

Hyosung Corporation

**Separate Financial Statements
December 31, 2013 and 2012**

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Report of Independent Auditors

To the Board of Directors and Shareholders of
Hyosung Corporation

We have audited the accompanying separate statements of financial position of Hyosung Corporation (the "Company") as of December 31, 2013 and 2012, the related separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall separate financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial statements, referred to above, present fairly, in all material respects, the financial position of Hyosung Corporation as of December 31, 2013 and 2012, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

As discussed in Note 41 to the separate financial statements, the Company restated its separate financial statements as of and for the year ended December 31, 2012, to correct the accounting errors in the accounts of plant, property and equipment, investments in subsidiaries and associates, and others, which were identified through an investigation of the National Tax Service.

The restatement of the prior year separate financial statements decreased the total assets by ₩ 60,240 million, increased total liabilities by ₩ 166 million, and decreased total net assets by ₩ 60,406 million as of December 31, 2012, and increased the net income for the year ended December 31, 2012, by ₩ 23,954 million.

The Company's separate financial statements as of and for the year ended December 31, 2012, were restated to reflect these corrections, and differ from the separate financial statements approved by the Board of Directors on March 22, 2013. Therefore, our original report dated March 14, 2013, should no longer be relied upon nor should it be associated with the Company's separate financial statements as of and for the year ended December 31, 2012.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Seoul, Korea
March 13, 2014

This report is effective as of March 13, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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1. General Information

Hyosung Corporation (the "Company") was established on November 3, 1966, and primarily manufactures and sells synthetic fiber products and electronic products, and is engaged in construction, international trade and other related business activities.

As of December 31, 2013, the Company has plants in Ulsan, Anyang, Yongyeon, Icheon, Jincheon, Gumi, Daegu, Changwon, and Daejeon. In addition, the Company has subsidiaries and branches all over the world.

As of December 31, 2013, the Company's major shareholders are Cho Seok Rae (10.32%), Cho Hyun Joon (9.85%), and Cho Hyun Sang (9.06%).

2. Significant Accounting Policies

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

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

The Company's financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

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The Company newly applied the following amended and enacted standards for the annual period beginning on January 1, 2013:

- Amendment to Korean IFRS 1001, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*

The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Company applies the amendment retroactively and there is no impact of the application of this amendment on its total comprehensive income or loss.

- Amendment to Korean IFRS 1019, *Employee Benefits*

The amendment requires entities to immediately recognize all actuarial gains and losses incurred in other comprehensive income or loss. All past service costs incurred are immediately recognized in accordance with the change of the plan, and the previous separate calculation of the interest cost and the expected returns on plan assets has been revised to calculate net interest expense (income) by applying the discount rate used in the defined benefit obligation measurement in the net defined benefit liabilities (assets). There is no material impact of the application of this amendment on the financial statements. .

- Korean IFRS 1111, *Joint Arrangements*

Korean IFRS 1111, *Joint Arrangements*, reflects the substance of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures. The adoption of this standard does not have an impact on the financial statements.

- Korean IFRS 1112, *Disclosures of Interests in Other Entities*

Korean IFRS 1112, *Disclosure of Interests in Other Entities*, provides disclosure requirements for all types of equity investments in other entities including subsidiaries, associates, joint ventures and unconsolidated structured entities.

- Korean IFRS 1027, *Separate Financial Statements*

Korean IFRS 1027, *Separate Financial Statements*, contains accounting treatments and requirements for investments in subsidiaries, associates and joint ventures relating only to separate financial statements of the Controlling Company.

- Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, Fair Value Measurement, provides a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across K-IFRS. The Company has applied this standard prospectively according to the transitional provisions of K-IFRS 1113 and there is no material impact of the application of this standard on the financial statements.

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(b) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013, and not early adopted by the Company are as follows:

- Amendment to Korean IFRS 1110, *Consolidated Financial Statements*.

Amendment to Korean IFRS 1110, *Consolidated Financial Statements*, provides that, if a parent company qualifies as an investment entity, it is required to measure its investments in subsidiaries at fair value through profit and loss instead of consolidating these subsidiaries in its consolidated financial statements. The amendment does not apply for a parent of an investment entity if the parent itself is not an investment entity. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this amendment would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*.

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Company is assessing the impact of application of this amendment on its financial statements.

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*.

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company is assessing the impact of application of this amendment on its financial statements.

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this interpretation would not have a material impact on its financial statements.

2.3 Investment in Subsidiaries and Associates

The financial statements of the Company are separate financial statements based on Korean IFRS 1027, *Separate financial statements*. Investments in subsidiaries, joint ventures, and associates are recognized at cost under the direct equity method. Management applied the carrying amounts

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under previous K-GAAP at the time of first adoption of Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, jointly controlled entities or associates in profit or loss when its right to receive dividend is established

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

2.5 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the each entity operates (the "functional currency"). The financial statements are presented in Korean won, which is the Controlling Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within 'financial income or expenses'.

2.6 Financial Assets

(a) Classification and measurement

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

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Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Company writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over three months; or the disappearance of an active market for that financial asset because of financial difficulties. A decline in the fair value of an available-for-sale equity instrument by more than a significant percentage from its cost or a prolonged decline below its cost for a significant period is also objective evidence of impairment.

(c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'borrowings' in the statement of financial position.

2.7 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within 'other income (expenses)' according to the nature of transactions.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method (the gross-weighted average method or the first-in, first-out

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(FIFO) method in some subsidiaries) except for in-transit inventories which are determined using the specific identification method.

2.9 Property, Plant and Equipment

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

Estimated Useful Lives			Estimated Useful Lives		
Buildings	40	years	Vehicles	5	years
Structures	40	years	Tools and equipment	5	years
Machinery	5 - 10	years			

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

2.10 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.11 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

2.12 Intangible Assets

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

Internally generated software development costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. Membership rights are regarded as intangible assets with indefinite useful life

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and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives are as follows:

	Estimated Useful Lives
Industrial rights	5 - 10 years
Other intangible assets	5 - 25 years

2.13 Non-current Assets (or Disposal Group) Held-for-sale

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

2.14 Investment Property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over 40 years.

2.15 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases where all the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases and recognized as lease assets and liabilities at the lower of the fair value of the leased property and the present value of the minimum lease payments on the opening date of the lease period.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

2.16 Impairment of Non-financial Assets

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

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whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.17 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as '(long-term)trade and other payables', '(long-term)borrowings', and 'other financial liabilities' in the statement of financial position.

Preferred shares that provide for a mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the statement of income as 'finance costs', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.18 Financial Guarantee Contracts

Financial guarantees contracts provided by the Company are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'trade and other payables':

- (a) the amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or
- (b) the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, *Revenue*.

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2.19 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.20 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee Benefits

(a) Post-employment benefits

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement,

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usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year

2.22 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal activities of the Company. It is stated as net of value added taxes, returns, rebates and discounts.

The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods

Sales of goods are recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or The Company has objective evidence that all criteria for acceptance have been satisfied.

Provisions for product discount and returns are made based on historic trends and specific knowledge of any customer's intent to return products.

(b) Rendering of services

Normally, if the contract is based on time and materials related to rendering design services, revenue is recognized according to the percentage of completion. If the contract is based on time, the percentage of completion is measured on the time provided over the total estimated time to be provided, and if the contract is based on materials, the percentage of completion is measured based on the direct costs to date over the total estimated costs.

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(c) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(d) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.23 Construction Contracts

A construction contract is defined by Korean IFRS 1011, *Construction Contracts*, as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Contract costs are recognized as an expense in the period in which they are incurred.

The Company uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These amounts are recognized as inventory, advance payments or other assets.

On the statement of financial position, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work); a contract represents a liability where the opposite is the case (due to customers for contract work).

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The Company applies the percentage of completion method on recognition of sales-real estate based on the Korea Accounting Institute Opinion "2011 - I - KQA". This application is effective pursuant to the Acts on Article 13.1.1 Korean International Financial Reporting Standards (K-IFRS) on External Audit for Stock Companies in Korea.

2.24 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2013 financial statements of the Company was approved by the Board of Directors on February 19, 2014, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

3. Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimations and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Company is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 24).

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 4).

(c) Provisions

The Company recognizes provisions for warranties and others as of the reporting date. These provisions are estimated based on past experience (Note 25).

(d) Defined benefit liability

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

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4. Risk Management

4.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's financial management segment focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance and identifies these potential risks in order to eliminate, decrease or hedge these risks to an acceptable level. The Company uses derivative financial instruments to hedge certain risk exposures.

4.1.1 Market Risk

(a) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, Japanese yen and other currencies such as the Australian dollar, British pound and Canadian dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The book values of monetary assets and liabilities denominated in foreign currencies other than the Company's functional currency as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

		2013		2012
Assets denominated in foreign currencies				
USD	₩	516,910	₩	890,008
EUR		115,212		35,375
JPY		5,810		1,689
Others		18,512		11,398
Liabilities denominated in foreign currencies				
USD		1,515,348		1,723,695
EUR		178,202		72,440
JPY		72,320		61,994
Others		17,409		16,877

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The impact of weakened/strengthened Korean won by 10% against foreign currencies with all other variables held constant on the Company's pre-tax profit for the year as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013				2012			
	Strengthened		Weakened		Strengthened		Weakened	
USD	₩	(99,844)	₩	99,844	₩	(83,369)	₩	83,369
EUR		(6,299)		6,299		(3,706)		3,706
JPY		(6,651)		6,651		(6,030)		6,030
Others		110		(110)		(548)		548

(b) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position as available-for-sale. The Company is not exposed to commodity price risk.

The Company's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: KOSPI equity index and KOSDAQ equity index.

As of December 31, 2013 and 2012, the impact of increases/decreases of the stock price by 30% with all other variables held constant on the Company's pre-tax profit for the year and equity is as follows:

<i>(in millions of Korean won)</i>	Impact on pre-tax profit				Impact on equity				
	2013		2012		2013		2012		
KOSPI	Increase	₩	-	₩	-	₩	21,404	₩	33,603
	Decrease		-		-		(21,404)		(33,603)
KOSDAQ	Increase		-		-		-		544
	Decrease		-		-		-		(544)

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(c) Interest rate risk

The Company has fixed rate borrowings and floating rate borrowings, and some of these borrowings expose the Company to interest rate risk. The management of the Company periodically reviews fluctuations in interest rates in order to manage repayments or renewals of borrowings.

The book values of borrowings exposed to interest rate risk as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Borrowings	₩	1,604,979	₩	752,000

The impact of 100 basis points higher/lower of interest rate with all other variables held constant on the Company's pre-tax profit for the year as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013		2012	
	Increase	Decrease	Increase	Decrease
Pre-tax profit	₩ (16,050)	₩ 16,050	₩ (7,393)	₩ 7,393

4.1.2 Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The maximum exposure to credit risk as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Cash and cash equivalents	₩	108,906	₩	143,396
Trade and other receivables		998,506		1,322,291
Unbilled amount of construction		52,399		28,407
Other financial assets		36,459		113,973
Long-term trade and other receivables		208,684		202,685
Long-term other financial assets		87,264		165,812
Financial guarantee contracts		3,855,437		3,594,436

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4.1.3 Liquidity Risk

The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal financial ratio targets and, if applicable external regulatory or legal requirements.

Details of the Company's liquidity risk analysis as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 1,180,595	₩ 45,480	₩ -	₩ 1,226,075
Borrowings	2,037,063	1,472,599	4,467	3,514,129
Derivative liabilities ¹	212	-	-	212
Financial guarantees ²	2,621,524	941,712	2,401	3,565,637
PF guarantees ²	123,000	166,800	-	289,800
	<u>₩ 5,962,394</u>	<u>₩ 2,626,591</u>	<u>₩ 6,868</u>	<u>₩ 8,595,853</u>

(in millions of Korean won)

	2012			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 1,136,884	₩ 37,553	₩ -	₩ 1,174,437
Borrowings	2,018,654	1,625,516	5,706	3,649,876
Derivative liabilities ¹	3,906	-	-	3,906
Financial guarantees ²	2,161,904	1,065,732	-	3,227,636
PF guarantees ²	183,000	183,800	-	366,800
	<u>₩ 5,504,348</u>	<u>₩ 2,912,601</u>	<u>₩ 5,706</u>	<u>₩ 8,422,655</u>

¹ The Company's trading portfolio derivative instruments have been included at their fair value of ₩212 million (2012: ₩3,906 million) within the less than 1 year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date (Note 11).

² The amount of the above financial guarantee contract is the maximum contractual amount that the Company is obliged to pay if the principal debtor claims the whole amount of guarantees. The possibility of not paying the guarantee is higher than that of paying the guarantee according to the financial guarantee contract based on the estimation as of year-end. Yet, the possibility of principal debtor claiming payment to the Company can change based on changes in financial conditions of the principal debtor.

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4.2 Capital Risk Management

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

In order to maintain an optimal capital structure, the Company monitors financial ratios, such as debt-to-equity ratio and net borrowing ratio periodically. If necessary, the Company seeks ways to improve the capital structure.

The debt-to-equity ratios and net borrowing ratios as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>		2013		2012
Debt (A)	₩	5,261,670	₩	5,227,872
Equity (B)		2,587,296		2,996,682
Cash and cash equivalents (C)		108,906		143,396
Borrowings (D)		3,357,501		3,383,449
Debt-to-equity ratio (A/B)		203.37%		174.46%
Net borrowing ratio ((D-C)/B)		125.56%		108.12%

4.3 Fair Value Estimation

4.3.1 Fair Value of Financial Instruments by Category

The carrying amounts of financial instruments other than equity instruments that do not have quoted prices in an active market such as available-for-sale financial assets, which are measured at cost because their fair value cannot be measured reliably, are at fair values.

4.3.2 Financial Instruments Measured at Cost

Details of financial instruments measured at cost as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>		2013		2012
Available-for-sale financial assets				
TransLink Capital Partners 1, L.P.	₩	2,022	₩	1,915
Korea Housing Guarantee Co., Ltd.		1,717		1,717
The Korea Economic Daily		1,354		1,354
Investment and others		6,907		7,029
	₩	12,000	₩	12,015

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The above equity instruments are measured at cost because they do not have quoted prices in an active market and their fair value cannot be measured reliably. The Company does not have any plans to dispose of the above-mentioned equities in the near future. These equities will be measured at fair value when the Company can develop a reliable estimate of the fair value.

4.3.3 Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, 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 (that is, prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 71,348	₩ 755	₩ 2,665	₩ 74,768
Derivative assets	-	36,898	-	36,898
	<u>₩ 71,348</u>	<u>₩ 37,653</u>	<u>₩ 2,665</u>	<u>₩ 111,666</u>
Liabilities				
Derivative liabilities	₩ -	₩ 212	₩ -	₩ 212
	<u>₩ -</u>	<u>₩ 212</u>	<u>₩ -</u>	<u>₩ 212</u>

(in millions of Korean won)

	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 145,928	₩ 1,204	₩ 6,860	₩ 153,992
Derivative assets	-	63,724	-	63,724
	<u>₩ 145,928</u>	<u>₩ 64,928</u>	<u>₩ 6,860</u>	<u>₩ 217,716</u>
Liabilities				
Derivative liabilities	₩ -	₩ 3,906	₩ -	₩ 3,906
	<u>₩ -</u>	<u>₩ 3,906</u>	<u>₩ -</u>	<u>₩ 3,906</u>

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4.3.4 Transfers between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Available-for-sale financial assets				
Beginning balance	₩	6,860	₩	6,860
Transfer into Level 3		-		-
Amount recognized in other comprehensive income		(3,860)		-
Amount recognized in profit or loss (impairment loss)		(335)		-
Ending balance	₩	<u>2,665</u>	₩	<u>6,860</u>

4.3.5 Valuation Technique and the Inputs

Every period end, the Company measures fair values regarding the recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 2 and Level 3 of the fair value hierarchy and discusses the fair value measurement process and its results with the finance director.

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5. Operating Segment information

The management which makes strategic decisions has determined the operating segments. The management makes strategic decisions on allocation of resources to segments and assesses the performance of operating segments based on the operating profit. Product separation units in terms of type of goods were separated as fabric, industrial materials, chemicals, heavy industrial, construction, trading and others.

The Company's operating segment information for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)

	2013							Total
	Fabric	Industrial materials	Chemicals	Heavy industrial	Construction	Trading	Others	
Revenue								
Total revenue	₩ 1,648,109	₩ 1,143,814	₩ 1,696,644	₩ 2,205,660	₩ 497,243	₩ 2,656,288	₩ 27,790	₩ 9,875,548
Intersegment revenue	(451,867)	(698)	(301,524)	(16,988)	-	(37,085)	-	(808,162)
External revenue	<u>₩ 1,196,242</u>	<u>₩ 1,143,116</u>	<u>₩ 1,395,120</u>	<u>₩ 2,188,672</u>	<u>₩ 497,243</u>	<u>₩ 2,619,203</u>	<u>₩ 27,790</u>	<u>₩ 9,067,386</u>
Operating profit (loss)	₩ 137,675	₩ 51,414	₩ 56,152	₩ (17,818)	₩ 9,349	₩ 16,712	₩ (8,632)	₩ 244,852
Depreciation and amortization	33,382	41,987	80,517	30,006	284	593	26,456	213,225
Assets								
Current assets	268,442	268,122	219,861	775,656	330,079	192,538	33,710	2,088,408
Non-current assets	233,898	935,536	1,108,741	894,532	163,089	70,019	2,354,743	5,760,558
Investment in subsidiaries and associates	347,906	487,843	42,753	123,390	80,981	77,053	464,828	1,624,754
Acquisition of non-current assets	16,766	47,216	299,901	43,770	16,598	24,442	74,314	523,007
Liabilities								
Current liabilities	266,359	175,604	396,605	535,406	106,999	267,667	1,706,216	3,454,856
Non-current liabilities	9,108	16,064	8,695	67,382	47,054	1,592	1,656,919	1,806,814

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	2012							Total
	Fabric	Industrial materials	Chemicals	Heavy industrial	Construction	Trading	Others	
Revenue								
Total revenue	₩ 1,663,205	₩ 1,331,571	₩ 1,663,119	₩ 2,085,241	₩ 572,934	₩ 2,742,891	₩ 33,973	₩ 10,092,934
Intersegment revenue	(446,086)	(61,317)	(234,551)	(19,860)	-	(46,242)	-	(808,056)
External revenue	<u>₩ 1,217,119</u>	<u>₩ 1,270,254</u>	<u>₩ 1,428,568</u>	<u>₩ 2,065,381</u>	<u>₩ 572,934</u>	<u>₩ 2,696,649</u>	<u>₩ 33,973</u>	<u>₩ 9,284,878</u>
Operating profit (loss)	₩ 106,913	₩ 102,381	₩ 64,507	₩ (127,971)	₩ 39,995	₩ 19,293	₩ 4,660	₩ 209,778
Depreciation and amortization	40,886	33,796	67,667	28,194	262	595	19,637	191,037
Assets								
Current assets	245,144	337,113	193,624	981,009	376,809	247,499	172,242	2,553,440
Non-current assets	403,247	493,805	896,310	921,623	151,236	45,460	2,759,433	5,671,114
Investment in subsidiaries and associates	350,755	515,203	36,816	124,622	72,633	77,632	504,626	1,682,287
Acquisition of non-current assets	18,199	136,634	225,933	36,059	9,741	1,035	108,113	535,714
Liabilities								
Current liabilities	323,096	246,521	316,447	571,651	111,642	299,131	1,488,023	3,356,511
Non-current liabilities	9,456	11,950	8,919	42,431	26,949	-	1,771,656	1,871,361

Geographical segment information for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)

	2013	2012
Korea	₩ 3,660,934	₩ 3,455,658
North and Central America	457,868	545,205
Asia	3,746,108	4,166,429
Europe	814,299	661,577
Others	388,177	456,009
	<u>₩ 9,067,386</u>	<u>₩ 9,284,878</u>

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6. Transfer of Financial Assets

The Company transferred trade receivables denominated in foreign currency to financial institutions. In case the customers default, the Company has an obligation to pay the related amounts to the bank. These transactions, treated as a transaction with recourse, have been accounted for as collateralized borrowings (Notes 21 and 40).

Details of transferred financial assets that are not derecognized in their entirety as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Loans and receivables				
Book value of assets	₩	411,131	₩	619,676
Book value of related liabilities		(411,131)		(619,676)
Net position		-		-

7. Financial Instruments by Category

Categorizations of financial assets as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013			
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	₩ 108,906	₩ -	₩ -	₩ 108,906
Trade and other receivables	998,506	-	-	998,506
Unbilled amount of construction	52,399	-	-	52,399
Other financial assets	8	301	36,150	36,459
Long-term trade and other receivables	208,684	-	-	208,684
Long-term other financial assets	50	86,466	748	87,264
	<u>₩ 1,368,553</u>	<u>₩ 86,767</u>	<u>₩ 36,898</u>	<u>₩ 1,492,218</u>

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	2012			
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Total
Cash and cash equivalents	₩ 143,396	₩ -	₩ -	₩ 143,396
Trade and other receivables	1,322,291	-	-	1,322,291
Unbilled amount of construction	28,407	-	-	28,407
Other financial assets	50,004	245	63,724	113,973
Long-term trade and other receivables	202,685	-	-	202,685
Long-term other financial assets	50	165,762	-	165,812
	<u>₩ 1,746,833</u>	<u>₩ 166,007</u>	<u>₩ 63,724</u>	<u>₩ 1,976,564</u>

Categorizations of financial liabilities as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Financial liabilities at amortized cost	Financial guarantee liabilities	Financial liabilities at fair value through profit or loss	Total
Trade and other payables	₩ 1,172,408	₩ 7,901	₩ -	₩ 1,180,309
Borrowings	1,944,299	-	-	1,944,299
Other financial liabilities	-	-	205	205
Long-term trade and other payables	41,667	-	-	41,667
Long-term borrowings	1,413,202	-	-	1,413,202
Other non-current financial liabilities	-	-	7	7
	<u>₩ 4,571,576</u>	<u>₩ 7,901</u>	<u>₩ 212</u>	<u>₩ 4,579,689</u>

(in millions of Korean won)

	2012			
	Financial liabilities at amortized cost	Financial guarantee liabilities	Financial liabilities at fair value through profit or loss	Total
Trade and other payables	₩ 1,128,558	₩ 8,279	₩ -	₩ 1,136,837
Borrowings	1,910,802	-	-	1,910,802
Other financial liabilities	-	-	3,906	3,906
Long-term trade and other payables	32,630	-	-	32,630
Long-term borrowings	1,472,647	-	-	1,472,647
	<u>₩ 4,544,637</u>	<u>₩ 8,279</u>	<u>₩ 3,906</u>	<u>₩ 4,556,822</u>

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Net gains or net losses on each category of financial instruments for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Loans and receivables		
Loss on disposal (Profit or loss)	₩ (3,293)	₩ (3,777)
Interest income	9,202	5,748
Reversal of provision for other receivables	194	444
Bad debt expense	(13,840)	(7,426)
Other bad debt expense	(12,323)	(5,365)
Gain on foreign currency translation	55,217	33,953
Loss on foreign currency translation	(49,502)	(25,170)
Available-for-sale financial assets		
Gain (Loss) on valuation (Other comprehensive income(loss))	(76,094)	38,905
Gain on disposal (Profit or loss)	928	13,310
Impairment loss (Profit or loss)	(464)	(49)
Interest income	36	31
Dividend income	221	1,616
Financial liabilities at amortized cost		
Interest expense	(121,758)	(143,413)
Gain on foreign currency translation	119,723	61,957
Loss on foreign currency translation	(102,468)	(21,060)
Financial liabilities at fair value through profit or loss		
Gain on derivative transactions (Profit or loss)	41,174	47,234
Gain on valuation of derivatives (Profit or loss)	32,533	62,597

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8. Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position as of December 31, 2013 and 2012, are the same as cash and cash equivalents in the statements of cash flows, and the details are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Cash on hand	₩	213	₩	318
Bank deposits		108,693		143,078
	₩	<u>108,906</u>	₩	<u>143,396</u>

9. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012		Details
Long-term other financial assets	₩	50	₩	50	Deposits for checking accounts

10. Trade and Other Receivables

Details of trade and other receivables as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>		2013		
		Receivable amount	Provision	Net book value
Trade receivables	₩	963,111	₩ (41,769)	₩ 921,342
Other receivables		78,120	(956)	77,164
Long-term trade receivables		25,561	(10,723)	14,838
Long-term other receivables		217,366	(23,520)	193,846
	₩	<u>1,284,158</u>	₩ (76,968)	<u>1,207,190</u>

<i>(in millions of Korean won)</i>		2012		
		Receivable amount	Provision	Net book value
Trade receivables	₩	1,284,220	₩ (39,543)	₩ 1,244,677
Other receivables		77,809	(194)	77,615
Long-term trade receivables		5,536	-	5,536
Long-term other receivables		209,302	(12,153)	197,149
	₩	<u>1,576,867</u>	₩ (51,890)	<u>1,524,977</u>

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Details of other receivables as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Other receivables				
Non-trade receivables	₩	35,274	₩	53,995
Short-term loans		38,842		21,539
Accrued income		3,048		2,081
		<u>77,164</u>		<u>77,615</u>
Long-term other receivables				
Long-term loans		25,452		15,751
Deposits provided		168,394		181,398
		<u>193,846</u>		<u>197,149</u>
	₩	<u>271,010</u>	₩	<u>274,764</u>

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

	2013	2012
Discount rate	3.40% ~ 5.00%	3.40% ~ 5.00%

The aging analysis of trade and other receivables as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>		2013						
		<u>Past due but not impaired</u>						
Receivables	not past due	Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months	Impaired	Total	
Trade receivables	₩ 770,639	₩ 49,885	₩ 19,845	₩ 41,481	₩ 30,198	₩ 51,063	₩ 963,111	
Other receivables	77,164	-	-	-	-	956	78,120	
Long-term trade receivables	4,582	-	-	-	-	21,446	26,028	
Long-term other receivables	195,121	-	-	-	-	23,520	218,641	
	<u>₩ 1,047,506</u>	<u>₩ 49,885</u>	<u>₩ 19,845</u>	<u>₩ 41,481</u>	<u>₩ 30,198</u>	<u>₩ 96,985</u>	<u>₩1,285,900</u>	

<i>(in millions of Korean won)</i>		2012						
		<u>Past due but not impaired</u>						
Receivables	not past due	Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months	Impaired	Total	
Trade receivables	₩ 1,123,776	₩ 43,247	₩ 13,303	₩ 5,375	₩ 58,356	₩ 40,163	₩1,284,220	
Other receivables	77,615	-	-	-	-	194	77,809	
Long-term trade receivables	3,870	-	-	-	2,405	-	6,275	
Long-term other receivables	198,629	-	-	-	-	12,153	210,782	
	<u>₩ 1,403,890</u>	<u>₩ 43,247</u>	<u>₩ 13,303</u>	<u>₩ 5,375</u>	<u>₩ 60,761</u>	<u>₩ 52,510</u>	<u>₩1,579,086</u>	

The above amounts are gross amounts before discounts and impairments.

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The Company performs individual impairment reviews on relevant items by determining whether individually significant receivables show symptoms of impairment. The collective impairment review is performed on other receivables for which impairment loss was not recognized as a result of individual impairment review.

The Company classifies receivables, if their collectability is uncertain due to debtors' bankruptcy or insolvency, as accidental bonds. The accidental bond is categorized as composition bonds or other accidental bonds. The composition bonds are assessed for impairment by considering estimated repayment amounts and other accidental bonds are recognized for impairment loss by considering the type and amount of collaterals.

The credit quality of financial assets that are not impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as of December 31, 2013 and 2012:

<i>(in millions of Korean won)</i>	2013		2012	
Counterparties with external credit rating				
A	₩	362,057	₩	415,818
BB		238,874		248,797
BBB		91,191		146,632
		<u>692,122</u>		<u>811,247</u>
Counterparties without external credit rating				
Group 1 ¹		5,895		23,459
Group 2 ²		218,613		415,376
Group 3 ³		-		250
		<u>224,508</u>		<u>439,085</u>
	₩	<u>916,630</u>	₩	<u>1,250,332</u>

¹ New customers/related parties (less than 6 months)

² Existing customers/related parties (more than 6 months) with no defaults in the past

³ Existing customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

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Changes in provisions for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013				
	Beginning	Provision	Reversal	Others	Ending
Trade receivables	₩ 39,543	₩ 3,117	₩ 11	₩ (902)	₩ 41,769
Other receivables	194	956	-	(194)	956
Long-term trade receivables	-	10,723	-	-	10,723
Long-term other receivables	12,153	11,367	-	-	23,520
	<u>₩ 51,890</u>	<u>₩ 26,163</u>	<u>₩ 11</u>	<u>₩ (1,096)</u>	<u>₩ 76,968</u>

<i>(in millions of Korean won)</i>	2012				
	Beginning	Provision	Reversal	Others	Ending
Trade receivables	₩ 19,528	₩ 7,426	₩ -	₩ 12,589	₩ 39,543
Other receivables	13,945	-	-	(13,751)	194
Long-term other receivables	7,232	5,365	(444)	-	12,153
	<u>₩ 40,705</u>	<u>₩ 12,791</u>	<u>₩ (444)</u>	<u>₩ (1,162)</u>	<u>₩ 51,890</u>

The maximum exposure of trade and other receivables to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The creation of provision for impaired trade receivables and other receivables have been included in 'selling and administrative expenses' and 'other expenses' in the statements of income, respectively. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

11. Other Financial Assets and Liabilities

Other financial assets as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Loans and receivables	₩ 57	₩ 50,054
Available-for-sale financial assets	86,768	166,007
Derivative assets	36,898	63,724
	<u>123,723</u>	<u>279,785</u>
Less: current portion	(36,459)	(113,973)
	<u>₩ 87,264</u>	<u>₩ 165,812</u>

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Other financial liabilities as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Derivative liabilities	₩	212	₩	3,906
Less: current portion		(205)		(3,906)
	₩	<u>7</u>	₩	<u>-</u>

Details of loans and receivables as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Short-term financial instruments	₩	7	₩	50,004
Long-term financial instruments		50		50
	₩	<u>57</u>	₩	<u>50,054</u>

Changes in available-for-sale financial assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Beginning balance	₩	166,008	₩	47,270
Acquisition		109		524
Reclassification ¹		246		103,542
Disposal		(2,256)		(11,770)
Impairment loss on available-for-sale financial assets		(464)		(49)
Net gains (losses) reclassified to equity		(76,095)		38,905
Net losses reclassified from equity		(780)		(12,414)
Ending balance	₩	<u>86,768</u>	₩	<u>166,008</u>
Short-term available-for-sale financial assets		300		245
Long-term available-for-sale financial assets		86,468		165,763

¹ During 2012, the Company acquired 221,578,080 shares of common stock of Chin Hung International Inc. in a debt-equity swap in which loans and financial assets at fair value through profit or loss with nominal values of ₩90,000 million and ₩13,542 million, respectively, were exchanged for stocks in accordance with stock issuance carried out according to plans for normalization of the business of Chin Hung International Inc.

Details of short-term available-for-sale financial assets as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Debt securities (government bonds)	₩	300	₩	245

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Details of long-term available-for-sale financial assets as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			2012	
	Acquisition cost	Fair value or net asset value ¹	Book value ²	Book value	
Listed stock	₩ 103,542	₩ 71,348	₩ 71,348	₩	145,928
Unlisted stock ¹	34,767	9,070	9,070		13,284
Investment and others	5,594	5,594	5,594		5,591
Debt securities	456	456	456		960
	<u>₩ 144,359</u>	<u>₩ 86,468</u>	<u>₩ 86,468</u>	<u>₩</u>	<u>165,763</u>

¹ Net asset value of unlisted stock is calculated based on their recent financial statements.

² Available-for-sale financial assets are measured at fair value. However, unlisted stocks which do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably.

Details of listed stock (except for investment in subsidiaries and associates) as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013				2012	
	Number of shares	Percentage of ownership (%)	Acquisition cost	Fair value	Book value	Book value
Chin Hung International Inc. ¹	44,315,616	46.82	₩ 103,542	₩ 71,348	₩ 71,348	₩ 143,583
Korea Environment Technology Co., Ltd.	-	-	-	-	-	1,730
CJ E&M Corporation	-	-	-	-	-	505
Others	-	-	-	-	-	110
			<u>₩ 103,542</u>	<u>₩ 71,348</u>	<u>₩ 71,348</u>	<u>₩ 145,928</u>

¹ During 2012, the Company acquired 221,578,080 shares (49.21%) of common stock of Chin Hung International Inc. in a debt-equity swap in which loans and financial assets at fair value through profit or loss with nominal values of ₩90,000 million and ₩13,542 million, respectively, were exchanged for stocks in accordance with stock issuance carried out according to plans for normalization of the business of Chin Hung International Inc. The period of safe deposit of securities was until April 9, 2013, and the shares have been provided as collateral to the Committee of Creditor Banks of Chin Hung International Inc. in accordance with the special agreement for plans for normalization of the business of Chin Hung International Inc. (Notes 19 and 40). Also, although the Company's owns more than 20% interest, it has no significant influence in accordance with the special agreement for plans for normalization of the business of Chin Hung International Inc., and the investment in this associate was classified as available-for-sale financial assets accordingly.

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Details of unlisted stock, excluding investments in subsidiaries and associates, as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013				2012	
	Number of shares	Percentage of ownership (%)	Acquisition cost	Fair value	Book value	Book value
Doosan Capital Co., Ltd.	600,000	2.14	₩ 3,000	₩ 2,665	₩ 2,665	₩ 6,860
Korea Housing Guarantee Co., Ltd.	343,380	0.05	1,717	1,717	1,717	1,717
The Korea Economic Daily	124,308	0.66	1,354	1,354	1,354	1,354
TransLink Capital Partners 1, L.P.			2,022	2,022	2,022	1,915
Others			26,674	1,312	1,312	1,438
			₩ 34,767	₩ 9,070	₩ 9,070	₩ 13,284

Changes in unrealized gain or loss on valuation of available-for-sale financial assets recorded as accumulated other comprehensive income or loss for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		2012	
Beginning balance	₩	33,867	₩	14,611
Gain(Loss) on valuation		(76,094)		38,905
Loss on disposal (reclassification)		(780)		(12,414)
Tax effect on equity		18,604		(7,235)
Ending balance	₩	(24,403)	₩	33,867

The Company entered into forward exchange contracts and foreign exchange risk insurance contract to hedge against foreign exchange risks arising from trade receivable denominated in foreign currency and others, and the related gain (loss) on valuation of derivatives is recognized in profit or loss.

Fair values of derivative assets and liabilities as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Forward exchange contract	₩ 36,898	₩ 212	₩ 45,153	₩ 3,906
Swap	-	-	18,571	-
	₩ 36,898	₩ 212	₩ 63,724	₩ 3,906

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Details of derivative assets and liabilities as of December 31, 2013 and 2012, are as follows:

		Weighted average exchange rate based on contracts Dec.31, 2013	Weighted average maturity date Dec.31, 2013	Contract price of outstanding derivatives ¹ <i>(in thousands, except for million won)</i>	
				2013	2012
Forward exchange contract	Sell	₩1,131.41	June 12, 2014	USD 537,055	USD 495,190
Forward exchange contract	Sell	₩1,484.37	Sep.14, 2014	EUR 43,932	EUR 25,180
Forward exchange contract	Sell			-	CAD 4,476
Forward exchange contract	Sell			-	AUD 3,026
Forward exchange contract	Sell	₩11,5084	Jan.29, 2014	JPY 16,200	JPY 419,600
Forward exchange contract	Sell	₩1,816.20	Sept.11, 2014	GBP 720	GBP 4,563
Forward exchange contract	Sell			-	HKD 3,562
Foreign currency swap	Swap			-	JPY 18,471,801
Interest rate swap	Swap		Nov.3, 2014	KRW 5,184	KRW 6,573

¹ Since the Company has entered into numerous derivative contracts, the classification per each contract is not presented. Instead, the contracts are grouped into similar types as the gain or loss from fluctuation of exchange rates can be forecasted.

12. Other Assets

Details of other assets as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Other current assets				
Advance payments	₩	75,687	₩	68,166
Provisions		(290)		-
Prepaid expenses		23,577		22,882
		<u>98,974</u>		<u>91,048</u>
Other non-current assets				
Other investments		23,696		31
		<u>23,696</u>		<u>31</u>
	₩	<u>122,670</u>	₩	<u>91,079</u>

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13. Inventories

Inventories as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		
	Acquisition cost	Provision	Net book value
Merchandise	₩ 19,859	₩ -	₩ 19,859
Finished goods	285,742	(12,317)	273,425
Semi-finished goods	101,035	(628)	100,407
Work-in-process	34,426	-	34,426
Raw materials	154,565	(424)	154,141
Sub-materials	11,532	-	11,532
Supplies	2,612	-	2,612
Packaging	2,744	-	2,744
Goods-in-transit	32,740	-	32,740
Cost accrued on construction contracts	12,498	-	12,498
Temporary installations	24	-	24
Finished housing	10,465	-	10,465
Sites	123,219	(10,995)	112,224
	<u>₩ 791,461</u>	<u>₩ (24,364)</u>	<u>₩ 767,097</u>

(in millions of Korean won)

	2012		
	Acquisition cost	Provision	Net book value
Merchandise	₩ 42,955	₩ -	₩ 42,955
Finished goods	272,663	(4,630)	268,033
Semi-finished goods	140,007	(206)	139,801
Work-in-process	6,416	-	6,416
Raw materials	210,534	(360)	210,174
Sub-materials	12,402	-	12,402
Supplies	3,484	-	3,484
Packaging	2,831	-	2,831
Goods-in-transit	20,026	-	20,026
Cost accrued on construction contracts	7,436	-	7,436
Temporary installations	34	-	34
Finished housing	38,432	-	38,432
Sites	107,955	(5,654)	102,301
	<u>₩ 865,175</u>	<u>₩ (10,850)</u>	<u>₩ 854,325</u>

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩8,041,493 million (2012: ₩8,352,905 million) for the year ended December 31, 2013. Also, the Company recognized provisions for inventories amounting to ₩13,514 million as expense which is included in 'cost of sales' in the statements of income.

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14. Property, plant and equipment

Changes in property, plant and equipment for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Others	Construction-in-progress	Machinery-in-transit	Total
Beginning balance	₩1,348,654	₩ 462,573	₩ 100,907	₩ 772,124	₩ 4,384	₩ 57,264	₩ 17,710	₩ 382,083	₩ 1,889	₩ 3,147,588
Acquisition	4,472	11,043	749	24,765	847	5,536	1,828	219,692	152,305	421,237
Disposal	(5,804)	(2,716)	(2,153)	(2,012)	(17)	(672)	(3,306)	-	-	(16,680)
Depreciation ¹	-	(17,453)	(3,968)	(156,224)	(1,536)	(20,450)	(2,088)	-	-	(201,719)
Reclassification ²	5,696	35,870	9,940	169,441	899	12,826	-	(167,804)	(110,482)	(43,614)
Reclassification to investment property	(4,592)	(3,284)	-	-	-	-	-	(2)	-	(7,878)
Government grants	-	(1,300)	(163)	(7,357)	(25)	(625)	-	-	-	(9,470)
Ending balance	<u>₩1,348,426</u>	<u>₩ 484,733</u>	<u>₩ 105,312</u>	<u>₩ 800,737</u>	<u>₩ 4,552</u>	<u>₩ 53,879</u>	<u>₩ 14,144</u>	<u>₩ 433,969</u>	<u>₩ 43,712</u>	<u>₩ 3,289,464</u>

¹ Depreciation includes ₩315 million of shrinkage loss from others and ₩1,770 million of supplies expense.

² Reclassification includes reclassification from construction-in-progress and goods-in-transit, and reclassification to non-current assets held-for-sale and intangible assets. The carrying amount of property, plant and equipment reclassified to disposal group classified as held-for-sale amounts to ₩26,067 million and these are related to the assets used by the industrial materials segment.

<i>(in millions of Korean won)</i>	2012									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Others	Construction-in-progress	Machinery-in-transit	Total
Beginning balance	₩1,349,197	₩ 462,543	₩ 96,032	₩ 667,161	₩ 3,139	₩ 50,477	₩ 36,087	₩ 233,358	₩ 4,969	₩2,902,963
Acquisition	1,564	12,628	5,182	59,746	1,938	17,328	2,962	348,774	10,606	460,728
Disposal	(2,105)	-	-	(922)	(158)	(41)	(19,702)	-	-	(22,928)
Depreciation ¹	-	(16,625)	(3,714)	(144,145)	(1,180)	(18,584)	(1,637)	-	-	(185,885)
Reclassification ²	-	6,115	3,407	194,706	645	8,862	-	(200,049)	(13,686)	-
Reclassification to investment property	(2)	(2,088)	-	-	-	-	-	-	-	(2,090)
Government grants	-	-	-	(4,422)	-	(778)	-	-	-	(5,200)
Ending balance	<u>₩1,348,654</u>	<u>₩ 462,573</u>	<u>₩ 100,907</u>	<u>₩ 772,124</u>	<u>₩ 4,384</u>	<u>₩ 57,264</u>	<u>₩ 17,710</u>	<u>₩ 382,083</u>	<u>₩ 1,889</u>	<u>₩3,147,588</u>

¹ Depreciation includes ₩185 million of shrinkage loss from others and ₩1,453 million of supplies expense.

² Reclassification includes reclassification from construction-in-progress and goods-in-transit.

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Line items including depreciation in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Cost of goods sold	₩ 177,978	₩ 164,359
Selling and administrative expenses	6,535	5,710
Research and development expenses	15,119	14,178
	<u>₩ 199,632</u>	<u>₩ 184,247</u>

In 2013, the company has capitalized borrowing costs amounting to ₩14,318 million (2012: ₩11,375 million) on qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 4.46% (2012: 5.04%).

Property, plant and equipment are provided as collaterals to financial institutions for borrowings (Note 40).

Details of non-current assets held-for-sale as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	2013
Structures	₩ 95
Machinery	25,393
Tools and equipment	579
	<u>₩ 26,067</u>

As of December 31, 2013, the Company has signed an agreement to sell the above structures, machinery, tools and equipment classified as non-current assets held-for-sale, and they will be disposed of within 12 months.

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15. Investment Property

Changes in investment property for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		
	Land	Buildings	Total
Beginning balance	₩ 298,187	₩ 141,672	₩ 439,859
Acquisition	16,486	49	16,535
Disposal	(905)	(692)	(1,597)
Depreciation	-	(4,467)	(4,467)
Transfer from property, plant and equipment	4,592	3,286	7,878
Ending balance	<u>₩ 318,360</u>	<u>₩ 139,848</u>	<u>₩ 458,208</u>

(in millions of Korean won)

	2012		
	Land	Buildings	Total
Beginning balance	₩ 293,689	₩ 142,825	₩ 436,514
Acquisition	4,566	1,207	5,773
Disposal	(70)	(34)	(104)
Depreciation	-	(4,414)	(4,414)
Transfer from property, plant and equipment	2	2,088	2,090
Ending balance	<u>₩ 298,187</u>	<u>₩ 141,672</u>	<u>₩ 439,859</u>

Details of rental income from investment property and others recognized in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013	2012
Rental income (other revenue)	₩ 26,667	₩ 21,071
Operating expenses (other cost of sales)	19,477	16,772
Depreciation (other cost of sales)	4,467	4,414

As of December 31, 2013, the fair value of investment property amounts to ₩503,190 million which was estimated by the Company using officially assessed realty prices.

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16. Intangible Assets

Changes in intangible assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013			
	Industrial property	Others	Memberships	Total
Beginning balance	₩ 6,398	₩ 6,870	₩ 19,584	₩ 32,852
Acquisition	791	23,197	552	24,540
Disposal	(2)	-	(3,020)	(3,022)
Amortization	(1,225)	(7,896)	(3)	(9,124)
Reclassification ¹	-	23,242	-	23,242
Ending balance	<u>₩ 5,962</u>	<u>₩ 45,413</u>	<u>₩ 17,113</u>	<u>₩ 68,488</u>

¹ During 2013, expenses incurred in developing the ERP system were reclassified from construction-in-progress to intangible assets.

<i>(in millions of Korean won)</i>	2012			
	Industrial property	Others	Memberships	Total
Beginning balance	₩ 6,396	₩ 2,089	₩ 19,632	₩ 28,117
Acquisition	1,169	5,986	30	7,185
Disposal	-	-	(75)	(75)
Amortization	(1,167)	(1,205)	(3)	(2,375)
Ending balance	<u>₩ 6,398</u>	<u>₩ 6,870</u>	<u>₩ 19,584</u>	<u>₩ 32,852</u>

Line items including amortization in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Selling and administrative expenses	₩ 8,852	₩ 2,180
Cost of goods sold	183	195
Research and development expenses	89	-
	<u>₩ 9,124</u>	<u>₩ 2,375</u>

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17. Insurance Coverage

Assets covered by insurance policies as of December 31, 2013, are as follows:

<i>(in millions of Korean won)</i>	Assets	Book value	Insurance coverage	Insurance company
Property insurance	Buildings	₩ 624,582	₩ 1,196,110	
	Structures	105,407	109,515	Samsung Fire and
	Machinery	826,130	3,412,777	Marine Insurance Co.
	Inventories	767,097	744,415	and others
	Vehicles and tools	59,009	96,374	
		<u>₩ 2,382,225</u>	<u>₩ 5,559,191</u>	

18. Government Grants

Changes in government grants for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Beginning balance	₩ 31,864	₩ 41,130
Increase	18,425	10,332
Decrease	(14,354)	(19,598)
Ending balance	<u>₩ 35,935</u>	<u>₩ 31,864</u>

The Company entered into development agreements with Korea Electric Power Research Institute and others for various national projects, including the electric power converter project.

19. Investment in Subsidiaries and Associates

Changes in investment in subsidiaries and associates for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Beginning balance	₩ 1,682,287	₩ 1,672,270
Acquisition (Note 20)	76,978	77,134
Disposal	(10,591)	-
Impairment loss	(123,920)	(67,117)
Ending balance	<u>₩ 1,624,754</u>	<u>₩ 1,682,287</u>

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Details of investments in subsidiaries¹ as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	Location	Percentage of ownership (%)	Book value	
			2013	2012
Galaxia Photonics Co.,Ltd.	Korea	83.32	₩ -	₩ 35,644
Gumoknongsan Co.,Ltd.	Korea	90.00	2,787	2,787
Gongdeok Gyeongwoo Development Corporation	Korea	73.33	2,546	4,400
Doomi Construction Co.Ltd.	Korea	100.00	27,637	-
The Class Hyosung	Korea	58.02	4,230	7,183
Asia Lnghub Co.,Ltd	Korea	88.79	1,134	441
Flossom Corporation ²	Korea	57.83	-	4,152
Taeansolarfarm Corp.	Korea	100.00	1,880	1,880
Hanadaol Landchip Private Real Estate Investment Trust No.39	Korea	50.00	16,000	16,000
Hongjin Data Servece Co., Ltd.	Korea	65.52	3,300	3,300
Hyosung Goodsprings, Inc.	Korea	100.00	74,361	74,361
Hyosung Ebara Engineering Co.,Ltd	Korea	81.33	-	17,435
Hyosung Wind Power Holdinds Ltd.	Korea	100.00	1,200	1,200
Hyosung Capital Co., Ltd.	Korea	97.15	361,762	361,762
Hyosung Investment & Development Corporation	Korea	58.75	34,798	34,798
Hyosung Trans World Co., Ltd.	Korea	100.00	4,698	4,698
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	80.00	243	1,475
Beijing Hyosung Container Co., Ltd.	China	100.00	-	10,590
GST Global GmbH	Germany	100.00	170,682	170,682
Hyosung (H.K) LIMITED	China	100.00	557	829
Hyosung Brasil Industria e Comercio de Fibras LTDA	Brazil	100.00	33,322	33,322
Hyosung Brasil industrial & commercial LTDA	Brazil	100.00	8,607	8,607
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	100.00	156,059	156,059
Hyosung Chemicals (Jiaxing) Co., Ltd.	China	100.00	4,848	4,848
Hyosung Composite (GuangDong) Co., Ltd.	China	100.00	2,250	2,250
Hyosung Corporation India Pvt. Ltd.	India	100.00	461	461
Hyosung Europe SRL	Italy	100.00	3,704	3,704
Hyosung Global(Taiwan) Co., LTD	Taiwan	100.00	226	558
Hyosung Holdings USA	America	100.00	89,589	89,589
Hyosung International Trade(Jiaxing) Co., Ltd.	China	100.00	1,295	1,295
Hyosung Istanbul TEKSTIL LTD.STI	Turkey	76.66	12,621	12,621
Hyosung Japan Co., Ltd.	Japan	100.00	6,899	6,899
Hyosung Luxembourg S.A	Luxembourg	100.00	18,535	18,535
Hyosung Power Holdings Co., Ltd.	Cayman	100.00	16,256	16,256
Hyosung Resource (Australia) PTY Ltd.	Australia	100.00	14,214	14,195
Hyosung Corporation Rus.	Russia	100.00	1,692	-
Hyosung Singapore PTE Ltd.	Singapore	100.00	27,405	27,405
Hyosung Spandex (GuangDong) Co., Ltd.	China	100.00	102,594	102,594
Hyosung Spandex (Jiaxing) Co., Ltd.	China	100.00	117,289	117,289
Hyosung Spandex (Zhuhai) Co., Ltd.	China	75.00	24,644	24,644
Hyosung SRL	Romania	100.00	1	1
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	China	70.00	23,659	23,659
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	100.00	30,653	61,948
Hyosung Vietnam Co., Ltd.	Vietnam	88.21	49,192	49,192
Hyosung Wire Luxembourg S.A	Luxembourg	100.00	-	-
PT. Hyosung Jakarta	Indonesia	100.00	1,268	-
Xepix Corp.	America	74.93	2,768	2,768
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	64.50	10,404	10,404
			₩ 1,468,270	₩ 1,542,720

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¹ Although the Company holds more than 50% of equity shares of OpCo GmbH (98.5%), the Company is not able to exercise control as OpCo GmbH is under control by a legal administrator as a liquidated company. Hence, the investee is excluded from the scope of consolidation.

² The Company has provided its equity shares of Flossom Corporation as collateral in relation to its borrowings of Flossom Corporation (Note 40).

Details of investments in associates as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	Location	Percentage of ownership (%)	Book value	
			2013	2012
Nautilus Hyosung Inc.	Korea	43.50	₩ 65,178	₩ 65,178
Shinwha Intertek Corp.	Korea	18.43	16,918	-
E-pia Tech.Co., Ltd.	Korea	21.30	-	-
Capro Corp. ¹	Korea	21.04	24,194	24,194
Taebaek Wind Power Co., Ltd.	Korea	35.00	5,334	5,334
Pyeongchang Wind Power Co., Ltd	Korea	35.00	893	893
Hyosung Information System Co., Ltd	Korea	50.00	24,860	24,860
Hyosung Toyota Corp.	Korea	40.00	-	-
Hyosung ITX Co., Ltd.	Korea	34.99	6,961	6,961
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	Taiwan	30.00	12,146	12,146
			₩ 156,484	₩ 139,566

¹The Company's shares in Capro Corp. are pledged as collateral for borrowings (Note 21 and 40).

Details of impairment losses recognized in relation to investments in subsidiaries and associates for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Book value	Recoverable amount ¹	Impairment loss	Method used
Galaxia Photonics Co.,Ltd.	₩ 35,644	₩ -	₩ 35,644	Net fair value
Hyosung Steel Cord (Qingdao) Co., Ltd.	61,947	30,653	31,294	Value-in-use
Hyosung Ebara Engineering Co.,Ltd	17,435	-	17,435	Net fair value
Shinwha Intertek Corp.	32,000	16,918	15,082	Value-in-use
Doomi Construction Co.,Ltd.	40,000	27,637	12,363	Value-in-use
Flossom Corporation	4,152	-	4,152	Net fair value
The Class Hyosung	7,183	4,230	2,953	Net fair value
Gongdeok Gyeongwoo Development Corporation	4,400	2,546	1,854	Net fair value
Asia Lnghub Co.,Ltd	2,441	1,134	1,307	Net fair value
Baoding Hyosung Tianwei Transformer Co., Ltd.	1,475	243	1,232	Net fair value
Hyosung Global(Taiwan) Co., LTD	558	226	333	Net fair value
Hyosung (H.K) LIMITED	829	558	271	Net fair value
	₩ 208,066	₩ 84,145	₩ 123,920	

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(in millions of Korean won)

	2012						
	Book value		Recoverable amount ¹		Impairment loss		Method used
Hyosung Power Holdings Co., Ltd.	₩	45,787	₩	16,256	₩	29,531	
Hyosung Wire Luxembourg S.A		18,379		-		18,379	Net fair value
Flossom Corporation		18,947		4,152		14,795	Value-in-use
Baoding Hyosung Tianwei Transformer Co., Ltd.		4,683		1,475		3,208	Net fair value
Asia Lnghub Co.,Ltd		1,244		441		803	Net fair value
E-pia Tech.Co., Ltd.		401		-		401	Net fair value
	₩	89,442	₩	22,325	₩	67,117	

¹The Company considers net fair value and value-in-use in calculating the recoverable amounts of investments in subsidiaries and associates. 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 to sell. The value-in-use was calculated by discounting estimated future cash flows of subsidiaries and associates with an appropriate discount rate, and a valuation report from an independent external valuation agency was used.

Fair value of marketable investments in associates as of December 31, 2013 and 2012, is as follows:

(in millions of Korean won, except per share amounts)

	2013						
	Number of shares		Market price per share		Fair value		Book value
Capro Corp.	8,417,708	₩	6,410	₩	53,958	₩	24,194
Hyosung ITX Co., Ltd.	4,349,000		5,740		24,963		6,961
Shinwha Intertek Corp.	4,446,227		2,545		11,316		16,918

(in millions of Korean won, except per share amounts)

	2012						
	Number of shares		Market price per share		Fair value		Book value
Capro Corp.	8,417,708	₩	20,950	₩	105,221	₩	24,194
Hyosung ITX Co., Ltd.	4,349,000		3,955		17,200		6,961

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20. Related Party Transactions

Details of subsidiaries, associates and other related parties as of December 31, 2013, are as follows:

Subsidiaries

Location	Related Party
Domestic	Gongdeok Gyeongwoo Development Corporation, Galaxia Photonics Co.,Ltd, Gumoknongsan Co.,Ltd, The Class Hyosung, Asia Lnghub Co.,Ltd, Taeansolarfarm Corp., Doomi Construction Co.Ltd., Hyosung Capital sixth special purpose entity, Flossom Corporation, Hanadaol Landchip Private Real Estate Investment Trust No.39, Hongjin Data Servece Co., Ltd., Hyosung Goodsprings, Inc., Hyosung Ebara Engineering Co.,Ltd., Hyosung Wind Power Holdinds Ltd., Hyosung Capital Co., Ltd., Hyosung Investment & Development Corporation, Hyosung Trans World Co., Ltd.
America	HICO America Sales & Tex`ch, Hyosung Holdings USA,. Hyosung Brasil industria e comercio de fibras LTDA, Hyosung Brasil industrial & commercial LTDA, Hyosung Power Holdings Co., Ltd., Hyosung USA Inc., Global Safety Textiles U.S. Holdings, Inc., Global Safety Textiles LLC, GST Automotive Safety Components International LLC, GST Automotive Safety Components International LLC S.A.de C.V., Powertech Corporation, Xepix Corp.
Europe	Hyosung Europe SRL, Hyosung Istanbul TEKSTIL LTD.STI, Hyosung Luxembourg S.A., Hyosung SRL, Hyosung Wire Luxembourg S.A., GST Global GmbH, Global Safety Textiles GmbH, GST Automotive Safety Poland Sp.z.oo., GST Automotive Safety Czech s.r.o., GST Automotive Safety UK Limited, GST Automotive Safety RO S.R.L., GST Safety Textiles RO S.R.L., Hyosung RUS
Asia	Hyosung Taiwan Corp., Hyosung Japan Co., Ltd., Hyosung Singapore PTE Ltd., Hyosung Vietnam Co., Ltd., Hyosung Corporation India Pvt. Ltd., Luck Faith Investment Ltd, Central Trade Investment Ltd., PT. Hyosung Jakarta
China	Baoding Hyosung Tianwei Transformer Co., Ltd., Hyosung (H.K) LIMITED, Hyosung Chemical Fiber (Jiaxing) Co., Ltd., Hyosung Chemicals (Jiaxing) Co., Ltd., Hyosung Composites (Guangdong) Co., Ltd., Hyosung International Trade(Jiaxing) Co., Ltd., Hyosung Spandex (GuangDong) Co., Ltd., Hyosung Spandex (Jiaxing) Co., Ltd., Hyosung Spandex (Zhuhai) Co., Ltd., Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd., Hyosung Steel Cord (Qingdao) Co., Ltd., Zhangjiagang Xiaosha Coil Service Co., Ltd., Hyosung International(HK) Ltd., Nantong Hyosung Transformer Co., Ltd., Nantong Transformer Co., Ltd., Nantong Yaubong Transformer Co., Ltd., GST Automotive Safety(Changshu) Co. Ltd., GST China Investment Limited
Others	Hyosung Resource (Australia) PTY Ltd., GST Automotive Safety South Africa(Proprietary) Limited

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Associates

Location	Related Party
Domestic	Nautilus Hyosung Inc., E-pia Tech.Co., Ltd., Capro Corp., Taebaek Wind Power Co., Ltd., Pyeongchang Wind Power Co., Ltd., Hyosung Information System Co., Ltd., Hyosung Toyota Corp., Hyosung ITX Co., Ltd., Shinwha intertek Co. Ltd., Soonchon Eco Green Corporation, Taiko Private Equity Fund
Asia	Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.

Other related parties

Location	Related Party
Domestic	Galaxia device co., Ltd., Galaxia display., Galaxia Electronics, Galaxia Communications, Shin Dong Jin Co., Ltd., Chin Hung International Inc., Taeuk Construction Co., Ltd, Dong Ryung Co., Ltd., Trinity Asset Managemernt., Infohub., IB Worldwide., EveryShow, IB Medianet, Galaxia Corporation, Gongdeok Development Corporation
China	Huizhou Galaxia Device Electornics., Co. Ltd., Qingdao Galaxia Device Electronics., Co.,Ltd., Beijing Hyosung Computer Technologies.Co., Ltd. and others
Europe	Shinwha intertek Slovakia S.R.O
America	Nautilus Hyosung America Inc., Galaxia America, Inc., and others

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Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Sales and others ¹	Dividend income	Purchase and others ¹	Acquisition of fixed assets
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 305,191	₩ 14,141	₩ 120,860	₩ -
Hyosung Singapore PTE Ltd.	248,380	-	42,110	-
HICO America Sales & Tech.	93,956	-	2,184	-
Hyosung USA Inc.	88,199	-	626	-
Hyosung Trans World Co., Ltd.	32	3,000	146,560	1,152
Hyosung Ebara Engineering Co.,Ltd	2,355	-	4,687	17,529
Central Trade Investment Ltd.	-	22,925	-	-
Luck Faith Investment Ltd.	-	17,8	-	-
Others	584,257	33,047	292,962	56,774
	<u>1,322,370</u>	<u>90,931</u>	<u>609,989</u>	<u>75,455</u>
Associates				
Nautilus Hyosung Inc.	4,711	-	14,494	1,823
Capro Corp.	1,341	2,104	363,519	-
Shinwha Intertek Corp.	587	-	28	40
Others	836	2,708	846	-
	<u>7,475</u>	<u>4,812</u>	<u>378,887</u>	<u>1,863</u>
Other related parties				
Shin Dong Jin Co., Ltd.	5,000	-	4,651	-
Chin Hung International Inc.	8,911	-	71,972	35,898
Galaxia Communications	412	-	1,044	11
Others	1,987	-	9,686	263
	<u>16,310</u>	<u>-</u>	<u>87,353</u>	<u>36,172</u>
	<u>₩ 1,346,155</u>	<u>₩ 95,743</u>	<u>₩ 1,076,228</u>	<u>₩ 113,490</u>

¹ Sales, rental income, interest income and others are included in sales and others. Purchase of raw materials, export fees, service fees, interest expense and others are included in purchases and others.

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(in millions of Korean won)

	2012			
	Sales and others¹	Dividend income	Purchase and others¹	Acquisition of fixed assets
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 194,670	₩ -	₩ 258,208	₩ -
Hyosung USA Inc.	189,485	-	22	-
HICO America Sales & Tech.	251,424	-	238	-
Hyosung Holdings USA	12,597	14,462	281	-
Hyosung Trans World Co., Ltd.	21	3,600	179,060	1,514
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	47,073	13,006	60,133	-
Others	670,868	25,256	182,687	40,063
	<u>1,366,138</u>	<u>56,324</u>	<u>680,629</u>	<u>41,577</u>
Associates				
Nautilus Hyosung Inc.	2,054	-	12,311	10,682
Capro Corp.	1,477	8,418	524,662	-
Sumiden Hyosung Steel Cord (Thailand)	16,097	-	-	-
Others	8,028	1,730	587	5,302
	<u>27,656</u>	<u>10,148</u>	<u>537,560</u>	<u>15,984</u>
Other related parties				
Doomi Construction Co.Ltd.	24,786	-	-	-
Chin Hung International Inc.	3,822	-	9,449	11,658
Gongdeok Development Corporation	3,584	-	5,579	6
Others	128	-	6,178	617
	<u>32,320</u>	<u>-</u>	<u>21,206</u>	<u>12,281</u>
	<u>₩ 1,426,114</u>	<u>₩ 66,472</u>	<u>₩ 1,239,395</u>	<u>₩ 69,842</u>

¹ Sales, rental income, interest income and others are included in sales and others. Purchase of raw materials, export fees, service fees, interest expense and others are included in purchases and others.

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Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Trade receivables	Other receivables¹	Trade payables	Other payables¹
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 3,619	₩ 906	₩ 9,022	₩ 184
Hyosung Japan Co., Ltd.	2,835	2,181	131,258	33,948
Doomi Construction Co.Ltd.	66,711	10,406	-	40
Others	57,399	46,506	20,649	47,089
	<u>130,564</u>	<u>59,999</u>	<u>160,929</u>	<u>81,261</u>
Associates				
Nautilus Hyosung Inc.	-	215	95	4,927
Hyosung Toyota Corp.	199	-	-	-
Capro Corp.	2	-	81,273	-
Others	53	164	17	80
	<u>254</u>	<u>379</u>	<u>81,385</u>	<u>5,007</u>
Other related parties				
Shin Dong Jin Co., Ltd.	5,417	3,119	213	118
Chin Hung International Inc.	228	20,110	9,723	15,483
Gongdeok Development Corporation	201	8,337	-	-
Others	2	2,794	1,294	1,088
	<u>5,848</u>	<u>34,360</u>	<u>11,230</u>	<u>16,689</u>
	<u>₩ 136,666</u>	<u>₩ 94,738</u>	<u>₩ 253,544</u>	<u>₩ 102,957</u>

¹ Non-trade receivables, loans, deposits provided and others are included in other receivables. Non-trade payables, deposits received and others are included in other payables.

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(in millions of Korean won)

	2012							
	Trade receivables		Other receivables ¹		Trade payables		Other payables ¹	
Subsidiaries								
Hyosung Japan Co., Ltd.	₩	12,278	₩	1,562	₩	95,938	₩	-
HICO America Sales & Tech.		80,689		-		-		-
Hyosung Trans World Co., Ltd.		-		111		152		26,091
Others		132,042		37,682		8,389		7,593
		<u>225,009</u>		<u>39,355</u>		<u>104,479</u>		<u>33,684</u>
Associates								
Nautilus Hyosung Inc.		-		129		1,211		2,149
Capro Corp.		-		20		107,726		86
Taebaek Wind Power Co.		21		8		-		14
Others		3		11		-		57
		<u>24</u>		<u>168</u>		<u>108,937</u>		<u>2,306</u>
Other related parties								
Doomi Construction Co.Ltd.		74,185		4,361		-		-
Shin Dong Jin Co., Ltd.		16,928		3,545		257		120
Chin Hung International Inc.		-		7,059		2,376		2,769
Others		147		14,214		291		123
		<u>91,260</u>		<u>29,179</u>		<u>2,924</u>		<u>3,012</u>
	₩	<u>316,293</u>	₩	<u>68,702</u>	₩	<u>216,341</u>	₩	<u>39,003</u>

¹ Non-trade receivables, loans, deposits provided and others are included in other receivables. Non-trade payables, deposits received and others are included in other payables.

Fund transactions with related parties for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013									
	Loan transactions									
	Beginning	Loan	Exchange differences	Ending	Contributions					
Subsidiaries										
Hyosung Power Holdings Co., Ltd.	₩	6,578	₩	-	₩	(97)	₩	6,481	₩	-
Gongdeok gyeongwoo development corporation		14,961		3,400		-		18,361		-
Doomi Construction Co.Ltd.		-		4,000		-		4,000		40,000
Asia Lnghub Co.,Ltd. and others		-		-		-		-		4,979
Other related parties										
OpCo GmbH ²		6,788		-		52		6,840		-
Chin Hung International Inc.		-		20,000		-		20,000		-

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¹ During 2013, the Company acquired 8,000,000 shares of common stock (100%) of Doomi Construction Co.Ltd. in a debt-equity swap in which trade receivables amounting to ₩40,000 million were exchanged for stocks.

² Provisions are made for the whole amount of loans to OpCo GmbH.

(in millions of Korean won)

	2012						
	Loan transactions						
	Beginning	Loan	Repayment	Exchange differences	Transfer	Ending	Contributions
Subsidiaries							
Hyosung Power Holdings Co., Ltd.	₩ 7,083	₩ -	₩ -	₩ (505)	₩ -	₩ 6,578	₩ 23,018
Gongdeok gyeongwoo development corporation	-	14,961	-	-	-	14,961	4,400
Galaxia Photonics Co., Ltd.	-	1,960	(1,960)	-	-	-	20,142
Hanadaol Landchip Private Real Estate Investment Trust No.39	-	-	-	-	-	-	16,000
Hyosung Resource (Australia) PTY Ltd. and others	-	-	-	-	-	-	13,573
Other related parties							
OpCo GmbH ²	7,232	-	-	(444)	-	6,788	-
Chin Hung International Inc.	72,500	17,500	-	-	(90,000)	-	103,542

¹ Provisions are made for the whole amount of loans to OpCo GmbH.

² During 2012, the Company acquired 221,578,080 shares (48.21%) of common stock of Chin Hung International Inc. in a debt-equity swap in which loans and financial assets at fair value through profit or loss with nominal values of ₩90,000 million and ₩13,542 million, respectively, were exchanged for stocks in accordance with stock issuance carried out according to plans for normalization of the business of Chin Hung International Inc.

Details of compensation for key management for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013		2012	
Short-term employee benefits	₩	6,995	₩	6,040
Post-employment benefits		1,355		1,277
	₩	8,350	₩	7,317

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Details of collaterals and payment guarantees provided by the Company as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

			2013	
	Guaranteed amount	Details	Credit amount	Creditor
Subsidiaries				
Hyosung Spandex(Jiaxing) Co., Ltd.	₩ 74,926	Operating capital and others	₩ 74,926	Korea Development Bank and others
Hyosung Spandex(GuangDong) Co.,Ltd	119,512	Operating capital and others	110,410	Korea Development Bank and others
Hyosung Spandex(Zhuhai)Co., Ltd.	34,623	Operating capital and others	30,507	Korea Development Bank and others
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	123,416	Operating capital and others	120,435	Korea Development Bank and others
Hyosung Chemical(Jiaxing) Co.,Ltd	66,150	Operating capital and others	51,438	Korea Development Bank and others
Hyosung Composite (GuangDong) Co.,Ltd.	18,593	Facility loans and others	8,559	Korea Development Bank and others
Hyosung Steel Cord (Qingao) Co., Ltd	153,755	Operating capital and others	137,189	SMBC Bank and others
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	67,979	Facility loans and others	67,991	Korea Exim Bank and others
Baoding Hyosung Tianwei Transformer Co.	14,859	Operating capital	14,352	Korea Development Bank and others
Nantong Hyosung Transformer Co.,Ltd.	236,914	Operating capital	165,485	Bank of China and others
Hyosung Vietnam Co.,Ltd	822,923	Facility loans	529,223	Korea Exim Bank and others
Hyosung Istanbul Tekstil Ltd. STI	101,309	Operating capital and others	101,309	Korea Development Bank and others
Hyosung Luxembourg S.A.	39,319	Operating capital	13,834	Shinhan Bank and others
Hyosung Wire Luxembourg S.A.	30,581	Operating capital	14,563	Korea Exim Bank and others
Hyosung USA, Inc.	172,014	Operating capital	145,631	Korea Exim Bank and others
Hyosung Holdings USA, Inc.	23,217	Operating capital	17,940	Kookmin Bank
HICO America Inc.	31,659	Foreign currency loans and others	23,744	Woori Bank and others
Hyosung Japan	138,629	Foreign currency loans and others	44,237	Woori Bank and others
Hyosung International (HK) LTD.	13,719	Foreign currency loans and others	3,099	Hana Bank and others
Hyosung Singapore PTE Ltd.	10,553	Foreign currency loans and others	-	Woori Bank
Hyosung Brasil Industria E Comercio De Fibras Ltda.	89,701	Facility loans and others	89,701	Mizho Bank and others
GST Global GMBH	216,599	Facility loans and others	183,051	Korea finance corporation and others
GST Automotive Sagety (Changshu) Co.,Ltd	42,212	Facility loans	31,659	Korea Exim Bank
Flossom Corporation	56,010	Facility loans and others	56,010	Newstarhaechi
Associates				
Hyosung Toyota Corp.	3,200	Operating capital and others	-	Toyota Motor Korea Corporation
	<u>₩2,702,372</u>		<u>₩2,035,293</u>	

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(in millions of Korean won)

			2012	
	Guaranteed amount	Details	Credit amount	Creditor
Subsidiaries				
Hyosung Spandex(Jiaxing) Co., Ltd.	₩ 76,048	Operating capital and others	₩ 76,048	Korea Development Bank
Hyosung Spandex(GuangDong) Co.,Ltd	126,876	Operating capital and others	110,810	Korea Development Bank and others
Hyosung Spandex(Zhuhai)Co., Ltd.	27,490	Operating capital and others	27,490	Korea Development Bank
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	121,034	Facility loans and others	117,821	Korea Exim Bank and others
Hyosung Chemical(Jiaxing) Co.,Ltd	40,979	Operating capital and others	39,432	Shinhan Bank and others
Hyosung Composite (GuangDong) Co., Ltd.	10,393	Operating capital and others	5,856	Korea Exim Bank and others
Hyosung Steel Cord (Qingao) Co., Ltd	151,239	Facility loans and others	139,243	Korea Development Bank and others
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	72,835	Operating capital and others	68,422	Korea Exim Bank and others
Baoding Hyosung Tianwei Transformer Co.	16,152	Facility loans and others	15,638	Korea Development Bank and others
Nantong Hyosung Transformer Co.,Ltd.	243,818	Facility loans and others	149,112	Hana Bank and others
Hyosung Vietnam Co.,Ltd	864,015	Facility loans and others	636,847	Woori Bank and others
Hyosung Istanbul Tekstil Ltd. STI	109,252	Facility loans and others	109,252	Korea Exim Bank and others
Hyosung Luxembourg S.A.	56,650	Operating capital and others	41,072	Korea Exim Bank and others
Hyosung Wire Luxembourg S.A.	28,325	Operating capital and others	24,076	Shinhan Bank and others
Hyosung USA, Inc.	163,878	Operating capital and others	147,812	Korea Exchange Bank and others
Hyosung Holdings USA, Inc.	23,564	Operating capital and others	23,564	Kookmin Bank and others
HICO America Inc.	42,844	Foreign currency loans and others	28,920	Woori Bank and others
Hyosung Japan	152,984	Foreign currency loans and others	51,689	Woori Bank and others
Hyosung International (HK) LTD.	21,422	Foreign currency loans and others	1,192	Hana Bank and others
Hyosung Singapore PTE Ltd.	10,711	Foreign currency loans and others	9,372	Woori Bank
Hyosung Brasil Industria E Comercio De Fibras Ltda.	95,328	Facility loans	95,328	Mizho Bank
GST Global GMBH	160,665	Facility loans and others	160,665	Korea finance corporation and others
Flossom Co., Ltd.	56,010	Facility loans and others	56,010	Newstarhaechi
Galaxia Photonics Co.,Ltd.	16,200	Lease transaction	16,200	Meritz Securities Co., Ltd.
Associates				
Hyosung Toyota Corp.	3,200	Operating capital and others	-	Toyota Motor Korea Corporation
	<u>₩2,691,912</u>		<u>₩2,151,871</u>	

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21. Borrowings

Details of borrowings as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Borrowings		
Short-term borrowings	₩ 1,334,277	₩ 1,226,597
Current portion of long-term borrowings	610,022	684,205
	<u>1,944,299</u>	<u>1,910,802</u>
Long-term borrowings		
Debentures	609,965	799,870
Long-term borrowings	803,237	672,777
	<u>1,413,202</u>	<u>1,472,647</u>
	<u>₩ 3,357,501</u>	<u>₩ 3,383,449</u>

Details of short-term borrowings as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>		Interest rate(%)			
	Creditor	Dec. 31, 2013	2013	2012	
Short-term borrowings denominated in Korean won					
General loan	Korea Development Bank and others	3.92~5.99	₩ 318,300	₩ 40,000	
Trade bill discount	Korea Exchange Bank		-	30,000	
Other bill discount	Shinyoung Securities Co., Ltd. and others	3.45~3.85	73,000	120,000	
			<u>391,300</u>	<u>190,000</u>	
Short-term borrowings denominated in foreign currency					
General loan	Hana Bank and others	1.84~2.09	94,977	42,844	
USANCE	Woori Bank and others	0.40~2.36	437,410	376,203	
Sale of trade receivables ¹	Korea Development Bank and others	1.97~2.87	410,590	617,550	
			<u>942,977</u>	<u>1,036,597</u>	
			<u>₩ 1,334,277</u>	<u>₩ 1,226,597</u>	

¹The Company sold trade receivables denominated in foreign currency to financial institutions. In case the customers default, the Company has an obligation to pay the related amounts to the bank. These transactions, treated as a transaction with recourse, have been accounted for as collateralized borrowings (Notes 6 and 40).

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Details of long-term borrowings as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>		Interest rate(%)			
	Creditor	Dec. 31, 2013	2013		2012
Long-term borrowings denominated in Korean won					
Facility loans	Korea Development Bank and others ¹	1.00~5.08	₩ 602,316	₩	473,984
Operating capital	Korea Development Bank and others ^{1,2}	1.20~5.43	351,359		311,359
Factoring of trade receivables	KBD Capital Corp. ³	2.75~6.70	562		2,187
			954,237		787,530
Long-term borrowings denominated in foreign currency					
Facility loans	Korea Exim Bank and others	2.24~3.70	207,937		268,090
Operating capital	Korea Exchange Bank	2.52	21,106		21,422
			229,043		289,512
			1,183,280		1,077,042
Less: current portion			(380,022)		(404,205)
present value discounts			(21)		(60)
			₩ 803,237	₩	672,777

¹Property, plant and equipment are provided as collateral for the above long-term borrowings (Notes 14 and 40).

²Property, plant and equipment and investment in associates are provided as collateral for the above long-term borrowings (Notes 14, 19 and 40).

³The Company sold trade receivables through a factoring of trade receivables. In case the customers default, the Company has an obligation to pay the related amounts to the bank. These transactions, treated as a transaction with recourse, have been accounted for as collateralized borrowings (Notes 6 and 40).

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Details of debentures as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate(%)		2013	2012
		Dec. 31, 2013			
235-3 rd Public bond	Mar.13, 2013	-	₩	-	₩ 30,000
236-3 rd Public bond	July 13, 2013	-		-	30,000
241-3 rd Public bond	Mar.13, 2013	-		-	40,000
242-1 st Public bond	Mar.13, 2013	-		-	80,000
242-2 nd Public bond	Mar.15, 2015	5.79		70,000	70,000
243-1 st Public bond	July 13, 2013	-		-	70,000
243-2 nd Public bond	July 15, 2015	5.75		30,000	30,000
244-1 st Public bond	Dec.13, 2013	-		-	30,000
244-2 nd Public bond	Dec.14, 2014	4.60		30,000	30,000
244-3 rd Public bond	Dec.15, 2015	4.99		40,000	40,000
245-1 st Public bond	Jan.14, 2014	4.25		90,000	90,000
245-2 nd Public bond	Jan.16, 2016	5.25		60,000	60,000
246-1 st Public bond	June 14, 2014	4.33		70,000	70,000
246-2 nd Public bond	June 16, 2016	4.94		60,000	60,000
248 th Private bond	Sep.14, 2014	-		-	20,000
248-1 st Public bond	Oct.14, 2014	4.49		40,000	40,000
248-2 nd Public bond	Oct.16, 2016	5.03		50,000	50,000
249 th Private bond	Nov.14, 2014	-		-	40,000
250 th Private bond	Jan.14, 2014	-		-	20,000
251-1 st Public bond	Feb.15, 2015	4.28		90,000	90,000
251-2 nd Public bond	Feb.17, 2017	4.71		60,000	60,000
252 nd Private bond	Aug.15, 2015	3.04		31,659	32,133
253-1 st Public bond	Feb.16, 2016	3.45		90,000	-
253-2 nd Public bond	Feb.18, 2018	3.75		30,000	-
				841,659	1,082,133
Less: current portion				(230,000)	(280,000)
discounts				(1,694)	(2,263)
				₩ 609,965	₩ 799,870

22. Trade and Other Payables

Details of trade and other payables as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Trade payables	₩	827,405	₩	789,921
Other payables		352,904		346,916
Long-term other payables		41,667		32,630
		₩ 1,221,976		₩ 1,169,467

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The book values of other payables as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Other payables				
Non-trade payables	₩	227,501	₩	223,995
Accrued expenses		60,865		48,833
Withholdings		33,693		27,333
Deposits received		30,845		46,755
		<u>352,904</u>		<u>346,916</u>
Long-term other payables				
Non-trade payables		14,989		11,470
Deposits received		26,678		21,160
		<u>41,667</u>		<u>32,630</u>
	₩	<u>394,571</u>	₩	<u>379,546</u>

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

	2013	2012
Discount rate	3.40% ~ 5.00%	3.40% ~ 5.00%

23. Post-employment Benefits

Post-employment benefits recognized in the statements of financial position as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Present value of defined benefit obligations	₩	232,792	₩	213,197
Fair value of plan assets ¹		<u>(204,059)</u>		<u>(171,812)</u>
Post-employment benefit liability	₩	<u>28,733</u>	₩	<u>41,385</u>

¹ The contributions to the National Pension Fund of ₩522 million are included in the fair value of plan assets as of December 31, 2013 (2012: ₩554 million).

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The amounts recognized in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Current service cost	₩	42,473	₩	38,855
Interest expense		7,514		7,575
Interest income		(6,674)		(6,872)
	₩	<u>43,313</u>	₩	<u>39,558</u>

Line items including total expenses in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Cost of sales	₩	24,981	₩	22,361
Selling and administrative expenses		15,477		14,550
Research and development expenses		2,855		2,647
	₩	<u>43,313</u>	₩	<u>39,558</u>

Changes in the defined benefit obligations for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Beginning balance	₩	213,197	₩	171,381
Current service cost		42,473		38,855
Interest expense		7,514		7,575
Benefit payments		(16,038)		(14,465)
Remeasurements:				
Changes in demographic assumptions		1,586		(6,165)
Changes in financial assumptions		(13,970)		13,184
Experience adjustments		(2,155)		2,722
Transfer in(out) of associates		185		110
Ending balance	₩	<u>232,792</u>	₩	<u>213,197</u>

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Changes in the fair value of plan assets for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Beginning balance	₩	171,812	₩	132,852
Interest income		6,674		6,872
Employer contributions		38,500		41,000
Benefit payments		(12,066)		(7,806)
Remeasurements:		(861)		(1,106)
Ending balance	₩	<u>204,059</u>	₩	<u>171,812</u>

Actual return of plan assets amounts to ₩5,813 million (2012: ₩5,766 million) for the year ended December 31, 2013.

Plan assets as of December 31, 2013 and 2012, consist of the following:

<i>(in millions of Korean won)</i>	2013		2012	
Deposits	₩	98,144	₩	90,461
Debt instruments		105,915		81,351
	₩	<u>204,059</u>	₩	<u>171,812</u>

Remeasurements of post-employment benefits recognized as other comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Before income tax effects	₩	13,678	₩	(10,847)
Income tax effects		(3,310)		6,386
After income tax effects	₩	<u>10,368</u>	₩	<u>(4,461)</u>

Accumulated remeasurements of post-employment benefits recognized as other comprehensive income or expense amount to ₩23,483 million (2012: ₩33,851 million) as of December 31, 2013.

The principal actuarial assumptions as of December 31, 2013 and 2012, are as follows:

	2013	2012
Discount rate	4.12%	3.65%
Inflation rate	2.81%	3.15%
Salary growth rate	2.47%	2.66%

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The sensitivity of the defined benefit obligations as of December 31, 2013, to changes in the weighted principal assumptions is:

	Changes in principal assumption	Effect on defined benefit obligation
Discount rate	1.0% increase/decrease	7.0% decrease/8.2% increase
Inflation rate	1.0% increase/decrease	8.2% increase/7.2% decrease
Salary growth rate	1.0% increase/decrease	8.3% increase/7.2% decrease

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Adjustments for the differences between initial assumptions and actual figures as of December 31, 2013, 2012, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Dec.31, 2013	Dec.31, 2012	Dec.31, 2011	Dec.31, 2010	Jan.1, 2010
Present value of defined benefit obligations	₩ 232,792	₩ 213,197	₩ 171,381	₩ 130,467	₩ 148,440
Fair value of plan assets	(204,059)	(171,812)	(132,853)	(92,670)	(112,898)
Deficit(Surplus) of funded plans	28,733	41,385	38,528	37,797	35,542
Experience adjustments of defined benefit obligations	2,155	2,722	13,078	47,878	-
Experience adjustments of plan assets	(861)	1,106	(720)	735	-

The Company reviews the funding level on an annual basis and has a policy to contribute in the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2014, are ₩ 37,064 million.

Expected maturity analysis of undiscounted pension benefits as of December 31, 2013, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 5 and 5 years	Over 5 years	Total
Pension benefits	₩ 20,812	₩ 14,993	₩ 60,006	₩ 920,361	₩ 1,016,172

Recognized expense related to the defined contribution plan for the year ended December 31, 2013, is ₩2,886 million (2012: ₩814 million).

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24. Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 177,968	₩ 150,957
Deferred tax asset to be recovered within 12 months	31,113	19,429
	<u>209,081</u>	<u>170,386</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(472,142)	(469,341)
Deferred tax liability to be recovered within 12 months	(2,602)	(4,779)
	<u>(474,744)</u>	<u>(474,120)</u>
Deferred tax assets (liabilities), net	₩ <u>(265,663)</u>	₩ <u>(303,734)</u>

The movements in the deferred income tax account for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Beginning balance	₩ (303,734)	₩ (312,325)
Tax charged to the statement of income (Note 36)	22,777	9,440
Tax charged (credited) to equity (Note 36)	15,294	(849)
Ending balance	<u>₩ (265,663)</u>	<u>₩ (303,734)</u>

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The movements in deferred income tax assets and liabilities for the years ended December 31, 2013 and 2012, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in millions of Korean won)

	2013			
	Beginning balance	Statement of income	Other comprehensive income	Ending balance
Deferred tax liabilities				
Revaluation of land	₩ (291,330)	₩ 469	₩ -	₩ (290,861)
Investment in associates	(83,171)	481	-	(82,690)
Post-employment benefit pension plan assets	(41,141)	(6,065)	-	(47,206)
Reserve for research and human resource development	(37,913)	(5,647)	-	(43,560)
Gain from fire insurance policy	(2,134)	535	-	(1,599)
Others	(8,836)	3,346	-	(5,490)
	<u>(464,525)</u>	<u>(6,881)</u>	<u>-</u>	<u>(471,406)</u>
Deferred tax assets				
Available-for-sale financial assets	80,174	112	18,604	98,890
Provision for post-employment benefits	41,141	9,375	(3,310)	47,206
Provision for receivables in excess of tax limit	10,786	6,567	-	17,353
Government grants	7,711	985	-	8,696
Impairment loss on property, plant and equipment	3,498	42	-	3,540
Construction contracts	3,245	(3,245)	-	-
Provision for guarantees	2,925	3,851	-	6,776
Accrued compensated absences	2,548	1,832	-	4,380
Provision for warranties	2,170	4,979	-	7,149
Others	6,593	5,160	-	11,753
	<u>160,791</u>	<u>29,658</u>	<u>15,294</u>	<u>205,743</u>
	<u>₩ (303,734)</u>	<u>₩ 22,777</u>	<u>₩ 15,294</u>	<u>₩ (265,663)</u>

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(in millions of Korean won)

	2012			
	Beginning balance	Statement of income	Other comprehensive income	Ending balance
Deferred tax liabilities				
Revaluation of land	₩ (291,336)	₩ 6	₩ -	₩ (291,330)
Investment in associates	(29,823)	(53,348)	-	(83,171)
Post-employment benefit pension plan assets	(31,895)	(9,246)	-	(41,141)
Reserve for research and human resource development	(29,040)	(8,873)	-	(37,913)
Gain from fire insurance policy	(2,669)	535	-	(2,134)
Others	(7,062)	(1,774)	-	(8,836)
	<u>(391,825)</u>	<u>(72,700)</u>	<u>-</u>	<u>(464,525)</u>
Deferred tax assets				
Available-for-sale financial assets	3,244	84,165	(7,235)	80,174
Provision for post-employment benefits	31,895	2,860	6,386	41,141
Provision for receivables in excess of tax limit	8,827	1,959	-	10,786
Government grants	9,953	(2,242)	-	7,711
Impairment loss on property, plant and equipment	3,251	247	-	3,498
Construction contracts	3,675	(430)	-	3,245
Provision for guarantees	137	2,788	-	2,925
Accrued compensated absences	3,802	(1,254)	-	2,548
Provision for warranties	2,432	(262)	-	2,170
Others	12,284	(5,691)	-	6,593
	<u>79,500</u>	<u>82,140</u>	<u>(849)</u>	<u>160,791</u>
	<u>₩ (312,325)</u>	<u>₩ 9,440</u>	<u>₩ (849)</u>	<u>₩ (303,734)</u>

The income tax effect credited (charged) directly to equity for the years ended December 31, 2013 and 2012, is as follows:

(in millions of Korean won)

	2013			2012		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain(Loss) on valuation of available-for-sale assets	₩ (32,173)	₩ 6,475	₩ (24,403)	₩ 45,996	₩ (12,129)	₩ 33,867
Remeasurements of post-employment benefit liabilities	<u>(29,300)</u>	<u>5,817</u>	<u>(23,483)</u>	<u>(42,978)</u>	<u>9,127</u>	<u>(33,851)</u>
	<u>₩ (61,473)</u>	<u>₩ 12,292</u>	<u>₩ (47,886)</u>	<u>₩ 3,018</u>	<u>₩ (3,002)</u>	<u>₩ 16</u>

The Company did not recognize deferred tax assets (liabilities) if it is not probable that the temporary difference will reverse in the foreseeable future, and also the Company did not recognize deferred tax assets (liabilities) for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, which deferred tax assets (liabilities) are unrealizable due to disposal of investments and low potential dividend payment in the foreseeable future. Therefore, the Company did not recognize deferred income tax assets of ₩84,630 million.

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25. Other liabilities

Details of other liabilities as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Other current liabilities				
Advances from customers	₩	208,599	₩	196,475
Unearned revenues		4,099		4,970
		<u>212,698</u>		<u>201,445</u>
Other non-current liabilities				
Provision for warranties ¹		29,542		8,968
Provision for guarantees ²		28,000		11,997
		<u>57,542</u>		<u>20,965</u>
	₩	<u>270,240</u>	₩	<u>222,410</u>

¹ The Company accrued provision for warranties in relation to construction contract for the foreseeable expenses such as defect repairs based on past experience.

² The Company accrued provision for guarantees for the foreseeable expenses relating to PF guarantees (Note 40).

Changes in provisions for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		
	Provision for warranties	Provision for guarantees	Total
Beginning balance	₩ 8,968	₩ 11,997	₩ 20,965
Increase	22,894	28,000	50,894
Decrease	<u>(2,320)</u>	<u>(11,997)</u>	<u>(14,317)</u>
Ending balance	<u>₩ 29,542</u>	<u>₩ 28,000</u>	<u>₩ 57,542</u>

<i>(in millions of Korean won)</i>	2012		
	Provision for warranties	Provision for guarantees	Total
Beginning balance	₩ 9,900	₩ -	₩ 9,900
Increase	2,136	11,997	14,133
Decrease	<u>(3,068)</u>	<u>-</u>	<u>(3,068)</u>
Ending balance	<u>₩ 8,968</u>	<u>₩ 11,997</u>	<u>₩ 20,965</u>

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26. Capital stock

The Company is authorized to issue 200,000,000 shares with a par value per share of ₩5,000. As of December 31, 2013, the Company has issued 35,117,455 shares of common stock. There is no change in capital stock for the year ended December 31, 2013.

27. Retained Earnings

Details of retained earnings as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Legal reserves ¹	₩ 20,777	₩ 17,450
Discretionary reserves		
Research and development reserves ²	156,667	120,000
Facility reserves	2,207,000	2,092,000
Retained earnings before appropriation (Accumulated deficit before disposition)	<u>(372,912)</u>	<u>128,926</u>
	<u>₩ 2,011,532</u>	<u>₩ 2,358,376</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

² The Company appropriates a certain portion of its retained earnings as Research and development reserves under the Special Tax Treatment Control Law. This reserve may be transferred to discretionary reserve and distributed as dividends.

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The appropriation of retained earnings for the years ended December 31, 2013 and 2012, is as follows:

<i>(in millions of Korean won)</i>	2013	2012
Unappropriated retained earnings (Undisposed accumulated deficit) carried over from prior year	₩ (59,337)	₩ 1,368
Loss on prior period adjustments (Note 41)	-	(84,360)
Adjusted unappropriated retained earnings (undisposed accumulated deficit) carried over from prior year	(59,337)	(82,992)
Remeasurements of defined benefit obligation	10,368	(4,461)
Profit (Loss) for the year	(323,943)	216,378
Research and development reserves	26,666	13,333
Facility reserves	434,000	-
Retained earnings available for appropriation (Accumulated deficit available for disposal)	<u>87,754</u>	<u>142,258</u>
Appropriation of retained earnings		
Legal reserves	3,326	3,326
Research and development reserves	50,000	50,000
Facility reserves	-	115,000
Dividends (Cash dividend (%):	33,269	33,269
Common stock:		
₩1,000 (20%) in 2013		
₩1,000 (20%) in 2012		
Unappropriated retained earnings (Undisposed accumulated deficit) carried forward to subsequent year	<u>₩ 1,159</u>	<u>₩ (59,337)</u>

28. Other Components of Equity

Details of other components of equity as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Other capital surplus	₩ 330,210	₩ 330,210
Treasury stock ¹	(34,204)	(34,204)
Gain (Loss) on valuation of available-for-sale financial assets	(24,403)	33,867
Currency translation differences	(2,252)	2,021
	<u>₩ 269,351</u>	<u>₩ 331,894</u>

¹ The 1,848,851 treasury shares were acquired in a merger in 1998 and are expected to be sold in the future.

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Changes in accumulated other comprehensive income for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Beginning balance	Increase (Decrease)	Reclassification to profit or loss	Ending balance
Gain(Loss) on valuation of available-for-sale financial assets	₩ 33,867	₩ (57,679)	₩ (591)	₩ (24,403)
Currency translation differences	2,021	(4,273)	-	(2,252)
	<u>₩ 35,888</u>	<u>₩ (61,952)</u>	<u>₩ (591)</u>	<u>₩ (26,655)</u>

(in millions of Korean won)

	2012			
	Beginning balance	Increase (Decrease)	Reclassification to profit or loss	Ending balance
Gain(Loss) on valuation of available-for-sale financial assets	₩ 14,611	₩ 28,666	₩ (9,410)	₩ 33,867
Currency translation differences	(343)	2,364	-	2,021
	<u>₩ 14,268</u>	<u>₩ 31,030</u>	<u>₩ (9,410)</u>	<u>₩ 35,888</u>

Changes in accumulated other comprehensive income represent net of tax effect amounts (Note 24).

29. Revenue

Details of revenue for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013	2012
Merchandise sales	₩ 2,759,309	₩ 2,953,045
Finished goods sales	5,070,960	5,441,982
Construction sales	821,637	366,925
Real estate sales	202,377	386,959
Other sales	213,103	135,967
	<u>₩ 9,067,386</u>	<u>₩ 9,284,878</u>

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30. Construction Contract

Changes in the remaining balance of construction contracts for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013			
	Beginning balance	Changes¹	Recognized construction revenue	Ending balance
Construction	₩ 859,341	₩ 938,859	₩ (488,755)	₩ 1,309,445
Heavy industrial	586,039	595,924	(535,259)	646,704
	<u>₩ 1,445,380</u>	<u>₩ 1,534,783</u>	<u>₩ (1,024,014)</u>	<u>₩ 1,956,149</u>

¹ In 2013, the increase in subcontracted amount, such as revenue from initial contracts, and decrease in subcontracted amount, such as alterations in the original contract work, amount to ₩ 1,535,153 million and ₩ 370 million, respectively.

(in millions of Korean won)

	2012			
	Beginning balance	Changes¹	Recognized construction revenue	Ending balance
Construction	₩ 819,813	₩ 604,118	₩ (564,590)	₩ 859,341
Heavy industrial	478,070	297,263	(189,294)	586,039
	<u>₩ 1,297,883</u>	<u>₩ 901,381</u>	<u>₩ (753,884)</u>	<u>₩ 1,445,380</u>

¹ In 2012, the increase in subcontracted amount, such as revenue from initial contracts, and decrease in subcontracted amount, such as alterations in the original contract work, amount to ₩ 901,803 million and ₩ 422 million, respectively.

Details of ongoing construction contracts such as recognized construction profit or loss as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013				
	Accumulated construction revenue	Accumulated construction cost	Accumulated revenue	Deferred revenue	Reserve¹
Construction	₩ 1,268,663	₩ 1,127,824	₩ 140,839	₩ 2,848	₩ -
Heavy industrial	559,794	565,316	(5,522)	-	134,645
	<u>₩ 1,828,457</u>	<u>₩ 1,693,140</u>	<u>₩ 135,317</u>	<u>₩ 2,848</u>	<u>₩ 134,645</u>

¹ In the statement of financial position, the reserve is recorded as long-term deposits provided.

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(in millions of Korean won)

	2012									
	Accumulated construction revenue		Accumulated construction cost		Accumulated revenue	Deferred revenue	Reserve ¹			
Construction	₩	704,807	₩	627,726	₩	77,081	₩	16,710	₩	-
Heavy industrial		323,135		321,792		1,343		1,990		124,534
	₩	1,027,942	₩	949,518	₩	78,424	₩	18,700	₩	124,534

¹ In the statement of financial position, the reserve is recorded as long-term deposits provided.

Details of unbilled and overbilled amounts related to construction as of December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

	2013				2012			
	Unbilled amount		Overbilled amount		Unbilled amount		Overbilled amount	
Construction	₩	47,845	₩	42,243	₩	28,407	₩	39,959
Heavy industrial		4,554		20,463		-		-
	₩	52,399	₩	62,706	₩	28,407	₩	39,959

Details of total estimated construction loss of construction-in-progress as of December 31, 2013, are as follows:

(in millions of Korean won)

	Total estimated construction loss		Provision for construction loss ¹	
Kaliakoir 400kV S/S PJT_Onshore	₩	1,495	₩	1,495
Philippine BOHOL Project		1,001		1,001
Philippine LUZON 2 Project		679		679
Chile Charrua 500/220kV 750MVA S/S and 13 others		1,722		1,722
	₩	4,897	₩	4,897

¹ Provision for construction loss is included in unbilled or overbilled amounts related to construction in the statements of financial position.

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31. Expenses by Nature

Cost of sales, selling and administrative expenses and research and development expenses by nature for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Changes in inventories of finished goods and work-in-process	₩ 164,998	₩ 115,311
Changes in inventories of merchandise	2,646,417	2,803,074
Raw materials and supplies used	3,301,377	3,890,432
Employee benefit expense (Note 32)	596,963	568,818
Depreciation and amortization	213,225	191,037
Electricity expense	196,236	177,288
Export expense	231,705	244,098
Fuel expense	108,404	107,278
Service expense	183,645	110,058
Outsourcing expense	525,678	463,443
Others	653,886	404,263
Total ¹	₩ 8,822,534	₩ 9,075,100

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

32. Employee Benefit Expense

Employee benefit expenses for the years ended December 31, 2013 and 2012, consist of:

<i>(in millions of Korean won)</i>	2013	2012
Salaries	₩ 484,461	₩ 464,155
Employee benefits	66,303	64,291
Pension costs - defined contribution plans	2,886	814
Pension costs - defined benefit plans (Note 23)	43,313	39,558
	₩ 596,963	₩ 568,818

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33. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Salaries	₩	137,305	₩	133,149
Post-employment benefits		15,502		14,651
Employee benefits		13,874		13,926
Training expense		2,444		2,630
Travel expense		16,041		15,982
Communication expense		3,938		4,118
Taxes and dues		8,512		8,615
Rental expense		15,564		13,049
Depreciation		6,535		5,710
Amortization		8,852		2,180
Bad debt expense		13,840		7,426
Management expense for overseas branches		16,891		19,250
Advertising expense		16,500		12,094
Freight expense		34,368		32,402
Service fees		39,998		24,537
Export expense		231,704		244,097
Entertainment expense		6,971		6,965
Others		69,309		40,142
	₩	658,148	₩	600,923

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34. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Other income		
Rental income	₩ 2,327	₩ 1,219
Gain on disposal of property, plant and equipment	1,862	871
Gain on disposal of investment property	59	62
Miscellaneous income	46,273	64,061
Gain on derivative transactions	57,134	51,673
Gain on valuation of derivatives	32,746	62,996
Reversal of other bad debts expense	194	444
Dividend income	95,964	68,089
	<u>236,559</u>	<u>249,415</u>
Other expenses		
Loss on disposal of property, plant and equipment	3,090	130
Loss on disposal of intangible assets	433	-
Donations	2,694	2,700
Loss on disposal of investment property	321	-
Other bad debts expense	12,613	5,365
Miscellaneous loss	70,732	21,042
Transfer to provision for guarantees	28,000	11,997
Loss on derivative transactions	15,961	4,439
Loss on valuation of derivatives	213	399
Commissions	6,099	6,546
Loss on disposal of trade receivables	3,299	3,777
Sales promotion	296	298
Impairment loss on other investments	51	-
	<u>143,802</u>	<u>56,693</u>
	<u>₩ 92,757</u>	<u>₩ 192,722</u>

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35. Financial Income and Expenses

Details of financial income and expenses for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Financial income		
Interest income		
Financial assets at fair value through profit or loss	₩ -	₩ 185
Loans and receivables	7,245	4,795
Available-for-sale financial assets	36	31
Other financial instruments	1,958	954
Gain on foreign currency transactions	133,595	67,007
Gain on foreign currency translation	174,940	95,910
Gain on disposal of financial assets		
Available-for-sale financial assets	1,874	13,310
Investments in subsidiaries and associates	3,320	-
	<u>322,968</u>	<u>182,192</u>
Financial expenses		
Interest expenses		
Financial liabilities at amortized cost	121,758	143,413
Loss on foreign currency transactions	131,322	50,630
Loss on foreign currency translation	151,970	46,230
Loss on disposal of financial assets		
Available-for-sale financial assets	946	-
Impairment loss of financial assets		
Available-for-sale financial assets	464	49
	<u>406,460</u>	<u>240,322</u>
	<u>₩ (83,492)</u>	<u>₩ (58,130)</u>

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

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36. Income Tax Expense

Income tax expense for the years ended December 31, 2013 and 2012, consists of:

<i>(in millions of Korean won)</i>	2013	2012
Current tax		
Current tax on profits for the year	₩ 71,012	₩ 55,132
Adjustments in respect of prior years	405,905	(2,643)
Total current tax	<u>476,917</u>	<u>52,489</u>
Deferred tax		
Origination and reversal of temporary differences	(22,777)	8,386
Total deferred tax	<u>(22,777)</u>	<u>8,386</u>
Income tax expense	<u>₩ 454,140</u>	<u>₩ 60,875</u>

¹ As a result of a tax investigation by National Tax Service in 2013, the Company paid penalty taxes amounting to ₩401,561 million in relation to property, plant and equipment, investment in subsidiaries and others.

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

<i>(in millions of Korean won)</i>	2013	2012
Profit before tax	₩ 130,197	₩ 277,253
Tax calculated at tax rates	₩ 31,508	₩ 67,095
Tax effects of		
Income not subject to tax	(3,044)	(2,382)
Expenses not deductible for tax purposes	6,412	8,383
Deferred income tax assets not recognized	21,603	9,885
Tax credits	(12,468)	(20,342)
Others	945	879
Adjustment in respect of prior years	409,184	(2,643)
Income tax expense ¹	<u>₩ 454,140</u>	<u>₩ 60,875</u>

¹ The weighted average applicable tax rate of the company is 349% (2012: 22%). This increase is caused by adjustments made to prior income tax expense as a result of a tax investigation.

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37. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2013 and 2012, is as follows:

	2013	2012
Profit (Loss) attributable to the ordinary equity holders ¹	₩ (323,943) million	₩ 216,378 million
Weighted average number of ordinary shares outstanding ²	<u>33,268,604</u>	<u>33,268,604</u>
Earnings (loss) per share	<u>₩ (9,737)</u>	<u>₩ 6,504</u>

¹ Profit (Loss) attributable to the ordinary equity holders corresponds to the Company's profit or loss.

² Weighted average number of ordinary shares outstanding for the years ended December 31, 2013 and 2012, is 33,268,604 and there has been no change.

38. Dividends

The dividends paid in 2013 and 2012 were ₩33,269 million (₩1,000 per share) and ₩ 33,269 million (₩1,000 per share), respectively.

A dividend in respect of the year ended December 31, 2013, of ₩1,000 per share, amounting to a total dividend of ₩33,269 million, is to be proposed at the annual general shareholders' meeting on March 21, 2014. These separate financial statements do not reflect this dividend payable.

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39. Cash Generated from Operations

Details of cash generated from operations for the years ended December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Profit before income tax	₩ 130,197	₩ 277,253
Adjustments for		
Interest expense, net	112,519	137,448
Gain on foreign currency translation	(22,970)	(49,680)
Gain on valuation of derivatives	(32,533)	(62,597)
Depreciation and amortization	213,225	191,037
Loss (Gain) on disposal of property, plant, equipment, intangible assets, and investment property	1,923	(803)
Bad debt expense and other bad debt expense	26,453	12,791
Reversal of provisions for trade and other receivables	(194)	(444)
Gain on disposal of financial assets	(4,248)	(13,310)
Impairment loss on financial assets	464	49
Impairment loss on investment in subsidiaries and associates	123,921	67,117
Dividend income	(95,964)	(68,089)
Post-employment benefits	43,313	39,558
Accrual of provisions	50,893	14,133
Reversal of provisions	-	(477)
Loss on disposal of trade receivables	3,299	3,777
Loss on valuation of inventories (cost of sales)	13,514	-
Others	2,138	2,133
Changes in working capital		
Decrease in trade receivables	265,290	362,936
Decrease in inventories	68,019	238,150
Decrease (Increase) in other receivables	17,678	(17,610)
Decrease (Increase) in unbilled amount of construction	(26,980)	26,148
Decrease in other financial assets	50,480	6,797
Decrease (Increase) in other assets	(2,241)	743
Decrease (Increase) in cumulative effect of foreign currency translation	(4,272)	2,364
Increase (Decrease) in trade payables	38,821	(304,265)
Decrease in other payables	(49,314)	(49,304)
Increase in overbilled amount of construction	22,748	29,315
Decrease in other financial liabilities	(3,907)	(17,171)
Payment of warranty expenses	(2,320)	(3,068)
Payment of post-employment benefits	(3,972)	(6,658)
Payment into plan assets	(38,500)	(41,000)
Cash generated from operations	<u>₩ 897,480</u>	<u>₩ 777,273</u>

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Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2013	2012
Reclassification of the current portion of debentures	₩ 230,000	₩ 280,000
Reclassification of the current portion of long-term borrowings	368,911	387,110
Transfer of construction-in-progress and machinery-in-transit to property, plant and equipment	259,884	210,327
Transfer of construction-in-progress to intangible assets (Note 16)	23,242	-
Transfer of property, plant and equipment to investment property (Note 15)	7,878	2,090
Transfer of goods-in-transit to machinery-in-transit	5,695	-
Transfer of property, plant and equipment to non-current assets held-for-sale (Note 14)	26,067	-
Change in non-trade payables related to the acquisition of property, plant and equipment	(69,855)	729
Change in advance payments related to the acquisition of property, plant and equipment	5,084	(15,835)
Reclassification of the current portion of long-term trade receivables	-	4,220
Debt-equity swap of Doomi Construction Co.Ltd.(Note 20)	40,000	-
Debt-equity swap of Chin Heung International Inc.(Note 11)	-	103,542
Reclassification of the current portion of long-term deposits received	(4,276)	2,668

40. Contingencies and Commitments

(a) Notes and others provided as collaterals

Details of notes and others provided as collaterals in relation to borrowings and commitments as of December 31, 2013, are as follows:

	Provider	Number	Type
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
Check	Korea Resources Corporation	1	Blank

(b) Loan agreements and others

The Company has commitments with financial institutions with a limit of ₩2,666,644 million, including bank overdrafts, trade bill discounts, open local L/C and general loans. Also, the Company has trade receivables discount agreements with a limit of ₩1,036,305 million as of December 31, 2013.

(c) Guarantees provided for others and others

The Company has provided guarantees for others, amounting to ₩ 577,065 million (2012: ₩535,724 million) as of December 31, 2013. Also, the Company has provided guarantees for

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related parties, amounting to ₩2,702,372 million (2012: ₩2,691,912 million) as of December 31, 2013 (Note 20).

The Company has provided guarantees amounting to ₩286,200 million to Grand Seventh Ltd. in relation to the solar power plant project in Romania as of December 31, 2013.

(d) Guarantees provided in relation to project financing

Details of guarantees provided for the borrowings of developers as of December 31, 2013 and 2012, are as follows:

<i>(in millions of Korean won)</i>	2013		2012	
Debt assumption/replenishment of funds	₩	261,800	₩	308,800
Joint guarantees		<u>28,000</u>		<u>58,000</u>
	₩	<u>289,800</u>	₩	<u>366,800</u>

Details of guarantees provided in relation to project financing as of December 31, 2013, are as follows:

(in millions of Korean won)

Construction	Creditor	Guarantee limit	Balance of borrowings	Details of guarantees	Period
Changdong station	Capital	₩ 28,000	₩ 28,000	Joint guarantees	Oct.2007~Jan.2015
Gwangju Taejeondong APT	IB	107,000	97,000	Debt assumption	Apr.2013~Apr.2016
Gangnam station officetel	IB	85,800	50,000	Replenishment of funds	Dec.2011~Jan.2015
Naepo New Town APT	IB	40,000	17,500	Replenishment of funds	Jun.2012~Dec.2014
Sangdodong APT	Bank	<u>29,000</u>	<u>19,300</u>	Debt assumption	Sep.2012~Oct.2015
		₩ <u>289,800</u>	₩ <u>211,800</u>		

The Company recognized ₩28,000 million as provision for guarantees and ₩1,912 million as financial guarantee liabilities in relation to project financing as of December 31, 2013.

(e) Guarantees provided by others

Details of guarantees provided by others as of December 31, 2013, are as follows:

(in millions of Korean won)

Guarantor	Guaranteed amount	Details of guarantees
Korea Construction Financial Cooperative and others	₩ 663,643	Payment guarantee related to construction
Korea Exim Bank and others	<u>524,297</u>	Performance guarantee and others
	₩ <u>1,187,940</u>	

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(f) Assets pledged as collaterals

Details of assets pledged as collaterals for the Company's debt as of December 31, 2013, are as follows:

(in millions of Korean won)

Assets pledged as collaterals	Maximum credit amount	Related borrowings	Bank
Property, plant and equipment	₩ 276,658	₩ 192,570	Woori Bank
Investment in subsidiaries and associates	17,307		
Property, plant and equipment	1,380,324	1,451,479	Korea Development Bank and others
Trade receivables	411,131	411,131	Woori Bank and others

The Company has pledged its shares of Chin Hung International Inc. (available-for-sale assets with a book value of ₩ 71,348 million) as collateral to the Committee of Creditor Banks of Chin Hung International Inc. in accordance with the special agreement for plans for normalization of the business of Chin Hung International Inc. Also, the Company has pledged its shares of Flossom Corporation (investment in subsidiaries with no book value) as collateral (with a maximum credit amount of ₩56,010 million) in relation to borrowings of Flossom Corporation.

(g) Pending lawsuits

Details of major pending lawsuits as of December 31, 2013, are as follows:

(in millions of Korean won)

Court	Plaintiff	Defendant	Details of lawsuit	Amount	Status
Lawsuits in which the Company is the plaintiff					
Seoul Central District Court	Hyosung Corporation	Korea Railroad and others	Claims for construction costs	₩ 28,744	2 nd Trial
Seoul Central District Court	Hyosung Corporation	KEPCO	Claims for payment for goods	10,000	1 st Trial
Suwon District Court, Seongnam	Hyosung Corporation	The gallery linie and others	Claims for construction costs	4,126	1 st Trial
Supreme Court of Korea	Hyosung Corporation	Tongyeong City	Claims for construction costs	2,330	3 rd Trial
Supreme Court of Korea	Hyosung Corporation	Gwangmyeong City	Claims for construction costs	1,630	3 rd Trial
Lawsuits in which the Company is the defendant					
Supreme Court of Korea	Gwangmyeong City	Hyosung Corporation	Claims for damages	11,001	
Seoul Central District Court	147 companies in Korea Federation Plastic Industry Cooperative	Hyosung Corporation and others	Claims for damages	2,290	1 st Trial
Seoul Central District Court	Daehan Consultants Co., Ltd.	Hyosung Corporation and others	Claims for damages	2,395	1 st Trial
Seoul High Court	Korea Land & Housing Corporation	Hyosung Corporation and others	Claims for defects	687	1 st Trial
Seoul Central District Court	Korea Land & Housing Corporation	Hyosung Corporation	Claims for defects	764	2 nd Trial

Other than the above, the Company is involved in various lawsuits where the amounts are not material. The outcome of the above cases cannot be estimated as of December 31, 2013.

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41. Restatement of Prior Year Financial Statements

In 2013, the errors in accounting treatments for property, plant and equipment, investments in subsidiaries and associates, and others were discovered during a tax investigation by the National Tax Service and the Company have retrospectively restated the financial statements as of and for the year ended December 31, 2012, to reflect the correction.

The effects of the correction on the statements of financial position as of December 31, 2012 and January 1, 2012, are as follows:

(in millions of Korean won)

	Dec.31, 2012		Jan.1, 2012	
	Before restatement	After restatement	Before restatement	After restatement
Assets				
Inventories	₩ 855,246	₩ 854,325	₩ 1,093,396	₩ 1,092,493
Property, plant and equipment	3,179,544	3,147,588	2,959,265	2,902,963
Investments in subsidiaries and associates	1,709,649	1,682,287	1,699,633	1,672,270
Total assets	8,284,794	8,224,554	8,507,120	8,422,553
Liabilities				
Deferred tax liabilities	303,478	303,734	311,966	312,325
Non-current provisions	21,055	20,965	10,466	9,900
Total liabilities	5,227,705	5,227,871	5,626,344	5,626,137
Equity				
Retained earnings	2,418,781	2,358,375	2,264,088	2,179,728
Total equity	3,057,089	2,996,683	2,880,776	2,796,415

The effects of the correction on the statement of income for the year ended December 31, 2012, are as follows:

(in millions of Korean won)

	2012
Cost of sales	₩ (24,051)
Selling and administrative expenses	(277)
Other income	(477)
Income tax expense	(103)
	<u>₩ (23,954)</u>

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Changes in profit or loss due to the restatement of the financial statements for the year ended December 31, 2012, are as follows:

<i>(in millions of Korean won, except per share amounts)</i>		2012
Before restatement		
Operating profit	₩	185,450
Profit for the year		192,424
Basic earnings per share		5,784
After restatement		
Operating profit		209,778
Profit for the year		216,378
Basic earnings per share		6,504

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
Hyosung Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hyosung Corporation (the "Company") as of December 31, 2013. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2013, the Company's IACS has been designed and is operating effectively as of December 31, 2013, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a Company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A Company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean IFRS. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review on the management's report on the operations of the IACS, following material weakness is identified.

The Company's separate financial statements as of and for the year ended December 31, 2012, were restated to reflect corrections in accounting treatment for property, plant and equipment, and investment in subsidiaries, associates and others, which were identified from an investigation of National Tax Service. Restatement of the separate financial statements to reflect prior year's account error is to make an adjustment to material error; therefore, this represents the material weakness.

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Our review is based on the Company's IACS as of December 31, 2013, and we did not review management's assessment of its IACS subsequent to December 31, 2013. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 13, 2014

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of
Hyosung Corporation

I, as the Internal Accounting Control Officer (“IACO”) of Hyosung Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2013.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2013, in all material respects, in accordance with the IACS standards.

January 28, 2014

Sang-Woon Lee, Chief Executive Officer

Jae-Bong Noe, Internal Accounting Control Officer