

**Hyosung Corporation and Subsidiaries**  
**Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**Hyosung Corporation and Subsidiaries**  
**Index**  
**December 31, 2014 and 2013**

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## **Independent Auditor's Report**

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of  
Hyosung Corporation

We have audited the accompanying consolidated financial statements of Hyosung Corporation and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

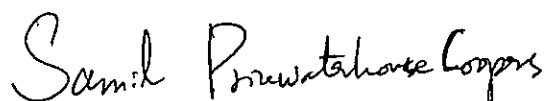
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

**Other Matters**

The consolidated financial statements of the Group as of and for the year ended December 31, 2013 were audited in accordance with the previous Korean Standards on Auditing.

We did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 51% of the Group's consolidated total assets as of December 31, 2013, and 37% of the Group's consolidated revenue for the respective year then ended. These statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for Hyosung Capital and certain other consolidated subsidiaries, is based solely on the reports of the other auditors.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.



Seoul, Korea  
March 12, 2015

This report is effective as of March 12, 2015, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2014 and 2013**

<i>(in millions of Korean won)</i>	Notes	2014	2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4, 7, 8, 9	₩ 526,920	₩ 444,591
Trade and other receivables	4, 6, 7, 10, 19	1,780,287	1,870,594
Due from customers for contract work	4, 7, 29	183,644	66,811
Other financial assets	4, 7, 9, 11	70,569	113,438
Other current assets	13	164,744	161,401
Inventories	14	1,372,164	1,423,752
Current tax assets		20,595	12,707
		<u>4,118,923</u>	<u>4,093,294</u>
<b>Non-current assets</b>			
Long-term trade and other receivables	4, 7, 9, 10, 19	251,901	275,133
Property, plant and equipment	15, 19, 38	5,485,728	5,450,912
Investment property	16	593,856	562,888
Intangible assets	17	409,768	440,100
Investments in associates	18, 38	212,492	272,599
Other financial business assets	4, 7, 12	2,205,796	2,237,555
Other non-current financial assets	4, 7, 9, 11, 18	292,989	169,031
Other non-current assets	13	54,011	46,381
Deferred tax assets	23	36,610	45,520
		<u>9,543,151</u>	<u>9,500,119</u>
<b>Total assets</b>		<u>₩ 13,662,074</u>	<u>₩ 13,593,413</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4, 7, 19, 21	₩ 1,452,579	₩ 1,401,022
Due to customers for contract work	29	106,741	70,505
Borrowings	4, 6, 7, 20	5,220,188	5,201,074
Other financial liabilities	4, 7, 11	27,242	1,221
Current tax liabilities		73,854	77,960
Other current liabilities	24	345,569	380,770
		<u>7,226,173</u>	<u>7,132,552</u>
<b>Non-current liabilities</b>			
Long-term trade and other payables	4, 7, 19, 21	419,978	366,356
Long-term borrowings	4, 7, 20	2,701,376	3,019,719
Net defined benefit liability	22	53,103	42,577
Deferred tax liabilities	23	300,851	298,107
Other non-current financial liabilities	4, 7, 11	5,697	109
Other non-current liabilities	24	59,628	59,912
		<u>3,540,633</u>	<u>3,786,780</u>
<b>Total liabilities</b>		<u>10,766,806</u>	<u>10,919,332</u>
<b>Equity attributable to owners of the Parent</b>			
Capital stock	25	175,587	175,587
Capital surplus		130,826	130,826
Retained earnings	26	2,256,086	2,042,726
Other components of equity	23, 27	229,539	249,709
		<u>2,792,038</u>	<u>2,598,848</u>
<b>Non-controlling interest</b>		<u>103,230</u>	<u>75,233</u>
<b>Total equity</b>		<u>2,895,268</u>	<u>2,674,081</u>
<b>Total liabilities and equity</b>		<u>₩ 13,662,074</u>	<u>₩ 13,593,413</u>

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

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
**Years Ended December 31, 2014 and 2013**

<i>(in millions of Korean won, except per share amounts)</i>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>	19, 28, 29	₩ 12,177,134	₩ 12,579,157
<b>Cost of sales</b>	19, 29, 30	<u>(10,565,608)</u>	<u>(11,095,094)</u>
<b>Gross profit</b>		1,611,526	1,484,063
Selling and administrative expenses	30, 31, 32	(887,004)	(865,061)
Research and development expenses	30	(124,176)	(133,089)
<b>Operating profit</b>		<u>600,346</u>	<u>485,913</u>
Other income	33	325,047	167,136
Other expenses	33	(144,479)	(205,975)
Other income (expenses), net		<u>180,568</u>	<u>(38,839)</u>
Finance income	34	273,515	397,799
Finance expenses	34	(576,610)	(574,182)
Finance income (expenses), net		<u>(303,095)</u>	<u>(176,383)</u>
Share of profit of associates	18	<u>(9,130)</u>	<u>(14,046)</u>
Profit before income tax		468,689	256,645
Income tax expense	23	<u>(176,699)</u>	<u>(492,889)</u>
<b>Profit (loss) for the year</b>		<u>₩ 291,990</u>	<u>₩ (236,244)</u>
<b>Profit (loss) attributable to:</b>			
Owners of the parent			
Profit (Loss) for the year attributable to owners of controlling company		₩ 269,229	₩ (229,185)
Non-controlling interests			
Profit (Loss) for the year attributable to non-controlling interests		22,761	(7,059)
		<u>₩ 291,990</u>	<u>₩ (236,244)</u>
<b>Earnings (loss) per share</b> attributable to the equity holders of the Company during the year			
<b>Basic earnings (loss) per share</b>	35	₩ 8,093	₩ (6,889)

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

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2014 and 2013**

<i>(in millions of Korean won)</i>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>Profit (Loss) for the year</b>		₩ 291,990	₩ (236,244)
<b>Other comprehensive income(loss)</b>			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liability	22	(21,423)	10,675
Share of remeasurements of net defined benefit liability of associates		(1,281)	(1,715)
Items that may be subsequently reclassified to profit or loss			
Gain (Loss) on valuation of available-for-sale financial assets	11, 27	(8,330)	(58,375)
Gain (Loss) on valuation of investments in associates	18, 27	(19,967)	(1,204)
Gain on valuation of derivatives	27	-	258
Translation of foreign currency financial statements	27	14,808	(9,242)
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>(36,193)</b>	<b>(59,603)</b>
<b>Total comprehensive income (loss) for the year</b>		<b>₩ 255,797</b>	<b>₩ (295,847)</b>
<b>Attributable to:</b>			
Equity holders of the Controlling Company		₩ 232,395	₩ (294,984)
Non-controlling interest		23,402	(863)
<b>Total comprehensive income (loss) for the year</b>		<b>₩ 255,797</b>	<b>₩ (295,847)</b>

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

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2014 and 2013**

	Attributable to equity holders of the Controlling Company						Non-controlling Interest	Total Equity
	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total			
<i>(in millions of Korean won)</i>								
<b>Balance at January 1, 2013</b>	₩ 175,587	₩ 130,826	₩ 2,298,852	₩ 321,680	₩ 2,926,945	₩ 85,706	₩ 3,012,651	
<b>Comprehensive income</b>								
Net loss	-	-	(229,185)	-	(229,185)	(7,059)	(236,244)	
Remeasurements of net defined benefit liability	-	-	10,704	-	10,704	(29)	10,675	
Share of remeasurements of net defined benefit liability of associates	-	-	(1,715)	-	(1,715)	-	(1,715)	
Gain (Loss) on valuation of available-for-sale financial assets	-	-	-	(58,870)	(58,870)	495	(58,375)	
Loss on valuation of investments in associates	-	-	-	(1,203)	(1,203)	(1)	(1,204)	
Gain on valuation of derivatives	-	-	-	258	258	-	258	
Translation of foreign currency financial statements	-	-	-	(7,913)	(7,913)	(1,329)	(9,242)	
<b>Transactions with equity holders of the Company :</b>								
Dividends	-	-	(33,269)	-	(33,269)	(2,901)	(36,170)	
Changes in other additional capital	-	-	-	(4,337)	(4,337)	-	(4,337)	
Changes in other capital adjustments	-	-	-	(5)	(5)	(3)	(8)	
Others	-	-	(2,661)	359	(2,302)	89	(2,213)	
Changes in share ratio of subsidiaries and others	-	-	-	(259)	(259)	259	-	
Changes in scope of consolidation	-	-	-	-	-	6	6	
<b>Balance at December 31, 2013</b>	₩ 175,587	₩ 130,826	₩ 2,042,726	₩ 249,710	₩ 2,598,849	₩ 75,233	₩ 2,674,082	
<b>Balance at January 1, 2014</b>	₩ 175,587	₩ 130,826	₩ 2,042,726	₩ 249,710	₩ 2,598,849	₩ 75,233	₩ 2,674,082	
<b>Comprehensive income</b>								
Net Income	-	-	269,229	-	269,229	22,761	291,990	
Remeasurements of net defined benefit liability	-	-	(20,948)	-	(20,948)	(475)	(21,423)	
Share of remeasurements of net defined benefit liability of associates	-	-	(1,281)	-	(1,281)	-	(1,281)	
Loss on valuation of available-for-sale financial assets	-	-	-	(8,240)	(8,240)	(90)	(8,330)	
Loss on valuation of investments in associates	-	-	-	(19,967)	(19,967)	-	(19,967)	
Translation of foreign currency financial statements	-	-	-	13,601	13,601	1,208	14,809	
<b>Transactions with equity holders of the Company :</b>								
Dividends	-	-	(33,269)	-	(33,269)	(5,705)	(38,974)	
Changes in other additional capital	-	-	-	472	472	-	472	
Changes in other capital adjustments	-	-	-	47	47	-	47	
Others	-	-	(370)	-	(370)	3,260	2,890	
Changes in share ratio of subsidiaries and others	-	-	-	(6,084)	(6,084)	7,095	1,011	
Changes in scope of consolidation	-	-	-	-	-	(57)	(57)	
<b>Balance at December 31, 2014</b>	₩ 175,587	₩ 130,826	₩ 2,256,087	₩ 229,539	₩ 2,792,039	₩ 103,230	₩ 2,895,269	

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



**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2014 and 2013**

<i>(in millions of Korean won)</i>	Notes	2014	2013
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	₩ 1,159,285	₩ 1,153,900
Income tax paid		(171,853)	(513,394)
Interest paid		(259,597)	(268,462)
Interest received		160,555	170,235
Dividends received		18,404	2,711
<b>Net cash generated from operating activities</b>		<u>906,794</u>	<u>544,990</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of other receivables		18,830	19,141
Proceeds from disposal of other financial assets		103,743	108,067
Proceeds from disposal of long-term other receivables		24,686	161,848
Proceeds from disposal of other non-current financial assets		-	66,035
Proceeds from disposal of property, plant and equipment		18,262	45,153
Government grants received		4,508	9,696
Proceeds from disposal of investment property		2,292	1,335
Proceeds from disposal of intangible assets		27,473	2,861
Proceeds from disposal of investments in associates		34,214	14,322
Proceeds from disposal (acquisition) of other non-current assets		415,308	(62)
Acquisition of other receivables		(16,756)	(57,843)
Acquisition of other financial assets		(73,687)	(84,826)
Acquisition of long-term other receivables		(19,712)	(58,489)
Acquisition of other non-current financial assets		(150,487)	(29,548)
Purchases of property, plant and equipment		(776,790)	(640,032)
Purchases of investment properties		(39,787)	(16,535)
Purchases of intangible assets		(22,531)	(42,936)
Acquisition of investments in associates		(18,651)	(33,313)
Acquisition of other non-current assets		(373)	(23,761)
<b>Net cash used in investing activities</b>		<u>(469,458)</u>	<u>(558,887)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings		9,752,836	9,191,205
Proceeds from long-term borrowings and issuance of debentures		2,542,695	1,361,343
Paid-in capital increases		-	264
Changes in non-controlling interest		(100)	-
Repayment of short-term borrowings		(10,771,765)	(9,196,975)
Repayment of long-term borrowings and debentures		(1,859,083)	(1,298,108)
Payment of cash dividends		(44,341)	(36,083)
<b>Net cash provided by (used in) financing activities</b>		<u>(379,758)</u>	<u>21,646</u>
Effect of cash and cash equivalent from exchange rate fluctuation		<u>24,751</u>	<u>116</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>82,329</u>	<u>7,865</u>
<b>Cash and cash equivalents</b>			
Beginning of the year		444,591	436,726
End of the year		<u>₩ 526,920</u>	<u>₩ 444,591</u>

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

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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#### 1. General Information

Hyosung Corporation (“the Company”) and its subsidiaries (collectively referred to as “the Group”) primarily manufactures and sells synthetic fiber products and electronic products, and is engaged in construction and other related business activities.

As of December 31, 2014, the Group has plants in Ulsan, Anyang, Yongyeon, Icheon, Jincheon, Gumi, Daegu, Changwon, and Daejeon. In addition, the Group has subsidiaries and branches all over the world.

As of December 31, 2014, the Company’s major shareholders are Cho Seok Rae (10.15%), Cho Hyun Joon (10.84%), and Cho Hyun Sang (10.48%).

#### 1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2014 are as follows:

Subsidiaries	Percentage of Ownership	Location	Reporting month	Main business
Galaxia Photonics Co., Ltd.	83.32%	Korea	December	Manufacture and sale of wafer and LED chips
Gumoknongsan Co., Ltd.	90.00%	Korea	December	Growing of other crops
Gongdeokgyeongwoo development corporation	73.33%	Korea	December	Construction
The Class Hyosung	58.02%	Korea	December	Sale of new motor vehicles
Doomi Construction Co., Ltd	100.00%	Korea	December	Golf club operation service
Somesevit Corporation (formerly, Flossom Corporation)	57.83%	Korea	December	Service of real estate
Taeansolarfarm Corp.	100.00%	Korea	December	Solar power generation
Hanadaol Landchip Private Real Estate Investment Trust No.39 <sup>2</sup>	50.00%	Korea	December	Service of real estate
Hana HS 1st co., Ltd <sup>2</sup>	-	Korea	December	Other
Hana HS 2nd co., Ltd <sup>2</sup>	-	Korea	December	Other
Hongjin Data Service Co., Ltd.	65.52%	Korea	December	Software development and supply
Hyosung Goodsprings, Inc.	100.00%	Korea	December	Manufacture of liquid pump
Hyosung Engineering Co., Ltd. (formerly, Hyosung Ebara Engineering Co., Ltd.)	100.00%	Korea	December	Installation of environmental hygiene treatment Appliances
Hyosung Wind Power Holdings Ltd.	100.00%	Korea	December	Manufacture of wind generator
Hyosung Capital Co., Ltd.	97.15%	Korea	December	Finance factoring
Hyosung Capital the 6th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Capital the 7th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Capital the 8th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Capital the 9th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Capital the 10th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Capital the 11th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Capital the 12th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Capital the 13th Securitization Specialty Co., Ltd. <sup>2</sup>	0.49%	Korea	December	Other
Hyosung Investment & Development Corporation	58.75%	Korea	December	Development of real estate

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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Subsidiaries	Percentage of Ownership	Location	Reporting month	Main business
Hyosung Trans World Co., Ltd.	100.00%	Korea	December	Logistics
Baoding Hyosung Tianwei Transformer Co., Ltd.	80.00%	China	December	Transformer manufacturing
BLITZ F14-125 GMBH	100.00%	Germany	December	Manufacture and sale of motor
Central Trade Investment Ltd. <sup>3</sup>	100.00%	China	December	Other
GST Global GmbH	100.00%	Germany	December	Germany holding company
Global Safety Textiles GmbH	100.00%	Germany	December	Manufacture and Sale of Air-bag cushion and Fabric
Global Safety Textiles LLC	100.00%	USA	December	Manufacture and sale of air-bag cushion and fabric
Global Safety Textiles U.S. Holdings, Inc.	100.00%	USA	December	U.S.A holding company
GST Automotive Safety (Changshu) Co., Ltd.	100.00%	China	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Components International LLC	100.00%	USA	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Components International LLC S.A.de C.V.	100.00%	Mexico	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Czech s.r.o.	100.00%	Czech	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Poland Sp.z.oo	100.00%	Poland	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety RO S.R.L.	100.00%	Rumania	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety South Africa (Proprietary) Limited	100.00%	South Africa	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety UK Limited	100.00%	UK	December	England holding company
GST China Investment Limited	100.00%	China	December	Hong Kong holding company
GST Safety Textiles RO S.R.L.	100.00%	Romania	December	Manufacture and sale of air-bag cushion and fabric
HICO America Sales & Tech.	100.00%	USA	December	General trading
Hyosung (H.K) LIMITED	100.00%	China	December	General trading
Hyosung (Taiwan) Corporation	100.00%	Taiwan	December	General trading
Hyosung Brasil industria e comercio de fibras LTDA	100.00%	Brazil	December	Manufacture of spandex
Hyosung Brasil industrial & commercial LTDA	100.00%	Brazil	December	Manufacture and sale of tire cords
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	100.00%	China	December	Manufacture of polyesters thread and T/C
Hyosung Chemicals (Jiaxing) Co., Ltd.	100.00%	China	December	Manufacture of chemical product
Hyosung Composites (Guangdong) Co., Ltd.	100.00%	China	December	Manufacture of carbon fibers
Hyosung Corporation India Private Limited	100.00%	India	December	General trading
Hyosung Europe SRL	100.00%	Italy	December	General trading
Hyosung Holdings USA	100.00%	USA	December	U.S.A holding company
Hyosung International (HK) Ltd.	100.00%	China	December	General trading
Hyosung International Trade (Jiaxing) Co., Ltd.	100.00%	China	December	General trading
Hyosung Istanbul TEKSTIL LTD.STI	76.66%	Turkey	December	Manufacture and sale of spandex
Hyosung Japan Co., Ltd.	100.00%	Japan	December	General trading
Hyosung Luxembourg S.A	100.00%	Luxembourg	December	Manufacture and sale of tire cords
Hyosung Power Holdings Co., Ltd.	100.00%	Cayman Islands	December	Manufacture of transformer
Hyosung Resource (Australia) PTY Ltd.	100.00%	Australia	December	Resources development
Hyosung RUS	100.00%	Russia	December	General trading
Hyosung Singapore PTE Ltd.	100.00%	Singapore	December	General trading
Hyosung Spandex (GuangDong) Co., Ltd.	100.00%	China	December	Manufacture and sale of spandex
Hyosung Spandex (Jiaxing) Co., Ltd.	100.00%	China	December	Manufacture and sale of spandex
Hyosung Spandex (Zhuhai) Co., Ltd.	75.00%	China	December	Manufacture and sale of spandex

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

Subsidiaries	Percentage of Ownership	Location	Reporting month	Main business
Hyosung SRL	100.00%	Romania	December	Manufacture and sale of tire cords
Hyosung Steel Cord (Qingdao) Co., Ltd.	100.00%	China	December	Manufacture and sale of steel cord
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	70.00%	China	December	Manufacture and sale of steel cord
Hyosung USA Inc.	100.00%	USA	December	Manufacture and sale of tire cords
Hyosung Vietnam Co., Ltd.	88.21%	Vietnam	December	Manufacture of tire cord, Manufacture and sales of spandex
Hyosung Wire Luxembourg S.A	100.00%	Luxembourg	December	Manufacture of chemical fiber
Luckfaith Investment LTD. <sup>3</sup>	100.00%	China	December	Other
Nantong Hyosung Transformer Co., Ltd.	100.00%	China	December	Manufacture and sale of transformer
Nantong Transformer Co., Ltd.	100.00%	China	December	Manufacture and sale of transformer
Nantong Yaubong Transformer Co., Ltd.	100.00%	China	December	Manufacture and sale of transformer
Powertech Corporation	100.00%	USA	December	General trading
PT.HYOSUNG JAKARTA	100.00%	Indonesia	December	General trading
Xepix Corp.	74.93%	USA	December	LED research
Zhangjiagang Xiaosha Coil Service Co., Ltd.	64.50%	China	December	Steel manufacturing and processing

<sup>1</sup> Percentage of ownership is the effective percentage of ownership considering percentage of ownership of subsidiaries.

<sup>2</sup> Although the Group's owns is less than 50% of voting rights, the Group has ability to materially impact the returns of the investees and is exposed to variable returns of the investees. Accordingly, the Group is considered to have substantive power over the entities.

<sup>3</sup> These subsidiaries are included in the scope of consolidation due to de facto control.

<sup>4</sup> The Group owns 98.5% of OpCo GmbH, which is under control by legal administrator as a liquidated company. Thus, the subsidiary is excluded from the scope of consolidation.

Summary of financial information of subsidiaries as of and for the years ended December 31, 2014 and 2013, is as follows:

(in millions of Korean won)

	2014					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Galaxia Photonics Co., Ltd.	2,548	17,759	(15,211)	179	(3,792)	(3,786)
Gumoknongsan Co., Ltd.	2,090	-	2,090	-	(214)	(214)
Gongdeokgyeongwoo Development Corporation	49,622	48,295	1,327	-	(1,158)	(1,149)
The Class Hyosung	84,574	63,526	21,048	522,677	11,963	10,816
Doomi Construction Co.Ltd	235,154	250,213	(15,059)	5,297	(22,201)	(22,201)
Asia Lnghub Co., Ltd.	-	-	-	-	(234)	(234)
Somesevit Corporation (formerly, Flossom Corporation)	93,525	130,979	(37,454)	7,015	(7,321)	(7,312)
Taeansolarfarm Corp.	6,960	4,682	2,278	1,363	270	270
Hana Landchip Private Real Estate Investment Trust No.39	192,163	160,162	32,001	10,992	1,940	1,940
Hana HS 1st co., Ltd	32,439	35,546	(3,107)	546	3,630	(3,107)
Hana HS 2nd co., Ltd	11,064	12,156	(1,092)	246	321	(1,093)
Hongjin Data Service Co., Ltd.	11,063	461	10,602	4,309	639	642
Hyosung Goodsprings, Inc.	222,090	157,822	64,268	291,197	11,423	10,667

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

(in millions of Korean won)

	2014					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Hyosung Engineering Co., Ltd. (formerly, Hyosung Ebara Engineering Co., Ltd.)	51,278	46,486	4,792	93,928	527	556
Hyosung Wind Power Holdings Ltd.	1,116	-	1,116	-	(386)	(386)
Hyosung Capital Co., Ltd.	2,599,449	2,250,060	349,389	198,666	24,537	24,142
Hyosung Investment & Development Corporation	72,188	3,139	69,049	1,388	11,723	12,938
Hyosung Trans World Co., Ltd.	38,620	31,262	7,358	193,110	2,815	2,716
Baoding Hyosung Tianwei Transformer Co., Ltd.	25,473	27,126	(1,653)	12,452	(1,896)	(1,957)
BLITZ F14-125 GMBH	21,226	21,211	15	-	(20)	(20)
Central Trade Investment LTD.	12	1	11	-	(4)	(4)
GST Global GmbH <sup>1</sup>	455,881	339,722	116,159	347,526	(15,808)	(10,905)
HICO America Sales & Tech.	158,036	144,965	13,071	151,508	253	775
Hyosung (H.K) LIMITED	1,962	3	1,959	-	(3)	74
Hyosung (Taiwan) Corporation	697	81	616	3,637	331	326
Hyosung Brasil industria e comercio de fibras LTDA	98,705	82,948	15,757	116,288	7,239	5,953
Hyosung Brasil industrial & commercial LTDA	4,560	853	3,707	5,799	(678)	(972)
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	334,508	182,153	152,355	281,106	42	2,387
Hyosung Chemicals (Jiaxing) Co., Ltd.	142,656	57,603	85,053	224,598	35,160	36,871
Hyosung Composites (Guangdong) Co., Ltd	12,676	12,353	323	3,805	(2,370)	(2,409)
Hyosung Corporation India Private Limited	872	116	756	2,838	211	220
Hyosung Europe SRL	22,315	17,733	4,582	45,954	(444)	(1,059)
Hyosung Holdings USA	55,052	34,049	21,003	42,443	160	999
Hyosung International (HK) Ltd.	15,572	13,455	2,117	54,213	5	89
Hyosung International Trade (Jiaxing) Co., Ltd.	132,713	129,699	3,014	349,413	1,066	1,132
Hyosung Istanbul TEKSTIL LTD.STI	149,387	93,150	56,237	199,981	36,778	34,797
Hyosung Japan Co., Ltd.	88,201	76,086	12,115	445,770	938	(133)
Hyosung Luxembourg S.A	41,818	16,549	25,269	154,230	5,489	3,451
Hyosung Power Holdings Co., Ltd.	68,217	8,087	60,130	-	(4,347)	(1,954)
Hyosung Resource (Australia) PTY Ltd.	11,248	10	11,238	-	(26)	(537)
Hyosung RUS	9,683	8,686	997	7,474	65	(550)
Hyosung Singapore PTE Ltd.	9,943	9,772	171	271,136	1	292
Hyosung Spandex (GuangDong) Co., Ltd.	283,560	166,299	117,261	222,913	24,376	26,634
Hyosung Spandex (Jiaxing) Co., Ltd.	275,558	130,326	145,232	174,380	35,394	38,160
Hyosung Spandex (Zhuhai) Co., Ltd.	80,460	37,504	42,956	90,659	8,293	9,108
Hyosung SRL	-	-	-	-	-	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	196,324	179,741	16,583	112,290	(22,613)	(22,779)
Hyosung Sumiden Steel Cord (Nanjing) Co.,Ltd.	89,151	69,130	20,021	37,801	(7,425)	(7,255)
Hyosung USA Inc.	310,613	236,081	74,532	579,954	5,580	8,568
Hyosung Vietnam Co., Ltd.	1,130,368	870,260	260,108	1,035,980	107,172	118,300
Hyosung Wire Luxembourg S.A	33,938	35,484	(1,546)	79,516	1,019	1,200
Luckfaith Investment LTD.	156	1	155	-	(4)	2
Nantong Hyosung Transformer Co., Ltd.	196,376	189,164	7,212	98,796	(6,833)	(6,848)
Nantong Transformer Co., Ltd.	5,621	-	5,621	-	-	86
Nantong Yaubong Transformer Co., Ltd.	2,835	483	2,352	-	133	172
Powertech Corporation	26	(29)	55	15	3	5
PT.HYOSUNG JAKARTA	1,826	361	1,465	1,284	205	228

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

(in millions of Korean won)

	2014					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Xepix Corp.	3,625	26	3,599	-	(53)	90
Zhangjiagang Xiaosha Coil Service Co., Ltd.	19,558	212	19,346	19,984	272	575

<sup>1</sup> Consolidated financial information of GST Global GmbH and its 13 subsidiaries.

(in millions of Korean won)

	2013					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Galaxia Photonics Co., Ltd.	5,824	17,249	(11,425)	301	(12,492)	(12,475)
Gumoknongsan Co., Ltd.	2,304	-	2,304	-	(6)	(6)
Gongdeokgyeongwoo Development Corporation	23,363	20,887	2,476	-	(1,733)	(1,725)
The Class Hyosung	87,470	80,011	7,459	364,494	428	141
Doomi Construction Co.Ltd	217,176	210,033	7,143	216	(12,042)	(12,042)
Asia Lnghub Co., Ltd.	807	64	743	-	(1,291)	(1,291)
Somesevit Corporation (formerly, Flossom Corporation)	95,510	125,652	(30,142)	6,690	(20,531)	(20,599)
Taeansolarfarm Corp.	7,514	5,506	2,008	1,369	(32)	226
Hana Landchip Private Real Estate Investment Trust No.39	192,163	160,162	32,001	10,942	1,943	1,943
Hongjin Data Service Co., Ltd.	10,469	509	9,960	4,721	714	892
Hyosung Goodsprings, Inc.	212,175	157,674	54,501	266,330	5,668	5,943
Hyosung Engineering Co., Ltd. (formerly, Hyosung Ebara Engineering Co., Ltd.)	39,249	69,174	(29,925)	114,138	(35,767)	(35,472)
Hyosung Wind Power Holdings Ltd.	1,502	-	1,502	-	(28)	(28)
Hyosung Capital Co., Ltd.	2,538,413	2,199,672	338,741	287,279	27,228	25,612
Hyosung Investment & Development Corporation	69,185	2,274	66,911	563	10,464	11,748
Hyosung Trans World Co., Ltd.	37,406	30,663	6,743	183,149	2,347	2,369
Baoding Hyosung Tianwei Transformer Co., Ltd.	28,544	28,240	304	14,154	(2,017)	(1,944)
Beijing Hyosung Container Co., Ltd.	-	-	-	-	(283)	(495)
Central Trade Investment LTD.	15	1	14	-	(2,454)	(2,830)
GST Global GmbH <sup>1</sup>	405,787	278,723	127,064	330,167	(7,567)	(7,740)
HICO America Sales & Tech.	175,145	162,849	12,296	132,444	(1,060)	(1,263)
Hyosung (H.K) LIMITED	1,888	3	1,885	-	1,190	1,136
Hyosung (Taiwan) Corporation	451	161	290	2,226	(110)	(123)
Hyosung Brasil industria e comercio de fibras LTDA	116,161	106,357	9,804	113,991	7,043	5,548
Hyosung Brasil industrial & commercial LTDA	5,552	873	4,679	7,796	114	(694)
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	332,552	182,584	149,968	289,855	(7,127)	(4,978)
Hyosung Chemicals (Jiaxing) Co., Ltd.	147,590	83,478	64,112	261,904	39,708	39,372
Hyosung Composites (Guangdong) Co., Ltd	11,465	8,733	2,732	1,723	(1,672)	(1,637)
Hyosung Corporation India Private Limited	685	149	536	2,119	158	87
Hyosung Europe SRL	22,095	16,454	5,641	43,845	790	925
Hyosung Holdings USA	48,644	28,640	20,004	33,876	300	(6)
Hyosung International (HK) Ltd.	9,263	7,234	2,029	46,607	286	249
Hyosung International Trade (Jiaxing) Co., Ltd.	73,489	71,607	1,882	318,998	515	521
Hyosung Istanbul TEKSTIL LTD.STI	143,374	114,326	29,048	191,429	13,506	8,396

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

(in millions of Korean won)

	2013					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Hyosung Japan Co., Ltd.	240,217	227,969	12,248	616,556	1,993	(897)
Hyosung Luxembourg S.A	53,906	32,088	21,818	184,308	1,141	1,711
Hyosung Power Holdings Co., Ltd.	69,596	7,511	62,085	-	(317)	(1,240)
Hyosung Resource (Australia) PTY Ltd.	11,811	54	11,757	-	(9)	(2,153)
Hyosung RUS	1,547	-	1,547	429	14	(144)
Hyosung Singapore PTE Ltd.	32,606	6,085	26,521	285,710	(966)	(2,327)
Hyosung Spandex (GuangDong) Co., Ltd.	231,381	140,754	90,627	230,188	15,553	16,634
Hyosung Spandex (Jiaxing) Co., Ltd.	248,755	124,303	124,452	182,242	22,664	23,729
Hyosung Spandex (Zhuhai) Co., Ltd.	71,358	37,510	33,848	85,628	5,184	5,435
Hyosung SRL	-	-	-	-	-	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	211,193	171,831	39,362	110,145	(20,146)	(18,953)
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	95,172	67,895	27,277	46,140	(408)	(48)
Hyosung USA Inc.	311,689	245,725	65,964	593,555	2,795	1,703
Hyosung Vietnam Co., Ltd.	1,027,360	853,640	173,720	890,784	59,495	56,304
Hyosung Wire Luxembourg S.A	32,532	35,278	(2,746)	66,562	1,714	1,489
Luckfaith Investment LTD.	154	1	153	-	(1,693)	(1,992)
Nantong Hyosung Transformer Co., Ltd.	234,565	220,553	14,012	176,472	1,287	1,421
Nantong Transformer Co., Ltd.	1,728	(3,807)	5,535	-	-	70
Nantong Yaubong Transformer Co., Ltd.	2,658	477	2,181	-	(304)	(266)
Powertech Corporation	50	-	50	171	(11)	(12)
PT.HYOSUNG JAKARTA	1,237	-	1,237	69	(7)	(32)
Xepix Corp.	3,539	31	3,508	-	(331)	(376)
Zhangjiagang Xiaosha Coil Service Co., Ltd.	19,143	372	18,771	20,087	337	564

<sup>1</sup> Consolidated financial information of GST Global GmbH and its 13 subsidiaries.

## 1.2 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2014, are as follows:

Subsidiary	Description
Hyosung Capital the 7th Securitization Specialty Co., Ltd.	Newly acquired
Hyosung Capital the 8th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 9th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 10th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 11th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 12th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 13th Securitization Specialty Co., Ltd.	"
Hana HS 1st co., Ltd	"
Hana HS 2nd co., Ltd	"
BLITZ F14-125 GMBH	"

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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Subsidiary excluded from the consolidation for the year ended December 31, 2014, is as follows:

Subsidiary	Description
Asia Lnghub Co., Ltd.	Liquidated

## 2. Significant Accounting Policies

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

### 2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated 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 Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

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

### 2.2 Changes in Accounting Policy and Disclosures

#### *(a) New and amended standards adopted by the Group*

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2014:



# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by the 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 application of this interpretation does not have a material impact on the consolidated financial statements.

- Amendment to Korean IFRS 1102, *Share-based payment*

Korean IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as 'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the 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.

- Amendment to Korean IFRS 1036, *Impairment of Assets*

Amendment to Korean IFRS 1036, *Impairment of Assets*, removed certain disclosures of the recoverable amount of cash-generating units which had been included in this amendment by the issuance of Korean IFRS 1113.

- 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.

Other standards, amendments and interpretations which are effective for the annual period beginning on January 1, 2014, do not have a material impact on the financial statements of the Group.

*(b) New standards and interpretations not yet adopted*

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2014 and not early adopted would not have a material impact on its consolidated financial statements.

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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#### 2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated Financial Statements*.

##### *(a) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of a subsidiary begins from the date the Group obtains control of a subsidiary and ceases when the Group loses control of the subsidiary.

The Group applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Group subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### *(b) Associates*

Associates are all entities over which the Group has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Group recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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#### 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 Group's entities are measured using the currency of the primary economic environment in which the each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Controlling Group'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 profit or loss.

#### 2.6 Financial Assets

##### *(a) Classification and measurement*

The Group 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 the trade date.

Regular purchases and sales of financial assets are recognized on the 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.

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.

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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#### *(b) Impairment*

The Group 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 Group 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 50% from its cost or a prolonged decline below its cost for more than one year is also objective evidence of impairment.

#### *(c) Derecognition*

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group 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 'long-term borrowings' in the statement of financial position.

#### *(d) Offsetting of financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## **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.

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

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#### 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 (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	20 - 60	years	Vehicles	3 - 10	years
Structures	5 - 40	years	Tools and equipment	3 - 15	years
Machinery	3 - 25	years	Others	2 - 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 Group 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.

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#### 2.12 Intangible Assets

Goodwill is measured as explained in Note 2.3. (1) and carried at its cost less accumulated impairment losses.

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 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:

	<b>Estimated Useful Lives</b>
Industrial rights	5 - 10 years
Other intangible assets	5 - 25 years

#### 2.13 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.

#### 2.14 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 Group 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 Group 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.

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#### 2.15 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 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.

#### 2.16 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 Group 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 payables', '(long-term) borrowings', and 'other (non-current) 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 expenses', 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.

#### 2.17 Financial Guarantee Contracts

Financial guarantees contracts provided by the Group are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group'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

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- (b) The initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, *Revenue*.

#### 2.18 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.

#### 2.19 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.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

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 Group 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.



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#### 2.20 Employee Benefits

##### *(a) Post-employment benefits*

The Group has both defined contribution and defined benefit 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 expense 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, 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.

#### 2.21 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 Group. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of intra-company transactions.

The Group 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 Group's activities, as described below. The Group 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*

Revenue from the sale of goods is recognized when products are delivered to the purchaser.

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#### *(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.

#### *(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 Group 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.

### **2.22 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.

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The Group 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 Group 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).

Meanwhile, profits from off-plan sales are recognized by using the percentage-of-completion method according to Q&A of Korea Accounting Institute, 2011-I-KQA. This accounting standard is applicable for Companies that have adopted the Korean IFRS of Laws on External Audit of a Corporation (Article 13, Section 1 and Paragraph 1).

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

The issuance of the December 31, 2014 financial statements of the Group was approved by the Board of Directors on February 4, 2015, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

### **3. Critical Accounting Estimates and Assumptions**

The Group makes estimates and assumptions concerning the future. 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 resulting accounting estimates will, by definition, seldom equal the related actual results. 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) Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 17).

#### *(b) Income taxes*

The Group 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 23).

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#### *(c) Fair value of financial instruments*

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group 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).

#### *(d) Net Provisions*

As described in Note 24, the Group recognizes provisions for warranties, repairs and estimated returns as of the reporting date. The amounts are estimated based on historical data.

#### *(d) Net defined benefit liability*

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 22).

## **4. Financial Risk Management**

### **4.1 Financial Risk Factors**

The Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

#### *(a) Market risk*

##### **i) Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, Chinese yuan and other currencies; such as, the Japanese yen, Turkish lira and Singapore dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

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

The impact of weakened/strengthened Korean won by 10% against foreign currencies with all other variables held constant on the pre-tax profit for the year and equity of the Group as of December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>		<b>Impact on pre-tax profit</b>			
		<b>2014</b>		<b>2013</b>	
USD	Strengthened	₩	(164,890)	₩	(136,941)
	Weakened		164,890		136,941
CNY	Strengthened		(43,393)		(48,814)
	Weakened		43,393		48,814
JPY	Strengthened		(5,752)		(22,769)
	Weakened		5,752		22,769
Others	Strengthened		(2,429)		739
	Weakened		2,429		(739)

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss.

The Group'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, 2014 and 2013, the impact of increases/decreases of the stock price by 30% with all other variables held constant on the Group's pre-tax profit for the year and equity is as follows:

<i>(in millions of Korean won)</i>		<b>Impact on other components of equity</b>			
		<b>2014</b>		<b>2013</b>	
KOSPI	Increase	₩	40,523	₩	17,520
	Decrease		(40,523)		(17,520)
KOSDAQ	Increase		941		327
	Decrease		(941)		(327)

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iii) Interest rate risk

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

The Group is exposed to interest rate risk due to its borrowings in fixed and floating interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Group policy is to review on interest rate fluctuation periodically so that they can manage whether to repay or renew the borrowings.

The impact of 100 basis points higher/lower of interest rate with all other variables held constant on the Group's pre-tax profit for the year and on equity as of December 31, 2014 and 2013, is as follows:

*(in millions of Korean won)*

	<b>Impact on pre-tax profit</b>			
	<b>2014</b>		<b>2013</b>	
Increase	₩	(52,689)	₩	(52,995)
Decrease		52,689		52,995

*(b) 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. If 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. The utilization of credit limits is regularly monitored. See Note 10 for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from nonperformance by these counterparties.

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The maximum exposure to credit risk as of December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Cash and cash equivalents <sup>1</sup>	₩	480,579	₩	393,347
Trade and other receivables		1,780,287		1,870,594
Due from customers for contract work		183,644		66,811
Other financial assets		70,569		113,438
Long-term trade and other receivables		251,901		275,133
Other non-current financial business assets		2,205,796		2,237,555
Other non-current financial assets		292,989		169,031
Financial guarantee contract		778,501		1,097,356

<sup>1</sup> The difference between 'cash and cash equivalents' presented in the consolidated statements of financial position is cash on hand held by the Group.

*(c) Liquidity Risk*

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

Details of the Group's liquidity risk analysis as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>Up to 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>2014</b>				
Trade and other payables	₩ 1,464,611	₩ 355,845	₩ 67,324	₩ 1,887,780
Borrowings(including interest expense)	5,424,999	2,682,186	128,081	8,235,266
Derivative liabilities <sup>1</sup>	32,617	321	-	32,938
Financial guarantee payment <sup>2</sup>	491,068	122,433	-	613,501
PF guarantee payment <sup>2</sup>	111,000	54,000	-	165,000
	<u>₩ 7,524,295</u>	<u>₩ 3,214,785</u>	<u>₩ 195,405</u>	<u>₩ 10,934,485</u>
<b>2013</b>				
Trade and other payables	₩ 1,401,308	₩ 370,200	₩ -	₩ 1,771,508
Borrowings(including interest expense)	5,417,959	3,148,297	1,422	8,567,678
Derivative liabilities <sup>1</sup>	1,330	-	-	1,330
Financial guarantee payment <sup>2</sup>	329,124	464,031	2,401	795,556
PF guarantee payment <sup>2</sup>	135,000	166,800	-	301,800
	<u>₩ 7,284,721</u>	<u>₩ 4,149,328</u>	<u>₩ 3,823</u>	<u>₩ 11,437,872</u>

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<sup>1</sup> Contractual cash flow of derivative liabilities is the contractual amount based on the requirement of gross settlement. The fair value of derivative liabilities is same as the book value.

<sup>2</sup> The amount of above financing guarantee contract is the maximum contractual payment that the Group 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 financing guarantee contract based on the estimation as of yearend. Yet, the possibility of principal debtor in claiming payment from the Group can change based on the change in the financial condition of the principal debtor.

#### 4.2 Capital Risk Management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'short and long-term borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The debt-to-equity ratio, net borrowing ratio and gearing ratios as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Total borrowings	₩	7,921,564	₩	8,220,793
Less: cash and cash equivalents		(526,920)		(444,591)
Net debt (A)		7,394,644		7,776,202
Total equity (B)		2,895,269		2,674,081
Total capital (A+B=C)		10,289,913		10,450,283
Gearing ratio (A/C)		71.86%		74.41%

#### 4.3 Fair Value Estimation

##### 4.3.1 Fair Value of Financial Instruments by Category

The carrying amount of financial instruments approximates to their fair value except for short and long-term investment securities that are measured at cost as they do not have a quoted market price in an active market and their fair value cannot be measured reliably.



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**4.3.2 Financial Instruments Measured at Cost**

Details of financial instruments measured at cost as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>Category</b>	<b>2014</b>		<b>2013</b>	
Available-for-sale financial assets (unlisted)	OKSAN OCHANG Highway Corporation	₩	9,455	₩	-
	TransLink Capital Partners 1, L.P.		2,022		2,022
	Korea Housing Guarantee Co., Ltd.		1,717		1,717
	The Korea Economic Daily		1,354		1,354
	Others		1,231		1,339
Available-for-sale financial assets (investment in capital)	PRAXIS PRIVATE EQUITY FUND III		5,000		-
	Machinery Financial Cooperative		4,410		4,330
	Corstone Private Equity Fund VIII		-		2,000
	Eco 2014 Private Equity Fund		2,000		-
	BK Constant Recovery Private Equity Fund		2,000		-
	Construction Guarantee Cooperative		1,217		1,217
	NV Private Equity Fund II		1,029		-
	SHC-EN Fund		1,000		-
	SP New Technology Business Investment Fund I		1,000		-
	EN New Technology Business Fund I		-		1,000
	Medici No.2 Investment Cooperative		-		800
	Others		786		1,938
		₩	34,221	₩	17,717

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 Group 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 Group can develop a reliable estimate of the fair value.

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**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, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Available-for-sale financial assets	₩ 182,341	₩ 296	₩ 84,826	₩ 267,463
Derivative assets	-	10,787	2,981	13,768
	<u>₩ 182,341</u>	<u>₩ 11,083</u>	<u>₩ 87,807</u>	<u>₩ 281,231</u>
<b>Liabilities</b>				
Derivative liabilities	₩ -	₩ 32,938	₩ -	₩ 32,938
	<u>₩ -</u>	<u>₩ 32,938</u>	<u>₩ -</u>	<u>₩ 32,938</u>

<i>(in millions of Korean won)</i>	<b>2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Available-for-sale financial assets	₩ 76,269	₩ 756	₩ 72,841	₩ 149,866
Derivative assets	-	38,716	389	39,105
	<u>₩ 76,269</u>	<u>₩ 39,472</u>	<u>₩ 73,230</u>	<u>₩ 188,971</u>
<b>Liabilities</b>				
Derivative liabilities	₩ -	₩ 1,330	₩ -	₩ 1,330
	<u>₩ -</u>	<u>₩ 1,330</u>	<u>₩ -</u>	<u>₩ 1,330</u>

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#### 4.3.4 Changes in Level 3 of the fair value hierarchy

Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements are as follows:

<i>(in millions of Korean won)</i>	<b>Available-for-sale financial assets</b>		<b>Derivative assets</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Beginning balance	₩ 72,841	₩ 74,362	₩ 389	₩ 95
Purchases	13,411	3,666	2,592	294
Amount recognized in other comprehensive income	(1,426)	(4,852)	-	-
Amount recognized in profit or loss (impairment)	-	(335)	-	-
Ending balance	₩ 84,826	₩ 72,841	₩ 2,981	₩ 389

#### 4.3.5 Valuation Technique and the Inputs

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity within the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in 'level 1'. Instruments included in 'level 1' comprise primarily equity investments classified as available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses various valuation techniques and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in 'level 2'. Financial instruments included in 'level 2' are derivative financial instruments. The fair value of derivative financial instruments is measured at discount using forward exchange rate as of the reporting date.

If one or more of the significant inputs are not based on observable market data, the instrument is included in 'level 3'. Financial instrument included 'level 3' uses other method including discounting cash flow method and others.

#### 4.3.6 Valuation Processes for Fair Value Measurements Categorized Within Level 3

The Group measures recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 3 of the fair value hierarchy at the end of every reporting period. The Group discusses valuation processes and results with the chief financial officer (CFO).

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**5. Operating Segment Information**

The Group's reportable segments and details are as follows:

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance. Product separation units in terms of type of goods, were separated as fabric, industrial materials, chemicals, heavy industrial, construction, trading, and others.

The following table presents segment information for the years ended December 31, 2014 and 2013:

<i>(in millions of Korean won)</i>	2014								Total
	Fabric	Industrial materials	Chemical	Heavy industrial	Construction	Trading	Others	Adjustment	
Total revenue	₩2,191,359	₩ 2,361,402	₩ 1,559,313	₩ 2,356,031	₩ 746,507	₩ 3,138,142	₩ 245,131	₩ -	₩ 12,597,885
Inter-segment revenue	(22,606)	-	(160,566)	(6,676)	(23,242)	(197,087)	(10,574)	-	(420,751)
	2,168,753	2,361,402	1,398,747	2,349,355	723,265	2,941,055	234,557	-	12,177,134
Operating income(loss)	366,057	90,651	71,427	14,308	38,504	4,518	26,631	(11,750)	600,346
Depreciation and amortization	123,709	197,114	99,303	45,442	6,446	6,308	44,539	(2,018)	520,843
Assets									
Current assets	939,628	1,294,216	274,805	1,140,979	416,736	377,229	356,437	(681,107)	4,118,923
Non-current assets	979,288	2,082,381	1,172,647	1,182,580	733,935	102,670	4,899,407	(1,609,757)	9,543,151
Investments in associates	-	11,732	17,676	7,734	-	-	175,350	-	212,492
Acquisition of non-current assets	106,617	205,181	297,729	40,311	131,853	20,508	117,949	(68,251)	851,897
Liabilities									
Current liabilities	899,121	1,223,834	374,997	1,051,106	393,624	471,012	3,340,611	(528,133)	7,226,172
Non-current liabilities	202,346	658,710	21,011	116,803	318,956	13,082	2,352,676	(142,951)	3,540,633

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<i>(in millions of Korean won)</i>	2013								Total
	Fabric	Industrial materials	Chemical	Heavy industrial	Construction	Trading	Others	Adjustment	
Total revenue	₩2,205,576	₩ 2,368,139	₩ 1,698,828	₩ 2,607,829	₩ 592,767	₩ 3,325,018	₩ 326,176	₩ -	₩13,124,333
Inter-segment revenue	(24,893)	-	(191,365)	(6,540)	(39,586)	(279,834)	(2,958)	-	(545,176)
	2,180,683	2,368,139	1,507,463	2,601,289	553,181	3,045,184	323,218	-	12,579,157
Operating income(loss)	267,986	83,109	110,466	(3,020)	(14,246)	29,425	16,463	(4,271)	485,912
Depreciation and amortization	124,858	191,635	88,974	45,648	3,036	6,166	94,893	(2,038)	553,172
Assets									
Current assets	749,795	1,335,322	379,569	1,225,723	377,004	509,464	243,989	(727,572)	4,093,294
Non-current assets	885,649	2,123,520	1,184,464	1,190,194	657,300	154,178	4,798,219	(1,493,405)	9,500,119
Investments in associates	74,866	6,978	16,918	8,613	2,116	-	163,108	-	272,599
Acquisition of non-current assets	82,352	201,852	302,000	74,337	21,658	61,019	117,081	(12,344)	847,955
Liabilities									
Current liabilities	898,533	1,328,218	493,253	1,086,043	345,247	654,506	2,942,641	(615,889)	7,132,552
Non-current liabilities	113,884	572,310	19,556	98,054	271,336	12,697	2,763,605	(64,662)	3,786,780

Geographical segment information for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014					
	Domestic	North and Central America	Asia	Europe	Others	Total
Revenue	₩ 9,080,445	₩ 586,069	₩ 1,603,296	₩ 787,901	₩ 119,423	₩ 12,177,134
Non-current assets <sup>1</sup>	₩ 4,560,103	₩ 26,360	₩ 1,464,988	₩ 379,025	₩ 58,875	₩ 6,489,351

<i>(in millions of Korean won)</i>	2013					
	Domestic	North and Central America	Asia	Europe	Others	Total
Revenue	₩ 9,437,767	₩ 628,141	₩ 1,606,636	₩ 784,827	₩ 121,786	₩ 12,579,157
Non-current assets <sup>1</sup>	₩ 4,570,980	₩ 27,512	₩ 1,446,259	₩ 341,205	₩ 67,943	₩ 6,453,899

<sup>1</sup> Includes all property, plant and equipment, intangible assets, and investment properties.

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#### 6. Transfers of Financial Assets

Trade receivables have been discounted through factoring agreements with banks in 2014 and 2013. In case of the customer's default, the Group has an obligation to pay the related amounts to the bank. As a result, this transaction, which is treated as a transaction with recourse, has been accounted for as a collateralized borrowing (Notes 10, 20 and 38).

Details of transferred financial assets that are not derecognized in their entirety as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>December 31, 2014</b>		<b>December 31, 2013</b>	
Book value of assets	₩	656,066	₩	706,890
Book value of related liabilities		(656,066)		(706,890)
Net position		-		-

#### 7. Financial Instruments by Category

Categorizations of financial instruments as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>					
	<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>	<b>Held-to-maturity financial assets</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Derivative financial assets for hedging</b>	<b>Total</b>
Cash and cash equivalents	₩ 526,920	₩ -	₩ -	₩ -	₩ -	₩ 526,920
Trade and other receivables	1,780,287	-	-	-	-	1,780,287
Due from customers for contract work	183,644	-	-	-	-	183,644
Other financial assets	47,716	10,586	-	10,634	1,633	70,569
Long-term trade and other receivables	251,901	-	-	-	-	251,901
Other non-current financial business assets	2,173,263	-	-	-	-	2,173,263
Other non-current financial assets	390	291,098	-	1,501	-	292,989
	<u>₩4,964,121</u>	<u>₩ 301,684</u>	<u>₩ -</u>	<u>₩ 12,135</u>	<u>₩ 1,633</u>	<u>₩ 5,279,573</u>

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<i>(in millions of Korean won)</i>	2014							
		Financial liabilities at amortized cost	Financial guarantee liabilities	Financial liabilities at fair value through profit or loss	Total			
Trade and other payables	₩	1,449,780	₩	2,799	₩	-	₩	1,452,579
Borrowings		5,220,188		-		-		5,220,188
Other financial liabilities		-		-		27,242		27,242
Long-term trade and other payables		419,978		-		-		419,978
Long-term borrowings		2,701,376		-		-		2,701,376
Other non-current financial liabilities		-		-		5,697		5,697
	₩	9,791,322	₩	2,799	₩	32,939	₩	9,827,060

*(in millions of Korean won)*

	2013							
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets at fair value through profit or loss	Total			
Cash and cash equivalents	₩	444,591	₩	-	₩	-	₩	444,591
Trade and other receivables		1,870,594		-		-		1,870,594
Due from customers for contract work		66,811		-		-		66,811
Other financial assets		25,644		301		8		87,485
Long-term trade and other receivables		275,133		-		-		275,133
Other non-current financial business assets		2,214,507		-		-		2,214,507
Other non-current financial assets		90		167,282		39		1,620
	₩	4,897,370	₩	167,583	₩	47	₩	89,105
							₩	5,154,105

<i>(in millions of Korean won)</i>	2013							
		Financial liabilities at amortized cost	Financial guarantee liabilities	Financial liabilities at fair value through profit or loss	Total			
Trade and other payables	₩	1,395,032	₩	5,990	₩	-	₩	1,401,022
Borrowings		5,201,074		-		-		5,201,074
Other financial liabilities		-		-		1,221		1,221
Long-term trade and other payables		366,356		-		-		366,356
Long-term borrowings		3,019,719		-		-		3,019,719
Other non-current financial liabilities		-		-		109		109
	₩	9,982,181	₩	5,990	₩	1,330	₩	9,989,501

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Net gains or net losses on each category of financial instruments for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Loans and receivables				
Gain (Loss) on disposal (Profit or loss)	₩	(3,478)	₩	(3,474)
Interest income		6,053		12,097
Gain on foreign currency translation		45,384		65,207
Loss on foreign currency translation		(39,997)		(56,727)
Bad debts expense		(24,175)		(32,361)
Reversal of allowance for bad debt		36		194
Available-for-sale financial assets				
Gain (Loss) on valuation (Other comprehensive income(loss))		(10,964)		(77,012)
Gain (Loss) on disposal (Profit or loss)		(12,216)		8,259
Impairment loss (Profit or loss)		(105)		(613)
Related loss (Profit or loss)		(10,050)		-
Interest income		1,147		211
Dividend income		206		290
Held-to-maturity financial assets				
Interest income		31		72
Financial liabilities at amortized cost				
Interest expenses		(206,720)		(220,988)
Gain on foreign currency translation		80,374		141,383
Loss on foreign currency translation		(111,859)		(117,425)
Derivative assets and liabilities				
Gain (Loss) on valuation (Other comprehensive income(loss))		-		258
Gain (Loss) on valuation (Profit or loss)		(22,462)		33,110
Gain (Loss) on transactions (Profit or loss)		25,709		39,782

**8. Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statements of financial position as of December 31, 2014 and 2013, are the same as the cash and cash equivalents in the consolidated statements of cash flows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Cash on hand	₩	46,341	₩	51,244
Bank deposits		480,579		393,347
	₩	526,920	₩	444,591



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**9. Restricted Financial Instruments**

Restricted financial instruments as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	Description	2014		2013	
Cash and cash equivalents	Pledge for borrowings	₩	1,892	₩	1,365
	Others		5,590		7,153
Other financial liabilities	Pledge for borrowings		-		2,720
Long-term trade and other receivables	Foreign currency payment guarantee		143		42
Other non-current financial assets	Deposits for checking account		90		91
		₩	7,715	₩	11,371

**10. Trade and Other Receivables**

Details of trade and other receivables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014					
	Receivable amounts		Allowance for doubtful accounts		Net book value	
Trade receivables	₩	1,708,434	₩	(52,861)	₩	1,655,573
Other receivables		126,974		(2,260)		124,714
Long-term trade receivables		23,848		(10,723)		13,125
Long-term other receivables		266,834		(28,058)		238,776
	₩	2,126,090	₩	(93,902)	₩	2,032,188

<i>(in millions of Korean won)</i>	2013					
	Receivable amounts		Allowance for doubtful accounts		Net book value	
Trade receivables	₩	1,776,458	₩	(46,655)	₩	1,729,803
Other receivables		157,417		(16,626)		140,791
Long-term trade receivables		25,561		(10,723)		14,838
Long-term other receivables		285,940		(25,645)		260,295
	₩	2,245,376	₩	(99,649)	₩	2,145,727

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Details of other receivables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>		<b>2014</b>		<b>2013</b>	
Other receivables					
Non-trade receivables	₩	110,174	₩	104,557	
Short-term loans		613		10,452	
Accrued income		10,801		21,698	
Deposits provided		3,126		4,084	
		<u>124,714</u>		<u>140,791</u>	
Long-term other receivables					
Long-term loans		19,953		30,207	
Deposits provided		218,823		230,088	
		<u>238,776</u>		<u>260,295</u>	
	₩	<u>363,490</u>	₩	<u>401,086</u>	

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

	<b>2014</b>	<b>2013</b>
Discount rate	2.9% ~ 5.0%	3.4% ~ 5.0%

The aging analyses of trade and other receivables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>		<b>2014</b>					
Receivables not past due		Past due but not impaired				Impaired	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 1,294,294	₩ 168,271	₩ 16,034	₩ 72,729	₩ 107,447	₩ 49,659	₩ 1,708,434
Other receivables	112,956	2,240	568	782	7,900	2,528	126,974
Long-term trade receivables	2,655	-	-	-	-	21,446	24,101
Long-term other receivables	236,554	2,150	288	623	2,604	26,134	268,353
	<u>₩ 1,646,459</u>	<u>₩ 172,661</u>	<u>₩ 16,890</u>	<u>₩ 74,134</u>	<u>₩ 117,951</u>	<u>₩ 99,767</u>	<u>₩ 2,127,862</u>

<i>(in millions of Korean won)</i>		<b>2013</b>					
Receivables not past due		Past due but not impaired				Impaired	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 1,473,419	₩ 97,978	₩ 37,157	₩ 58,844	₩ 57,053	₩ 52,007	₩ 1,776,458
Other receivables	151,715	2,252	486	832	1,033	1,099	157,417
Long-term trade receivables	4,581	-	-	-	1	21,446	26,028
Long-term other receivables	258,244	739	1,833	1,225	2,495	23,645	288,181
	<u>₩ 1,887,959</u>	<u>₩ 100,969</u>	<u>₩ 39,476</u>	<u>₩ 60,901</u>	<u>₩ 60,582</u>	<u>₩ 98,197</u>	<u>₩ 2,248,084</u>

The above amounts do not reflect the present value and the result of impairment review.

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The individually impaired receivables are mainly related to the customers under unexpected economic difficulties, and part of trade receivables are expected to be collected. Other receivables, for which impairment loss were not recognized under the individual review, are collectively reviewed for impairment.

Changes in provision for impairment of trade and other receivables for the years ended December 31, 2014 and 2013, are as follows:

<b>2014</b>						
<i>(in millions of Korean won)</i>	<b>Beginning</b>	<b>Provision for impairment</b>	<b>Reversal</b>	<b>Changes in scope of consolidation</b>	<b>Others</b>	<b>Ending</b>
Trade and long-term trade receivables	₩ 57,378	₩ 23,554	₩ -	₩ -	₩ (17,348)	₩ 63,584
Other receivables and long-term other receivables	42,271	621	(36)	-	(12,538)	30,318
	<u>₩ 99,649</u>	<u>₩ 24,175</u>	<u>₩ (36)</u>	<u>₩ -</u>	<u>₩ (29,886)</u>	<u>₩ 93,902</u>

<b>2013</b>						
<i>(in millions of Korean won)</i>	<b>Beginning</b>	<b>Provision for impairment</b>	<b>Reversal</b>	<b>Changes in scope of consolidation</b>	<b>Others</b>	<b>Ending</b>
Trade and long-term trade receivables	₩ 43,520	₩ 15,602	₩ -	₩ -	₩ (1,744)	₩ 57,378
Other receivables and long-term other receivables	22,133	16,759	(194)	-	3,573	42,271
	<u>₩ 65,653</u>	<u>₩ 32,361</u>	<u>₩ (194)</u>	<u>₩ -</u>	<u>₩ 1,829</u>	<u>₩ 99,649</u>

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

The creation and release of provision for impaired trade receivables and other receivables have been included in 'selling and administrative expenses' (Note 32) and 'other operating income and expenses' (Note 33) 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.

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**11. Other Financial Assets and Liabilities**

Other financial assets and liabilities as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Loans and receivables	₩	48,106	₩	75,734
Available-for-sale financial assets		301,684		167,583
Held-to-maturity financial assets		-		47
Derivative assets		13,768		39,105
		<u>363,558</u>		<u>282,469</u>
Less: Current portion		(70,569)		(113,438)
	₩	<u>292,989</u>	₩	<u>169,031</u>
Derivative liabilities	₩	32,938	₩	1,330
Less: Current portion		(27,242)		(1,221)
	₩	<u>5,696</u>	₩	<u>109</u>

Details of loans and receivables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Short-term financial instruments	₩	47,716	₩	75,644
Long-term financial instruments		390		90
	₩	<u>48,106</u>	₩	<u>75,734</u>

Available-for-sale financial assets as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Equity securities				
Listed	₩	182,341	₩	76,269
Unlisted		32,036		13,286
Investments		87,011		77,272
Debt securities				
Government bond		296		756
	₩	<u>301,684</u>	₩	<u>167,583</u>

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Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Beginning balance	₩	167,583	₩	240,455
Acquisition		162,187		23,353
Reclassification		9,402		246
Disposals		(26,402)		(18,990)
Impairment loss of available-for-sale financial assets		(105)		(613)
Net gains/(losses) transfer to equity		(10,964)		(77,665)
Net gains/(losses) transfer from equity		-		653
Others		(17)		144
Ending balance	₩	<u>301,684</u>	₩	<u>167,583</u>
Short-term available-for-sale financial assets	₩	10,586	₩	301
Long-term available-for-sale financial assets		291,098		167,282

Short-term available-for-sale financial assets as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Equity securities (Unlisted)	₩	10,586	₩	-
Debt securities (Government bond)		-		301
	₩	<u>10,586</u>	₩	<u>301</u>

Details of long-term available-for-sale financial assets as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Acquisition cost</b>	<b>Book value<sup>1</sup></b>	<b>Book value</b>	
Listed stock (except for investment in associates)	₩	208,727	₩	182,341
Unlisted stock <sup>1</sup> (except for investment in associates)		45,786		21,450
Equity investments		86,249		87,011
Debt securities		296		296
	₩	<u>341,058</u>	₩	<u>291,098</u>
			₩	<u>167,282</u>

<sup>1</sup> 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.

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Details of listed stock, excluding investments in associates, as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

Investee	Number of share	Percentage of ownership (%)	2014			2013
			Acquisition cost	Fair value	Book value	Book value
Chin Hung International Inc. <sup>1,2</sup>	74,315,616	59.62%	₩ 153,492	₩ 123,736	₩ 123,736	₩ 71,348
Capro Corp. <sup>3,4</sup>	7,960,708	19.90%	22,880	22,608	22,608	-
Hwashin Precision Co., Ltd.	200,000	0.56%	400	268	268	313
LS Networks Co., Ltd.	45,666	0.06%	229	188	188	223
KB No.4 Special Purpose Acquisition Company	30,000	0.29%	60	60	60	-
Samsung SDS Co., Ltd.	1,422	0.00%	270	417	417	-
Woori Bank	2,500,000	0.37%	27,125	25,000	25,000	-
BCWORLDPHARM Co., Ltd.	7,400	0.11%	116	131	131	-
Green Cross Medical Science Corporation	8,113	0.09%	49	137	137	-
DT&C Co., Ltd	8,600	0.09%	159	207	207	-
Hironic Co., Ltd	1,001	0.04%	51	91	91	-
CHEIL INDUSTRIES INC.	12,600	0.01%	668	1,991	1,991	-
Humedix Co., Ltd.	3,223	0.05%	90	139	139	-
OKins Electronics Co., Ltd	23,553	0.38%	167	276	276	-
AeroSpace Technology of Korea Inc.	18,633	0.15%	177	156	156	-
KB No.5 Special Purpose Acquisition Company	50,000	0.96%	100	100	100	-
KB No.6 Special Purpose Acquisition Company	425,000	2.66%	1,300	893	893	-
NICE Holdings Co., Ltd.	279,610	0.74%	614	4,264	4,264	3,299
NICE Information Service Co., Ltd.	355,000	0.58%	780	1,679	1,679	1,086
			<u>₩ 208,727</u>	<u>₩ 182,341</u>	<u>₩ 182,341</u>	<u>₩ 76,269</u>

<sup>1</sup> During 2014, the Group additionally acquired 30,000,000 common shares of Chin Hung International Inc. through a debt-equity swap for the loans amounting to ₩ 16 billion and capital increase amounting to ₩ 44 billion. As a result, the number of shares increased from 44,315,616 to 74,315,616 and the percentage of ownership increased from 46.82% to 59.62%.

<sup>2</sup> 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. (Note 38). Also, although the Group'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 shares were classified as available-for-sale financial assets accordingly.

<sup>3</sup> During 2014, the Group disposed of 457,000 shares out of 8,417,708 shares. As a result, the percentage of ownership decreased from 21.04% to 19.90% and the Group lost significant influence over Capro Corp.

<sup>4</sup> The shares of Capro Corp. have been provided as collateral in relation to the long-term borrowings of the Group (Notes 20 and 38).

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014 and 2013

Details of unlisted stock, excluding investments in associates, as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

Investee	2014				2013
	Number of share	Percentage of ownership (%)	Acquisition cost	Book value	Book value
Doosan Capital Co., Ltd.	600,000	2.14%	₩ 3,000	₩ 2,665	₩ 2,665
Korea Housing Guarantee Co., Ltd.	343,380	0.05%	1,717	1,717	1,717
Hankook Economic Newspaper	124,308	0.66%	1,354	1,354	1,354
TransLink Capital Partners 1, L.P.	1,000	4.15%	2,022	2,022	2,022
OKSAN OCHANG Highway Corporation	1,891,020	30.00%	9,455	9,455	-
Maeil Business TV News (MBN)	266,667	0.48%	2,000	1,567	1,612
Channel A Co., LTD.	400,000	0.49%	2,000	1,439	1,601
Changhae Ethanol Co., Ltd.	-	-	-	-	977
Others	-	-	24,238	1,231	1,338
			₩ 45,786	₩ 21,450	₩ 13,286

<sup>1</sup> Although the Group owns 30% ownership in OKSAN OCHANG Highway Corporation, it is considered that the Group does not have significant influence over the entity since the decision for financial and operating policy is under the government's control. As a result, the amount was classified as available-for-sale financial assets.

Details of equity investments as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

Investee	2014			2013
	Percentage of ownership (%)	Acquisition cost	Book value	Book value
Machinery Financial Cooperative	-	₩ 4,560	₩ 4,607	₩ 4,523
Construction Guarantee Cooperative	-	2,113	2,240	2,234
Electronic industry investment cooperative	-	220	220	700
Hyundai Financial Leasing Co., Ltd.	11.98%	16,512	16,954	17,316
Fund of Goldman Sachs Group	0.12%	2,042	1,897	3,395
Koston No.1 Private Equity Fund	18.18%	1,048	1,051	2,000
E-revolution No.1 Private Equity Fund	7.14%	2,000	1,879	1,743
Conexs new development power No.1 PEF	-	-	-	663
Medici No.2 Investment Cooperative	-	-	-	800
Shinyoung Private Equity No.1	10.15%	3,132	3,132	2,797
mvpc2012 Private Equity Fund	10.00%	1,455	1,583	1,683
Corstone Private Equity Fund IV	10.91%	2,087	2,213	3,227
Stonebridge New Growth Fund1	10.35%	2,464	2,226	2,588
Corstone Private Equity Fund V	16.53%	677	690	2,038
Glenwood Private Equity Fund I	8.58%	2,000	1,812	2,248
Dominus Strategic Growth Private Equity Fund 1	16.43%	4,000	4,170	3,952
mvpc2012-2 Private Equity Fund	12.42%	2,984	3,012	3,864
Miracle 2012 Private Equity Fund1	10.75%	2,000	2,025	2,018
Moorim New Technology business Fund I	-	-	-	1,078
Dominus Global I Private Equity Fund	2.64%	3,000	2,981	2,992
KoFC SG-SK Cooperate financial stability PEF	3.98%	3,500	3,894	3,674
Foosung-Medici co-growth No.1 Private Equity Fund	9.52%	1,977	1,946	1,966
Praxis No.1 Private Equity Investment Company	-	-	-	5,007
EN New Technology business Fund I	10.31%	1,000	990	1,000
Corstone Private Equity Fund VIII	13.79%	2,000	2,212	2,000
PRAXIS PRIVATE EQUITY FUND II	9.76%	2,000	2,000	-
Ars Magna Private Equity Fund	6.56%	2,000	2,022	-

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KDB Daewoo Topaz Private Equity Fund	7.69%	1,585	1,540	-
SG CHINA Private Equity Fund No. 8	9.80%	5,000	4,961	-
Corstone Maestro Private Equity Fund	4.15%	2,000	1,987	-
Eco 2014 Private Equity Fund	8.89%	2,000	2,000	-
PRAXIS PRIVATE EQUITY FUND III	19.96%	5,000	5,000	-
SHC-EN Fund	10.87%	1,000	1,000	-
SP New Technology Business Investment Fund I	11.63%	1,000	1,000	-
NV Private Equity Fund II	2.86%	1,029	1,029	-
BK Constant Recovery Private Equity Fund	6.56%	2,000	2,000	-
Others	-	864	738	1,766
		<u>₩ 86,249</u>	<u>₩ 87,011</u>	<u>₩ 77,272</u>

Changes in unrealized gains or losses on valuation of available-for-sale financial assets according to valuation of their fair values for the years ended from December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Beginning	₩	(30,829)	₩	28,041
Valuation		(10,964)		(77,665)
Reclassification of gain on disposal		-		653
Tax effects on equity		2,725		18,142
Ending	₩	<u>(39,068)</u>	₩	<u>(30,829)</u>

Fair values of derivatives assets and liabilities as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Current				
Forward exchange contracts	₩ 8,316	₩ 25,185	₩ 37,485	₩ 1,221
Commodity forward	-	2,057	-	-
Swaps	3,951	-	-	-
	<u>12,267</u>	<u>27,242</u>	<u>37,485</u>	<u>1,221</u>
Non-current				
Forward exchange contracts	400	1,561	748	6
Swaps	113	4,049	872	103
Option	971	-	-	-
Forward	17	86	-	-
	<u>1,501</u>	<u>5,696</u>	<u>1,620</u>	<u>109</u>
	<u>₩ 13,768</u>	<u>₩ 32,938</u>	<u>₩ 39,105</u>	<u>₩ 1,330</u>



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Details of held-to-maturity financial assets as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Current portion of held-to-maturity financial assets	₩	-	₩	8
Held-to-maturity financial assets <sup>1</sup>		-		39
	₩	-	₩	47

<sup>1</sup>Held-to-maturity financial assets owned by the Group consist of government bonds and others.

**12. Other Financial Business Assets**

Details of other financial business assets as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Loans and receivables	₩	2,173,263	₩	2,214,507
Operating lease assets		32,533		23,048
	₩	2,205,796	₩	2,237,555

Details of loans and receivables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Loans and receivables	₩	2,258,929	₩	2,316,862
Provision for impairment		(85,666)		(102,355)
	₩	2,173,263	₩	2,214,507

The aging analyses of loans and receivables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Up to 1 year	₩	505,650	₩	516,267
1 to 5 years		1,753,279		1,800,595
	₩	2,258,929	₩	2,316,862

Movements on the provision for impairment of trade receivables for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Beginning	₩	102,355	₩	94,927
Provision for receivables impairment		6,498		37,401
Write-off		(23,187)		(29,973)
Ending	₩	85,666	₩	102,355

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The future minimum lease receipts under non-cancellable operating lease agreements as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Up to 1 year	₩	11,080	₩	8,343
1 to 5 years		12,395		6,315
	₩	23,475	₩	14,658

**13. Other Assets**

Details of other assets as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
<b>Current</b>				
Advance payments	₩	120,703	₩	105,761
Provision for impairment		(290)		(290)
Prepaid expenses		44,330		55,931
		164,743		161,402
<b>Non-current</b>				
Long-term prepaid expenses		18,832		10,903
Other investments		35,180		35,480
		54,012		46,383
	₩	218,755	₩	207,785

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**14. Inventories**

Inventories as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		
	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Net book value</b>
Merchandise	₩ 186,778	₩ -	₩ 186,778
Finished goods	483,350	(27,894)	455,456
Semi-finished goods	168,115	(2,285)	165,830
Work-in-process	61,309	-	61,309
Processing materials on consignment	10	-	10
Processing materials on trust	28	-	28
Raw materials	256,045	(4,967)	251,078
Sub-materials	30,283	-	30,283
Supplies	8,828	-	8,828
Packaging	6,570	-	6,570
Goods in transit	100,573	-	100,573
Cost accrued on construction contract	7,868	-	7,868
Temporary installations	24	-	24
Finished housing	3,112	-	3,112
Sites	105,279	(10,995)	94,284
Others	133	-	133
	<u>₩ 1,418,305</u>	<u>₩ (46,141)</u>	<u>₩ 1,372,164</u>
	<b>2013</b>		
<i>(in millions of Korean won)</i>	<b>Acquisition cost</b>	<b>Valuation allowance</b>	<b>Net book value</b>
Merchandise	₩ 194,255	₩ (94)	₩ 194,161
Finished goods	503,842	(20,554)	483,288
Semi-finished goods	153,147	(3,010)	150,137
Work-in-process	93,239	-	93,239
Processing materials on consignment	45	-	45
Processing materials on trust	17	-	17
Raw materials	290,875	(4,011)	286,864
Sub-materials	26,982	-	26,982
Supplies	9,249	-	9,249
Packaging	4,471	-	4,471
Goods in transit	39,253	-	39,253
Cost accrued on construction contract	12,498	-	12,498
Temporary installations	24	-	24
Finished housing	11,033	-	11,033
Sites	123,219	(10,995)	112,224
Others	267	-	267
	<u>₩ 1,462,416</u>	<u>₩ (38,664)</u>	<u>₩ 1,423,752</u>

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The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 9,618,495 million (2013: ₩ 10,536,826 million) for the year ended December 31, 2014. The Group recognized ₩ 7,477 million of loss on inventory valuation as expense, and the expense has been included in 'cost of sales' in the statement of income.

**15. Property, Plant and Equipment**

Property, plant and equipment as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		
	<b>Acquisition cost</b>	<b>Accumulated depreciation<sup>1</sup></b>	<b>Net book value</b>
Land	₩ 1,570,001	₩ (5)	₩ 1,569,996
Building	1,324,381	(357,824)	966,557
Structures	266,029	(84,077)	181,952
Machinery	5,212,085	(3,382,601)	1,829,484
Vehicles	52,746	(31,414)	21,332
Tool and equipment	353,503	(249,814)	103,689
Others	142,139	(36,708)	105,431
Construction in progress	698,365	-	698,365
Machinery in transit	8,923	-	8,923
	<u>₩ 9,628,172</u>	<u>₩ (4,142,443)</u>	<u>₩ 5,485,729</u>

<i>(in millions of Korean won)</i>	<b>2013</b>		
	<b>Acquisition cost</b>	<b>Accumulated depreciation<sup>1</sup></b>	<b>Net book value</b>
Land	₩ 1,523,897	₩ (32)	₩ 1,523,865
Building	1,290,600	(328,504)	962,096
Structures	266,447	(77,257)	189,190
Machinery	5,129,196	(3,224,908)	1,904,288
Vehicles	48,735	(28,567)	20,168
Tool and equipment	343,519	(247,351)	96,168
Others	160,506	(31,471)	129,035
Construction in progress	582,390	-	582,390
Machinery in transit	43,712	-	43,712
	<u>₩ 9,389,002</u>	<u>₩ (3,938,090)</u>	<u>₩ 5,450,912</u>

<sup>1</sup> Accumulated depreciation includes accumulated impairment loss.

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Changes in property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	2014									
	Land	Building	Structure	Machinery	Vehicle	Tool and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning	₩1,523,865	₩ 962,096	₩ 189,190	₩ 1,904,288	₩ 20,168	₩ 96,168	₩ 129,035	₩ 582,390	₩ 43,712	₩ 5,450,912
Acquisition	376	11,750	1,785	109,865	3,526	17,007	5,853	534,956	91,673	776,790
Disposal	(34,441)	(37,432)	(7,584)	(92,570)	(5,489)	(7,286)	(1,746)	(565)	-	(187,113)
Depreciation and others <sup>1</sup>	-	(43,784)	(8,969)	(365,864)	(5,480)	(34,598)	(18,535)	-	-	(477,230)
Impairment loss <sup>2</sup>	-	(485)	-	(1,747)	-	(20)	(22)	(3,876)	-	(6,150)
Transfer <sup>3</sup>	91,413	74,113	6,986	259,737	8,260	32,864	(9,363)	(404,627)	(126,669)	(67,286)
Government grants	(3,388)	-	-	(845)	-	21	(434)	-	-	(4,646)
Others (changes in exchange rate)	(7,829)	299	544	16,639	347	(464)	643	(9,913)	207	473
Changes in scope of consolidation	-	-	-	(19)	-	(3)	-	-	-	(22)
Ending	₩1,569,996	₩ 966,557	₩ 181,952	₩ 1,829,484	₩ 21,332	₩ 103,689	₩ 105,431	₩ 698,365	₩ 8,923	₩ 5,485,728

<sup>1</sup> Depreciation and others include ₩ 315 million of shrinkage loss from others and ₩ 1,812 million of supplies.

<sup>2</sup> Impairment loss is recognized for ₩ 3,876 million relating to construction in progress of The Class Hyosung. Also, impairment loss is recognized for ₩ 789 million relating to property, plant and equipment of Galaxia Photonics Co., Ltd.

<sup>3</sup> Reclassification includes reclassification from construction in progress and machinery in transit and investment property.

(in millions of Korean won)	2013									
	Land	Building	Structure	Machinery	Vehicle	Tool and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning	₩1,448,018	₩ 895,262	₩ 145,674	₩ 1,893,515	₩ 15,503	₩ 96,356	₩ 56,853	₩ 541,114	₩ 1,888	₩ 5,094,183
Acquisition	6,119	14,128	6,094	49,887	6,018	13,230	3,601	478,698	152,306	730,081
Disposal	(22,574)	(3,663)	(2,228)	(10,709)	(3,420)	(815)	(2,658)	-	-	(46,067)
Depreciation and others <sup>1</sup>	-	(41,787)	(8,756)	(360,282)	(5,185)	(29,530)	(13,433)	-	-	(458,973)
Impairment loss <sup>2</sup>	-	(2,129)	-	(5,054)	-	-	(136)	-	-	(7,319)
Transfer <sup>3</sup>	(2,580)	65,377	38,780	275,867	8,601	6,752	86,333	(377,464)	(110,572)	(8,906)
Government grants	-	(1,300)	(163)	(7,357)	(25)	(625)	-	-	-	(9,470)
Others (changes in exchange rate)	33,738	170	(26,598)	68,055	(2,507)	10,254	(1,525)	(190,547)	90	(108,870)
Changes in scope of consolidation	61,144	36,038	36,387	366	1,183	546	-	130,589	-	266,253
Ending	₩1,523,865	₩ 962,096	₩ 189,190	₩ 1,904,288	₩ 20,168	₩ 96,168	₩ 129,035	₩ 582,390	₩ 43,712	₩ 5,450,912

<sup>1</sup> Depreciation and others include ₩ 315 million of shrinkage loss from others and ₩ 1,771 million of supplies.

<sup>2</sup> An additional impairment loss is recognized for ₩ 3,997 million due to a fire in the prior year at a plant of Hyosung Vietnam Co., Ltd., a subsidiary. And an, impairment loss is recognized for ₩ 3,322 million relating to property, plant and equipment of Galaxia Photonics Co., Ltd.

<sup>3</sup> Reclassification includes reclassification from construction in progress and machinery in transit and investment property.

Depreciation expense of ₩ 446,284 million (2013: ₩ 426,054 million) has been charged to 'cost of goods sold', ₩ 14,364 million (2013: ₩ 15,626 million) to 'selling and administrative expenses', and ₩ 14,451 million (2013: ₩ 15,208 million) to 'research and development expenses' for the year ended December 31, 2014.

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The Group has capitalized borrowing costs amounting to ₩ 17,716 million (2013: ₩ 20,797 million) on qualifying assets for the year ended December 31, 2014. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 4.04% (2013: 4.63%) for the year ended December 31, 2014.

Property, plant and equipment are provided as collaterals to financial institutions for borrowings (Notes 20 and 38).

**16. Investment property**

Investment property as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		
	<b>Acquisition cost</b>	<b>Accumulated depreciation<sup>1</sup></b>	<b>Net book value</b>
Land	₩ 347,830	₩ (3,486)	₩ 344,344
Building	289,498	(39,986)	249,512
	<u>₩ 637,328</u>	<u>₩ (43,472)</u>	<u>₩ 593,856</u>

<i>(in millions of Korean won)</i>	<b>2013</b>		
	<b>Acquisition cost</b>	<b>Accumulated depreciation<sup>1</sup></b>	<b>Net book value</b>
Land	₩ 330,244	₩ (3,486)	₩ 326,758
Building	269,107	(32,978)	236,129
	<u>₩ 599,351</u>	<u>₩ (36,464)</u>	<u>₩ 562,887</u>

<sup>1</sup> Accumulated depreciation includes accumulated impairment loss.

Changes in investment property for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		
	<b>Land</b>	<b>Building</b>	<b>Total</b>
Beginning	₩ 326,757	₩ 236,131	₩ 562,888
Acquisition	24,748	15,039	39,787
Disposal	(10,811)	(2,376)	(13,187)
Depreciation	-	(5,247)	(5,247)
Transfer	3,650	5,965	9,615
Ending	<u>₩ 344,344</u>	<u>₩ 249,512</u>	<u>₩ 593,856</u>

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<i>(in millions of Korean won)</i>	2013					
	Land		Building		Total	
Beginning	₩	321,261	₩	249,967	₩	571,228
Acquisition		16,486		49		16,535
Disposal		(905)		(692)		(1,597)
Depreciation		-		(4,853)		(4,853)
Transfer		(10,084)		(8,341)		(18,425)
Ending	₩	326,758	₩	236,130	₩	562,888

Rent income from investment property amounted to ₩ 18,267 million (2013: ₩ 21,391 million), and operating expenses (including repairs and maintenance) directly related to those investment property amounted to ₩ 27,539 million (2013: ₩ 12,517 million) for the year ended December 31, 2014.

**17. Intangible Assets**

Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014					
	Goodwill	Industrial property	Others	Memberships	Total	
Beginning	₩ 137,495	₩ 15,095	₩ 264,934	₩ 22,576	₩ 440,100	
Acquisition	-	917	24,680	1,534	27,131	
Transfer <sup>1</sup>	-	(8,948)	8,212	6	(730)	
Disposal	-	(298)	(17,279)	(7,609)	(25,186)	
Amortization	-	(1,324)	(28,968)	(3)	(30,295)	
Impairment loss <sup>2</sup>	(8,453)	-	-	-	(8,453)	
Others	183	(18)	7,045	(9)	7,201	
Ending	₩ 129,225	₩ 5,424	₩ 258,624	₩ 16,495	₩ 409,768	

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<i>(in millions of Korean won)</i>	2013				
	Goodwill	Industrial property	Others	Memberships	Total
Beginning	₩ 128,992	₩ 16,902	₩ 235,561	₩ 26,060	₩ 407,515
Acquisition	-	816	41,568	552	42,936
Transfer	-	59	20,785	-	20,844
Disposal	-	(2)	(492)	(2,799)	(3,293)
Amortization	-	(2,574)	(26,028)	(3)	(28,605)
Impairment loss	(12,363)	-	(11,781)	(478)	(24,622)
Government grants	-	-	(226)	-	(226)
Others	50	(106)	5,547	(756)	4,735
Changes in scope of consolidation	20,816	-	-	-	20,816
Ending	₩ 137,495	₩ 15,095	₩ 264,934	₩ 22,576	₩ 440,100

<sup>1</sup> During 2014, expenses incurred in developing the ERP system were reclassified from construction-in progress to intangible assets.

<sup>2</sup> The carrying amount of industrial materials and other operating segments was reduced to their recoverable amount through recognition of an impairment loss against goodwill (Note 17).

Amortization of ₩ 3,961 million (2013: ₩ 4,378 million) in the 'cost of goods sold', ₩ 152 million (2013: ₩ 89 million) in the 'research and development expenses', and ₩ 26,182 million (2013: ₩ 24,138 million) was included in the 'selling and administrative expenses' in the statement of income for the year ended December 31, 2014.

**Impairment tests for goodwill**

Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment.

<i>(in millions of Korean won)</i>	2014					
	Beginning	Increase	Disposals	Impairment loss	Other adjustments	Ending
Fabric	₩ 6,654	₩ -	₩ -	₩ -	₩ -	₩ 6,654
Industrial Materials	42,667	-	-	-	179	42,846
Trading	2,216	-	-	-	-	2,216
Others	85,958	4	-	(8,453)	-	77,509
	₩ 137,495	₩ 4	₩ -	₩ (8,453)	₩ 179	₩ 129,225

<i>(in millions of Korean won)</i>	2013					
	Beginning	Increase	Disposals	Impairment loss	Other adjustments	Ending
Fabric	₩ 6,654	₩ -	₩ -	₩ -	₩ -	₩ 6,654
Industrial Materials	42,617	-	-	-	50	42,667
Trading	2,216	-	-	-	-	2,216
Others	77,505	20,816	-	(12,363)	-	85,958
	₩ 128,992	₩ 20,816	₩ -	₩ (12,363)	₩ 50	₩ 137,495



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Goodwill impairment reviews are undertaken annually. Impairment test suggests that, the carrying value of other operating segments exceeded the value in use by ₩ 8,453 million and the amount exceeded carrying value is recognized as the other income/expenses, net in the consolidated statement of income. The recoverable amounts have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. In addition, a constant growth rate assumption is used for perpetual cash flow calculation. The key assumptions used for value-in-use calculations in 2014 are as follows:

	Fabric	Industrial materials	Trading	Others
Gross margin	18.76%	17.14%	4.64%	22.93%
Growth rate <sup>1</sup>	4.18%	1.70%	2.26%	8.30%
Perpetual growth rate <sup>2</sup>	2.00%	1.00%	- %	1.00%
Pre-tax discount rate <sup>3</sup>	10.00%	9.00%	10.00%	8.66%

<sup>1</sup> Average revenue growth rate used to extrapolate cash flows for five-year period is measured based on the historical growth rate.

<sup>2</sup> Projected growth rate over five years.

<sup>3</sup> Pre-tax discount rate applied to the cash flow projections.

## 18. Investments in Associates

Details of associates of the Group as of December 31, 2014 and 2013, are as follows:

	Percentage of ownership <sup>4</sup>		Location	Date of financial statements
	2014	2013		
Nautilus Hyosung Inc.	43.50	43.50	Korea	December 31
Shinwha intertek Co. Ltd. <sup>1</sup>	18.29	18.43	Korea	December 31
E-pia Tech Co., Ltd. <sup>2</sup>	21.30	21.30	Korea	December 31
Capro Corp. <sup>3,4</sup>	19.90	21.04	Korea	June 30
Taebaek Wind Power Co., Ltd.	35.00	35.00	Korea	December 31
Pyeongchang Wind Power Co., Ltd.	42.00	35.00	Korea	December 31
Hyosung Information System Co., Ltd.	50.00	50.00	Korea	December 31
Hyosung Toyota Corp. <sup>2</sup>	40.00	40.00	Korea	December 31
Hyosung ITX Co., Ltd.	34.99	34.99	Korea	December 31
Soonchon Eco Green Corporation	29.50	23.99	Korea	December 31
Taiko Private Equity Fund	20.83	20.24	Korea	December 31
MP New Technology Business Investment Fund I	32.79	-	Korea	December 31
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	30.00	30.00	Thailand	December 31
PT. Papua Agro Lestari <sup>1</sup>	15.00	-	Indonesia	December 31
PT. GELORA MANDIRI MEMBANGUN <sup>1</sup>	15.00	-	Indonesia	December 31

<sup>1</sup> Although the Group holds less than 20% of the associate's equity shares, the Group has significant influence over associate as the Group has involved in making decision and management communication.

<sup>2</sup> The equity method was discontinued as the book value of equity-method investments has decreased to zero.

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<sup>3</sup> The shares of Capro Corp. have been provided as collateral in relation to the long-term borrowings of the Group (Notes 20 and 38).

<sup>4</sup> During 2014, the Group disposed of 457,000 shares out of 8,417,708 shares. As a result, the percentage of ownership decreased from 21.04% to 19.90% and the Group lost significant influence over Capro Corp. It was reclassified to available for sale financial assets.

<sup>5</sup> Percentage of ownership is effective percentage of ownership that reflects the equity owned by subsidiaries.

Changes in investments in associates for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)	Beginning	Acquisition (Disposal)	Valuation of equity method in 2014			Ending
			Gain or loss on equity method investments	Other comprehensive income or loss	Others <sup>1</sup>	
Nautilus Hyosung Inc.	₩ 103,091	₩ -	₩ (2,815)	₩ (371)	₩ 261	₩ 100,166
Shinwha intertek Co. Ltd.	16,918	-	1,770	(953)	(58)	17,677
Capro Corp.	74,866	(45,488)	(8,828)	(20,550)	-	-
Taebaek Wind Power Co., Ltd.	7,774	-	1,348	-	(1,387)	7,735
Pyeongchang Wind Power Co., Ltd.	840	5,618	(212)	(43)	-	6,203
Hyosung Information System Co., Ltd.	47,041	-	4,983	-	(4,325)	47,699
Hyosung ITX Co., Ltd.	10,085	-	2,922	2,271	(1,709)	13,569
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	6,978	-	(3,974)	157	-	3,161
PT. Papua Agro Lestari	-	6,347	17	(2,488)	-	3,876
PT. GELORA MANDIRI MEMBANGUN	-	4,687	(16)	24	-	4,695
Others <sup>2</sup>	5,006	1,999	(4,325)	-	1,144	7,711
	<u>₩ 272,599</u>	<u>₩ (26,837)</u>	<u>₩ (9,130)</u>	<u>₩ (21,953)</u>	<u>₩ (6,074)</u>	<u>₩ 212,492</u>

<sup>1</sup> Includes dividends, remeasurement of net defined benefit liability and others.

<sup>2</sup> Reflects accumulated unrecognized changes in equity amounting to ₩ 3,887 million for long-term loans to Hyosung Toyota Corp.

(in millions of Korean won)	Beginning	Acquisition (Disposal)	Valuation of equity method in 2013			Ending
			Gain or loss on equity method investments	Other comprehensive income or loss	Others <sup>1</sup>	
Nautilus Hyosung Inc.	₩ 94,545	₩ -	₩ 9,319	₩ 375	₩ (1,148)	₩103,091
Shinwha intertek Co. Ltd.	-	31,944	(14,791)	(186)	(49)	16,918
Capro Corp.	96,009	-	(19,647)	398	(1,894)	74,866
Taebaek Wind Power Co., Ltd.	5,220	-	2,554	-	-	7,774
Pyeongchang Wind Power Co., Ltd.	859	-	(19)	-	-	840
Hyosung Information System Co., Ltd.	40,874	-	8,646	-	(2,479)	47,041
Hyosung ITX Co., Ltd.	9,744	-	2,653	(1,357)	(955)	10,085
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	11,187	-	(3,669)	(540)	-	6,978
Others	7,993	(3,777)	908	107	(225)	5,006
	<u>₩266,431</u>	<u>₩ 28,167</u>	<u>₩ (14,046)</u>	<u>₩ (1,203)</u>	<u>₩ (6,750)</u>	<u>₩272,599</u>

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<sup>1</sup>Includes dividends, remeasurement of net defined benefit liability and others.

Summary of condensed financial information of major associates, details of adjustments from the book value of investments in associates, and dividends received from associates as of and for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	<b>2014</b>			
	<b>Current assets</b>	<b>Non-current assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>
Nautilus Hyosung Inc.	₩ 273,405	₩ 186,163	₩ 220,033	₩ 1,671
Shinwha intertek Co. Ltd.	79,737	149,536	124,809	20,037
Taebaek Wind Power Co., Ltd.	4,119	46,516	2,857	25,679
Pyeongchang Wind Power Co., Ltd.	1,144	13,628	2	-
Hyosung Information System Co., Ltd.	151,106	13,798	64,527	4,979
Hyosung ITX Co., Ltd.	71,666	33,584	55,350	11,086
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	16,814	80,260	86,350	198
PT. Papua Agro Lestari	2,682	3,021	303	833
PT. GELORA MANDIRI MEMBANGUN	2,962	18,575	12,051	991

(in millions of Korean won)

	<b>2014</b>			
	<b>Revenue</b>	<b>Profit(Loss) from continuing operations</b>	<b>Other comprehensive income</b>	<b>Total comprehensive income (loss)</b>
Nautilus Hyosung Inc.	₩ 433,403	₩ 6,756	₩ (853)	₩ 5,903
Shinwha intertek Co. Ltd.	208,386	11,218	206	11,424
Taebaek Wind Power Co., Ltd.	10,362	3,851	-	3,851
Pyeongchang Wind Power Co., Ltd.	-	(513)	-	(513)
Hyosung Information System Co., Ltd.	9,965	9,965	-	9,965
Hyosung ITX Co., Ltd.	288,849	8,349	-	8,349
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	32,222	(13,257)	524	(12,733)
PT. Papua Agro Lestari	-	113	(436)	(323)
PT. GELORA MANDIRI MEMBANGUN	1,330	(105)	158	53

(in millions of Korean won)

	<b>2013</b>			
	<b>Current assets</b>	<b>Non-current assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>
Nautilus Hyosung Inc.	₩ 252,524	₩ 195,539	₩ 201,487	₩ 2,099
Shinwha intertek Co. Ltd.	86,422	132,964	69,946	71,364
Capro Corp.	293,654	349,779	110,598	181,421
Taebaek Wind Power Co., Ltd.	11,635	47,070	3,950	32,546
Pyeongchang Wind Power Co., Ltd.	1,540	860	1	-
Hyosung Information System Co., Ltd.	197,955	13,663	113,508	4,027
Hyosung ITX Co., Ltd.	35,816	49,925	48,884	8,011
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	10,854	81,052	68,512	135

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(in millions of Korean won)

	2013			
	Revenue	Profit(Loss) from continuing operations	Other comprehensive income	Total comprehensive income (loss)
Nautilus Hyosung Inc.	₩ 510,535	₩ 21,530	₩ (1,903)	₩ 19,627
Shinwha intertek Co. Ltd.	234,282	2,883	(1,469)	1,414
Capro Corp.	771,815	(97,481)	1,889	(95,592)
Taebaek Wind Power Co., Ltd.	11,595	7,296	-	7,296
Pyeongchang Wind Power Co., Ltd.	-	(55)	-	(55)
Hyosung Information System Co., Ltd.	271,562	17,293	231	17,524
Hyosung ITX Co., Ltd.	261,681	7,582	(5,609)	1,973
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	15,276	(12,229)	(1,801)	(14,030)

For the years ended December 31, 2014, dividends received from Taebaek Wind Power Co., Ltd., Hyosung Information System Co., Ltd. and Hyosung ITX Co., Ltd. amounted to ₩ 1,387 million (2013: ₩ 2,104 million), ₩ 4,325 million (2013: ₩ 2,595 million) and ₩ 222 million (2013: 113), respectively.

Details of adjustments from financial information of major associates to the book value of investments in associates and joint ventures for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014						
	Net assets at the end of the year (a)	Net assets of equity shares (b)	Interests in net assets (axb)	Goodwill	Intergroup transactions	Other	Book value
Nautilus Hyosung Inc.	₩ 237,864	43.50%	₩ 103,471	₩ -	₩ (3,305)	₩ -	₩100,166
Shinwha intertek Co. Ltd.	84,427	18.29%	15,442	466	-	1,769	17,677
Taebaek Wind Power Co., Ltd.	22,099	35.00%	7,735	-	-	-	7,735
Pyeongchang Wind Power Co., Ltd.	14,770	42.00%	6,203	-	-	-	6,203
Hyosung Information System Co., Ltd.	95,398	50.00%	47,699	-	-	-	47,699
Hyosung ITX Co., Ltd.	38,814	34.99%	13,581	-	-	(12)	13,569
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	10,526	30.00%	3,158	-	3	-	3,161
PT. Papua Agro Lestari	4,567	15.00%	685	3,191	-	-	3,876
PT. GELORA MANDIRI MEMBANGUN	8,495	15.00%	1,274	3,421	-	-	4,695

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(in millions of Korean won)

	2013						
	Net assets at the end of the year (a)	Net assets of equity shares (b)	Interests in net assets (axb)	Goodwill	Intergroup transactions	Other	Book value
Nautilus Hyosung Inc.	₩ 244,477	43.50 %	₩ 106,350	₩ -	₩ (3,259)	₩ -	₩103,091
Shinwha Intertek Co. Ltd.	78,076	18.43 %	14,389	455	-	2,074	16,918
Capro Corp.	351,414	21.04 %	73,953	-	903	10	74,866
Taebaek Wind Power Co., Ltd.	22,210	35.00 %	7,774	-	-	-	7,774
Pyeongchang Wind Power Co., Ltd.	2,399	35.00 %	840	-	-	-	840
Hyosung Information System Co., Ltd.	94,083	50.00 %	47,041	-	-	-	47,041
Hyosung ITX Co., Ltd.	28,845	34.99 %	10,093	-	-	(8)	10,085
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	23,259	30.00 %	6,978	-	-	-	6,978

Fair value of marketable investments in associates as of December 31, 2014 and 2013, is as follows:

(in millions of Korean won)	2014			
	Number of shares	Market price per share (in Korean won)	Fair value	Book value
Shinwha Intertek Co. Ltd.	4,446,227	₩ 2,935	₩ 13,050	₩ 17,677
Hyosung ITX Co., Ltd.	4,349,000	19,050	82,848	13,569

(in millions of Korean won)	2013			
	Number of shares	Market price per share (in Korean won)	Fair value	Book value
Shinwha Intertek Co. Ltd.	4,446,227	₩ 2,545	₩ 11,316	₩ 16,918
Capro Corp.	8,417,708	6,410	53,958	74,866
Hyosung ITX Co., Ltd.	4,349,000	5,740	24,963	10,085

Accumulated unrecognized changes in equity due to discontinued use of equity method for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)	2014		2013	
	Unrecognized loss	Unrecognized accumulated losses	Unrecognized loss	Unrecognized accumulated losses
E-pia Tech.Co., Ltd.	₩ -	₩ 90	₩ 6	₩ 90
Hyosung Toyota Corp. <sup>1</sup>	-	-	786	3,331

<sup>1</sup> Reflects accumulated unrecognized changes in equity amounting to ₩ 3,887 million for long-term loans to Hyosung Toyota Corp.

# Hyosung Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

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#### 19. Related Party Transactions

Details of associates and other related parties as of December 31, 2014, are as follows:

##### Associates

Location	Investee
	Nautilus Hyosung Inc., Soonchon Eco Green Corporation, Shinwha intertek Co. Ltd.,
Domestic	MP New Technology Business Investment Fund I, E-pia Tech Co.,Ltd., Taiko Private Equity Fund,
	Taebaek Wind Power Co., Ltd., Pyeongchang Wind Power Co., Ltd.,
	Hyosung Information System Co., Ltd., Hyosung Toyota Corp., Hyosung ITX Co., Ltd.
Asia	PT. Papua Agro Lestari, PT. Gelora Mandiri Membangun, Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.

##### Other related parties

Location	Investee
Domestic	Galaxia device Co., Ltd., Galaxia display., Galaxia Electronics, Galaxia Communications Co., Ltd., Galaxia Corporation, Gongdeok Development Corporation, Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., IB Medianet, IB Worldwide., EveryShow, Nautilus Hyosung Tech, Infohub., Chin Hung International Inc., Taeuk Construction Co., Ltd, Trinity Asset Management., The Premium Hyosung Co., Ltd., Hyosung FMS and others
China	Tianjin Galaxia Device Electronics., Co. Ltd., Huizhou Galaxia Device Electronics., Co.Ltd., Qingdao Galaxia Device Electronics., Co.Ltd., Beijing Hyosung Computer Technologies.Co., Ltd., and others
Asia	Shinwha Intertek Corp and others
Europe	Shinwha intertek Slovakia S.R.O, OpCo GmbH and others
America	Nautilus Hyosung America Inc., Galaxia America, Inc. and others

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**Significant transactions with related parties**

Significant transactions for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>			
	<b>Sales and others</b>	<b>Dividends</b>	<b>Purchases and others</b>	<b>Acquisition of property, plant and equipment</b>
<b>Associates</b>				
Nautilus Hyosung Inc.	₩ 12,993	₩ -	₩ 22,773	₩ 1,548
Capro Corp.	422	-	156,510	-
Hyosung Information System Co., Ltd.	296	4,325	179	-
Hyosung ITX Co., Ltd.	14,369	222	2,066	275
Shinwha intertek Co. Ltd.	7,042	-	74	4
Others	5,574	1,387	752	197
	<u>40,696</u>	<u>5,934</u>	<u>182,354</u>	<u>2,024</u>
<b>Other related parties</b>				
Chin Hung International Inc.	22,202	-	170,722	71,013
Gongdeok Development Corporation	1,159	-	7,261	-
Shin Dong Jin Co., Ltd.	-	-	8,029	15
Others	6,981	-	7,239	290
	<u>30,342</u>	<u>-</u>	<u>193,251</u>	<u>71,318</u>
	<u>₩ 71,038</u>	<u>₩ 5,934</u>	<u>₩ 375,605</u>	<u>₩ 73,342</u>

<sup>1</sup> 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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<i>(in millions of Korean won)</i>	<b>2013</b>			
	<b>Sales and others</b>	<b>Dividends</b>	<b>Purchases and others</b>	<b>Acquisition of property, plant and equipment</b>
<b>Associates</b>				
Nautilus Hyosung Inc.	₩ 16,043	₩ -	₩ 16,308	₩ 2,486
Capro Corp.	1,961	2,104	363,565	-
Hyosung Information System Co., Ltd.	102	2,595	334	-
Hyosung ITX Co., Ltd.	15,351	113	874	439
Others	12,431	1	572	1,103
	<u>45,888</u>	<u>4,813</u>	<u>381,653</u>	<u>4,028</u>
<b>Other related parties</b>				
Chin Hung International Inc.	32,363	-	79,120	47,663
Gongdeok Development Corporation	1,675	-	6,150	-
Shin Dong Jin Co., Ltd.	5,000	-	7,495	-
Others	941	-	4,620	451
	<u>39,979</u>	<u>-</u>	<u>97,385</u>	<u>48,114</u>
	<u>₩ 85,867</u>	<u>₩ 4,813</u>	<u>₩ 479,038</u>	<u>₩ 52,142</u>

<sup>1</sup> 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.

<i>(in millions of Korean won)</i>	<b>2014</b>			
	<b>Trade receivables</b>	<b>Other receivables<sup>1</sup></b>	<b>Trade payables</b>	<b>Other payables<sup>1</sup></b>
<b>Associates</b>				
Nautilus Hyosung Inc.	₩ 1,315	₩ 485	₩ 6,197	₩ 13,878
Hyosung Information System Co., Ltd.	-	24	-	3,639
Shinwha intertek Co. Ltd.	773	3	4	2,450
Soonchon Eco Green Corporation	2,557	-	-	-
Hyosung ITX Co., Ltd.	207	-	900	2,711
Hyosung Toyota Corp.	1,392	3,850	-	-
Others	74	-	34	-
	<u>6,318</u>	<u>4,362</u>	<u>7,135</u>	<u>22,678</u>
<b>Other related parties</b>				
Shin Dong Jin Co., Ltd.	1,917	4,666	830	103
Chin Hung International Inc.	2,499	4,437	128	47,483
Gongdeok Development Corporation	-	5,361	-	7
Others	74	12,426	378	5,477
	<u>4,490</u>	<u>26,890</u>	<u>1,336</u>	<u>53,070</u>
	<u>₩ 10,808</u>	<u>₩ 31,252</u>	<u>₩ 8,471</u>	<u>₩ 75,748</u>

<sup>1</sup> 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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<i>(in millions of Korean won)</i>	2013			
	Trade receivables	Other receivables <sup>1</sup>	Trade payables	Other payables <sup>1</sup>
<b>Associates</b>				
Nautilus Hyosung Inc.	₩ 1,077	₩ 215	₩ 171	₩ 9,116
Capro Corp.	8	-	81,273	-
Hyosung Toyota Corp.	2,990	3,850	8	3
Hyosung ITX Co., Ltd.	7,040	-	275	73
Others	1,646	164	17	8
	<u>12,761</u>	<u>4,229</u>	<u>81,744</u>	<u>9,200</u>
<b>Other related parties</b>				
Shin Dong Jin Co., Ltd.	6,772	3,119	213	139
Chin Hung International Inc.	6,936	20,110	13,737	15,897
Gongdeok Development Corporation	201	8,337	-	-
Others	146	7,143	1,530	1,088
	<u>14,055</u>	<u>38,709</u>	<u>15,480</u>	<u>17,124</u>
	<u>₩ 26,816</u>	<u>₩ 42,938</u>	<u>₩ 97,224</u>	<u>₩ 26,324</u>

<sup>1</sup> 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, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014					Contributions
	Loan transactions					
	Beginning	Loan	Collection	Exchange differences	Ending	
<b>Associates</b>						
Pyeongchang Wind Power Co., Ltd.	₩ -	-	-	-	-	5,618
PT. Papua Agro Lestari	-	-	-	-	-	6,347
PT. Gelora Mandiri Membangun	-	2,395	-	103	2,498	4,687
Hyosung Toyota Corp. <sup>1</sup>	3,850	-	-	-	3,850	-
<b>Other related parties</b>						
OpCo GmbH <sup>2</sup>	6,840	-	-	(167)	6,673	-
Chin Hung International Inc. <sup>3</sup>	20,000	-	(20,000)	-	-	60,000
The Premium Hyosung Co., Ltd.,	4,350	-	(350)	-	4,000	

<sup>1</sup> The Group recognizes allowance for doubtful accounts amounting to ₩ 1,925 million, which is 50% of the loans to Hyosung Toyota Corp.

<sup>2</sup> Provisions are made for the whole amount of loans to OpCo GmbH.

<sup>3</sup> During 2014, the Group additionally acquired 30,000,000 common shares of Chin Hung International Inc. through a debt-equity swap for the loans amounting to ₩ 16 billion and capital increase amounting to ₩ 44 billion. As a result, the number of shares increased to 74,315,616 and the percentage of ownership increased from 46.82% to 59.62%.

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	2013				
	Loan transactions			Ending	Contributions
Beginning	Loan	Exchange differences			
<b>Associates</b>					
Shinwha intertek Co. Ltd.	₩ -	₩ -	₩ -	₩ -	₩ 32,000
Hyosung Toyota Corp.	3,850	-	-	3,850	-
<b>Other related parties</b>					
OpCo GmbH <sup>1</sup>	6,788	-	52	6,840	-
Chin Hung International Inc.	-	20,000	-	20,000	-
The Premium Hyosung Co., Ltd.,	4,350	-	-	4,350	-

<sup>1</sup> Provisions are made for the whole amount of loans to OpCo GmbH.

The compensation paid or payable to key management for employee services as of December 31, 2014 and 2013, consists of:

(in millions of Korean won)

	2014		2013	
Short-term employee benefits	₩	7,544	₩	6,995
Post-employee benefits		2,029		1,355
	₩	<u>9,573</u>	₩	<u>8,350</u>

Details of collaterals and payment guarantees provided by the Group as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Guaranteed amount	Details	Credit amount	Creditor
<b>Associates</b>				
Hyosung Toyota Corp.	₩ 3,200	Operating capital and others	₩ -	Toyota Motor Korea Corporation
Soonchon Eco Green Corporation	40,000		35,500	Kwangju Bank and others
	<u>₩ 43,200</u>		<u>₩ 35,500</u>	

(in millions of Korean won)

	2013			
	Guaranteed amount	Details	Credit amount	Creditor
<b>Associates</b>				
Hyosung Toyota Corp.	₩ 3,200	Operating capital and others	₩ -	Toyota Motor Korea Corporation
Soonchon Eco Green Corporation	40,000		34,000	Kwangju Bank and others
	<u>₩ 43,200</u>		<u>₩ 34,000</u>	

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**20. Borrowings**

Details of borrowings as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
<b>Borrowings</b>				
Short-term borrowings	₩	3,496,255	₩	3,418,043
Current portion of long-term borrowings		1,723,933		1,783,031
		<u>5,220,188</u>		<u>5,201,074</u>
<b>Long-term borrowings</b>				
Long-term borrowings		1,953,139		1,875,996
Debentures		748,237		1,141,078
Redeemable preference shares		-		2,645
		<u>2,701,376</u>		<u>3,019,719</u>
	₩	<u>7,921,564</u>	₩	<u>8,220,793</u>

Details of short-term borrowings as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>Financial institutions</b>	<b>Interest rate</b> <b>As of Dec. 31,</b>		
		<b>2014 (%)</b>	<b>2014</b>	<b>2013</b>
Bank overdrafts	Woori Bank and others	3.63~4.91	₩ 3,052	₩ 13,857
General loan	Woori Bank and others	1.34~10.42	1,689,758	1,735,563
Collateralized borrowings <sup>1</sup>	Woori Bank and others	1.78~2.50	823,162	744,680
Other bill discount and others	LIG investment securities Inc. and others	0.40~5.13	980,283	923,943
			<u>₩ 3,496,255</u>	<u>₩ 3,418,043</u>

<sup>1</sup> The Group sold foreign accounts receivable to financial institutions and these transactions are accounted for as secured borrowing.

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Details of long-term borrowings as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>		<b>Bank</b>	<b>Interest rate As of Dec. 31, 2014 (%)</b>	<b>2014</b>	<b>2013</b>	
<b>Hyosung Corp.</b>						
Local currency long-term borrowings	Koomin Bank		4.01	₩ 41,250	₩ 56,250	
	NH Bank		4.20	60,000	60,000	
	Korea Housing Guarantee Co., Ltd.		1.00	4,400	4,400	
	KDB Capital		2.94	8,904	12,329	
	Shinhan Bank		3.55	50,000	50,000	
	Korea Exchange Bank		4.21	48,000	48,000	
	Woori Bank		4.00	100,000	70,000	
	Jeon Buk Bank		4.01	20,000	20,000	
	Hana Bank		4.37	45,000	80,000	
	Mineral Resource Corporation		1.00	1,359	1,359	
	Korea Development Bank		3.78	639,666	541,899	
	Kwangju Bank		-	-	10,000	
	Foreign currency long-term borrowings	Kookmin Bank		2.23	10,992	10,553
		Suhyup Bank		2.83	20,885	-
Shinhan Bank			2.53	32,976	21,106	
Development Bank of Singapore			1.48	32,976	-	
Korea Exchange Bank			2.18	21,984	21,106	
Bank of China			2.43	21,984	-	
Korea Development Bank			2.84	18,403	39,088	
Standard Chartered Korea			1.48	98,928	-	
The Export-Import Bank of Korea			-	-	126,636	
Hana Bank		-	-	10,553		

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<i>(in millions of Korean won)</i>	Bank	Interest rate As of Dec. 31, 2014 (%)		2014		2013
<b>Subsidiaries</b>						
Local currency	Kookmin Bank	5.60	₩	30,000	₩	30,000
long-term borrowings	NH Bank	4.95		37,100		16,358
	Newstarluna 2nd	5.40		5,000		-
	Newstarluna 1st	5.50		10,000		-
	Newstarhaechi 2nd	4.73		79,900		79,900
	Korean Federation of Community Credit Cooperative	5.70		9,000		-
	The Export-Import Bank of Korea	2.44		126,517		33,782
	Credit Union	5.70		4,500		-
	Yekyoram 5th Ltd.	5.50		5,000		-
	Korea Exchange Bank	5.75		12,097		47,313
	Woori Bank	6.55		10,467		58,823
	Hana Bank	5.56		152,215		152,061
	Korea Development Bank	4.49		28,567		88,598
	LIG investment securities	3.46		90,000		190,000
	Syndication group loans	2.76		236,328		-
	Others	5.80		7,458		3,065
	Island 1st Ltd.	-		-		10,000
	Yekyoram 1st Ltd.	-		-		10,000
	IBK investment securities	-		-		55,000
Foreign currency	The Export-Import Bank of Korea	2.55		191,927		145,111
long-term borrowings	Korea Development Bank	3.46		125,602		560,407
	Bank of China	2.76		10,819		7,430
	Misuhō Corporate Bank	2.37		25,966		62,857
	SMBC	2.30		15		21,473
	Syndication group loans	2.30		76,944		-
	Woori Bank	-		-		73,871
	Bank of America	-		-		42,212
	Others	-		-		10,553
				2,553,129		2,882,093
Less: Current portion				(599,957)		(1,006,031)
Present value discounts				(33)		(66)
				₩ 1,953,139		₩ 1,875,996

Above long-term borrowings are subject to installment repayment or lump-sum repayment at maturity date. Borrowings are collateralized with the Group's available-for-sale financial assets and property, plant and equipment and others (Notes 11, 15 and 38).

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Details of debentures as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate As of Dec. 31, 2014 (%)		2014		2013
<b>Hyosung Corp.</b>						
242-2 <sup>nd</sup> Public subscription bond	2015-03-05	5.79	₩	70,000	₩	70,000
243-2 <sup>nd</sup> Public subscription bond	2015-07-12	5.75		30,000		30,000
244-2 <sup>nd</sup> Public subscription bond	-	-		-		30,000
244-3 <sup>rd</sup> Public subscription bond	2015-12-21	4.99		40,000		40,000
245-1 <sup>st</sup> Public subscription bond	-	-		-		90,000
245-2 <sup>nd</sup> Public subscription bond	2016-01-07	5.25		60,000		60,000
246-1 <sup>st</sup> Public subscription bond	-	-		-		70,000
246-2 <sup>nd</sup> Public subscription bond	2016-06-24	4.94		60,000		60,000
248-1 <sup>st</sup> Public subscription bond	-	-		-		40,000
248-2 <sup>nd</sup> Public subscription bond	2016-10-12	5.03		50,000		50,000
251-1 <sup>st</sup> Public subscription bond	2015-02-07	4.28		90,000		90,000
251-2 <sup>nd</sup> Public subscription bond	2017-02-07	4.71		60,000		60,000
252 <sup>nd</sup> Private bond	2015-08-28	3.23		32,976		31,659
253-1 <sup>st</sup> Public subscription bond	2016-02-21	3.45		90,000		90,000
252-2 <sup>nd</sup> Public subscription bond	2018-02-21	3.75		30,000		30,000
254 <sup>th</sup> Private bond	2017-05-02	4.50		30,000		-
255 <sup>th</sup> Private bond	2017-11-06	3.80		30,000		-
<b>Hyosung Capital Co., Ltd.</b>						
64 <sup>th</sup> Debenture	2014-01-12	-		-		40,000
65 <sup>th</sup> Debenture	2014-02-09	-		-		20,000
99 <sup>th</sup> Debenture	2014-02-22	-		-		30,000
87-2 <sup>nd</sup> Debenture	2014-03-28	-		-		20,000
66 <sup>th</sup> Debenture	2014-04-04	-		-		20,000
67 <sup>th</sup> Debenture	2014-04-18	-		-		20,000
69-2 <sup>nd</sup> Debenture	2014-05-30	-		-		30,000
71-2 <sup>nd</sup> Debenture	2014-06-21	-		-		10,000
72 <sup>nd</sup> Debenture	2014-07-13	-		-		30,000
76 <sup>th</sup> Debenture	2014-08-11	-		-		10,000
78 <sup>th</sup> Debenture	2014-09-15	-		-		20,000
79 <sup>th</sup> Debenture	2014-09-26	-		-		25,000
96-1 <sup>st</sup> Debenture	2014-09-27	-		-		10,000
80 <sup>th</sup> Debenture	2014-09-29	-		-		10,000
84 <sup>th</sup> Debenture	2014-11-28	-		-		40,000
50-2 <sup>nd</sup> Debenture	2015-04-23	6.50		20,000		20,000
51 <sup>st</sup> Debenture	2015-05-10	6.40		20,000		20,000
58-2 <sup>nd</sup> Debenture	2015-10-08	6.10		10,000		10,000
59-2 <sup>nd</sup> Debenture	2015-10-28	5.80		10,000		10,000
85 <sup>th</sup> Debenture	2015-02-20	5.03		20,000		20,000
86 <sup>th</sup> Debenture	2017-02-24	5.25		30,000		30,000
88 <sup>th</sup> Debenture	2015-04-27	4.58		20,000		20,000
89 <sup>th</sup> Debenture	2015-11-07	4.56		20,000		20,000
90-1 <sup>st</sup> Debenture	2015-05-25	4.33		20,000		20,000
90-2 <sup>nd</sup> Debenture	2017-05-25	4.55		30,000		30,000
91 <sup>st</sup> Debenture	2015-06-22	4.30		30,000		30,000
92-1 <sup>st</sup> Debenture	2015-06-28	4.32		20,000		20,000
94 <sup>th</sup> Debenture	2015-09-17	3.85		40,000		40,000
95 <sup>th</sup> Debenture	2017-09-26	4.14		10,000		10,000

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96-2 <sup>nd</sup> Debenture	2015-09-27	3.74	30,000	30,000
97 <sup>th</sup> Debenture	2015-10-29	3.80	30,000	30,000
100 <sup>th</sup> Debenture	2016-03-26	3.49	20,000	20,000
101 <sup>st</sup> Debenture	2016-04-23	3.52	40,000	40,000
102 <sup>nd</sup> Debenture	2016-06-24	4.01	20,000	20,000
103 <sup>rd</sup> Debenture	2016-06-28	4.01	20,000	20,000
104 <sup>th</sup> Debenture	2016-07-18	3.98	20,000	20,000
105 <sup>th</sup> Debenture	2017-04-04	4.41	20,000	-
106 <sup>th</sup> Debenture	2015-06-23	3.72	10,000	-
107 <sup>th</sup> Debenture	2015-08-24	3.43	20,000	-
108 <sup>th</sup> Debenture	2015-07-29	3.39	15,000	-
109 <sup>th</sup> Debenture	2015-12-08	3.47	20,000	-
110 <sup>th</sup> Debenture	2017-12-31	4.50	15,000	-
111 <sup>th</sup> Debenture	2015-12-31	3.65	10,000	-
6 <sup>th</sup> ABCP	2015-01-28	2.47	25,000	-
7 <sup>th</sup> ABS	2015-02-20	3.04	70,000	-
8 <sup>th</sup> ABS	2015-01-19	3.29	70,000	-
9 <sup>th</sup> ABS	2015-01-10	3.23	100,000	-
10 <sup>th</sup> ABS	2015-01-26	3.38	60,000	-
11 <sup>th</sup> ABS	2015-01-11	3.14	82,000	-
12 <sup>th</sup> ABS	2015-01-19	2.75	85,000	-
13 <sup>th</sup> ABS	2015-01-18	2.54	93,000	-
6 <sup>th</sup> ABCP	-	-	-	50,000
6 <sup>th</sup> ABS	-	-	-	140,000
6 <sup>th</sup> ABS	-	-	-	70,000
<b>The Class Hyosung Co., Ltd.</b>		-		
Private placement bond	2014-09-30	5.52	-	5,000
Hana HS 1st co., Ltd	2016-10-02	6.50	15,000	-
Hana HS 2nd co., Ltd	2015-12-29	5.80	12,000	-
			1,874,976	1,921,659
Less: Current portion			(1,123,976)	(777,000)
Discount on bonds payable			(2,763)	(3,581)
			<u>₩ 748,237</u>	<u>₩ 1,141,078</u>

**21. Trade and Other Payables**

Details of trade and other payables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Trade payables	₩	994,776	₩	953,542
Other payables		457,803		447,479
Long-term trade payables		204		-
Long-term other payables		419,774		366,357
	₩	<u>1,872,557</u>	₩	<u>1,767,378</u>

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Details of other payables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
<b>Other payables</b>				
Non-trade payables	₩	291,982	₩	275,804
Accrued expenses		117,660		111,103
Dividend payables		84		85
Withholdings		40,657		41,570
Deposits received		7,420		18,917
		457,803		447,479
<b>Long-term other payables</b>				
Non-trade payables		34,495		15,769
Accrued expenses		5,907		-
Deposits received		379,372		350,588
		419,774		366,357
	₩	877,577	₩	813,836

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

	<b>2014</b>	<b>2013</b>
Discount rate	2.9% ~ 5%	3.4% ~ 5%

**22. Net Defined Benefit Liability**

Net defined benefit liability recognized on the statements of financial position as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Present value of defined benefit payables	₩	318,690	₩	262,427
Fair value of plan assets <sup>1</sup>		(265,587)		(219,850)
Net defined benefit liability	₩	53,103	₩	42,577

<sup>1</sup> The contributions to the National Pension Fund of ₩ 523 million are included in the fair value of plan assets as of December 31, 2014 (2013: ₩572 million).



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The amounts recognized on the income statements for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Current service cost	₩	50,098	₩	49,185
Interest expenses		9,850		8,312
Interest income		(9,172)		(7,145)
	₩	<u>50,776</u>	₩	<u>50,352</u>

Line items including total expenses in the statements of income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Cost of goods sold	₩	27,779	₩	27,654
Selling and administrative expenses		20,038		19,639
Research and development costs		2,959		3,059
	₩	<u>50,776</u>	₩	<u>50,352</u>

Changes in the defined benefit liability for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Beginning balance	₩	262,427	₩	240,885
Current service cost		50,098		49,185
Interest expenses		9,850		8,312
Benefits payment		(23,034)		(21,509)
Remeasurements:				
Changes in demographic assumptions		2,910		1,577
Changes in financial assumptions		25,602		(14,566)
Experience adjustments		(3,451)		(2,093)
Transfer in(out) of associates		129		174
Changes in scope of consolidation		(7,471)		129
Others (changes in exchange rate and others)		1,630		333
Ending balance	₩	<u>318,690</u>	₩	<u>262,427</u>

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Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Beginning balance	₩ 219,850	₩ 184,107
Interest income	9,172	7,145
Employer contribution	59,752	38,500
Benefits payments	(14,164)	(8,891)
Remeasurements	(3,202)	(999)
Others(changes in exchange rate and others)	(5,821)	(12)
Ending balance	<u>₩ 265,587</u>	<u>₩ 219,850</u>

Plan assets as of December 31, 2014 and 2013, consist of the following:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Deposits	₩ 151,758	₩ 113,935
Debt instruments	113,829	105,915
	<u>₩ 265,587</u>	<u>₩ 219,850</u>

Remeasurements of defined benefit liability recognized as other comprehensive income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Before income tax effects	₩ (28,263)	₩ 14,083
Income tax effects	6,840	(3,408)
After income tax effects	<u>₩ (21,423)</u>	<u>₩ 10,675</u>

The principal actuarial assumptions as of December 31, 2014 and 2013, are as follows:

	<b>2014</b>	<b>2013</b>
Discount rate	3.19%	4.12%
Inflation rate	2.60%	2.81%
Future salary increases	2.60%	2.47%

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The sensitivity of the defined benefit liability as of December 31, 2014, to changes in the weighted principal assumptions is:

	<b>Changes in principal assumption</b>	<b>Effect on defined benefit liability</b>
Discount rate	1.0% increase/decrease	8.1% decrease/9.6% increase
Inflation rate	1.0% increase/decrease	9.6% increase/8.3% decrease
Salary growth rate	1.0% increase/decrease	9.6% increase/8.3% decrease

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 liability to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit liabilities recognized on the statement of financial position.

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

The Group 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, 2015, are ₩ 37,631 million.

Expected maturity analysis of undiscounted pension benefits as of December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Pension benefits	₩ 21,938	₩ 17,651	₩ 69,750	₩ 1,178,460	₩ 1,287,799

Recognized expense related to the defined contribution plan for the year ended December 31, 2014, is ₩ 961 million (2013: ₩ 532 million).

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**23. Income Tax Expense and Deferred Income Tax**

Income tax expense for the years ended December 31, 2014 and 2013, consists of:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Current tax:		
Current tax on profits for the year	₩ 145,343	₩ 101,342
Adjustments in respect of prior years <sup>1</sup>	13,242	409,552
Total current tax	<u>158,585</u>	<u>510,894</u>
Deferred tax :		
Origination and reversal of temporary differences	18,088	(18,019)
Impact of change in Korean tax rate	26	14
Total deferred tax	<u>18,114</u>	<u>(18,005)</u>
Income tax expense from continuing operations	<u>₩ 176,699</u>	<u>₩ 492,889</u>

<sup>1</sup> As a result of a tax investigation by the National Tax Service in 2013, the Group paid penalty taxes amounting to ₩ 401,561 million in relation to property, plant and equipment and others.

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

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Profit before tax	₩ 468,689	₩ 256,645
Tax calculated at domestic tax rates applicable to profits in the respective countries	₩ 136,823	₩ 57,684
Tax effects of:		
Income not subject to tax	(3,188)	(3,044)
Expenses not deductible for tax purposes	10,844	6,699
Additional payment of income taxes	6,262	409,189
Tax credits	(11,617)	(12,447)
Others	37,793	34,810
Remeasurement of deferred tax - change in the Korean tax rate	(218)	(2)
Tax charge from continuing operations	<u>₩ 176,699</u>	<u>₩ 492,889</u>

As of December 31, 2014, deferred tax, which is expected to be reversed, was measured using the effective rate of 37.7% (2013: 192.1%) that will apply for the given period.

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The income tax (charged)/credited directly to equity as of December 31, 2014 and 2013, is as follows:

(in millions of Korean won)

	2014			2013		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Gain (loss) on valuation of available-for-sale financial assets	₩ (51,541)	₩ 12,473	₩ (39,068)	₩ (40,672)	₩ 9,843	₩ (30,829)
Actuarial gains and losses	(17,952)	12,064	(5,888)	(33,794)	8,178	(25,616)
Gain (loss) on valuation of derivatives	809	(196)	613	809	(196)	613
Change in equity from applying equity method	(6,189)	1,498	(4,691)	20,152	(4,877)	15,275
Cumulative effect of foreign currency translation	(13,712)	1,716	(11,996)	(33,769)	8,172	(25,597)
	<u>₩ (88,585)</u>	<u>₩ 27,555</u>	<u>₩ (61,030)</u>	<u>₩ (87,274)</u>	<u>₩ 21,120</u>	<u>₩ (66,154)</u>

The analyses of deferred tax assets and deferred tax liabilities as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014	2013
<b>Deferred tax assets</b>		
Deferred tax asset to be recovered after more than 12 months	₩ 240,330	₩ 67,265
Deferred tax asset to be recovered within 12 months	46,107	188,294
	<u>286,437</u>	<u>255,559</u>
<b>Deferred tax liabilities</b>		
Deferred tax liability to be recovered after more than 12 months	(444,754)	(500,831)
Deferred tax liability to be recovered within 12 months	(105,923)	(7,315)
	<u>(550,677)</u>	<u>(508,146)</u>
Deferred tax assets (liabilities), net	<u>₩ (264,240)</u>	<u>₩ (252,587)</u>

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The movements in the deferred income tax account for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Beginning balance	₩	(252,587)	₩	(288,872)
Tax charged to the statement of income		(18,088)		18,019
Tax charged (credited) to equity		6,435		18,266
Ending balance	₩	<u>(264,240)</u>	₩	<u>(252,587)</u>

The movements in deferred income tax assets and liabilities for the years ended December 31, 2014 and 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>			
	<b>Beginning</b>	<b>Income statement</b>	<b>Equity</b>	<b>Ending</b>
<b>Deferred tax liabilities</b>				
Revaluation of land	₩ (290,861)	₩ 5,712	₩ -	₩ (285,149)
Investments in associates	(82,690)	(3,916)	-	(86,606)
Defined benefit pension plan assets	(49,825)	(13,536)	-	(63,361)
Reserve for research and human resource development	(44,623)	10,376	-	(34,247)
Gain (loss) from fire insurance policy	(1,599)	528	-	(1,071)
Others	(38,548)	(42,029)	334	(80,243)
	<u>(508,146)</u>	<u>(42,865)</u>	<u>334</u>	<u>(550,677)</u>
<b>Deferred tax assets</b>				
Available-for-sale financial assets	99,870	899	(429)	100,340
Provision for severance pension benefits	50,179	9,762	6,803	66,744
Accumulated impairment loss	33,764	(16,511)	-	17,253
Government grants	8,743	816	-	9,559
Impairment loss on sites	3,540	1,940	-	5,480
Loss on valuation of inventories	1,024	7,884	-	8,908
Provision for guarantees	6,776	1,536	-	8,312
Accrued compensated absences	118	4,345	-	4,463
Provision for warranties	7,337	1,487	-	8,824
Provision for construction loss	-	1,857	-	1,857
Long-term employment allowance	-	1,418	-	1,418
Others	44,208	9,344	(273)	53,279
	<u>255,559</u>	<u>24,777</u>	<u>6,101</u>	<u>286,437</u>
	₩ (252,587)	₩ (18,088)	₩ 6,435	₩ (264,240)

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<i>(in millions of Korean won)</i>	<b>2013</b>			
	<b>Beginning</b>	<b>Income statement</b>	<b>Equity</b>	<b>Ending</b>
<b>Deferred tax liabilities</b>				
Revaluation of land	₩ (291,330)	₩ 469	₩ -	₩ (290,861)
Investments in associates	(83,175)	101	384	(82,690)
Defined benefit pension plan assets	(43,667)	(6,159)	-	(49,826)
Reserve for research and human resource development	(39,673)	(4,950)	-	(44,623)
Gain (loss) from fire insurance policy	(2,134)	535	-	(1,599)
Others	(66,854)	25,864	2,443	(38,547)
	<u>(526,833)</u>	<u>15,860</u>	<u>2,827</u>	<u>(508,146)</u>
<b>Deferred tax assets</b>				
Available-for-sale financial assets	80,544	531	18,795	99,870
Provision for severance pension benefits	44,933	8,602	(3,356)	50,179
Accumulated impairment loss	25,532	8,233	-	33,765
Government grants	8,668	75	-	8,743
Impairment loss on sites	3,498	42	-	3,540
Construction contracts	3,605	(3,605)	-	-
Provision for guarantees	2,973	3,803	-	6,776
Accrued compensated absences	2,676	(2,558)	-	118
Provision for warranties	2,473	4,864	-	7,337
Others	63,059	(17,828)	-	45,231
	<u>237,961</u>	<u>2,159</u>	<u>15,439</u>	<u>255,559</u>
	<u>₩ (288,872)</u>	<u>₩ 18,019</u>	<u>₩ 18,266</u>	<u>₩ (252,587)</u>

The ability to realize deferred tax asset depends on various components; such as, the Group's ability to generate taxable income for period of the temporary difference realization, general economic environment and industrial expectation, and others. The Group periodically assesses its ability to realize deferred tax assets, and as of December 31, 2014, the Group recognized deferred tax assets for all deductible temporary difference except for the difference relating to investment in associates, which are unrealizable, amounted to ₩ 626,592 million (2013: ₩ 747,113 million)

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of ₩ 219,944 million (2013: ₩122,418 million).

Unrecognized tax loss carryforwards expire through 2024.

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**24. Other Liabilities**

Details of other liabilities as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
<b>Other current liabilities</b>				
Advances	₩	322,753	₩	353,669
Unearned revenues		21,929		26,934
Provision <sup>1</sup>		887		167
		345,569		380,770
<b>Other non-current liabilities</b>				
Long-term advances		15,792		-
Government grants		379		258
Provision <sup>1</sup>		43,457		59,653
		59,628		59,911
	₩	405,197	₩	440,681

<sup>1</sup>The Group establishes expenses, which are expected to be spent in the future such as repairs in relation to contract of construction work, as a provision based on the past experience rate. The Group also accrued provision for guarantee for the foreseeable expenses relating to PF (Note 38).

Changes in the Group's provision for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>			
	<b>Provision for warranties</b>	<b>Provision for sales return</b>	<b>Others</b>	<b>Total</b>
Beginning	₩ 30,394	₩ 894	₩ 28,532	₩ 59,820
Increase	10,672	956	15,612	27,240
Decrease <sup>1</sup>	(6,187)	(103)	(36,426)	(42,716)
Ending	₩ 34,879	₩ 1,747	₩ 7,718	₩ 44,344

<sup>1</sup>Reclassification is included.

<i>(in millions of Korean won)</i>	<b>2013</b>			
	<b>Provision for warranties</b>	<b>Provision for sales return</b>	<b>Others</b>	<b>Total</b>
Beginning	₩ 10,344	₩ 709	₩ 13,583	₩ 24,636
Increase	28,035	267	35,187	63,489
Decrease	(7,985)	(82)	(20,238)	(28,305)
Ending	₩ 30,394	₩ 894	₩ 28,532	₩ 59,820



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**25. Capital Stock**

The Group is authorized to issue 200,000 thousand shares with the par value per share of ₩ 5,000. As of December 31, 2014, the Group has issued 35,117,455 shares of common stock. There is no change of capital stock for the year ended December 31, 2014.

**26. Retained Earnings**

Details of retained earnings as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Legal reserve <sup>1</sup>	₩	24,104	₩	20,777
Discretionary reserve				
Reserve for research and human resource development <sup>2</sup>		180,000		156,759
Reserve for facility		1,773,000		2,207,000
Unappropriated retained earnings		278,982		(341,810)
	₩	<u>2,256,086</u>	₩	<u>2,042,726</u>

<sup>1</sup> The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

<sup>2</sup> The Group appropriates a certain portion of its retained earnings as a reserve for research and human resource development under the Special Tax Treatment Control Law. This reserve may be transferred to discretionary reserve and distributed as dividends.

Changes in retained earnings for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Beginning	₩	2,042,726	₩	2,298,851
Net income (loss)		269,229		(229,185)
Remeasurements of defined benefit liability		(20,948)		10,704
Remeasurements of defined benefit liability of associates		(1,281)		(1,715)
Dividends		(33,269)		(33,269)
Others		(371)		(2,660)
Endings	₩	<u>2,256,086</u>	₩	<u>2,042,726</u>

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**27. Other Components of Equity**

Other components of equity as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Other additional capital	₩	319,458	₩	325,071
Treasury stock <sup>1</sup>		(34,204)		(34,204)
Gain (Loss) on valuation of available-for-sale financial assets		(39,068)		(30,829)
Gain (Loss) on valuation of derivatives		613		613
Change in equity from applying the equity method		(4,691)		15,275
Cumulative effect of foreign currency translation		(11,996)		(25,597)
Other capital adjustments		(573)		(621)
	₩	<u>229,539</u>	₩	<u>249,708</u>

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

**28. Revenue**

Details of revenue for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Sales-Merchandise	₩	4,037,954	₩	4,262,093
Sales-Finished goods		6,699,586		6,808,295
Sales-Construction		842,603		892,346
Sales-Real estate		254,862		202,377
Sales-Others		342,129		414,046
	₩	<u>12,177,134</u>	₩	<u>12,579,157</u>

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**29. Construction Contracts**

Changes in the remaining balance of construction contracts for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	<b>2014</b>			
	<b>Beginning balance</b>	<b>Changes<sup>1</sup></b>	<b>Recognized construction revenue</b>	<b>Ending balance</b>
Construction	₩ 1,429,779	₩ 1,029,002	₩ 707,137	₩ 1,751,644
Heavy industrial	653,240	374,351	391,091	636,500
	<u>₩ 2,083,019</u>	<u>₩ 1,403,353</u>	<u>₩ 1,098,228</u>	<u>₩ 2,388,144</u>

<sup>1</sup> In 2014, 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 ₩ 1,571,319 million and ₩ 167,967 million, respectively.

(in millions of Korean won)

	<b>2013</b>			
	<b>Beginning balance</b>	<b>Changes<sup>1</sup></b>	<b>Recognized construction revenue</b>	<b>Ending balance</b>
Construction	₩ 1,018,906	₩ 1,013,747	₩ 602,874	₩ 1,429,779
Heavy industrial	601,363	604,550	552,673	653,240
	<u>₩ 1,620,269</u>	<u>₩ 1,618,297</u>	<u>₩ 1,155,547</u>	<u>₩ 2,083,019</u>

<sup>1</sup> 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 ₩ 1,606,143 million and ₩ 12,154 million, respectively.

Details of ongoing construction contracts such as recognized construction profit or loss as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	<b>2014</b>				
	<b>Accumulated construction revenue</b>	<b>Accumulated construction cost</b>	<b>Accumulated revenue</b>	<b>Deferred revenue</b>	<b>Reserve<sup>1</sup></b>
Construction	₩ 2,373,483	₩ 2,193,808	₩ 179,675	₩ 1,900	₩ -
Heavy industrial	836,175	827,204	8,971	6,349	127,415
	<u>₩ 3,209,658</u>	<u>₩ 3,021,012</u>	<u>₩ 188,646</u>	<u>₩ 8,249</u>	<u>₩ 127,415</u>

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

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(in millions of Korean won)

	2013				
	Accumulated construction revenue	Accumulated construction cost	Accumulated revenue	Deferred revenue	Reserve <sup>1</sup>
Construction	₩ 1,881,434	₩ 1,739,587	₩ 141,847	₩ 2,848	₩ -
Heavy industrial	614,344	617,168	(2,824)	-	134,645
	<u>₩ 2,495,778</u>	<u>₩ 2,356,755</u>	<u>₩ 139,023</u>	<u>₩ 2,848</u>	<u>₩ 134,645</u>

<sup>1</sup> 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, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		2013	
	Unbilled amount	Overbilled amount	Unbilled amount	Overbilled amount
Construction	₩ 101,011	₩ 64,031	₩ 58,533	₩ 48,796
Heavy industrial	82,633	42,709	8,278	21,709
	<u>₩ 183,644</u>	<u>₩ 106,740</u>	<u>₩ 66,811</u>	<u>₩ 70,505</u>

Details of total estimated construction loss of construction-in-progress as of December 31, 2014, are as follows:

(in millions of Korean won)	Total estimated construction loss	Provision for construction loss <sup>1</sup>
Qatar MESAIEED Sewage disposal plant construction	₩ 9,967	₩ 9,967
Algeria Boufarik project	2,239	2,239
India JHARKHAND project	1,537	1,537
Jeju Sewage sludge resourcing utility operation	362	362
Algeria Sewage disposal plant construction and operation	206	206
Bangladesh Kaliakoir project and others	4,104	4,104
	<u>₩ 18,415</u>	<u>₩ 18,415</u>

<sup>1</sup> Provision for construction loss is included in due to customers for contract work in the consolidated statements of financial position.

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**30. Expenses by Nature**

Cost of sales, selling and administrative expenses and research and development expenses by nature for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Changes in inventories of finished goods and work-in-process	₩	(2,112,601)	₩	(1,792,293)
Changes in inventories of merchandise		4,678,303		4,000,426
Raw materials and supplies used		4,550,244		5,830,703
Employee benefit expense (Note 31)		992,067		1,048,839
Depreciation and amortization		520,843		553,172
Electricity expense		367,971		351,168
Export expense		150,140		142,084
Fuel expense		189,517		186,433
Service expense		210,146		201,842
Outsourcing expense		701,819		624,077
Others		1,328,339		946,794
Total <sup>1</sup>	₩	<u>11,576,788</u>	₩	<u>12,093,245</u>

<sup>1</sup>Included in the cost of goods sold, selling and administrative expense, and research and development costs in the statements of income.

**31. Employee Benefit Expense**

Details of employee benefit expense for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Salaries	₩	830,484	₩	942,383
Employee benefits		109,846		55,572
Pension costs - defined contribution plans		961		532
Pension costs - defined benefit plans (Note 22)		50,776		50,352
	₩	<u>992,067</u>	₩	<u>1,048,839</u>

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**32. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Salaries	₩	243,546	₩	235,731
Employee benefits		27,253		26,714
Severance pension benefits		20,038		19,639
Training		2,865		3,437
Transportation		22,423		24,795
Communications		7,249		7,157
Taxes and dues		20,750		21,276
Rent		29,879		31,163
Bad debt expenses		23,554		15,602
Depreciation		14,364		15,626
Amortization		26,182		24,227
Operating expenses for overseas branches		17,047		17,243
Advertising		34,159		22,894
Freight and storage expenses		77,061		70,132
Service fees		73,570		67,159
Export expenses		150,140		142,084
Entertainment		11,897		12,664
Others		85,027		107,518
	₩	887,004	₩	865,061

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**33. Other Operation Income and Expenses**

Other operating income and expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
<b>Other operating income</b>		
Rental income	₩ 2,229	₩ 2,841
Gain on disposal of property, plant and equipment	1,395	3,455
Reversal of impairment loss on property, plant and equipment	282	-
Gain on disposal of intangible assets	193	-
Gain on disposal of investment property	64	59
Gain on disposal of other assets	218,538	19
Miscellaneous revenue	51,572	64,233
Gain on derivative transactions	41,420	59,140
Gain on valuation of derivatives	6,578	34,081
Reversal of other assets' allowance for bad debts	36	194
Government grants	2,534	2,824
Dividends	206	290
	<u>325,047</u>	<u>167,136</u>
<b>Other operating expenses</b>		
Loss on valuation of inventories	684	(25)
Loss on disposal of property, plant and equipment	2,645	4,368
Impairment loss on property, plant and equipment	6,433	7,319
Loss on disposal of intangible assets	1,829	433
Impairment loss on intangible assets	8,453	24,622
Loss on disposal of investment property	6	321
Loss on disposal of other investments	-	51
Impairment loss on other investments	6	343
Impairment loss on other assets	206	-
Miscellaneous losses	52,935	85,882
Loss on derivative transactions	15,711	19,358
Loss on valuation of derivatives	29,040	971
Loss on obsolescence of inventories	338	-
Donations	4,596	4,415
Other bad debt expenses	621	16,759
Commissions	11,114	9,659
Loss on disposal of trade receivables	3,478	3,474
Sales promotion	36	27
Additional provision	6,348	28,000
	<u>144,479</u>	<u>205,975</u>
	<u>₩ 180,568</u>	<u>₩ (38,839)</u>

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**34. Finance Income and Costs**

Details of finance income and expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
<b>Finance income</b>				
Interest income				
Cash and cash equivalents	₩	2,339	₩	6,190
Loans and receivables		1,686		3,231
Available-for-sale financial assets		31		211
Held-to-maturity financial assets		1,147		72
Other financial instruments		2,028		2,676
Gain on foreign currency transactions		139,816		169,524
Gain on foreign currency translation		125,758		206,590
Gain on disposal of financial assets				
Available-for-sale financial assets		710		9,305
		<u>273,515</u>		<u>397,799</u>
<b>Finance costs</b>				
Interest expenses				
Financial liabilities at amortized cost		206,720		220,988
Loss on foreign currency transactions		194,954		177,383
Loss on foreign currency translation		151,856		174,152
Loss on disposal of financial assets				
Available-for-sale financial assets		12,926		1,046
Impairment loss of financial assets				
Available-for-sale financial assets		105		613
Related losses		10,050		-
		<u>576,611</u>		<u>574,182</u>
	₩	<u>(303,096)</u>	₩	<u>(176,383)</u>

The Group recognizes income and expense relating to exchange difference as finance income and expenses.



# Hyosung Corporation and Subsidiaries

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#### 35. Earnings per Share

Basic earnings (loss) per ordinary share for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won, except per share amount)</i>	<b>2014</b>	<b>2013</b>
Profit (loss) attributable to equity holders of the Group	₩ 269,229	₩ (229,185)
Weighted average number of ordinary shares in issue <sup>1</sup>	33,268,604	33,268,604
Basic earnings per share		
Basic earnings (loss) per share from continuing operations <i>(in Korean won)</i>	₩ 8,093	₩ (6,889)

<sup>1</sup> The number of weighted average number of ordinary shares for the years ended December 31, 2014 and 2013, is 33,268,604 and there has been no change.

#### 36. Dividends

The dividends paid in 2014 and 2013 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, 2014, of ₩ 2,000 per share, amounting to total dividends of ₩ 66,537 million, is to be proposed at the annual general meeting on March 20, 2015. These consolidated financial statements do not reflect this dividend payable.

#### 37. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Profit before income tax	₩ 468,689	₩ 256,645
Adjustments for:		
Interest income and expenses	103,784	112,754
Gain (loss) on foreign currency translation	25,820	(32,334)
Gain (loss) on derivatives	22,880	(33,291)
Depreciation and amortization	520,843	553,172
Gain (loss) on disposal of property, plant, equipment, intangible assets and investment property	3,046	1,922
Impairment loss on property, plant, equipment, intangible assets, and investment property	14,885	31,940
Bad debts expense	41,733	73,430
Reversal of allowance for bad debts	(36)	(194)
Gain on disposal of other assets	(218,231)	-
Loss related to available-for-sale financial assets	10,050	-
Gain (loss) on disposal of financial assets	11,271	(9,692)
Impairment loss on financial assets	105	464
Impairment loss on investments in subsidiaries associates	-	14,996
Dividends	(6,647)	(3,385)
Severance pension benefits	50,776	50,352
Additional provisions adjustment	16,923	35,534
Loss on disposal of trade receivables	3,478	3,480
Gain (loss) on investments in subsidiaries associates	9,130	(950)

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Loss on valuation of inventories (cost of sales)	5,630	15,167
Long-term employee benefits	6,148	-
Others	44,040	19,800
Changes in assets and liabilities from operations:		
Decrease in trade receivables	38,811	152,667
Decrease in inventories	64,800	63,566
Decrease in other receivables	21,662	71,105
Increase in unbilled amount	(124,513)	(17,872)
Decrease in other financial assets	47,696	62,594
Decrease (increase) in other assets	(34,272)	15,179
Decrease (increase) in cumulative effect of foreign currency translation	234	(20,093)
Increase in other financial business assets	(8,691)	(69,885)
Increase in trade payables	59,848	37,131
Increase (decrease) in other payables	38,140	(170,815)
Increase (decrease) in other financial liabilities	(3,999)	931
Payment of warranty expenses	(6,187)	(7,985)
Payment of post-employment benefits	(8,870)	(12,618)
Payment into plan assets	(59,752)	(38,500)
Others	61	(1,315)
Cash generated from operations	₩ 1,159,285	₩ 1,153,900

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>	<b>2013</b>
Reclassification of receivables into inventories (sites)	₩ 16,160	₩ -
Advance payment related to acquisition of property, plant and equipment	69,556	(95,134)
Accounts payable related to acquisition of property, plant and equipment	(5,197)	(5,084)
Construction-in-progress transferred to property, plant and equipment	574,485	637,648
Reclassification of investments in subsidiaries and associates	32,320	-
Debt-to-equity swap of Chin Heung International Inc.	16,000	-
Reclassification of accounts related to disposal of other assets	196,769	-
Gain (loss) on valuation of available-for-sale financial assets	(3,687)	(386)
Reclassification of the current portion of debentures	262,976	235,000
Reclassification of the current portion of long-term loans	1,305,548	602,010

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**38. 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, 2014, are as follows:

	<b>Provider</b>	<b>Number</b>	<b>Type</b>
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
Check	Hanjin Shipping Co., Ltd.	1	Blank
	Mineral Resource Corporation	1	Blank

*(b) Loan agreements and others*

The Group has general loans and open local L/C with a maximum limit of ₩ 6,847,535 million, including bank overdraft and trade bill discount. Also, the Group has accounts receivable discounting agreements with a maximum limit of ₩ 1,107,597 million with financial institutions as of December 31, 2014.

*(c) Guarantees provided to others*

The Group provided guarantees for others, amounting to ₩ 306,515 million (2013: ₩ 497,665 million) and USD 5,946 thousand (2013: USD 8,046 thousand) as of December 31, 2014. In addition, the Group has provided guarantees amounting to ₩297,250 million (2013: ₩ 286,200 million) to Grand Seventh Ltd. in relation to the solar power plant project in Romania as of December 31, 2014. Also, the Group has provided guarantees amounting to ₩ 43,200 million (2013: ₩ 43,200 million) for its associates, which are the related parties (Note 19).

*(d) Guarantees provided in relation to project financing*

Details of guarantees provided by the Group to developers as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	<b>2014</b>		<b>2013</b>	
Debt assumption/replenishment of funds	₩	125,000	₩	261,800
Joint guarantees		40,000		40,000
	₩	<u>165,000</u>	₩	<u>301,800</u>

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Details of guarantees provided in relation to project financing as of December 31, 2014, are as follows:

(in millions of Korean won)

Construction	Creditor	Guarantee limit	Balance of borrowings	Details of guarantees	Period
Gwangju Taejeondong APT	IB	107,000	103,000	Debt assumption	Apr.2013~Apr.2016
Sangdodong APT	Bank	18,000	18,000	Debt assumption	Sep.2012~Oct.2015
Sunchun-si Resource Recycling Center BTO Project	Bank and insurance	40,000	35,500	Joint guarantees	Apr.2012~Jun.2029
		₩ 165,000	₩ 156,500		

The Group recognized ₩ 1,235 million as financial guarantee liability as of December 31, 2014.

(e) Guarantees provided by others

Details of guarantees provided by others as of December 31, 2014, are as follows:

(in millions of Korean won, US dollars and others)

Guarantor	Collaterals and guarantees provided	Currency	Amount
The Export-Import Bank of Korea,	Performance guarantee and others	KRW	636,556
Korea Exchange Bank, Hana Bank		USD	1,217,725
and others		DZD	166,546,203
Kookmin Bank, Shinhan Bank and others	Payment guarantee in foreign currencies and others	USD	52,307,449
Korea Construction Financial Cooperative and others	Construction performance and others	KRW	700,093
Seoul Guarantee Insurance Company	Performance guarantee and others	KRW	38,220
Mellat Bank	Performance guarantee and others	EUR	276,263
Machinery Financial Cooperative	Payment guarantee in Korean won and others	KRW	125,225
SH Corporation and others	Provide pledge of stock and other	KRW	-

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(f) *Assets pledged as collaterals*

Details of assets pledged as collaterals for the Group's debts as of December 31, 2014, are as follows:

Assets pledged as collaterals	Book Value	Maximum credit amount	Lender
Cash, and cash equivalents		1,299	
Property, plant, equipment	₩ 99,900	KRW 129,870	Newstarhaechi 2 <sup>nd</sup> and others
Property, plant, equipment		279,978	
Available-for-sale financial assets	261,757	KRW 7,668	Woori Bank
Available-for-sale financial assets <sup>1</sup>	-	KRW 123,736	Committee of Creditor Banks of Chin Hung International Inc.
Property, plant, equipment	871,971	KRW 1,475,714	Korea Development Bank and other
Property, plant, equipment	2,000	KRW 2,600	IBK Capital
Property, plant, equipment	150,000	KRW 195,000	Woori Bank and others
Property, plant, equipment	1,690	KRW 2,028	National Agricultural Cooperative Federation
Property, plant, equipment	29,100	KRW 36,000	Nonghyup
Financial Instruments	101	SGD 121,383	DBS Bank
Financial Instruments	37	EUR 27,626	Mellat Bank
Property, plant, equipment and inventories		KRW 6,006	Korea Exchange Bank
Trade receivables	4,620	KRW 61	Korea Exchange Bank
Trade receivables	373,929	KRW 373,929	Woori Bank and others

<sup>1</sup> The Group has pledged its shares in Chin Hung International Inc. (available-for-sale assets with a book value of ₩ 123,736 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.

As of December 31, 2014, the Group has pledged its shares in Somesevit Corporation (formerly, 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 Somesevit Corporation (formerly, Flossom Corporation). Also, the Group has pledged its shares in Gongdeok Gyeongwoo Development Corporation (investment in subsidiaries with no book value) as collateral (with a maximum credit amount of ₩ 24,000 million) in relation to borrowings of Gongdeok Gyeongwoo Development Corporation.

In addition, the Group provided beneficiary rights amounted to ₩ 91,000 million to Woori Bank and other, the preferred beneficial debtor, and also provided right to property transferred for security of contract right and entire operation right in relation to the Doomi Golf Country Club. In addition, property, plant and equipment of the Group have been collateralized in relation to inventory finance of Hyosung Toyota Corp., an associate of the Group (Note 19).

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#### (g) Pending lawsuits

The Group is involved in 21 lawsuits as a plaintiff and 33 lawsuits as a defendant as of December 31, 2014. Management believes that these lawsuits will not have a significant effect on the Group's financial position.

(in millions of Korean won)

Court	Plaintiff	Defendant	Details of lawsuit	Amount	Status
<b>Lawsuits in which the Group is the plaintiff</b>					
Central District Court and other	Hyosung Capital Co., Ltd.	Samsung Electronics and 87 others	Other	₩ 67,956	In progress
Seoul High Court	Hyosung Corporation	Korea Railroad and others	Claims for construction costs	28,744	3 <sup>rd</sup> Trial
Central District Court and other	Hyosung Capital Co., Ltd.	Nanuri and 32 others	Claims for compensation	4,189	In progress
Seoul High Court	Hyosung Corporation	The gallery linie and others	Claims for construction costs	4,126	3 <sup>rd</sup> Trial
Supreme Court of Korea	Hyosung Corporation	Gwangmyeong-si	Claims for payment for goods	1,630	3 <sup>rd</sup> Trial
Seoul High Court	Hyosung Corporation	Meeting for representative resident (tenant) of Hagye 1st Cheong-gu Apartment	Claims for repayment for cogeneration facilities	1,399	2 <sup>nd</sup> Trial
<b>Lawsuits in which the Group is the defendant</b>					
Central District Court and other	Homeplus Co., Ltd. and 15 others	Hyosung Capital Co., Ltd	Other	25,434	In progress
Seoul Central District Court	UOP LLC and others	Hyosung Corporation	Claims for damages	17,692	1 <sup>st</sup> Trial
Supreme Court of Korea	Gwangmyeong City	Hyosung Corporation	Claims for damages	6,840	3 <sup>rd</sup> Trial
Seoul Central District Court	Daehan Consultants Co., Ltd.	Hyosung Corporation and others	Claims for damages	2,395	1 <sup>st</sup> Trial
Seoul Central District Court	147 companies in Korea Federation Plastic Industry Cooperative	Hyosung Corporation	Claims for damages	2,290	1 <sup>st</sup> Trial
Seoul High Court	Korea Environment Corporation	Hyosung Engineering Co, Ltd.	Claims for construction costs	1,208	2 <sup>nd</sup> Trial in progress
Suwon District Court, Seongnam	Korea Land & Housing Corporation	Hyosung Corporation	Claims for damages	1,100	1 <sup>st</sup> Trial

Other than the above, the Group is involved in various lawsuits where the amounts are not material. The outcome of the above cases cannot be estimated as of December 31, 2014.

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**39. Information on Non-controlling Interests**

**39.1 Changes in Accumulated Non-controlling Interests**

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014							
	Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Others	Accumulated non-controlling interests at the end of the year		
Hyosung Investment & Development Corporation	41.25	₩ 24,258	₩ (701)	₩ (4,455)	₩ 501	₩ 19,603		
Hanadaol Landchip Private Real Estate Investment Trust No.39	50.00	16,001	970	(970)	-	16,001		
Hyosung Capital Co., Ltd.	2.85	9,854	699	(280)	(10)	10,263		
Hyosung Vietnam Co., Ltd.	11.79	12,590	12,621	-	1,329	26,540		
Other	-	12,530	9,173	-	9,120	30,823		
		₩ 75,233	₩ 22,762	₩ (5,705)	₩ 10,940	₩ 103,230		

<i>(in millions of Korean won)</i>	2013							
	Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Profit or loss allocated to non-controlling interests	Dividends paid to non-controlling interests	Others	Accumulated non-controlling interests at the end of the year		
Hyosung Investment & Development Corporation	41.25	₩ 25,642	₩ (263)	₩ (1,650)	₩ 529	₩ 24,258		
Hanadaol Landchip Private Real Estate Investment Trust No.39	50.00	16,001	971	(971)	-	16,001		
Hyosung Capital Co., Ltd.	2.85	9,398	775	(280)	(39)	9,854		
Hyosung Vietnam Co., Ltd.	11.79	6,837	6,137	-	(384)	12,590		
Other	-	27,827	(14,679)	-	(618)	12,530		
		₩ 85,705	₩ (7,059)	₩ (2,901)	₩ (512)	₩ 75,233		

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**39.2 Summarized Financial Information on Subsidiaries**

The summarized financial information for each subsidiary with non-controlling interests that are material to the Group before inter-company eliminations is as follows:

Summarized consolidated statements of financial position as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014							
	Hyosung Investment & Development Corporation		Hanadaol Landchip Private Real Estate Investment Trust No.39		Hyosung Capital Co., Ltd.		Hyosung Vietnam Co., Ltd.	
Current assets	₩	14,131	₩	1,273	₩	226,047	₩	455,780
Non-current assets		58,057		190,890		2,373,402		674,588
Current liabilities		359		160,162		1,524,568		630,239
Non-current liabilities		2,780		-		725,492		240,021
Equity		69,049		32,001		349,389		260,108

<i>(in millions of Korean won)</i>	2013							
	Hyosung Investment & Development Corporation		Hanadaol Landchip Private Real Estate Investment Trust No.39		Hyosung Capital Co., Ltd.		Hyosung Vietnam Co., Ltd.	
Current assets	₩	12,279	₩	1,273	₩	197,400	₩	357,529
Non-current assets		56,906		190,890		2,341,013		669,831
Current liabilities		144		10,162		1,100,223		681,605
Non-current liabilities		2,130		150,000		1,099,449		172,035
Equity		66,911		32,001		338,741		173,720



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Summarized consolidated statements of comprehensive income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014			
	Hyosung Investment & Development Corporation	Hanadaol Landchip Private Real Estate Investment Trust No.39	Hyosung Capital Co., Ltd.	Hyosung Vietnam Co., Ltd.
Sales	₩ 1,388	₩ 10,992	₩ 198,666	₩ 1,035,980
Profit for the year	11,723	1,940	24,537	107,172
Other comprehensive income (expenses)	1,215	-	(395)	11,128
Total comprehensive income	₩ 12,938	₩ 1,940	₩ 24,142	₩ 118,300

<i>(in millions of Korean won)</i>	2013			
	Hyosung Investment & Development Corporation	Hanadaol Landchip Private Real Estate Investment Trust No.39	Hyosung Capital Co., Ltd.	Hyosung Vietnam Co., Ltd.
Sales	₩ 563	₩ 10,942	₩ 287,279	₩ 890,784
Profit for the year	10,464	1,943	27,228	59,495
Other comprehensive income (expenses)	1,284	-	(1,616)	(3,191)
Total comprehensive income	₩ 11,748	₩ 1,943	₩ 25,612	₩ 56,304

Summarized consolidated statements of cash flows for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014			
	Hyosung Investment & Development Corporation	Hanadaol Landchip Private Real Estate Investment Trust No.39	Hyosung Capital Co., Ltd.	Hyosung Vietnam Co., Ltd.
Cash flows from operating activities	₩ 13,310	₩ 1,939	₩ 79,360	₩ 183,661
Cash flows from investing activities	(2,500)	-	(64,114)	(109,473)
Cash flows from financing activities	(10,800)	(1,940)	81,836	(67,574)
Net (decrease)/increase in cash and cash equivalents	10	(1)	97,082	6,614
Cash and cash equivalents at beginning of year	163	739	88,595	25,421
Exchange gains/(losses) on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of year	₩ 173	₩ 738	₩ 185,677	₩ 32,035

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	2013			
	Hyosung Investment & Development Corporation	Hanadaol Landchip Private Real Estate Investment Trust No.39	Hyosung Capital Co., Ltd.	Hyosung Vietnam Co., Ltd.
<i>(in millions of Korean won)</i>				
Cash flows from operating activities	₩ 10,717	₩ 1,944	₩ 55,985	₩ 209,152
Cash flows from investing activities	(6,681)	-	(65,578)	(89,971)
Cash flows from financing activities	(4,000)	(1,942)	65,047	(131,218)
Net (decrease)/increase in cash and cash equivalents	36	2	55,454	(12,037)
Cash and cash equivalents at beginning of year	127	737	33,141	37,458
Exchange gains/(losses) on cash and cash equivalents	-	-	-	-
Cash and cash equivalents at end of year	₩ 163	₩ 739	₩ 88,595	₩ 25,421

The Group participated in the capital increase of Asia Lnghub Co.,Ltd. in 2013 not proportionate to its share holdings, resulting in a decrease in controlling interests of ₩ 259 million and an increase in non-controlling interests of ₩ 259 million.

During 2014, the Group acquired the remaining 18.7% ownership in Hyosung Engineering Co, Ltd., a subsidiary, for ₩ 100 million. As a result, the Group owns 100% ownership in Hyosung Engineering Co, Ltd. Also, the book value of non-controlling interests in Hyosung Engineering Co, Ltd. amounting to ₩ 5,984 million was derecognized.

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**40. Unconsolidated Structured Entities**

The nature of business unconsolidated structured entities as of December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>Purpose of establishment and activities</b>	<b>Method of financing</b>	<b>Total assets</b>
Investment fund and investment trust	Enforcement of investment and profit sharing	Issuance of equity shares	₩ 2,412,877
Mortgage loan	Investment and in real property and collection through sales	Issuance of equity shares and borrowings	104,385
Securitization of assets	Securitization and collection of assets	Issuance of ABL and ABCP	83,932
Investment in vessels	Investment in vessels and profit sharing	Issuance of equity shares and borrowings	21,893

The risk of interest in unconsolidated structured entities as of December 31, 2014, is as follows:

<i>(in millions of Korean won)</i>	<b>Book value of available-for-sale financial assets</b>	<b>Book value of receivables</b>	<b>Total</b>
Investment fund and investment trust	₩ 61,929	₩ -	₩ 61,929
Mortgage loan	-	104,139	104,139
Securitization of assets	-	14,704	14,704
Investment in vessels	-	9,385	9,385

Maximum exposure to loss on interest in unconsolidated structured entities as of December 31, 2014, is equal to the book value.

**41. Disposal of Packaging PU**

Upon the approval of the management committee on October 29, 2014, the Group decided to sell packaging PU. On December 5, 2014, the Group sold related assets and liabilities (book value: ₩ 196,769 million) to Asepsys Global Co., Ltd. for ₩ 415,000 million.