Hyosung Corporation

Separate financial statements
for the years ended December 31, 2021 and 2020
with the independent auditor's report

Hyosung Corporation

Table of contents

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Independent auditor's report

The Shareholders and Board of Directors
Hyosung Corporation

Opinion

We have audited the separate financial statements of Hyosung Corporation (the "Company"), which comprise the separate statement of financial position as of December 31, 2021 and 2020, and the separate statements of profit or loss, separate statements of other comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

We also have audited, in accordance with Korean Auditing Standards ("KGAAS"), the Company's internal control over financial reporting ("ICFR") as of December 31, 2021, based on criteria established in Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the "ICFR Committee"), and our report dated March 10, 2022 expressed an unqualified opinion thereon.

Basis for opinion

We conducted our audit in accordance with KGAAS. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

(1) Impairment test on investments in an associate of Hyosung Heavy Industries Corporation

As described in Note 15 to the separate financial statements, the book value of investments in associates of Hyosung Heavy Industries Corporation is KRW 401,792 million as of December 31, 2021.

The Company assesses whether there is an indication that an associate may be impaired on annual basis. As of December 31, 2021, there is an indication of impairment on investments in associates due to the continuous decline of stock prices in active markets. Accordingly, the Company identified an indication of the impairment and performed impairment test on the investments in associates. The Company performs the impairment test on the investments in associates with indication of impairment. The impairment amount of the investments in associates with indication of impairment is determined as the difference between the investments in associates' book value and the higher of value in use and fair value. The determination of key assumptions used in estimating the value in use of investments in associates involves management's judgment, such as long-term business plans, discount rate, and permanent growth rate. Therefore, considering the involvement of management's judgments for assumptions on valuation of investments in associates and its bias that may exist, we determined impairment test on the investments in an associate of Hyosung Heavy Industries Corporation for which the investments are significant as a key audit matter.

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

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

(2) Occurrence and cut-off test for the sales from transportation services

As described in Note 24 to the separate financial statements, the Company is performing transportation services, and the sales from transport services is KRW 352,526 million for the years ended December 31, 2021. Transportation services occur mainly depending on exports or imports between countries, and there are various performance obligations depending on contracts with customers, and management's judgment on the timing of revenue recognition is required because the timing of the transfer of services varies depending on the terms of the contract. In particular, the Company's transportation services include important transactions with related parties. Therefore, considering the involvement of the management's intention and the Company's judgement errors on the sales recognition, we determined the occurrence and cut-off of sales from transportation services as a key audit matter.

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

- Understood and evaluated of revenue recognition accounting policies for the transportation services.
- Tested the effectiveness of the design and operation of controls related to the transportation services.
- Compared the evidence of occurrence and the timing of revenue recognition using a sampling method for sales transactions that occurred during the current period.
- Inspected relevant documents for the samples selected for the cut-off tests and assessed appropriateness of the revenue recognition timing.
- Performed recalculation for the revenue recognized in connection with the ongoing transport contract services at the end of the reporting period.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Ernst & Young Han Young

March 10, 2022

This audit report is effective as of March 10, 2022, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

Hyosung Corporation

Separate financial statements
for the years ended December 31, 2021 and 2020

"The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company."

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

Hyosung Corporation
Separate statements of financial position
as of December 31, 2021 and 2020

(Korean won in millions)

	Notes		Dec 31, 2021		Dec 31, 2020
Assets					
Current assets:					
Cash and cash equivalents	4,6,34	₩	32,894	₩	4,007
Trade and other receivables	4,7,13,17,34,35		138,977		51,007
Due from customers for contract work	7,34		656		104
Other current financial assets	4,8,34		205,596		335,388
Other current assets	16		34,413		13,523
Inventories	9		8,645		6,382
			421,181		410,411
Non-current assets:					
Long-term trade and other receivables	4,7,13,17,34		35,668		27,827
Property, plant and equipment	10,13,20,35		543,457		545,272
Investment property	11,13		6,743		6,447
Intangible assets	12		42,392		44,084
Investments in subsidiaries	14		851,354		652,883
Investments in associates and joint ventures	15		1,159,303		911,020
Other non-current financial assets	4,8,34,35		30,183		34,696
Other non-current assets	16		24,000		24,020
			2,693,100		2,246,249
Total assets		₩	**3,114,281**	₩	**2,656,660**
Liabilities					
Current liabilities:					
Trade and other payables	4,17,18,34	₩	107,712	₩	51,586
Due to customers for contract work	7,34		37		47
Short-term borrowings and current portion of long term borrowi	4,7,19,33,34,35		828		21,040
Other current financial liabilities	4,8,13,33,34		9,740		10,757
Current tax liabilities			4,138		14,606
Other current liabilities	7,22		36,352		13,421
			158,807		111,457
Non-current liabilities:					
Long-term trade and other payables	4,17,18,34		21,893		13,097
Long-term borrowings	4,19,33,34		627		763
Net defined benefit liabilities	21		1,493		5,741
Deferred tax liabilities	30		253,244		226,964
Other non-current financial liabilities	4,8,13,33,34		23,075		30,331
Other non-current liabilities	22		185		368
			300,517		277,264
Total liabilities			**459,324**		**388,721**
Equity					
Share capital	23,34		105,355		105,355
Share premium	34		451,188		451,188
Retained earnings	23,34		6,573,695		6,261,075
Other components of equity	23,34		(4,475,281)		(4,549,679)
Total equity		₩	**2,654,957**	₩	**2,267,939**
Total liabilities and equity		₩	**3,114,281**	₩	**2,656,660**

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

Hyosung Corporation
Separate statements of profit or loss
for the years ended December 31, 2021 and 2020

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

	Notes		2021		2020
Revenue	17,24,25	₩	1,053,086	₩	295,491
Cost of sales	17,27		536,116		185,061
Gross profit			516,970		110,430
Selling and administrative expenses	17,26,27		74,392		53,495
Operating profit			442,578		56,935
Other income	28		13,036		10,624
Other expenses	28		2,805		122,668
Finance income	29		12,705		6,819
Finance costs	29		8,567		7,825
Profit (loss) before income tax			456,947		(56,115)
Income tax expenses	30		23,654		2,870
Profit (loss) for the year		₩	433,293	₩	(58,985)
Earnings (loss) per share (in Korean won)	31	₩	21,763	₩	(2,942)

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

Hyosung Corporation
Separate statements of other comprehensive income (loss)
for the years ended December 31, 2021 and 2020

(Korean won in millions)

	Notes	2021		2020	
Profit (loss) for the year		₩	433,293	₩	(58,985)
Other comprehensive loss			53,272		(24,397)
Items that will not be subsequently reclassified to profit or loss (net of tax):			-		-
Net gain on equity instruments at fair value through OCI	4,8,30		489		272
Remeasurements loss on net defined benefit liabilities	21,30		(15,222)		(1,351)
Shares of remeasurement loss of subsidiaries and associates	14,15,30		(5,904)		(825)
Items that may be subsequently reclassified to profit or loss (net of tax):			-		-
Net gain (loss) on valuation of investments in subsidiaries and associates	14,15,30		73,909		(22,493)
Other comprehensive income (loss) for the year, net of tax			53,272		(24,397)
Total comprehensive income (loss) for the year		₩	486,565	₩	(83,382)

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

Hyosung Corporation
Separate statements of changes in equity
for the years ended December 31, 2021 and 2020

(Korean won in millions)

	Share capital	Share premium	Retained earnings	Other components of equity	Total
As of January 1, 2020	₩ 105,355	₩ 451,188	₩ 6,423,890	₩ (4,499,562)	₩ 2,480,871
Total comprehensive income:					
Loss for the year	-	-	(58,985)	-	(58,985)
Net gain on equity instruments at fair value through OCI	-	-	-	273	273
Remeasurements loss on net defined benefit liabilities	-	-	(1,351)	-	(1,351)
Share of remeasurement loss of subsidiaries, associates and joint venture	-	-	(825)	-	(825)
Net loss on valuation of investments in subsidiaries, associates and joint venture	-	-	-	(22,493)	(22,493)
Transactions with owners of the parent:					
Dividend (Note 32)	-	-	(101,654)	-	(101,654)
Purchase of treasury shares	-	-	-	(27,897)	(27,897)
As of December 31, 2020	₩ 105,355	₩ 451,188	₩ 6,261,075	₩ (4,549,679)	₩ 2,267,939
As of January 1, 2021	₩ 105,355	₩ 451,188	₩ 6,261,075	₩ (4,549,679)	₩ 2,267,939
Total comprehensive income:					
Gain for the year	-	-	433,293	-	433,293
Net gain on equity instruments at fair value through OCI	-	-	-	489	489
Remeasurements loss on net defined benefit liabilities	-	-	(15,222)	-	(15,222)
Share of remeasurement loss of subsidiaries, associates and joint venture	-	-	(5,904)	-	(5,904)
Net gain on valuation of investments in subsidiaries, associates and joint venture	-	-	-	73,909	73,909
Transactions with owners of the parent:					
Dividend (Note 32)	-	-	(99,547)	-	(99,547)
As of December 31, 2021	₩ 105,355	₩ 451,188	₩ 6,573,695	₩ (4,475,281)	₩ 2,654,957

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

Hyosung Corporation
Separate statements of cash flows
for the years ended December 31, 2021 and 2020

(Korean won in millions)

	Notes	2021	2020
Cash flows from operating activities:			
Profit (loss) for the year		₩ 433,293	₩ (58,985)
Cash generated from operations	33	(404,545)	71,393
Working capital adjustments	33	84,682	(5,412)
Income taxes paid		(9,438)	(9,243)
Interest paid		(942)	(2,342)
Interest received		4,020	7,818
Dividend received		62,130	81,185
Net cash flows provided by operating activities:		169,200	84,414
Cash flows from investing activities:			
Collection of short-term loans		-	5,016
Proceeds from sales of FVOCI		3,904	670
Proceeds from sales of FVPL		3,008	14,007
Collection of long-term loans		-	18,000
Proceeds from disposal of property, plant and equipment		5	1,475
Proceeds from disposal of intangible assets		2,430	-
Proceeds from disposal of investments in subsidiaries		-	383,983
Proceeds from disposal of investments in associates		15,318	-
Liquidation of subsidiaries.		3,233	-
Proceeds from disposal of long-term financial instruments		802	-
Increase in merger		18	-
Increase in long-term loans		(20,050)	-
Acquisition of other FVOCI		(1,850)	-
Acquisition of other FVPL		(207)	(335,063)
Increase in long-term deposits		(548)	(586)
Acquisition of property, plant and equipment		(11,855)	(5,446)
Acquisition of intangible assets		(4,850)	(6,063)
Acquisition of investments in subsidiaries		(108)	(801)
Net cash flows provided by (used in) investing activities		(10,750)	75,192
Cash flows from financing activities:			
Proceeds from short-term borrowings		1,163	198,747
Government grants received		2,613	3,221
Repayment of short-term borrowings		(21,400)	(212,200)
Repayment of current portion of long-term borrowings		(136)	(136)
Payments of lease liabilities		(11,322)	(14,087)
Dividends paid		(99,547)	(101,654)
Repayment of government grants		(934)	(4,557)
Purchase of treasury shares		-	(27,897)
		(129,563)	(158,563)
Net cash used in financing activities		28,887	1,043
Net increase in cash and cash equivalents		4,007	2,964
Cash and cash equivalents at the beginning of the year		₩ 32,894	₩ 4,007
Cash and cash equivalents at the end of the year			

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

1. Company information

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

As of December 31, 2021, the shareholders of the Company are as follows:

Shareholder	Number of Shares	Percentage of Ownership (%)
Cho Seok-Rae	1,986,333	9.43
Cho Hyun-Joon	4,623,736	21.94
Cho Hyun-Sang	4,513,596	21.42
Song Gwang-Ja	101,387	0.48
Cho Yang-Rae and others	105,548	0.5
Others	8,578,804	40.72
Treasury shares	1,161,621	5.51
Total	21,071,025	100

2. Significant accounting policies

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

2.1 Basis of financial statement preparation

The Company prepares statutory financial statements in accordance with International Financial Reporting Standards enacted by the Act on External Audit of Stock Companies ("KIFRS"). The accompanying separate financial statements have been translated into English from the Korean separate 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 separate financial statements have been prepared on a historical cost basis, except for certain assets that are measured at fair values. The separate financial statements are presented in Korean won (KRW) except when otherwise indicated.

2.2 Changes in accounting policy and disclosures

(1) New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to KIFRS 1109, KIFRS 1039, KIFRS 1107, KIFRS 1104 and KIFRS 1116

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Amendments to KIFRS 1116 Covid-19 Related Rent Concessions beyond 30 June 2021

Covid-19-Related Rent Concessions - amendment to KIFRS 1116 Leases was issued in 2020 The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, the amendment extends the period of application of the practical expedient to June 30, 2022.The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Company has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

(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 Company's separate financial statements are disclosed below.

KIFRS 1117 Insurance Contracts

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

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

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

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

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

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

Reference to the Conceptual Framework – Amendments to KIFRS 1103

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company is currently assessing the impact the amendments.

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

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Definition of Accounting Estimates - Amendments to KIFRS 1008

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

Disclosure of Accounting Policies - Amendments to KIFRS 1001 and KIFRS Practice Statement 2

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

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

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

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of KIFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

KIFRS 1041 Agriculture – Taxation in fair value measurements

The amendments remove the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

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

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

The aggregate of the Company's share of profit or loss of an subsidiaries, associate and a joint venture is shown on the face of the separate statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the subsidiaries, associate or joint venture.

The financial statements of the subsidiaries, associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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

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

2.4 Current versus non-current classification

The Company presents assets and liabilities in the separate statement of financial position based on current/non-current classification.

An asset is current when it is:

· expected to be realize 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 Company classifies all other liabilities s as non-current.

Deferred tax liabilities are classified as non-current liabilities.

2.5 Fair value measurement

The Company 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
· 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 Company.

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 Company 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 separate 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:

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

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company 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 Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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

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

2.6 Foreign currency translation

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

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

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

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company 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 Company determines the transaction date for each payment or receipt of advance consideration.

2.7 Financial instruments

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

(1) Financial assets

1) Initial recognition and measurement

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

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

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

The Company'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 Company commits to purchase or sell the asset.

2) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

① Financial assets at amortized cost (debt instruments)

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

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

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

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

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

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

④ Financial assets at fair value through profit or loss

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

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

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

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

When the Company 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 Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company could be required to repay.

4) Impairment of financial assets

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

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

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company 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 Company reassesses the internal credit rating of the debt instrument.

The Company considers debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category by the credit rating agency to be low credit risk investments. It is the Company'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 Company uses the ratings from an independent credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

(2) Financial liabilities

1) Initial recognition and measurement

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

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

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

2) Subsequent measurement

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

① Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company 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 separate statement of profit or loss.

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

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 separate statement of profit or loss.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate 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.

2.8 Cash and cash equivalents

Cash and cash equivalents in the separate 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.

2.9 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)”.

2.10 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 which are determined using the specific identification method.

2.11 Non-current assets held for sale (or disposal groups)

The Company classifies non-current assets or disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

2.12 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 Company 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 Company 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	20, 40 years
Structures	20, 40 years
Machinery	8 ~ 10 years
Vehicles	5 years
Tools and equipment	5 years
Lease 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 separate statement of profit or loss when the asset is derecognized.

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

2.13 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.

2.14 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 separate 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.

2.15 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 separate statement of profit or loss and other comprehensive income 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	5~10 years
Facility usage right	10~25 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 separate statement of profit or loss.

2.16 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 Company depreciates investment properties, except for land, over their useful lives of 40 years and investment properties related to leases over the lease terms using the straight-line method.

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

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

2.17 Impairment of non-financial assets

The Company 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 Company estimates the asset’s recoverable amount. An asset’s recoverable amount is higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company'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 separate 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 Company 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 separate statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

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

2.18 Provisions

Provisions are recognized when the Company 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 separate statement of profit or loss and other comprehensive income net of any reimbursement. The expense relating to a provision is presented in the separate 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 Company 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 Company, or if an amount required to perform the current obligation cannot be reliably estimated, the Company recognizes a contingent liability and discloses such a liability in its separate financial statements.

2.19 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 separate statements of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) Deferred tax

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

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

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

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

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

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

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

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

The Company 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 separate statement of financial position.

2.20 Employee benefits

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

(1) Defined contribution plan

A defined contribution plan is a pension plan under which the Company 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 Company operates a defined benefit plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as years of service and compensation.

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

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

· The date of the plan amendment or curtailment, and
· The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under ‘cost of sales’ and ‘selling and administrative expenses’ in the separate statements of profit or loss and other comprehensive income:

2.21 Revenue from contracts with customers

(1) Identifying performance obligations

In accordance with KIFRS 1115, the Company 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 Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

(4) Incremental costs of obtaining a contract

In accordance with KIFRS 1115, the Company recognizes the incremental costs of obtaining a contract with customer as an asset if the Company 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.

(5) Variable consideration

The Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company 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 Company does not expect to be entitled.

(6) Significant financing component

With implementation of KIFRS 1115, when calculating the transaction price, the Company 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 Company has a significant financial benefit when the goods or services are transferred due to the agreed payment date between contracting parties.

2.22 Leases

The Company 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) Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company 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 Company 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 Company 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 2.17 Impairment of non-financial assets.

2) Lease liabilities

At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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 Company 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 Company classifies lease liabilities as interest-bearing borrowings.

3) Short-term and low-value leases

The Company 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) Company as a lessor

Leases in which the Company 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 separate 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.

2.23 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 Company's own equity instruments. Any difference between the carrying amount and the consideration is accounted for as other components of equity.

2.24 Cash dividend

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

2.25 Approval of separate financial statements

The separate financial statements were authorized for issue in accordance with a resolution of the Board of Directors on February 26, 2021 and are subject to change with approval of shareholders at their Annual General Meeting.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company's separate 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 Company based its assumptions and estimates on parameters available when the separate 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 Company. Such changes are reflected in the assumptions when they occur.

(1) Impairment of non-financial assets

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

(2) Pension benefits

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

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

(4) Calculation of incremental borrowing rate

The Company 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 Company 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 Company '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 Company shall pay an additional corporate tax calculated by the method prescribed by the tax law. Accordingly, as the Company considers the tax effects from reflux taxes when computing its corporate income tax, the Company's corporate tax may change arising from changes in investment, wage growth, etc.

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

The Company 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.

4. Financial assets and financial liabilities

A. Financial assets

Financial assets of the Company as of December 31, 2021 and 2020 are as follows (KRW in millions):

December 31, 2021				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	32,894	32,894
Trade and other receivables	-	-	138,977	138,977
Other financial assets	205,173	423	-	205,596
Long-term trade and other receivables	-	-	35,668	35,668
Other non-current financial assets	19,305	9,783	1,095	30,183
Total	224,478	10,206	208,634	443,318

December 31, 2020				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	4,007	4,007
Trade and other receivables	-	-	51,007	51,007
Other financial assets	334,700	688	-	335,388
Long-term trade and other receivables	-	-	27,827	27,827
Other non-current financial assets	21,922	10,881	1,893	34,696
Total	356,622	11,569	84,734	452,925

B. Financial liabilities

Financial liabilities of the Company as of December 31, 2021 and 2020 are as follows (KRW in millions):

	Financial liabilities at amortized cost	
	December 31, 2021	December 31, 2020
Trade and other payables	107,712	51,586
Short-term borrowings and current portion of long-term borrowings	828	21,040
Other current financial liabilities	9,740	10,757
Long-term trade and other payables	21,893	13,097
Long-term borrowings	627	763
Other non-current financial liabilities	23,075	30,331
Total	163,875	127,574

C. Net profit and loss by financial instrument category

Net profit and loss for financial instruments incurred for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Financial assets at amortized cost		
Interest income	4,192	1,924
Gain (loss) on foreign currency transactions	882	(57)
Gain (loss) on foreign currency translation	566	40
Loss on disposal of trade receivables	-	(26)
Bad debt expenses	(35)	-
Other bad debt expenses	299	(8,261)
Others	(3)	(7)
Financial assets at FVPL		
Loss on disposal of financial assets	(13)	(661)
Valuation gain (loss) on financial assets	184	217
Dividend income	1,378	372
Financial assets at FVOCI		
Valuation gain on financial assets	489	273
Dividend income	301	88
Financial liabilities at amortized cost		
Interest expenses	(1,080)	(2,552)
Gain (loss) on foreign currency transactions	(501)	36
Gain (loss) on foreign currency translation	(88)	72

D. Fair value hierarchy

Details of the carrying amounts and fair values of the Company's financial instruments that are measured at fair value as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021		December 31, 2020	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets at FVPL (Equity instrument)	17,228	17,228	19,852	19,852
Financial assets at FVPL (Debt instruments)	2,077	2,077	2,069	2,069
Financial assets at FVPL (Beneficiary certificates)	205,173	205,173	334,700	334,700
Financial assets at FVOCI (Listed securities)	5,509	5,509	8,290	8,290
Financial assets at FVOCI (Non-listed securities)	4,226	4,226	2,120	2,120
Financial assets at FVOCI (Debt instruments)	471	471	1,159	1,159

There is no significant difference between the carrying amount and fair value of the Company's financial instruments, excluding fair value financial assets measured at cost for which the fair value of equity instruments cannot be reliably measured as they lack a quoted market price in an active market.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value disclosed as of December 31, 2021 and 2020 are as follows (KRW in millions):

December 31, 2021				
	Level 1	Level 2	Level 3(*1)	Total
Financial assets at FVPL (Equity instruments)	-	-	17,228	17,228
Financial assets at FVPL (Debt instruments)	-	-	2,077	2,077
Financial assets at FVPL (Beneficiary certificates)	-	205,173	-	205,173
Financial assets at FVOCI (Equity instruments)	5,509	-	4,226	9,735
Financial assets at FVOCI (Debt instruments)	-	470	1	471
Total	5,509	205,643	23,532	234,684

(*1) The company uses the Discounted Cash Flow method, the Comparable Company Comparison method, and the Risk-adjusted Discount rate model for fair value-measured financial assets classified in Level 3, and the main input variables include the discount rate and growth rate.

December 31, 2020				
	Level 1	Level 2	Level 3(*1)	Total
Financial assets at FVPL (Equity instruments)	-	-	19,853	19,853
Financial assets at FVPL (Debt instruments)	-	-	2,069	2,069
Financial assets at FVPL (Beneficiary certificates)	-	334,700	-	334,700
Financial assets at FVOCI (Equity instruments)	8,290	-	2,120	10,410
Financial assets at FVOCI (Debt instruments)	-	1,158	1	1,159
Total	8,290	335,858	24,043	368,191

(*1) The company uses the Discounted Cash Flow method, the Comparable Company Comparison method, and the Risk-adjusted Discount rate model for fair value-measured financial assets classified in Level 3, and the main input variables include the discount rate and growth rate.

There were no transfers between fair value hierarchy levels for the year ended December 31, 2021.

E. Valuation techniques and inputs

The Company uses the following valuation techniques and inputs for the fair value of financial instruments classified as Level 3 in the fair value hierarchy (KRW in millions):

	Fair value as of December 31, 2021	Level	Valuation methods	Inputs	Range of inputs
Financial assets at FVPL	17,228	3	Net asset value method and others	Stock price, sales, others	N/A
Financial assets at FVPL (Debt instruments)	2,077	3	Estimated sale price valuation method	Estimated sale price	N/A
Financial assets at FVOCI (Equity instruments)	4,226	3	Profit approach method	Stock price, Net income, others	N/A

F. Restricted financial instruments

Restricted financial instruments as of December 31, 2021 and 2020 are follows (KRW in millions):

	Details	December 31, 2021	December 31, 2020
Other non-current financial assets	Restricted for checking account and lease deposits	1,095	1,893

5. Segment information

In accordance with KIFRS 1108 'Operating Segments', the Company discloses its operating segments in the consolidated financial statements, but not in the separate financial statements.

6. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2021 and 2020 consist of the followings (KRW in millions):

	December 31, 2021	December 31, 2020
Cash on hand	30	30
Bank deposits, others	32,864	3,977
Total	32,894	4,007

7. Trade and other receivables

A. Trade and other receivables as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021			December 31, 2020		
	Receivable amount	Allowance for doubtful accounts	Carrying amount	Receivable amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	122,525	(252)	122,273	37,310	-	37,310
Other receivables	26,268	(9,564)	16,704	23,560	(9,863)	13,697
Subtotal	148,793	(9,816)	138,977	60,870	(9,863)	51,007
Long-term other receivables	35,668	-	35,668	27,827	-	27,827
Total	184,461	(9,816)	174,645	88,697	(9,863)	78,834

The Company has transferred trade receivables to the financial institutions in exchange for cash. The outstanding balances that have not been collected as of December 31, 2021 is KRW 692 million (2020: KRW 904 million). The Company may retain an obligation to compensate a bank for debtors' failure to make payment when they become due; therefore, the transaction has been accounted for as a collateralized borrowing (See note 19, 35)

B. Details of other receivables as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Other receivables		
Non-trade receivables	1,204	1,527
Short-term loans	1,700	-
Accrued income	681	440
Finance lease receivables	13,119	11,730
Subtotal	16,704	13,697
Long-term other receivables		
Long-term loans	20,050	-
Long-term deposits	11,603	12,364
Long-term accrued income	-	-
Long-term finance lease receivables	4,015	15,463
Subtotal	35,668	27,827
Total	52,372	41,524

C. Details of contract assets and contract liabilities as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Contract assets		
Contract assets for research services (*1)	656	104
Contract liabilities		
Contract liabilities for freight forwarding (*2)	22,389	-
Contract assets for research services (*1)	38	47
Total	22,427	47,

(*1) It has been accounted for as due from customers for contract work and due to customers for contract work.
(*2) It has been accounted for as advances received and unearned revenues (other current liabilities).

D. The aging analysis of trade receivables and other receivables as of December 31, 2021 and 2020 are as follows (KRW in millions):

		December 31, 2021		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Current	119,575	0.039%	46
	Past due but not impaired			
	Up to 3 months	2,146	1.743%	37
	4 ~ 6 months	139	4.240%	6
	7 ~ 12 months	92	6.835%	6
	Over 12 months	573	27.289%	157
	Impaired receivables	-	-	-
	Subtotal	122,525	-	252
Other receivables	Current	16,704	-	-
	Impaired receivables	9,564	100%	9,564
	Subtotal	26,268	-	9,564
Total		148,793	-	9,816

		December 31, 2020		
		Receivable amount	Expected loss rate	Allowance for doubtful accounts
Trade receivables	Current	35,714	-	-
	Past due but not impaired			
	Up to 3 months	1,196	-	-
	4 ~ 6 months	124	-	-
	7 ~ 12 months	29	-	-
	Over 12 months	247	0.122%	-
	Impaired receivables	-	-	-
	Subtotal	37,310	-	-
Other receivables	Current	13,697	-	-
	Impaired receivables	9,863	100%	9,863
	Subtotal	23,560	-	9,863
Total		60,870	-	9,863

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

F. The changes in allowance for doubtful accounts for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021		2020	
	Trade receivables	Other receivables	Trade receivables	Other receivables
January 1	-	9,863	-	1,602
merger	217	-	-	-
Increase	35	-	-	8,261
Reversal	-	(299)	-	-
December 31	252	9,564	-	9,863

The maximum exposure to credit risk is the book value of each receivables as of December 31, 2021 mentioned above.

8. Other financial assets and liabilities

A. Other financial assets and liabilities as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021			December 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Other financial assets						
Financial assets at amortized cost	-	1,095	1,095	-	1,893	1,893
Financial assets at FVOCI	423	9,783	10,206	688	10,881	11,569
Financial assets at FVPL	205,173	19,305	224,478	334,700	21,922	356,622
Total	205,596	30,183	235,779	335,388	34,696	370,084
Other financial liabilities						
Lease liabilities	9,740	23,075	32,815	10,757	30,331	41,088

B. The carrying amount of other financial assets by category as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Financial assets at amortized cost		
Debt securities	1,095	1,893
Financial assets at FVPL:		
Beneficiary certificates	205,173	334,700
Equity securities that are not traded in an active market	17,228	19,853
Capital investments, etc.	2,077	2,069
Subtotal	224,478	356,622
Financial assets at FVOCI		
Equity securities that are traded in an active market	5,509	8,290
Equity securities that are not traded in an active market	4,226	2,120
Debt securities	471	1,159
Subtotal	10,206	11,569
Total	235,779	370,084

C. Details of equity securities as of December 31, 2021 and 2020 are as follows (KRW in millions):

	Classification	Carrying amount	
		December 31, 2021	December 31, 2020
Marketable equity securities			
Dong Anh EEMC (Vietnam Transformer)	FVOCI	3,461	5,215
Kumho Tire Co., Ltd.	FVOCI	2,048	3,076
Subtotal		5,509	8,291
Non-marketable equity securities			
Kyungnam Newspaper	FVOCI	5	5
KMA Consultants Inc.	FVOCI	180	180
Gangwon-do Min Daily	FVOCI	20	20
The Korea Economic Daily	FVOCI	1,738	1,282
Namwoo Ad	FVOCI	333	333
Wanju Techno Valley Co., Ltd.	FVOCI	-	200
Uiwang Baegun Project	FVOCI	100	100
BERTIS Inc.	FVOCI	1,750	-
Jeonbuk Innovation Startup Fund	FVOCI	100	-
TransLink Capital	FVPL	1,829	2,629
Uiwang Industrial Complex PFV Co., Ltd.	FVPL	100	100
Digital Health Fund (HIKARI FUND)	FVPL	1,289	1,157
Creative Economy Fund	FVPL	4,275	8,215
Leo 9th Youth Startup Fund	FVPL	4,814	3,960
Carbon Growth Fund	FVPL	4,921	3,791
Subtotal		21,454	21,972
Total		26,963	30,263

D. Changes in financial assets at FVPL for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
January 1	356,622	36,008
Acquisition	205,380	335,063
Disposal	(337,708)	(14,666)
Valuation gain (loss)	184	217
December 31	224,478	356,622

E. Changes in financial assets at FVOCI for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
January 1	11,569	11,934
Acquisition	1,850	-
Disposal	(3,913)	(671)
Valuation gain (loss)	700	306
December 31	10,206	11,569

9. Inventories

A. Details of inventories as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021			December 31, 2020		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Finished goods	1,997	(58)	1,939	1,726	(41)	1,685
Semi-finished goods	4,867	(162)	4,705	3,291	(80)	3,211
Raw materials	265	(13)	252	357	-	357
Sub-materials	1,465	(19)	1,446	1,021	(24)	997
Others	303	-	303	132	-	132
Total	8,897	(252)	8,645	6,527	(145)	6,382

Meanwhile, the valuation allowance for inventories added to cost of sales for the year ended December 31, 2021 is KRW 107 million, and the reversal of valuation allowance for inventories deducted from cost of sales for the year ended December 31, 2020 is KRW 158 million.

10. Property, plant and equipment

A. Details of property, plant and equipment as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021				December 31, 2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount
Land	443,105	-	-	443,105	443,105	-	-	443,105
Buildings	61,300	(31,217)	-	30,083	61,281	(29,682)	-	31,599
Structures	15,448	(4,993)	(1)	10,454	15,448	(4,470)	(1)	10,977
Machinery	219,347	(192,772)	(3,425)	23,150	211,979	(188,046)	(3,425)	20,508
Vehicles	996	(832)	-	164	938	(830)	-	108
Tools and equipment	53,870	(45,187)	(26)	8,657	50,937	(42,165)	(26)	8,746
Construction in progress	8,833	-	-	8,833	9,301	-	-	9,301
Machinery in transit	129	-	-	129	130	-	-	130
Right-of-use assets	32,343	(13,461)	-	18,882	28,915	(8,117)	-	20,798
Total	835,371	(288,462)	(3,452)	543,457	822,034	(273,310)	(3,452)	545,272

B. Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021							
	January 1	Acquisition	Disposal	Depreciation	Transfer (*1)	Others	December 31
Land	443,105	-	-	-	-	-	443,105
Buildings	31,599	-	-	(1,535)	19	-	30,083
Structures	10,977	-	-	(533)	10	-	10,454
Machinery	21,890	2,230	-	(5,713)	6,598	-	25,005
(Government subsidies)	(1,382)	(1,016)	-	543	-	-	(1,855)
Vehicles	108	99	-	(50)	7	-	164
Tools and equipment	8,898	1,129	-	(3,704)	2,392	77	8,792
(Government Subsidies)	(152)	(51)	-	68	-	-	(135)
Construction in progress	9,301	6,079	-	-	(6,547)	-	8,833
Machinery in transit	130	2,501	-	-	(2,502)	-	129
Right-of-use assets	20,798	2,717	-	(5,344)	-	711	18,882
Total	545,272	13,688	-	(16,268)	(23)	788	543,457

(*1) The amount transferred to intangible assets is 23 million.

2020							
	January 1	Acquisition	Disposal	Depreciation	Transfer (*1)	Accounting policy change	December 31
Land	443,336	-	(240)	-	9	-	443,105
Buildings	33,773	-	(70)	(1,560)	19	(563)	31,599
Structures	11,126	-	-	(533)	384	-	10,977
Machinery	24,326	1,184	-	(5,724)	2,104	-	21,890
(Government subsidies)	(1,607)	(343)	-	568	-	-	(1,382)
Vehicles	142	2	-	(48)	12	-	108
Tools and equipment	9,710	837	-	(3,955)	2,306	-	8,898
(Government subsidies)	(277)	(32)	-	157	-	-	(152)
Construction in progress	8,469	4,984	-	-	(4,715)	563	9,301
Machinery in transit	87	244	-	-	(201)	-	130
Right-of-use assets	6,919	1,531	(226)	(4,853)	-	17,427	20,798
Total	536,004	8,407	(536)	(15,948)	(82)	17,427	545,272

(*1) The amount transferred to intangible assets is 82 million.

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

11. Investment properties

A. Details of investment properties as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021			December 31, 2020		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Land	5,487	-	5,487	5,487	-	5,487
Buildings	1,004	(424)	580	1,047	(411)	636
Right-of-use assets	920	(244)	676	347	(23)	324
Total	7,411	(668)	6,743	6,881	(434)	6,447

B. Changes in investment properties for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021					
	January 1	Disposal	Depreciation	Transfers and others	December 31
Land	5,487	-	-	-	5,487
Buildings	636	(31)	(25)	-	580
Right-of-use assets	324	-	(220)	572	676
Total	6,447	(31)	(245)	572	6,743

2020				
	January 1	Depreciation	Transfers and others	December 31
Land	5,487	-	-	5,487
Buildings	662	(26)	-	636
Right-of-use assets	2,544	(452)	(1,768)	324
Total	8,693	(478)	(1,768)	6,447

C. Rental income from investment properties recognized in the Company's statement of profit or loss for the year ended December 31, 2021 is KRW 7,579 million (2020: KRW 6,408 million) and rental expense including depreciation expense is KRW 3,808 million (2020: KRW 1,936 million).

D. Fair value of investment properties as of December 31, 2021 is KRW 18,884 million (2020: KRW 16,968 million). The fair value was estimated based on the land value publicly published.

12. Intangible assets

A. Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021							
	January 1	Acquisition	Disposal	Amortization	Transfer (*1)	Merger	December 31
Industrial property rights	139	72	-	(54)	-	-	157
Others	16,084	2,563	-	(4,221)	23	141	14,590
Memberships	27,861	2,214	(2,430)	-	-	-	27,645
Total	44,084	4,849	(2,430)	(4,275)	23	141	42,392

(*1) The amount transferred from Construction in progress is 23 million.

2020					
	January 1	Acquisition	Amortization	Transfer (*1)	December 31
Industrial property rights	114	93	(68)	-	139
Others	12,444	5,970	(2,412)	82	16,084
Memberships	27,861	-	-	-	27,861
Total	40,419	6,063	(2,480)	82	44,084

(*1) The amount transferred from Construction in progress is 82 million.

13. Leases

A. Changes in right-of-use assets for the year ended December 31, 2021 and 2020 are as follows (KRW in millions):

	January 1	Increase	Depreciation	Change of contract, others	Merger	December 31
Buildings	18,437	1,315	(2,700)	-	682	17,734
Vehicles	761	912	(599)	-	29	1,103
Others	1,600	490	(2,045)	-	-	45
Investment properties	324	-	(220)	572	-	676
Total	21,122	2,717	(5,564)	572	711	19,558

2020							
	January 1	Increase	Depreciation	Termination	Change of contract, others	Transfer (*1)	December 31
Buildings	2,243	897	(2,031)	(124)	17,452	-	18,437
Vehicles	897	540	(574)	(102)	-	-	761
Others	3,779	94	(2,248)	-	(25)	-	1,600
Investment properties	2,544	-	(452)	-	14,904	(16,672)	324
Total	9,463	1,531	(5,305)	(226)	32,331	(16,672)	21,122

(*1) Transfer to finance lease receivables.

B. Changes in lease liabilities for the year ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021							
	January 1	Increase	Interest expenses	Principal repayments	Change of contract, others	Merger	December 31
Lease liabilities	41,088	2,717	785	(12,107)	(363)	695	32,815

2020							
	January 1	Increase	Interest expenses	Principal repayments	Termination	Change of contract, others	December 31
Lease liabilities	21,668	1,477	670	(14,757)	(195)	32,225	41,088

C. The amounts recognized in profit or loss in relation to the leases for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Depreciation of right-of-use assets	5,564	5,305
Interest expenses relating to lease liabilities	785	670
Interest income relating to lease receivables	482	715
Short-term lease payments	3,541	4,152
Expenses relating to leases of low-value assets that are not short-term leases	14	7
Variable lease payments not included in lease liabilities	283	257

D. The total investments of finance leases and the present value of the minimum lease payments as of December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Within one year	7,215	9,760
1 ~ 2 years	2,380	6,486
2 ~ 3 years	446	2,217
3 ~ 4 years	-	380
Total lease payments	10,041	18,843
Deduction: Unrealized finance income	(301)	(449)
Present value of unguaranteed residual value	7,394	8,800
Net lease investments	17,134	27,194

14. Investments in subsidiaries

A. The carrying amount of investments in subsidiaries as of December 31, 2021 and 2020 are as follows (KRW in millions):

Subsidiary	Location	Ownership (%)	Acquisition cost	December 31, 2021	December 31, 2020
HYOSUNG TNS INC.	Korea	54.02	75,178	173,083	180,134
Hyosung GoodSprings, Inc.	Korea	100	74,361	62,201	61,123
Hyosung Investment & Development Corporation	Korea	58.75	34,798	405,426	220,600
Hyosung Trans World co., Ltd. (*1)	Korea	-	-	-	12,445
Taeansolarfarm Corp.	Korea	100	1,880	2,775	2,910
Gongdeok Gyeongwoo Development Corporation (*2)	Korea	73.33	4,400	-	-
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd. (*3)	Korea	100	32,000	5,188	-
Hyosung Holdings USA, Inc.	USA	100	89,589	153,311	130,650
Hyosung (H.K) LIMITED (*4)	Hong Kong	100	829	-	1,918
Hyosung Brasil Participacoes LTDA	Brazil	100	8,607	98	103
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd (*5)	China	-	-	-	1,067
Hyosung Resource (Australia) PTY Ltd.	Australia	100	14,885	937	846
Hyosung RUS.	Russia	100	1,692	6,178	4,319
PT. HYOSUNG JAKARTA	Indonesia	99.90	1,268	2,864	2,614
Forza Motors Korea Corp.	Korea	100	20,001	39,293	34,016
Others	-	-	-	-	138
Total			359,488	851,354	652,883

(*1) It has been merged with the Company as of December 31, 2021 (see Note 36).
(*2) The application of equity method was discontinued as the book value of investments in subsidiaries became less than zero ("0") due to accumulated equity method losses.
(*3) The equity ratio that considers actual ownership according to the contract between shareholders.
(*4) It is being liquidated as of December 31, 2021.
(*5) It has been liquidated as of December 31, 2021.

B. Details of valuation of subsidiaries in equity method for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021							
Subsidiary	January 1	Acquisition (disposal)	Gain (loss) on equity method	Other comprehensive income (loss)	Merger	Others.	December 31
HYOSUNG TNS INC.	180,134	-	17,701	3,138	-	(27,890)	173,083
Hyosung GoodSprings, Inc.	61,123	-	1,718	-	-	(640)	62,201
Hyosung Investment & Development Corporation	220,600	-	178,442	17,658	-	(11,274)	405,426
Hyosung Trans World co., Ltd.	12,445	-	983	-	(13,421)	(7)	-
Taeansolarfarm Corp.	2,910	-	434	-	-	(569)	2,775
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	-	(1,199)	-	-	6,387	5,188
Hyosung Holdings USA, Inc.	130,650	-	12,340	10,321	-	-	153,311
Hyosung (H.K) LIMITED	1,918	(1,987)	(2)	71	-	-	-
Hyosung Brasil Participacoes LTDA	103	-	(7)	2	-	-	98
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	1,067	(1,043)	(62)	38	-	-	-
Hyosung Resource (Australia) PTY Ltd.	846	108	(40)	23	-	-	937
Hyosung RUS.	4,319	-	1,469	390	-	-	6,178
PT. HYOSUNG JAKARTA	2,614	-	59	191	-	-	2,864
Forza Motors Korea Corp.	34,016	-	5,144	-	-	133	39,293
Others	138	(136)	(7)	5	-	-	-
Total	652,883	(3,058)	216,973	31,837	(13,421)	(33,860)	851,354

2020							
Subsidiary	January 1	Acquisition (disposal)	Gain (loss) on equity method	Other comprehensive income (loss)	Others	Impairment	December 31
HYOSUNG TNS INC.	163,130	-	41,898	(1,055)	(23,839)	-	180,134
Hyosung GoodSprings, Inc.	73,049	-	(10,395)	-	(1,531)	-	61,123
Hyosung Investment & Development Corporation	216,087	-	20,943	(3,507)	(12,923)	-	220,600
Hyosung Trans World co., Ltd.	11,511	-	4,994	-	(4,060)	-	12,445
Taeansolarfarm Corp.	2,759	-	451	-	(300)	-	2,910
Hyosung Holdings USA, Inc.	146,950	-	(9,313)	(6,987)	-	-	130,650
Hyosung (H.K) LIMITED	2,036	-	(4)	(114)	-	-	1,918
Hyosung Brasil Participacoes LTDA	141	-	(2)	(36)	-	-	103
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	9,974	(9,468)	20	541	-	-	1,067
Hyosung Resource (Australia) PTY Ltd.	10,472	86	(11)	338	-	(10,039)	846
Hyosung RUS.	6,502	-	(870)	(1,313)	-	-	4,319
PT. HYOSUNG JAKARTA	3,098	-	(305)	(179)	-	-	2,614
Forza Motors Korea Corp.	30,770	-	2,535	-	711	-	34,016
Hyosung Capital corporation	482,489	(475,974)	20,006	-	(26,521)	-	-
Others	144	-	3	(9)	-	-	138
Total	1,159,112	(485,356)	69,950	(12,321)	(68,463)	(10,039)	652,883

C. Significant transactions in equity changes that were not recognized due to the discontinuation of the application of the equity method as of December 31, 2021 is as follows (KRW in millions):

Subsidiary	January 1	Changes	December 31
Gongdeok Gyeongwoo Development Corporation	(22,236)	1,749	(20,487)

D. The financial information of significant subsidiaries that was adjusted to the carrying amount of the equity in the subsidiaries as of December 31, 2021 is as follows (KRW in millions):

Subsidiary	Net assets	Ownership (%)	Share of net assets	Fair value difference-Undepreciated balance	Intercompany transactions, others	Carrying amount
HYOSUNG TNS INC.	331,265	54.02	178,949	1,580	(7,446)	173,083
Hyosung Good Springs, Inc.	62,202	100	62,201	-	-	62,201
Hyosung Investment & Development Corporation	706,429	58.75	415,027	-	(9,601)	405,426
Taeansolarfarm Corp.	2,775	100	2,775	-	-	2,775
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd	5,188	100	5,188	-	-	5,188
Hyosung Holdings USA, Inc.	153,342	100	153,342	-	(31)	153,311
Hyosung Brasil Participacoes LTDA	98	100	98	-	-	98
Hyosung Resource (Australia) PTY Ltd.	956	100	956	-	(19)	937
Hyosung RUS.	6,178	100	6,178	-	-	6,178
PT. HYOSUNG JAKARTA	2,866	99.90	2,864	-	-	2,864
Forza Motors Korea Corp.	39,293	100	39,293	-	-	39,293
Total	1,310,592	-	866,871	1,580	(17,097)	851,354

E. Summary of financial information of significant subsidiaries and dividends received are as follows (KRW in millions):

Subsidiary	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (loss) for the year	Other comprehend-sive income (loss)	Total comprehend-sive income (loss)	Dividends received from subsidiaries
HYOSUNG TNS INC.	621,179	364,307	582,990	72,358	939,032	38,312	4,790	43,102	35,985
Hyosung GoodSprings, Inc.	133,914	76,997	127,572	21,137	208,977	1,718	-	1,718	-
Hyosung Investment & Development Corporation	49,079	668,659	7,727	3,582	528	303,731	30,057	333,788	11,280
Taeansolarfarm Corp.	1,476	1,690	118	273	1,345	434	-	434	570
Gongdeok Gyeongwoo Development Corporation	13,293	199,627	191,512	49,345	20,099	2,381	-	2,381	-
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	1,883	164,136	10,831	150,000	7,254	(1,092)	-	(1,092)	1,701
Hyosung Holdings USA, Inc.	587,151	91,415	424,201	101,023	1,005,320	21,881	11,971	33,852	-
Hyosung Brasil Participacoes LTDA	61	157	120	-	100	(7)	2	(4)	-
Hyosung Resource (Australia) PTY Ltd.	42	925	11	-	-	(40)	291	251	-
Hyosung RUS.	123,639	3,155	120,115	501	142,055	1,469	390	1,859	-
PT. HYOSUNG JAKARTA	13,340	592	10,776	290	28,609	59	191	250	-
Forza Motors Korea Corp.	86,123	35,846	65,995	16,681	228,606	5,144	-	5,143	-

F. There are no damage losses recognized in relation to investment in subsidiaries during the term, and the details of damage losses recognized in relation to investment in subsidiaries during the previous period are as follows. (KRW in millions):

Subsidiary	Book value before impairment loss recognition	Recoverable amount	Recognized impairment loss	Calculation method of recoverable amount
Hyosung Resource (Australia) PTY Ltd.	10,885	846	10,039	Fair value less costs to sell

G. The Company estimated recoverable amount for investments in subsidiaries that show signs of impairment. In calculating the recoverable amount, the Company considers net fair value and value in use. The net fair value was estimated based on the best information available to calculate the amount of consideration, which may be received in a sale of assets between independent parties with reasonable judgment and intentions, less costs of disposal as of December 31, 2021

15. Investments in associates and joint ventures

A. The carrying amount of investments in associates and joint ventures as of December 31, 2021 and 2020 as follows (KRW in millions):

Associate / joint venture	Ownership (%)	Location	Acquisition cost	December 31, 2021	December 31, 2020
Hyosung TNC Corporation	20.32	Korea	176,483	367,559	208,024
Hyosung Heavy Industries Corporation	32.47	Korea	161,041	401,792	400,510
Hyosung Advanced Materials Corporation	21.20	Korea	116,476	153,378	97,783
Hyosung Chemical Corporation	20.17	Korea	97,688	121,871	102,814
Taebaek Wind Power Co., Ltd.	35.00	Korea	5,334	9,422	8,964
PyeongChang Wind Power Co., Ltd. (*1)	42.00	Korea	6,510	9,091	8,445
HYOSUNG INFORMATION SYSTEMS CO., LTD (*2)	50.00	Korea	24,860	49,853	48,930
Hyosung Toyota Corporation	40.00	Korea	800	3,372	3,040
Hyosung ITX Co., Ltd.	35.26	Korea	7,676	36,556	17,670
Suncheon Eco Green (*3,4)	29.50	Korea	-	-	-
THE KWANGJUILBO	49.00	Korea	3,920	2,455	2,225
PT. Papua Agro Lestari (*5)	-	Indonesia	-	-	8,480
PT. GELORA MANDIRI MEMBANGUN (GMM) (*6)	15.00	Indonesia	4,687	3,954	4,134
Total			605,475	1,159,303	911,019

(*1) The Company provides its interests in PyeongChang Wind Power Co., Ltd. as collateral for the borrowings of PyeongChang Wind Power Co., Ltd (see Note 35).
(*2) The Company and Hitachi Vantara Corporation have joint control over the investee and, therefore, are classified as a joint venture.
(*3) The Company provides its interests in Suncheon Eco Green as collateral for the borrowings of Suncheon Eco Green (see Note 35).
(*4) 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.
(*5) It was disposed for the year ended December 31, 2021.
(*6) Although the ownership ratio of the Company is less than 20%, it is classified as an associate because is the Company is considered to have significant influence when considering the participation in the Board of Directors of the investee and mutual exchange of management.

B. Details of equity method valuation of associates and joint ventures for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021						
Associate / joint venture	January 1	Acquisition (disposal)	Gain (loss) on equity method	Other comprehensive income (loss)	Others	December 31
Hyosung TNC Corporation	208,024	-	149,554	15,525	(5,544)	367,559
Hyosung Heavy Industries Corporation	400,510	-	4,193	3	(2,914)	401,792
Hyosung Advanced Materials Corporation	97,783	-	47,016	9,010	(431)	153,378
Hyosung Chemical Corporation	102,814	-	13,271	5,746	40	121,871
Taebaek Wind Power Co., Ltd.	8,964	-	458	-	-	9,422
PyeongChang Wind Power Co., Ltd.	8,445	-	646	-	-	9,091
HYOSUNG INFORMATION SYSTEMS CO., LTD	48,930	-	4,713	-	(3,790)	49,853
Hyosung Toyota Corporation	3,040	-	282	-	50	3,372
Hyosung ITX Co., Ltd.	17,670	-	5,095	17,858	(4,067)	36,556
THE KWANGJUILBO	2,225	-	250	-	(20)	2,455
PT. Papua Agro Lestari	8,480	(9,043)	175	388	-	-
PT. GELORA MANDIRI MEMBANGUN (GMM)	4,134	-	(225)	45	-	3,954
Total	911,019	(9,043)	225,428	48,575	(16,676)	1,159,303

2020						
Associate / joint venture	January 1	Acquisition (disposal)	Gain (loss) on equity method	Other comprehensive income (loss)	Others	December 31
Hyosung TNC Corporation	189,194	-	23,870	(2,722)	(2,318)	208,024
Hyosung Heavy Industries Corporation	426,231	-	(24,927)	(2,151)	1,357	400,510
Hyosung Advanced Materials Corporation	99,850	-	197	(2,128)	(136)	97,783
Hyosung Chemical Corporation	114,367	-	(3,324)	(4,395)	(3,834)	102,814
Taebaek Wind Power Co., Ltd.	10,099	-	(890)	-	(245)	8,964
PyeongChang Wind Power Co., Ltd.	9,873	-	(63)	-	(1,365)	8,445
HYOSUNG INFORMATION SYSTEMS CO., LTD	47,195	-	4,147	-	(2,412)	48,930
Hyosung Toyota Corporation	3,116	-	(116)	-	40	3,040
Hyosung ITX Co., Ltd.	17,962	715	4,425	(346)	(5,086)	17,670
THE KWANGJUILBO	3,596	-	(1,354)	-	(17)	2,225
PT. Papua Agro Lestari	9,713	-	(827)	(406)	-	8,480
PT. GELORA MANDIRI MEMBANGUN (GMM)	4,174	-	(3)	(37)	-	4,134
Total	935,370	715	1,135	(12,185)	(14,016)	911,019

C. Significant transactions in equity changes that were not recognized due to the discontinuation of the application of the equity method as of December 31, 2021 is as follows (KRW in millions):

Associate	January 1	Changes	December 31
Suncheon Eco Green	(5,694)	(2,139)	(7,833)

D. The financial information of significant associates and joint ventures that was adjusted to the carrying amount of the equity in the associates and joint ventures as of December 31, 2021 is as follows (KRW in millions):

Associate / joint venture	Net assets	Ownership (%)	Share of net assets	Differences	Fair value difference-undepreciated balance	Intercompany transactions, others	Carrying amount
Hyosung TNC Corporation	1,420,517	20.32	288,649	17,214	62,678	(982)	367,559
Hyosung Heavy Industries Corporation	932,224	32.47	302,705	-	99,087	-	401,792
Hyosung Advanced Materials Corporation	604,001	21.20	128,048	1,817	28,929	(5,416)	153,378
Hyosung Chemical Corporation	501,455	20.17	101,148	3,116	17,607	-	121,871
Taebaek Wind Power Co., Ltd.	26,921	35.00	9,422	-	-	-	9,422
PyeongChang Wind Power Co., Ltd.	21,645	42.00	9,091	-	-	-	9,091
HYOSUNG INFORMATION SYSTEMS CO., LTD	99,706	50.00	49,853	-	-	-	49,853
Hyosung Toyota Corporation	8,432	40.00	3,372	-	-	-	3,372
Hyosung ITX Co., Ltd.	103,319	35.26	36,430	576	-	(450)	36,556
THE KWANGJUILBO	5,009	49.00	2,455	-	-	-	2,455
PT. GELORA MANDIRI MEMBANGUN (GMM)	3,560	15.00	534	3,420	-	-	3,954
Total	3,726,789	-	931,707	26,143	208,301	(6,848)	1,159,303

E. Summary of financial information of significant associates and joint ventures and dividends received as of December 31, 2021 is as follows (KRW in millions):

Associate / joint venture	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (loss) for the year	Other comprehensive income (loss)	Total comprehensive income (loss)	Dividends received
Hyosung TNC Corporation	2,605,431	1,921,038	2,249,513	513,360	8,596,030	1,007,903	96,350	1,104,252	4,396
Hyosung Heavy Industries Corporation	1,561,558	2,461,143	1,944,011	1,041,548	3,094,699	76,517	(8,861)	67,656	-
Hyosung Advanced Materials Corporation	1,435,294	1,473,388	1,744,511	442,582	3,597,777	330,023	48,522	378,546	-
Hyosung Chemical Corporation	797,622	2,258,582	1,083,164	1,471,585	2,452,990	70,414	28,687	99,102	-
Taebaek Wind Power Co., Ltd.	5,155	25,016	666	2,584	5,744	1,311	-	1,311	-
PyeongChang Wind Power Co.,	9,754	60,064	5,064	43,109	10,087	1,537	-	1,537	-
HYOSUNG INFORMATION SYSTEMS CO., LTD	134,629	26,330	55,390	5,863	184,495	9,426	-	9,426	3,460
Hyosung Toyota Corporation	7,979	13,635	5,740	7,442	43,405	704	-	704	-
Hyosung ITX Co., Ltd.	153,107	76,961	100,040	26,709	476,274	14,450	50,644	65,094	3,291
Suncheon Eco Green	1,425	21,859	5,370	44,465	3,917	(5,275)	-	(5,275)	-
THE KWANGJUILBO	4,148	16,414	13,349	2,204	7,379	511	-	511	-
PT. GELORA MANDIRI MEMBANGUN	7,124	97,795	72,307	29,052	216	(1,501)	303	(380)	-

F. Fair value of investments in associates with quoted market price as of December 31, 2021 is as follows (KRW in millions):

Associate	December 31, 2021
Hyosung TNC Corporation	458,110
Hyosung Heavy Industries Corporation	176,521
Hyosung Advanced Materials Corporation	566,104
Hyosung Chemical Corporation	195,296
Hyosung ITX Co., Ltd. (*1)	70,249

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

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

H. The major assumptions used in the impairment review of investments in associates as of December 31, 2021 is as follows:

Recoverable amount	Growth rate	Discount rate
Value-in-use	0%	10%

The Company did not recognize impairment for the year ended December 31, 2021 as it determined by an impairment review of investments in associates that the carrying amount did not exceed the recoverable amount.

16. Other assets

Details of other assets as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Other current assets		
Advance payments	11,107	10,956
Prepaid expenses	23,306	2,566
Subtotal	34,413	13,522
Other non-current assets		
Long-term prepaid expenses	19	40
Other investment assets	23,980	23,980
Subtotal	23,999	24,020
Total	58,412	37,542

17. Related party transactions

Details of related parties as of December 31, 2021 are as follows

(1) Subsidiaries

Region	Related party
Domestic	Gongdeok Gyeongwoo Development Corporation, Hyosung TNS INC., Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd., Taeansolarfarm Corp., Hyosung Good Springs, Inc., Hyosung Investment & Development Corporation, FMK and others
America	Hyosung Holdings USA, Inc., Hyosung USA Inc. and others
Asia	PT. HYOSUNG JAKARTA and others
Europe	Hyosung RUS. and others

(2) Associates and joint ventures

Region	Related party
Domestic	Hyosung Heavy Industries Corporation, Hyosung TNC Corporation, Hyosung Advanced Materials Corporation, Hyosung Chemical Corporation, Suncheon Eco Green, THE KWANGJUILBO, Taebaek Wind Power Co., Ltd., PyeongChang Wind Power Co, Ltd, Hyosung Toyota Corporation, HYOSUNG INFORMATION SYSTEMS CO., LTD, Hyosung ITX Co., Ltd and others
Asia	PT. GELORA MANDIRI MEMBANGUN

(3) Other related parties (*1)

Region	Related party
Domestic	Galaxia device Co., Ltd., Galaxia Electronics Co., Ltd., Gongdeok Development Corporation, The Class Hyosung, The premium Hyosung Co., Ltd., Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., A-SEUNG AUTOMOTIVE GROUP, Trinity Asset Management Co., Ltd, HaengbokDoodrimee, Hyosung Premier Motors Corporation, ASC, Galaxia SM, INC., Galaxiamoneytree Co., Ltd., Shinhwa Intertek, KB Wise Star Private Real Estate fund 11 and others
China	Tianjin Galaxia Device Electronics., Co. Ltd., Huizhou Galaxia Device Electronics., Co. Ltd., Qingdao Galaxia Device Electronics., Co. Ltd., Weihai Galaxia Device Electronics., Co. Ltd., Galaxia Electronics (China Huizhou) CO., Ltd., DNS Technology Co., Ltd. and others
Asia	Galaxia Japan Co., Ltd., Hyosung Singapore PTE Ltd., Hyosung Vietnam Co., Ltd. and others
Europe	Hyosung Europe SRL. Hyosung Istanbul TEKSTIL LTD.STI and others

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

B. Significant transactions with related parties

Significant transactions with related parties for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021					
	Related party	Sales and others (*1)	Dividends	Purchases and others (*1)	Acquisition of property, plant and equipment and intangible assets
Subsidiaries	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	970	1,136	-
	Hyosung Trans World co., Ltd (*2, *3).	30	-	62	-
	Hyosung USA Inc.	1,970	-	-	-
	Hyosung Investment & Development	-	11,280	-	-
	Hyosung TNS INC.	20,626	35,985	8,176	459
	Others	2,601	570	647	-
	Subtotal	25,227	48,805	10,021	459
Associates and joint ventures	Hyosung ITX Co., Ltd.	1,899	3,291	989	92
	Hyosung Heavy Industries Corporation	88,958	-	307	60
	Hyosung Advanced Materials Corporation	49,588	-	9,359	-
	Hyosung Chemical Corporation	125,182	-	6	-
	Hyosung TNC Corporation	120,494	4,396	13,045	-
	HYOSUNG INFORMATION SYSTEMS CO., LTD	519	3,460	681	930
	Others	-	-	225	-
	Subtotal	386,640	11,147	24,612	1,082
Other related parties	Hyosung Japan Co., Ltd.	3,850	-	-	-
	Hyosung Istanbul TEKSTIL LTD.STI.	2,745	-	-	-
	Gongdeok Development Corporation	-	-	69	-
	Shinhwa Intertek	3,407	-	-	-
	Galaxiamoneytree Co., Ltd.	495	-	-	-
	Galaxia SM, INC.	351	-	1,414	-
	Others	5,195	-	58	51
	Subtotal	16,043	-	1,541	51
Total		427,910	59,952	36,174	1,592

(*1) Sales, other income, interest income, etc. are included in sales and others. Purchase of raw materials, selling and administrative expenses, other expenses, etc. are included in purchase and others.
(*2) It has been excluded from subsidiaries due to mergers and Acquisition for the years ended December 31, 2021.
(*3) Transactions up to the date of merger.

2020					
	Related party	Sales and others (*1)	Dividends	Purchases and others (*1)	Acquisition of property, plant and equipment and intangible assets
Subsidiaries	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	984	1,035	-
	Hyosung Trans World co., Ltd.	276	4,000	833	3
	Hyosung USA Inc.	2,515	-	-	-
	Hyosung Capital corporation	810	26,520	19	-
	Hyosung Investment & Development	-	12,925	-	-
	Hyosung TNS INC.	4,247	21,591	8,530	550
	Others	1,807	2,301	70	-
	Subtotal	9,655	68,321	10,487	553
Associates and joint ventures	Hyosung ITX Co., Ltd.	1,739	4,136	1,528	711
	Hyosung Heavy Industries Corporation	44,512	-	211	98
	Hyosung Advanced Materials Corporation	23,064	-	7,365	2
	Hyosung Chemical Corporation	27,898	3,217	9	-
	Hyosung TNC Corporation	25,590	1,759	8,301	-
	HYOSUNG INFORMATION SYSTEMS CO., LTD	430	2,595	1,029	452
	Others	342	1,610	225	-
	Subtotal	123,575	13,317	18,668	1,263
Other related parties	Hyosung Japan Co., Ltd.	5,063	-	-	-
	Hyosung International Trade (Jiaxing) Co., Ltd.	26	-	-	-
	Gongdeok Development Corporation	-	-	(202)	-
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	94	-	-	-
	Galaxiamoneytree Co., Ltd.	142	-	-	-
	Galaxia SM, INC.	293	-	1,356	-
	Others	4,150	-	11	-
	Subtotal	9,768	-	1,165	-
Total		142,998	81,638	30,320	1,816

(*1) Sales, other income, interest income, etc. are included in sales and others. Purchase of raw materials, selling and administrative expenses, other expenses, etc. are included in purchase and others.

C. Significant outstanding balances to/from related parties as of December 31, 2021 and 2020 are as follows (KRW in millions):

December 31, 2021					
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables (*1)
Subsidiaries	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	29,741	-	15,570
	HYOSUNG TNS INC.	2,365	6,329	-	20,820
	Hyosung USA Inc.	262	39	-	262
	Gongdeok Gyeongwoo Development Corporation	-	927	-	15,409
	Others	385	702	-	356
	Subtotal	3,012	37,738	-	52,417
Associates	Hyosung Heavy Industries Corporation (*2)	14,438	101	1	7,155
	Hyosung TNC Corporation	20,100	86	1,052	479
	Hyosung Advanced Materials Corporation	8,650	121	609	5,800
	Hyosung Chemical Corporation	26,904	76	-	52
	THE KWANGJUILBO	-	7,963	-	55
	Others	249	-	-	126
	Subtotal	70,341	8,347	1,662	13,667
Other related parties	Hyosung Japan Co., Ltd.	41	-	8	40
	Hyosung Istanbul TEKSTIL LTD.STI.	146	27	-	-
	Gongdeok Development Corporation	-	603	-	1,444
	Shinhwa Intertek	385	-	-	-
	Galaxiamoneytree Co., Ltd.	-	1,287	-	693
	Galaxia SM, INC.	37	-	129	-
	KB Wise Star Private Real Estate fund 11	-	59,911	-	167
	Others	900	476	85	801
	Subtotal	1,509	62,304	222	3,145
Total		74,862	108,389	1,884	69,229

(*1) Non-trade receivables, loans, accrued income, advance payments and others are included in other receivables. Non-trade payables, Deposits withheld, and others are included in other payables.
(*2) The membership on Hyosung Heavy Industries Corporation amounting to KRW 19,200 million has been accounted for as intangible assets.

December 31, 2020					
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables (*1)
Subsidiaries	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	9,610	-	22,072
	HYOSUNG TNS INC.	265	8,737	-	4,584
	Hyosung USA Inc.	416	20	-	415
	Gongdeok Gyeongwoo Development Corporation	-	721	80	14,769
	Others	179	1,068	41	90
	Subtotal	860	20,156	121	41,930
Associates	Hyosung Heavy Industries Corporation (*2)	5,714	13	-	7,013
	Hyosung TNC Corporation	2,778	8	924	536
	Hyosung Advanced Materials Corporation	2,759	35	680	5,141
	Hyosung Chemical Corporation	2,564	23	-	371
	THE KWANGJUILBO	-	8,262	-	112
	Others	336	6	1	387
	Subtotal	14,151	8,347	1,605	13,560
Other related parties	Hyosung Japan Co., Ltd.	176	-	-	174
	Hyosung Istanbul TEKSTIL LTD.STI.	3	7	-	-
	Gongdeok Development Corporation	-	516	-	2,185
	Shinhwa Intertek	-	-	-	-
	Galaxiamoneytree Co., Ltd.	-	1,944	-	676
	Galaxia SM, INC.	34	-	126	-
	Others	740	522	-	1,355
	Subtotal	953	2,989	126	4,390
Total		15,964	31,492	1,852	59,880

(*1): Non-trade receivables, loans, accrued income and others are included in other receivables. Non-trade payables, deposits withheld, and others are included in other payables.
(*2) The membership on Hyosung Heavy Industries Corporation amounting to KRW 21,600 million has been accounted for as intangible assets.

D. Fund transactions with related parties for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021					
	Related party	January 1	Loans	Collections	December 31
Subsidiaries	Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd.	-	20,000	-	20,000
Associates	THE KWANGJUILBO (*1)	7,853	-	-	7,853
Other related parties	KB Wise Star Private Real Estate fund 11 (*2)	-	60,000	-	60,000

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

2020					
	Related party	January 1	Collections	Impairment	December 31
Subsidiaries	Gongdeok Gyeongwoo Development Corporation	20,361	(20,361)	-	-
Associates	PT. GELORA MANDIRI MEMBANGUN	2,560	(2,560)	-	-
	THE KWANGJUILBO	7,853	-	(7,853)	-

E. Details of compensations to key management personnel for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Salaries and other short-term employee benefits	14,637	5,780
Retirement benefits	882	917
Total	15,519	6,697

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

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

18. Trade and other payables

A. Details of trade and other payables as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Trade payables	55,794	5,321
Other payables	51,918	46,265
Subtotal	107,712	51,586
Long-term other payables	21,893	13,097
Total	129,605	64,683

B. The carrying amounts of other payables as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Other payables		
Non-trade payables	25,936	31,379
Accrued expenses	7,258	6,563
Withholdings	11,469	6,831
Deposits withheld	7,255	1,492
Subtotal	51,918	46,265
Long-term other payables		
Non-trade payables	17,667	3,300
Accrued expenses	487	605
Deposits withheld	3,739	9,192
Subtotal	21,893	13,097
Total	73,811	59,362

19. Borrowings

A. Details of borrowings as of December 31, 2021 and 2020 are as follows (KRW in millions):

	Description	Creditor	Maturity date	Annual interest rate (%)	December 31, 2021	December 31, 2020
Short-term borrowings	General short-term borrowings	Korea Development Bank	2021-05-07	CD+1.2	-	20,000
	Sales of export receivables (*1)	Woori Bank	-	-	692	904
	Subtotal				692	20,904
Long-term borrowings	Foreign long-term borrowings (*2)	Korea Energy Co.	2027-06-15	0.75	763	899
Total					1,455	21,803

(*1) The Company sold trade receivables denominated in foreign currencies to the financial institutions. The Company may retain an obligation to compensate a financial institution for debtors' failure to make payment when they become due, an obligation known as a 'recourse obligation'. Recourse obligations related to the sales of receivables with recourse are accounted for as collateralized borrowings (see Note 7 and 35).
(*2) Long-term borrowings included KRW 136 million classified as current portion of borrowings (short-term borrowings) as of December 31, 2021 and 2020.

20. Government grants

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

B. The balance of government subsidies related to asset acquisition as of December 31, 2021 is KRW 1,990 million (2020: KRW 1,535 million), and the balance of government subsidies related to liabilities to be repaid is KRW 7,906 million (2020: KRW 7,848 million).

21. Retirement benefits

A. Defined contribution pension plan

The expense amount recognized in relation to retirement benefit plans under defined contribution plans for the year ended December 31, 2021 is KRW 857 million (2020: KRW 464 million)

B. Defined benefit pension plan

(1) Details of net defined benefit liabilities as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	93,001	67,269
Fair value of plan assets (*1)	(91,508)	(61,528)
Net defined benefit liabilities	1,493	5,741

(*1) The contributions to the National Pension Fund of KRW 68 million are included in the fair value of plan assets as of December 31, 2021 (2020: KRW 78 million)

(2) The changes in defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
January 1	67,269	86,716
Current service costs	6,867	6,670
Interest expenses	799	676
Benefits paid	(4,756)	(26,670)
Remeasurements:		
Changes in demographical assumptions	(1,297)	-
Changes in financial assumptions	48	1,037
Experience adjustments	20,601	(192)
Transfers to affiliates, net	830	(968)
Merger	2,640	-
December 31	93,001	67,269

(3) The changes in the fair value of plan assets for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
January 1	61,528	79,400
Interest income	1,431	1,841
Employer's contributions	30,200	8,600
Benefits paid	(4,568)	(26,498)
Remeasurements	(730)	(938)
Transfers to affiliates, net	890	(877)
Merger	2,757	-
December 31	91,508	61,528

(4) Details of plan assets as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021		December 31, 2020	
	Amount	Portion (%)	Amount	Portion (%)
Deposits	6,945	7.59	13,760	22.36
Debt instruments	84,563	92.41	47,768	77.64
Total	91,508	100.00	61,528	100.00

(5) The significant actuarial assumptions as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Discount rate	2.91%	2.47%
Salary increase rate	3.22%	2.93%

(6) The sensitivity of the defined benefit obligations 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	(2,688)	3,095
Salary increase rate	1.0% increase/decrease	3,057	(2,708)

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

22. Other liabilities

Details of other liabilities as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Other current liabilities		
Advances received	14,265	13,347
Unearned revenues	22,087	74
Subtotal	36,352	13,421
Other non-current liabilities		
Long-term unearned revenues	185	368
Total	36,537	13,789

23. Share capital

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

B. Details of retained earnings as of December 31, 2021 and 2020 are as follows (KRW in millions):

	Description	December 31, 2021	December 31, 2020
Legal reserve	Earned surplus reserve (*1)	75,670	75,670
Voluntary reserve	Facility reserve	6,082,000	5,597,000
Unappropriated retained earnings		416,025	588,405
Total		6,573,695	6,261,075

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

C. Other components of equity as of December 31, 2021 and 2020 consist of the followings (KRW in millions):

	December 31, 2021	December 31, 2020
Other paid-in capital	250,410	250,410
Treasury shares	(42,120)	(42,120)
Loss on valuation of financial assets at FVOCI	(118,437)	(118,926)
Gain on sales of treasury shares	183,913	183,913
Equity adjustment in equity method	67,911	(5,998)
Losses on capital reduction (*1)	(4,816,959)	(4,816,959)
Total	(4,475,282)	(4,549,680)

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

D. The appropriations of retained earnings for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021		2020	
Retained earnings		416,025		588,405
January 1	3,858		649,566	
Remeasurement loss on net defined benefit liabilities	(15,222)		(1,351)	
Share of remeasurement loss of subsidiaries and associates	(5,904)		(825)	
Profit (loss) for the year	433,293		(58,985)	
Appropriation of retained earnings		414,411		584,547
Facility reserves	285,000		485,000	
Dividends (Cash dividend (%)): Ordinary share (2021): 6,500 KRW (130%) Ordinary share (2020): 5,000 KRW (100%)	129,411		99,547	
December 31		1,614		3,858

24. Revenue

Details of revenue for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Service sales	79,678	70,590
Finished goods	95,499	86,289
Transportation services	352,526	-
Gain on equity method	442,401	71,085
Others	82,982	67,527
Total	1,053,086	295,491

25. Revenue from contracts with customers

A. Revenues generated from contracts with customers for the years ended December 31, 2021 and 2020 are classified as follows (KRW in millions):

2021				
	Interior	Transportation services	Holding business	Total
1. Type of good or service:				
Service sale	-	-	79,678	79,678
Finished goods	95,499	-	-	95,499
Transportation services	-	352,526	-	352,526
Other sales	73	-	74,324	74,397
Total	95,572	352,526	154,002	602,100
2. Geographic market:				
Domestic	85,442	288,015	152,663	526,120
Overseas	10,130	64,511	1,339	75,980
Total	95,572	352,526	154,002	602,100
3. Revenue recognition:				
At a point in time	95,572	-	-	95,572
Over a period of time	-	352,526	154,002	506,528
Total	95,572	352,526	154,002	602,100

(*1) Gain on equity method of KRW 442,401 million and operating lease income of KRW 8,585 million that are not covered by KIFRS 1115 are excluded from the revenue.

2020			
	Interior	Holding business	Total
1. Type of good or service:			
Service sales	95	70,495	70,590
Finished goods	86,289	-	86,289
Other sales	718	59,478	60,196
Total	87,102	129,973	217,075
2. Geographic market:			
Domestic	77,767	127,515	205,282
Overseas	9,335	2,458	11,793
Total	87,102	129,973	217,075
3. Revenue recognition:			
At a point in time	86,889	12,082	98,971
Over a period of time	213	117,891	118,104
Total	87,102	129,973	217,075

(*1) Gain on equity method of KRW 71,085 million and operating lease income of KRW 7,331 million that are not covered by KIFRS 1115 are excluded from the revenue.

B. Information about major customers

There are no external customers accounting for 10% or more of the Company's revenues for the year ended December 31, 2021. External customers accounting for 10% or more of the Company's revenues for the year ended December 31, 2020 is "A" with a corresponding revenue of KRW 42,448 million in 2021 (2020: KRW 34,036million)

26. Selling and administrative expenses

Details of the selling and administrative expenses for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Salaries and wages	31,363	21,977
Bonuses	11,914	4,370
Retirement benefits	4,996	2,601
Employee welfare	2,092	1,341
Travel expenses	589	533
Vehicle maintenance expenses	486	406
Communication expenses	304	220
Publication expenses	105	95
Taxes and dues	2,834	1,981
Rental expenses	479	442
Depreciation	4,261	3,759
Amortization	501	350
bad debt expenses	35	-
Repair expenses	554	283
Supplies expenses	345	181
Samples expenses	85	242
Commission	8,039	10,079
Entertainment expenses	3,509	2,830
Meeting expenses	690	541
Sales promotion expenses	672	547
Others	539	717
Total	74,392	53,495

27. Classification of expenses by nature

Cost of sales and selling and administrative expenses by nature for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Changes in inventories of finished goods and work in process and others	(2,401)	1,059
Raw materials and consumables used	47,367	33,753
Salaries and wages	81,116	60,106
Pension benefits	7,092	5,969
Employee welfare	5,508	4,918
Depreciation and amortization	20,788	18,907
Electricity (utility) expense	9,086	8,563
Export expense	41	554
Service expense	12,595	11,043
Outsourcing expense	19,725	19,179
Commission	28,414	27,120
Advertisement	24,747	25,087
Transportation expense	331,834	849
Others	24,597	21,449
Total (*1)	610,509	238,556

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

28. Other income and expenses

Details of other income and expenses for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Other income		
Rental income	176	200
Gain on disposal of property, plant and equipment	5	1,165
Gain on disposal of investments in subsidiaries	2,110	-
Gain on disposal of investments in associates and joint ventures	6,054	-
Dividend income	1,679	460
Gain on disposal of right-of-use assets	-	6
Other bad debt expenses	299	-
Miscellaneous gain and others	2,713	8,793
Subtotal	13,036	10,624
Other expenses		
Loss on disposal of property, plant and equipment	138	-
Loss on disposal of investments in subsidiaries	1,097	102,463
Impairment loss on investments in subsidiaries	-	10,039
Donations	992	1,264
Loss on disposal of right-of-use assets	-	35
Other bad debt expense	-	8,261
Miscellaneous losses and others	578	606
Subtotal	2,805	122,668
Net other expenses	10,231	(112,044)

29. Finance income and costs

A. Details of finance income and costs for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Finance income		
Interest income	4,192	1,924
Gain on foreign currency transactions	4,281	683
Gain on foreign currency translation	2,109	598
Gain on disposal of financial assets	2	568
Valuation gain on financial assets	2,122	3,046
Subtotal	12,706	6,819
Finance costs		
Interest expenses	1,080	2,552
Loss on foreign currency transactions	3,900	703
Loss on foreign currency translation	1,631	485
Loss on disposal of financial assets	15	1,229
Valuation loss on financial assets	1,938	2,829
Others	3	28
Subtotal	8,567	7,826
Net finance revenue(costs)	4,139	(1,007)

30. Income tax expenses and deferred taxes

A. Income tax expenses for the years ended December 31, 2021 and 2020 consists of the followings (KRW in millions):

	2021	2020
Current tax on profit for the year	3,537	17,186
Adjustments in respect for the prior year	(322)	(166)
Corporate tax refund	(5,391)	-
Income tax added to or subtracted from equity	(450)	2,428
Origination and reversal of temporary differences	26,280	(16,578)
Income tax expenses	23,654	2,870

B. Reconciliation between actual income tax expenses and amount computed by applying the statutory tax rate to profit (loss) before income tax for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Profit (loss) before income tax	456,947	(56,115)
Tax calculated at tax rates (*1)	115,298	(13,118)
Tax effects of:		
Income not subject to tax	(95)	(1,997)
Expenses not deductible for tax purposes	1,926	1,646
Corporate tax on non-reflux income	-	1,745
Unrecognized deferred tax assets	(7,110)	4,454
Difference due to the application of temporary different tax rate	(76,242)	12,798
Adjustment in respect of prior years	(322)	(166)
Corporate tax refund	(5,391)	-
Tax credit	(129)	(138)
Others	(4,281)	(2,354)
Income tax expenses	23,654	2,870
Effective tax rate (*2)	5.18%	-

(*1) The tax rate applied takes into account the corporate tax rate (10% below KRW 200 million, 20% above KRW 200 million, 22% above KRW 20 billion, 25% above KRW 300 billion) and local income tax (10% of corporate tax).
(*2) The effective tax rate was not calculated as loss before income tax was incurred for the year ended December 31, 2020.

C. The tax effects relating to components of other comprehensive income (loss) for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021			2020		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Valuation gain (loss) on financial assets FVOCI	700	(211)	489	306	(33)	273
Remeasurements of net defined benefit liabilities	(20,082)	4,860	(15,222)	(1,782)	431	(1,351)
Changes in equity in equity method	79,688	(5,779)	73,909	(24,505)	2,012	(22,493)
Equity method retained earnings	(6,584)	680	(5,904)	(843)	18	(825)
Total	53,722	(450)	53,272	(26,824)	2,428	(24,396)

D. The movements in deferred tax assets and liabilities for the years ended December 31, 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows (KRW in millions):

2021				
	January 1	Statement of profit or loss	Other comprehensive income (loss)	December 31
Gain on revaluation surplus of land	(95,902)	615	-	(95,287)
Investment in subsidiaries, associates and joint ventures	(134,587)	(23,052)	(5,099)	(162,738)
Plan assets	(14,726)	(10,771)	4,860	(20,637)
Defined benefit obligations	14,406	5,401	-	19,807
Other non-current financial assets	2,163	531	(211)	2,483
Allowance for doubtful accounts in excess of tax limit	234	(150)	-	84
Government grants	1,900	14	-	1,914
Loss on valuation of inventories	35	26	-	61
Impairment loss on property, plant and equipment	790	-	-	790
Accrued compensated absences	444	102	-	546
Long-term employee benefits liabilities	146	(28)	-	118
Others	(1,886)	1,501	-	(385)
Subtotal	(226,983)	(25,811)	(450)	(253,244)
Unused tax credit	19	(19)	-	-
Total deferred tax liabilities	(226,964)	(25,830)	(450)	(253,244)

2020				
	January 1	Statement of profit or loss	Other comprehensive income (loss)	December 31
Gain on revaluation surplus of land	(95,910)	8	-	(95,902)
Investment in subsidiaries, associates and joint ventures	(151,684)	15,067	2,030	(134,587)
Plan assets	(19,196)	4,039	431	(14,726)
Defined benefit obligations	19,189	(4,783)	-	14,406
Other non-current financial assets	1,638	558	(33)	2,163
Allowance for doubtful accounts in excess of tax limit	278	(44)	-	234
Government grants	3,759	(1,859)	-	1,900
Loss on valuation of inventories	73	(38)	-	35
Impairment loss on property, plant and equipment	790	-	-	790
Accrued compensated absences	411	33	-	444
Long-term employee benefits liabilities	96	50	-	146
Tax loss	1,163	(1,163)	-	-
Others	(4,284)	2,398	-	(1,886)
Subtotal	(243,677)	14,266	2,428	(226,983)
Unused tax credit	135	(116)	-	19
Total deferred tax liabilities	(243,542)	14,150	2,428	(226,964)

E. The deductible temporary differences and unused tax credits not recognized as deferred tax assets as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Investment in subsidiaries, others	32,980	161,030
Allowance for doubtful accounts	7,963	8,262
Others	50,100	50,136
Total	91,043	219,428

F. There is no taxable temporary difference not recognized as deferred tax liabilities as of December 31, 2021 and 2020.

31. Earnings (loss) per share

A. The calculation details of basic earnings (loss) per share for the years ended December 31, 2021 and 2020 are computed as follows (KRW in millions, except for number of shares and earnings (loss) per share):

	2021	2020
Profit (loss) for the year attributable to ordinary share (*1)	433,293	(58,985)
Weighted average number of ordinary shares outstanding	19,909,404 shares	20,050,682 shares
Earnings (loss) per share (in KRW)	21,763	(2,942)

(*1) Net income (loss) of the ordinary shares is the same as net income (loss) of the Company.

B. Weighted average number of ordinary shares outstanding for the years ended December 31, 2021 and 2020 are as follows (in shares):

	2021			2020		
	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding
January 1	19,909,404	365 days/ 365 days	19,909,404	20,330,824	366 days/ 366 days	20,330,824
Purchase of treasury shares	-	-	-	(421,420)	(*1)	(280,142)
Weighted average number of ordinary shares outstanding	19,909,404	-	19,909,404	19,909,404	-	20,050,682

(*1) The Company acquired treasury shares several times for the year ended December 31, 2020.

32. Dividends

The dividends paid were KRW 99,547 million (KRW 5,000 per share) for the year ended December 31, 2021 and KRW 101,654 million (KRW 5,000 per share) for the year ended December 31, 2020, respectively.

A dividend in respect for the year ended December 31, 2021, of KRW 6,500 per share, amounting to a total dividend of KRW 129,411 million, is to be proposed to shareholders at the annual general meeting to be held on March 18, 2022. These separate financial statements do not reflect this dividend payable.

33. Cash generated from operation

A. Details of the adjustments of non-cash items for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Income tax expenses	23,654	2,870
Interest income	(4,192)	(1,924)
Interest expenses	1,080	2,552
Gain on foreign currency translation	(2,109)	(598)
Loss on foreign currency translation	1,631	485
Depreciation of property, plant and equipment	16,268	15,948
Amortization of intangible assets	4,275	2,480
Depreciation of investment properties	245	478
Gain on disposal of right-of-use assets	-	(6)
Loss on disposal of right-of-use assets	-	35
Gain on disposal of property, plant and equipment	(5)	(1,165)
Loss on disposal of investment property	138	-
band debt expenses	35	-
other bad debt expense (reversal of allowance for doubtful accounts)	(299)	8,261
Loss on (reversal of) valuation of inventories	107	(158)
Gain on disposal of financial assets	(2)	(568)
Loss on disposal of financial assets	15	1,229
Gain on valuation of financial assets	(2,122)	(3,046)
Loss on valuation of financial assets	1,938	2,829
Gain on investment disposition of associates	(6,054)	-
Gain on investment disposition of subsidiaries	(2,110)	-
Loss on disposal of investments in subsidiaries	1,097	102,463
Loss on impairment of investments in subsidiaries	-	10,039
Dividend income	(1,679)	(460)
Rental income	-	(200)
Retirement benefits	6,235	5,505
Gain on equity method	(442,401)	(71,085)
Others	(290)	(4,571)
Total	(404,545)	71,393

B. Details of the working capital adjustments for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Trade receivables	(43,130)	(9,817)
Inventories	(2,370)	1,948
Other receivables	9,740	14,717
Due from customers for contract work	(552)	(102)
Other current financial assets	129,521	-
Other assets	(5,839)	8,322
Trade payables	17,413	(2,489)
Other payables	(3,426)	(4,311)
Due to customers for contract work	(10)	(50)
Other liabilities	13,723	(4,858)
Contributions to plan assets	(25,632)	17,898
Retirement benefits paid	(4,756)	(26,670)
Total	84,682	(5,412)

C. Details of non-cash transactions of the Company for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Transfer of construction-in-progress to related property, plant and equipment	9,049	4,916
Increase in right-of-use assets due to increased lease liabilities	2,717	1,477
Transfer of right-of-use assets to lease receivables	-	16,672
Transfer to current portion of lease receivables	11,972	5,970
Transfer to current portion of lease liabilities	8,964	1,538
Decrease (increase) in outstanding payments related to acquisition of tangible assets	(884)	1,430
Remeasurements factor on net defined benefit liabilities	15,222	1,351

D. Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows (KRW in millions):

2021						
	January	Cash flow	New leases	Change in leases and others	Change in foreign exchange rate	December 31
Short-term borrowings	21,040	(20,373)	-	-	161	828
Long-term borrowings	763	-	-	-	(136)	627
Lease liabilities	41,088	(11,322)	2,710	339	-	32,815
Total	62,891	(31,695)	2,710	339	25	34,270

2020						
	January	Cash flow	New leases	Change in leases and others	Change in foreign exchange rate	December 31
Short-term borrowings	34,507	(13,453)	-	-	(14)	21,040
Long-term borrowings	899	(136)	-	-	-	763
Lease liabilities	21,668	(14,087)	1,477	32,030	-	41,088
Total	57,074	(27,676)	1,477	32,030	(14)	62,891

(*1) Changes in foreign exchange rate and effects from reclassification to current portion and changes in accounting policy were included

34. Financial risk management

34.1 Financial risk management factor

The Company'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 Company'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 Company.

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

34.1.1 Market risk

(1) Foreign exchange risk

The Company 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.

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

Foreign currency	Foreign currency financial assets	Foreign currency financial liabilities
USD	73,049	40,044
EUR	666	2,207
JPY	99	478
Others	-	55
Total	73,814	42,784

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

Currency		2021	2020
US Dollar	Strengthened	3,301	177
	Weakened	(3,301)	(177)
EURO	Strengthened	(154)	5
	Weakened	154	(5)
JPY	Strengthened	(38)	(26)
	Weakened	38	26
Others	Strengthened	(6)	(3)
	Weakened	6	3

(2) Price risk

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

The Company'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 summarizes the impact of increases/decreases of the stock price on the Company's equity as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Increase	1,253	1,885
Decrease	(1,253)	(1,885)

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

The analysis is based on the assumption that the interest rate has increased/decreased by 100 basis points with all other variables held constant. The summarizes the impact of increases/decreases of interest rate on the Company's pre-tax profit as of December 31, 2020 are as follows (KRW in millions):

	2020
Increase	(200)
Decrease	200

34.1.2 Credit risk

Credit risk is managed on the Company entity level. Credit risk arises from cash and cash equivalents, financial assets and outstanding receivables, and others. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Company 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).

No credit limit was exceeded for the year ended December 31, 2021, and management does not expect any loss due to non-compliance with customers.

The maximum exposures to credit risk as of December 31, 2021 and 2020 are as follows (KRW in millions):

	December 31, 2021	December 31, 2020
Cash and cash equivalents (*1)	32,864	3,977
Trade and other receivables	138,977	51,007
Due from customers for contract work	656	104
Other current financial assets	205,596	335,388
Long-term trade and other receivables	35,668	27,827
Other non-current financial assets	30,183	34,696
Financial guarantee contract (*2)	818,021	924,944

(*1) The difference with 'cash and cash equivalents' in the separate financial statements is cash on hand.
(*2) The maximum amount of guarantee that the Company must pay when there is a request from the guarantor.

34.1.3 Liquidity risk

The Company monitors the forecasts on the Company'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 Company does not breach borrowing limits or covenants (where applicable). The Company considers short, mid and long-term financial plan, compliance on commitment and target financial ratio on liquidity forecast.

Details of the Company's liquidity risk analysis as of December 31, 2021 and 2020 are as follows (KRW in millions):

December 31, 2021				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables (*1)	107,838	22,078	-	129,916
Borrowings (including interest)	829	632	-	1,461
Other financial liabilities	9,850	12,317	15,010	37,177
Total	118,517	35,027	15,010	168,554

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

December 31, 2020				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables (*1)	51,660	13,466	-	65,126
Borrowings (including interest)	21,169	548	221	21,938
Other financial liabilities	10,891	19,958	15,302	46,151
Total	83,720	33,972	15,523	133,215

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

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

34.2 Capital risk management

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

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

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

The gearing ratios as of December 31, 2021 and 2020 are as follows (KRW in millions):

	2021	2020
Total borrowings	1,455	21,803
Less: cash and cash equivalents	(32,894)	(4,007)
Net debt (A)	(31,439)	17,796
Total equity (B)	2,654,957	2,267,939
Total capital (A+B=C)	2,623,518	2,285,735
Gearing ratio (A/C)	-	0.78%

35. Contingencies and commitments

A. Notes and others provided as collaterals and others

The Company provided 3 checks as collaterals to the customers and others for borrowings and transaction agreements as of December 31, 2021.

B. Commitment with financial institution and others

The Company entered into agreements such as bank overdrafts, trade account receivables, trade bill discounts, open local L/C, general loans and others with financial institutions with a limit of KRW 97,242 million. Also, the Company entered into secured loan of credit sales agreements with a limit of KRW 54,500 million as of December 31, 2021.

C. Guarantees provided for others and others

The Company has an obligation to provide a supplementary of KRW 182,000 million for its subsidiary, Gongdeok Gyeongwoo Development Corporation.

The Company has provided payment guarantees of $142,000 thousands for its subsidiary, HYOSUNG Holdings USA, INC.

The Company has provided payment guarantees of $61,000 thousands for HYOSUNG USA, INC which is a subsidiary of its subsidiary, HYOSUNG Holdings USA, INC.

The Company has provided payment guarantees of $45,000 thousands for its associate, Hyosung Istanbul TEKSTIL LTD.STI.

The Company has provided payment guarantees of $260,500 thousands for Hyosung DongNai Co., LTD. which is a subsidiary of its associate, Hyosung Istanbul TEKSTIL LTD.STI.

The Company has provided payment guarantee of $28,000 thousands for Hyosung T&D India Pvt Ltd., which is a subsidiary of its associate, Hyosung Heavy Industries Co., Ltd.

The Company 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 Company's associate Hyosung Heavy Industries Corporation. (KRW in millions, USD in Thousands, EUR in Thousands, INR in Thousands):

Content	Monetary unit	Guaranteed amount
Performance of a contract	KRW	8,158
	INR	2,136,013
	EUR	3,368
	USD	17,520
	Others	53,625
construction transition	KRW	55,123
defect repair	KRW	39,530
Others	KRW	1,205

D. Other commitments

The Company entered into the agreements with Hanwha Life Insurance Co., Ltd. and 1 other financial institutions in relation to the borrowings of its subsidiary, Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co., Ltd., amount to KRW 130,000 million as of December 31, 2021(2020: KRW 150,000 million) Company has an obligation to purchase the specific real estate located in Gangnam-gu, Seoul at fair value in case of shortfalls to cover principal and interest expenses at maturity date.

In accordance with Article 530-9 (1) of Commercial Act of the Republic of Korea, the 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 and Hyosung Chemical 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 Company sets and receives brand usage fees based on sales and advertising expenses, and the brand usage revenue generated during the current period is 55,232 million won (2020: KRW 41,626 million).

E. Guarantees provided by others

Details of guarantees provided by others as of December 31, 2021 is as follows (KRW in millions):

Guarantor	Guaranteed amounts	Details of guarantees
Seoul Guarantee Insurance Company	9,272	Deficiency guarantees for supply contracts, etc.

F. Assets pledged as collaterals

(1) Details of assets pledged as collaterals for the Company's borrowings and others as of December 31, 2021 is as follows (KRW in millions):

Pledged assets	Carrying amount	Borrowings	Maximum pledge amount	Lien
Other financial assets	2,157	-	2,157	Machinery Financial Cooperative
Trade receivables	692	692	692	Woori bank
Total	2,849	692	2,849	

Some of property, plant and equipment were provided as collaterals for the Company's borrowings (collateral amount: KRW 446,459 million), and the borrowings of the Company were transferred to the newly established companies.

(2) 1,302,000 shares of PyeongChang Wind Power Co., Ltd. owned by the Company was provided as collateral for the borrowings of KRW 43,819 million of PyeongChang Wind Power Co, Ltd. as of December 31, 2021. 449,521 shares of Suncheon Eco Green owned by the Company was provided as collateral for the borrowings of KRW 30,810 million of Suncheon Eco Green as of December 31, 2021.

G. Pending lawsuits

Details of pending lawsuits as of December 31, 2021 is as follows (KRW in millions):

	Number of lawsuits	Claim amount	Description
Lawsuit as a plaintiff	5	19,066	Administrative litigation on cancellation of corporate tax levy and others
Lawsuit as a dependent	7	6,785	Claims for damages and others

The final outcome of the above cases cannot yet be estimated as of December 31, 2021. Accordingly, no provision for potential losses arising from the claims was reflected in the separate financial statements.

Among the above lawsuits, there were 2 cases (claim amount: KRW 8,620 million) that was filed against the Company in relation to the newly established companies' business as of December 31, 2021.

36. Business combination.

A. As of January 29, 2021, The Company merged Hyosung Transworld Co., Ltd., a subsidiary that the Company hold all of shares (hereinafter referred to as "merged corporation"). Since the Company previously held and controlled all of the shares of the merged corporation, the merger is a business combination under the same control.

B. Since the company holds all of the shares in the merged bill, there are no new shares issued by the merged corporation through a merger without capital increase, and there are no changes in the shares of the major shareholders of the merged corporation.

C. The merger is a business combination under the same control, and the company measures the acquired assets and acquired liabilities as the carrying amount on the acquirer's financial position statement. The Company have removed the carrying amount of investment stocks. The details of assets and liabilities acquired or acquired through the merger and the carrying amount of investment stocks are as follows (KRW in millions):

	December 31, 2021
Investments in subsidiaries	13,421
Total cost of transferred	13,421
Accrued assets acquired and liabilities acquired	
Cash and cash equivalents	18
Trade and other receivables	42,125
Property, plant and equipment	788
Intangible assets	141
Other assets	15,015
Trade and other payables	(33,377)
Current tax liabilities	(1,182)
Other liabilities	(10,107)
Book value of identifiable net assets	13,421
Difference between the transfer consideration and the net	-

D. The cash flow from the business combination is as follows. (KRW in millions):

Content	December 31, 2021
Cash payment	-
Cash and cash equivalents of the merged corporation	18

37. Events after the reporting period

A. As an event after the end of the reporting period, the Company acquired 30,000,000 shares (equity: 15%) of Epitone, Inc. on January 6, 2022 through a third-party allocation paid-in capital increase, with an acquisition amount of USD 10,000,000.

B. As an event after the end of the reporting period, some buildings and production facilities were damaged by a fire at Ulsan Plant of Hyosung TNC Corporation which is associate of the Company in January 2022. Hyosung TNC Corporation is covered by related fire insurance and is under investigation for the financial impact of damage and compensation on the Company.

C. The ongoing armed conflict in Ukraine area which began in February 2022 and international sanctions imposed against Russia may impact sanctioned entities, entities doing business with Ukraine or Russia, as well as entities exposed directly or indirectly to industries or economy of Ukraine or Russia. This event is non-adjusting event after the reporting period. As an event after the end of the reporting period, Hyosung RUS, subsidiary of the Group is in Russia, may be affected by the current conflict in Ukraine, but the financial impact of such events cannot be estimated reasonably.

38. Uncertainty of the impact of COVID-19

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

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

Independent auditor's report on internal control over financial reporting

The Shareholders and Board of Directors
Hyosung Corporation

Opinion on internal control over financial reporting

We have audited Hyosung Corporation's (the "Company") internal control over financial reporting ("ICFR") based on the Conceptual Framework for designing and operating ICFR established by the Operating Committee of ICFR (the "ICFR Committee") as of December 31, 2021.

In our opinion, the Company's ICFR has been effectively designed and operated, in all material respects, as of December 31, 2021, in accordance with the Conceptual Framework for designing and operating ICFR.

We also have audited, in accordance with the Korean Auditing Standards ("KGAAS"), the statement of financial position as of December 31, 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and our report dated March 10, 2022 expressed an unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KGAAS. 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 Company 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 the ICFR included in the accompanying report on the effectiveness of the ICFR.

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

Auditor's responsibilities for the audit of ICFR

Our responsibility is to express an opinion of the Company's ICFR based on our audit. We conducted our audit in accordance with KGAAS. 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

A company's ICFR 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 financial statements for external purposes in accordance with Korean International Financial Reporting Standards (“KIFRS”). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with KIFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements of the 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 Yong Soo Jung.

Ernst & Young Han Young

March 10, 2022

This audit report is effective as of March 10, 2022, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors’ report date to the time this report is used. Such events and circumstances could significantly affect the Company’s ICFR and may result in modifications to this report.

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 (the "Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting ("ICFR") for the year ended December 31, 2021.
The Company's Management, including ourselves, is responsible for designing and operation ICFR.
We assessed the design and operating effectiveness of ICFR in the prevention and detection of an error or fraud which may cause material misstatements in the preparation and disclosure of reliable financial statements. We designed and operated ICFR in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting established by the Operating Committee of Internal Control over Financial Reporting in Korea (the ICFR Committee). And, we conducted an evaluation of ICFR based on Best Practice Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting established by the ICFR Committee.
Based on the assessment results, we believe that the Company's ICFR, as of December 31, 2021, is designed and operating effectively, in all material respects, in accordance with Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.
We certify that this report does not contain any untrue statement or a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statement which cause material misunderstandings, and we have reviewed and verified this report with sufficient due care

January 24, 2022

Kyoo-Young Kim
Chief Executive Officer

Kwang Oh KIM
Internal Control over Financial Reporting Officer

내부회계관리제도 운영실태보고서

주식회사 효성 주주, 이사회 및 감사위원회 귀중

대표이사 및 내부회계관리자는 2021년 12월 31일 현재 동일자로 종료하는 회계연도에 대한 당사의 내부회계관리제도의 설계 및 운영실태를 평가하였습니다. 내부회계관리제도의 설계 및 운영에 대한 책임은 대표이사 및 내부회계관리자를 포함한 회사의 경영진에 있습니다.

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

대표이사 및 내부회계관리자의 내부회계관리제도 운영실태 평가결과, 2021년 12월 31일 현재 당사의 내부회계관리제도는 '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.

2022년 1월 24일

대 표 이 사 김 규 영 (서명)

내부회계관리자 김 광 오 (서명)