilities in foreign currencies
USD	308,178	(180,558)	183,738	(153,099)
EUR	40,793	(27,193)	27,147	(26,090)
JPY	45,393	(1,044)	45,429	(988)
Others	6,006	(14,445)	2,922	(8,222)
Total	400,370	(223,240)	259,236	(188,399)

### 33. Financial risk management (cont'd)

#### 33.1 Financial risk management factor (cont'd)

##### 33.1.1 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 impacts of increased/decreased KRW on the Group's pre-tax profits for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

Currency		Impact on pre-tax profit	
		2024	2023
US Dollar	Strengthened	12,762	3,064
	Weakened	(12,762)	(3,064)
EURO	Strengthened	1,360	106
	Weakened	(1,360)	(106)
JPY	Strengthened	4,435	4,444
	Weakened	(4,435)	(4,444)
Others	Strengthened	(844)	(530)
	Weakened	844	530

##### (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 FVPL or 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 impacts of increases/decreases of the stock price on the Group's equity as of December 31, 2024 and 2023 are as follows (KRW in millions):

	2024	2023
Increase	4,021	3,143
Decrease	(4,021)	(3,143)

### 33. Financial risk management (cont'd)

#### 33.1 Financial risk management factor (cont'd)

##### (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 each of the two years in the period ended December 31, 2024. 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).

	2024	2023
Increase	(6,998)	(7,760)
Decrease	6,998	7,760

##### 33.1.2 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, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Cash and cash equivalents(*1)	102,417	145,081
Trade and other receivables	386,864	599,317
Other financial assets	5,923	143,808
Long-term trade and other receivables	22,968	30,755
Other non-current financial assets	397,303	199,175
Financial guarantee contracts(*2)	687,078	444,069

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

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

### 33. Financial risk management (cont'd)

#### 33.1 Financial risk management factor (cont'd)

##### 33.1.3 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, 2024 and 2023 are as follows (KRW in millions):

December 31, 2024				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables (*1)	375,670	18,731	-	394,401
Borrowings (*2)	801,829	55,314	-	857,143
Lease liabilities (*2)	39,973	49,132	87,103	176,208
Derivative liabilities	3,526	-	-	3,526
<b>Total</b>	<b>1,220,998</b>	<b>123,177</b>	<b>87,103</b>	<b>1,431,278</b>

(\*1) Long-term trade payables and other payables are included.

(\*2) The expected future interest expenses are included and based on before present value discount.

December 31, 2023				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables (*1)	525,084	23,934	-	549,018
Borrowings (*2)	999,884	169,789	-	1,169,673
Lease liabilities (*2)	44,497	57,030	90,764	192,291
Derivative liabilities	351	-	-	351
<b>Total</b>	<b>1,569,816</b>	<b>250,753</b>	<b>90,764</b>	<b>1,911,333</b>

(\*1) Long-term trade payables and other payables are included.

(\*2) The expected future interest expenses are included and based on before present value discount.

The Group's trading portfolio derivative instruments have been included at their fair value of KRW 3,526 million (KRW 351 million in 2023) 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 34).

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.

### 33. Financial risk management (cont'd)

#### 33.2 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 as of December 31, 2024 and 2023 are as follows (KRW in millions):

	December 31, 2024	December 31, 2023
Total borrowings	834,839	1,124,299
Less: cash and cash equivalents	(108,875)	(147,662)
Net debt (A)	725,964	976,637
Total equity (B)	2,504,439	2,776,232
Gearing ratio (A/B)	28.99%	35.18%

### 34. 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, 2024.

#### 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 783,150 million.

The Group entered into trade receivables discount agreements with a limit of KRW 422,147 million as of December 31, 2024.

In addition, the Group entered into agreements as follows for the Gyeongui Line Gongdeok Station Complex Facility Development Project. (KRW in millions)

Borrower	Creditor	Details	Contract amount	Execution amount	Expiration date (*1)
Gongdeok Gyeongwoo Development Corporation	New Star Gongdeok 3rd Co.,Ltd	PF loan agreement	89,000	89,000	Feb. 21, 2025
Gongdeok Gyeongwoo Development Corporation	Kookmin Bank	Real estate mortgage loan	79,000	79,000	Feb. 27, 2025

(\*1) The expiration of the agreement has been extended due to events after the reporting period (Note 38).

**34. Contingencies and commitments (cont'd)**

C. Guarantees provided for others

The Group has provided payment guarantees amounting to \$65,000 thousands and \$262,800 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 payment guarantees of \$98,500 thousands and \$36,000 for its other related parties, HS Hyosung USA Holdings, Inc. and HS Hyosung USA, Inc.

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	19,072
	INR	1,042,268
	EUR	848
	USD	2,542

D. Other commitments

The Group entered into the agreements with Woori Bank in relation to the borrowings of Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd., one of the subsidiaries, amount to KRW 150,000 million for the year ended December 31, 2024 (KRW 150,000 million in 2023). The Group has an obligation against Woori Bank to purchase the specific real estate located in Gangnam-gu, Seoul at fair value in case of shortfalls of funds required 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 Company 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, Hyosung Chemical Corporation and HS Hyosung corporation. The Company 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, 2024 is KRW 54,989 million (KRW 51,715 million in 2023).

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.

**34. Contingencies and commitments (cont'd)**

E. Guarantees provided by others

Details of guarantees provided by others as of December 31, 2024 are as follows (KRW in millions):

Guarantor	Details of guarantees	Guaranteed amounts
The Export-Import Bank of Korea, Woori bank etc.	Performance guarantee for contracts	88,494
Machinery Financial Cooperative	Warranty deposit for delivery contracts	67,947
Seoul Guarantee Insurance Company	Warranty deposit for delivery contracts	21,621
Korea Software Financial Cooperative	Performance guarantee for contracts	170,092
Construction Guarantee Cooperative	Performance guarantee for contracts	18,005

F. Assets pledged as collaterals

(1) Details of the Group's assets pledged as collaterals as of December 31, 2024 are as follows (KRW in millions, USD in thousands):

Pledged assets	Currency	Carrying amount	Amount of borrowing	Maximum pledge amount	Lien
Cash and Cash equivalents	KRW	91	79,000	86,900	Kookmin Bank and others
Investment property	KRW	137,317		94,800	Kookmin Bank
Inventories	KRW	17,135	17,135	17,135	Meritz Capital
Trade receivables	KRW	140,698	140,698	140,698	Woori Bank and others
Other financial assets	KRW	3,096	-	3,096	Machinery Financial Cooperative
Property, plant and equipment, etc.	KRW	448,166	-	512,956	KDB

(2) 1,302,000 shares of PyeongChang Wind Power Co., Ltd. owned by the Group was provided as collateral for the borrowings KRW 31,157 million of PyeongChang Wind Power Co., Ltd. As of December 31, 2024. 449,521 shares of Suncheon Eco Green Corporation owned by the Group was provided as collateral for the borrowings KRW 20,767 million of Suncheon Eco Green Corporation as of December 31, 2024. Also, 880,000 shares of Gongdeok Gyeongwoo Development Corporation owned by the Group was provided as collateral for the borrowings KRW 79,000 million of Gongdeok Gyeongwoo development Corporation as of December 31, 2024.

G. Pending lawsuits

Details of pending lawsuits as of December 31, 2024 are as follows (KRW in millions):

	Number of lawsuits	Claim amount	Description
Lawsuit as a dependent	15	47,178	Claims for damages
Lawsuit as a plaintiff	8	10,887	Administrative litigation on cancellation of income tax levy

The outcome of the above cases cannot yet be estimated as of December 31, 2024. Accordingly, no provision for potential losses arising from the claims was reflected in the consolidated financial statements.

**35. Information on non-controlling interests**

A. Changes in accumulated non-controlling interests

The profits or losses allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

2024			
Subsidiary	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
HYOSUNG TNS INC.	45.98%	8,842	129,588
Hyosung Investment & Development Corporation.	41.25%	22,898	228,384

Dividends paid to the non-controlling interests were KRW 14,520 million for the year ended December 31, 2024.

2023			
Subsidiary	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
HYOSUNG TNS INC.	45.98%	(11,768)	118,945
Hyosung Investment & Development Corporation	41.25%	12,719	196,961
Hyosung Toyota Corporation	40%	-	4,419

Dividends paid to the non-controlling interests were KRW 35,475 million for the year ended December 31, 2023.

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

2024		
	HYOSUNG TNS INC.	Hyosung Investment & Development Corporation.
<Summarized statements of financial position>		
Current assets	660,927	3,318
Non-current assets	412,821	689,082
Current liabilities	692,115	4,002
Non-current liabilities	100,065	2,817
<Summarized statements of comprehensive income>		
Revenues	1,387,191	446
Profit for the year	18,799	54,667
Total comprehensive income	23,591	110,532
<Summarized statements of cash flows>		
Cash flows from operating activities	256,224	25,931
Cash flows from investing activities	(7,693)	10,000
Cash flows from financing activities	(240,319)	(35,200)
Effects of exchange rate changes	(1,874)	-
Increase in cash and cash equivalents	6,338	731

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

2023			
	HYOSUNG TNS INC.	Hyosung Investment & Development Corporation	Hyosung Toyota Corporation.
<Summarized statements of financial position>			
Current assets	691,100	12,825	9,848
Non-current assets	410,367	592,725	14,356
Current liabilities	732,770	1,903	6,325
Non-current liabilities	110,717	6,608	6,830
<Summarized statements of comprehensive income>			
Revenues	1,104,255	450	-
Profit(loss) for the year	(25,438)	39,744	-
Total comprehensive income(loss)	(26,124)	45,856	-
<Summarized statements of cash flows>			
Cash flows from operating activities	46,138	47,804	-
Cash flows from investing activities	(30,548)	39,500	-
Cash flows from financing activities	(19,985)	(86,000)	-
Effects of exchange rate changes	(3,710)	-	-
Increase (decrease) in cash and cash equivalents	(8,105)	1,304	-

**36. Business combination**

Hyosung Toyota Corporation, a subsidiary of the Parent Company, has been reclassified from an associate to a subsidiary due to its acquisition of additional shares in the entity for the year ended December 31, 2023.

The fair values of assets and liabilities are as follows (KRW in millions):

	Hyosung Toyota Corporation
Date of acquisition	2023.12.31.
① Total transfer price	6,754
② Net asset fair value of acquisition shares	
Fair value of identifiable net assets	6,629
Non-controlling interests	4,419
Total	11,048
③ Goodwill	125

For the year ended December 31, 2024, the entity was spun-off from the Group and excluded from the subsidiary (see Note 1).

**37. Spin-off**

A. Overview

On June 14, 2024, the Group resolved at the shareholders' meeting to carry out a spin-off with the effective date of spin-off set as July 1, 2024. As a result, a new company, HS Hyosung Corporation. (the "The new company through the spin-off"), was established, and the listing changes and re-listing were completed on July 29, 2024.

Details of joint responsibility in accordance with the spin-off are as follows.

	Categories of business	
	Company name	Business section
The Surviving company	Hyosung Corporation	Other business divisions excluding spun-off business division
The new company through the spin-off	HS Hyosung Corporation	managing and investing in the shares of the spun-off subsidiaries as well as operating the transportation brokerage business

The Group allocated new shares to shareholders who were registered in the shareholder register as of the record date for spin-off (June 28, 2024), based on the ratio shown in the table below for each share owned.

	Counterparties	
	Hyosung Corporation (the Surviving company)	HS Hyosung Corporation (the new company through the spin-off)
Common stock	0.8179485 share	0.1820515 share

**37. Spin-off (cont'd)**

B. Details of assets and liabilities transferred to the newly established entity through the spin-off

The value of assets and liabilities transferred to the new company through the spin-off is based on the list of assets and liabilities to be succeeded, as attached to the spin-off plan approved at the group's shareholders' meeting on June 14, 2024. Any changes in the property of the relevant business division occurring prior to spin-off date have been adjusted accordingly.

Details of assets and liabilities transferred to the new company are as follows (KRW in millions):

	December 31, 2024
<b>Assets:</b>	
Current assets	643,395
Cash and cash equivalents	29,040
Trade and other receivables	241,113
Other current financial assets	1,813
Other current assets	25,750
Inventories	332,326
Current tax assets	13,353
Non-current assets	400,927
Long-term trade and other receivables	3,796
Property, plant and equipment	98,942
Intangible assets	5,876
Investments in associates and joint ventures	274,311
Other non-current financial assets	1,711
Other non-current assets	197
Deferred tax assets	16,094
<b>Total assets</b>	<b>1,044,322</b>
<b>Liabilities:</b>	
Current liabilities	530,064
Trade and other payables	284,233
Short-term borrowings and current portion of long-term borrowings	204,958
Other current financial liabilities	1,858
Current tax liabilities	9,962
Other current liabilities	29,053
Non-current liabilities	22,773
Long-term trade and other payables	52
Net defined benefit liabilities	512
Deferred income tax liabilities	13,515
Other non-current financial liabilities	8,533
Other non-current liabilities	161
<b>Total</b>	<b>552,837</b>

### 37. Spin-off (cont'd)

#### A. Measurement of accrued dividends

In accordance with KIFRS 2117 *Distribution of Non-Cash Assets to Owners*, the Group distributes non-cash assets to owners exercising their rights as shareholders free of charge, ensuring that all owners holding the same class of equity instruments are treated equally. If, before and after the distribution, the assets are not ultimately controlled by the same party or parties, the Group recognizes the accrued dividends at fair value at the point when the distribution is declared, and the obligation to distribute the relevant non-cash assets is incurred.

The hierarchy for measuring the fair value of accrued dividends is as follows (KRW in millions):

	Level 1	Level 3	Total
Accrued dividends	395,080	399,502	794,582

The Group used the quoted price in an active market that is accessible at the measurement date to measure the accrued dividends for business divisions subject to the spin-off where such a market exists. These measurements are classified as Level 1.

On the other hand, for business divisions subject to the demerger where no active market exists, the fair value was estimated based on the expert judgment of an independent external appraisal organization and the valuation model. These measurements are classified as Level 3. The key inputs used for measuring the fair value of the business divisions classified as Level 3 are as follows:

	Perpetual Growth rate (*1)	Discount rate
Business segments subject to spin-off	1.0%	10.3%~13.6%

(\*1) To estimate the fair value, the future cash flows for the next five years were projected based on the historical performance data, plans, and market conditions. A perpetual growth rate of 1.0% was applied to estimate the fair value beyond the projection period.

The sensitive analysis on key assumptions is as follows (KRW in millions):

	Actuarial assumptions		
	A change of assumption	Increase	Decrease
Growth rate	0.5%	3,295	(3,011)
Discount rate	0.5%	(11,060)	12,191

#### D. Profit from discontinued operation and gain from disposal of discontinued operation

The Group completed spin-off on July 1, 2024, and classified the profit and loss from the business divisions subject to spin-off up to the demerger date as discontinued operations. Meanwhile, the difference between the non-cash assets to be distributed at the distribution date and the accrued dividends recognized at fair value was recognized as a gain on disposal of discontinued operations.

	December 31, 2024
Fair value of spun-off business division (A)	794,582
Book value of spun-off business division (B)	491,485
Non-controlling interests of demerged business division (C)	4,640
Gain on disposal of discontinued operations (A-B+C)	307,737

The gain on disposal of discontinued operations does not involve any cash inflows, and the corresponding account resulting from the fair value assessment of non-cash assets is a reduction in capital (capital reduction). Therefore, the gain on disposal does not result in an increase in capital.

**37. Spin-off (cont'd)**

E. Obligations from the spin-off

In accordance with the provisions of Articles 530-3, Paragraphs 1 and 2 of the Commercial Act, the spin-off is carried out by a special resolution of the shareholders' meeting. Furthermore, in accordance with the provisions of Article 530-9, Paragraph 1 of the Act, both the Company and The new company through the spin-off are jointly liable for the debts (including obligations) of the company prior to spin-off.

F. Discontinued operation

(1) Details of profits or losses from discontinued operations included in the consolidated statements of profit or loss for each of the two years in the period ended December 31, 2024, as well as the earnings per share for discontinued operations, are as follows(KRW in millions):

	2024	2023
Revenue	849,358	1,589,481
Cost of sales	797,026	1,509,241
Gross profit	52,332	80,240
Selling and administrative expenses	29,481	43,531
Operating profit	22,851	36,709
Other income	422	21
Other expenses	268	651
Financial income	7,204	8,514
Financial expenses	21,204	39,074
Profit before income tax	9,005	5,519
Income tax expenses	1,090	(3,393)
Profit from disposal of discontinued operation (*1)	307,737	-
Profit from discontinued operation	315,652	8,912
Earnings per share on discontinued operating income	17,202	448

(\*1) The difference between the non-cash assets to be distributed at the distribution date and the accrued dividends recognized at fair value was recognized as a gain on disposal of discontinued operations.

(2) The cash flows from discontinued operations for each of the two years in the period ended December 31, 2024 are as follows (KRW in millions):

	2024	2023
Cash flows from operating activities	815	167,146
Cash flows from investing activities	(24,167)	(28,297)
Cash flows from financing activities	30,513	(131,055)

**38. Event after the reporting period**

A. On February 26, 2025, the Group extended the maturity of some project financing ("PF") loans totaling KRW 168,000 million, which were approaching maturity, to February 26, 2027, and also extended the maturity of the existing Cash Deficiency Support to the same date as well.

B. The Group's associate, Hyosung TNC Corporation, decided on December 12, 2024, through a resolution made at the Board of Directors' meeting, to acquire all the assets and operations of the special gas segment from another associate, Hyosung Chemical Corporation. The company entered into a business transfer agreement with a purchase price of KRW 920,000 million, and the acquisition was approved through a special resolution made at an extraordinary shareholders' meeting held on January 23, 2025.

**39. 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 December 31, 2024, Hyosung RUS, a subsidiary of the Group, and one other company are in Russia, and the consolidated financial statements were prepared by reasonably estimating the impact of the Ukraine crisis as of December 31, 2024. However, there are uncertainties in estimating the impact of the Ukraine crisis on the Group.

### **Auditor's report on internal control over financial reporting**

The accompanying independent auditor's report on internal control over financial reporting is attached as a result of auditing the internal control over financial reporting of Hyosung Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") and the consolidated financial statements of the Group for the year ended December 31, 2024 in accordance with the Article 8 of the *Act on External Audit of Stock Companies*.

Attachments:

1. Independent auditor's report on internal control over financial reporting
2. Management's report on the effectiveness of internal control over financial reporting

## **Independent auditor's report on internal control over financial reporting** (English translation of a report originally issued in Korean)

### **The Shareholders and Board of Directors Hyosung Corporation**

#### **Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting ("ICFR") of Hyosung Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea (the "ICFR Committee") as of December 31, 2024.

In our opinion, the Group's ICFR has been designed and is operating effectively, in all material respects, as of December 31, 2024, in accordance with the Conceptual Framework for Design and Operation of ICFR.

We have also audited, in accordance with the Korean Standards on Auditing ("KSA"), the consolidated statement of financial position as of December 31, 2024, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, of the Group, and our report dated March 13, 2025 expressed an unqualified opinion thereon.

#### **Basis for opinion on ICFR**

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of ICFR section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of ICFR 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.

#### **Responsibilities of management and those charged with governance for ICFR**

Management is responsible for designing, implementing, and maintaining an effective ICFR, and for assessing the effectiveness of ICFR included in the accompanying Management's report on effectiveness of ICFR.

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

#### **Auditor's responsibilities for the audit of ICFR**

Our responsibility is to express an opinion of the Group's ICFR based on our audit. We conducted our audit in accordance with KSA. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective ICFR was maintained in all material respects.

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

### **ICFR definition and inherent limitations**

An ICFR of a company and its subsidiaries is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"). The ICFR of the company and its subsidiaries includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company and its subsidiaries; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with KIFRS, and that receipts and expenditures of the company and its subsidiaries are being made only in accordance with authorizations of management and directors of the company and its subsidiaries; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the assets of the company and its subsidiaries that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements of the consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that ICFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Hyung-beom Kim.



March 13, 2025

This audit report is effective as of March 13, 2025, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the Group's ICFR and may result in modifications to this report.

**Management's report on the effectiveness of internal control over financial reporting**

(English translation of a report originally issued in Korean)

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

We, as the Chief Executive Officer ("CEO") and the Internal Control over Financial Reporting Officer of Hyosung Corporation and its subsidiaries (collectively referred to as the "Group"), assessed the effectiveness of the design and operation of internal control over financial reporting ("ICFR") for the year ended December 31, 2024.

The design and operation of ICFR is the responsibility of the Group's management, including the CEO and the ICFR officer.

We assessed whether the Group's ICFR has been effectively designed and operated in order to prevent and detect errors or frauds that may result in a misstatement of the consolidated financial statements to ensure preparation and disclosure of reliable financial statements.

We used, as the basis for the design and operation of the Group's ICFR, the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR. In assessing the design and operation of ICFR, we used, as the evaluation criteria, the Standard for Evaluation and Reporting of ICFR.

Based on our evaluation, we concluded that the Group's ICFR is effectively designed and operated as of December 31, 2024, in all material respects, in accordance with the Conceptual Framework for Design and Operation of ICFR.

We confirm that this report does not contain or present any false statement or omit to state a fact necessary to be presented herein. We also confirm that this report does not contain or present any statement which might cause material misunderstanding to the readers, and we have reviewed and verified this report with due care.

February 5, 2025

Kyoo-Young Kim  
Chief Executive Officer

Kwang Oh KIM  
ICFR Officer

## 연결내부회계관리제도 운영실태보고서

주식회사 효성 주주, 이사회 및 감사위원회 귀중

대표이사 및 내부회계관리자는 2024년 12월 31일 현재 동일자로 종료하는 회계연도에 대한 당사의 연결내부회계관리제도의 설계 및 운영실태를 평가하였습니다. 연결내부회계관리제도의 설계 및 운영에 대한 책임은 대표이사 및 내부회계관리자를 포함한 회사의 경영진에 있습니다.

대표이사 및 내부회계관리자는 회사의 연결내부회계관리제도가 신뢰할 수 있는 재무제표의 작성 및 공시를 위하여 재무제표의 왜곡을 초래할 수 있는 오류나 부정행위를 예방하고 적발할 수 있도록 효과적으로 설계 및 운영되고 있는지의 여부에 대하여 평가하였습니다.

대표이사 및 내부회계관리자는 연결내부회계관리제도의 설계 및 운영을 위해 내부회계관리제도운영위원회에서 발표한 '내부회계관리제도 설계 및 운영 개념체계'를 준거기준으로 사용하였습니다. 또한 연결내부회계관리제도의 설계 및 운영실태를 평가함에 있어 내부회계관리제도운영위원회에서 발표한 '내부회계관리제도 평가 및 보고 모범기준'을 평가기준으로 사용하였습니다.

대표이사 및 내부회계관리자의 연결내부회계관리제도 운영실태 평가결과, 2024년 12월 31일 현재 당사의 연결내부회계관리제도는 '내부회계관리제도 설계 및 운영 개념체계'에 근거하여 볼 때, 중요성의 관점에서 효과적으로 설계되어 운영되고 있다고 판단됩니다.

대표이사 및 내부회계관리자는 보고내용이 거짓으로 기재되거나 표시되지 아니하였고, 기재하거나 표시하여야 할 사항을 빠뜨리고 있지 아니함을 확인하였습니다. 또한 대표이사 및 내부회계관리자는 보고내용에 중대한 오해를 일으키는 내용이 기재되거나 표시되지 아니하였다는 사실을 확인하였으며, 충분한 주의를 다하여 직접 확인·검토하였습니다.

2025년 2월 5일

대 표 이 사 김 규 명 (서 명)

내부회계관리자 김 광 위 (서 명)