

Hyosung Corporation

**Separate Financial Statements
December 31, 2014 and 2013**

Hyosung Corporation
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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 separate financial statements of Hyosung Corporation (the "Company"), which comprise the separate statements of financial position as of December 31, 2014 and 2013, and the separate 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

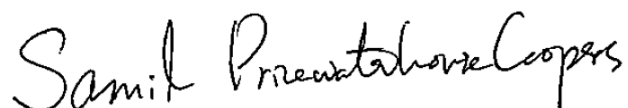
Opinion

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

Other Matters

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

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

A handwritten signature in black ink that reads "Samil P. Prasad" followed by a stylized flourish.

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

Hyosung Corporation
Separate Statements of Financial Position
December 31, 2014 and 2013

(in millions of Korean won)

	Notes	2014	2013
Assets			
Current assets			
Cash and cash equivalents	4, 7, 8	₩ 65,832	₩ 108,906
Trade and other receivables	4, 6, 7, 10, 20, 39	933,621	998,506
Due from customers for contract work	4, 7, 30	169,481	52,399
Other financial assets	4, 7, 11	6,149	36,459
Other current assets	12	111,471	98,974
Inventories	13, 17	647,979	767,097
Non-current assets held-for-sale	14	25,990	26,067
		<u>1,960,523</u>	<u>2,088,408</u>
Non-current assets			
Long-term trade and other receivables	4, 7, 10, 20	209,446	208,684
Property, plant and equipment	14, 17, 18, 39	3,267,496	3,289,464
Investment property	15	482,085	458,208
Intangible assets	16	100,930	68,488
Investment in subsidiaries and associates	19, 39	1,540,489	1,624,754
Other non-current financial assets	4, 7, 9, 11, 39	170,921	87,264
Other non-current assets	12	23,696	23,696
		<u>5,795,063</u>	<u>5,760,558</u>
Total assets		<u>₩ 7,755,586</u>	<u>₩ 7,848,966</u>
Liabilities			
Current liabilities			
Trade and other payables	4, 7, 18, 20, 22, 39	₩ 1,058,146	₩ 1,180,309
Due to customers for contract work	30	101,059	62,706
Borrowings	4, 7, 21	1,943,052	1,944,299
Other financial liabilities	4, 7, 11	24,397	205
Current tax liabilities		51,172	54,639
Other current liabilities	25, 39	155,672	212,698
		<u>3,333,498</u>	<u>3,454,856</u>
Non-current liabilities			
Long-term trade and other payables	4, 7, 18, 20, 22	55,781	41,667
Long-term borrowings	4, 7, 21	1,297,265	1,413,202
Net defined benefit liability	23	39,288	28,733
Deferred tax liabilities	24	231,401	265,663
Other non-current financial liabilities	4, 7, 11	5,192	7
Other non-current liabilities	25	71,462	57,542
		<u>1,700,389</u>	<u>1,806,814</u>
Total liabilities		<u>5,033,887</u>	<u>5,261,670</u>
Equity			
Capital stock	26	175,587	175,587
Capital surplus		130,826	130,826
Retained earnings	27	2,143,603	2,011,532
Other components of equity	11, 28	271,683	269,351
Total equity		<u>2,721,699</u>	<u>2,587,296</u>
Total liabilities and equity		<u>₩ 7,755,586</u>	<u>₩ 7,848,966</u>

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

Hyosung Corporation
Separate Statements of Income
Years Ended December 31, 2014 and 2013

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

	Notes	2014	2013
Revenue	5, 20, 29, 30	₩ 8,532,153	₩ 9,067,386
Cost of sales	20, 30, 31	<u>(7,552,802)</u>	<u>(8,041,493)</u>
Gross profit		979,351	1,025,893
Selling and administrative expenses	20, 31, 33	(661,859)	(658,148)
Research and development expenses	31	<u>(112,745)</u>	<u>(122,893)</u>
Operating profit	5	<u>204,747</u>	<u>244,852</u>
Other income	20, 34	382,847	236,559
Other expenses	20, 34	<u>(108,877)</u>	<u>(143,802)</u>
Other income (expenses), net		<u>273,970</u>	<u>92,757</u>
Finance income	20, 35	238,618	322,968
Finance expenses	35	<u>(405,358)</u>	<u>(406,460)</u>
Finance income (expenses), net		<u>(166,740)</u>	<u>(83,492)</u>
Impairment loss on investment in subsidiaries and associates	19	<u>(49,105)</u>	<u>(123,920)</u>
Profit before income tax		262,872	130,197
Income tax expense	24	<u>(78,000)</u>	<u>(454,140)</u>
Profit (Loss) for the year		<u>₩ 184,872</u>	<u>₩ (323,943)</u>
Basic earnings (loss) per share	36	₩ 5,557	₩ (9,737)

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

Hyosung Corporation
Separate Statements of Comprehensive Income
Years Ended December 31, 2014 and 2013

(in millions of Korean won)

	Notes	2014	2013
Profit (Loss) for the year		<u>₩ 184,872</u>	<u>₩ (323,943)</u>
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liability	23	(19,532)	10,368
Items that may be subsequently reclassified to profit or loss			
Gain (Loss) on valuation of available-for-sale financial assets	11	1,641	(58,271)
Translation of foreign currency financial statements		<u>690</u>	<u>(4,272)</u>
Other comprehensive income (loss) for the year, net of tax		<u>(17,201)</u>	<u>(52,175)</u>
Total comprehensive income (loss) for the year		<u>₩ 167,671</u>	<u>₩ (376,118)</u>

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

Hyosung Corporation
Separate Statements of Changes in Equity
Years Ended December 31, 2014 and 2013

<i>(in millions of Korean won)</i>	Notes	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total
Balance at January 1, 2013		₩ 175,587	₩ 130,826	₩ 2,358,376	₩ 331,894	₩ 2,996,683
Comprehensive income						
Profit (Loss) for the year		-	-	(323,943)	-	(323,943)
Gain (Loss) on valuation of available-for-sale financial assets		-	-	-	(58,270)	(58,270)
Remeasurements of net defined benefit liability		-	-	10,368	-	10,368
Foreign currency translation differences		-	-	-	(4,273)	(4,273)
Transactions with equity holders of the Company						
Dividends	37	-	-	(33,269)	-	(33,269)
Balance at December 31, 2013		<u>₩ 175,587</u>	<u>₩ 130,826</u>	<u>₩ 2,011,532</u>	<u>₩ 269,351</u>	<u>₩ 2,587,296</u>
Balance at January 1, 2014		<u>₩ 175,587</u>	<u>₩ 130,826</u>	<u>₩ 2,011,532</u>	<u>₩ 269,351</u>	<u>₩ 2,587,296</u>
Comprehensive income						
Profit for the year		-	-	184,872	-	184,872
Gain on valuation of available-for-sale financial assets		-	-	-	1,640	1,640
Remeasurements of net defined benefit obligation		-	-	(19,532)	-	(19,532)
Foreign currency translation differences		-	-	-	692	692
Transactions with equity holders of the Company						
Dividends	37	-	-	(33,269)	-	(33,269)
Balance at December 31, 2014		<u>₩ 175,587</u>	<u>₩ 130,826</u>	<u>₩ 2,143,603</u>	<u>₩ 271,683</u>	<u>₩ 2,721,699</u>

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

Hyosung Corporation
Separate Statements of Cash Flows
Years Ended December 31, 2013 and 2012

(in millions of Korean won)

	Notes	2014	2013
Cash flows from operating activities			
Cash generated from operations	38	₩ 369,798	₩ 897,480
Income tax paid		(110,017)	(485,839)
Interest paid		(112,104)	(120,904)
Interest received		2,615	7,012
Dividends received		77,009	95,884
Net cash provided by operating activities		<u>227,301</u>	<u>393,633</u>
Cash flows from investing activities			
Decrease in short-term loans		12,400	-
Proceeds from disposal of short-term financial Instruments		3	49,996
Proceeds from disposal of available-for-sale financial assets		6,829	3,184
Decrease in long-term loans		11,409	6,516
Decrease in long-term deposits provided		7,060	25,956
Proceeds from disposal of property, plant and equipment		6,375	15,453
Government grants received		4,647	9,470
Proceeds from disposal of investment property		2,292	1,335
Proceeds from disposal of intangible assets		26,342	2,590
Proceeds from disposal of investment in subsidiaries and associates		28,788	13,910
Proceeds from disposal of other investments		415,000	-
Increase in short-term loans		(8,400)	(17,400)
Acquisition of short-term financial instruments		(2)	-
Acquisition of available-for-sale financial assets		(59,684)	(109)
Increase in long-term loans		(16,179)	(27,537)
Increase in long-term deposits provided		(3,386)	(2,870)
Acquisition of property, plant and equipment		(404,086)	(356,466)
Acquisition of investment property		(39,787)	(16,535)
Acquisition of intangible assets		(68,101)	(24,540)
Acquisition of investment in subsidiaries and associates		(16,809)	(36,979)
Acquisition of long-term financial instruments		(300)	-
Acquisition of other investments		-	(23,716)
Net cash used in investing activities		<u>(95,589)</u>	<u>(377,742)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		5,906,824	6,132,706
Proceeds from long-term borrowings		342,914	527,667
Proceeds from issuance of debentures		59,910	119,429
Repayment of short-term borrowings		(5,971,176)	(6,020,332)
Repayment of current portion of long-term borrowings		(479,989)	(755,452)
Repayment of long-term borrowings		-	(21,130)
Payment of cash dividends		(33,269)	(33,269)
Net cash used in financing activities		<u>(174,786)</u>	<u>(50,381)</u>
Net increase (decrease) in cash and cash equivalents		(43,074)	(34,490)
Cash and cash equivalents at the beginning of year		108,906	143,396
Cash and cash equivalents at the end of year		<u>₩ 65,832</u>	<u>₩ 108,906</u>

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

Hyosung Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

1. General Information

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

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

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

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

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

Hyosung Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

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

- 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.

- 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.

- 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 Company.

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Notes to Separate Financial Statements

December 31, 2014 and 2013

(b) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014, and not early adopted by the Company are as follows:

- Amendment to Korean IFRS 1027, *Separate Financial Statements*

Amendment to Korean IFRS 1027, *Separate Financial Statements*, requires that the accounting for investments in subsidiaries, jointly controlled entities and associates be accounted for under one of the following methods by each category: at cost, in accordance with the Korean IFRS 1039, or the equity method in Korean IFRS 1028. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company is assessing the impact of application of this amendment on its separate financial statements.

2.3 Investment in Subsidiaries and Associates

The financial statements of the Company are separate financial statements based on Korean IFRS 1027, *Separate financial statements*. Investments in subsidiaries, joint ventures, and associates are recognized at cost under the direct equity method. Management applied the carrying amounts under previous K-GAAP at the time of first adoption of Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, jointly controlled entities or associates in profit or loss when its right to receive dividend is established

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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2.5 Financial Assets

(a) Classification and measurement

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

(b) Impairment

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

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

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over three months; or the disappearance of an active market for that financial asset because of financial difficulties. A decline in the fair value of an available-for-sale equity instrument by more than 50% from its cost or a prolonged decline below its cost for more than a year is also objective evidence of impairment.

(c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the

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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 (Note 6).

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate 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 Company or the counterparty.

2.6 Derivative Instruments

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

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method except for in-transit inventories which are determined using the specific identification method.

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

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

2.9 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are 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:

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

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

2.10 Borrowing Costs

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

2.11 Government Grants

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

2.12 Intangible Assets

Intangible assets 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:

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

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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 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.

2.15 Financial Liabilities

(a) Classification and measurement

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

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

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Notes to Separate Financial Statements

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2.16 Financial Guarantee Contracts

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

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

2.17 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.

2.18 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 Company 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 Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is

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probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

2.19 Employee Benefits

The Company has both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Company 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.

2.20 Revenue Recognition

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

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

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(a) Sale of goods

Sales of goods are recognized when products are delivered to the purchaser.

(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 Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

(e) Dividend income

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

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

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

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, Paragraph 1)

2.22 Lease

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

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

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

2.23 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.

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2.24 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2014 financial statements of the Company 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimations and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

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

(b) Fair value of financial instruments

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

(c) Provisions

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

(d) Defined benefit liability

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

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4. Risk Management

4.1 Financial Risk Factors

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

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.

4.1.1 Market Risk

(a) Foreign exchange risk

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

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

The Company 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 Company as of December 31, 2014 and 2013, is as follows:

(in millions of Korean won)

		Impact on pre-tax profit	
		2014	2013
USD	Strengthened	₩ (109,850)	₩ (99,844)
	Weakened	109,850	99,844
EUR	Strengthened	(2,857)	(6,299)
	Weakened	2,857	6,299
JPY	Strengthened	(3,274)	(6,651)
	Weakened	3,274	6,651
Others	Strengthened	(164)	110
	Weakened	164	(110)

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(b) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of financial position as available-for-sale.

The Company's investments in equity of other entities that are publicly traded are included in KOSPI 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 Company's pre-tax profit for the year and equity is as follows:

<i>(in millions of Korean won)</i>	Impact on equity			
		2014		2013
Increase	₩	33,279	₩	21,404
Decrease		(33,279)		(21,404)

(c) 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 Company is exposed to interest rate risk due to its borrowings in fixed and floating interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Company 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 Company's pre-tax profit for the year and on equity as of December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	Impact on pre-tax profit			
		2014		2013
Increase	₩	(16,272)	₩	(16,050)
Decrease		16,272		16,050

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4.1.2 Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. 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.

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

<i>(in millions of Korean won)</i>		2014		2013
Cash and cash equivalents	₩	65,394	₩	108,693
Trade and other receivables		933,621		998,506
Due from customers for contract work		169,481		52,399
Other financial assets		6,149		36,459
Long-term trade and other receivables		209,446		208,684
Other non-current financial assets		170,921		87,264
Financial guarantee contracts		3,548,904		3,866,037

¹ The difference between 'cash and cash equivalents' presented in the statements of financial position is cash on hand held by the Company.

4.1.3 Liquidity Risk

The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's 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.

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

(in millions of Korean won)

	2014			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 1,053,019	₩ 60,038	₩ -	₩ 1,113,057
Borrowings (including interest expense)	1,962,886	1,392,475	5,908	3,361,269
Derivative liabilities ¹	29,589	-	-	29,589
Financial guarantees ²	2,471,029	764,875	-	3,235,904
PF guarantees ²	99,000	214,000	-	313,000
	<u>₩ 5,615,523</u>	<u>₩ 2,431,388</u>	<u>₩ 5,908</u>	<u>₩ 8,052,819</u>

(in millions of Korean won)

	2013			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 1,180,595	₩ 45,480	₩ -	₩ 1,226,075
Borrowings (including interest expense)	2,037,063	1,472,599	4,467	3,514,129
Derivative liabilities ¹	212	-	-	212
Financial guarantees ²	2,632,124	941,712	2,401	3,576,237
PF guarantees ²	123,000	166,800	-	289,800
	<u>₩ 5,972,994</u>	<u>₩ 2,626,591</u>	<u>₩ 6,868</u>	<u>₩ 8,606,453</u>

¹ The Company's trading portfolio derivative instruments have been included at their fair value of ₩ 29,589 million (2013: ₩ 212 million) within the less than 1 year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date.

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

4.2 Capital Risk Management

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

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In order to maintain or adjust the capital structure, the Company 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 Company 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 separate statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the separate statement of financial position plus net debt.

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

<i>(in millions of Korean won)</i>	2014		2013	
Total borrowings	₩	3,240,316	₩	3,357,501
Less: cash and cash equivalents		(65,832)		(108,906)
Net debt (A)		3,174,484		3,248,595
Total equity (B)		2,721,699		2,587,296
Total capital (A+B=C)		5,896,183		5,835,891
Gearing ratio (A/C)		53.84%		55.67%

4.3 Fair Value Estimation

4.3.1 Fair Value of Financial Instruments by Category

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

4.3.2 Financial Instruments Measured at Cost

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

<i>(in millions of Korean won)</i>	2014		2013	
Available-for-sale financial assets				
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
Government bonds		296		756
Investment and others		6,319		6,906
	₩	<u>21,163</u>	₩	<u>12,755</u>

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

4.3.3 Fair Value Hierarchy

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

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

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 146,344	₩ -	₩ 2,665	₩ 149,009
Derivative assets	-	6,542	-	6,542
	<u>₩ 146,344</u>	<u>₩ 6,542</u>	<u>₩ 2,665</u>	<u>₩ 155,551</u>
Liabilities				
Derivative liabilities	₩ -	₩ 29,589	₩ -	₩ 29,589
	<u>₩ -</u>	<u>₩ 29,589</u>	<u>₩ -</u>	<u>₩ 29,589</u>

(in millions of Korean won)

	2013			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 71,348	₩ -	₩ 2,665	₩ 74,013
Derivative assets	-	36,898	-	36,898
	<u>₩ 71,348</u>	<u>₩ 36,898</u>	<u>₩ 2,665</u>	<u>₩ 110,911</u>
Liabilities				
Derivative liabilities	₩ -	₩ 212	₩ -	₩ 212
	<u>₩ -</u>	<u>₩ 212</u>	<u>₩ -</u>	<u>₩ 212</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 for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
Available-for-sale financial assets				
Beginning balance	₩	2,665	₩	6,860
Amount recognized in other comprehensive income		-		(3,860)
Amount recognized in profit or loss (impairment loss)		-		(335)
Ending balance	₩	2,665	₩	2,665

4.3.5 Valuation Technique and the Inputs

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

5. Operating Segment Information

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

The Company's operating segment information for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014							Total
	Fabric	Industrial materials	Chemicals	Heavy industrial	Construction	Trading	Others	
Revenue								
Total revenue	₩ 1,498,542	₩ 1,108,701	₩ 1,566,209	₩ 1,999,903	₩ 646,660	₩ 2,410,757	₩ 26,174	₩ 9,256,946
Intersegment revenue	(389,550)	(375)	(264,191)	(37,524)	-	(33,153)	-	(724,793)
External revenue	₩ 1,108,992	₩ 1,108,326	₩ 1,302,018	₩ 1,962,379	₩ 646,660	₩ 2,377,604	₩ 26,174	₩ 8,532,153
Operating profit (loss)	₩ 139,144	₩ 30,928	₩ 24,904	₩ (6,842)	₩ 36,930	₩ (14,765)	₩ (5,552)	₩ 204,747
Depreciation and amortization	31,299	42,341	91,613	31,822	227	783	26,815	224,900
Assets								
Current assets	233,628	212,297	166,072	722,978	349,074	201,284	75,190	1,960,523
Non-current assets	253,233	893,401	1,097,081	878,704	201,190	44,697	2,426,756	5,795,062
Investment in subsidiaries and associates	323,712	481,882	41,618	123,424	52,385	52,637	464,831	1,540,489
Acquisition of non-current assets	14,004	32,461	292,514	29,700	37,794	4,750	84,410	495,633

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Liabilities								
Current liabilities	186,267	144,609	307,604	528,987	146,578	285,470	1,733,983	3,333,498
Non-current liabilities	11,341	23,311	9,976	82,138	57,707	3,660	1,512,256	1,700,389

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

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

(in millions of Korean won)	2014	2013
Korea	₩ 4,637,862	₩ 3,660,934
North and Central America	448,592	457,868
Asia	2,471,726	3,746,108
Europe	666,126	814,299
Others	307,847	388,177
	₩ 8,532,153	₩ 9,067,386

6. Transfer of Financial Assets

Trade receivables have been discounted through factoring agreements with banks in 2014 and 2013. In case the customer's default, the Company 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, 21 and 39).

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

(in millions of Korean won)	2014	2013
Loans and receivables		
Book value of assets	₩ 373,929	₩ 411,131
Book value of related liabilities	(373,929)	(411,131)
Net position	-	-

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7. Financial Instruments by Category

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

(in millions of Korean won)

	2014			
	Loans and receivables	Available-for-sale financial assets	Derivative assets	Total
Cash and cash equivalents	₩ 65,832	₩ -	₩ -	₩ 65,832
Trade and other receivables	933,621	-	-	933,621
Due from customers for contract work	169,481	-	-	169,481
Other financial assets	6	-	6,143	6,149
Long-term trade and other receivables	209,446	-	-	209,446
Other non-current financial assets	350	170,172	399	170,921
	<u>₩ 1,378,736</u>	<u>₩ 170,172</u>	<u>₩ 6,542</u>	<u>₩ 1,555,450</u>

(in millions of Korean won)

	2014			
	Financial liabilities at amortized	Financial guarantee liabilities	Derivative liabilities	Total
Trade and other payables	₩ 1,052,570	₩ 5,576	₩ -	₩ 1,058,146
Borrowings	1,943,052	-	-	1,943,052
Other financial liabilities	-	-	24,397	24,397
Long-term trade and other payables	55,781	-	-	55,781
Long-term borrowings	1,297,265	-	-	1,297,265
Other non-current financial liabilities	-	-	5,192	5,192
	<u>₩ 4,348,668</u>	<u>₩ 5,576</u>	<u>₩ 29,589</u>	<u>₩ 4,383,833</u>

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

(in millions of Korean won)

	2013			
	Loans and receivables	Available-for-sale financial assets	Derivative assets	Total
Cash and cash equivalents	₩ 108,906	₩ -	₩ -	₩ 108,906
Trade and other receivables	998,506	-	-	998,506
Due from customers for contract work	52,399	-	-	52,399
Other financial assets	8	301	36,150	36,459
Long-term trade and other receivables	208,684	-	-	208,684
Other non-current financial assets	50	86,467	748	87,265
	<u>₩ 1,368,553</u>	<u>₩ 86,768</u>	<u>₩ 36,898</u>	<u>₩ 1,492,219</u>

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(in millions of Korean won)

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

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

(in millions of Korean won)

	2014	2013
Loans and receivables		
Loss on disposal (Profit or loss)	₩ (3,150)	₩ (3,293)
Interest income	5,542	9,202
Bad debt expense	(23,515)	(13,840)
Other bad debt expense	(2,655)	(12,129)
Gain on foreign currency translation	39,250	55,217
Loss on foreign currency translation	(33,800)	(49,502)
Available-for-sale financial assets		
Gain (Loss) on valuation (Other comprehensive income(loss))	2,165	(76,094)
Gain (Loss) on disposal (Profit or loss)	(381)	928
Impairment loss (Profit or loss)	(105)	(464)
Related loss (Profit or loss)	(10,050)	-
Interest income	30	36
Dividend income	133	221
Financial liabilities at amortized cost		
Interest expense	(112,467)	(121,758)
Gain on foreign currency translation	69,511	119,723
Loss on foreign currency translation	(94,529)	(102,468)
Financial liabilities at fair value through profit or loss		
Gain on derivative transactions (Profit or loss)	17,306	41,174
Gain on valuation of derivatives (Profit or loss)	(23,788)	32,533

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8. Cash and Cash Equivalents

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

<i>(in millions of Korean won)</i>	2014		2013	
Cash on hand	₩	438	₩	213
Bank deposits		65,394		108,693
	₩	<u>65,832</u>	₩	<u>108,906</u>

9. Restricted Financial Instruments

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

<i>(in millions of Korean won)</i>	2014		2013		Details
Other non-current financial assets	₩	50	₩	50	Deposits for checking accounts

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 amount	Allowance for doubtful accounts	Net book value	
Trade receivables	₩ 913,490	₩ (48,541)	₩	864,949
Other receivables	69,795	(1,123)		68,672
Long-term trade receivables	23,848	(10,723)		13,125
Long-term other receivables	222,328	(26,008)		196,320
	₩ <u>1,229,461</u>	₩ <u>(86,395)</u>	₩	<u>1,143,066</u>

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

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The Company transferred trade receivables amounting to ₩ 4,683,931 million to financial institutions for cash, and unsettled amount is ₩ 373,929 million. In case of the customer's default, the Company 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 6, 21 and 39).

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

<i>(in millions of Korean won)</i>	2014		2013	
Other receivables				
Non-trade receivables	₩	55,140	₩	35,274
Short-term loans		8,751		38,842
Accrued income		4,781		3,048
		<u>68,672</u>		<u>77,164</u>
Long-term other receivables				
Long-term loans		38,001		25,452
Deposits provided		158,319		168,394
		<u>196,320</u>		<u>193,846</u>
	₩	<u>264,992</u>	₩	<u>271,010</u>

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

	2014	2013
Discount rate	2.90%~5.00%	3.40% ~ 5.00%

The aging analysis of trade and other receivables as of December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>		2014					
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	₩ 645,551	₩ 70,826	₩ 4,475	₩ 57,279	₩ 87,111	₩ 48,248	₩ 913,490
Other receivables	68,672	-	-	-	-	1,123	69,795
Long-term trade receivables	2,655	-	-	-	-	21,446	24,101
Long-term other receivables	196,835	-	-	-	-	26,008	222,843
	<u>₩ 913,713</u>	<u>₩ 70,826</u>	<u>₩ 4,475</u>	<u>₩ 57,279</u>	<u>₩ 87,111</u>	<u>₩ 96,825</u>	<u>₩1,230,229</u>

<i>(in millions of Korean won)</i>		2013					
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	₩ 770,639	₩ 49,885	₩ 19,845	₩ 41,481	₩ 30,198	₩ 51,063	₩ 963,111
Other receivables	77,164	-	-	-	-	956	78,120
Long-term trade receivables	4,582	-	-	-	-	21,446	26,028
Long-term other receivables	195,121	-	-	-	-	23,520	218,641
	<u>₩ 1,047,506</u>	<u>₩ 49,885</u>	<u>₩ 19,845</u>	<u>₩ 41,481</u>	<u>₩ 30,198</u>	<u>₩ 96,985</u>	<u>₩1,285,900</u>

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

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

The credit quality of financial assets that are not impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as of December 31, 2014 and 2013:

(in millions of Korean won)

	2014		2013	
Counterparties with external credit rating				
A	₩	288,384	₩	362,057
BB		212,924		238,874
BBB		53,058		91,191
		<u>554,366</u>		<u>692,122</u>
Counterparties without external credit rating				
Group 1 ¹		12,874		5,895
Group 2 ²		296,493		218,613
Group 3 ³		4,164		-
		<u>313,531</u>		<u>224,508</u>
	₩	<u>867,897</u>	₩	<u>916,630</u>

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

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

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

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

(in millions of Korean won)

	2014				
	Beginning	Provision	Reversal	Others	Ending
Trade receivables	₩ 41,769	₩ 23,515	₩ 152	₩ (16,895)	₩ 48,541
Other receivables	956	167	-	-	1,123
Long-term trade receivables	10,723	-	-	-	10,723
Long-term other receivables	23,520	2,488	-	-	26,008
	<u>₩ 76,968</u>	<u>₩ 26,170</u>	<u>₩ 152</u>	<u>₩ (16,895)</u>	<u>₩ 86,395</u>

(in millions of Korean won)

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

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

The creation and release of provision for impaired trade receivables and other receivables have been included in 'selling and administrative expenses' (Note 33) and 'other income and expenses' (Note 34) in the statements of income, respectively. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

11. Other Financial Assets and Liabilities

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

<i>(in millions of Korean won)</i>	2014	2013
Other financial assets		
Loans and receivables	₩ 356	₩ 57
Available-for-sale financial assets	170,172	86,768
Derivative assets	6,542	36,898
	<u>177,070</u>	<u>123,723</u>
Less: current portion	(6,149)	(36,459)
	<u>₩ 170,921</u>	<u>₩ 87,264</u>
Other financial liabilities		
Derivative liabilities	₩ 29,589	₩ 212
Less: current portion	(24,397)	(205)
	<u>₩ 5,192</u>	<u>₩ 7</u>

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

<i>(in millions of Korean won)</i>	2014	2013
Short-term financial instruments	₩ 6	₩ 7
Long-term financial instruments	350	50
	<u>₩ 356</u>	<u>₩ 57</u>

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

<i>(in millions of Korean won)</i>	2014		2013	
Equity securities				
Listed	₩	146,344	₩	71,348
Unlisted		18,417		9,070
Investments		5,115		5,594
Debt securities				
Government bonds		296		756
	₩	<u>170,172</u>	₩	<u>86,768</u>

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>	2014		2013	
Beginning balance	₩	86,768	₩	166,008
Acquisition		59,684		109
Reclassification ¹		28,870		246
Disposal		(7,210)		(2,256)
Impairment loss on available-for-sale financial assets		(105)		(464)
Net gains (losses) reclassified to equity		2,165		(76,095)
Net losses reclassified from equity		-		(780)
Ending balance	₩	<u>170,172</u>	₩	<u>86,768</u>
Short-term available-for-sale financial assets		-		301
Long-term available-for-sale financial assets		170,172		86,467

¹ During 2014, the Company 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 Company lost significant influence over Capro Corp. Accordingly, the shares were reclassified from investment in associates to available-for-sale financial assets.

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

<i>(in millions of Korean won)</i>	2014		2013	
Debt securities (government bonds)	₩	-	₩	301

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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>	2014		2013	
	Acquisition cost	Book value ¹	Book value ¹	
Listed stock	₩ 176,373	₩ 146,344	₩ 71,348	
Unlisted stock ¹	41,760	18,417	9,070	
Equity investments	5,115	5,115	5,594	
Debt securities	296	296	455	
	₩ 223,544	₩ 170,172	₩ 86,467	

¹ Available-for-sale financial assets are measured at fair value. However, unlisted stocks which do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably.

Details of listed stock (except for investment in subsidiaries and associates) as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	Number of shares	Percentage of ownership (%)	2014		2013	
			Acquisition cost	Book value	Book value	
Chin Hung International Inc. ^{1,2}	74,315,616	59.62	₩ 153,493	₩ 123,736	₩ 71,348	
Capro Corp. ^{3,4}	7,960,708	19.90	22,880	22,608	-	
			₩ 176,373	₩ 146,344	₩ 71,348	

¹ During 2014, the Company 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%.

² 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 39). Also, although the Company's owns more than 20% interest, it has no significant influence in accordance with the special agreement for plans for normalization of the business of Chin Hung International Inc., and the shares were classified as available-for-sale financial assets accordingly.

³ During 2014, the Company 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 Company lost significant influence over Capro Corp. Accordingly, the shares were reclassified from investment in associates to available-for-sale financial assets.

⁴ The shares of Capro Corp. have been provided as collateral in relation to the long-term borrowings of the Company (Notes 21 and 39).

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Details of unlisted stock (except for investments in subsidiaries and associates) as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	Number of shares	Percentage of ownership (%)	2014		2013	
			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	
The Korea Economic Daily	124,308	0.66	1,354	1,354	1,354	
TransLink Capital Partners 1, L.P.	-	-	2,022	2,022	2,022	
OKSAN OCHANG Highway Corporation ¹	1,891,020	30.00	9,455	9,455	-	
Others	-	-	24,212	1,204	1,312	
			₩ 41,760	₩ 18,417	₩ 9,070	

¹ Although the Company owns 30% ownership in OKSAN OCHANG Highway Corporation, it is considered that the Company 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.

Changes in unrealized gain or loss on valuation of available-for-sale financial assets recorded as accumulated other comprehensive income or loss for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014		2013	
Beginning balance	₩	(24,403)	₩	33,867
Gain (Loss) on valuation		2,165		(76,095)
Loss on disposal (reclassification)		-		(780)
Tax effect on equity		(524)		18,605
Ending balance	₩	(22,762)	₩	(24,403)

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

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

<i>(in millions of Korean won)</i>	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Current				
Forward exchange contracts	₩ 6,143	₩ 22,340	₩ 36,152	₩ 205
Commodity Forward	-	2,057	-	-
	<u>6,143</u>	<u>24,397</u>	<u>36,152</u>	<u>205</u>
Non-current				
Forward exchange contracts	399	1,562	746	7
Total return swap ¹	-	3,630	-	-
	<u>399</u>	<u>5,192</u>	<u>746</u>	<u>7</u>
	<u>₩ 6,542</u>	<u>₩ 29,589</u>	<u>₩ 36,898</u>	<u>₩ 212</u>

¹ The Company entered into a total return swap to settle the difference between the fair value after three years from the issuance date of convertible bonds issued (₩ 35 billion) by Hyosung Engineering Co., Ltd. (formerly, Hyosung Ebara Engineering Co., Ltd.), a subsidiary, and the basic rate of return (6.7%) of Hana HS 1st co., Ltd.'s convertible bonds, the acquiree.

12. Other Assets

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

<i>(in millions of Korean won)</i>	2014	2013
Other current assets		
Advance payments	₩ 90,001	₩ 75,687
Provisions	(290)	(290)
Prepaid expenses	21,760	23,577
	<u>111,471</u>	<u>98,974</u>
Other non-current assets		
Other investments	23,696	23,696
	<u>23,696</u>	<u>23,696</u>
	<u>₩ 135,167</u>	<u>₩ 122,670</u>

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13. Inventories

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

(in millions of Korean won)

	2014					
	Acquisition cost		Provision		Net book value	
Merchandise	₩	19,840	₩	-	₩	19,840
Finished goods		246,024		(17,498)		228,526
Semi-finished goods		86,121		(698)		85,423
Work-in-process		27,770		-		27,770
Raw materials		132,343		(801)		131,542
Sub-materials		9,249		-		9,249
Supplies		2,830		-		2,830
Packaging		1,651		-		1,651
Goods-in-transit		35,860		-		35,860
Cost accrued on construction contracts		7,868		-		7,868
Temporary installations		24		-		24
Finished housing		3,112		-		3,112
Sites		105,279		(10,995)		94,284
	₩	<u>677,971</u>	₩	<u>(29,992)</u>	₩	<u>647,979</u>

(in millions of Korean won)

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

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩ 7,552,802 million (2013: ₩ 8,041,493 million) for the year ended December 31, 2014. Also, the Company recognized provisions for inventories amounting to ₩5,628 million as expense which is included in 'cost of sales' in the statements of income.

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14. 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>	2014		
	Acquisition cost	Accumulated depreciation¹	Net book value
Land	₩ 1,402,667	₩ -	₩ 1,402,667
Building	687,397	(215,754)	471,643
Structures	154,020	(53,141)	100,879
Machinery	2,919,484	(2,165,303)	754,181
Vehicles	26,421	(21,919)	4,502
Tool and equipment	232,563	(181,215)	51,348
Others	13,600	(778)	12,822
Construction in progress	466,665	-	466,665
Machinery in transit	2,789	-	2,789
	<u>₩ 5,905,606</u>	<u>₩ (2,638,110)</u>	<u>₩ 3,267,496</u>

<i>(in millions of Korean won)</i>	2013		
	Acquisition cost	Accumulated depreciation¹	Net book value
Land	₩ 1,348,426	-	₩ 1,348,426
Building	697,753	₩ (213,020)	484,733
Structures	156,843	(51,531)	105,312
Machinery	3,019,854	(2,219,117)	800,737
Vehicles	25,640	(21,088)	4,552
Tool and equipment	247,990	(194,111)	53,879
Others	14,737	(593)	14,144
Construction in progress	433,969	-	433,969
Machinery in transit	43,712	-	43,712
	<u>₩ 5,988,924</u>	<u>₩ (2,699,460)</u>	<u>₩ 3,289,464</u>

¹ Accumulated depreciation includes accumulated impairment loss.

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

<i>(in millions of Korean won)</i>	2014									
	Land	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning	₩1,348,426	₩ 484,733	₩ 105,312	₩ 800,737	₩ 4,552	₩ 53,879	₩ 14,144	₩ 433,969	₩ 43,712	₩ 3,289,464
Acquisition	376	4,905	425	13,600	820	6,944	2,555	255,566	85,745	370,936
Disposal	(34,160)	(36,903)	(6,878)	(88,706)	(72)	(5,389)	(1,746)	(470)	-	(174,324)
Depreciation and others ¹	-	(18,588)	(4,063)	(164,192)	(1,633)	(21,331)	(2,131)	-	-	(211,938)
Impairment loss	-	-	(1)	(1,747)	-	(21)	-	-	-	(1,769)
Transfer ²	91,413	39,612	6,084	195,334	835	17,679	-	(222,400)	(126,668)	1,889
Transfer to investment property	-	(2,116)	-	-	-	-	-	-	-	(2,116)
Government grants	(3,388)	-	-	(845)	-	(413)	-	-	-	(4,646)
Ending	<u>₩1,402,667</u>	<u>₩ 471,643</u>	<u>₩ 100,879</u>	<u>₩ 754,181</u>	<u>₩ 4,502</u>	<u>₩ 51,348</u>	<u>₩ 12,822</u>	<u>₩ 466,665</u>	<u>₩ 2,789</u>	<u>₩ 3,267,496</u>

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¹ Depreciation includes ₩315 million of shrinkage loss from others and ₩1,812 million of supplies expense.

² Reclassification includes reclassification from construction-in-progress and goods-in-transit, and reclassification to non-current assets held-for-sale and intangible assets. The carrying amount of property, plant and equipment reclassified to disposal group classified as held-for-sale amounts to ₩25,991 million and these are related to the assets used by the industrial materials segment.

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

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

² Reclassification includes reclassification from construction-in-progress and goods-in-transit, and reclassification to non-current assets held-for-sale and intangible assets. The carrying amount of property, plant and equipment reclassified to disposal group classified as held-for-sale amounts to ₩26,066 million and these are related to the assets used by the industrial materials segment.

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

(in millions of Korean won)	2014	2013
Cost of goods sold	₩ 189,136	₩ 177,978
Selling and administrative expenses	6,372	6,535
Research and development expenses	14,299	15,119
	<u>₩ 209,807</u>	<u>₩ 199,632</u>

In 2014, the Company has capitalized borrowing costs amounting to ₩14,288 million (2013: ₩14,318 million) on qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 4.10% (2013: 4.46%).

Property, plant and equipment are provided as collaterals to financial institutions for borrowings (Note 39).

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Details of non-current assets held-for-sale as of December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
Structures	₩	95	₩	95
Machinery		25,338		25,393
Tools and equipment		558		578
	₩	<u>25,991</u>	₩	<u>26,066</u>

As of December 31, 2014, the Company has signed an agreement to sell the above structures, machinery, tools and equipment classified as non-current assets held-for-sale, and they will be disposed of within 12 months.

15. Investment Property

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

<i>(in millions of Korean won)</i>	2014		
	Acquisition cost	Accumulated depreciation¹	Net book value
Land	₩ 335,782	₩ (3,485)	₩ 332,297
Building	194,844	(45,056)	149,788
	₩ <u>530,626</u>	₩ <u>(48,541)</u>	₩ <u>482,085</u>

<i>(in millions of Korean won)</i>	2013		
	Acquisition cost	Accumulated depreciation¹	Net book value
Land	₩ 321,845	₩ (3,485)	₩ 318,360
Building	180,810	(40,962)	139,848
	₩ <u>502,655</u>	₩ <u>(44,447)</u>	₩ <u>458,208</u>

¹ 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>	2014		
	Land	Buildings	Total
Beginning balance	₩ 318,360	₩ 139,848	₩ 458,208
Acquisition	24,748	15,039	39,787
Disposal	(10,811)	(2,377)	(13,188)
Depreciation	-	(4,838)	(4,838)
Transfer from property, plant and equipment	-	2,116	2,116
Ending balance	₩ <u>332,297</u>	₩ <u>149,788</u>	₩ <u>482,085</u>

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(in millions of Korean won)

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

Rent income from investment property amounted to ₩ 33,349 million (2013: ₩ 26,667 million), and operating expenses (including repairs and maintenance) directly related to those investment property amounted to ₩ 31,216 million (2013: ₩ 23,944 million) for the year ended December 31, 2014.

As of December 31, 2014, the fair value of investment property amounts to ₩ 560,794 million (2013: ₩ 503,190 million) which was estimated by the Company using officially assessed realty prices.

16. Intangible Assets

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

(in millions of Korean won)

	2014			
	Industrial property	Others	Memberships	Total
Beginning balance	₩ 5,962	₩ 45,413	₩ 17,113	₩ 68,488
Acquisition	913	12,000	55,188	68,101
Disposal	(298)	(16,978)	(6,298)	(23,574)
Amortization	(1,269)	(8,982)	-	(10,251)
Reclassification	-	(1,834)	-	(1,834)
Ending balance	₩ 5,308	₩ 29,619	₩ 66,003	₩ 100,930

(in millions of Korean won)

	2013			
	Industrial property	Others	Memberships	Total
Beginning balance	₩ 6,398	₩ 6,870	₩ 19,584	₩ 32,852
Acquisition	791	23,197	552	24,540
Disposal	(2)	-	(3,023)	(3,025)
Amortization	(1,225)	(7,896)	-	(9,121)
Reclassification	-	23,242	-	23,242
Ending balance	₩ 5,962	₩ 45,413	₩ 17,113	₩ 68,488

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Amortization of ₩ 195 million (2013: ₩ 183 million) in the 'cost of goods sold', ₩ 152 million (2013: ₩ 89 million) in the 'research and development expenses', and ₩ 9,907 million (2013: ₩ 8,852 million) was included in the 'selling and administrative expenses' in the statement of income for the year ended December 31, 2014.

17. Insurance Coverage

Assets covered by insurance policies as of December 31, 2014, are as follows:

<i>(in millions of Korean won)</i>	Assets	Book value	Insurance coverage	Insurance company
Property insurance	Buildings	₩ 621,431	₩ 1,416,913	
	Structures	100,973	127,323	Samsung Fire and
	Machinery	779,520	3,624,698	Marine Insurance Co.
	Inventories	647,979	721,594	and others
	Vehicles and tools	56,408	128,205	
		<u>₩ 2,206,311</u>	<u>₩ 6,018,733</u>	

18. Government Grants

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

<i>(in millions of Korean won)</i>	2014	2013
Beginning balance	₩ 35,935	₩ 31,864
Increase	12,209	18,425
Decrease	<u>(8,986)</u>	<u>(14,354)</u>
Ending balance	<u>₩ 39,158</u>	<u>₩ 35,935</u>

The Company entered into development agreements with Korea Electric Power Research Institute and others for various national projects, including propane dehydrogenation catalyst process development project and others.

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19. Investment in Subsidiaries and Associates

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

<i>(in millions of Korean won)</i>	2014		2013	
Beginning balance	₩	1,624,754	₩	1,682,286
Acquisition		16,809		76,979
Disposal		(29,089)		(10,590)
Impairment loss		(49,105)		(123,921)
Reclassification ¹		(22,880)		-
Ending balance	₩	<u>1,540,489</u>	₩	<u>1,624,754</u>

¹ During 2014, the Company 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 Company lost significant influence over Capro Corp. Accordingly, the shares were reclassified from investments in associates to available-for-sale financial assets.

Details of investments in subsidiaries¹ as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	Location	Percentage of ownership (%)	Book value	
			2014	2013
Galaxia Photonics Co.,Ltd.	Korea	83.32	₩ -	₩ -
Gumoknongsan Co.,Ltd.	Korea	90.00	2,787	2,787
Gongdeok Gyeongwoo Development Corporation	Korea	73.33	1,487	2,546
The Class Hyosung	Korea	58.02	7,183	4,230
Doomi Construction Co.,Ltd. ²	Korea	100.00	-	27,637
Asia Lnghub Co.,Ltd ³	Korea	-	-	1,134
Somesevit Corporation (formerly, Flossom Corporation) ⁴	Korea	57.83	-	-
Taeansolarfarm Corp.	Korea	100.00	1,880	1,880
Hanadaol Landchip Private Real Estate Investment Trust No.39	Korea	50.00	16,000	16,000
Hongjin Data Service Co., Ltd.	Korea	65.52	3,300	3,300
Hyosung Goodsprings, Inc.	Korea	100.00	74,361	74,361
Hyosung Engineering Co., Ltd. (formerly, Hyosung Ebara Engineering Co., Ltd.)Engineering Co., Ltd.)	Korea	100.00	100	-
Hyosung Wind Power Holdinds Ltd.	Korea	100.00	1,200	1,200
Hyosung Capital Co., Ltd.	Korea	97.15	361,762	361,762
Hyosung Investment & Development Corporation	Korea	58.75	34,798	34,798
Hyosung Trans World Co., Ltd.	Korea	100.00	4,698	4,698
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	80.00	-	243
BLITZ F14-125 GMBH	Germany	100.00	39	-
GST Global GmbH	Germany	100.00	160,226	170,682
Hyosung (H.K) LIMITED	China	100.00	557	557
Hyosung (Taiwan) Corporation	Taiwan	100.00	226	226
Hyosung Brasil Industria e Comercio de Fibras LTDA	Brazil	100.00	33,322	33,322
Hyosung Brasil industrial & commercial LTDA	Brazil	100.00	8,607	8,607
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	100.00	156,059	156,059

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Hyosung Chemicals (Jiaxing) Co., Ltd.	China	100.00	4,848	4,848
Hyosung Composite (GuangDong) Co., Ltd.	China	100.00	941	2,250
Hyosung Corporation India Pvt. Ltd.	India	100.00	461	461
Hyosung Europe SRL	Italy	100.00	3,704	3,704
Hyosung Holdings USA	America	100.00	89,589	89,589
Hyosung International Trade(Jiaxing) Co., Ltd.	China	100.00	1,295	1,295
Hyosung Istanbul TEKSTIL LTD.STI	Turkey	76.66	12,621	12,621
Hyosung Japan Co., Ltd.	Japan	100.00	6,899	6,899
Hyosung Luxembourg S.A	Luxembourg	100.00	18,535	18,535
Hyosung Power Holdings Co., Ltd.	Cayman	100.00	10,878	16,256
Hyosung Resource (Australia) PTY Ltd.	Australia	100.00	14,233	14,214
Hyosung Corporation Rus.	Russia	100.00	1,692	1,692
Hyosung Singapore PTE Ltd. ⁵	Singapore	100.00	17	27,405
Hyosung Spandex (GuangDong) Co., Ltd.	China	100.00	102,594	102,594
Hyosung Spandex (Jiaxing) Co., Ltd.	China	100.00	117,289	117,289
Hyosung Spandex (Zhuhai) Co., Ltd.	China	75.00	24,644	24,644
Hyosung SRL	Romania	100.00	1	1
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	100.00	30,653	30,653
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	China	70.00	18,430	23,659
Hyosung Vietnam Co., Ltd.	Vietnam	88.21	49,192	49,192
Hyosung Wire Luxembourg S.A	Luxemburg	100.00	-	-
PT.HYOSUNG JAKARTA	Indonesia	99.90	1,268	1,268
Xepix Corp.	America	74.93	2,768	2,768
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	64.50	10,404	10,404
			<u>W 1,391,548</u>	<u>W 1,468,270</u>

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

² As a result of impairment review of Doomi Construction Co., Ltd, the entire amount was recognized as impairment.

³ During 2014, Asia Lnghub Co.,Ltd was liquidated.

⁴ The Company has provided its equity shares of Somesevit Corporation (formerly, Flossom Corporation) as collateral in relation to its borrowings of Somesevit Corporation (formerly, Flossom Corporation) (Note 39).

⁵ The Company participated in capital decrease of Hyosung Singapore PTE Ltd. and disposed of ₩ 26,641 million. The Company performed impairment test for the remaining shares and recognized ₩ 747 million as impairment.

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

(in millions of Korean won)

	Location	Percentage of ownership (%)	Book value	
			2014	2013
Nautilus Hyosung Inc.	Korea	43.50	₩ 65,178	₩ 65,178
Shinwha Intertek Corp. ¹	Korea	18.29	16,918	16,918
E-pia Tech.Co., Ltd.	Korea	21.30	-	-
Capro Corp. ^{2,3}	Korea	19.90	-	24,194
Taebaek Wind Power Co., Ltd.	Korea	35.00	5,334	5,334
Pyeongchang Wind Power Co., Ltd	Korea	42.00	6,510	893

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Hyosung Information System Co., Ltd	Korea	50.00	24,860	24,860
Hyosung Toyota Corp.	Korea	40.00	-	-
Hyosung ITX Co., Ltd.	Korea	34.99	6,961	6,961
PT. Gelora Mandiri Membangun ¹	Indonesia	15.00	4,687	-
PT. Papua Agro Lestari ¹	Indonesia	15.00	6,347	-
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	Taiwan	30.00	12,146	12,146
			<u>₩ 148,941</u>	<u>₩ 156,484</u>

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

² The Company's shares in Capro Corp. are pledged as collateral for borrowings (Note 21 and 39).

³ During 2014, the Company 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 Company lost significant influence over Capro Corp. Accordingly, the shares were reclassified from investments in associates to available-for-sale financial assets.

Details of impairment losses recognized in relation to investments in subsidiaries and associates for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Book value	Recoverable amount ¹	Impairment loss	Method used
Gongdeok Gyeongwoo Development Corporation	₩ 2,546	₩ 1,487	₩ 1,059	Net fair value
Doomi Construction Co.,Ltd.	27,637	-	27,637	Value-in-use
The Class Hyosung ²	4,230	7,183	(2,953)	Value-in-use
Baoding Hyosung Tianwei Transformer Co., Ltd.	243	-	243	Net fair value
GST Global GmbH	170,682	160,226	10,456	Value-in-use
Hyosung Composites (Guangdong) Co., Ltd	2,250	941	1,309	Net fair value
Hyosung Power Holdings Co., Ltd.	16,256	10,878	5,378	Value-in-use
Hyosung Singapore PTE Ltd.	764	17	747	Net fair value
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	23,659	18,430	5,229	Value-in-use
	<u>₩ 248,267</u>	<u>₩ 199,162</u>	<u>₩ 49,105</u>	

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	2013					
	Book value	Recoverable amount ¹	Impairment loss	Method used		
Galaxia Photonics Co., Ltd.	₩ 35,644	₩ -	₩ 35,644	Net fair value		
Gongdeok Gyeongwoo Development Corporation	4,400	2,546	1,854	Net fair value		
Doomi Construction Co., Ltd.	40,000	27,637	12,363	Value-in-use		
The Class Hyosung	7,183	4,230	2,953	Net fair value		
Asia Lnghub Co., Ltd	2,441	1,134	1,307	Net fair value		
Somesevit Corporation (formerly, Flossom Corporation)	4,152	-	4,152	Net fair value		
Hyosung Engineering Co., Ltd. (formerly, Hyosung Ebara Engineering Co., Ltd.)	17,435	-	17,435	Net fair value		
Shinwha Intertek Corp.	32,000	16,918	15,082	Value-in-use		
Baoding Hyosung Tianwei Transformer Co., Ltd.	1,475	243	1,232	Net fair value		
Hyosung (H.K) LIMITED	829	557	272	Net fair value		
Hyosung Global(Taiwan) Co., LTD	559	226	333	Net fair value		
Hyosung Steel Cord (Qingdao) Co., Ltd.	61,947	30,653	31,294	Value-in-use		
	₩ 208,065	₩ 84,144	₩ 123,921			

¹ The Company considers net fair value and value-in-use in calculating the recoverable amounts of investments in subsidiaries and associates. The net fair value was estimated based on the best information available to calculate the amount of consideration, which may be received in a sale of assets between independent parties with reasonable judgment and intentions, less costs to sell. The value-in-use was calculated by discounting estimated future cash flows of subsidiaries and associates with an appropriate discount rate, and a valuation report from an independent external valuation agency was used.

² The Company reversed the impairment loss recognized in the past, since the recoverable amount of shares of The Class Hyosung exceed its carrying amount.

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

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

	2014			
	Number of shares	Market price per share	Fair value	Book value
Hyosung ITX Co., Ltd.	4,349,000	₩ 19,050	₩ 82,848	₩ 6,961
Shinwha Intertek Corp.	4,446,227	2,935	13,050	16,918

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

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

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20. Related Party Transactions

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

Subsidiaries

Location	Related Party
Domestic	Galaxia Photonics Co., Ltd, Gongdeok Gyeongwoo Development Corporation, Gumoknongsan Co., Ltd, The Class Hyosung, Doomi Construction Co.,Ltd., Somesevit Corporation (formerly, Flossom Corporation), Taeansolarfarm Corp., Hanadaol Landchip Private Real Estate Investment Trust No.39, Hana HS 1st co., Ltd, Hana HS 2nd co., Ltd, Hongjin Data Service Co., Ltd., Hyosung Goodsprings, Inc., Hyosung Engineering Co., Ltd. (formerly, Hyosung Ebara Engineering Co., Ltd.), Hyosung Wind Power Holdinds Ltd., Hyosung Capital Co., Ltd., Hyosung Investment & Development Corporation, Hyosung Trans World Co., Ltd., Hyosung Capital The 6th Securitization Co.,Ltd., Hyosung Capital The 7th Securitization Co.,Ltd., Hyosung Capital The 8th Securitization Co.,Ltd., Hyosung Capital The 9th Securitization Co.,Ltd., Hyosung Capital The 10th Securitization Co.,Ltd., Hyosung Capital The 11th Securitization Co.,Ltd., Hyosung Capital The 12th Securitization Co.,Ltd., Hyosung Capital The 13th Securitization Co.,Ltd.
America	Global Safety Textiles U.S. Holdings, Inc., Global Safety Textiles LLC, GST Automotive Safety Components International LLC, GST Automotive Safety Components International LLC S.A.de C.V, HICO America Sales & Tech., Hyosung Holdings USA, Hyosung Brasil industria e comercio de fibras LTDA, Hyosung Brasil industrial & commercial LTDA, Hyosung Power Holdings Co., Ltd., Hyosung USA Inc., Powertech Corporation, Xepix Corp.
Europe	BLITZ F14-125 GMBH, GST Global GmbH, Global Safety Textiles GmbH, GST Automotive Safety Poland Sp.z.oo, GST Automotive Safety Czech s.r.o., GST Automotive Safety UK Limited, GST Automotive Safety RO S.R.L., GST Safety Textiles RO S.R.L., Hyosung Europe SRL, Hyosung Istanbul TEKSTIL LTD.STI, Hyosung Luxembourg S.A, Hyosung SRL, Hyosung Wire Luxembourg S.A, Hyosung RUS
Asia	Hyosung (Taiwan) Corporation, Hyosung Japan Co., Ltd., Hyosung Singapore PTE Ltd., Hyosung Vietnam Co., Ltd., Hyosung Corporation India Pvt. Ltd., PT. HYOSUNG JAKARTA
China	Baoding Hyosung Tianwei Transformer Co., Ltd., Central Trade Investment Ltd., GST Automotive Safety (Changshu) Co., Ltd., GST China Investment Limited, Luck Faith Investment Ltd., Hyosung (H.K) LIMITED, Hyosung Chemical Fiber (Jiaxing) Co., Ltd., Hyosung Chemicals (Jiaxing) Co., Ltd., Hyosung Composites (GuangDong) Co., Ltd., Hyosung International Trade(Jiaxing) Co., Ltd., Hyosung Spandex (GuangDong) Co., Ltd., Hyosung Spandex (Jiaxing) Co., Ltd., Hyosung Spandex (Zhuhai) Co., Ltd., Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd., Hyosung Steel Cord (Qingdao) Co., Ltd., Hyosung International(HK) Ltd., Nantong Hyosung Transformer Co., Ltd., Nantong Transformer Co., Ltd., Nantong Yaubong Transformer Co., Ltd., Zhangjiagang Xiaosha Coil Service Co., Ltd.

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Others GST Automotive Safety South Africa(Proprietary) Limited,
Hyosung Resource (Australia) PTY Ltd.

Associates

Location	Related Party
Domestic	Nautilus Hyosung Inc., Soonchon Eco Green Corporation, Shinwha intertek Co. Ltd., 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	Related Party
Domestic	Galaxia device co., Ltd., Galaxia display., Galaxia Electronics, Galaxia Corporation, Galaxia Communications, Gongdeok Development Corporation, Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., IB Medianet, IB Worldwide., EveryShow, NAUTILUS HYOSUNG TECH INC., Infohub., Chin Hung International Inc., Taeuk Construction Co., Ltd, Trinity Asset Managemernt., The Premium Hyosung Co., Ltd., HYOSUNG FMS INC. and others
China	Tianjin Galaxia Device Electronics., Co.Ltd., Huizhou Galaxia Device Electornics., 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

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Sales and others¹	Dividend income	Purchase and others¹	Acquisition of fixed assets
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 279,257	₩ 22,795	₩ 121,828	₩ -
Hyosung USA Inc.	99,617	-	1,507	271
HICO America Sales & Tech.	138,235	-	418	-
Hyosung Singapore PTE Ltd.	240,438	-	13,970	-
Hyosung Japan Co., Ltd.	244,884	-	88,121	9,762
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	38,714	-	49,594	-
Doomi Construction Co.,Ltd	13,528	-	-	54,000
Hyosung Capital Co., Ltd.	28	13,214	55	-
Others	248,337	35,012	210,159	5,922
	<u>1,303,038</u>	<u>71,021</u>	<u>485,652</u>	<u>69,955</u>

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Associates

Nautilus Hyosung Inc.	5,143	-	12,963	1,478
Capro Corp.	2	-	156,510	-
Hyosung Information System Co., Ltd.	296	4,325	144	-
Shinwha Intertek Corp.	4,544	-	23	4
Others	4,018	1,610	1,842	275
	<u>14,003</u>	<u>5,935</u>	<u>171,482</u>	<u>1,757</u>

Other related parties

Chin Hung International Inc.	17,240	-	170,655	53,444
Gongdeok Development Corporation	1,159	-	7,261	-
Shin Dong Jin Co., Ltd.	-	-	5,076	15
Others	1,302	-	6,016	287
	<u>19,701</u>	<u>-</u>	<u>189,008</u>	<u>53,746</u>
	<u>₩ 1,336,742</u>	<u>₩ 76,956</u>	<u>₩ 846,142</u>	<u>₩ 125,458</u>

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

(in millions of Korean won)

2013

	Sales and others¹	Dividend income	Purchase and others¹	Acquisition of fixed assets
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 305,191	₩ 14,141	₩ 120,860	₩ -
Hyosung USA Inc.	88,199	-	626	-
HICO America Sales & Tech.	93,956	-	2,184	-
Hyosung Singapore PTE Ltd.	248,380	-	42,110	-
Hyosung Japan Co., Ltd.	237,825	-	195,506	56,540
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	41,226	-	38,655	-
Hyosung Capital Co., Ltd.	368	13,214	55	-
Others	307,225	63,577	209,992	18,915
	<u>1,322,370</u>	<u>90,932</u>	<u>609,988</u>	<u>75,455</u>
Associates				
Nautilus Hyosung Inc.	4,711	-	14,494	1,823
Capro Corp.	1,341	2,104	363,519	-
Hyosung Information System Co., Ltd.	102	2,595	330	-
Others	1,321	113	544	40
	<u>7,475</u>	<u>4,812</u>	<u>378,887</u>	<u>1,863</u>
Other related parties				
Chin Hung International Inc.	8,911	-	71,972	35,898
Gongdeok Development Corporation	1,675	-	6,150	-
Galaxia Communications	412	-	1,044	11
Others	5,312	-	8,188	263
	<u>16,310</u>	<u>-</u>	<u>87,354</u>	<u>36,172</u>
	<u>₩ 1,346,155</u>	<u>₩ 95,744</u>	<u>₩ 1,076,229</u>	<u>₩ 113,490</u>

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

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Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Trade receivables	Other receivables¹	Trade payables	Other payables¹
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 4,267	₩ 417	₩ 16,843	₩ 941
Hyosung Japan Co., Ltd.	1,551	188	44,390	122
Gongdeok Gyeongwoo Development Corporation	-	23,501	-	-
Doomi Construction Co., Ltd.	82,935	9,321	-	43
Others	37,783	40,985	15,202	49,691
	<u>126,536</u>	<u>74,412</u>	<u>76,435</u>	<u>50,797</u>
Associates				
Nautilus Hyosung Inc.	-	406	604	3,828
Hyosung Toyota Corp.	994	-	-	-
Hyosung ITX Co., Ltd.	-	-	760	309
Shinwha intertek Co. Ltd.	283	3	2	-
Others	72	24	32	11
	<u>1,349</u>	<u>433</u>	<u>1,398</u>	<u>4,148</u>
Other related parties				
Shin Dong Jin Co., Ltd.	1,917	3,013	612	103
Chin Hung International Inc.	198	4,437	128	47,483
Gongdeok Development Corporation	-	5,361	-	7
Others	1	2,785	343	5,478
	<u>2,116</u>	<u>15,596</u>	<u>1,083</u>	<u>53,071</u>
	<u>₩ 130,001</u>	<u>₩ 90,441</u>	<u>₩ 78,916</u>	<u>₩ 108,016</u>

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

(in millions of Korean won)

	2013			
	Trade receivables	Other receivables¹	Trade payables	Other payables¹
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 3,619	₩ 906	₩ 9,022	₩ 184
Hyosung Japan Co., Ltd.	2,835	2,181	131,258	33,948
Gongdeok Gyeongwoo Development Corporation	20	19,567	-	-
Doomi Construction Co., Ltd.	66,711	10,406	-	40
Others	57,378	26,939	20,649	47,089
	<u>130,563</u>	<u>59,999</u>	<u>160,929</u>	<u>81,261</u>
Associates				
Nautilus Hyosung Inc.	-	215	95	4,927
Capro Corp.	2	-	81,273	-
Hyosung Toyota Corp.	199	-	-	-
Others	53	164	17	80
	<u>254</u>	<u>379</u>	<u>81,385</u>	<u>5,007</u>
Other related parties				
Shin Dong Jin Co., Ltd.	5,417	3,119	213	118
Chin Hung International Inc.	228	20,110	9,723	15,483

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Gongdeok Development Corporation	201	8,337	-	-			
Others	3	2,794	1,294	1,088			
	5,849	34,360	11,230	16,689			
₩	136,666	₩	94,738	₩	253,544	₩	102,957

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

Fund transactions with related parties for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014					
	Loan transactions					
	Beginning	Loan	Collection	Exchange differences	Ending	Contributions
Subsidiaries						
Hyosung Power Holdings Co., Ltd.	₩ 6,481	₩ -	₩ -	₩ 270	₩ 6,751	₩ -
Gongdeok Gyeongwoo Development Corporation	18,361	2,000	-	-	20,361	-
Doomi Construction Co.,Ltd.	4,000	4,400	8,400	-	-	-
Galaxia Photonics Co.,Ltd.	-	2,000	-	-	2,000	-
Hyosung Resource (Australia)PTY Ltd.	-	-	-	-	-	19
BLITZ F14-125 GMBH	-	-	-	-	-	39
Associates						
Pyeongchang Wind Power Co., Ltd.	-	-	-	-	-	5,617
PT. Papua Agro Lestari	-	-	-	-	-	6,347
PT. Gelora Mandiri Membangun	-	2,395	-	103	2,498	4,687
Other related parties						
OpCo GmbH ¹	6,840	-	-	(167)	6,673	-
Chin Hung International Inc. ²	20,000	-	20,000	-	-	60,000

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

² During 2014, the Company 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%.

(in millions of Korean won)

	2013					
	Loan transactions					
	Beginning	Loan	Collection	Exchange differences	Ending	Contributions
Subsidiaries						
Hyosung Power Holdings Co., Ltd.	₩ 6,578	₩ -	₩ -	₩ (97)	₩ 6,481	₩ -
Gongdeok Gyeongwoo Development Corporation	14,961	3,400	-	-	18,361	-
Doomi Construction Co.,Ltd. ¹	-	4,000	-	-	4,000	40,000
PT.HYOSUNG JAKARTA	-	-	-	-	-	1,268
Hyosung RUS	-	-	-	-	-	1,692
Hyosung Resource (Australia)PTY Ltd.	-	-	-	-	-	19
Asia LngHub Co., Ltd.	-	-	-	-	-	2,000
Associates						
Shinwha intertek Co. Ltd.	-	-	-	-	-	32,000
Other related parties						

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OpCo GmbH ²	6,788	-	-	52	6,840	-
Chin Hung International Inc.	-	20,000	-	-	20,000	-

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

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

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

<i>(in millions of Korean won)</i>	2014		2013	
Short-term employee benefits	₩	7,442	₩	6,995
Post-employment benefits		2,029		1,355
	₩	<u>9,471</u>	₩	<u>8,350</u>

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

(in millions of Korean won)

	2014			
	Guaranteed amount	Details	Credit amount	Creditor
Subsidiaries				
Hyosung Spandex(Jiaxing) Co., Ltd.	₩ 68,516	Operating capital and others	₩ 68,516	Korea Development Bank and others
Hyosung Spandex(GuangDong) Co.,Ltd.	134,707	Operating capital and others	115,408	Korea Development Bank and others
Hyosung Spandex(Zhuhai)Co., Ltd.	44,335	Operating capital and others	29,056	Korea Exim Bank and others
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	126,216	Operating capital and others	125,332	Korea Development Bank and others
Hyosung Chemicals (Jiaxing) Co.,Ltd	68,061	Operating capital and others	39,595	Korea Development Bank and others
Hyosung Composites (GuangDong) Co.,Ltd.	21,347	Facility loans and others	11,475	Korea Development Bank and others
Hyosung Steel Cord (Qingao) Co., Ltd.	154,503	Operating capital and others	137,767	Korea Exim Bank and others
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	74,742	Facility loans and others	66,288	SMBC Bank and others
Baoding Hyosung Tianwei Transformer Co., Ltd.	15,301	Operating capital and others	14,949	Korea Development Bank and others
Nantong Hyosung Transformer Co.,Ltd.	213,579	Operating capital and others	136,633	Korea Development Bank and others
Hyosung Vietnam Co.,Ltd.	745,038	Facility loans and others	387,250	Syndicate Loan and others
Hyosung Istanbul TEKSTIL LTD.STI	81,341	Operating capital and others	81,341	Kookmin Bank and others
Hyosung Luxembourg S.A.	6,683	Operating capital and others	-	Woori Bank
Hyosung Wire Luxembourg S.A.	9,356	Operating capital and others	5,346	Korea Exchange Bank and others
Hyosung USA Inc.	179,170	Operating capital and others	111,019	Syndicate Loan and others
Hyosung Holdings USA	22,424	Operating capital and others	20,885	Kookmin Bank and others
HICO America Sales & Tech.	32,976	Operating capital and others	21,984	Woori Bank

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Hyosung Japan Co., Ltd.	136,462	Operating capital and others	45,864	Korea Exchange Bank and others
Hyosung International (HK) Ltd.	14,290	Operating capital and others	7,052	Korea Development Bank and others
Hyosung Singapore PTE Ltd.	10,992	Operating capital and others	4,996	Woori Bank
Hyosung Brasil industria e comercio de fibras LTDA	76,944	Operating capital and others	76,944	Korea Exim Bank and others
GST Global GmbH	237,398	Facility loans and others	223,293	Syndicate Loan and others
GST Automotive Safety (Changshu) Co.,Ltd.	32,976	Facility loans and others	32,976	Korea Exim Bank and others
GST Safety Textiles RO S.R.L.	21,384	Facility loans and others	21,384	Korea Exim Bank and others
Hyosung RUS	2,198	Operating capital	1,814	Woori Bank and others
Somesevit Corporation (formerly, Flossom Corporation) ¹	56,010	Facility loans and others	56,010	Newstarhaechi and others
Gongdeok Gyeongwoo Development Corporation ²	160,000	Operating capital and others	24,000	Korea Development Bank and others
Associates				
Hyosung Toyota Corp. ³	3,200	Operating capital and others	-	Toyota Motor Korea Corporation
	<u>₩ 2,750,149</u>		<u>₩ 1,867,177</u>	

¹ The Company has pledged its shares in Somesevit Corporation (formerly, Flossom Corporation) as collateral in relation to borrowings of Somesevit Corporation (formerly, Flossom Corporation) (Note 39).

² The Company has pledged its shares in Gongdeok Gyeongwoo Development Corporation as collateral in relation to borrowings of Gongdeok Gyeongwoo Development Corporation (Note 39).

³ Property, plant and equipment of the Company have been collateralized in relation to inventory finance of Hyosung Toyota Corp., an associate of the Company (Note 39).

(in millions of Korean won)

		2013			
		Guaranteed amount	Details	Credit amount	Creditor
Subsidiaries					
Hyosung Spandex(Jiaxing) Co., Ltd.	₩ 74,926	Operating capital and others	₩ 74,926	Korea Development Bank and others	
Hyosung Spandex(GuangDong) Co.,Ltd	119,512	Operating capital and others	110,410	Korea Development Bank and others	
Hyosung Spandex(Zhuhai)Co., Ltd.	34,623	Operating capital	30,507	Korea Development Bank and others	
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	123,416	Operating capital and others	120,435	Korea Development Bank and others	
Hyosung Chemical(Jiaxing) Co.,Ltd	66,150	Operating capital and others	51,438	Korea Development Bank and others	
Hyosung Composite (GuangDong) Co.,Ltd.	18,593	Facility loans and others	8,559	Korea Development Bank and others	
Hyosung Steel Cord (Qingao) Co., Ltd	153,755	Operating capital and others	137,189	SMBC Bank and others	
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	67,979	Facility loans and others	67,991	Korea Exim Bank and others	
Baoding Hyosung Tianwei Transformer Co.	14,859	Operating capital	14,352	Korea Development Bank and others	
Nantong Hyosung Transformer Co.,Ltd.	236,914	Operating capital	165,485	Bank of China and others	
Hyosung Vietnam Co.,Ltd	822,923	Facility loans	529,223	Korea Exim Bank and others	
Hyosung Istanbul Tekstil Ltd. STI	101,309	Operating capital and others	101,309	Korea Development Bank and others	
Hyosung Luxembourg S.A.	39,319	Operating capital	13,834	Shinhan Bank and others	

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Hyosung Wire Luxembourg S.A.	30,581	Operating capital	14,563	Korea Exim Bank and others
Hyosung USA, Inc.	172,014	Operating capital	145,631	Korea Exim Bank and others
Hyosung Holdings USA, Inc.	23,217	Operating capital	17,940	Kookmin Bank
HICO America Sales & Tech.	31,659	Foreign currency loans and others	23,744	Woori Bank and others
Hyosung Japan Co., Ltd.	138,629	Foreign currency loans and others	44,237	Woori Bank and others
Hyosung International (HK) LTD.	13,719	Foreign currency loans and others	3,099	Hana Bank and others
Hyosung Singapore PTE Ltd.	10,553	Foreign currency loans and others	-	Woori Bank
Hyosung Brasil industria e comercio de fibras LTDA	89,701	Facility loans and others	89,701	Mizho Bank and others
GST Global GmbH	216,599	Facility loans and others	183,051	Korea finance corporation and others
GST Automotive Safety (Changshu) Co.,Ltd.	42,212	Facility loans	31,659	Korea Exim Bank
Somesevit Corporation (formerly, Flossom Corporation) ¹	56,010	Facility loans and others	56,010	Newstarhaechi and others
Associates				
Hyosung Toyota Corp. ²	3,200	Operating capital and others	-	Toyota Motor Korea Corporation
	<u>₩2,702,372</u>		<u>₩2,035,293</u>	

¹ The Company has pledged its shares in Somesevit Corporation (formerly, Flossom Corporation) as collateral in relation to borrowings of Somesevit Corporation (formerly, Flossom Corporation) (Note 39).

² Property, plant and equipment of the Company have been collateralized in relation to inventory finance of Hyosung Toyota Corp., an associate of the Company (Note 39).

21. Borrowings

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

<i>(in millions of Korean won)</i>	Bank	Maturity date	Interest rate as of Dec. 31, 2014 (%)	2014	2013
Short-term borrowings denominated in Korean won					
Bank overdrafts	Kyongnam Bank	2015-01-02	4.68	₩ 3,052	₩ -
	Woori Bank	-	-	-	13,300
General loan	Shinhan Bank	2015-06-22	3.80	60,000	30,000
	Woori Bank	2015-05-08	4.38	30,000	30,000
	Kookmin Bank	-	-	-	30,000
	Daegu Bank	-	-	-	20,000
	KT Capital Corporation	-	-	-	20,000
Revolving loan	Kyongnam Bank	2015-01-30	3.43	20,000	-
	Daegu Bank	2015-01-19	3.51	20,000	-
	Shinhan Bank	2015-01-17	3.53	20,000	30,000
	Woori Bank	2015-01-02	3.93	51,000	-
	Korea Development Bank	-	-	-	140,000
CP discount	Hana Bank	-	-	-	5,000
	SHINYOUNG SECURITIES CO.,LTD	-	-	-	60,000
	Woori Investment Bank	-	-	-	13,000

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Mutual fund loan	Korea Exim Bank	2015-06-22	3.11	13,957	-
Import financing	Korea Exim Bank	-	-	-	21,106
USANCE	Woori Bank and others	-	0.85	493,256	437,410
Sale of trade receivables ¹	Woori Bank and others	-	2.13	373,728	410,590
Short-term borrowings denominated in foreign currency					
General loan		-	-	-	10,553
Facility loan		2015-09-19	2.18	10,992	-
Limit loan		2015-01-27	1.93	18,686	-
		2015-03-30	2.11	98,928	63,318
Import financing		2015-07-06	1.30	76,944	-
Long-term borrowings denominated in Korean won					
General loan	Mineral Resource Corporation	2027-12-15	1.00	1,359	1,359
	Nonghyup Bank	2015-01-16	4.20	60,000	60,000
	Shinhan Bank	2015-11-04	3.55	50,000	50,000
	Korea Exchange Bank	2015-07-30	4.45	20,000	20,000
	Woori Bank	2017-04-03	4.00	100,000	70,000
	Korea Development Bank	2017-12-29	3.51	120,000	120,000
Facility loan	Hana Bank	-	-	-	30,000
	Kookmin Bank	2016-06-28	4.01	41,250	56,250
	Korea Exchange Bank	2016-04-15	3.97	28,000	28,000
	Jeon Buk Bank	2016-07-11	4.01	20,000	20,000
	Korea Development Bank	2018-09-06	4.06	519,666	421,333
	Korea Housing Guarantee Co., Ltd.	2026-08-27	1.00	4,400	4,400
ESCO	Hana Bank	2017-07-22	4.37	45,000	50,000
	Kwangju Bank	-	-	-	10,000
Factoring ²	KDB CAPITAL CORPORATION	2020-06-15	1.67	8,695	11,767
	Korea Development Bank	-	-	-	566
Long-term borrowings denominated in foreign currency					
General loan	KDB CAPITAL CORPORATION	-	4.21	209	562
	Korea Development Bank	2015-11-12	2.84	18,403	20,093
	Suhyup Bank	2017-04-25	2.83	20,885	-
	Shinhan Bank	2016-09-05	2.24	21,984	21,106
	Korea Exchange Bank	2015-10-05	2.18	21,984	21,106
Facility loan	Bank of China	2017-03-27	2.43	21,984	-
	Standard Chartered Korea	2017-11-14	1.48	98,928	-
	Kookmin Bank	2016-09-23	2.23	10,992	10,553
	Shinhan Bank	2015-02-02	1.84	10,992	-
	Development Bank of Singapore	2017-11-14	1.48	32,976	-
	Korea Exim Bank	-	-	-	126,636
Corporate bonds	Hana Bank	-	-	-	10,553
	Korea Development Bank	-	-	-	18,995
	Bonds in KRW with fixed interest rate				
Bonds in KRW with fixed interest rate	242-2 nd Public bond	2015-03-05	5.79	70,000	70,000
	243-2 nd Public bond	2015-07-12	5.75	30,000	30,000
	244-2 nd Public bond	-	-	-	30,000

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	244-3 rd Public bond	2015-12-21	4.99	40,000	40,000
	245-1 st Public bond	-	-	-	90,000
	245-2 nd Public bond	2016-01-07	5.25	60,000	60,000
	246-1 st Public bond	-	-	-	70,000
	246-2 nd Public bond	2016-06-24	4.94	60,000	60,000
	248-1 st Public bond	-	-	-	40,000
	248-2 nd Public bond	2016-10-12	5.03	50,000	50,000
	251-1 st Public bond	2015-02-07	4.28	90,000	90,000
	251-2 nd Public bond	2017-02-07	4.71	60,000	60,000
Bonds in Foreign currency with fixed interest rate	252 nd Private bond	2015-08-28	3.23	32,976	31,660
Bonds in KRW with fixed interest rate	253-1 st Public bond	2016-02-21	3.45	90,000	90,000
	253-2 nd Public bond	2018-02-21	3.75	30,000	30,000
	254 th Private bond	2017-05-02	4.50	30,000	-
	255 th Private bond	2017-11-06	3.80	30,000	-
Less: Present value discounts				(8)	(21)
Discount on bonds payable				(902)	(1,694)
Total ³				<u>₩ 3,240,316</u>	<u>₩ 3,357,501</u>

¹ The Company sold trade receivables denominated in foreign currency to financial institutions. In case the customers default, the Company has an obligation to pay the related amounts to the bank. These transactions, treated as a transaction with recourse, have been accounted for as collateralized borrowings (Notes 6 and 39).

² The Company sold trade receivables through a factoring of trade receivables. In case the customers default, the Company has an obligation to pay the related amounts to the bank. These transactions, treated as a transaction with recourse, have been accounted for as collateralized borrowings (Notes 6 and 39).

³ Property, plant and equipment and available-for-sale financial assets are provided as collateral for the above long-term borrowings (Notes 11, 14 and 39).

22. 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>	2014		2013	
Trade payables	₩	728,643	₩	827,405
Other payables		329,503		352,904
Long-term trade payables		204		-
Long-term other payables		55,577		41,667
	₩	<u>1,113,927</u>	₩	<u>1,221,976</u>

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The book values of other payables as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
Other payables				
Non-trade payables	₩	206,887	₩	227,501
Accrued expenses		55,634		60,865
Withholdings		32,135		33,693
Deposits received		34,847		30,845
		329,503		352,904
Long-term other payables				
Non-trade payables		16,006		14,989
Accrued expenses		5,859		-
Deposits received		33,712		26,678
		55,577		41,667
	₩	385,080	₩	394,571

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

	2014	2013
Discount rate	2.90%~5.00%	3.40% ~ 5.00%

23. Net Defined Benefit Liabilities

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

<i>(in millions of Korean won)</i>	2014		2013	
Present value of defined benefit obligations	₩	283,198	₩	232,792
Fair value of plan assets ¹		(243,910)		(204,059)
Net defined benefit liabilities	₩	39,288	₩	28,733

¹ The contributions to the National Pension Fund of ₩ 480 million are included in the fair value of plan assets as of December 31, 2014 (2013: ₩522 million).

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

<i>(in millions of Korean won)</i>	2014		2013	
Current service cost	₩	42,779	₩	42,473
Interest expense		8,909		7,514
Interest income		(8,515)		(6,674)
	₩	<u>43,173</u>	₩	<u>43,313</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>	2014		2013	
Cost of sales	₩	25,092	₩	24,981
Selling and administrative expenses		15,314		15,477
Research and development expenses		2,767		2,855
	₩	<u>43,173</u>	₩	<u>43,313</u>

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

<i>(in millions of Korean won)</i>	2014		2013	
Beginning balance	₩	232,792	₩	213,197
Current service cost		42,779		42,473
Interest expense		8,909		7,514
Benefit payments		(16,840)		(16,038)
Remeasurements:				
Changes in demographic assumptions		2,800		1,586
Changes in financial assumptions		24,104		(13,970)
Experience adjustments		(4,086)		(2,155)
Transfer in(out) of associates		90		185
Effects from business combination and disposal of business		(7,350)		-
Ending balance	₩	<u>283,198</u>	₩	<u>232,792</u>

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>	2014		2013	
Beginning balance	₩	204,059	₩	171,812
Interest income		8,515		6,674
Employer contributions		52,500		38,500
Benefit payments		(12,393)		(12,066)

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Remeasurements:	(2,950)	(861)
Effects from business combination and disposal of business	(5,821)	-
Ending balance	<u>₩ 243,910</u>	<u>₩ 204,059</u>

Actual return of plan assets amounts to ₩5,565 million (2013: ₩5,813 million) for the year ended December 31, 2014.

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

<i>(in millions of Korean won)</i>	2014	2013
Deposits	₩ 127,061	₩ 98,144
Debt instruments	116,849	105,915
	<u>₩ 243,910</u>	<u>₩ 204,059</u>

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

<i>(in millions of Korean won)</i>	2014	2013
Before income tax effects	₩ (25,768)	₩ 13,678
Income tax effects	6,236	(3,310)
After income tax effects	<u>₩ (19,532)</u>	<u>₩ 10,368</u>

Accumulated remeasurements of net defined benefit liabilities recognized as other comprehensive income or expense amount to ₩43,015 million (2013: ₩23,483 million) as of December 31, 2014.

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

	2014	2013
Discount rate	3.19%	4.12%
Inflation rate	2.60%	2.81%
Salary growth rate	2.60%	2.47%

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

	Changes in principal assumption	Effect on defined benefit obligation
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/ 8.2% 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

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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 did not change compared to the previous period.

Adjustments for the differences between initial assumptions and actual figures as of December 31, 2014, 2013, 2012, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	Dec.31, 2014	Dec.31, 2013	Dec.31, 2012	Dec.31, 2011	Dec.31, 2010
Present value of defined benefit obligations	₩ 283,198	₩ 232,792	₩ 213,197	₩ 171,381	₩ 130,467
Fair value of plan assets	(243,910)	(204,059)	(171,812)	(132,853)	(92,670)
Deficit(Surplus) of funded plans	39,288	28,733	41,385	38,528	37,797
Experience adjustments of defined benefit obligations	(25,768)	2,155	2,722	13,078	47,878
Experience adjustments of plan assets	(2,950)	(861)	1,106	(720)	735

The Company reviews the funding level on an annual basis and has a policy to contribute in the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2014, are ₩ 32,640 million, and expected balance of plan assets for the year ending December 31, 2015, are ₩ 276,550 million.

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

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 5 and 5 years	Over 5 years¹	Total
Pension benefits	₩ 11,721	₩ 14,361	₩ 59,084	₩ 1,082,364	₩ 1,167,530

¹ The amount reflects the defined contribution plan for executives and contract employees.

Recognized expense related to the defined contribution plan for the year ended December 31, 2013, is ₩855 million (2013: ₩2,886 million).

24. 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>	2014	2013
Current tax		
Current tax on profits for the year	₩ 94,411	₩ 71,012
Adjustments in respect of prior years ¹	12,139	405,905
Total current tax	<u>106,550</u>	<u>476,917</u>
Deferred tax		

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Origination and reversal of temporary differences	(28,550)	(22,777)
Total deferred tax	(28,550)	(22,777)
Income tax expense	₩ 78,000	₩ 454,140

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

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

<i>(in millions of Korean won)</i>	2014		2013	
Profit before tax	₩	262,872	₩	130,197
Tax calculated at tax rates	₩	63,615	₩	31,508
Tax effects of				
Income not subject to tax		(2,855)		(3,044)
Expenses not deductible for tax purposes		9,027		6,412
Deferred income tax assets not recognized		13,718		21,603
Additional payment of income taxes		4,233		409,184
Tax credits		(9,521)		(12,468)
Others		(217)		945
Income tax expense ¹	₩	78,000	₩	454,140

¹ The weighted average applicable tax rate of the company is 30% (2013: 349%).

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

<i>(in millions of Korean won)</i>	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	₩ (30,029)	₩ 7,267	₩ (22,762)	₩ (32,194)	₩ 7,791	₩ (24,403)
Remeasurements of net defined benefit liabilities	(55,068)	12,053	(43,015)	(29,300)	5,817	(23,483)
	₩ (85,097)	₩ 19,320	(65,777)	₩ (61,494)	₩ 13,608	₩ (47,886)

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The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014		2013	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	202,194	₩	177,968
Deferred tax asset to be recovered within 12 months		33,136		31,113
		235,330		209,081
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		(464,768)		(472,142)
Deferred tax liability to be recovered within 12 months		(1,963)		(2,602)
		(466,731)		(474,744)
Deferred tax assets (liabilities), net	₩	(231,401)	₩	(265,663)

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>	2014		2013	
Beginning balance	₩	(265,663)	₩	(303,734)
Tax charged to the statement of income		28,550		22,777
Tax charged (credited) to equity		5,712		15,294
Ending balance	₩	(231,401)	₩	(265,663)

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>	2014			
	Beginning balance	Statement of income	Other comprehensive income	Ending balance
Deferred tax liabilities				
Revaluation of land	₩ (290,861)	₩ 5,712	₩ -	₩ (285,149)
Investment in associates	(82,690)	168	-	(82,522)
Defined benefit pension plan assets	(47,206)	(11,704)	-	(58,910)
Reserve for research and human resource development	(43,560)	9,680	-	(33,880)
Gain from fire insurance policy	(1,599)	528	-	(1,071)
Others	(5,490)	291	-	(5,199)
	(471,406)	4,675	-	(466,731)
Deferred tax assets				
Available-for-sale financial assets	98,890	1,809	(524)	100,175
Provision for defined benefits	47,206	7,397	6,236	60,839

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Provision for receivables in excess of tax limit	17,353	(346)	-	17,007
Government grants	8,696	780	-	9,476
Loss on valuation of inventories	5,896	1,362	-	7,258
Impairment loss on property, plant and equipment	3,540	473	-	4,013
Provision for guarantees	6,776	1,536	-	8,312
Accrued compensated absences	4,380	(277)	-	4,103
Provision for warranties	7,149	802	-	7,951
Provision for construction loss	1,185	672	-	1,857
Long-term employment allowance	-	1,418	-	1,418
Others	4,672	8,249	-	12,921
	205,743	23,875	5,712	235,330
	₩ (265,663)	₩ 28,550	₩ 5,712	₩ (231,401)

(in millions of Korean won)

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

The Company did not recognize deferred tax assets (liabilities) if it is not probable that the temporary difference will reverse in the foreseeable future, and also the Company did not recognize deferred tax assets (liabilities) for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, which deferred tax assets (liabilities) are unrealizable due to disposal of investments and low potential dividend payment in the foreseeable future. Therefore, the Company did not recognize deferred income tax assets of ₩ 90,376 million.

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25. Other Liabilities

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

<i>(in millions of Korean won)</i>	2014		2013	
Other current liabilities				
Advances from customers	₩	155,224	₩	208,598
Unearned revenues		448		4,099
		<u>155,672</u>		<u>212,697</u>
Other non-current liabilities				
Unearned revenues		4,257		-
Provision for warranties ¹		32,856		29,541
Provision for guarantees ²		34,348		28,000
		<u>71,461</u>		<u>57,541</u>
	₩	<u>227,133</u>	₩	<u>270,238</u>

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

² The Company accrued provision for guarantees for the foreseeable expenses relating to PF guarantees (Note 39).

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

<i>(in millions of Korean won)</i>	2014		
	Provision for warranties	Provision for guarantees	Total
Beginning balance	₩ 29,541	₩ 28,000	₩ 57,541
Increase	4,536	6,348	10,884
Decrease	(1,221)	-	(1,221)
Ending balance	<u>₩ 32,856</u>	<u>₩ 34,348</u>	<u>₩ 67,204</u>
<i>(in millions of Korean won)</i>	2013		
	Provision for warranties	Provision for guarantees	Total
Beginning balance	₩ 8,968	₩ 11,997	₩ 20,965
Increase	22,893	28,000	50,893
Decrease	(2,320)	(11,997)	(14,317)
Ending balance	<u>₩ 29,541</u>	<u>₩ 28,000</u>	<u>₩ 57,541</u>

26. Capital Stock

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

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27. Retained Earnings

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

<i>(in millions of Korean won)</i>	2014	2013
Legal reserves ¹	₩ 24,104	₩ 20,777
Discretionary reserves		
Research and development reserves ²	180,000	156,667
Facility reserves	1,773,000	2,207,000
Retained earnings before appropriation (Accumulated deficit before disposition)	166,499	(372,912)
	<u>₩ 2,143,603</u>	<u>₩ 2,011,532</u>

¹ The Commercial Code of the Republic of Korea requires the Company 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 (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

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

The appropriation of retained earnings for the years ended December 31, 2014 and 2013, is as follows:

<i>(in millions of Korean won)</i>	2014	2013
Unappropriated retained earnings (Undisposed accumulated deficit) carried over from prior year	₩ 1,159	₩ (59,337)
Remeasurements of net defined benefit liabilities	(19,532)	10,368
Profit (Loss) for the year	184,872	(323,943)
Research and development reserves	40,000	26,666
Facility reserves	-	434,000
Retained earnings available for appropriation (Accumulated deficit available for disposal)	<u>206,499</u>	<u>87,754</u>
Appropriation of retained earnings ¹		
Legal reserves	6,654	3,326
Research and development reserves	-	50,000
Facility reserves	132,000	-
Dividends (Cash dividend (%):	66,537	33,269
Common stock:		
₩2,000 (40%) in 2014		
₩1,000 (20%) in 2013)		
Unappropriated retained earnings	<u>₩ 1,308</u>	<u>₩ 1,159</u>

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¹ Expected date of appropriation for the year is March 20, 2015 (2013: March 21, 2014)

28. Other Components of Equity

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

(in millions of Korean won)

	2014		2013	
Other capital surplus	₩	330,210	₩	330,210
Treasury stock ¹		(34,204)		(34,204)
Gain (Loss) on valuation of available-for-sale financial assets		(22,762)		(24,403)
Currency translation differences		(1,562)		(2,252)
	₩	<u>271,682</u>	₩	<u>269,351</u>

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

Changes in accumulated other comprehensive income for the years ended December 31, 2014 and 2013, are as follows:

(in millions of Korean won)

	2014			
	Beginning balance	Increase (Decrease)	Reclassification to profit or loss	Ending balance
Gain(Loss) on valuation of available-for-sale financial assets	₩ (24,403)	₩ 1,641	₩ -	₩ (22,762)
Currency translation differences	(2,252)	690	-	(1,562)
	₩ (26,655)	₩ 2,331	₩ -	₩ (24,324)

(in millions of Korean won)

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

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

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29. Revenue

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

<i>(in millions of Korean won)</i>	2014		2013	
Merchandise sales	₩	2,568,156	₩	2,759,309
Finished goods sales		4,724,139		5,070,960
Construction sales		765,196		821,637
Real estate sales		254,036		202,377
Other sales		220,626		213,103
	₩	8,532,153	₩	9,067,386

30. Construction Contract

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

<i>(in millions of Korean won)</i>	2014			
	Beginning balance	Changes¹	Recognized construction revenue	Ending balance
Construction	₩ 1,309,445	₩ 975,081	₩ (634,449)	₩ 1,650,077
Heavy industrial	646,704	363,035	(385,677)	624,062
	₩ 1,956,149	₩ 1,338,116	₩ (1,020,126)	₩ 2,274,139

¹ 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 ₩ 1,497,972 million and ₩ 159,856 million, respectively.

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

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

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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)

	2014				
	Accumulated construction revenue	Accumulated construction cost	Accumulated revenue	Deferred revenue	Reserve ¹
Construction	₩ 1,219,285	₩ 1,098,252	₩ 121,033	₩ 1,900	₩ -
Heavy industrial	782,698	773,844	8,854	6,349	127,415
	<u>₩ 2,001,983</u>	<u>₩ 1,872,096</u>	<u>₩ 129,887</u>	<u>₩ 8,249</u>	<u>₩ 127,415</u>

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

(in millions of Korean won)

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

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

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 ¹	Overbilled amount ²	Unbilled amount ¹	Overbilled amount ²
Construction	₩ 88,015	₩ 59,183	₩ 47,845	₩ 42,243
Heavy industrial	81,466	41,876	4,554	20,463
	<u>₩ 169,481</u>	<u>₩ 101,059</u>	<u>₩ 52,399</u>	<u>₩ 62,706</u>

¹ The entire amount is recognized as due from customers for contract work in the statements of financial position.

² The entire amount is recognized as due to customers for contract work in the statements of financial position.

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

<i>(in millions of Korean won)</i>	Total estimated construction loss		Provision for construction loss¹	
Algeria Boufarik project	₩	2,239	₩	2,239
India JHARKHAND project		1,537		1,537
Bangladesh Kaliakoir project and others		3,898		3,898
	₩	<u>7,674</u>	₩	<u>7,674</u>

¹ Provision for construction loss is included in due to customers for contract work in the statements of financial position.

31. 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>	2014		2013	
Changes in inventories of finished goods and work-in-process	₩	451,417	₩	164,998
Changes in inventories of merchandise		2,458,944		2,646,417
Raw materials and supplies used		2,557,549		3,301,377
Employee benefit expense (Note 32)		611,731		596,963
Depreciation and amortization		224,900		213,225
Electricity expense		207,932		196,236
Export expense		230,067		231,705
Fuel expense		108,781		108,404
Service expense		188,285		183,645
Outsourcing expense		638,699		525,678
Others		649,101		653,886
Total ¹	₩	<u>8,327,406</u>	₩	<u>8,822,534</u>

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

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32. Employee Benefit Expense

Employee benefit expenses for the years ended December 31, 2014 and 2013, consist of:

<i>(in millions of Korean won)</i>	2014		2013	
Salaries	₩	499,567	₩	484,461
Employee benefits		68,136		66,303
Pension costs - defined contribution plans		855		2,886
Pension costs - defined benefit plans (Note 23)		43,173		43,313
	₩	611,731	₩	596,963

33. 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>	2014		2013	
Export expenses	₩	230,067	₩	231,704
Salaries		138,770		137,305
Others		55,345		76,280
Service fees		45,987		39,998
Freight and storage expenses		33,280		34,368
Advertising		25,592		16,500
Bad debt expenses		23,515		13,840
Rent		17,271		15,564
Operating expenses for overseas branches		17,047		16,891
Severance pension benefits		15,729		15,502
Transportation		14,553		16,041
Employee benefits		13,402		13,874
Amortization		9,907		8,852
Taxes and dues		8,921		8,512
Depreciation		6,372		6,535
Communications		3,978		3,938
Training		2,123		2,444
	₩	661,859	₩	658,148

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34. Other Income and Other Expenses

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

<i>(in millions of Korean won)</i>	2014	2013
Other operating income		
Rental income	₩ 1,923	₩ 2,327
Gain on derivative transactions	29,447	57,134
Gain on valuation of derivatives	6,037	32,746
Gain on disposal of property, plant and equipment	768	1,862
Gains on disposal of investment property	64	59
Gain on disposal of intangible assets	7,349	-
Gains on disposal of other assets	218,231	-
Other bad debts expense	-	194
Dividends	77,089	95,964
Miscellaneous revenue	41,939	46,273
	<u>382,847</u>	<u>236,559</u>
Other operating expenses		
Loss on disposal of trade receivables	3,150	3,299
Loss on derivative transactions	12,141	15,961
Loss on valuation of derivatives	29,825	213
Loss on disposal of property, plant and equipment	1,166	3,090
Impairment loss on property, plant and equipment	1,769	-
Loss on disposal of investment property	6	321
Loss on disposal of intangible assets	1,829	433
Impairment loss on other investments	-	51
Other bad debt expenses	2,655	12,613
Donations	3,847	2,694
Transfer to provision for guarantees	6,348	28,000
Commissions	6,586	6,099
Sales promotion	252	296
Miscellaneous losses	39,303	70,732
	<u>108,877</u>	<u>143,802</u>
	<u>₩ 273,970</u>	<u>₩ 92,757</u>

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35. Financial Income and Expenses

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

<i>(in millions of Korean won)</i>	2014	2013
Financial income		
Interest income		
Loans and receivables	₩ 2,967	₩ 7,245
Available-for-sale financial assets	30	36
Other financial instruments	2,575	1,958
Gain on foreign currency transactions	123,704	133,595
Gain on foreign currency translation	108,761	174,940
Gain on disposal of financial assets		
Available-for-sale financial assets	1	1,874
Investments in subsidiaries and associates	580	3,320
	<u>238,618</u>	<u>322,968</u>
Financial expenses		
Interest expenses		
Financial liabilities at amortized cost	112,467	121,758
Loss on foreign currency transactions	153,144	131,322
Loss on foreign currency translation	128,329	151,970
Loss on disposal of financial assets		
Available-for-sale financial assets	382	946
Investments in subsidiaries and associates	881	-
Impairment loss of financial assets		
Available-for-sale financial assets	105	464
Losses related to available-for-sale financial assets	10,050	-
	<u>405,358</u>	<u>406,460</u>
	<u>₩ (166,740)</u>	<u>₩ (83,492)</u>

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

36. Earnings per Share

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

	2014	2013
Profit (Loss) attributable to the ordinary equity holders ¹	₩ 184,872 million	₩ (323,943) million
Weighted average number of ordinary shares outstanding ²	33,268,604	33,268,604
Earnings (loss) per share	<u>₩ 5,557</u>	<u>₩ (9,737)</u>

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

² Weighted average number of ordinary shares outstanding for the years ended December 31, 2014 and 2013, is 33,268,604 and there has been no change.

37. 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 a total dividend of ₩ 66,537 million, is to be proposed at the annual general shareholders' meeting on March 20, 2015. These separate financial statements do not reflect this dividend payable.

38. Cash Generated from Operations

Details of cash generated from operations for the years ended December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Profit before income tax	₩ 262,872	₩ 130,197
Adjustments for		
Interest expense, net	106,895	112,519
Gain on foreign currency translation	19,568	(22,970)
Gain on valuation of derivatives	23,788	(32,533)
Depreciation and amortization	224,900	213,225
Loss (Gain) on disposal of property, plant, equipment, intangible assets, and investment property	(5,180)	1,923
Impairment loss on property, plant, equipment, intangible assets, and investment property	1,769	-
Bad debt expense and other bad debt expense	26,170	26,453
Reversal of provisions for trade and other receivables	-	(194)
Gain on disposal of other assets	(218,231)	-
Losses related to available-for-sale financial assets	10,050	-
Gain on disposal of financial assets	682	(4,248)
Impairment loss on financial assets	105	464
Impairment loss on investment in subsidiaries and associates	49,105	123,921
Dividend income	(77,089)	(95,964)
Post-employment benefits	43,173	43,313
Accrual of provisions	10,884	50,893
Loss on disposal of trade receivables	3,150	3,299
Loss on valuation of inventories (cost of sales)	5,628	13,514

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Long-term employee benefits	5,859	-
Others	2,097	2,137
Changes in working capital		
Decrease in trade receivables	8,072	265,290
Decrease in inventories	118,804	68,019
Decrease (Increase) in other receivables	(9,714)	8,587
Increase in due from customers for contract work	(124,326)	(26,980)
Decrease in other financial assets	36,393	59,572
Decrease in other assets	(28,183)	(2,241)
Decrease (Increase) in translation of foreign currency financial statements	690	(4,272)
Increase (Decrease) in trade payables	(91,516)	38,821
Decrease in other payables	(14,970)	(49,314)
Increase in due to customers for contract work	38,353	22,748
Decrease in other financial liabilities	(448)	(3,907)
Payment of warranty expenses	(1,221)	(2,320)
Payment of defined benefits	(5,831)	(3,972)
Payment into plan assets	(52,500)	(38,500)
Cash generated from operations	₩ 369,798	₩ 897,480

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2014	2013
Reclassification of receivables into inventories (sites)	₩ 16,160	₩ -
Reclassification of the current portion of long-term trade receivables	1,927	7,799
Reclassification of unbilled amount of construction into construction receivables	7,244	5,046
Change in advance payments related to the acquisition of property, plant and equipment	(7,543)	5,084
Change in non-trade payables related to the acquisition of property, plant and equipment	40,694	(69,855)
Transfer of property, plant and equipment to non-current assets held-for-sale (Note 14)	-	26,066
Transfer of machinery-in-transit to property, plant and equipment (Note 14)	126,668	198,161
Transfer of construction-in-progress to property, plant and equipment	337,378	267,635
Reclassification of investments in subsidiaries and associates (Note 19)	22,880	-
Debt-equity swap of Doomi Construction Co.,Ltd.	-	40,000
Debt-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	2,165	(76,875)
Reclassification of the current portion of long-term deposits received	7,275	4,276
Reclassification of the current portion of debentures	262,976	230,000
Reclassification of the current portion of long-term borrowings	251,926	368,911

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39. 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:

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

(b) Loan agreements and others

The Company has commitments with financial institutions with a limit of ₩ 2,779,139 million, including bank overdrafts, trade bill discounts, open local L/C and general loans. Also, the Company has trade receivables discount agreements with a limit of ₩ 1,092,563 million as of December 31, 2014.

(c) Guarantees provided for others and others

The Company has provided guarantees for others, amounting to ₩ 348,505 million (2013: ₩ 587,665 million) as of December 31, 2014. The Company 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 Company has provided guarantees for related parties, amounting to ₩2,750,149 million (2013: ₩2,702,372 million) as of December 31, 2014 (Note 20).

(d) Guarantees provided in relation to project financing

Details of guarantees provided for the borrowings of developers as of December 31, 2014 and 2013, are as follows:

<i>(in millions of Korean won)</i>	2014		2013	
Debt assumption/replenishment of funds	₩	285,000	₩	261,800
Joint guarantees		28,000		28,000
	₩	<u>313,000</u>	₩	<u>289,800</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 ¹	Details of guarantees	Period
Changdong station	Capital	₩ 28,000	₩ 28,000	Joint guarantees	Oct.2007~Jan.2015
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
Gongdeok complex facility ²	Bank	160,000	24,000	Fund financing	Aug.2014~Jul.2019
		<u>₩ 313,000</u>	<u>₩ 173,000</u>		

¹ The Company recognized ₩34,348 million as provision for guarantees and ₩98 million as financial guarantee liabilities in relation to project financing as of December 31, 2014.

² The Company has an obligation to complete the construction and finance the construction costs of Gongdeok Gyeongwoo Development Corporation, a subsidiary (Note 20).

(e) *Guarantees provided by others*

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

(in millions of Korean won)

Guarantor	Guaranteed amount	Details of guarantees
Korea Construction Financial Cooperative and others	₩ 657,450	Payment guarantee related to construction
Korea Exim Bank and others	636,556	Performance guarantee and others
	<u>₩ 1,294,006</u>	

(f) *Assets pledged as collaterals*

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

(in millions of Korean won)

Assets pledged as collaterals	Maximum credit amount	Related borrowings	Bank
Property, plant and equipment	₩ 279,978	₩ 261,757	Woori Bank
Available-for-sale financial assets	7,668		
Available-for-sale financial assets ¹	123,736	-	Committee of Creditor Banks of Chin Hung International Inc.
Property, plant and equipment	1,475,714	871,971	Korea Development Bank and others
Trade receivables	373,929	373,929	Woori Bank and others
	<u>₩ 2,261,025</u>	<u>₩ 1,507,657</u>	

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¹ The Company 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 Company 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 Company has pledged its shares in Gongdeok Gyeongwoo Development Corporation (investment in subsidiaries with the book value of ₩ 1,487 million) as collateral (with a maximum credit amount of ₩ 24,000 million) in relation to borrowings of Gongdeok Gyeongwoo Development Corporation (Note 20). In addition, property, plant and equipment of the Company have been collateralized in relation to inventory finance of Hyosung Toyota Corp., an associate of the Company (Note 20).

(g) Pending lawsuits

Details of major pending lawsuits as of December 31, 2014, are as follows:

(in millions of Korean won)

Court	Plaintiff	Defendant	Details of lawsuit	Amount	Status
Lawsuits in which the Company is the plaintiff					
Seoul High Court	Hyosung Corporation	Korea Railroad and others	Claims for construction costs	₩ 28,744	3 rd Trial
Seoul High Court	Hyosung Corporation	The gallery line and others	Claims for construction costs	4,126	3 rd Trial
Supreme Court of Korea	Hyosung Corporation	Gwangmyeong City	Claims for payment for goods	1,630	3 rd Trial
Seoul High Court	Hyosung Corporation	Meeting for representative resident (tenant) of Hagye 1 st Cheong-gu Apartment	Claims for repayment for cogeneration facilities	1,399	2 nd Trial
Lawsuits in which the Company is the defendant					
Seoul Central District Court	UOP LLC and others	Hyosung Corporation	Claims for damages	17,692	1 st Trial
Supreme Court of Korea	Gwangmyeong City	Hyosung Corporation	Claims for damages	6,840	3 rd Trial
Seoul Central District Court	Daehan Consultants Co., Ltd.	Hyosung Corporation and others	Claims for damages	2,395	1 st Trial
Seoul Central District Court	147 companies in Korea Federation Plastic Industry Cooperative	Hyosung Corporation	Claims for damages	2,290	1 st Trial
Suwon District Court, Seongnam	Korea Land & Housing Corporation	Hyosung Corporation	Claims for damages	1,100	1 st Trial

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

40. Disposal of Packaging PU

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

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

To the President of
Hyosung Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hyosung Corporation (the "Company") as of December 31, 2014. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2014, the Company's IACS has been designed and is operating effectively as of December 31, 2014, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2014, and we did not review management's assessment of its IACS subsequent to December 31, 2014. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 12, 2015

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of
Hyosung Corporation

I, as the Internal Accounting Control Officer (“IACO”) of Hyosung Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2014.

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

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2014, in all material respects, in accordance with the IACS standards.

January 13, 2015

Sang-Woon Lee, Chief Executive Officer

Jae-Bong Noe, Internal Accounting Control Officer