

Hyosung Corporation and Subsidiaries
Consolidated Financial Statements
December 31, 2015 and 2014

Hyosung Corporation and Subsidiaries
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December 31, 2015 and 2014

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hyosung Corporation

We have audited the accompanying consolidated financial statements of Hyosung Corporation and its subsidiaries (collectively the "Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matter

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

A handwritten signature in black ink that reads "Samil PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

Seoul, Korea
March 10, 2016

This report is effective as of March 10, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hyosung Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2015 and 2014

<i>(in millions of Korean won)</i>	Notes	2015		2014	
Assets					
Current assets					
Cash and cash equivalents	4, 7, 8, 9	₩	513,262	₩	526,920
Trade and other receivables	4, 6, 7, 10, 19		1,859,542		1,780,287
Due from customers for contract work	4, 7, 29		93,748		183,644
Other financial assets	4, 7, 11		70,232		70,569
Other current assets	13		166,344		164,744
Inventories	14		1,498,284		1,372,164
Current tax assets			15,755		20,595
			<u>4,217,167</u>		<u>4,118,923</u>
Non-current assets					
Long-term trade and other receivables	4, 6, 7, 9, 10, 19		278,457		251,901
Property, plant and equipment	5, 15		5,628,843		5,485,728
Investment property	5, 16		620,004		593,856
Intangible assets	5, 17		452,656		409,768
Investments in associates	5, 18, 39		110,941		212,492
Other financial business assets	4, 7, 12		2,058,256		2,205,796
Other non-current financial assets	4, 7, 9, 11		549,803		292,989
Other non-current assets	13		54,126		54,011
Deferred tax assets	23		42,925		36,610
			<u>9,796,011</u>		<u>9,543,151</u>
Total assets		₩	<u>14,013,178</u>	₩	<u>13,662,074</u>
Liabilities					
Current liabilities					
Trade and other payables	4, 7, 19, 21	₩	1,491,379	₩	1,452,579
Due to customers for contract work	29		108,120		106,741
Borrowings	4, 6, 7, 20		4,722,373		5,220,188
Other financial liabilities	4, 7, 11		24,815		27,242
Current tax liabilities			42,104		73,854
Other current liabilities	24		329,520		345,569
			<u>6,718,311</u>		<u>7,226,173</u>
Non-current liabilities					
Long-term trade and other payables	4, 7, 19, 21		367,690		419,978
Long-term borrowings	4, 7, 20		3,055,933		2,701,376
Net defined benefit liability	22		35,566		53,103
Deferred tax liabilities	23		252,121		300,851
Other non-current financial liabilities	4, 7, 11		8,184		5,697
Other non-current liabilities	24		103,260		59,628
			<u>3,822,754</u>		<u>3,540,633</u>
Total liabilities			<u>10,541,065</u>		<u>10,766,806</u>
Equity attributable to owners of the Parent					
Capital stock	25		175,587		175,587
Capital surplus			130,826		130,826
Retained earnings	26		2,660,446		2,256,086
Other components of equity	11, 23, 27		291,399		229,539
			<u>3,258,258</u>		<u>2,792,038</u>
Non-controlling interest	39		213,855		103,230
Total equity			<u>3,472,113</u>		<u>2,895,268</u>
Total liabilities and equity		₩	<u>14,013,178</u>	₩	<u>13,662,074</u>

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2015 and 2014

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

	Notes	2015	2014
Revenue	5, 19, 28, 29	₩ 12,458,454	₩ 12,177,134
Cost of sales	19, 29, 30	<u>(10,429,796)</u>	<u>(10,565,608)</u>
Gross profit		2,028,658	1,611,526
Selling and administrative expenses	30, 31, 32	(957,004)	(887,004)
Research and development expenses	30	(121,485)	(124,176)
Operating profit	5	<u>950,169</u>	<u>600,346</u>
Other income	33	118,405	325,047
Other expenses	33	<u>(212,836)</u>	<u>(144,479)</u>
Other income (expenses), net		<u>(94,431)</u>	<u>180,568</u>
Finance income	34	367,161	273,515
Finance expenses	34	<u>(637,060)</u>	<u>(576,610)</u>
Finance income (expenses), net		<u>(269,899)</u>	<u>(303,095)</u>
Share of profit of associates	18	<u>11,451</u>	<u>(9,130)</u>
Profit before income tax		597,290	468,689
Income tax expense	23	<u>(71,399)</u>	<u>(176,699)</u>
Profit for the year		<u>₩ 525,891</u>	<u>₩ 291,990</u>
Profit attributable to:			
Owners of the parent			
Profit for the year attributable to owners of Controlling Company	35	₩ 492,691	₩ 269,229
Non-controlling interests			
Profit for the year attributable to non-controlling interests		<u>33,200</u>	<u>22,761</u>
		<u>₩ 525,891</u>	<u>₩ 291,990</u>
Earnings per share			
attributable to the equity holders of the Controlling Company			
during the year			
Basic earnings per share	35	₩ 14,809	₩ 8,093

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2015 and 2014

(in millions of Korean won)

	Notes	2015	2014
Profit for the year		₩ 525,891	₩ 291,990
Other comprehensive income(loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liability	22	(19,089)	(21,423)
Share of remeasurements of net defined benefit liability of associates		(880)	(1,281)
Items that may be subsequently reclassified to profit or loss			
Change in valuation of available-for-sale financial assets	11, 27	38,603	(8,330)
Share of other comprehensive income of associates	18, 27	8,401	(19,967)
Translation of foreign currency financial statements	27	13,372	14,808
Other comprehensive income (loss) for the year, net of tax		40,407	(36,193)
Total comprehensive income for the year		₩ 566,298	₩ 255,797
Attributable to:			
Equity holders of the Controlling Company		₩ 533,412	₩ 232,395
Non-controlling interest		32,886	23,402
Total comprehensive income for the year		₩ 566,298	₩ 255,797

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2015 and 2014

	Attributable to equity holders of the Controlling Company						Non-controlling Interest	Total Equity
	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total			
<i>(in millions of Korean won)</i>								
Balance at January 1, 2014	₩ 175,587	₩ 130,826	₩ 2,042,726	₩ 249,708	₩ 2,598,847	₩ 75,233	₩ 2,674,080	
Comprehensive income								
Net Income	-	-	269,229	-	269,229	22,761	291,990	
Remeasurements of net defined benefit liability	-	-	(20,948)	-	(20,948)	(475)	(21,423)	
Share of remeasurements of net defined benefit liability of associates	-	-	(1,281)	-	(1,281)	-	(1,281)	
Losses on valuation of available-for-sale financial assets	-	-	-	(8,240)	(8,240)	(90)	(8,330)	
Share of other comprehensive income of associates	-	-	-	(19,967)	(19,967)	-	(19,967)	
Translation of foreign currency financial statements	-	-	-	13,601	13,601	1,207	14,808	
Transactions with equity holders of the Company :								
Dividends	-	-	(33,269)	-	(33,269)	(5,705)	(38,974)	
Changes in other additional capital	-	-	-	472	472	-	472	
Changes in other capital adjustments	-	-	-	49	49	-	49	
Others	-	-	(371)	-	(371)	3,261	2,890	
Changes in share ratio of subsidiaries and others	-	-	-	(6,084)	(6,084)	7,095	1,011	
Changes in scope of consolidation	-	-	-	-	-	(57)	(57)	
Balance at December 31, 2014	₩ 175,587	₩ 130,826	₩ 2,256,086	₩ 229,539	₩ 2,792,038	₩ 103,230	₩ 2,895,268	
Balance at January 1, 2015	₩ 175,587	₩ 130,826	₩ 2,256,086	₩ 229,539	₩ 2,792,038	₩ 103,230	₩ 2,895,268	
Comprehensive income								
Net Income	-	-	492,691	-	492,691	33,200	525,891	
Remeasurements of net defined benefit liability	-	-	(18,185)	-	(18,185)	(904)	(19,089)	
Share of remeasurements of net defined benefit liability of associates	-	-	(880)	-	(880)	-	(880)	
Losses on valuation of available-for-sale financial assets	-	-	-	38,617	38,617	(14)	38,603	
Share of other comprehensive income of associates	-	-	-	8,401	8,401	-	8,401	
Translation of foreign currency financial statements	-	-	-	12,769	12,769	603	13,372	
Transactions with equity holders of the Company :								
Dividends	-	-	(66,537)	-	(66,537)	(10,597)	(77,134)	
Changes in other additional capital	-	-	(1,028)	2,434	1,406	-	1,406	
Changes in other capital adjustments	-	-	-	-	-	-	-	
Others	-	-	(1,701)	(361)	(2,062)	(576)	(2,638)	
Changes in share ratio of subsidiaries and others	-	-	-	-	-	-	-	
Changes in scope of consolidation	-	-	-	-	-	88,913	88,913	
Balance at December 31, 2015	₩ 175,587	₩ 130,826	₩ 2,660,446	₩ 291,399	₩ 3,258,258	₩ 213,855	₩ 3,472,113	

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

<i>(in millions of Korean won)</i>	Notes	2015	2014
Cash flows from operating activities			
Cash generated from operations	37	₩ 1,532,899	₩ 1,159,285
Income tax paid		(165,813)	(171,853)
Interest paid		(200,508)	(259,597)
Interest received		164,437	160,555
Dividends received		3,040	18,404
Net cash inflow from operating activities		<u>1,334,055</u>	<u>906,794</u>
Cash flows from investing activities			
Proceeds from disposal of other receivables		86,814	18,830
Proceeds from disposal of other financial assets		91,888	103,743
Proceeds from disposal of long-term other receivables		28,359	24,686
Proceeds from disposal of property, plant and equipment		45,161	18,262
Government grants received		20,447	4,508
Proceeds from disposal of investment property		20,278	2,292
Proceeds from disposal of intangible assets		2,317	27,473
Proceeds from disposal of investments in associates		5,717	34,214
Proceed from cease of control on subsidiaries, net of cash owed		55,551	-
Proceed from acquisition of subsidiaries, net of cash owed		16,027	-
Proceeds from disposal of other non-current assets		26,086	415,308
Acquisition of other receivables		(121,338)	(16,756)
Acquisition of other financial assets		(52,968)	(73,687)
Acquisition of long-term other receivables		(48,564)	(19,712)
Acquisition of other non-current financial assets		(148,128)	(150,487)
Purchases of property, plant and equipment		(702,244)	(776,790)
Purchases of investment properties		(9)	(39,787)
Purchases of intangible assets		(28,331)	(22,531)
Acquisition of investments in associates		(3,920)	(18,651)
Acquisition of other non-current assets		(296)	(373)
Net cash outflow from investing activities		<u>(707,153)</u>	<u>(469,458)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		10,406,185	9,752,836
Proceeds from long-term borrowings and issuance of debentures		3,352,788	2,542,695
Government grants received		3,520	-
Changes in non-controlling interest		-	(100)
Repayment of short-term borrowings		(10,868,266)	(10,771,765)
Repayment of long-term borrowings and debentures		(3,451,274)	(1,859,083)
Payment of cash dividends		(87,780)	(44,341)
Repayment of government grants		(11,632)	-
Net cash outflow from financing activities		<u>(656,459)</u>	<u>(379,758)</u>
Effect of cash and cash equivalent from exchange rate fluctuation		15,899	24,751
Net increase (decrease) in cash and cash equivalents		(13,658)	82,329
Cash and cash equivalents			
Beginning of the year		526,920	444,591
End of the year		<u>₩ 513,262</u>	<u>₩ 526,920</u>

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

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

1. General Information

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

As of December 31, 2015, the Group has plants in Ulsan, Anyang, Yongyeon, Icheon, Jincheon, Gumi, Daegu, Changwon, and Daejeon. In addition, the Group has subsidiaries and branches all over the world.

As of December 31, 2015, the Company’s major shareholders are Cho Seok Rae (10.15%), Cho Hyun Joon (12.69%), and Cho Hyun Sang (11.73%).

1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2015 are as follows:

Subsidiaries	Percentage of Ownership ¹	Location	Reporting month	Main business
Galaxia Photonics Co., Ltd.	83.32%	Korea	December	Manufacture and sale of wafer and LED chips
Gongdeokgyeongwoo development corporation	73.33%	Korea	December	Construction
Forza Motors Korea Corp.	100%	Korea	December	Automotive sale and service
Doomi Construction Co., Ltd	100%	Korea	December	Golf club operation service
Somesevit Corporation	57.83%	Korea	December	Service of real estate
Taeansolarfarm Corp.	100%	Korea	December	Solar power generation
HanaLandchip Private Real Estate Investment Trust No.39 ²	77%	Korea	December	Service of real estate
Hana HS 1st co., Ltd ²	-	Korea	December	Other
Hana HS 2nd co., Ltd ²	-	Korea	December	Other
Hyosung Goodsprings, Inc.	100.00%	Korea	December	Manufacture of liquid pump
Hyosung Engineering Co., Ltd.	100.00%	Korea	December	Installation of environmental hygiene treatment Appliances
Hyosung Capital Co., Ltd.	97.15%	Korea	December	Finance factoring
Nautilus Hyosung Inc.	54.02%	Korea	December	Manufacture of ATM
Kis-bank Inc.	28.69%	Korea	December	CD VAN business
NAUTILUS HYOSUNG CMS INC.	54.02%	Korea	December	Cash-in-transit of ATM
NAUTILUS HYOSUNG TECH INC.	54.02%	Korea	December	Maintenance and interior of ATM
Hyosung FMS Inc.	54.02%	Korea	December	Electronic payment agency
Beijing Hyosung Computer Technologies.Co., Ltd.	54.02%	Korea	December	Chinese sales subsidiary
Nautilus Hyosung America Inc.	54.02%	Korea	December	Sale and maintenance of ATM
Hyosung Financial System (Huizhou) Co., Ltd.	54.02%	Korea	December	Office machinery and equipment manufacturing
Hyosung Capital the 7th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 8th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 9th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 10th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 11th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Subsidiaries	Percentage of Ownership ¹	Location	Reporting month	Main business
Hyosung Capital the 12th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 13th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 14th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 15th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 16th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 17th Securitization Specialty Co., Ltd. ²	0.49%	Korea	December	Other
Hyosung Capital the 18th Securitization Specialty Co., Ltd. ²	0.5%	Korea	December	Other
Hyosung Capital the 19th Securitization Specialty Co., Ltd. ²	0.5%	Korea	December	Other
HSC the 1st Co., Ltd. ²	-	Korea	December	Other
HSC the 2nd Co., Ltd. ²	1%	Korea	December	Other
HSCS the 1st Co., Ltd. ²	-	Korea	December	Other
Hyosung Investment & Development Corporation	58.75%	Korea	December	Real estate development business
Hyosung Trans World Co., Ltd	100%	Korea	December	Intermodal transport arrangements
Baoding Hyosung Tianwei Transformer Co., Ltd.	80%	China	December	Transformer manufacturing
Central Trade Investment Ltd. ³	-	China	December	Other
GST Global GmbH	100%	Germany	December	Germany holding company
Global Safety Textiles GmbH	100%	Germany	December	Manufacture and Sale of Air-bag cushion and Fabric
Global Safety Textiles LLC	100%	USA	December	Manufacture and sale of air-bag cushion and fabric
GST Safety Textiles RO S.R.L.	100%	Romania	December	Manufacture and sale of air-bag cushion and fabric
Global Safety Textiles U.S. Holdings, Inc.	100%	USA	December	U.S.A holding company
GST Automotive Safety Components International LLC	100%	USA	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Components International LLC S.A.de C.V.	100%	Mexico	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Poland Sp.z.oo	100%	Poland	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety RO S.R.L.	100%	Rumania	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety South Africa (Proprietary) Limited	100%	South Africa	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety UK Limited	100%	UK	December	England holding company
GST Automotive Safety (Changshu) Co., Ltd.	100%	China	December	Manufacture and sale of air-bag cushion and fabric
GST China Investment Limited	100%	China	December	Hong Kong holding company
HICO America Sales & Tech.	100%	USA	December	General trading
Hyosung (H.K) LIMITED	100%	China	December	General trading
Hyosung Brasil industria e comercio de fibras LTDA	100%	Brazil	December	Manufacture of spandex
Hyosung Brasil industrial & commercial LTDA	100%	Brazil	December	Manufacture and sale of tire cords
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	100%	China	December	Manufacture of polyesters thread and T/C
Hyosung Chemicals (Jiaxing) Co., Ltd.	100%	China	December	Manufacture of chemical product
Hyosung Composites (Guangdong) Co., Ltd.	100%	China	December	Manufacture of carbon fibers
Hyosung Corporation India Private Limited	100%	India	December	General trading
Hyosung RUS	100%	Russia	December	General trading
Hyosung Europe SRL	100%	Italy	December	General trading
Hyosung (Taiwan) Corporation	100%	Taiwan	December	General trading

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Subsidiaries	Percentage of Ownership ¹	Location	Reporting month	Main business
Hyosung Holdings USA	100%	USA	December	U.S.A holding company
Hyosung International Trade (Jiaxing) Co., Ltd.	100%	China	December	General trading
Hyosung International (HK) Ltd.	100%	China	December	General trading
Hyosung Istanbul TEKSTIL LTD.STI	76.66%	Turkey	December	Manufacture and sale of spandex
Hyosung Japan Co., Ltd.	100%	Japan	December	General trading
Hyosung Luxembourg S.A	100%	Luxembourg	December	Manufacture and sale of tire cords
Hyosung Resource (Australia) PTY Ltd.	100%	Australia	December	Resources development
Hyosung Singapore PTE Ltd.	100%	Singapore	December	General trading
Hyosung Spandex (GuangDong) Co., Ltd.	100%	China	December	Manufacture and sale of spandex
Hyosung Spandex (Jiaxing) Co., Ltd.	100%	China	December	Manufacture and sale of spandex
Hyosung Spandex (Zhuhai) Co., Ltd.	75%	China	December	Manufacture and sale of spandex
Hyosung SRL	100%	Romania	December	Manufacture and sale of tire cords
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	70%	China	December	Manufacture and sale of steel cord
Hyosung Steel Cord (Qingdao) Co., Ltd.	100%	China	December	Manufacture and sale of steel cord
Hyosung USA Inc.	100%	USA	December	Manufacture and sale of tire cords
Hyosung Vietnam Co., Ltd.	88.21%	Vietnam	December	Manufacture of tire cord, Manufacture and sales of spandex
Hyosung DongNai Co., Ltd.	76.66%	Vietnam	December	Manufacture of tire cords and spandex
Hyosung Spandex (Quzhou) Co., Ltd.	86.94%	China	December	Manufacture and sale of spandex
Hyosung T&D India Pvt Ltd.	100%	India	December	Manufacture and sale of breaker
Hyosung Wire Luxembourg S.A	100%	Luxembourg	December	Manufacture of chemical fiber
Lloyd Dynamowerke GmbH(formerly,BLITZ F14-125 GMBH)	100%	Germany	December	Manufacture and sale of motor
Luckfaith Investment LTD. ³	-	China	December	Other
Nantong Hyosung Transformer Co., Ltd.	100.00%	China	December	Manufacture and sale of transformer
PT.HYOSUNG JAKARTA	99.9%	Indonesia	December	General trading
Xepix Corp.	74.93%	USA	December	LED research
Zhangjiagang Xiaosha Coil Service Co., Ltd.	64.50%	China	December	Steel manufacturing and processing

¹ Percentage of ownership is the effective percentage of ownership considering ownership ratio of subsidiaries.

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

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

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Summary of financial information of subsidiaries as of and for the years ended December 31, 2015 and 2014, is as follows:

(in millions of Korean won)

	2015					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Galaxia Photonics Co., Ltd.	1,382	12,814	(11,432)	284	1,745	1,728
Gumoknongsan Co., Ltd.	-	-	-	-	(18)	(18)
Gongdeokgyeongwoo Development Corporation	87,172	87,178	(6)	-	(1,329)	(1,334)
The Class Hyosung	-	-	-	707,798	15,259	17,068
Forza Motors Korea Corp.	66,083	51,297	14,786	110,340	638	660
Asia Lnghub Co., Ltd.	-	-	-	-	-	-
Doomi Construction Co. Ltd	252,979	282,588	(29,609)	10,589	(14,519)	(14,550)
Somesevit Corporation	89,666	130,103	(40,437)	10,395	(2,984)	(2,983)
Taeansolarfarm Corp.	6,682	4,140	2,542	1,378	264	264
HanaLandchip Private Real Estate Investment Trust No,39	191,902	159,919	31,983	10,482	1,895	1,895
Hongjin Data Service Co., Ltd.	-	-	-	1,806	235	206
Hyosung Goodsprings, Inc.	225,773	157,645	68,128	283,233	7,697	7,460
Hyosung Engineering Co., Ltd.	57,307	51,986	5,321	81,732	2,255	2,874
Hyosung Wind Power Holdings Ltd.	-	-	-	-	(52)	(52)
Hyosung Capital Co., Ltd.	2,433,905	2,063,751	370,154	202,279	27,398	34,258
Nautilus Hyosung Inc. ¹	600,868	348,532	252,336	431,359	11,585	6,515
Hyosung Investment & Development Corporation	76,881	6,358	70,523	527	22,527	25,474
Hyosung Trans World Co., Ltd.	33,054	24,949	8,105	181,418	3,257	3,147
Hana HS 1st co., Ltd	36,639	35,779	860	2,345	(188)	3,967
Hana HS 2nd co., Ltd	24,779	25,155	(376)	1,286	2,694	716
Baoding Hyosung Tianwei Transformer Co., Ltd.	20,236	26,830	(6,594)	10,590	(4,953)	(4,942)
Lloyd Dynamowerke GmbH(formerly, BLITZ F14-125 GMBH)	22,754	22,664	90	41,363	(7,418)	(7,280)
Central Trade Investment LTD.	8	1	7	-	(4)	(4)
GST Global GmbH ²	460,665	368,392	92,273	379,469	(26,962)	(23,886)
HICO America Sales & Tech.	196,534	173,457	23,077	167,330	8,820	10,007
Hyosung (H.K) LIMITED	2,090	3	2,087	-	(4)	128
Hyosung Brasil industria e comercio de fibras LTDA	86,804	74,094	12,710	97,168	1,672	(3,048)
Hyosung Brasil industrial & commercial LTDA	1,387	228	1,159	1,694	(1,739)	(2,548)
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	312,109	151,333	160,776	275,147	7,020	8,421
Hyosung Chemicals (Jiaxing) Co., Ltd.	139,212	47,843	91,369	196,386	26,390	26,864
Hyosung Composites (Guangdong) Co., Ltd	12,689	15,270	(2,581)	5,636	(2,923)	(2,904)
Hyosung Corporation India Private Limited	1,582	221	1,361	4,008	593	605
Hyosung T&D India Pvt Ltd.	36,051	24,899	11,152	-	(660)	(533)
Hyosung RUS.	19,360	18,543	817	15,461	51	(180)
Hyosung Europe SRL	25,013	19,150	5,863	42,855	1,549	1,383
Hyosung (Taiwan) Corporation	1,245	162	1,083	4,545	454	467
Hyosung Holdings USA	59,626	36,872	22,754	51,746	347	1,750
Hyosung International Trade (Jiaxing) Co., Ltd.	123,037	117,995	5,042	351,844	2,010	2,028
Hyosung International (HK) Ltd.	10,326	8,003	2,323	61,014	61	205
Hyosung Istanbul TEKSTIL LTD.STI	169,909	98,903	71,006	181,034	37,200	27,901

Hyosung Corporation and Subsidiaries

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(in millions of Korean won)

	2015					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Hyosung Japan Co., Ltd.	84,346	70,565	13,781	369,404	851	1,666
Hyosung Luxembourg S.A	41,706	9,009	32,697	148,956	8,311	7,428
Hyosung Power Holdings Co., Ltd.	-	-	-	-	(10,114)	(6,534)
Hyosung Resource (Australia) PTY Ltd.	10,728	28	10,700	-	(14)	(589)
Hyosung Singapore PTE Ltd.	4,723	4,526	197	142,893	26	26
Hyosung Spandex (GuangDong) Co., Ltd.	302,388	165,927	136,461	254,378	18,190	19,200
Hyosung Spandex (Jiaxing) Co., Ltd.	259,244	116,791	142,453	161,520	31,917	32,979
Hyosung Spandex (Zhuhai) Co., Ltd.	80,292	31,126	49,166	77,144	5,835	6,210
Hyosung SRL	-	-	-	-	-	-
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	63,195	59,367	3,828	30,874	(16,470)	(16,193)
Hyosung Steel Cord (Qingdao) Co., Ltd.	197,336	161,877	35,459	103,912	(20,075)	(21,118)
Hyosung USA Inc.	247,785	159,446	88,339	630,598	8,560	13,807
Hyosung Vietnam Co., Ltd.	1,041,895	681,414	360,481	1,130,058	147,510	165,787
Hyosung DongNai Co., Ltd	161,672	146,809	14,863	17,322	3,033	3,903
Hyosung Wire Luxembourg S.A	26,488	25,631	857	74,547	2,290	2,403
Luckfaith Investment LTD.	162	1	161	-	(4)	6
Nantong Hyosung Transformer Co., Ltd.	203,035	198,201	4,834	131,004	(8,716)	(8,435)
Nantong Transformer Co., Ltd.	-	-	-	-	-	(183)
Nantong Yaubong Transformer Co., Ltd.	-	-	-	-	(55)	(296)
Powertech Corporation	-	-	-	22	(56)	(54)
PT.HYOSUNG JAKARTA	3,380	1,096	2,284	4,645	822	819
Xepix Corp.	3,617	97	3,520	-	(306)	(79)
Zhangjiagang Xiaosha Coil Service Co., Ltd.	21,181	1,531	19,650	15,755	122	304
Hyosung Spandex (Quzhou) Co., Ltd.	17,763	1,546	16,217	-	-	(341)

¹ Consolidated financial information of Nautilus Hyosung Inc. and its seven subsidiaries. Related income (loss) is after being incorporated into the Group

² Consolidated financial information of GST Global GmbH and its 13 subsidiaries.

(in millions of Korean won)

	2014					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Galaxia Photonics Co., Ltd.	2,548	17,759	(15,211)	179	(3,792)	(3,786)
Gumoknongsan Co., Ltd.	2,090	-	2,090	-	(214)	(214)
Gongdeokgyeongwoo Development Corporation	49,622	48,295	1,327	-	(1,158)	(1,149)
The Class Hyosung	84,574	63,526	21,048	522,677	11,963	10,816
Doomi Construction Co. Ltd	235,154	250,213	(15,059)	5,297	(22,201)	(22,201)
Asia Lnghub Co., Ltd.	-	-	-	-	(234)	(234)
Somesevit Corporation	93,525	130,979	(37,454)	7,015	(7,321)	(7,312)
Taeansolarfarm Corp.	6,960	4,682	2,278	1,363	270	270
HanaLandchip Private Real Estate Investment Trust No.39	192,163	160,162	32,001	10,992	1,940	1,940

Hyosung Corporation and Subsidiaries
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(in millions of Korean won)

	2014					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Hana HS 1st co., Ltd	32,439	35,546	(3,107)	546	3,630	(3,107)
Hana HS 2nd co., Ltd	11,064	12,156	(1,092)	246	321	(1,093)
Hongjin Data Service Co., Ltd.	11,063	461	10,602	4,309	639	642
Hyosung Goodsprings, Inc.	222,090	157,822	64,268	291,197	11,423	10,667
Hyosung Engineering Co., Ltd.	51,278	46,486	4,792	93,928	527	556
Hyosung Wind Power Holdings Ltd.	1,116	-	1,116	-	(386)	(386)
Hyosung Capital Co., Ltd.	2,599,449	2,250,060	349,389	198,666	24,537	24,142
Hyosung Investment & Development Corporation	72,188	3,139	69,049	1,388	11,723	12,938
Hyosung Trans World Co., Ltd.	38,620	31,262	7,358	193,110	2,815	2,716
Baoding Hyosung Tianwei Transformer Co., Ltd.	25,473	27,126	(1,653)	12,452	(1,896)	(1,957)
Lloyd Dynamowerke GmbH(formerly,BLITZ F14-125 GMBH)	21,226	21,211	15	-	(20)	(20)
Central Trade Investment LTD.	12	1	11	-	(4)	(4)
GST Global GmbH ¹	455,881	339,722	116,159	347,526	(15,808)	(10,905)
HICO America Sales & Tech.	158,036	144,965	13,071	151,508	253	775
Hyosung (H.K) LIMITED	1,962	3	1,959	-	(3)	74
Hyosung (Taiwan) Corporation	697	81	616	3,637	331	326
Hyosung Brasil industria e comercio de fibras LTDA	98,705	82,948	15,757	116,288	7,239	5,953
Hyosung Brasil industrial & commercial LTDA	4,560	853	3,707	5,799	(678)	(972)
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	334,508	182,153	152,355	281,106	42	2,387
Hyosung Chemicals (Jiaxing) Co., Ltd.	142,656	57,603	85,053	224,598	35,160	36,871
Hyosung Composites (Guangdong) Co., Ltd	12,676	12,353	323	3,805	(2,370)	(2,409)
Hyosung Corporation India Private Limited	872	116	756	2,838	211	220
Hyosung Europe SRL	22,315	17,733	4,582	45,954	(444)	(1,059)
Hyosung Holdings USA	55,052	34,049	21,003	42,443	160	999
Hyosung International (HK) Ltd.	15,572	13,455	2,117	54,213	5	89
Hyosung International Trade (Jiaxing) Co., Ltd.	132,713	129,699	3,014	349,413	1,066	1,132
Hyosung Istanbul TEKSTIL LTD.STI	149,387	93,150	56,237	199,981	36,778	34,797
Hyosung Japan Co., Ltd.	88,201	76,086	12,115	445,770	938	(133)
Hyosung Luxembourg S.A	41,818	16,549	25,269	154,230	5,489	3,451
Hyosung Power Holdings Co., Ltd.	68,217	8,087	60,130	-	(4,347)	(1,954)
Hyosung Resource (Australia) PTY Ltd.	11,248	10	11,238	-	(26)	(537)
Hyosung RUS	9,683	8,686	997	7,474	65	(550)
Hyosung Singapore PTE Ltd.	9,943	9,772	171	271,136	1	292
Hyosung Spandex (GuangDong) Co., Ltd.	283,560	166,299	117,261	222,913	24,376	26,634
Hyosung Spandex (Jiaxing) Co., Ltd.	275,558	130,326	145,232	174,380	35,394	38,160
Hyosung Spandex (Zhuhai) Co., Ltd.	80,460	37,504	42,956	90,659	8,293	9,108
Hyosung SRL	-	-	-	-	-	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	196,324	179,741	16,583	112,290	(22,613)	(22,779)
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	89,151	69,130	20,021	37,801	(7,425)	(7,255)
Hyosung USA Inc.	310,613	236,081	74,532	579,954	5,580	8,568
Hyosung Vietnam Co., Ltd.	1,130,368	870,260	260,108	1,035,980	107,172	118,300
Hyosung Wire Luxembourg S.A	33,938	35,484	(1,546)	79,516	1,019	1,200
Luckfaith Investment LTD.	156	1	155	-	(4)	2

Hyosung Corporation and Subsidiaries

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(in millions of Korean won)

	2014					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Nantong Hyosung Transformer Co., Ltd.	196,376	189,164	7,212	98,796	(6,833)	(6,848)
Nantong Transformer Co., Ltd.	5,621	-	5,621	-	-	86
Nantong Yaubong Transformer Co., Ltd.	2,835	483	2,352	-	133	172
Powertech Corporation	26	(29)	55	15	3	5
PT.HYOSUNG JAKARTA	1,826	361	1,465	1,284	205	228
Xepix Corp.	3,625	26	3,599	-	(53)	90
Zhangjiagang Xiaosha Coil Service Co., Ltd.	19,558	212	19,346	19,984	272	575

¹ Consolidated financial information of GST Global GmbH and its 13 subsidiaries.

1.2 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2015, are as follows:

Subsidiary	Description
Forza Motors Korea Corp.	Newly acquired
Nautilus Hyosung Inc.	"
Kis-bank Inc.	"
NAUTILUS HYOSUNG CMS INC.	"
NAUTILUS HYOSUNG TECH INC.	"
Hyosung FMS Inc.	"
Beijing Hyosung Computer Technologies Co., Ltd.	"
Nautilus Hyosung America Inc.	"
Hyosung Financial System(Huizhou) Co., Ltd.	"
Hyoung DongNai Co., Ltd.	"
HYOSUNG T&D INDIA Pvt Ltd.	"
Hyosung Capital the 14th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 15th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 16th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 17th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 18th Securitization Specialty Co., Ltd.	"
Hyosung Capital the 19th Securitization Specialty Co., Ltd.	"
HSC the 1st Co., Ltd.	"
HSC the 2nd Co., Ltd.	"
HSCS the 1st Co., Ltd.	"
Hyosung Spandex (Quzhou) Co., Ltd.	"

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Subsidiary excluded from the consolidation for the year ended December 31, 2015, is as follows:

Subsidiary	Description
Hongjin Data Service Co., Ltd.	Disposal
Hyosung Capital the 6th Securitization Specialty Co., Ltd.	Liquidated
Hyosung Wind Power Holdings Ltd.	Disposal
The Class Hyosung	Disposal
Gumoknongsan Co., Ltd.	Disposal
Nantong Transformer Co., Ltd.	Merger
Nantong Yaubong Transformer Co., Ltd.	Merger
GST Automotive Safety Czech s.r.o.	Liquidated
Hyosung Power Holdings Co., Ltd.	Liquidated
Powertech Corporation	Liquidated
OpCo GmbH ¹	Liquidated

¹OpCo GmbH was excluded from the scope of consolidation due to the ongoing liquidation process and liquidation process was completed within 2015.

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

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

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards for the annual period beginning on January 1, 2015:

- Amendment to Korean IFRS 1019, *Employee Benefits*

Korean IFRS 1019, *Employee Benefits*, allows a practical expedient for companies that operate defined benefit plans and when contributions are made by employees or third parties. The application of this amendment does not have a material impact on the consolidated financial statements.

- Annual Improvements to Korean IFRS 2010-2012 *Cycle*

- Annual Improvements to Korean IFRS 2011-2013 *Cycle*

Other standards, amendments and interpretations which are effective for the annual period beginning on January 1, 2015, do not have a material impact on the financial statements of the Group.

(b) New standards and interpretations not yet adopted

The Group expects that new standards, amendments and interpretations issued but not effective for the annual period beginning on January 1, 2015 and not early adopted would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1001, *Presentation of Financial Statement*

- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1041, *Agriculture and fishing: Productive plants*

- Korean IFRS 1016, *Property, plant and equipment*, and Korean IFRS 1038, *Intangible assets: Amortization based on revenue*

- Korean IFRS 1110, *Consolidated Financial Statements*, Korean IFRS 1028, *Investments in Associates and Joint Ventures*, and Korean IFRS 1112, *Disclosures of Interests in Other Entities: Exemption for consolidation of investee*

- Korean IFRS 1111, *Joint Agreements*

Hyosung Corporation and Subsidiaries

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- Annual Improvements to Korean IFRS 2012-2014 Cycle

Furthermore, new standards issued, but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below:

- Korean IFRS 1109, *Financial Instruments*

The new Standard issued in December 2015 regarding financial instruments replaces Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*.

Korean IFRS 1109, *Financial Instruments*, requires financial assets to be classified and measured on the basis of the holder's business model and the instrument's contractual cash flow characteristics. The Standard requires a financial instrument to be classified and measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, and provides guidance on accounting for related gains and losses. The impairment model is changed into an expected credit loss model, and changes in those expected credit losses are recognized in profit or loss. The new Standard is effective for the financial year initially beginning on or after January 1, 2018, but early adoption is allowed. Early adoption of only the requirements related to financial liabilities designated at fair value through profit or loss is also permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

- Korean IFRS 1115, *Revenue from Contracts with Customers*

The new Standard for the recognition of revenue issued in December 2015 will replace Korean IFRS 1018, *Revenue*, Korean IFRS 1011, *Construction Contracts*, and related Interpretations.

Korean IFRS 1115, *Revenue from Contracts with Customers*, will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process. Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The new Standard is effective for annual reporting beginning on or after January 1, 2018, but early application is permitted. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

Also, new and amended standards issued after December 31, 2015, and effective for the financial year beginning January 1, 2016, are as follows:

Korean IFRS 1011, *Construction Contract*; Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; and Interpretation 2115, *Arrangements for Property Construction*

These standards and interpretation clarify the requirement that specific accounting estimates for contract-based industry and information relating to potential risk should be disclosed in detail classified by individual constructions and operating segments. These amendments will be effective for annual periods beginning on or after January 1, 2016. The Group is in the process of determining the effects resulting from the adoption of the new Standard.

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

2.3 Consolidation

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

(a) Subsidiaries

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

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

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

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

(b) Associates

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

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Notes to Consolidated Financial Statements

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2.4 Segment Reporting

Information of each segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management of the Group.

2.5 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.6 Financial Assets

(a) Classification and measurement

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

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

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

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(b) Impairment

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

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

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

(c) Derecognition

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

(d) Offsetting of financial instruments

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

2.7 Derivative Instruments

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

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2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method (the gross-weighted average method or the first-in, first-out (FIFO) method in some subsidiaries) except for in-transit inventories which are determined using the specific identification method.

2.9 Property, Plant and Equipment

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

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

Estimated Useful Lives			Estimated Useful Lives		
Buildings	20 - 60	years	Vehicles	3 - 10	years
Structures	5 - 40	years	Tools and equipment	3 - 15	years
Machinery	3 - 25	years	Others	2 - 10	years

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

2.10 Borrowing Costs

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

2.11 Government Grants

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

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2.12 Intangible Assets

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

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

Internally generated software development costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives, are as follows:

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

2.13 Investment Property

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

2.14 Lease

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

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

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

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2.15 Impairment of Non-financial Assets

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

2.16 Financial Liabilities

(a) Classification and measurement

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

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

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

(b) Derecognition

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

2.17 Financial Guarantee Contracts

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

- (a) The amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or

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

2.18 Provisions

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

2.19 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

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

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

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

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

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2.20 Employee Benefits

(a) Post-employment benefits

The Group has both defined contribution and defined benefit plans.

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

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

2.21 Revenue Recognition

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

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

(a) Sale of goods

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

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(b) Rendering of services

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

(c) Royalty income

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

(d) Interest income

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

(e) Dividend income

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

2.22 Construction Contracts

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Contract costs are recognized as an expense in the period in which they are incurred.

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

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

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

2.23 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2015 financial statements of the Group was approved by the Board of Directors on February 3, 2016, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

3. Critical Accounting Estimates and Assumptions

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

(a) Estimated impairment of goodwill

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

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(b) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 23).

If certain portion of the taxable income is not used for investments, increase in wages, or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new system. As the Group's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

(c) Fair value of financial instruments

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

(d) Provisions

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

(e) Net defined benefit liability

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

(f) Uncertainty of the estimated total contract revenue

Total contract revenue is measured based on contractual amount initially agreed. The contract revenue can be increased by additional contract work, claims and incentive payments in the course of construction, or decreased by the penalty when the completion of contract is delayed due to the Group's fault. Therefore, this measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The change in contract revenue is recognized when it is probable that the customer will approve the increase in revenue due to the changes in contract work, or when it is probable that the Group will be able to satisfy the performance requirements, and the amount can be estimated reliably.

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(g) Estimated total contract costs

Construction revenue is recognized according to the percentage of completion, which is measured on the basis of the gross amount incurred to date. Total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

(a) Market risk

i) Foreign exchange risk

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

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

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

The impact of weakened/strengthened Korean won by 10% against foreign currencies with all other variables held constant on the pre-tax profit for the year as of December 31, 2015 and 2014, is as follows:

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(in millions of Korean won)

		Impact on pre-tax profit			
		2015		2014	
USD	Strengthened	₩	(42,291)	₩	(164,890)
	Weakened		42,291		164,890
EUR	Strengthened		(32,783)		4,183
	Weakened		32,783		(4,183)
JPY	Strengthened		(7,131)		(5,752)
	Weakened		7,131		5,752
Others	Strengthened		1,763		(50,005)
	Weakened		(1,763)		50,005

ii) Price risk

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

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

As of December 31, 2015 and 2014, the impact of increases/decreases of the stock price by 30% with all other variables held constant on the Group's equity is as follows:

(in millions of Korean won)

		Impact on equity			
		2015		2014	
KOSPI	Increase	₩	56,600	₩	40,523
	Decrease		(56,600)		(40,523)
KOSDAQ	Increase		2,133		941
	Decrease		(2,133)		(941)

iii) Interest rate risk

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

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

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The impact of 100 basis points higher/lower of interest rate with all other variables held constant on the Group's pre-tax profit for the year as of December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	Impact on pre-tax profit			
		2015		2014
Increase	₩	(35,479)	₩	(52,689)
Decrease		35,479		52,689

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, financial assets and outstanding receivables, etc. 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.

The maximum exposure to credit risk as of December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>		2015		2014
Cash and cash equivalents ¹	₩	479,877	₩	480,579
Trade and other receivables		1,859,542		1,780,287
Due from customers for contract work		93,748		183,644
Other financial assets		70,232		70,569
Long-term trade and other receivables		278,457		251,901
Other non-current financial business assets		2,058,256		2,205,796
Other non-current financial assets		549,803		292,989
Financial guarantee contract		662,914		596,894

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

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(c) Liquidity Risk

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

Details of the Group's liquidity risk analysis as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2015				
Trade and other payables	₩ 1,491,748	₩ 381,140	₩ 10,133	₩ 1,883,021
Borrowings(including interest expense)	4,897,210	3,149,308	23,735	8,070,253
Derivative liabilities ¹	24,815	8,184	-	32,999
Financial guarantees ²	482,523	-	-	482,523
PF guarantees ²	180,391	-	-	180,391
	<u>₩ 7,076,687</u>	<u>₩ 3,538,632</u>	<u>₩ 33,868</u>	<u>₩ 10,649,187</u>
2014				
Trade and other payables	₩ 1,464,611	₩ 355,845	₩ 67,324	₩ 1,887,780
Borrowings(including interest expense)	5,424,999	2,682,186	128,081	8,235,266
Derivative liabilities ¹	32,617	321	-	32,938
Financial guarantees ²	440,394	-	-	440,394
PF guarantees ²	156,500	-	-	156,500
	<u>₩ 7,519,121</u>	<u>₩ 3,038,352</u>	<u>₩ 195,405</u>	<u>₩ 10,752,878</u>

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

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

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4.2 Capital Risk Management

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

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

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

The gearing ratio as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Total borrowings	₩	7,778,306	₩	7,921,564
Less: cash and cash equivalents		(513,262)		(526,920)
Net debt (A)		<u>7,265,044</u>		<u>7,394,644</u>
Total equity (B)		<u>3,472,114</u>		<u>2,895,269</u>
Total capital (A+B=C)		<u>10,737,158</u>		<u>10,289,913</u>
Gearing ratio (A/C)		67.66%		71.86%

4.3 Fair Value Estimation

4.3.1 Fair Value of Financial Instruments by Category

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

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4.3.2 Financial Instruments Measured at Cost

Details of financial instruments measured at cost as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>		2015		2014	
Available-for-sale financial assets (unlisted)	OKSAN OCHANG Highway Corporation	₩	14,970	₩	9,455
	Kumho & Company Incorporation		10,000		-
	TransLink Capital Partners 1, L.P.		2,022		2,022
	Doosan Capital Inc.		1,355		-
	The Korea Economic Daily		1,354		1,354
	Korea Housing Guarantee Co., Ltd.		-		1,717
	Others		2,900		1,231
	Available-for-sale financial assets (investment in capital)	PRAXIS PRIVATE EQUITY FUND III		-	
Creative Economy Fund			5,000		-
I-um II Corporate Financing Stabilization Private Equity Fund			5,000		-
Construction Guarantee Cooperative			3,498		1,217
Machinery Financial Cooperative			4,410		4,410
KDBC I-um III Private Equity Fund			3,225		-
Eco 2014 Private Equity Fund			-		2,000
ENF-Jade Private Equity Fund			2,571		-
BK Constant Recovery Private Equity Fund			-		2,000
Medici 2015-2 Association of Investment			2,000		-
Others			2,986		3,816
Government Bonds		162		296	
		₩	61,453	₩	34,518

The above equity instruments are measured at cost because they do not have quoted prices in an active market and their fair value cannot be measured reliably. The Group has no intention to dispose of the aforementioned equities in the near future. These equities will be measured at fair value when the Group can develop a reliable estimate of the fair value.

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4.3.3 Fair Value Hierarchy

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

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

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 257,902	₩ -	₩ 143,587	₩ 401,489
Derivative assets	-	15	875	890
	<u>₩ 257,902</u>	<u>₩ 15</u>	<u>₩ 144,462</u>	<u>₩ 402,379</u>
Liabilities				
Derivative liabilities	₩ -	₩ 32,999	₩ -	₩ 32,999
	<u>₩ -</u>	<u>₩ 32,999</u>	<u>₩ -</u>	<u>₩ 32,999</u>

<i>(in millions of Korean won)</i>	2014			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 182,341	₩ -	₩ 84,826	₩ 267,167
Derivative assets	-	10,787	2,981	13,768
	<u>₩ 182,341</u>	<u>₩ 10,787</u>	<u>₩ 87,807</u>	<u>₩ 280,935</u>
Liabilities				
Derivative liabilities	₩ -	₩ 32,938	₩ -	₩ 32,938
	<u>₩ -</u>	<u>₩ 32,938</u>	<u>₩ -</u>	<u>₩ 32,938</u>

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

(in millions of Korean won)

	Available-for-sale financial assets		Derivative assets	
	2015	2014	2015	2014
Beginning balance	₩ 84,826	₩ 72,841	₩ 2,981	₩ 389
Purchases (disposal)	37,601	13,411	(2,106)	2,592
Other comprehensive income	10,486	(1,426)	-	-
Others	10,674	-	-	-
Ending balance	₩ 143,587	₩ 84,826	₩ 875	₩ 2,981

4.3.5 Valuation Technique and the Inputs

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

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

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

4.3.6 Valuation Processes for Fair Value Measurements Categorized Within Level 3

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

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5. Operating Segment Information

(a) 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 Group's operating segment information for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015							Consolidation adjustment	Total
	Fabric	Industrial materials	Chemical	Heavy industrial	Construction	Trading	Others		
Total revenue	₩2,105,941	₩ 2,374,834	₩ 1,214,017	₩ 2,501,169	₩ 896,447	₩ 3,000,138	₩ 655,958	₩ -	₩ 12,748,504
Inter-segment revenue	(1,431)	-	(145,913)	(7,783)	(5,470)	(125,549)	(3,904)	-	(290,050)
	2,104,510	2,374,834	1,068,104	2,493,386	890,977	2,874,589	652,054	-	12,458,454
Operating income(loss)	424,805	150,094	100,685	162,203	48,043	29,844	56,473	(21,978)	950,169
Depreciation and amortization	121,419	200,164	119,484	48,121	6,053	8,566	62,609	3,660	570,076
Assets									
Current assets	1,199,556	710,834	236,432	1,151,617	391,348	503,589	648,912	(625,121)	4,217,167
Non-current assets	1,691,084	1,419,745	1,319,211	1,128,014	823,012	128,927	5,050,800	(1,764,782)	9,796,011
Investments in associates	-	11,184	14,404	14,017	-	-	71,336	-	110,941
Acquisition of non-current assets	218,211	152,105	286,765	60,237	30,087	46,198	88,922	(118,462)	764,063
Liabilities									
Current liabilities	1,220,446	629,722	297,461	1,058,899	416,872	495,263	3,101,630	(501,983)	6,718,310
Non-current liabilities	404,748	332,215	24,077	165,511	373,277	16,181	2,701,732	(194,987)	3,822,754

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(in millions of Korean won)	2014								Total
	Fabric	Industrial materials	Chemical	Heavy industrial	Construction	Trading	Others	Consolidation adjustment	
Total revenue	₩2,191,359	₩ 2,361,402	₩ 1,559,313	₩ 2,356,031	₩ 746,507	₩ 3,138,142	₩ 245,131	₩ -	₩ 12,597,885
Inter-segment revenue	(22,606)	-	(160,566)	(6,676)	(23,242)	(197,087)	(10,573)	-	(420,750)
	2,168,753	2,361,402	1,398,747	2,349,355	723,265	2,941,055	234,558	-	12,177,135
Operating income(loss)	366,057	90,651	71,427	14,308	38,504	4,518	26,631	(11,750)	600,346
Depreciation and amortization	123,709	197,114	99,303	45,442	6,446	6,308	44,539	(2,018)	520,843
Assets									
Current assets	939,628	1,294,216	274,805	1,140,979	416,736	377,229	356,437	(681,107)	4,118,923
Non-current assets	979,288	2,082,381	1,172,647	1,182,580	733,935	102,670	4,899,407	(1,609,757)	9,543,151
Investments in associates	-	11,732	17,676	7,734	-	-	175,350	-	212,492
Acquisition of non-current assets	106,617	205,181	297,729	40,311	131,853	20,508	117,949	(68,251)	851,897
Liabilities									
Current liabilities	899,121	1,223,834	374,997	1,051,106	393,624	471,012	3,340,611	(528,133)	7,226,172
Non-current liabilities	202,346	658,710	21,011	116,803	318,956	13,082	2,352,676	(142,951)	3,540,633

(b) Geographical segment information

Geographical segment information of revenue and other for the years ended December 31, 2015 and 2014, is as follows:

(in millions of Korean won)	2015					
	Domestic	North and Central America	Asia	Europe	Others	Total
Revenue	₩ 9,367,565	₩ 653,304	₩ 1,504,315	₩ 835,195	₩ 98,075	₩ 12,458,454
Non-current assets ¹	₩ 4,740,313	₩ 26,111	₩ 1,529,453	₩ 366,134	₩ 39,493	₩ 6,701,504

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

¹ Includes all property, plant and equipment, intangible assets, and investment properties.

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6. Transfers of Financial Assets

Trade receivables have been discounted through factoring agreements with banks in 2015 and 2014. In case of the customer's default, the Group has an obligation to pay the related amounts to the bank. As a result, this transaction, which is treated as a transaction with recourse, has been accounted for as a collateralized borrowing (Notes 10, 20 and 38).

Details of transferred financial assets that are not derecognized in their entirety as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2015	December 31, 2014
Loan and receivables		
Carrying amount of assets	₩ 549,968	₩ 656,066
Carrying amount of associated liabilities	(549,968)	(656,066)
Net position	-	-

7. Financial Instruments by Category

Categorizations of financial instruments as of December 31, 2015 are as follows:

(in millions of Korean won)

	2015					
	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Financial assets at fair value through profit or loss	Derivative financial assets for hedging	Total
Cash and cash equivalents	₩ 513,262	₩ -	₩ -	₩ -	₩ -	₩ 513,262
Trade and other receivables	1,859,542	-	-	-	-	1,859,542
Due from customers for contract work	93,748	-	-	-	-	93,748
Other financial assets	48,519	21,713	-	-	-	70,232
Long-term trade and other receivables	278,457	-	-	-	-	278,457
Other non-current financial business assets	2,017,542	-	-	-	-	2,017,542
Other non-current financial assets	107,685	441,229	-	889	-	549,803
	<u>₩4,918,755</u>	<u>₩ 462,942</u>	<u>₩ -</u>	<u>₩ 889</u>	<u>₩ -</u>	<u>₩ 5,382,586</u>

	2015			
	Financial liabilities at amortized cost	Other financial liabilities	Derivative liabilities	Total
Trade and other payables	₩ 1,491,320	₩ 59	₩ -	₩ 1,491,379
Borrowings	4,172,405	549,968	-	4,722,373
Other financial liabilities	-	-	24,815	24,815
Long-term trade and other payables	367,690	-	-	367,690
Long-term borrowings	3,055,933	-	-	3,055,933
Other non-current financial liabilities	-	-	8,184	8,184
	<u>₩ 9,087,348</u>	<u>₩ 550,027</u>	<u>₩ 32,999</u>	<u>₩ 9,670,374</u>

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

(in millions of Korean won)

	2014			
	Financial liabilities at amortized cost	Other financial liabilities	Derivative liabilities	Total
Trade and other payables	₩ 1,449,780	₩ 2,799	₩ -	₩ 1,452,579
Borrowings	4,564,122	656,066	-	5,220,188
Other financial liabilities	-	-	27,242	27,242
Long-term trade and other payables	419,978	-	-	419,978
Long-term borrowings	2,701,376	-	-	2,701,376
Other non-current financial liabilities	-	-	5,697	5,697
	<u>₩ 9,135,256</u>	<u>₩ 658,865</u>	<u>₩ 32,939</u>	<u>₩ 9,827,060</u>

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Net gains or net losses on each category of financial instruments for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Loans and receivables				
Gain (Loss) on disposal (profit or loss)	₩	1,970	₩	(3,478)
Interest income		5,750		6,053
Gain on foreign currency translation		67,453		45,384
Loss on foreign currency translation		(23,289)		(39,997)
Bad debts expense		(8,057)		(24,175)
Reversal of allowance for bad debt		50		36
Available-for-sale financial assets				
Gain (Loss) on valuation (other comprehensive income(loss))		55,220		(10,964)
Gain (Loss) on disposal (profit or loss)		1,069		(12,216)
Impairment loss (profit or loss)		(1,310)		(105)
Related loss (profit or loss)		-		(10,050)
Interest income		-		1,147
Dividend income		588		206
Held-to-maturity financial assets				
Interest income		14		31
Financial liabilities at amortized cost				
Interest expenses		(166,908)		(193,040)
Gain on foreign currency translation		35,864		65,759
Loss on foreign currency translation		(178,403)		(92,774)
Other financial liabilities ¹				
Interest expenses		(12,392)		(13,680)
Gain on foreign currency translation		7,427		14,615
Loss on foreign currency translation		(32,988)		(19,085)
Derivative assets and liabilities				
Gain (Loss) on valuation (other comprehensive income(loss))		-		-
Gain (Loss) on valuation (profit or loss)		(33,208)		(22,462)
Gain (Loss) on transactions (profit or loss)		(22,363)		25,709

¹ Other financial liabilities include financial liability related to transfer transaction not qualified for derecognition, financial guarantees and others.

8. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of financial position as of December 31, 2015 and 2014, are identical to the cash and cash equivalents in the consolidated statements of cash flows:

<i>(in millions of Korean won)</i>	2015		2014	
Cash on hand	₩	33,385	₩	46,341
Bank deposits		479,877		480,579
	₩	<u>513,262</u>	₩	<u>526,920</u>

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9. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	Description	2015		2014	
Cash and cash equivalents	Pledge for borrowings	₩	3,814	₩	1,892
	Others		10,048		5,590
Long-term trade and other receivables	Foreign currency payment guarantee		2		143
	Bank overdraft				
Other non-current financial assets	guarantee deposit		101		90
	Pledge for borrowings		1,410		-
		₩	15,375	₩	7,715

10. Trade and Other Receivables

Details of trade and other receivables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		
	Receivable amounts	Provisions for impairment	Net book value
Trade receivables	₩ 1,719,284	₩ (30,032)	₩ 1,689,252
Other receivables	171,971	(1,681)	170,290
Long-term trade receivables	23,712	(10,725)	12,987
Long-term other receivables	314,538	(49,068)	265,470
	₩ 2,229,505	₩ (91,506)	₩ 2,137,999

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

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Details of other receivables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>		2015		2014	
Other receivables					
Non-trade receivables	₩	147,665	₩	110,174	
Short-term loans		8,483		613	
Accrued income		8,165		10,801	
Deposits provided		5,977		3,126	
		<u>170,290</u>		<u>124,714</u>	
Long-term other receivables					
Long-term non-trade receivables		653		-	
Long-term loans		39,648		19,953	
Deposits provided		225,169		218,823	
		<u>265,470</u>		<u>238,776</u>	
	₩	<u>435,760</u>	₩	<u>363,490</u>	

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

	2015	2014
Discount rate	2.50% ~ 5.00%	2.9% ~ 5.0%

The aging analysis of trade and other receivables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>		2015					
Receivables not past due		Past due but not impaired				Impaired	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 1,270,684	₩ 121,729	₩ 55,461	₩ 57,999	₩ 185,527	₩ 27,884	₩ 1,719,284
Other receivables	164,645	2,707	619	554	1,252	2,194	171,971
Long-term trade receivables	2,466	-	-	-	16	21,446	23,928
Long-term other receivables	255,916	2,152	1,339	1,021	8,159	49,096	317,683
	<u>₩ 1,693,711</u>	<u>₩ 126,588</u>	<u>₩ 57,419</u>	<u>₩ 59,574</u>	<u>₩ 194,954</u>	<u>₩ 100,620</u>	<u>₩ 2,232,866</u>

<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	₩ 1,294,294	₩ 168,271	₩ 16,034	₩ 72,729	₩ 107,447	₩ 49,659	₩ 1,708,434
Other receivables	112,956	2,240	568	782	7,900	2,528	126,974
Long-term trade receivables	2,655	-	-	-	-	21,446	24,101
Long-term other receivables	236,554	2,150	288	623	2,604	26,134	268,353
	<u>₩ 1,646,459</u>	<u>₩ 172,661</u>	<u>₩ 16,890</u>	<u>₩ 74,134</u>	<u>₩ 117,951</u>	<u>₩ 99,767</u>	<u>₩ 2,127,862</u>

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The above amounts do not reflect the present value discount and provision for impairment.

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

Changes in provision for impairment of trade and other receivables for the years ended December 31, 2015 and 2014, are as follows:

		2015				
<i>(in millions of Korean won)</i>	Beginning	Provision for impairment	Reversal	Changes in scope of consolidation	Others	Ending
Trade and long-term trade receivables	₩ 63,584	₩ 3,975	₩ -	₩ 481	₩ (27,283)	₩ 40,757
Other receivables and long-term other receivables	30,318	4,082	(50)	(4,072)	20,471	50,749
	<u>₩ 93,902</u>	<u>₩ 8,057</u>	<u>₩ (50)</u>	<u>₩ (3,591)</u>	<u>₩ (6,812)</u>	<u>₩ 91,506</u>
		2014				
<i>(in millions of Korean won)</i>	Beginning	Provision for impairment	Reversal	Changes in scope of consolidation	Others	Ending
Trade and long-term trade receivables	₩ 57,378	₩ 23,554	₩ -	₩ -	₩ (17,348)	₩ 63,584
Other receivables and long-term other receivables	42,271	621	(36)	-	(12,538)	30,318
	<u>₩ 99,649</u>	<u>₩ 24,175</u>	<u>₩ (36)</u>	<u>₩ -</u>	<u>₩ (29,886)</u>	<u>₩ 93,902</u>

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

The creation and release of provision for impaired trade receivables and other receivables have been included in 'selling and administrative expenses' (Note 32) and 'other operating income and expenses' (Note 33) in the statements of income, respectively. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

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11. Other Financial Assets and Liabilities

Other financial assets and liabilities as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Other financial assets				
Loans and receivables	₩	156,204	₩	48,105
Available-for-sale financial assets		462,942		301,684
Held-to-maturity financial assets		-		-
Derivative assets		890		13,768
		<u>620,036</u>		<u>363,557</u>
Less: Current portion		(70,232)		(70,569)
	₩	<u>549,804</u>	₩	<u>292,988</u>
Other financial liabilities				
Derivative liabilities	₩	32,999	₩	32,938
Less: Current portion		(24,815)		(27,242)
	₩	<u>8,184</u>	₩	<u>5,696</u>

Details of loans and receivables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Short-term financial instruments	₩	48,519	₩	47,715
Long-term financial instruments		107,685		390
	₩	<u>156,204</u>	₩	<u>48,105</u>

Available-for-sale financial assets as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Equity securities				
Listed	₩	257,902	₩	182,341
Unlisted		60,760		32,036
Investments		144,117		87,011
Debt securities				
Government bond		163		296
	₩	<u>462,942</u>	₩	<u>301,684</u>

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Changes in available-for-sale financial assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	301,684	₩	167,583
Acquisition		119,134		162,187
Reclassification		-		9,402
Disposals		(25,844)		(26,402)
Impairment loss of available-for-sale financial assets		(1,310)		(105)
Net gains/(losses) transfer to equity		55,220		(10,964)
Changes in scope of consolidation		9,429		-
Others		4,629		(17)
Ending balance	₩	<u>462,942</u>	₩	<u>301,684</u>
Short-term available-for-sale financial assets	₩	21,713	₩	10,586
Long-term available-for-sale financial assets		441,229		291,098

Short-term available-for-sale financial assets as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Equity securities (unlisted)	₩	21,609	₩	10,586
Debt securities (government bond)		104		-
	₩	<u>21,713</u>	₩	<u>10,586</u>

Details of long-term available-for-sale financial assets as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	Acquisition cost	Book value¹	Book value	
Listed stock	₩ 242,597	₩ 257,902	₩	182,341
Unlisted stock ¹	66,965	39,151		21,450
Equity investments	129,714	144,117		87,011
Debt securities	59	59		296
	₩ <u>439,335</u>	₩ <u>441,229</u>	₩	<u>291,098</u>

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.

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Details of listed stock, except for investments in subsidiaries and associates, as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

Investee	Number of share	Percentage of ownership (%)	2015			2014
			Acquisition cost	Fair value	Book value	Book value
Chin Hung International Inc. ^{1,2}	74,315,616	48.35%	₩ 153,492	₩ 170,926	₩ 170,926	₩ 123,736
Nexolon Co., Ltd.	1,179,068	0.73%	422	1,028	1,028	-
Capro Corp. ^{3,4}	7,960,708	19.90%	22,880	22,777	20,777	22,608
Hwashin Precision Co., Ltd.	200,000	0.5%	400	306	306	268
LS Networks Co., Ltd.	45,666	0.06%	228	166	166	188
Woori Bank	2,500,000	0.37%	27,125	22,050	22,050	25,000
KTB Acquisition Purposes 2	45,490	0.83%	91	91	91	-
Hanhwa Ace Spec 1	200,428	4.52%	401	399	399	-
Hanhwa Ace Spec 2	287,427	4.04%	575	575	575	-
NICE Holdings Inc.	279,610	0.74%	614	6,082	6,082	4,264
NICE Credit Rating Information Inc.	355,000	0.58%	780	3,639	3,639	1,679
Galaxy Communications Inc.	704,920	2.28%	5,054	3,408	3,408	-
Kumho Tire Co., Inc.	4,115,226	2.60%	30,000	27,695	27,695	-
Others	-	-	535	760	760	4,598
			₩ 242,597	₩ 257,902	₩ 257,902	₩ 182,341

¹ During 2014, the Group additionally acquired 30,000,000 common shares of Chin Hung International Inc. through debt-equity swap for the loans amounting to ₩ 16 billion and participating in paid-in capital increase amounting to ₩ 44 billion.

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 40). Also, although the Company holds more than 20% of total interest, the Group ceased its significant influence over Chin Hung International Inc. in accordance with the special agreement for plans for normalization of the business of Chin Hung International Inc., therefore, the shares were classified as available-for-sale financial assets accordingly.

³ During 2014, the Group disposed of 457,000 shares of Capro Corp. 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 Group (Notes 20 and 38).

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Details of unlisted stock, except for investments in subsidiaries and associates, as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

Investee	2015			2014
	Number of share	Percentage of ownership (%)	Acquisition cost	Book value
Doosan Capital Co., Ltd.	600,000	2.14%	₩ 3,000	₩ 1,355
TransLink Capital Partners 1, L.P.	1,000	4.14%	2,022	2,022
Korea Housing Guarantee Co., Ltd.	-	-	-	1,717
Hankook Economic Newspaper	124,308	0.66%	1,354	1,354
OKSAN OCHANG Highway Corporation	2,539,020	30.00%	14,970	14,970
Maeil Business TV News (MBN)	266,667	0.48%	2,000	1,713
Channel A Co., LTD.	1,000,000	1.23%	5,010	4,545
Kumho & Company Incorporation	100,000	3.58%	10,000	10,000
Others	-	-	28,609	3,192
			₩ 66,965	₩ 39,151
				₩ 21,450

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

Details of equity investments as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

Investee	2015		2014
	Percentage of ownership (%)	Acquisition cost	Book value
Machinery Financial Cooperative	-	₩ 4,560	₩ 4,607
Construction Guarantee Cooperative	-	4,393	4,521
Electronic industry investment cooperative	0.00%	267	-
Hyundai Financial Leasing Co., Ltd.	11.98%	16,512	31,010
Fund of Goldman Sachs Group	0.12%	1,334	855
Koston No.1 Private Equity Fund	18.18%	1,048	1,051
E-revolution No.1 Private Equity Fund	7.14%	2,000	1,879
Shinyoung Private Equity No.1	10.15%	3,132	3,132
Mvpc2012 Private Equity Fund	10.00%	1,171	1,274
Corstone Private Equity Fund IV	10.91%	1,781	1,889
Stonebridge New Growth Fund1	10.35%	1,471	1,329
Corstone Private Equity Fund V	16.53%	677	690
Glenwood Private Equity Fund I	0.00%	-	-
Dominus Strategic Growth Private Equity Fund 1	16.43%	4,000	4,170
Mvpc2012-2 Private Equity Fund	12.42%	960	969
Miracle 2012 Private Equity Fund1	10.75%	1,801	2,025
Dominus Global I Private Equity Fund	2.64%	3,000	2,981
KoFC SG-SK Cooperate financial stability PEF	3.98%	2,535	2,715
Foosung-Medici co-growth No.1 Private Equity Fund	9.52%	1,977	1,922
EN New Technology business Fund I	0.00%	-	-
Corstone Private Equity Fund VIII	13.79%	2,000	1,891
PRAXIS PRIVATE EQUITY FUND II	9.76%	2,000	2,583
Ars Magna Private Equity Fund	6.56%	2,000	2,383
KDB Daewoo Topaz Private Equity Fund	7.69%	-	-
SG CHINA Private Equity Fund No. 8	9.80%	5,000	4,924
Corstone Maestro Private Equity Fund	4.15%	2,000	1,897

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Eco 2014 Private Equity Fund	8.89%	2,000	2,680	2,000
PRAXIS PRIVATE EQUITY FUND III	19.96%	5,000	5,789	5,000
SHC-EN Fund	10.87%	1,000	1,376	1,000
SP New Technology Business Investment Fund I	11.63%	1,000	1,012	1,000
NV Private Equity Fund II	2.60%	1,872	1,773	1,029
BK Constant Recovery Private Equity Fund	6.56%	2,000	2,358	2,000
SG IX Corporate Financing Stabilization Private Equity Fund	13.24%	2,000	1,992	-
Kameur II Private Equity Fund	6.75%	5,000	4,582	-
WF-Biohealthcare Association of Investment	3.33%	2,000	2,297	-
Medici 2015-1 Private Equity Fund	8.06%	5,000	4,600	-
Cosmo Turnaround Corporate Financing Stabilization Private Equity Fund	3.05%	2,000	1,996	-
Shinhan Praxis K growth Global Private Equity Fund	4.72%	2,195	2,173	-
DB Constant Corporate Financing Stabilization Private Equity Fund	14.08%	5,000	4,900	-
Medica I Private Equity Fund	9.52%	2,000	1,978	-
Others	-	26,028	23,914	738
		<u>₩ 129,714</u>	<u>₩ 144,117</u>	<u>₩ 87,011</u>

Changes in unrealized gain or loss on valuation of available-for-sale financial assets according to valuation of their fair values for the years ended from December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	(39,068)	₩	(30,829)
Gain(loss) on valuation		55,220		(10,964)
Tax effects on equity		(16,604)		2,725
Ending balance	₩	<u>(452)</u>	₩	<u>(39,068)</u>

Details of derivatives assets and liabilities as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Current				
Forward exchange contracts	₩ -	₩ 22,328	₩ 8,316	₩ 25,185
Commodity forward	-	-	-	2,057
Swaps	-	2,487	3,951	-
	<u>-</u>	<u>24,815</u>	<u>12,267</u>	<u>27,242</u>
Non-current				
Forward exchange contracts	-	7,757	400	1,562
Swaps	15	427	113	4,049
Option	875	-	971	-
Forward	-	-	17	85
	<u>890</u>	<u>8,184</u>	<u>1,501</u>	<u>5,696</u>
	<u>₩ 890</u>	<u>₩ 32,999</u>	<u>₩ 13,768</u>	<u>₩ 32,938</u>

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12. Other Financial Business Assets

Details of other financial business assets as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Loans and receivables	₩	2,017,542	₩	2,173,263
Operating lease assets		40,714		32,533
	₩	<u>2,058,256</u>	₩	<u>2,205,796</u>

Details of loans and receivables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Loans and receivables	₩	2,051,096	₩	2,258,929
Less: Provision for impairment		(33,554)		(85,666)
	₩	<u>2,017,542</u>	₩	<u>2,173,263</u>

The aging analyses of loans and receivables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Up to 1 year	₩	357,133	₩	505,650
1 to 5 years		1,693,963		1,753,279
	₩	<u>2,051,096</u>	₩	<u>2,258,929</u>

Movements on the provision for impairment of trade receivables for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	85,666	₩	102,355
Provision for impairment		28,930		6,498
Write-off		(48,026)		(21,122)
Others		(33,016)		(2,065)
Ending balance	₩	<u>33,554</u>	₩	<u>85,666</u>

The future minimum lease receipts under non-cancellable operating lease agreements as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Up to 1 year	₩	14,553	₩	11,080
1 to 5 years		14,010		12,395
	₩	<u>28,563</u>	₩	<u>23,475</u>

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13. Other Assets

Details of other assets as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Other current assets				
Advance payments	₩	115,182	₩	120,704
Provision for impairment		(290)		(290)
Prepaid expenses		51,452		44,330
		<u>166,344</u>		<u>164,744</u>
Other non-current assets				
Long-term prepaid expenses		19,672		18,832
Other investments		34,454		35,180
		<u>54,126</u>		<u>54,012</u>
	₩	<u>220,470</u>	₩	<u>218,756</u>

14. Inventories

Inventories as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		
	Acquisition cost	Provision	Net book value
Merchandise	₩ 187,386	₩ (632)	₩ 186,754
Finished goods	565,054	(42,589)	522,465
Semi-finished goods	201,253	(6,479)	194,774
Work-in-process	72,895	-	72,895
Processing materials on consignment	-	-	-
Processing materials on trust	21	-	21
Raw materials	277,953	(7,659)	270,294
Sub-materials	34,669	-	34,669
Supplies	9,436	-	9,436
Packaging	7,743	-	7,743
Goods in transit	137,116	-	137,116
Cost accrued on construction contract	7,880	-	7,880
Temporary installations	24	-	24
Finished housing	689	-	689
Sites	67,412	(13,888)	53,524
Others	-	-	-
	<u>₩ 1,569,531</u>	<u>₩ (71,247)</u>	<u>₩ 1,498,284</u>

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<i>(in millions of Korean won)</i>	2014		
	Acquisition cost	Provision	Net book value
Merchandise	₩ 186,778	₩ -	₩ 186,778
Finished goods	483,350	(27,894)	455,456
Semi-finished goods	168,115	(2,285)	165,830
Work-in-process	61,309	-	61,309
Processing materials on consignment	10	-	10
Processing materials on trust	28	-	28
Raw materials	256,045	(4,967)	251,078
Sub-materials	30,283	-	30,283
Supplies	8,828	-	8,828
Packaging	6,570	-	6,570
Goods in transit	100,573	-	100,573
Cost accrued on construction contract	7,868	-	7,868
Temporary installations	24	-	24
Finished housing	3,112	-	3,112
Sites	105,279	(10,995)	94,284
Others	133	-	133
	<u>₩ 1,418,305</u>	<u>₩ (46,141)</u>	<u>₩ 1,372,164</u>

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 6,886,701 million (2014: ₩ 7,115,946 million) for the year ended December 31, 2015. The Group recognized ₩ 25,106 million (2014: ₩ 7,477 million) of loss on inventory valuation as expense, and the expense has been included in 'cost of sales' in the consolidated statement of income.

15. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		
	Acquisition cost	Accumulated depreciation¹	Net book value
Land	₩ 1,553,291	₩ -	₩ 1,553,291
Building	1,475,182	(408,952)	1,066,230
Structures	338,897	(92,810)	246,087
Machinery	5,871,741	(3,773,711)	2,098,030
Vehicles	46,022	(33,767)	12,255
Tool and equipment	510,014	(373,600)	136,414
Others	132,960	(38,352)	94,608
Construction in progress	419,372	-	419,372
Machinery in transit	2,556	-	2,556
	<u>₩ 10,350,035</u>	<u>₩ (4,721,192)</u>	<u>₩ 5,628,843</u>

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<i>(in millions of Korean won)</i>	2014		
	Acquisition cost	Accumulated depreciation ¹	Net book value
Land	₩ 1,570,001	₩ (5)	₩ 1,569,996
Building	1,324,381	(357,824)	966,557
Structures	266,029	(84,077)	181,952
Machinery	5,212,085	(3,382,601)	1,829,484
Vehicles	52,746	(31,414)	21,332
Tool and equipment	353,503	(249,814)	103,689
Others	142,139	(36,708)	105,431
Construction in progress	698,365	-	698,365
Machinery in transit	8,922	-	8,922
	<u>₩ 9,628,171</u>	<u>₩ (4,142,443)</u>	<u>₩ 5,485,728</u>

¹ Accumulated impairment losses are included

Changes in property, plant and equipment for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015									
	Land	Building	Structure	Machinery	Vehicle	Tool and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning balance	₩1,569,996	₩ 966,557	₩ 181,952	₩ 1,829,484	₩ 21,332	₩ 103,689	₩ 105,431	₩ 698,365	₩ 8,923	₩ 5,485,729
Acquisition	12,347	4,964	2,936	41,672	3,018	30,223	5,791	607,717	19,827	728,495
Disposal	(5,745)	(4,468)	(471)	(3,833)	(7,326)	(7,929)	(2,585)	(2,055)	-	(34,412)
Depreciation and others ¹	-	(49,822)	(10,191)	(388,083)	(6,671)	(43,834)	(11,209)	-	-	(509,810)
Impairment loss	-	-	-	(10,349)	-	(13)	-	-	-	(10,362)
Transfers ²	-	151,045	71,878	623,014	10,934	12,981	(78)	(870,580)	(26,341)	(27,147)
Government grants received	(85)	-	-	(546)	-	(621)	-	-	-	(1,252)
Others (changes in exchange rate)	(39,632)	(9,825)	(1,733)	1,240	158	(1,880)	24	(70)	147	(51,571)
Changes in scope of consolidation	16,410	7,779	1,716	5,431	(9,190)	43,798	(2,766)	(14,005)	-	49,173
Ending balance	<u>₩1,553,291</u>	<u>₩ 1,066,230</u>	<u>₩ 246,087</u>	<u>₩ 2,098,030</u>	<u>₩ 12,255</u>	<u>₩ 136,414</u>	<u>₩ 94,608</u>	<u>₩ 419,372</u>	<u>₩ 2,556</u>	<u>₩ 5,628,843</u>

¹ Depreciation and others include ₩ 390 million of shrinkage loss from others and ₩ 1,438 million of supplies expenses.

² Transfers include construction in progress, machinery in transit and investment property.

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(in millions of Korean won)	2014									
	Land	Building	Structure	Machinery	Vehicle	Tool and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning balance	₩1,523,865	₩ 962,096	₩ 189,190	₩ 1,904,288	₩ 20,168	₩ 96,168	₩ 129,035	₩ 582,390	₩ 43,712	₩ 5,450,912
Acquisition	376	11,750	1,785	109,865	3,526	17,007	5,852	534,956	91,672	776,790
Disposal	(34,441)	(37,432)	(7,584)	(92,570)	(5,489)	(7,286)	(1,746)	(565)	-	(187,113)
Depreciation and others ¹	-	(43,784)	(8,969)	(365,864)	(5,480)	(34,598)	(18,535)	-	-	(477,230)
Impairment loss ²	-	(485)	-	(1,747)	-	(20)	(22)	(3,876)	-	(6,150)
Transfers ³	91,413	74,113	6,986	259,737	8,260	32,864	(9,363)	(404,627)	(126,669)	(67,286)
Government grants received	(3,388)	-	-	(845)	-	21	(434)	-	-	(4,646)
Others (changes in exchange rate)	(7,829)	299	544	16,639	347	(464)	643	(9,913)	207	473
Changes in scope of consolidation	-	-	-	(19)	-	(3)	-	-	-	(22)
Ending balance	₩1,569,996	₩ 966,557	₩ 181,952	₩ 1,829,484	₩ 21,332	₩ 103,689	₩ 105,430	₩ 698,365	₩ 8,922	₩ 5,485,728

¹ Depreciation and others include ₩ 315 million of shrinkage loss from others and ₩ 1,816 million of supplies expenses.

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

³ Transfers include construction in progress, machinery in transit and investment property.

Depreciation expense of ₩ 477,501 million (2014: ₩ 446,284 million) has been charged to 'cost of goods sold', ₩ 16,181 million (2014: ₩ 14,364 million) to 'selling and administrative expenses', and ₩ 14,301 million (2014: ₩ 14,451 million) to 'research and development expenses' for the year ended December 31, 2015.

The Group has capitalized borrowing costs amounting to ₩ 12,582 million (2014: ₩ 17,716 million) on qualifying assets for the year ended December 31, 2015. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 3.77%(2014: 4.04%) for the year ended December 31, 2015.

Certain amount of property, plant and equipment are provided as collaterals to financial institutions for borrowings (Notes 20 and 38).

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16. Investment property

Details of Investment property as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		
	Acquisition cost	Accumulated depreciation¹	Net book value
Land	₩ 370,056	₩ (3,485)	₩ 366,571
Building	300,696	(47,263)	253,433
	<u>₩ 670,752</u>	<u>₩ (50,748)</u>	<u>₩ 620,004</u>

<i>(in millions of Korean won)</i>	2014		
	Acquisition cost	Accumulated depreciation¹	Net book value
Land	₩ 347,830	₩ (3,486)	₩ 344,344
Building	289,498	(39,986)	249,512
	<u>₩ 637,328</u>	<u>₩ (43,472)</u>	<u>₩ 593,856</u>

¹ Accumulated depreciation includes accumulated impairment loss.

Changes in investment property for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		
	Land	Building	Total
Beginning balance	₩ 344,344	₩ 249,512	₩ 593,856
Acquisition	-	9	9
Disposal	(12,201)	(5,080)	(17,281)
Depreciation	-	(5,250)	(5,250)
Transfer	34,428	14,242	48,670
Ending balance	<u>₩ 366,571</u>	<u>₩ 253,433</u>	<u>₩ 620,004</u>

<i>(in millions of Korean won)</i>	2014		
	Land	Building	Total
Beginning balance	₩ 326,757	₩ 236,131	₩ 562,888
Acquisition	24,748	15,039	39,787
Disposal	(10,811)	(2,377)	(13,188)
Depreciation	-	(5,247)	(5,247)
Transfer	3,650	5,966	9,616
Ending balance	<u>₩ 344,344</u>	<u>₩ 249,512</u>	<u>₩ 593,856</u>

During 2015, rental income from investment property is ₩ 20,275 million (2014: ₩ 18,267 million), and operating expenses (including depreciation) arising from investment property that generated rental income for the year are ₩ 16,840 million (2014: ₩ 27,539 million).

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17. Intangible Assets

Changes in intangible assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015				
	Goodwill	Industrial property	Others	Memberships	Total
Beginning balance	₩ 129,225	₩ 5,424	₩ 258,624	₩ 16,495	₩ 409,768
Acquisition	-	3,746	25,036	349	29,131
Transfer	-	-	24,207	(6)	24,201
Disposals	-	(8)	(6,958)	(2,168)	(9,134)
Amortization	(20)	(1,707)	(41,635)	(3)	(43,365)
Impairment loss	(220)	-	(13,114)	-	(13,334)
Others	1,195	-	(2,573)	29	(1,349)
Changes in scope of consolidation	149	225	54,074	2,290	56,738
Ending balance	₩ 130,329	₩ 7,680	₩ 297,661	₩ 16,986	₩ 452,656

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

Amortization of ₩ 12,765 million (2014: ₩ 3,961 million) is included in 'cost of goods sold', ₩ 209 million (2014: ₩ 152 million) in 'research and development expenses', and ₩ 30,391 million (2014: ₩ 26,182 million) is included in 'selling and administrative expenses' in the consolidated statement of income for the year ended December 31, 2015.

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Impairment tests for goodwill

Goodwill is monitored by the management at the operating segment or cash generating level. There is no changes in goodwill allocation method in 2015 and 2014. The following is a summary of goodwill allocation for each operating segment.

<i>(in millions of Korean won)</i>	2015					
	Beginning	Increase	Disposals	Impairment loss	Other adjustments	Ending
Fabric	₩ 6,654	₩ -	₩ -	₩ -	₩ -	₩ 6,654
Industrial Materials	42,846	-	-	-	1,195	44,041
Trading	2,216	-	-	-	-	2,216
Others	77,509	-	-	(220)	129	77,418
	<u>₩ 129,225</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ (220)</u>	<u>₩ 1,324</u>	<u>₩ 130,329</u>

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

Goodwill impairment reviews are undertaken annually. Impairment test suggests that, the carrying value of other operating segments exceeded the value in use by ₩ 220 million and the amount exceeded carrying value is recognized as the other income/expenses, net in the consolidated statement of income. The recoverable amounts have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. In addition, a constant growth rate assumption is used for perpetual cash flow calculation.

The key assumptions used for value-in-use calculations in 2014 are as follows:

	Industrial materials ¹	Others
Gross margin	15.87%	31.80%
Growth rate ²	(1.07%)	5.54%
Perpetual growth rate ³	3.00%	1.00%
Pre-tax discount rate ⁴	13.50%~17.0%	9.30%

¹ It is applicable to particular cash-generating-unit in industrial materials department.

² The average revenue growth rate, which is computed based on historical growth rate, is used to forecast five years of cash flow.

³ Projected growth rate over five years.

⁴ Pre-tax discount rate applied to the cash flow projections.

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18. Investments in Associates

Details of associates of the Group as of December 31, 2015 and 2014, are as follows:

	Percentage of ownership ³		Location	Date of financial statements
	2015	2014		
Shinwha intertek Co., Ltd. ¹	15.26	18.29	Korea	December 31
E-pia Tech Co., Ltd. ²	21.30	21.30	Korea	December 31
Taebaek Wind Power Co., Ltd.	35.00	35.00	Korea	December 31
Pyeongchang Wind Power Co., Ltd.	42.00	42.00	Korea	December 31
Hyosung Information System Co., Ltd.	50.00	50.00	Korea	December 31
Hyosung Toyota Corp. ²	40.00	40.00	Korea	December 31
Hyosung ITX Co., Ltd.	34.99	34.99	Korea	December 31
Soonchon Eco Green Corporation	29.50	29.50	Korea	December 31
Yehyang Gwangju Ilbo Inc.	49.00	-	Korea	December 31
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	30.00	30.00	Thailand	December 31
PT. Papua Agro Lestari ¹	15.00	15.00	Indonesia	December 31
PT. GELORA MANDIRI MEMBANGUN ¹	15.00	15.00	Indonesia	December 31

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

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

³ Percentage of ownership is effective percentage of ownership that reflects the equity owned by subsidiaries.

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Changes in investments in associates for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	Beginning	Acquisition (Disposal)	Valuation of equity method in 2015			Ending
			Gain or loss on equity method investments	Other comprehensive income or loss	Others ¹	
Nautilus Hyosung Inc.	₩ 100,166	₩(105,273)	₩ 4,429	₩ 557	₩ 121	₩ -
Shinwha intertek Co., Ltd.	17,676	(2,429)	(2,815)	1,972	-	14,404
Taebaek Wind Power Co., Ltd.	7,734	-	568	-	-	8,302
Pyeongchang Wind Power Co., Ltd.	6,204	-	(489)	-	-	5,715
Hyosung Information System Co., Ltd.	47,699	-	4,917	-	(4,645)	47,971
Hyosung ITX Co., Ltd.	13,570	-	2,670	2,322	(946)	17,616
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	3,161	-	(2,942)	(40)	-	179
PT. Papua Agro Lestari	3,876	-	41	2,681	-	6,598
PT. GELORA MANDIRI MEMBANGUN	4,695	-	(226)	(62)	-	4,407
Yehyang Gwangju Ilbo Inc.	-	3,920	(35)	-	-	3,885
Others	7,711	(5,681)	(633)	-	467	1,864
	<u>₩ 212,492</u>	<u>₩ (109,463)</u>	<u>₩ 5,485</u>	<u>₩ 7,430</u>	<u>₩ (5,003)</u>	<u>₩ 110,941</u>

¹Includes dividends, remeasurement of net defined benefit liability and others.

<i>(in millions of Korean won)</i>	Beginning	Acquisition (Disposal)	Valuation of equity method in 2014			Ending
			Gain or loss on equity method investments	Other comprehensive income or loss	Others ¹	
Nautilus Hyosung Inc.	₩ 103,091	₩ -	₩ (2,815)	₩ (371)	₩ 261	₩ 100,166
Shinwha intertek Co., Ltd.	16,918	-	1,770	(953)	(58)	17,677
Capro Corp.	74,866	(45,488)	(8,828)	(20,550)	-	-
Taebaek Wind Power Co., Ltd.	7,774	-	1,348	-	(1,387)	7,735
Pyeongchang Wind Power Co., Ltd.	840	5,618	(212)	(43)	-	6,203
Hyosung Information System Co., Ltd.	47,041	-	4,983	-	(4,325)	47,699
Hyosung ITX Co., Ltd.	10,085	-	2,922	2,271	(1,709)	13,569
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	6,978	-	(3,974)	157	-	3,161
PT. Papua Agro Lestari	-	6,347	17	(2,488)	-	3,876
PT. GELORA MANDIRI MEMBANGUN	-	4,687	(16)	24	-	4,695
Others ²	5,006	1,999	(4,325)	-	5,031	7,711
	<u>₩ 272,599</u>	<u>₩ (26,837)</u>	<u>₩ (9,130)</u>	<u>₩ (21,953)</u>	<u>₩ (2,187)</u>	<u>₩ 212,492</u>

¹Includes dividends, remeasurement of net defined benefit liability and others.

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Summary of condensed financial information of major associates, details of adjustments from the book value of investments in associates, and dividends received from associates as of and for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
Shinwha intertek Co., Ltd.	41,013	134,506	67,941	13,200
Taebaek Wind Power Co., Ltd.	6,273	43,661	2,562	23,650
Hyosung Information System Co., Ltd.	184,135	16,127	99,605	4,714
Hyosung ITX Co., Ltd.	87,367	32,348	59,535	9,788
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	18,445	72,514	90,236	173
PT. Papua Agro Lestari	16,567	10,163	3,424	594
PT. GELORA MANDIRI MEMBANGUN	4,318	28,629	9,404	16,965
Pyeongchang Wind Power Co., Ltd.	1,186	61,379	259	48,700
Yehyang Gwangju Ilbo Inc.	2,870	19,329	9,914	4,357

(in millions of Korean won)

	2015				
	Revenue	Profit(Loss) from continuing operations	Other comprehensive income	Total comprehensive income (loss)	Dividends received
Shinwha intertek Co., Ltd.	₩ 189,789	₩ (3,426)	₩ (1,425)	₩ (4,851)	₩ -
Taebaek Wind Power Co., Ltd.	6,626	1,622	-	1,622	-
Hyosung Information System Co., Ltd.	217,871	9,834	(432)	9,402	(4,325)
Hyosung ITX Co., Ltd.	313,867	7,631	5,257	12,888	(331)
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	43,248	(9,843)	(132)	(9,975)	-
PT. Papua Agro Lestari	1,575	271	1,484	1,755	-
PT. GELORA MANDIRI MEMBANGUN	4,074	(1,506)	(433)	(1,939)	-
Pyeongchang Wind Power Co., Ltd.	-	(1,164)	-	(1,164)	-
Yehyang Gwangju Ilbo Inc.	2,688	(72)	-	(72)	-

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

(in millions of Korean won)

	2014				
	Revenue	Profit(Loss) from continuing operations	Other comprehensive income	Total comprehensive income (loss)	Dividends received
Nautilus Hyosung Inc.	₩ 433,403	₩ 6,756	₩ (853)	₩ 5,903	₩ -
Shinwha intertek Co., Ltd.	208,386	11,218	206	11,424	-
Taebaek Wind Power Co., Ltd.	10,362	3,851	-	3,851	(1,387)
Pyeongchang Wind Power Co., Ltd.	-	(513)	-	(513)	-
Hyosung Information System Co., Ltd.	9,965	9,965	-	9,965	(4,325)
Hyosung ITX Co., Ltd.	288,849	8,349	-	8,349	(222)
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	32,222	(13,257)	524	(12,733)	-
PT. Papua Agro Lestari	-	113	(436)	(323)	-
PT. GELORA MANDIRI MEMBANGUN	1,330	(105)	158	53	-

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Details of adjustments from financial information of major associates to the book value of investments in associates for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015						
	Net assets at the end of the year (a)	Net assets of equity shares (b)	Interests in net assets (axb)	Goodwill	Intergroup transactions	Other	Book value
Shinwha intertek Co., Ltd.	₩ 94,378	15.26%	₩ 14,404	₩ -	₩ -	₩ -	₩ 14,404
Taebaek Wind Power Co., Ltd.	23,722	35.00%	8,302	-	-	-	8,302
Hyosung Information System Co., Ltd.	95,943	50.00%	47,971	-	-	-	47,971
Hyosung ITX Co., Ltd.	50,392	34.99%	17,632	-	-	(16)	17,616
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	550	30.00%	165	-	-	14	179
PT. Papua Agro Lestari	22,712	15.00%	3,407	3,191	-	-	6,598
PT. GELORA MANDIRI MEMBANGUN	6,578	15.00%	987	3,420	-	-	4,407
Pyeongchang Wind Power Co., Ltd.	13,605	42.00%	5,715	-	-	-	5,715
Yehyang Gwangju Ilbo Inc.	7,928	49.00%	3,885	-	-	-	3,885

(in millions of Korean won)

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

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Fair value of marketable investments in associates as of December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015			
	Number of shares	Market price per share <i>(in Korean won)</i>	Fair value	Book value
Shinwha intertek Co., Ltd.	4,446,227	₩ 2,240	₩ 9,960	₩ 14,404
Hyosung ITX Co., Ltd.	4,349,000	14,900	64,800	17,616

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

Accumulated unrecognized changes in equity due to discontinued use of equity method for the years ended December 31, 2015 and 2014, are as follows:

<i>(In millions of Korean won)</i>	2015		2014	
	Unrecognized loss	Unrecognized accumulated losses	Unrecognized loss	Unrecognized accumulated losses
E-pia Tech.Co., Ltd.	₩ -	₩ 90	₩ -	₩ 90
Hyosung Toyota Corp. ¹	3,703	3,703	-	-

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19. Related Party Transactions

Details of associates and other related parties as of December 31, 2015, are as follows:

Associates

Location	Investee
Domestic	Soonchon Eco Green Corporation, Shinwha intertek Co., Ltd., Yehyang Gwangju Ilbo Inc, E-pia Tech Co.,Ltd., Taebaek Wind Power Co., Ltd., Pyeongchang Wind Power Co., Ltd., Hyosung Information System Co., Ltd., Hyosung Toyota Corp., Hyosung ITX Co., Ltd.
Asia	PT. Papua Agro Lestari, PT. Gelora Mandiri Membangun, Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.

Other related parties

Location	Investee
Domestic	Gabi Inc., Galaxia Corporation, Galaxia device Co., Ltd., Galaxia Micropayment, Galaxia SM, Galaxia Electronics, Galaxia Communications Co., Ltd., Gongdeok Development Corporation, Kwangju HB, The Class Hyosung, The premium Hyosung Co., Ltd., Dong Ryung Co., Ltd., Digiq, Shin Dong Jin Co., Ltd., Shinsung Motors, IB Medianet, Dongguan Shinwha Intertek Corp, Shinwha Intertek (Suzhou) Co., Ltd., Shinwha Intertek Corp., ITX maketing, EveryShow, Chin Hung International Inc., Taeuk Construction Co., Ltd, Trinity Asset Managemernt, Haengbokdoodrimi Co., Ltd and others
China	Tianjin Galaxia Device Electronics. Co. Ltd., Huizhou Galaxia Device Electronics., Co. Ltd., Qingdao Galaxia Device Electronics. Co.Ltd. and others
Asia	Shinwha Intertek Corp and others
Europe	Shinwha intertek Slovakia S.R.O and others
America	Galaxia America Inc. and others

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Significant transactions with related parties

Significant transactions for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015			
	Sales and others¹	Dividends	Purchases and others¹	Acquisition of fixed assets
Associates				
Nautilus Hyosung Inc.	₩ 5,516	₩ -	₩ 14,080	₩ 664
Pyeongchang Wind Power Co., Ltd.	24,800	-	-	-
Hyosung Information System Co., Ltd.	314	4,325	232	950
Hyosung ITX Co., Ltd.	11,210	331	6,342	30
Shinwha intertek Co., Ltd.	8,790	-	37	-
Others	5,208	403	8,791	147
	<u>55,838</u>	<u>5,059</u>	<u>29,482</u>	<u>1,791</u>
Other related parties				
Chin Hung International Inc.	24,882	-	150,003	69,386
Galaxia Electronics	13,620	-	9,726	2,620
Shin Dong Jin Co., Ltd.	-	-	9,132	-
Others	3,809	-	22,046	114
	<u>42,311</u>	<u>-</u>	<u>190,907</u>	<u>72,120</u>
	<u>₩ 98,149</u>	<u>₩ 5,059</u>	<u>₩ 220,389</u>	<u>₩ 73,911</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.

<i>(in millions of Korean won)</i>	2014			
	Sales and others¹	Dividends	Purchases and others¹	Acquisition of fixed assets
Associates				
Nautilus Hyosung Inc.	₩ 12,993	₩ -	₩ 22,773	₩ 1,548
Capro Corp.	422	-	156,510	-
Hyosung Information System Co., Ltd.	296	4,325	179	-
Hyosung ITX Co., Ltd.	14,369	222	2,066	275
Shinwha intertek Co., Ltd.	7,042	-	74	4
Others	5,574	1,387	752	197
	<u>40,696</u>	<u>5,934</u>	<u>182,354</u>	<u>2,024</u>
Other related parties				
Chin Hung International Inc.	22,202	-	170,722	71,013
Galaxia Electronics	209	-	4,956	290
Shin Dong Jin Co., Ltd.	-	-	8,029	15
Others	7,931	-	9,544	-
	<u>30,342</u>	<u>-</u>	<u>193,251</u>	<u>71,318</u>
	<u>₩ 71,038</u>	<u>₩ 5,934</u>	<u>₩ 375,605</u>	<u>₩ 73,342</u>

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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<i>(in millions of Korean won)</i>	2015			
	Trade receivables	Other receivables ¹	Trade payables	Other payables ¹
Associates				
Hyosung Information System Co., Ltd.	17	14	269	558
Shinwha intertek Co., Ltd.	2,038	-	-	-
PT. GELORA MANDIRI MEMBANGUN	-	5,183	-	-
Yehyang Gwangju Ilbo Inc.	-	7,149	-	-
Hyosung Toyota Corp.	1,759	-	-	-
Others	1,801	-	1,531	648
	<u>5,615</u>	<u>12,346</u>	<u>1,800</u>	<u>1,206</u>
Other related parties				
Shin Dong Jin Co., Ltd.	-	5,627	503	48
Chin Hung International Inc.	13,373	258	25,415	36,573
Gongdeok Development Corporation	-	4,491	-	16
Galaxia Electronics	2,888	31	3,905	149
Others	400	666	5,515	772
	<u>16,661</u>	<u>11,073</u>	<u>35,338</u>	<u>37,558</u>
	<u>₩ 22,276</u>	<u>₩ 23,419</u>	<u>₩ 37,138</u>	<u>₩ 38,764</u>

¹ Non-trade receivables, loans, accrued income and others are included in other receivables. Non-trade payables, deposit received and others are included in other payables.

<i>(in millions of Korean won)</i>	2014			
	Trade receivables	Other receivables ¹	Trade payables	Other payables ¹
Associates				
Nautilus Hyosung Inc.	₩ 1,315	₩ 485	₩ 6,197	₩ 13,878
Hyosung Information System Co., Ltd.	-	24	-	3,639
Shinwha intertek Co., Ltd.	773	3	4	2,450
Soonchon Eco Green Corporation	2,557	-	-	-
Hyosung ITX Co., Ltd.	207	-	900	2,711
Hyosung Toyota Corp.	1,392	3,850	-	-
Others	74	-	34	-
	<u>6,318</u>	<u>4,362</u>	<u>7,135</u>	<u>22,678</u>
Other related parties				
Shin Dong Jin Co., Ltd.	1,917	4,666	830	103
Chin Hung International Inc.	2,499	4,437	128	47,483
Gongdeok Development Corporation	-	5,361	-	7
Galaxia electronics	-	9	355	150
Others	74	12,417	23	5,327
	<u>4,490</u>	<u>26,890</u>	<u>1,336</u>	<u>53,070</u>
	<u>₩ 10,808</u>	<u>₩ 31,252</u>	<u>₩ 8,471</u>	<u>₩ 75,748</u>

¹ Non-trade receivables, loans, accrued income and others are included in other receivables. Non-trade payables, deposit received and others are included in other payables.

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Fund transactions with related parties for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015					
	Loan transactions					Equity contributions in cash
	Beginning balance	Loan	Collection	Translation exchange differences	Ending balance	
Associates						
PT. Gelora Mandiri Membangun	2,498	2,328	-	357	5,183	-
Yehyang Gwangju Ilbo Inc.	-	7,149	-	-	7,149	3,920
Other related parties						
OpCo GmbH ¹	6,673	-	(6,980)	307	-	-
Hyosung Toyota Corp.	3,850	-	(3,850)	-	-	-
The Premium Hyosung Co., Ltd.,	4,000	-	(4,000)	-	-	-

¹ The Group write-off loan receivable of OpCo GmbH due to its liquidations of December 31, 2015

(in millions of Korean won)

	2014					
	Loan transactions					Equity contributions in cash
	Beginning balance	Loan	Collection	Translation exchange differences	Ending balance	
Associates						
Pyeongchang Wind Power Co., Ltd.	₩ -	-	-	-	-	5,618
PT. Papua Agro Lestari	-	-	-	-	-	6,347
PT. Gelora Mandiri Membangun	-	2,395	-	103	2,498	4,687
Hyosung Toyota Corp. ¹	3,850	-	-	-	3,850	-
Other related parties						
OpCo GmbH ²	6,840	-	-	(167)	6,673	-
Chin Hung International Inc. ³	20,000	-	(20,000)	-	-	60,000
The Premium Hyosung Co., Ltd.,	4,350	-	(350)	-	4,000	-

¹ The Group recognizes provision on impaired loan amounting to ₩ 1,925 million, which is 50% of the loans to Hyosung Toyota Corp.

² As of December 31, 2014, the Group had 100% provision for loans to OpCo GmbH.

³ During 2014, the Group additionally acquired 30,000,000 common shares of Chin Hung International Inc. through debt-equity swap for the loans amounting to ₩ 16 billion and participating in paid-in capital increase amounting to ₩ 44 billion. As a result, the number of shares increased from 44,316 thousand to 74,316 thousand.

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The compensation paid or payable to key management for employee services as of December 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015		2014	
Short-term employee benefits	₩	8,575	₩	7,544
Post-employment benefits		1,148		2,029
	₩	<u>9,723</u>	₩	<u>9,573</u>

Details of collateral provided by the Group as of December 31, 2015, are as follows:

<i>(in millions of Korean won)</i>	Carrying amount	Secured amount	Secured asset	Details	Amount of borrowings	Creditor
Pyeongchang Wind Power Co., Ltd.	₩ 6,510	₩ 6,510	Equity securities	Facility loan and others	₩ 48,700	Woori bank and others
Hyosung Toyota Corp.	31,975	32,000	Plant,	Operating capital and others	-	Toyota Motor Korea Co., Ltd.
Soonchon Eco Green Corporation	48,391	48,391	Financial asset	Operating capital and others	45,391	IBK and others
Chin Hung International Inc. ²	170,926	170,926	Equity securities	-	-	The Committee of Creditor Banks of Chin Hung International Inc.
Galaxia Electronics	29,663	29,663	Tangible asset	Operating capital and others	25,000	Hana HS 2nd co., Ltd
	<u>₩ 287,465</u>	<u>₩ 258,690</u>			<u>₩ 119,091</u>	

¹ Certain amounts of the property, plant and equipment are provided as collaterals to TOYOTA Motor KOREA Co., Ltd. in relation to the inventory financing of Hyosung Toyota Corp. (Note 38).

² The Equity shares of Chin Hung International Inc. are provided as collateral to the Committee of Creditor Banks of Chin Hung International Inc. in accordance with the special agreement for plans for normalization of the business of Chin Hung International Inc.(Note 38).

20. Borrowings

Details of borrowings as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Borrowings				
Short-term borrowings	₩	3,360,186	₩	3,496,255
Current portion of long-term borrowings		1,362,187		1,723,933
		<u>4,722,373</u>		<u>5,220,188</u>
Long-term borrowings				
Long-term borrowings		1,877,396		1,953,139
Debentures		1,178,537		748,237
		<u>3,055,933</u>		<u>2,701,376</u>
	₩	<u>7,778,306</u>	₩	<u>7,921,564</u>

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Details of short-term borrowings as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	Creditor	Interest rate		2015	2014
		As of Dec. 31,			
		2015 (%)			
Bank overdrafts	Woori Bank and others	3.03~4.82	₩	10,000	₩ 3,052
General loan	Woori Bank and others	1.06~10.42		1,684,854	1,689,758
Collateralized borrowings ¹	Woori Bank and others	1.78~2.50		701,647	823,162
Other bill discount and others	LIG investment securities Inc. and others	0.6~7.8		963,685	980,283
				₩ 3,360,186	₩ 3,496,255

¹ Trade receivable denominated in foreign currency of the Group have been discounted to financial institutions, and the transaction is accounted as a collateralized borrowing.

Details of long-term borrowings as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	Creditor	Interest rate		2015	2014
		As of Dec. 31,			
		2015 (%)			
Hyosung Corp.					
Local currency	Korea Development Bank and others	1.2 ~ 5.08		1,108,026	1,018,579
Foreign currency	Standard Chartered Korea and others	1.57 ~ 2.92		262,044	259,128
Subsidiaries					
Local currency	The Export-Import Bank of Korea and others	1.45 ~ 6.5		766,641	844,149
Foreign currency	The Export-Import Bank of Korea and others	1.55 ~ 4.23		426,877	431,273
				2,563,588	2,553,129
	Less: Current portion			(686,187)	(599,957)
	Present value discounts			(5)	(33)
				1,877,396	1,953,139

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

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Details of debentures as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate As of Dec. 31, 2015 (%)	2015	2014
Hyosung Corp.				
242-2 nd Public subscription bond	2015-03-05	-	₩ -	₩ 70,000
243-2 nd Public subscription bond	2015-07-12	-	-	30,000
244-3 rd Public subscription bond	2015-12-21	-	-	40,000
245-2 nd Public subscription bond	2016-01-07	5.25	60,000	60,000
246-2 nd Public subscription bond	2016-06-24	4.94	60,000	60,000
248-2 nd Public subscription bond	2016-10-12	5.03	50,000	50,000
251-1 st Public subscription bond	-	-	-	90,000
251-2 nd Public subscription bond	2017-02-07	4.71	60,000	60,000
252 nd Private bond	-	-	-	32,976
253-1 st Public subscription bond	2016-02-21	3.45	90,000	90,000
252-2 nd Public subscription bond	2018-02-21	3.75	30,000	30,000
254 th Private bond	2017-05-02	4.5	30,000	30,000
255 th Private bond	2017-11-06	3.8	30,000	30,000
256-1 st Public subscription bond	2017-02-25	3.05	50,000	-
256-2 st Public subscription bond	2017-02-25	3.28	100,000	-
256-3 st Public subscription bond	2017-02-25	3.76	50,000	-
257-1 st Public subscription bond	2018-06-26	2.90	130,000	-
257-2 st Public subscription bond	2020-06-26	3.97	70,000	-
258 st Private bond	2018-12-27	1.00	29,160	-
Hyosung Capital Co., Ltd.				
50-2 nd Debenture	2015-04-23	-	-	20,000
51 st Debenture	2015-05-10	-	-	20,000
58-2 nd Debenture	2015-10-08	-	-	10,000
59-2 nd Debenture	2015-10-28	-	-	10,000
85 th Debenture	2015-02-20	-	-	20,000
86 th Debenture	2017-02-24	5.25	30,000	30,000
88 th Debenture	2015-04-27	-	-	20,000
89 th Debenture	2015-11-07	-	-	20,000
90-1 st Debenture	2017-05-26	4.33	20,000	20,000
90-2 nd Debenture	2017-05-25	4.55	30,000	30,000
91 st Debenture	2015-06-22	-	-	30,000
92-1 st Debenture	2015-06-28	-	-	20,000
94 th Debenture	2015-09-17	-	-	40,000
95 th Debenture	2017-09-26	4.14	10,000	10,000
96-2 nd Debenture	2015-09-27	-	-	30,000
97 th Debenture	2015-10-29	-	-	30,000
100 th Debenture	2016-03-26	3.49	20,000	20,000
101 st Debenture	2016-04-23	3.52	40,000	40,000
102 nd Debenture	2016-06-24	4.01	20,000	20,000
103 rd Debenture	2016-06-28	4.01	20,000	20,000
104 th Debenture	2016-07-18	3.98	20,000	20,000
105 th Debenture	2017-04-04	4.41	20,000	20,000
106 th Debenture	2015-06-23	-	-	10,000
107 th Debenture	2015-08-24	-	-	20,000
108 th Debenture	2015-07-29	-	-	15,000
109 th Debenture	2015-12-08	-	-	20,000

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110 th Debenture	2017-12-31	4.50	15,000	15,000
111 th Debenture	2015-12-31	-	-	10,000
112 th Debenture	2016-02-11	3.65	10,000	-
113-1 th Debenture	2016-03-12	3.63	10,000	-
114 th Debenture	2016-03-16	3.6	15,000	-
115 th Debenture	2016-06-20	3.53	10,000	-
116 th Debenture	2016-09-30	3.59	50,000	-
117 th Debenture	2017-04-10	3.55	20,000	-
118-1 th Debenture	2016-11-21	3.4	20,000	-
118-2 th Debenture	2017-05-21	3.5	5,000	-
120 th Debenture	2016-06-02	3.2	20,000	-
121-1 th Debenture	2016-09-22	3.15	15,000	-
121-2 th Debenture	2017-06-22	3.4	20,000	-
122-1 th Debenture	2016-06-29	3.2	10,000	-
122-2 th Debenture	2017-06-29	3.44	10,000	-
123 ^h Debenture	2016-07-02	3.2	10,000	-
124 th Debenture	2016-11-24	3.25	20,000	-
125 th Debenture	2016-09-23	3.22	10,000	-
126 th Debenture	2017-09-30	3.5	20,000	-
127 th Debenture	2017-10-29	3.61	20,000	-
128 th Debenture	2018-12-31	4.19	3,000	-
6 th ABCP	2015-01-28	-	-	25,000
7 th ABS	2015-02-20	-	-	70,000
8 th ABS	2015-01-19	-	-	70,000
9 th ABS	2015-01-10	-	-	100,000
10 th ABS	2016/01/10-2017/09/26	3.47	10,000	60,000
11 th ABS	2016/01/10-2017/09/26	3.19	23,000	82,000
12 th ABS	2016/01/10-2017/09/26	2.82	28,000	85,000
13 th ABS	2016/01/10-2017/09/26	2.62	35,000	93,000
14 th ABS	2016/01/10-2017/09/26	2.46	60,000	-
15 th ABS	2016/01/10-2017/09/26	2.43	45,000	-
17 th ABS	2016/01/10-2017/09/26	1.87	125,000	-
18 th ABS	2016/01/10-2017/09/26	3.8	25,000	-
19 th ABS	2016/01/10-2017/09/26	1.93	110,000	-
Hana HS 1st co., Ltd		-		
Asset backed securities (ABS)	2017-10-02	6.50	15,000	15,000
Subordinated debenture	2017-10-02	6.50	100	-
Subordinated debenture	2017-10-02	6.50	100	-
Hana HS 2nd co., Ltd	2015-12-29	-	-	12,000
			1,858,360	1,874,976
Less: Current portion			(676,000)	(1,123,976)
Discount on bonds payable			(3,823)	(2,763)
			<u>₩ 1,178,537</u>	<u>₩ 748,237</u>

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21. Trade and Other Payables

Details of trade and other payables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Trade payables	₩	956,649	₩	994,776
Other payables		534,730		457,803
Long-term trade payables		-		204
Long-term other payables		367,690		419,774
	₩	1,859,069	₩	1,872,557

Details of other payables as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Other payables				
Non-trade payables	₩	330,600	₩	291,982
Accrued expenses		112,273		117,660
Dividend payables		166		84
Withholdings		72,327		40,657
Deposits received		19,364		7,420
		534,730		457,803
Long-term other payables				
Non-trade payables		18,870		34,495
Accrued expenses		5,946		5,907
Deposits received		342,874		379,372
		367,690		419,774
	₩	902,420	₩	877,577

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

	2015	2014
Discount rate	2.50% ~ 5.00%	2.90% ~ 5.00%

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22. Post employment benefits

Details of net defined benefit liabilities recognized in the consolidated statements of financial position as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Present value of defined benefit obligations	₩	394,832	₩	318,690
Fair value of plan assets ¹		(359,266)		(265,587)
Net defined benefit liability	₩	<u>35,566</u>	₩	<u>53,103</u>

¹ The contributions to the National Pension Fund of ₩ 519 million are included in the fair value of plan assets as of December 31, 2015 (2014: ₩523 million).

The amounts recognized in the consolidated statements of income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Current service cost	₩	57,743	₩	50,098
Interest expenses		8,410		9,850
Interest income		(9,422)		(9,172)
Past service cost and gains(losses) arising from settlements		(1,965)		-
	₩	<u>54,766</u>	₩	<u>50,776</u>

Line items including total expenses in the consolidated statements of income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Cost of sales	₩	29,576	₩	27,779
Selling and administrative expenses		21,797		20,038
Research and development expenses		3,393		2,959
	₩	<u>54,766</u>	₩	<u>50,776</u>

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Changes in the defined benefit liability for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	318,690	₩	262,427
Current service cost		57,743		50,098
Interest expenses		8,410		9,850
Past service cost and gains(losses) arising from settlements		(1,965)		-
Benefits payment		(37,163)		(23,034)
Remeasurements:				
Changes in demographic assumptions		13,833		2,910
Changes in financial assumptions		19,467		25,602
Experience adjustments		(11,798)		(3,451)
Transfer in(out) of associates		332		129
Changes in scope of consolidation		27,868		(7,471)
Others (changes in exchange rate and others)		(585)		1,630
Ending balance	₩	<u>394,832</u>	₩	<u>318,690</u>

Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	265,587	₩	219,850
Interest income		9,422		9,172
Employer contribution		92,808		59,752
Benefits payments		(25,819)		(14,164)
Effect of settlement of the Policy		85		-
Remeasurements		(5,068)		(3,202)
Increase(decrease) due to changes in scope of consolidation		22,205		-
Others(changes in exchange rate and others)		46		(5,821)
Ending balance	₩	<u>359,266</u>	₩	<u>265,587</u>

Plan assets as of December 31, 2015 and 2014, consist of the following:

<i>(in millions of Korean won)</i>	2015		2014	
Deposits	₩	239,331	₩	151,758
Debt instruments		119,935		113,829
	₩	<u>359,266</u>	₩	<u>265,587</u>

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Remeasurements of net defined benefit liabilities recognized as other comprehensive income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Before income tax effects	₩	(26,570)	₩	(28,263)
Income tax effects		7,481		6,840
After income tax effects	₩	<u>(19,089)</u>	₩	<u>(21,423)</u>

The principal actuarial assumptions as of December 31, 2015 and 2014, are as follows:

	2015	2014
Discount rate	2.76%	3.19%
Salary growth rate	2.65%	2.60%

The sensitivity of the defined benefit liability as of December 31, 2015, to changes in the weighted principal assumptions is:

	Changes in principal assumption	Effect on defined benefit liability
Discount rate	1.0% increase/decrease	8.4% decrease/10.0% increase
Salary growth rate	1.0% increase/decrease	9.9% increase/8.5% decrease

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

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

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund. Expected contributions to post-employment benefit plans for the year ending December 31, 2016, are ₩ 51,202 million.

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Expected maturity analysis of undiscounted pension benefits as of December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years¹	Total
Pension benefits	₩ 17,855	₩ 22,467	₩ 87,849	₩ 1,348,096	₩ 1,476,267

¹The amount above includes executives and temporary employees.

Recognized expense related to the defined contribution plan for the year ended December 31, 2015, is ₩ 3,328 million (2014: ₩ 961 million).

23. Tax Expense and Deferred Tax

Income tax expense for the years ended December 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015	2014
Current tax:		
Current tax on profits for the year	₩ 155,373	₩ 145,343
Adjustments in respect of prior years	(9,869)	13,242
Total current tax	<u>145,504</u>	<u>158,585</u>
Deferred tax :		
Origination and reversal of temporary differences	(74,093)	18,088
Impact of change in Korean tax rate	(12)	26
Total deferred tax	<u>(74,105)</u>	<u>18,114</u>
Income tax expense	<u>₩ 71,399</u>	<u>₩ 176,699</u>

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

<i>(in millions of Korean won)</i>	2015		2014	
Profit before tax	₩	597,290	₩	468,689
Tax calculated at domestic tax rates applicable to profits in the respective countries		159,539		136,823
Tax effects of:				
Income not subject to tax		(14,422)		(3,188)
Expenses not deductible for tax purposes		27,026		10,844
Adjustment in respect of prior year		(9,869)		6,262
Tax credits		(43,853)		(11,617)
Others		(42,797)		37,793
Impact of change in the tax rate		(4,225)		(218)
Income tax expense	₩	71,399	₩	176,699

The weighted average applicable tax rate of the Group is 12% (2014: 37.7%). Applicable tax rate decreased due to the increase of tax credit in relation to recognition of dividend income from overseas subsidiaries.

The income tax effects related to components of the other comprehensive income (expenses) for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015			2014		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain (loss) on valuation of available-for-sale financial assets	₩ 3,679	₩ (4,131)	₩ (452)	₩ (51,541)	₩ 12,473	₩ (39,068)
Remeasurements of net defined benefit liabilities	(44,522)	19,545	(24,977)	(17,952)	12,064	(5,888)
Gain (loss) on valuation of derivatives	809	(196)	613	809	(196)	613
Change in equity from applying equity method	1,241	2,468	3,709	(6,189)	1,498	(4,691)
Cumulative effect of foreign currency translation	1,019	(246)	773	(13,712)	1,716	(11,996)
	₩ (37,774)	₩ 17,440	₩ (20,334)	₩ (88,585)	₩ 27,555	₩ (61,030)

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The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 243,081	₩ 240,330
Deferred tax asset to be recovered within 12 months	62,000	46,107
	<u>305,081</u>	<u>286,437</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(517,247)	(444,754)
Deferred tax liability to be recovered within 12 months	2,970	(105,923)
	<u>(514,277)</u>	<u>(550,677)</u>
Deferred tax assets (liabilities), net	<u>₩ (209,196)</u>	<u>₩ (264,240)</u>

The movements in the deferred income tax account for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Beginning balance	₩ (264,240)	₩ (252,587)
Tax charged to the statement of income	74,105	(16,040)
Tax charged (credited) to components of other comprehensive income	(9,189)	4,781
Translation exchange difference	(756)	(394)
Changes in scope of consolidation	(9,116)	-
Ending balance	<u>₩ (209,196)</u>	<u>₩ (264,240)</u>

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Changes in deferred income tax assets and liabilities for the years ended December 31, 2015 and 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	2015				
	Beginning	Statement of income	Other comprehensive income	Changes in scope of consolidation	Ending
<i>(in millions of Korean won)</i>					
Deferred tax liabilities					
Gains on revaluation of land	₩ (285,149)	₩ (622)	₩ 28	₩ -	₩ (285,743)
Investments in associates	(86,606)	48,033	(263)	-	(38,836)
Defined benefit pension plan assets	(63,361)	(13,885)	-	976	(76,270)
Reserve for research and human resource development	(34,247)	10,487	-	-	(23,760)
Gain (loss) from fire insurance policy	(1,071)	525	-	-	(546)
Others	(80,243)	8,724	(36)	(13,206)	(84,761)
	<u>(550,677)</u>	<u>53,262</u>	<u>(271)</u>	<u>(12,230)</u>	<u>(509,916)</u>
Deferred tax assets					
Available-for-sale financial assets	100,340	(2,643)	(10,527)	41	87,211
Provision for severance pension benefits	66,744	6,126	5,327	704	78,901
Accumulated impairment loss	17,253	2,208	-	-	19,461
Government grants	9,559	(3,188)	-	-	6,371
Loss on valuation of inventories	5,480	2,293	-	(857)	6,916
Impairment loss on sites	8,908	2,079	-	227	11,214
Provision for guarantees	8,312	(6,552)	-	-	1,760
Accrued compensated absences	4,463	(992)	(2,122)	235	1,584
Provision for construction loss	1,857	2,461	-	-	4,318
Long-term employment allowance	1,418	20	-	(10)	1,428
Provision for warranties	8,824	1,048	-	224	10,096
Others	53,279	17,983	(2,352)	2,550	71,460
	<u>286,437</u>	<u>20,843</u>	<u>(9,674)</u>	<u>3,114</u>	<u>300,720</u>
	<u>₩ (264,240)</u>	<u>₩ 74,105</u>	<u>₩ (9,945)</u>	<u>₩ (9,116)</u>	<u>(209,196)</u>

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

The ability to realize deferred tax asset depends on various components; such as, the Group's ability to generate taxable income for period of the temporary difference realization, general economic environment and industrial expectation, and others. The Group periodically assesses its ability to realize deferred tax assets, and as of December 31, 2015, the Group recognized deferred tax assets for all deductible temporary difference except for the difference relating to investment in associates, which are unrealizable, amounted to ₩ 611,603 million (2014: ₩ 626,592 million)

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of ₩ 53,813 million (2014: ₩ 219,944 million).

Unrecognized tax loss carryforwards expire through 2025.

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24. Other Liabilities

Details of other liabilities as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Other current liabilities				
Advances	₩	309,720	₩	322,753
Unearned revenues		19,039		21,929
Provision ¹		761		887
		<u>329,520</u>		<u>345,569</u>
Other non-current liabilities				
Long-term advances		19,023		15,792
Government grants		22,272		379
Provision ¹		61,965		43,457
		<u>103,260</u>		<u>59,628</u>
	₩	<u>432,780</u>	₩	<u>405,197</u>

¹The Group accrued provision for warranties in relation to construction contract for the foreseeable expenses; such as, defect repairs based on past experience. The Group also accrued provision for guarantees for the foreseeable expenses relating to PF guarantees (Note 38).

Changes in the Group's provision for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015			
	Provision for warranties	Provision for guarantees	Others	Total
Beginning balance	₩ 34,879	₩ 1,747	₩ 7,718	₩ 44,344
Increase	6,981	-	40,466	47,447
Decrease ¹	(1,167)	(1,747)	(26,151)	(29,065)
Ending balance	<u>₩ 40,693</u>	<u>₩ -</u>	<u>₩ 22,033</u>	<u>₩ 62,726</u>

¹Reclassification is included.

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

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25. Capital Stock

The Group is authorized to issue 200,000 thousand shares with the par value per share of ₩ 5,000. As of December 31, 2015, the Group has issued 35,117,455 shares of common stock. There is no change in capital stock for the year ended December 31, 2015.

26. Retained Earnings

Retained earnings as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Legal reserve ¹	₩	30,758	₩	24,104
Discretionary reserve				
Research and development reserves ²		140,000		180,000
Facility reserves		1,905,000		1,773,000
Retained earnings before appropriation		584,688		278,982
	₩	<u>2,660,446</u>	₩	<u>2,256,086</u>

¹ The Commercial Code of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned 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 Group appropriates a certain portion of its retained earnings as a reserve for research and development which are provided in order to obtain tax benefits under the Special Tax Treatment Control Law. Among these reserves, the reserved amount according to the terms of related tax laws may be transferred to discretionary reserve and distributed as dividends.

Changes in retained earnings for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	2,256,086	₩	2,042,726
Profit for the year		492,691		269,229
Remeasurements of defined benefit liability		(18,185)		(20,948)
Remeasurements of defined benefit liability of associates		(880)		(1,281)
Dividends		(66,537)		(33,269)
Others		(2,729)		(371)
Endings balance	₩	<u>2,660,446</u>	₩	<u>2,256,086</u>

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27. Other Components of Equity

Other components of equity as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Other capital surplus	₩	322,699	₩	319,458
Treasury shares ¹		(34,204)		(34,204)
Gain (Loss) on valuation of available-for-sale financial assets		(452)		(39,068)
Gain (Loss) on valuation of derivatives		613		613
Change in equity from applying the equity method		3,709		(4,691)
Cumulative effect of foreign currency translation		772		(11,996)
Other capital adjustments		(1,738)		(573)
	₩	<u>291,399</u>	₩	<u>229,539</u>

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

28. Revenue

Details of revenue for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Merchandise	₩	4,276,695	₩	4,037,954
Finished goods		6,485,855		6,699,586
Construction		1,032,554		842,603
Housing		240,148		254,862
Others		423,202		342,129
	₩	<u>12,458,454</u>	₩	<u>12,177,134</u>

29. Construction Contracts

Changes in the remaining balance of construction contracts for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015			
	Beginning balance	Changes¹	Recognized construction revenue	Ending balance
Construction	₩ 1,751,644	₩ 2,628,755	₩ (880,837)	₩ 3,499,562
Heavy industrial	636,500	395,455	(392,249)	639,706
	<u>₩ 2,388,144</u>	<u>₩ 3,024,210</u>	<u>₩ (1,273,086)</u>	<u>₩ 4,139,268</u>

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¹ In 2015, 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 ₩ 3,058,993 million and ₩ 34,783 million, respectively.

(in millions of Korean won)

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

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 ₩ 1,571,319 million and ₩ 167,966 million, respectively.

Details of ongoing construction contracts such as recognized construction profit or loss as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015				
	Accumulated construction revenue	Accumulated construction cost	Accumulated revenue	Deferred revenue	Reserve ¹
Construction	₩ 1,812,272	₩ 1,729,616	₩ 82,656	₩ 42	₩ -
Heavy industrial	1,061,436	1,040,727	20,709	2,282	129,820
	<u>₩ 2,873,708</u>	<u>₩ 2,770,343</u>	<u>₩ 103,365</u>	<u>₩ 2,324</u>	<u>₩ 129,820</u>

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

(in millions of Korean won)

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

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

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Details of unbilled and overbilled amounts related to construction as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015		2014	
	Unbilled amount ¹	Overbilled amount ²	Unbilled amount ¹	Overbilled amount ²
Construction	₩ 37,765	₩ 50,782	₩ 101,011	₩ 64,031
Heavy industrial	55,982	57,338	82,633	42,709
	<u>₩ 93,747</u>	<u>₩ 108,120</u>	<u>₩ 183,644</u>	<u>₩ 106,740</u>

¹ Unbilled amounts are recognized as Due from customers for contract work in the consolidated statement of financial position.

² Overbilled amounts are recognized as Due to customers for contract work in the consolidated statement of financial position.

Details of provision loss on construction as of December 31, 2015, are as follows:

(in millions of Korean won)

	Provision for loss ¹
Qatar MESAIEED Sewage disposal plant construction	₩ 11,173
Pakistan 230 kV Gujarat project	4,432
India Mokokchung & Melriat project	3,152
Algeria Boufarik project	1,657
Yongdudongmyeon road construction and others	8,601
Algeria Sewage disposal plant construction and operation	202
	<u>₩ 29,217</u>

¹ Provisions of loss on construction are included in unbilled and overbilled amounts and recorded as due from customers for contract work or as due to customers for contract work in the consolidated statement of financial position.

Profit and loss of future period and the amount influencing unbilled amount, according to changes in total estimated contract cost in process as of December 31, 2015, are as follows:

	Changes in the contract amount	Changes in the total expected cost	Effect of the income statement	Effect of the future income statement	Changes in unbilled amount ^{1,2}
Construction	₩ 51,290	₩ 24,806	₩ 21,922	₩ 4,562	₩ 21,922
Heavy industry	11,060	20,903	(241)	(9,602)	(241)
Total	<u>₩ 62,350</u>	<u>₩ 45,709</u>	<u>₩ 21,681</u>	<u>₩ (5,040)</u>	<u>₩ 21,681</u>

¹ The impact on recognition of housing revenue are included.

² The impact on sites of overbilled amounts are included.

As of December 31, 2015, the impact of increase of total contract amounts by 5%, is decrease of profit before income tax and net asset before tax effect by ₩ 135,430 million.

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30. Expenses by Nature

Cost of sales, selling and administrative expenses and research and development expenses by nature for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>		2015		2014
Changes in inventories of finished goods and work-in-process and others	₩	(2,403,163)	₩	(2,112,601)
Sales of merchandise		4,557,621		4,678,303
Raw materials and supplies used		4,732,243		4,550,244
Employee benefit expense (Note 31)		1,092,404		992,067
Depreciation and amortization		570,076		520,843
Electricity expense		377,741		367,971
Export expense		152,283		150,140
Fuel expense		156,688		189,517
Service expense		271,758		210,146
Outsourcing expense		889,647		701,819
Others		1,110,987		1,328,339
Total ¹	₩	<u>11,508,285</u>	₩	<u>11,576,788</u>

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

31. Employee Benefit Expense

Employee benefit expense for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>		2015		2014
Salaries	₩	909,317	₩	830,484
Employee benefits		124,993		109,846
Pension costs - defined contribution plans		3,328		961
Pension costs - defined benefit plans (Note 22)		54,766		50,776
	₩	<u>1,092,404</u>	₩	<u>992,067</u>

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32. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Salaries	₩	279,008	₩	243,546
Employee benefits		33,264		27,253
Severance pension benefits		23,433		20,038
Training		2,771		2,865
Transportation		26,338		22,423
Communications		8,259		7,249
Taxes and dues		23,386		20,750
Rent		37,444		29,879
Bad debt expenses		3,975		23,554
Depreciation		16,181		14,364
Amortization		30,391		26,182
Operating expenses for overseas branches		19,976		17,047
Advertising		43,489		34,159
Freight and storage expenses		78,760		77,061
Service fees		70,528		73,570
Export expenses		152,283		150,140
Entertainment		14,414		11,897
Others		93,104		85,027
	₩	957,004	₩	887,004

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33. Other Income and Other Expenses

Details of other income and other expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Other operating income		
Rental income	₩ 2,545	₩ 2,229
Gain on disposal of property, plant and equipment	8,243	1,395
Reversal of impairment loss on property, plant and equipment	-	282
Gain on disposal of intangible assets	79	193
Gain on disposal of investment property	3,520	64
Gain on disposal of other assets	-	218,538
Miscellaneous revenue	64,965	51,572
Gain on derivative transactions	27,244	41,420
Gain on valuation of derivatives	1,506	6,578
Reversal of other assets' allowance for bad debts	50	36
Government grants	9,666	2,534
Dividends	588	206
	118,406	325,047
Other operating expenses		
Loss on valuation of inventories	243	684
Loss on disposal of property, plant and equipment	849	2,645
Impairment loss on property, plant and equipment	10,362	6,433
Loss on disposal of intangible assets	1,175	1,829
Impairment loss on intangible assets	13,334	8,453
Loss on disposal of investment property	523	6
Loss on disposal of other investments	-	-
Impairment loss on other investments	3,958	6
Impairment loss on other assets	292	206
Miscellaneous losses	74,664	52,935
Loss on derivative transactions	49,607	15,711
Loss on valuation of derivatives	34,714	29,040
Loss on obsolescence of inventories	54	338
Donations	5,826	4,596
Other bad debt expenses	4,082	621
Commissions	11,105	11,114
Loss on disposal of trade receivables	1,970	3,478
Sales promotion	78	36
Additional provision	-	6,348
	212,836	144,479
	₩ (94,430)	₩ 180,568

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34. Finance Income and Expenses

Details of finance income and expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Finance income				
Interest income				
Cash and cash equivalents	₩	2,372	₩	2,339
Loans and receivables		1,062		1,686
Available-for-sale financial assets		14		31
Held-to-maturity financial assets		-		1,147
Other financial instruments		2,315		2,028
Gain on foreign currency transactions		190,119		139,816
Gain on foreign currency translation		110,744		125,758
Gain on disposal of financial assets				
Investment in associates		58,886		-
Available-for-sale financial assets		1,650		710
		<u>367,162</u>		<u>273,515</u>
Finance costs				
Interest expenses				
Financial liabilities at amortized cost		166,908		193,040
Other financial liabilities		12,392		13,680
Loss on foreign currency transactions		217,267		194,954
Loss on foreign currency translation		234,680		151,856
Loss on disposal of financial assets				
Available-for-sale financial assets		581		11,857
Investment in associates		3,922		1,069
Impairment loss of financial assets				
Available-for-sale financial assets		1,310		105
Related losses		-		10,050
		<u>637,060</u>		<u>576,611</u>
	₩	<u>(269,898)</u>	₩	<u>(303,096)</u>

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

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35. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won, except per share amount)</i>	2015	2014
Profit attributable to equity holders of the Controlling Company	₩ 492,691	₩ 269,229
Weighted average number of ordinary shares in issue ¹	33,268,604	33,268,604
Basic earnings per share		
Basic earnings per share from continuing operations <i>(in Korean won)</i>	₩ 14,809	₩ 8,093

¹ The number of weighted average number of ordinary shares for the years ended December 31, 2015 and 2014, is 33,268,604 and there has been no change.

36. Dividends

The dividends paid in 2015 and 2014 were ₩ 66,537 million (₩ 2,000 per share) and ₩ 33,269 million (₩ 1,000 per share), respectively. A dividend in respect of the year ended December 31, 2015, of ₩ 3,500 per share, amounting to total dividends of ₩ 116,440 million, is to be proposed at the annual general meeting on March 18, 2016. These consolidated financial statements do not reflect this dividend payable.

37. Cash Generated from Operations

Details of cash generated from operations for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Profit before income tax	₩ 597,290	₩ 468,689
Adjustments for:		
Interest income and expenses	72,393	103,784
Gain (loss) on foreign currency translation	123,498	25,820
Gain (loss) on derivatives	33,621	22,880
Depreciation and amortization	570,076	520,843
Gain (loss) on disposal of property, plant, equipment, intangible assets and investment property	(8,906)	3,046
Impairment loss on property, plant, equipment, intangible assets, and investment property	23,696	14,885
Bad debts expense	36,968	41,733
Reversal of allowance for bad debts	(50)	(36)
Gain on disposal of other assets	-	(218,231)
Loss related to available-for-sale financial assets	-	10,050
Gain (loss) on disposal of financial assets	(4,795)	11,271
Impairment loss on financial assets	1,310	105
Dividends	(7,405)	(6,647)
Severance pension benefits	54,766	50,776
Additional provisions adjustment	23,375	16,923
Loss on disposal of trade receivables	1,970	3,478
Gain (loss) on investments in subsidiaries associates	(66,414)	9,130

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Long-term employee benefits	736	6,148
Others	37,136	44,040
Changes in assets and liabilities from operations:		
Decrease in trade receivables	177,972	38,811
Decrease in inventories	19,297	64,800
Decrease (increase) in other receivables	(11,719)	21,662
Increase (decrease) in unbilled amount	88,149	(124,513)
Decrease in other financial assets	(1,479)	47,696
Increase in other assets	(14,697)	(34,272)
Decrease in cumulative effect of foreign currency translation	587	234
Decrease (increase) in other financial business assets	136,391	(8,691)
Increase (decrease) in trade payables	(126,931)	59,848
Increase (decrease) in other payables	(81,181)	38,140
Increase (decrease) in other financial liabilities	(20,973)	(3,999)
Payment of warranty expenses	(17,562)	(6,187)
Payment of post-employment benefits	(11,344)	(8,870)
Payment into plan assets	(92,808)	(59,752)
Others	(68)	61
Cash generated from operations	<u>₩ 1,532,899</u>	<u>₩ 1,159,285</u>

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2015	2014
Reclassification of receivables into inventories (sites)	₩ -	₩ 16,160
Change in advance payments (other payables) related to the acquisition of property, plant and equipment	(26,251)	64,359
Change in advance payment (other payables) related to acquisition of Intangible asset	(800)	64,359
Change in advance receipts (other receivables) related to disposal of property, plant and equipment	3,354	-
Change in advance receipts (other receivables) related to disposal of Intangible asset	3,991	-
Construction-in-progress transferred to property, plant and equipment	896,921	574,485
Reclassification of the current portion of long-term trade receivables	1,730	1,927
Reclassification of the current portion of long-term accounts payables	10,376	-
Reclassification of the current portion of non-current unearned income	8,696	6,103
Reclassification of the current portion of long-term deposits received	23,955	5,209
Gain (loss) on valuation of available-for-sale financial assets	(30,670)	(3,687)
Reclassification of the current portion of debentures	1,125,300	262,976
Reclassification of the current portion of long-term loans	1,668,936	1,305,548

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38. Contingencies and Commitments

(a) Notes and others provided as collaterals

Details of notes and others provided as collaterals in relation to borrowings and commitments as of December 31, 2015, are as follows:

	Beneficiary	Number	Contents
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
	Oksan-Ochang Highway Ltd.	4	Blank
	Citi Card	1	Blank
	BC Card	1	Blank
	Lotte Card	1	Blank
	Sinhyup	1	₩ 246 million
Check	Mineral Resource Corporation	1	Blank
	Hanjin Shipping Co., Ltd.	1	Blank
	IBK	2	Blank
	Hyundai Card	1	Blank
	Samsung Card	1	Blank
	Suhyup Card	1	Blank
	Kookmin Card	1	Blank
	Samsung Life	1	Blank
	Valex Korea	1	Blank
	Hana Bank	1	₩ 12 million

(b) Loan agreements and others

The Group has commitments contracted with financial institution with a limit of ₩ 7,710,355 million, including bank overdrafts, trade bill discounts, open local L/C and general loans. Also, the Group has trade receivable discount agreements with a limit of ₩ 1,257,409 million as of December 31, 2015.

(c) Guarantees provided to others

The Group has provided payment guarantees for others, amounting to ₩ 177,773 million (2014: ₩ 143,144 million) as of December 31, 2015. And the limits of the related guarantees are ₩ 582,982million (2014: ₩ 306,515 million) as of December 31, 2015. In addition, the Group has provided fund supplemental commitment amounting to ₩304,750 million (2014: ₩ 297,250 million) to Grand Seventh Ltd. in relation to the solar power plant project in Romania as of December 31, 2015. Also, the Group has provided guarantees for its associates, which are the related parties (Note 19).

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(d) Guarantees provided in relation to project financing

Details of guarantees provided by the Group to developers as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Debt take-over/fund supplemental commitments	₩	150,000	₩	125,000
Joint guarantees		48,391		40,000
	₩	<u>198,391</u>	₩	<u>165,000</u>

Details of guarantees provided in relation to project financing as of December 31, 2015, are as follows:

(in millions of Korean won)

Construction	Creditor	Guarantee limit	Carrying amount of borrowings	Details of guarantees	Guarantee period
Gwangju Taejeondong APT	IB	132,000	117,000	Debt take-over	Apr.2013~Apr.2016
Sangdodong APT	Bank	18,000	18,000	Debt take-over	Sep.2012~Jun.2016
Sunchun-si Resource Recycling Center BTO Project	Bank and insurance	48,391	45,391	Joint guarantees	Apr.2012~Jul.2019
		<u>₩ 198,391</u>	<u>₩ 180,391</u>		

The Group recognized ₩ 6,348 million as provisions for guarantee and ₩ 1,739 million as financial guarantee liability in relation to project financing as of December 31, 2015.

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(e) Guarantees provided by others

Details of guarantees provided by others as of December 31, 2015, are as follows:

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

Guarantor	Collaterals and guarantees provided	Currency	Amount
The Export-Import Bank of Korea,	Performance guarantee and others	KRW	689,310
Korea Exchange Bank, Hana Bank		EUR	3,764,069
and others		DZD	166,546,203
Kookmin Bank, Shinhan Bank and others	Payment guarantee in foreign currencies and others	USD	64,319,337
Korea Construction Financial Cooperative and others	Construction performance and others	KRW	791,561
Seoul Guarantee Insurance Company	Performance guarantee and others	KRW	29,494
Korea Exchange Bank	Payment guarantee in foreign currencies and others	INR	7,820,844
Machinery Financial Cooperative	Payment guarantee in Korean won and others	KRW	473
Kookmin Bank	Payment guarantee in foreign currencies and others	JPY	52,500,000
Hana Bank	Payment guarantee in foreign currencies and others	EGP	97,991

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(f) *Assets pledged as collaterals*

Details of assets pledged as collaterals for the Group's debts as of December 31, 2015, are as follows:

Assets pledged as collaterals	Book Value	Maximum credit amount	Lender
Cash, and cash equivalents	₩ 99,900	KRW 2,214	Newstarhaechi 2 nd and others
Property, plant, equipment		129,870	
Property, plant, equipment	213,823	KRW 285,317	Woori Bank
Available-for-sale financial assets ¹		7,047	
Available-for-sale financial assets ²	-	KRW 170,926	Committee of Creditor Banks of Chin Hung International Inc.
Property, plant, equipment	1,105,639	KRW 1,486,496	Korea Development Bank and other
Cash, and cash equivalents	-	KRW 1,000	Woori Bank
Property, plant, equipment	55,000	KRW 71,500	DH Holdings
Property, plant, equipment	15,000	KRW 35,000	Korea Development Bank
Property, plant, equipment	24,350	KRW 36,000	Nonghyup
Trade receivables	196,250	KRW 196,250	Woori Bank and Others
Available-for-sale financial assets	-	KRW 3,300	Machinery Financial Cooperative
Available-for-sale financial assets	-	KRW 3,319	Construction Financial cooperative
Property, plant, equipment ³	-	KRW 10,000	Jeonju-si

¹ The shares of Capro Corp.(available-for-sale financial asset, with a book value of ₩ 20,777 million) have been provided as collateral in relation with the borrowings of the Group (Note 11 and 20).

² The equity shares of Chin Hung International Inc. amounting to ₩ 170,926 million 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.

³ The certain amount of the property, plant and equipment are provided as collateral to JeonJu City for receiving government grants.

As of December 31, 2015, the Group has pledged its shares in Somesevit Corporation as collateral (with a maximum credit amount of ₩ 56,000 million) in relation to borrowings of Somesevit Corporation. Also, the Group has pledged its shares in Gongdeok Gyeongwoo Development as collateral (with a maximum credit amount of ₩ 49,000 million) in relation to borrowings of Gongdeok Gyeongwoo Development Corporation. Also, the Group has pledged its shares in Pyeongchang Wind Power Co., Ltd as collateral, relating to borrowings (amount: ₩ 48,700 million). In addition, property, plant and equipment of the Group have been collateralized in relation to inventory finance of Hyosung Toyota Corp., an associate of the Company (Note 15 and 19).

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(g) Pending lawsuits

The Group is involved in 16 lawsuits as a plaintiff and 46 lawsuits as a defendant as of December 31, 2015. Management believes that these lawsuits will not have a significant effect on the Group's financial position. Details of significant lawsuits as of December 31, 2015, are as follows

(in millions of Korean won)

Court	Plaintiff	Defendant	Details of lawsuit	Amount	Status
Central District Court	Hyosung Capital Co., Ltd.	Gangnamgu Office and 126 others	Other	₩ 32,335	1 st Trial
Supreme Court of Korea	Hyosung Corporation	Korea Railroad and others	Claims for construction costs	28,744	3 rd Trial
Central District Court and other	Hyosung Capital Co., Ltd.	Samwoong AFT and 16 others	Claims for delivery	1,697	1 st Trial
Supreme Court of Korea	Nautilus Hyosung Co., Ltd	Fair Trade Commission	Revocation of correction order and imposition of penalty surcharge	1,020	3 rd Trial
Seoul Western District Court	Hyosung Corporation	Kumho Pump and others	Claims for collection of receivables	472	1 st Trial
Seoul High Court	Hyosung Corporation	Fair Trade Commission	Revocation of correction order and imposition of penalty surcharge	226	1 st Trial
Seoul Central District Court	Kookmin Bank	Nautilus Hyosung Co., Ltd	Claims for damages	84,211	In progress
Central District Court and other	Homeplus Co., Ltd. and 30 others	Hyosung Capital Co., Ltd.	Other	22,244	1 st Trial
Changwon District Court	Gong Myoungsik and 81 others	Hyosung Corporation	Claims for recalculation of ordinarily wage	19,010	1 st Trial
Seoul High Court	UOP LLC and others	Hyosung Corporation	Claims for damages	17,692	2 nd Trial
Seoul High Court	Gwangmyeong City	Hyosung Corporation	Claims for damages	6,840	Retrial by reversal
Seoul Central District Court	Jongro Jewelry City Arcade Office	Hyosung Corporation	Claims for development and management costs	3,097	1 st 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	148 companies in Korea Federation Plastic Industry Cooperative	Hyosung Corporation and others	Claims for damages	2,290	1 st Trial

Other than the above, the Group is involved in various lawsuits where the amounts are not material or have not determined yet. The outcome of the above cases cannot be estimated as of December 31, 2015.

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39. Information on Non-controlling Interests

39.1 Changes in Accumulated Non-controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015										
	Non- controlling interest rate (%)		Accumulated non-controlling interests at the beginning of the year		Profit or loss allocated to non- controlling interests		Dividends paid to non- controlling interests	Others	Accumulated non-controlling interests at the end of the year		
Hyosung Investment & Development Corporation	41.25	₩	19,603	₩	(1,482)	₩	(9,900)	₩	22,106	₩	30,328
HanaLandchip Private Real Estate Investment Trust No.39	22.99		16,001		703		(447)		(16,370)		(113)
Hyosung Capital Co., Ltd.	2.85		10,263		780		(280)		195		10,958
Nautilus Hyosung Inc.	45.98		-		5,094		-		123,609		128,703
Hyosung Vietnam Co., Ltd.	11.79		26,540		17,560		-		(14,162)		29,938
Other	-		30,822		10,545		-		(27,325)		14,042
		₩	103,229	₩	33,200	₩	(10,627)	₩	88,053	₩	213,855

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

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39.2 Summarized Financial Information on Subsidiaries

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

Summarized consolidated statements of financial position as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015					
	Hyosung Investment & Development Corporation	HanaLandchip Private Real Estate Investment Trust No.39	Hyosung Capital Co., Ltd.	Nautilus Hyosung Inc.	Hyosung Vietnam Co., Ltd.	
Current assets	₩ 15,453	₩ 1,013	₩ 206,009	₩ 373,521	₩ 375,630	
Non-current assets	61,428	190,890	2,227,895	227,346	666,156	
Current liabilities	3,749	159,919	1,234,638	341,506	625,811	
Non-current liabilities	2,609	-	829,113	7,025	55,493	
Equity	70,523	31,984	370,153	252,336	360,482	

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

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Summarized consolidated statements of comprehensive income for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015					
	Hyosung Investment & Development Corporation	HanaLandchip Private Real Estate Investment Trust No.39	Hyosung Capital Co., Ltd.	Nautilus Hyosung Inc.	Hyosung Vietnam Co., Ltd.	
Sales	₩ 527	₩ 10,482	₩ 202,279	₩ 431,359	₩ 1,130,058	
Profit for the year	22,527	1,895	27,398	11,585	147,510	
Other comprehensive income (expenses)	2,947	-	6,860	(5,071)	18,277	
Total comprehensive income	₩ 25,474	₩ 1,895	₩ 34,258	₩ 6,514	₩ 165,787	

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

Summarized consolidated statements of cash flows for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015				
	Hyosung Investment & Development Corporation	HanaLandchip Private Real Estate Investment Trust No.39	Nautilus Hyosung Inc.	Hyosung Capital Co., Ltd.	Hyosung Vietnam Co., Ltd.
Cash flows from operating activities	₩ 25,307	₩ 1,808	₩ 186,962	₩ 60,669	₩ 321,956
Cash flows from investing activities	(1,260)	-	(53,344)	(31,052)	(108,813)
Cash flows from financing activities	(24,000)	(1,913)	(151,334)	(11,157)	(237,545)
Net (decrease)/increase in cash and cash equivalents	47	(105)	(17,716)	18,460	(24,402)
Cash and cash equivalents at beginning of year	173	738	185,677	42,597	32,035
Exchange gains/(losses) on cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents at end of year	₩ 220	₩ 633	₩ 167,961	₩ 61,057	₩ 7,633

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

40. Unconsolidated Structured Entities

The nature of business unconsolidated structured entities as of December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	Purpose of establishment and activities	Method of financing	Total assets
Investment fund and investment trust	Enforcement of investment and profit sharing	Issuance of equity shares	₩ 1,999,673
Mortgage loan	Investment and in real property and collection through sales	Issuance of equity shares and borrowings	212,388
Securitization of assets	Securitization and collection of assets	Issuance of ABL and ABCP	173,968
Investment in vessels	Investment in vessels and profit sharing	Issuance of equity shares and borrowings	7,628

The risk of interest in unconsolidated structured entities as of December 31, 2015, is as follows:

<i>(in millions of Korean won)</i>	Book value of available-for-sale financial assets	Book value of receivables	Total
Investment fund and investment trust	₩ 95,100	₩ -	₩ 95,100
Mortgage loan	-	67,128	67,128
Securitization of assets	-	15,772	15,772
Investment in vessels	-	7,607	7,607

Maximum exposure to loss on interest in unconsolidated structured entities as of December 31, 2015, is equal to the book value.

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41. Business Combination

Payment of consideration and the balances of assets and liabilities acquired at requisition date related to business combination of the Group as of December 31, 2015 are as follows:

Details	Nautilus Hyosung Inc ¹		FMK Inc. ²	
Consideration transferred				
Cash	₩	10,000	₩	20,000
Total consideration of transfer		10,000		20,000
Fair value of securities retained before business combination		133,289		-
Total		143,289		20,000
Identifiable assets and liabilities				
Cash and Cash Equivalence		40,914		3,430
Property, plant and equipment		76,979		6,561
Customer relationship (Intangible asset)		20,202		7,600
Developed technology (Intangible asset)		16,828		-
Other intangible asset		25,536		340
Equity method securities		16,238		-
Other financial asset		88,623		1,000
Other asset		9,076		790
Inventory		166,202		28,418
Trade and other receivables		175,706		5,920
Current income tax assets		-		14
Deferred income tax assets		4,379		303
Trade and other payables		(100,330)		(7,368)
Provision for severance benefits		(5,379)		(876)
Borrowings		(219,405)		(17,874)
Other financial liabilities		(28,341)		-
Other liabilities		(1,625)		(6,092)
Provisions and contingent liabilities		(4,110)		(441)
Current income tax liabilities		(471)		-
Deferred income tax liabilities		(9,980)		(1,672)
Total net identifiable assets and liabilities		271,042		20,053
Non-Controlling Interests		(125,727)		-
Goodwill		(2,026)		(53)
Total	₩	143,289	₩	20,000

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¹ As of May 26, 2015, the Group acquired 87,750 additional shares of Nautilus Hyosung Inc. and the percentage of ownership increased from 43.5% to 54.02%. As a result, Nautilus Hyosung Inc. has been reclassified from an associate to a subsidiary with obtaining control of the investee through acquiring additional shares.

² As of June 11, 2015, the Group acquired 100% (1,400,000 shares) equity of Forza Motors Korea Corp, and Forza Motors Korea Corp became one of the subsidiaries of the Group.

³ At the time of business combination, the Group estimated the fair value of equity method securities of Nautilus Hyosung Inc. with using discounted cash flow method. And, ₩ 27,490 million, the difference between book value and fair value, has been recognized as profit in 2015 (Note34).

⁴ Non-controlling interests was measured by proportional amount of acquiree's net-identifiable assets.