

Hyosung Corporation

**Separate Financial Statements
December 31, 2015 and 2014**

Hyosung Corporation
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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 separate financial statements of Hyosung Corporation (the "Company"), which comprise the separate statements of financial position as of December 31, 2015 and 2014, and the separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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



Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Hyosung Corporation as of December 31, 2015 and 2014, and its 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 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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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

<i>(in millions of Korean won)</i>	Notes	2015	2014
Assets			
Current assets			
Cash and cash equivalents	4, 8, 9, 10	₩ 22,006	₩ 65,832
Trade and other receivables	4, 7, 8, 11, 21, 40	896,135	933,621
Due from customers for contract work	4, 8, 31	75,509	169,481
Other financial assets	4, 5, 8, 12	111	6,149
Other current assets	13	100,836	111,471
Inventories	14, 18	599,928	647,979
Non-current assets held-for-sale	15	-	25,990
		<u>1,694,525</u>	<u>1,960,523</u>
Non-current assets			
Long-term trade and other receivables	4, 8, 11, 21	253,993	209,446
Property, plant and equipment	15, 18, 19, 40	3,368,749	3,267,496
Investment property	16	460,065	482,085
Intangible assets	17	93,790	100,930
Investment in subsidiaries and associates	20, 40	1,585,531	1,540,488
Other non-current financial assets	4, 5, 8, 10, 12, 40	266,045	170,921
Other non-current assets	13	23,735	23,696
		<u>6,051,908</u>	<u>5,795,062</u>
Total assets		<u>₩ 7,746,433</u>	<u>₩ 7,755,585</u>
Liabilities			
Current liabilities			
Trade and other payables	4, 8, 19, 21, 22, 40	₩ 1,004,443	₩ 1,058,146
Due to customers for contract work	31	102,311	101,059
Borrowings	4, 8, 23	1,682,270	1,943,052
Other financial liabilities	4, 5, 8, 12	24,815	24,397
Current tax liabilities		25,484	51,172
Other current liabilities	26, 31	147,697	155,672
		<u>2,987,020</u>	<u>3,333,498</u>
Non-current liabilities			
Long-term trade and other payables	4, 8, 19, 21, 22	61,997	55,782
Long-term borrowings	4, 8, 23	1,393,523	1,297,265
Retirement benefit obligations	24	20,390	39,288
Deferred income tax liabilities	25	232,521	231,401
Other non-current financial liabilities	4, 5, 8, 12	11,199	5,192
Other non-current liabilities	26, 40	49,336	71,461
		<u>1,768,966</u>	<u>1,700,389</u>
Total liabilities		<u>4,755,986</u>	<u>5,033,887</u>
Equity			
Capital stock	27	175,587	175,587
Capital surplus		130,826	130,826
Retained earnings	28	2,378,108	2,143,603
Other components of equity	29	305,926	271,682
Total equity		<u>2,990,447</u>	<u>2,721,698</u>
Total liabilities and equity		<u>₩ 7,746,433</u>	<u>₩ 7,755,585</u>

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

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

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

	Notes	2015	2014
Revenue	6, 21, 30, 31	₩ 8,033,110	₩ 8,532,153
Cost of sales	21, 31, 32, 33	<u>(6,850,173)</u>	<u>(7,552,802)</u>
Gross profit		1,182,937	979,351
Selling and administrative expenses	21, 32, 33, 34	(608,890)	(661,859)
Research and development expenses	32, 33	<u>(100,697)</u>	<u>(112,745)</u>
Operating profit	6	<u>473,350</u>	<u>204,747</u>
Other income	8, 21, 35	220,802	382,847
Other expenses	8, 21, 35	<u>(166,451)</u>	<u>(108,877)</u>
Other income (expenses), net		<u>54,351</u>	<u>273,970</u>
Finance income	8, 21, 36	251,755	238,618
Finance expenses	8, 36	<u>(376,784)</u>	<u>(405,358)</u>
Finance income (expenses), net		<u>(125,029)</u>	<u>(166,740)</u>
Impairment loss on investment in subsidiaries and associates	20	<u>(26,399)</u>	<u>(49,105)</u>
Profit before income tax		376,273	262,872
Income tax expense	25	<u>(58,547)</u>	<u>(78,000)</u>
Profit for the year		<u>₩ 317,726</u>	<u>₩ 184,872</u>
Basic earnings per share	37	₩ 9,550	₩ 5,557

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

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

(in millions of Korean won)

	Notes	2015	2014
Profit for the year		<u>₩ 317,726</u>	<u>₩ 184,872</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	24	(16,684)	(19,532)
Items that may be subsequently reclassified to profit or loss			
Gains(losses) on valuation of available-for-sale financial assets	12,29	33,095	1,641
Currency translation differences	29	<u>1,149</u>	<u>690</u>
Other comprehensive income (loss) for the year, net of tax		<u>17,560</u>	<u>(17,201)</u>
Total comprehensive income for the year		<u>₩ 335,286</u>	<u>₩ 167,671</u>

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

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

<i>(in millions of Korean won)</i>	Notes	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total
Balance at January 1, 2014		₩ 175,587	₩ 130,826	₩ 2,011,532	₩ 269,351	₩ 2,587,296
Comprehensive income						
Profit for the year		-	-	184,872	-	184,872
Change in value of available-for-sale financial assets		-	-	-	1,641	1,641
Remeasurements of net defined benefit liability		-	-	(19,532)	-	(19,532)
Currency translation differences		-	-	-	690	690
Transactions with equity holders of the Company						
Dividends	38	-	-	(33,269)	-	(33,269)
Balance at December 31, 2014		<u>₩ 175,587</u>	<u>₩ 130,826</u>	<u>₩ 2,143,603</u>	<u>₩ 271,682</u>	<u>₩ 2,721,698</u>
Balance at January 1, 2015		<u>₩ 175,587</u>	<u>₩ 130,826</u>	<u>₩ 2,143,603</u>	<u>₩ 271,682</u>	<u>₩ 2,721,698</u>
Comprehensive income						
Profit for the year		-	-	317,726	-	317,726
Change in value of available-for-sale financial assets		-	-	-	33,095	33,095
Remeasurements of net defined benefit liability		-	-	(16,684)	-	(16,684)
Currency translation differences		-	-	-	1,149	1,149
Transactions with equity holders of the Company						
Dividends	38	-	-	(66,537)	-	(66,537)
Balance at December 31, 2015		<u>₩ 175,587</u>	<u>₩ 130,826</u>	<u>₩ 2,378,108</u>	<u>₩ 305,926</u>	<u>₩ 2,990,447</u>

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

Hyosung Corporation
Separate 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	39	₩ 769,228	₩ 369,798
Income tax paid		(88,355)	(110,017)
Interest paid		(97,768)	(112,104)
Interest received		2,536	2,615
Dividends received		132,765	77,009
Net cash inflow from operating activities		<u>718,406</u>	<u>227,301</u>
Cash flows from investing activities			
Decrease in short-term loans		16,433	12,400
Proceeds from disposal of short-term financial Instruments		-	3
Proceeds from disposal of available-for-sale financial assets		1,773	6,829
Decrease in long-term loans		7,038	11,409
Decrease in long-term deposits provided		7,694	7,060
Proceeds from disposal of property, plant and equipment		18,086	6,324
Government grants received		1,252	4,647
Proceeds from disposal of investment property		20,175	2,292
Proceeds from disposal of intangible assets		436	26,342
Proceeds from disposal of investment in subsidiaries and associates		57,703	28,788
Proceeds from disposal of non current assets held for sale		25,965	51
Proceeds from disposal of other investments		-	415,000
Increase in short-term loans		(15,636)	(8,400)
Acquisition of short-term financial instruments		-	(2)
Acquisition of available-for-sale financial assets		(55,321)	(59,684)
Increase in long-term loans		(57,820)	(16,179)
Increase in long-term deposits provided		(25,409)	(3,387)
Purchases of property, plant and equipment		(346,720)	(404,086)
Purchases of investment property		(9)	(39,787)
Purchases of intangible assets		(7,920)	(68,100)
Acquisition of subsidiaries and associates		(96,826)	(16,809)
Acquisition of long-term financial instruments		(1,140)	(300)
Acquisition of other investments		(39)	-
Net cash outflow from investing activities		<u>(450,285)</u>	<u>(95,589)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		5,559,689	5,906,824
Proceeds from long-term borrowings		280,832	342,914
Proceeds from issuance of debentures		426,852	59,910
Government grants received		3,520	-
Repayment of short-term borrowings		(6,037,871)	(5,971,176)
Repayment of current portion of long-term borrowings		(460,766)	(479,989)
Repayment of long-term borrowings		(6,034)	-
Repayment of government grants		(11,632)	-
Payment of cash dividends		(66,537)	(33,269)
Net cash outflow from financing activities		<u>(311,947)</u>	<u>(174,786)</u>
Net increase decrease in cash and cash equivalents		(43,826)	(43,074)
Cash and cash equivalents at the beginning of year		65,832	108,906
Cash and cash equivalents at the end of year		<u>₩ 22,006</u>	<u>₩ 65,832</u>

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

Hyosung Corporation

Notes to Separate Financial Statements

December 31, 2015 and 2014

1. General Information

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

As of December 31, 2015, the Company has plants in Ulsan, Anyang, Yongyeon, Gumi, Daegu, Changwon, and Daejeon. In addition, the Company 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%).

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

Hyosung Corporation

Notes to Separate Financial Statements

December 31, 2015 and 2014

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

The Company newly applied the following amended and enacted standards for the annual periods 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 separate financial statements.

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

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

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

(b) New and amended standards not yet adopted

Amendments issued but not effective for the financial year beginning January 1, 2015, and not early adopted are enumerated below. The Company expects that these standards and amendments would not have a material impact on its separate financial statements.

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

- 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*

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

Amendment to Korean IFRS 1027, *Separate Financial Statements*, requires that the accounting for investments in subsidiaries, jointly controlled entities and associates be accounted for under one of the following methods by each category: at cost, in accordance with the Korean IFRS 1039, or the equity method in Korean IFRS 1028. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company expects that the application of this amendment would not have an impact on its separate financial statements.

- Amendment to Korean IFRS 1111, *Joint Arrangements*

- Annual Improvements to Korean IFRS 2012-2014 *Cycle*

Hyosung Corporation

Notes to Separate Financial Statements

December 31, 2015 and 2014

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 Company 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 IFRS1018, *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 Company 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 Company is in the process of determining the effects resulting from the adoption of the new Standard.

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Notes to Separate Financial Statements

December 31, 2015 and 2014

2.3 Subsidiaries and Associates

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027, *Separate Financial Statements*. Investments in subsidiaries and associates are recognized at cost under the direct equity method. Management applied the carrying amounts under the previous K-GAAP at the time of transition to the Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries and associates in profit or loss when its right to receive the dividend is established.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.5 Financial Assets

(a) Classification and measurement

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

Hyosung Corporation

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

(b) Impairment

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

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

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

(c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as '(long-term) borrowings' in the statement of financial position (Note 7).

(d) Offsetting of financial instruments

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

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Notes to Separate Financial Statements

December 31, 2015 and 2014

2.6 Derivative Instruments

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

2.7 Inventories

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

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

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

2.9 Property, Plant and Equipment

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

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

	Useful life		Useful life		
Buildings	40	years	Vehicles	5	years
Structures	40	years	Tools and equipment	5	years
Machinery	8 - 10	years			

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

Hyosung Corporation

Notes to Separate Financial Statements

December 31, 2015 and 2014

2.10 Borrowing Costs

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

2.11 Government Grants

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

2.12 Intangible Assets

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

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:

	Useful lives
Industrial rights	5 - 10 years
Facility Usage Rights	10 - 25 years
Other intangible assets	5 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 their useful life, 40 years.

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2.14 Impairment of Non-financial Assets

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

2.15 Financial Liabilities

(a) Classification and measurement

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

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

(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.

2.16 Financial Guarantee Contracts

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

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

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2.17 Provisions

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

2.18 Current and Deferred Tax

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

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

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

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

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

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2.19 Employee Benefits

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

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

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

2.20 Revenue Recognition

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

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

(a) Sale of goods

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

(b) Rendering of services

When the outcome of a rendering of services contract can be estimated reliably, revenue is recognized by reference to the stage of completion. When the outcome of a rendering of services contract cannot be estimated reliably, revenue is recognized only to the extent of costs incurred that are likely to be recoverable.

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(c) Royalty income

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

(d) Interest income

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

(e) Dividend income

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

2.21 Construction Contracts

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

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

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

The Company uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred during 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 or advance payments.

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

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

2.22 Lease

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

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

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

2.23 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 6). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

2.24 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2015 financial statements of the Company 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.

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3. Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The estimates 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) Income taxes

The Company's income generated from operations is subject to income taxes based on tax laws and interpretations of tax authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 25).

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 Company 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 Company's income tax is dependent on the investments, increase in wages and dividends, there exists uncertainty with regard to measuring the final tax effects.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(c) Provisions

As of December 31, 2015, the Company recognizes provisions for warranties and others as explained in Note 26. These provisions are estimated based on past experience.

(d) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 24).

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(e) 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 Company'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 Company will be able to satisfy the performance requirements, and the amount can be estimated reliably.

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

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

4.1.1 Market Risk

(a) Foreign exchange risk

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

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

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

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

<i>(in millions of Korean won)</i>		Impact on pre-tax profit			
		2015		2014	
USD	Strengthened	₩	(78,331)	₩	(109,850)
	Weakened		78,331		109,850
EUR	Strengthened		(6,827)		(2,857)
	Weakened		6,827		2,857
JPY	Strengthened		(6,977)		(3,274)
	Weakened		6,977		3,274
Others	Strengthened		1,469		(164)
	Weakened		(1,469)		164

(b) Price risk

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

The Company's investments in equity of other entities that are publicly traded are included in KOSPI equity index.

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

<i>(in millions of Korean won)</i>	Impact on equity			
	2015		2014	
Increase	₩	50,125	₩	33,279
Decrease		(50,125)		(33,279)

(c) Interest rate risk

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

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

The impact of 100 basis points higher/lower of interest rate with all other variables held constant on the Company's pre-tax profit for the year 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	₩	(12,571)	₩	(16,272)
Decrease		12,571		16,272

4.1.2 Credit Risk

Credit risk is managed on the Company 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 11 for further disclosure on credit risk.

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

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

<i>(in millions of Korean won)</i>	2015		2014	
Cash and cash equivalents ¹	₩	21,700	₩	65,394
Trade and other receivables		896,135		933,621
Due from customers for contract work		75,509		169,481
Other financial assets		111		6,149
Long-term trade and other receivables		253,994		209,446
Other non-current financial assets		266,045		170,921
Financial guarantee contracts		2,724,872		2,498,561

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

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4.1.3 Liquidity Risk

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

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

(in millions of Korean won)

	2015			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 1,004,812	₩ 53,733	₩ 14,299	₩ 1,072,844
Borrowings (including interest expense)	1,740,794	1,448,363	970	3,190,127
Derivative financial instruments ¹	36,015	-	-	36,015
Financial guarantees ²	2,373,072	-	-	2,373,072
PF guarantees ²	351,800	-	-	351,800
	<u>₩ 5,506,493</u>	<u>₩ 1,502,096</u>	<u>₩ 15,269</u>	<u>₩ 7,023,858</u>

(in millions of Korean won)

	2014			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Trade and other payables	₩ 1,053,019	₩ 60,038	₩ -	₩ 1,113,057
Borrowings (including interest expense)	1,962,886	1,392,475	5,908	3,361,269
Derivative financial instruments ¹	29,589	-	-	29,589
Financial guarantees ²	2,325,561	-	-	2,325,561
PF guarantees ²	173,000	-	-	173,000
	<u>₩ 5,544,055</u>	<u>₩ 1,452,513</u>	<u>₩ 5,908</u>	<u>₩ 7,002,476</u>

¹ The Company's trading portfolio derivative instruments have been included at their fair value of ₩ 36,015 million (2014: ₩ 29,589 million) within the less than 1 year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date.

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

4.2 Capital Risk Management

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

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

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

The gearing ratios and net borrowing ratios as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015		2014	
Total borrowings	₩	3,075,792	₩	3,240,316
Less: cash and cash equivalents		(22,006)		(65,832)
Net debt (A)		3,053,786		3,174,484
Total equity (B)		2,990,447		2,721,699
Total capital (A+B=C)	₩	6,044,233	₩	5,896,183
Gearing ratio (A/C)		50.52%		53.84%

5. Fair Value Estimation

5.1 Fair Value of Financial Instruments by Category

The carrying amounts of financial instruments, excluding available-for-sale financial assets that are measured at cost because their fair value cannot be measured reliably, are similar to their fair values.

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5.2 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				
OKSAN OCHANG Highway Corporation	₩	14,970	₩	9,455
TransLink Capital Partners 1, L.P.		2,022		2,022
Korea Housing Guarantee Co., Ltd.		-		1,717
The Korea Economic Daily		1,354		1,354
Kumho & Company Incorporation		10,000		-
Hyosung Creative Economy Fund		5,000		-
Doosan Capital Co., Ltd. ¹		1,355		-
AXIA Materials Co. Ltd		1,053		-
Construction Guarantee Cooperative		3,319		1,217
Machinery Financial Cooperative		3,300		3,300
Government bonds		162		296
Investment and others		1,698		1,802
	₩	44,233	₩	21,163

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

¹ During 2015 the Company transferred equity instruments of Doosan Capital Co., Ltd. from Level 3 of the fair value hierarchy to financial instruments measured at cost, this is because their estimated cash flows cannot be measured reliably due to continuous net loss. Also, the Company recognized loss on impairment of equity instruments of Doosan Capital Co., Ltd. amounting to ₩ 1,310 million in the separate statements of income, because the Company judged that objective evidence of impairment has occurred in relation to equity instruments of Doosan Capital Co., Ltd..

5.3 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:

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(in millions of Korean won)

	2015			
	Level 1	Level 2 ¹	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 220,427	₩ -	₩ -	₩ 220,427
Derivative financial assets	-	-	-	-
	<u>₩ 220,427</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 220,427</u>
Liabilities				
Derivative financial liabilities	₩ -	₩ 36,015	₩ -	₩ 36,015
	<u>₩ -</u>	<u>₩ 36,015</u>	<u>₩ -</u>	<u>₩ 36,015</u>

(in millions of Korean won)

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

¹ The Company uses valuation techniques of market approach in the fair value of derivative financial instruments that categorized within Level 2, and uses inputs; such as, exchange rate and other.

5.4 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

There was no transfer between fair value hierarchy levels of recurring fair value measurements for the year ended December 31, 2015 and 2014. However, the Company transferred equity instruments of Doosan Capital Co., Ltd. of which carrying amount was ₩ 2,665 million as of December 31, 2014 from Level 3 of the fair value hierarchy to financial instruments measured at cost, this is because their estimated cash flows cannot be measured reliably due to continuous net loss.

6. Operating Segment Information

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

The Company's operating segment information for the years ended December 31, 2015 and 2014, is as follows:

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

<i>(in millions of Korean won)</i>	2015		2014	
Korea	₩	4,484,801	₩	4,637,862
North and Central America		530,863		448,592
Asia		2,148,520		2,471,726
Europe		672,798		666,126
Others		196,128		307,847
	₩	<u>8,033,110</u>	₩	<u>8,532,153</u>

There is no customer who contribute more than 10% of the Company revenue for the years ended December 31, 2015 and 2014.

7. Transfer of Financial Assets

Trade receivables of the Company have been discounted through factoring agreements with banks in 2015 and 2014. In case the customer's default, the Company has an obligation to pay the related amounts to the bank. As a result, this transaction, which is treated as a transaction with recourse, has been accounted for as a collateralized borrowing (Notes 11, 23 and 40).

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>	2015		2014	
Loans and receivables				
Carrying amount of assets	₩	196,250	₩	373,929
Carrying amount of the associated liabilities		(196,250)		(373,929)
Net position		-		-

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8. Financial Instruments by Category

8.1 Carrying Amounts of Financial Instruments by Category

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

(in millions of Korean won)

	2015			
	Loans and receivables	Available-for-sale financial assets	Derivative assets	Total
Cash and cash equivalents	₩ 22,006	₩ -	₩ -	₩ 22,006
Trade and other receivables	896,135	-	-	896,135
Due from customers for contract work	75,509	-	-	75,509
Other financial assets	7	104	-	111
Long-term trade and other receivables	253,994	-	-	253,994
Other non-current financial assets	1,490	264,555	-	266,045
	<u>₩ 1,249,141</u>	<u>₩ 264,659</u>	<u>₩ -</u>	<u>₩ 1,513,800</u>

(in millions of Korean won)

	2015			
	Financial liabilities at amortized cost	Other financial liabilities	Derivative liabilities	Total
Trade and other payables	₩ 998,799	₩ 5,644	₩ -	₩ 1,004,443
Borrowings	1,486,020	196,250	-	1,682,270
Other financial liabilities	-	-	24,815	24,815
Long-term trade and other payables	61,997	-	-	61,997
Long-term borrowings	1,393,522	-	-	1,393,522
Other non-current financial liabilities	-	-	11,199	11,199
	<u>₩ 3,940,338</u>	<u>₩ 201,894</u>	<u>₩ 36,014</u>	<u>₩ 4,178,246</u>

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

(in millions of Korean won)

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

(in millions of Korean won)

	2014			
	Financial liabilities at amortized cost	Other financial liabilities	Derivative liabilities	Total
Trade and other payables	₩ 1,052,570	₩ 5,576	₩ -	₩ 1,058,146
Borrowings	1,569,123	373,929	-	1,943,052
Other financial liabilities	-	-	24,397	24,397
Long-term trade and other payables	55,781	-	-	55,781
Long-term borrowings	1,297,265	-	-	1,297,265
Other non-current financial liabilities	-	-	5,192	5,192
	<u>₩ 3,974,739</u>	<u>₩ 379,505</u>	<u>₩ 29,589</u>	<u>₩ 4,383,833</u>

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6.2 Net gains or Losses by Category of Financial Instruments

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)	₩ (1,852)	₩ (3,150)
Interest income	3,759	5,542
Bad debt expense	(3,678)	(23,515)
Other bad debt expense	(1,885)	(2,655)
Gain on foreign currency translation	41,340	39,250
Loss on foreign currency translation	(12,304)	(33,800)
Available-for-sale financial assets		
Gain (Loss) on valuation (Other comprehensive income(loss))	43,661	2,165
Gain (Loss) on disposal (Profit or loss)	1,075	(381)
Impairment (Profit or loss)	(1,310)	(105)
Other loss (Profit or loss)	-	(10,050)
Interest income	13	30
Dividend income	492	133
Financial liabilities at amortized cost		
Interest expense	(92,590)	(103,909)
Gain on foreign currency translation	21,981	56,871
Loss on foreign currency translation	(94,245)	(78,401)
Other financial liabilities ¹		
Interest expense	(6,097)	(8,558)
Gain on foreign currency translation	4,552	12,640
Loss on foreign currency translation	(17,427)	(16,128)
Derivative financial assets and liabilities		
Gain (Loss) on derivative transactions (Profit or loss)	(21,706)	17,306
Gain (Loss) on valuation of derivatives (Profit or loss)	(31,339)	(23,788)

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

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9. Cash and Cash Equivalents

Cash and cash equivalents in the separate statements of financial position as of December 31, 2015 and 2014, are the same as cash and cash equivalents in the statements of cash flows, and the details are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Cash on hand	₩	306	₩	438
Bank deposits		21,700		65,394
	₩	<u>22,006</u>	₩	<u>65,832</u>

10. Restricted Financial Instruments

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

<i>(in millions of Korean won)</i>	2015		2014		Details
Cash and cash equivalents	₩	1,528	₩	-	Restricted for lease deposits received
Other non-current financial assets		50	50		Bank overdraft guarantee deposit

11. 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 amount	Provisions for impairment	Net book value
Trade receivables	₩	851,342	₩ (25,206)	₩ 826,136
Other receivables		70,863	(864)	69,999
Long-term trade receivables		23,712	(10,723)	12,989
Long-term other receivables		289,948	(48,943)	241,005
	₩	<u>1,235,865</u>	₩ (85,736)	₩ <u>1,150,129</u>

<i>(in millions of Korean won)</i>		2014		
		Receivable amount	Provisions for impairment	Net book value
Trade receivables	₩	913,490	₩ (48,541)	₩ 864,949
Other receivables		69,795	(1,123)	68,672
Long-term trade receivables		23,848	(10,723)	13,125
Long-term other receivables		222,328	(26,008)	196,320
	₩	<u>1,229,461</u>	₩ (86,395)	₩ <u>1,143,066</u>

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The Company discounted trade receivable amounting to ₩ 196,250 million to a bank in exchange for cash for the year ended December 31, 2015. In case the entities default under the loan agreement, the Company is obligated to pay the corresponding amount to the financial institution. Therefore, the transaction has been accounted for as a collateralized borrowing (Note 7, 23 and 40).

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	₩	56,640	₩	55,140
Short-term loans		8,539		8,751
Accrued income		4,820		4,781
		<u>69,999</u>		<u>68,672</u>
Long-term other receivables				
Long-term loans		59,507		38,001
Deposits provided		181,498		158,319
		<u>241,005</u>		<u>196,320</u>
	₩	<u>311,004</u>	₩	<u>264,992</u>

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

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

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

<i>(in millions of Korean won)</i>		2015					
		Past due but not impaired				Impaired	Total
Receivables not past due		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 566,590	₩ 56,615	₩ 26,387	₩ 33,690	₩ 143,471	₩ 24,589	₩ 851,342
Other receivables	69,999	-	-	-	-	864	70,863
Long-term trade receivables	2,466	-	-	-	16	21,446	23,928
Long-term other receivables	243,903	-	-	-	-	48,943	292,846
	<u>₩ 882,958</u>	<u>₩ 56,615</u>	<u>₩ 26,387</u>	<u>₩ 33,690</u>	<u>₩ 143,487</u>	<u>₩ 95,842</u>	<u>₩1,238,979</u>

<i>(in millions of Korean won)</i>		2014					
		Past due but not impaired				Impaired	Total
Receivables not past due		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 645,551	₩ 70,826	₩ 4,475	₩ 57,279	₩ 87,111	₩ 48,248	₩ 913,490
Other receivables	68,672	-	-	-	-	1,123	69,795
Long-term trade receivables	2,655	-	-	-	-	21,446	24,101
Long-term other receivables	196,835	-	-	-	-	26,008	222,843
	<u>₩ 913,713</u>	<u>₩ 70,826</u>	<u>₩ 4,475</u>	<u>₩ 57,279</u>	<u>₩ 87,111</u>	<u>₩ 96,825</u>	<u>₩1,230,229</u>

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

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The individually impaired receivables are mainly related to the customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. If the Company determines that no objective evidence of impairment exists for an individually assessed receivables, it collectively assesses them for impairment.

The credit quality of financial assets that are not impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as of December 31, 2015 and 2014, follows:

<i>(in millions of Korean won)</i>	2015	2014
Counterparties with external credit rating		
A	₩ 161,962	₩ 288,384
BB	283,865	212,924
BBB	46,708	53,058
	<u>492,535</u>	<u>554,366</u>
Counterparties without external credit rating		
Group 1 ¹	3,008	12,874
Group 2 ²	329,988	296,493
Group 3 ³	3,704	4,164
	<u>336,700</u>	<u>313,531</u>
	<u>₩ 829,235</u>	<u>₩ 867,897</u>

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

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

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

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

(in millions of Korean won)

	2015			
	Beginning balance	Provisions For impaired receivables	Receivables written off as uncollectible	Ending balance
Trade receivables	₩ 48,541	₩ 3,678	₩ (27,013)	₩ 25,206
Other receivables	1,123	(30)	(229)	864
Long-term trade receivables	10,723	-	-	10,723
Long-term other receivables	26,008	1,915	21,020	48,943
	<u>₩ 86,395</u>	<u>₩ 5,563</u>	<u>₩ (6,222)</u>	<u>₩ 85,736</u>

(in millions of Korean won)

	2014			
	Beginning balance	Provisions For impaired receivables	Receivables written off as uncollectible	Ending balance
Trade receivables	₩ 41,769	₩ 23,515	₩ (16,743)	₩ 48,541
Other receivables	956	167	-	1,123
Long-term trade receivables	10,723	-	-	10,723
Long-term other receivables	23,520	2,488	-	26,008
	<u>₩ 76,968</u>	<u>₩ 26,170</u>	<u>₩ (16,743)</u>	<u>₩ 86,395</u>

The maximum exposure of trade and other receivables to credit risk is same as the carrying amount of each type of receivables mentioned above.

The creation and release of provision for impaired trade receivables and other receivables have been included in 'selling and administrative expenses' (Note 34) and 'other income and expenses' (Note 35) in the separate statements of income, respectively. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

12. Other Financial Assets and Liabilities

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

(in millions of Korean won)

	2015	2014
Other financial assets		
Loans and receivables	₩ 1,496	₩ 356
Available-for-sale financial assets	264,660	170,172
Derivative assets	-	6,542
	<u>266,156</u>	<u>177,070</u>
Less: current portion	(111)	(6,149)
	<u>₩ 266,045</u>	<u>₩ 170,921</u>
Other financial liabilities		
Derivative liabilities	₩ 36,014	₩ 29,589
Less: current portion	(24,815)	(24,397)
	<u>₩ 11,199</u>	<u>₩ 5,192</u>

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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	₩	6	₩	6
Long-term financial instruments		1,490		350
	₩	<u>1,496</u>	₩	<u>356</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	₩	220,427	₩	146,344
Non-listed		32,074		18,417
Investments		11,997		5,115
Debt securities				
Government bonds		162		296
	₩	<u>264,660</u>	₩	<u>170,172</u>

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	₩	170,172	₩	86,768
Additions		56,202		59,684
Reclassification ¹		-		28,870
Disposals		(4,065)		(7,210)
Impairment loss on available-for-sale financial assets		(1,310)		(105)
Net gains reclassified to equity		43,661		2,165
Ending balance	₩	<u>264,660</u>	₩	<u>170,172</u>
Current portion		104		-
Non-current portion		264,556		170,172

¹ The Company disposed of 457,000 shares in relation to equity securities of Capro Corporation in 2014. As a result, the percentage of ownership decreased from 21.04% to 19.90%, and the Company lost significant influence over Capro Corporation. Accordingly, the shares were reclassified from investment in associates to available-for-sale financial assets.

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Details of 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	
Debt securities (government bonds)	₩	104	₩	-

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 value¹	Book value¹
Listed stock	₩ 206,795	₩ 220,427	₩	146,344
Non-listed stock ¹	56,727	32,074		18,417
Equity investments	11,997	11,997		5,115
Debt securities	58	58		296
	<u>₩ 275,577</u>	<u>₩ 264,556</u>	<u>₩</u>	<u>170,172</u>

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

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

<i>(in millions of Korean won)</i>	2015			2014	
	Number of shares	Percentage of ownership (%)	Acquisition cost	Book value	Book value
Chin Hung International Inc. ^{1,2}	74,315,616	48.35	₩ 153,493	₩ 170,926	₩ 123,736
Capro Corporation. ^{3,4}	7,960,708	19.90	22,880	20,777	22,608
Nexolon Co., Ltd.	1,179,068	0.73	422	1,028	-
Kumho tire co. Inc.	4,115,226	2.60	30,000	27,696	-
			<u>₩ 206,795</u>	<u>₩ 220,427</u>	<u>₩ 146,344</u>

¹ During 2014 the Company 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 Company 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.

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³ During 2014 the Company disposed of 457,000 shares of Capro Corporation 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 Corporation. Accordingly, the shares were reclassified from investment in associates to available-for-sale financial assets.

⁴ The shares of Capro Corporation have been provided as collateral in relation to the borrowings of the Company (Notes 23 and 40).

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

<i>(in millions of Korean won)</i>			2015		2014	
	Number of shares	Percentage of ownership (%)	Acquisition cost	Book value	Book value	
Doosan Capital Co., Ltd.	600,000	2.14	₩ 3,000	₩ 1,355	₩ 2,665	
Korea Housing Guarantee Co., Ltd.	-	-	-	-	1,717	
The Korea Economic Daily	124,308	0.66	1,354	1,354	1,354	
TransLink Capital Partners 1, L.P.	-	4.14	2,022	2,022	2,022	
OKSAN OCHANG Highway Corporation ¹	2,994,000	30.00	14,970	14,970	9,455	
Kumho & Company Incorporation	100,000	3.58	10,000	10,000	-	
Axia Materials Co. Ltd.	39,000	10.06	1,053	1,053	-	
Others	-	-	24,328	1,320	1,204	
			₩ 56,727	₩ 32,074	₩ 18,417	

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

Changes in unrealized gain or loss on valuation of available-for-sale financial assets presented as accumulated 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	
Beginning balance	₩	(22,762)	₩	(24,403)
Gain on valuation		43,661		2,165
Net gains (losses) reclassified from equity		-		-
Income tax effects related to components of other comprehensive income (expenses)		(10,566)		(524)
Ending balance	₩	10,333	₩	(22,762)

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The Company entered into forward exchange contracts, currency swaps and a total return swap to hedge the foreign exchange risks and other risks arising from trade receivable denominated in foreign currency and others. The related gain (loss) on valuation of derivatives is recognized as profit or loss in the separate statement of income.

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	₩ 6,143	₩ 22,340
Commodity Forward contracts	-	-	-	2,057
Currency Swap	-	2,487	-	-
	-	24,815	6,143	24,397
Non-current				
Forward exchange contracts	-	7,757	399	1,562
Total return swap ¹	-	3,442	-	3,630
	-	11,199	399	5,192
Total	₩ -	₩ 36,014	₩ 6,542	₩ 29,589

¹ The Company entered into a total return swap to settle the difference between the fair value after three years from the issuance date of convertible bonds issued (₩ 35 billion of nominal amount) by Hyosung Engineering Co., Ltd., which is a subsidiary of the Company, and the rate of return (6.7%) on the convertible bonds with Hana HS 1st co., Ltd., which is the underwriter of the convertible bonds.

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	₩ 74,202	₩ 90,001
Provisions	(290)	(290)
Prepaid expenses	26,925	21,760
	100,837	111,471
Other non-current assets		
Other investments	23,735	23,696
	23,735	23,696
	₩ 124,572	₩ 135,167

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14. Inventories

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

(in millions of Korean won)

	2015		
	Acquisition cost	Provision	Net book value
Merchandise	₩ 22,086	₩ -	₩ 22,086
Finished goods	230,457	(17,034)	213,423
Semi-finished goods	104,742	(1,063)	103,679
Work-in-process	37,013	-	37,013
Raw materials	117,511	(1,438)	116,073
Sub-materials	10,310	-	10,310
Supplies	2,400	-	2,400
Packaging	1,745	-	1,745
Goods-in-transit	31,082	-	31,082
Cost accrued on construction contracts	7,880	-	7,880
Temporary installations	24	-	24
Finished housing	689	-	689
Sites	67,412	(13,888)	53,524
	<u>₩ 633,351</u>	<u>₩ (33,423)</u>	<u>₩ 599,928</u>

(in millions of Korean won)

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

The cost of inventories recognized as expense and included in 'cost of sales' amounts to ₩ 4,766,662 million (2014: ₩ 5,467,910 million). Also, the Company recognized provisions for inventories amounting to ₩3,431 million (2014: ₩ 5,628 million) as expense which is included in 'cost of sales' in the separate statements of income.

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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	₩ 1,402,064	₩ -	₩ 1,402,064
Building	747,702	(233,744)	513,958
Structures	213,345	(57,836)	155,509
Machinery	3,317,567	(2,324,417)	993,150
Vehicles	27,009	(23,005)	4,004
Tool and equipment	257,479	(198,940)	58,539
Others	13,127	(1,126)	12,001
Construction in progress	228,690	-	228,690
Machinery in transit	834	-	834
	<u>₩ 6,207,817</u>	<u>₩ (2,839,068)</u>	<u>₩ 3,368,749</u>

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

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	Buildings	Structures	Machinery	Vehicles	Tools and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning balance	₩ 1,402,667	₩ 471,643	₩ 100,879	₩ 754,181	₩ 4,502	₩ 51,348	₩ 12,822	₩ 466,665	₩ 2,789	₩ 3,267,496
Additions	4,111	1,265	344	13,766	848	5,538	3,589	308,435	11,819	349,715
Disposals	(4,629)	(944)	(70)	(1,383)	(67)	(152)	(2,582)	-	-	(9,827)
Depreciation and others ¹	-	(18,534)	(4,728)	(180,910)	(1,707)	(20,434)	(1,828)	-	-	(228,141)
Impairment loss	-	-	-	(10,349)	-	(13)	-	-	-	(10,362)
Transfers ²	-	60,519	59,084	418,391	428	22,873	-	(546,410)	(13,774)	1,111
Transfer to investment property	-	9	-	-	-	-	-	-	-	9
Government grants received	(85)	-	-	(546)	-	(621)	-	-	-	(1,252)
Ending balance	<u>₩ 1,402,064</u>	<u>₩ 513,958</u>	<u>₩ 155,509</u>	<u>₩ 993,150</u>	<u>₩ 4,004</u>	<u>₩ 58,539</u>	<u>₩ 12,001</u>	<u>₩ 228,690</u>	<u>₩ 834</u>	<u>₩ 3,368,749</u>

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

¹ Depreciation includes ₩ 309 million (2014: ₩ 315 million) of shrinkage loss from others and ₩ 1,438 million (2014: ₩ 1,812 million) of supplies expense.

² Transfers include transfer of construction-in-progress, transfer of machinery-in-transit, transfer from or to non-current assets held-for-sale, and transfer from or to intangible assets. The carrying amount of property, plant and equipment transferred to disposal group classified as held-for-sale amounts to ₩ 25,991 million in 2014, and these assets are related the industrial materials segment.

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

(in millions of Korean won)	2015	2014
Cost of sales	₩ 206,370	₩ 189,136
Selling and administrative expenses	6,452	6,372
Research and development expenses	13,491	14,299
	<u>₩ 226,313</u>	<u>₩ 209,807</u>

In 2015, the Company has capitalized borrowing costs amounting to ₩ 7,759 million (2014: ₩ 14,288 million) on qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs eligible for capitalization is 3.45% (2014: 4.10%).

Certain amounts of the property, plant and equipment are provided as collaterals to financial institutions for borrowings (Note 40).

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Details of non-current assets held-for-sale as of December 31, 2015 and 2014, are as follows:

<i>(in millions of Korean won)</i>	2015		2014	
Structures	₩	-	₩	95
Machinery		-		25,338
Tools and equipment		-		558
	₩	-	₩	25,991

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	₩ 323,615	₩ (3,485)	₩ 320,130
Building	189,160	(49,225)	139,935
	₩ 512,775	₩ (52,710)	₩ 460,065

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

¹ Accumulated impairment losses are included.

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	Buildings	Total
Beginning balance	₩ 332,297	₩ 149,788	₩ 482,085
Acquisition	-	9	9
Disposals	(12,167)	(5,010)	(17,177)
Depreciation	-	(4,843)	(4,843)
Transfer to property, plant and equipment	-	(9)	(9)
Ending balance	₩ 320,130	₩ 139,935	₩ 460,065

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(in millions of Korean won)

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

During 2015, rental income from investment property is ₩ 40,011 million (2014: ₩ 33,349 million), and operating expenses (including depreciation) arising from investment property that generated rental income for the year are ₩ 30,122 million (2014: ₩ 31,216 million).

Fair value of investment property as of December 31, 2015, is ₩ 609,503 million (2014: ₩ 560,794 million) and the fair value is estimated based on the value determined by the Korean government, which is announced for property tax assessment purposes, etc.

17. Intangible Assets

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

(in millions of Korean won)

	2015			
	Industrial property	Others ¹	Memberships	Total
Beginning balance	₩ 5,308	₩ 29,619	₩ 66,003	₩ 100,930
Additions	2,449	5,451	20	7,920
Disposal	-	(2,775)	(1,959)	(4,734)
Amortization	(1,253)	(7,988)	-	(9,241)
Transfer to property, plant and equipment	-	(1,085)	-	(1,085)
Ending balance	<u>₩ 6,504</u>	<u>₩ 23,222</u>	<u>₩ 64,064</u>	<u>₩ 93,790</u>

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

¹ Facility Usage Rights and Resource development cost are included.

Amortization of ₩ 275 million (2014: ₩ 195 million) is included in 'cost of sales' in the separate statement of income in the 'cost of goods sold'; ₩ 209 million (2014: ₩ 152 million) in 'research and development expenses', and ₩ 8,757 million (2014: ₩ 9,907 million) in the 'selling and administrative expenses'.

18. Insurance Coverage

As of December 31, 2015, certain inventories, property, plant and equipment are insured and details of insurance are as follows:

<i>(in millions of Korean won)</i>	Insured assets	Book value	Insured amount	Insurance company
Package insurance	Buildings	₩ 653,893	₩ 1,336,039	
	Structures	155,509	136,652	Samsung Fire and
	Machinery	993,150	3,391,315	Marine Insurance Co.
	Inventories	599,928	662,757	and others
	Vehicles and tools	62,543	101,395	
		<u>₩ 2,465,023</u>	<u>₩ 5,628,158</u>	

19. Government Grants

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

As of December 31, 2015, the balance of government grants related to asset acquisition is ₩ 15,873 million (2014: ₩ 16,828 million), and the balance of government grants related to liabilities to be repaid is ₩ 22,419 million (2014: ₩ 39,158 million).

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20. Investment in Subsidiaries and Associates

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

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	1,540,489	₩	1,624,754
Acquisition		96,826		16,809
Disposal		(25,385)		(29,089)
Impairment loss		(26,399)		(49,105)
Reclassification ¹		-		(22,880)
Ending balance	₩	<u>1,585,531</u>	₩	<u>1,540,489</u>

¹ During 2014 the Company disposed of 457,000 shares out of 8,417,708 shares of Capro Corporation. As a result, the percentage of ownership decreased from 21.04% to 19.90% and the Company lost significant influence over Capro Corporation. Accordingly, the shares were reclassified from investment in associates to available-for-sale financial assets.

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

<i>(in millions of Korean won)</i>	Location	Percentage of ownership (%)	Book value	
			2015	2014
Galaxia Photonics Co., Ltd.	Korea	83.32	₩ -	₩ -
Gumoknongsan Co., Ltd.	Korea	-	-	2,787
Gongdeok Gyeongwoo Development Corporation ¹	Korea	73.33	974	1,487
Nautilus Hyosung Inc. ²	Korea	54.02	75,178	-
The Class Hyosung	Korea	-	-	7,184
Doomi Construction Co.,Ltd. ³	Korea	100.00	-	-
Somesevit Corporation ⁴	Korea	57.83	-	-
Taeansolarfarm Corp.	Korea	100.00	1,880	1,880
HanaLandchip Private Real Estate Investment Trust No.39	Korea	50	16,000	16,000
Hongjin Data Service Co., Ltd.	Korea	-	-	3,300
Hyosung Goodsprings, Inc.	Korea	100.00	74,361	74,361
Hyosung Engineering Co., Ltd.	Korea	100.00	-	100
Hyosung Wind Power Holdinds Ltd.	Korea	-	-	1,200
Hyosung Capital Co., Ltd.	Korea	97.15	361,762	361,762
Hyosung Investment & Development Corporation	Korea	58.75	34,798	34,798
Hyosung Trans World Co., Ltd.	Korea	100.00	4,698	4,698
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	80	-	-
Lloyd Dynamowerke GmbH	Germany	100.00	381	39
GST Global GmbH	Germany	100.00	160,226	160,226
Hyosung (H.K) LIMITED	China	100.00	557	557
Hyosung (Taiwan) Corporation	Taiwan	100.00	226	226
Hyosung Brasil Industria e Comercio de Fibras LTDA	Brazil	100.00	33,322	33,322
Hyosung Brasil industrial & commercial LTDA	Brazil	100.00	5,451	8,607
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	100.00	156,059	156,059

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Hyosung Chemicals (Jiaxing) Co., Ltd.	China	100.00	4,848	4,848
Hyosung Composite (GuangDong) Co., Ltd.	China	100.00	-	940
Hyosung Corporation India Pvt. Ltd.	India	100.00	461	461
Hyosung Europe SRL	Italy	100.00	3,704	3,704
Hyosung Holdings USA	America	100.00	89,589	89,589
Hyosung International Trade(Jiaxing) Co., Ltd.	China	100.00	1,295	1,295
Hyosung Istanbul TEKSTIL LTD.STI	Turkey	76.66	12,621	12,621
Hyosung Japan Co., Ltd.	Japan	100.00	6,899	6,899
Hyosung Luxembourg S.A	Luxembourg	100.00	18,535	18,535
Hyosung Power Holdings Co., Ltd.	Cayman	100.00	-	10,878
Hyosung Resource (Australia) PTY Ltd.	Australia	100.00	14,284	14,233
Hyosung Corporation Rus.	Russia	100.00	1,692	1,692
Hyosung Singapore PTE Ltd.	Singapore	100.00	17	17
Hyosung Spandex (GuangDong) Co., Ltd.	China	100.00	102,594	102,594
Hyosung Spandex (Jiaxing) Co., Ltd.	China	100.00	117,289	117,289
Hyosung Spandex (Zhuhai) Co., Ltd.	China	75.00	24,644	24,644
Hyosung SRL	Romania	100.00	1	1
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	100.00	70,647	30,653
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	China	70.00	7,246	18,430
Hyosung Vietnam Co., Ltd.	Vietnam	88.21	49,192	49,192
Hyosung Wire Luxembourg S.A	Luxembourg	100.00	-	-
PT.HYOSUNG JAKARTA	Indonesia	99.90	1,268	1,268
Xepix Corp.	America	74.93	2,768	2,768
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	64.50	10,404	10,404
Nantong Hyosung Transformer Co., Ltd.	China	100.00	10,796	-
Forza Motors Korea Corp.	Korea	100.00	20,001	-
Hyosung T&D India Private Ltd.	India	100.00	11,685	-
			<u>₩ 1,508,353</u>	<u>₩ 1,391,548</u>

¹Equity shares of Gongdeok Gyeongwoo Development Corporation are provided as collaterals to financial institutions in relation to the borrowings of Gongdeok Gyeongwoo Development Corporation (Note 21 and 40).

² During 2015, the Company acquired 87,570 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.

³ During 2014 the Company recognized impairment loss on the total value of equity shares of Doomi Construction Co., Ltd.

⁴ Equity shares of Somesevit Corporation are provided as collaterals to financial institutions in relation to the borrowings of Somesevit Corporation (Note 21 and 40).

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

(in millions of Korean won)

	Location	Percentage of ownership (%)	Book value	
			2015	2014
Nautilus Hyosung Inc.	Korea	54.02	₩ -	₩ 65,178
Shinwha Intertek Corp. ¹	Korea	15.26	16,918	16,918
E-pia Tech. Co., Ltd.	Korea	21.30	-	-
Taebaek Wind Power Co., Ltd.	Korea	35.00	5,334	5,334
Pyeongchang Wind Power Co., Ltd. ²	Korea	42.00	6,510	6,510
Hyosung Information System Co., Ltd.	Korea	50.00	24,860	24,860
Hyosung Toyota Corp.	Korea	40.00	-	-
Hyosung ITX Co., Ltd.	Korea	34.99	6,961	6,961
PT. Gelora Mandiri Membangun ¹	Indonesia	15.00	4,687	4,687
PT. Papua Agro Lestari ¹	Indonesia	15.00	6,347	6,347
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	Taiwan	30.00	1,641	12,146
Yehyang Kwangju Ilbo Co., Ltd	Korea	49.00	3,920	-
			₩ 77,178	₩ 148,941

¹ Although the Company holds less than 20% of the associate's equity shares, the Company decided that it has significant influence over the associate in the way of representation on the governing body of the investee and interchange of managerial personnel.

² Equity shares of Pyeongchang Wind Power Co., Ltd are provided as collaterals to financial institutions in relation to the borrowings of it Pyeongchang Wind Power Co., Ltd (Note 21 and 40).

Details of impairment losses recognized in relation to investments in subsidiaries and associates for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Book value	Recoverable amount ¹	Impairment loss	Method used
Hyosung Engineering Co., LTD	₩ 100	₩ -	₩ 100	Net fair value
Gongdeok Gyeongwo Development Corporation	1,487	974	513	Net fair value
Hyosung Participacoes Brasil LTDA	8,607	5,451	3,156	Net fair value
Hyosung Sumiden Steel Cord(Nanjing) CO., LTD	18,430	7,246	11,184	Net fair value
Sumiden Hyosung Steel Cord (Thailand)	12,146	1,640	10,506	Net fair value
Hyosung Composite(GuangDong) Co., Ltd.	940	-	940	Net fair value
	₩ 41,710	₩ 15,311	₩ 26,399	

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

¹ In 2014, the Company reversed the previously recognized impairment loss because the recoverable amount exceeded the carrying value.

² The financial information is the consolidated financial information of GST Global GmbH and its 12 subsidiaries.

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

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

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

	2015					
	Number of shares	Market price per share	Fair value	Book value		
Hyosung ITX Co., Ltd.	₩ 4,349,000	₩ 14,900	₩ 64,800	₩ 6,961		
Shinwha Intertek Corp.	4,446,227	2,240	9,960	16,918		

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

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

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21. Related Party Transactions

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

Subsidiaries

Location	Related Party
Domestic	Galaxia Photonics Co., Ltd., Gongdeok Gyeongwoo Development Corporation, Nautilus Hyosung Inc., Doomi Construction Co., Ltd., Somesevit Corporation, HSC 1 st LLC., HSC 2 nd LLC., HSCS 1 st LLC., Forza Motors Korea Corp., Kis-bank Inc., NAUTILUS HYOSUNG CMS INC., NAUTILUS HYOSUNG TECH INC., Taeansolarfarm Corp., HanaLandchip Private Real Estate Investment Trust No.39, Hana HS 1st Co., Ltd, Hana HS 2nd Co., Ltd., Hyosung Goodsprings, Inc., Hyosung FMS Co., Ltd., Hyosung Engineering Co., Ltd., Hyosung Capital Co., Ltd., Hyosung Investment & Development Corporation, Hyosung Trans World Co., Ltd., Hyosung Capital The 7th Securitization Co., Ltd., Hyosung Capital The 8th Securitization Co., Ltd., Hyosung Capital The 9th Securitization Co., Ltd., Hyosung Capital The 10th Securitization Co., Ltd., Hyosung Capital The 11th Securitization Co., Ltd., Hyosung Capital The 12th Securitization Co., Ltd., Hyosung Capital The 13th Securitization Co., Ltd. , Hyosung Capital The 14th Securitization Co., Ltd. , Hyosung Capital The 15th Securitization Co., Ltd. , Hyosung Capital The 16th Securitization Co., Ltd. , Hyosung Capital The 17th Securitization Co., Ltd. , Hyosung Capital The 18th Securitization Co., Ltd. , Hyosung Capital The 19th Securitization Co., Ltd.
America	Global Safety Textiles U.S. Holdings, Inc., Global Safety Textiles LLC, GST Automotive Safety Components International LLC, GST Automotive Safety Components International LLC S.A.de C.V, HICO America Sales & Tech., Hyosung Holdings USA, Hyosung Brasil industria e comercio de fibras LTDA, Hyosung Brasil industrial & commercial LTDA, Hyosung USA Inc., Nautilus Hyosung America Inc., Xepix Corp.
Europe	GST Global GmbH, Global Safety Textiles GmbH, GST Automotive Safety Poland Sp.z.oo, GST Automotive Safety UK Limited, GST Automotive Safety RO S.R.L., GST Safety Textiles RO S.R.L. Hyosung Europe SRL, Hyosung Istanbul TEKSTIL LTD.STI, Hyosung Luxembourg S.A, Hyosung SRL, Hyosung Wire Luxembourg S.A, Hyosung RUS, Lloyd Dynamowerke GmbH
Asia	Hyosung Corporation India Pvt. Ltd., Hyosung T&D India Pvt Ltd, PT. HYOSUNG JAKARTA, Hyosung (Taiwan) Corporation, Hyosung Japan Co., Ltd., Hyosung Singapore PTE Ltd., Hyosung Vietnam Co., Ltd., Hyosung DongNai Co, Ltd.
China	Baoding Hyosung Tianwei Transformer Co., Ltd., Beijing Hyosung Computer Technologies.Co., Ltd, Hyosung (H.K) LIMITED, Hyosung Chemical Fiber (Jiaxing) Co., Ltd., Hyosung Chemicals (Jiaxing) Co., Ltd., Hyosung Composites (Guangdong) Co., Ltd., Hyosung Financial System (Huizhou) Co., Ltd, Hyosung International Trade(Jiaxing) Co., Ltd., Hyosung Spandex (GuangDong) Co., Ltd., Hyosung Spandex (Jiaxing) Co., Ltd., Hyosung spandex(Quzhou) Co., Ltd., Hyosung Spandex (Zhuhai) Co., Ltd., Hyosung Sumiden Steel Cord (Nanjing) Co.,

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	Ltd., Hyosung Steel Cord (Qingdao) Co., Ltd., Zhangjiagang Xiaosha Coil Service Co., Ltd., Hyosung International(HK) Ltd., Nantong Hyosung Transformer Co., Ltd., GST Automotive Safety(Changshu) Co. Ltd., GST China Investment Limited (Hong Kong), Luck Faith Investment Ltd. Central Trade Investment Ltd..
Others	Hyosung Resource (Australia) PTY Ltd., GST Automotive Safety South Africa(Proprietary) Limited

Associates

Location	Related Party
Domestic	Soonchon Eco Green Corporation, Shinwha intertek Co. Ltd., Yehyang Kwangju Ilbo Co., Ltd, 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	Papua Agro Lestari, PT. GELORA MANDIRI MEMBANGUN(GMM), Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.

Other related parties

Location	Related Party
Domestic	GABE Co., Ltd., Galaxia Corportion Co., Ltd, Galaxia device co., Ltd., Galaxia Micro Payment Co., Ltd, Galaxia SM Co., Ltd, (formerly IB Worldwide Co., Ltd), Galaxia Electronics Co., Ltd, Galaxia Communications Co., Ltd, Gongdeok Development Corporation, Gwangju HB Co., Ltd, The Class Hyosung Co., Ltd, The Premium Hyosung Co., Ltd., Dong Ryung Co., Ltd, DigiQ Co., Ltd, Shin Dong Jin Co., Ltd., Shinsung Motors.Co. Ltd., IB Media Net Inc.,, Dongguan Shinhwa Intertek Corp., Shinhwa Intertek (SUZHOU) Co., Ltd, Shinhwa Intertek Corp, ITX Marketing Co., Ltd, EveryShow Inc., Chin Hung International Inc., Taeuk Construction Co., Ltd, Trinity Asset Management Co., Ltd., Haengbokdoodrimi Co., Ltd and others
China	Tianjin Galaxia Device Electronics., Co. Ltd., Huizhou Galaxia Device Electronics., Co. Ltd., QingdaoGalaxia 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 for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Sales and others¹	Dividend income and others²	Purchases and others¹	Acquisition of fixed assets
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 166,969	₩ 72,716	₩ 134,392	₩ -
Hyosung USA Inc.	117,098	-	1,271	-
HICO America Sales & Tech.	141,301	-	3,818	-
Hyosung Singapore PTE Ltd.	118,818	-	10,242	-
Hyosung Japan Co., Ltd.	202,458	-	46,375	139
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	14,895	-	55,032	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	3,574	-	25,608	-
Hyosung Luxembourg S.A	36,940	-	115	-
GST Global GmbH	22,345	-	-	-
Nantong Hyosung Transformer Co., Ltd.	18,494	-	64,394	-
Hyosung Holdings USA	29,885	-	945	-
HYOSUNG INTERNATIONAL(HK) LTD.	25,700	-	938	-
Hyosung Spandex (Jiaxing) Co., Ltd.	11,666	35,758	341	-
Doomi Construction Co., Ltd.	23,516	-	-	-
Hyosung Goodsprings, Inc.	21,718	3,600	317	3,727
Nautilus Hyosung Inc ³	2,733	-	7,570	695
Others	106,533	45,123	170,481	7,878
	<u>1,064,643</u>	<u>157,197</u>	<u>521,839</u>	<u>12,439</u>
Associates				
Nautilus Hyosung Inc.	2,360	-	3,638	559
Hyosung Information System Co., Ltd.	210	4,325	64	638
Pyeongchang Wind Power Co., Ltd.	24,800	-	-	-
Shinwha Intertek Corp.	6,527	-	37	-
Others	991	331	3,665	30
	<u>34,888</u>	<u>4,656</u>	<u>7,404</u>	<u>1,227</u>
Other related parties				
Chin Hung International Inc.	1,736	-	150,003	43,238
Gongdeok Development Corporation	704	-	8,347	-
Galaxia Electronics Co., Ltd	649	-	8,804	2,620
Others	1,571	-	7,825	-
	<u>4,660</u>	<u>-</u>	<u>174,979</u>	<u>45,858</u>
	<u>₩ 1,104,191</u>	<u>₩ 161,853</u>	<u>₩ 704,222</u>	<u>₩ 59,524</u>

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

² Dividend income, disposal of Intangible assets and Non-current assets held-for-sale are included in dividend income and others

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³ During 2015, the Company reclassified Nautilus Hyosung Inc. into a subsidiary from an associate through acquiring additional 10.52% shares of Nautilus Hyosung Inc..

(in millions of Korean won)

	2014			
	Sales and others¹	Dividend income	Purchase and others¹	Acquisition of fixed assets
Subsidiaries				
Hyosung Vietnam Co., Ltd.	₩ 279,257	₩ 22,795	₩ 121,828	₩ -
Hyosung USA Inc.	99,617	-	1,507	271
HICO America Sales & Tech.	138,235	-	418	-
Hyosung Singapore PTE Ltd.	240,438	-	13,970	-
Hyosung Japan Co., Ltd.	244,884	-	88,121	9,762
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	38,714	-	49,594	-
Doomi Construction Co., Ltd	13,528	-	-	54,000
Hyosung Capital Co., Ltd.	28	13,214	55	-
Others	248,337	35,012	210,159	5,922
	<u>1,303,038</u>	<u>71,021</u>	<u>485,652</u>	<u>69,955</u>
Associates				
Nautilus Hyosung Inc.	5,143	-	12,963	1,478
Capro Corp.	2	-	156,510	-
Hyosung Information System Co., Ltd.	296	4,325	144	-
Shinwha Intertek Corp.	4,544	-	23	4
Others	4,018	1,610	1,842	275
	<u>14,003</u>	<u>5,935</u>	<u>171,482</u>	<u>1,757</u>
Other related parties				
Chin Hung International Inc.	17,240	-	170,655	53,444
Gongdeok Development Corporation	1,159	-	7,261	-
Shin Dong Jin Co., Ltd.	-	-	5,076	15
Others	1,302	-	6,016	287
	<u>19,701</u>	<u>-</u>	<u>189,008</u>	<u>53,746</u>
	<u>₩ 1,336,742</u>	<u>₩ 76,956</u>	<u>₩ 846,142</u>	<u>₩ 125,458</u>

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

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Year-end balances of receivables and payables arising from sales and purchases of goods and services and others as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Trade receivables	Other receivables ¹	Trade payables	Other payables ¹
Subsidiaries				
Doomi Construction Co., Ltd.	105,320	11,816	-	5
Gongdeok Gyeongwoo Development Corporation	1,268	24,906	-	-
Hyosung Transworld, Co., Ltd.	-	125	3,358	22,494
Hyosung Vietnam Co., Ltd.	₩ 3,952	₩ 389	₩ 21,129	₩ -
Nantong Hyosung Transformer Co., Ltd.	850	8,565	19,205	42
Hyosung Goodsprings, Inc.	62	45	151	13,980
Hyosung Japan Co., Ltd.	200	-	5,288	146
Hyosung Chemical Fiber(Jiaxing)Co., Ltd.	4,712	197	6,831	98
Hyosung Spandex(Jiaxing) Co., Ltd.	5,790	399	193	-
HICO America Sales & Tech.	2,231	-	17	11,347
Others	24,021	40,421	3,458	15,539
	<u>148,406</u>	<u>86,863</u>	<u>59,630</u>	<u>63,651</u>
Associates				
Shinwha intertek Co. Ltd.	1,629	1	-	-
Hyosung Toyota Corp.	1,756	-	-	-
PT. GELORA MANDIRI MEMBANGUN	-	5,183	-	-
Yehyang Kwangju Ilbo Co., Ltd	-	7,149	-	-
Others	80	13	195	710
	<u>3,465</u>	<u>12,346</u>	<u>195</u>	<u>710</u>
Other related parties				
Chin Hung International Inc.	1,256	259	14,000	36,573
Gongdeok Development Corporation	-	4,444	-	16
Galaxia SM Co., Ltd.	-	-	3,422	143
Galaxia Electronics Co., Ltd.	-	31	3,695	149
Shin Dong Jin Co., Ltd.	-	3,974	287	-
Others	206	666	-	629
	<u>1,462</u>	<u>9,374</u>	<u>21,404</u>	<u>37,510</u>
	<u>₩ 153,333</u>	<u>₩ 108,583</u>	<u>₩ 81,229</u>	<u>₩ 101,871</u>

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

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(in millions of Korean won)

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

¹ Non-trade receivables, loans, accrued income and others are included in other receivables. Non-trade payables, deposits 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						Ending balance	Equity Contributions in cash
	Beginning balance	Loans	Collection	Loans written off	Translation exchange differences			
Subsidiaries								
Hyosung Power Holdings Co., Ltd.	₩ 6,751	₩ -	₩ (7,336)	₩ -	₩ 585	₩ -	₩ -	
Gongdeok Gyeongwoo Development Corporation	20,361	-	-	-	-	20,361	-	
Galaxia Photonics Co., Ltd.	2,000	396	(1,005)	-	-	1,391	-	
Gumoknongsan Co., Ltd.	-	700	(700)	-	-	-	-	
Hyosung Resource (Australia)PTY Ltd.	-	-	-	-	-	-	51	
Hyosung Steel Cord (Qingdao) Co., Ltd.	-	-	-	-	-	-	39,994	
Hyosung T&D India Private Ltd.	-	-	-	-	-	-	11,685	
Lloyd Dynamowerke GmbH	-	-	-	-	-	-	379	
Associates								
Yehyang Kwangju Ilbo Co., Ltd.	-	7,149	-	-	-	7,149	3,920	
PT. Gelora Mandiri Membangun	2,498	2,328	-	-	357	5,183	-	
Other related parties								
OpCo GmbH ¹	6,673	-	-	(6,980)	307	-	-	

¹ OpCo GmbH liquidated as of December 31, 2015.

(in millions of Korean won)

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

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¹ As of December 31, 2014, the Company had 100% provision for the loans to OpCo GmbH.

² During 2014, the Company 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.

The compensation paid or payable to key management who are executive directors for employee services for the years ended December 31, 2015 and 2014, consists of:

<i>(in millions of Korean won)</i>	2015		2014	
Salaries and short-term employee benefits	₩	8,468	₩	7,442
Post-employment benefits		<u>1,148</u>		<u>2,029</u>
	₩	<u>9,616</u>	₩	<u>9,471</u>

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Details of payment guarantees provided by the Company for the funding sources of the related parties as of December 31, 2015, are as follows:

(in millions of Korean won)

			2015		Guaranteed by
	Guaranteed amount	Remarks	Amount of Borrowings		
Subsidiaries					
Hyosung Spandex(Jiaxing) Co., Ltd.	₩ 105,480	Borrowings	₩ 62,897		The Export-Import Bank of Korea and others
Hyosung Spandex(GuangDong) Co., Ltd	161,502	Borrowings	137,793		Korea Development Bank and others
Hyosung Spandex(Zhuhai)Co., Ltd.	29,300	Borrowings	24,818		The Export-Import Bank of Korea and others
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	128,920	Borrowings	128,920		Korea Development Bank and others
Hyosung Chemical(Jiaxing) Co., Ltd	51,425	Borrowings	37,504		Korea Development Bank and others
Hyosung Composite (GuangDong) Co., Ltd.	22,279	Borrowings	12,410		Korea Development Bank and others
Hyosung Steel Cord (Qingao) Co., Ltd	169,167	Borrowings	138,374		The Export-Import Bank of Korea and others
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	81,299	Borrowings	55,095		The Export-Import Bank of Korea and others
Baoding Hyosung Tianwei Transformer Co.	16,314	Borrowings	15,939		Korea Development Bank and others
Nantong Hyosung Transformer Co., Ltd.	208,877	Borrowings	131,984		Korea Development Bank and others
Hyosung Vietnam Co., Ltd	800,232	Borrowings	325,302		The Export-Import Bank of Korea and others
Hyosung Istanbul Tekstil Ltd. STI	70,320	Borrowings	70,320		Korea Development Bank and others
Hyosung Luxembourg S.A.	6,403	Borrowings	-		Korea Development Bank and others
Hyosung Wire Luxembourg S.A.	10,756	Borrowings	-		KEB HANA Bank and others
Hyosung USA, Inc.	178,144	Borrowings	82,040		Syndicate loan and others
Hyosung Holdings USA, Inc.	24,612	Borrowings	22,268		Kookmin Bank and others
HICO America Sales & Tech.	33,988	Borrowings	19,924		Woori Bank and others
Hyosung Japan Co., Ltd.	142,216	Borrowings	41,548		KEB Hana Bank and others
Hyosung International (HK) LTD.	18,752	Borrowings	2,070		Korea Development Bank and others
Hyosung Singapore PTE Ltd.	11,720	Borrowings	2,070		Woori Bank
Hyosung Brasil industria e comercio de fibras LTDA	70,320	Borrowings	66,804		The Export-Import Bank of Korea and others
Hyosung T&D India Private Limited	34,058	Borrowings	22,039		The Export-Import Bank of Korea and others
Hyosung DongNai Co, Ltd	326,800	Borrowings	112,512		The Export-Import Bank of Korea and others
Lloyd Dynamowerke GmbH	27,788	Borrowings	14,982		The Export-Import Bank of Korea and others
GST Global GmbH	243,301	Borrowings	226,014		Syndicate loan and others
GST Automotive Safety (Changshu) Co., Ltd.	40,434	Borrowings	40,434		The Export-Import Bank
GST Safety Textiles RO S.R.L.	20,488	Borrowings	20,488		The Export-Import Bank
	<u>₩ 3,034,895</u>		<u>₩ 1,814,549</u>		

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Details of collateral provided by the Company for the funding sources of the related parties as of December 31, 2015, are as follows:

	Carrying Amount	Secured amount	Secured asset	Remark	Amount of Borrowings	Provided by
Subsidiaries						
Somesevit Corporation	₩ -	₩ -	Equity security	Borrowings	₩ 56,000	Newstarhaechi Co.,Ltd.
Gongdeok Gyeongwoo Development Corporation ¹	974	974	Equity security	Borrowings	49,000	Korea Development Bank and others
Associates						
Pyeongchang Wind Power Co., Ltd	6,510	6,510	Equity security	Borrowings	48,700	Woori Bank and others
Hyosung Toyota Corp. ²	31,975	3,200	PP&E	Borrowings	-	TOYOTA Motor KOREA Co., Ltd
Other related parties						
Chin Hung International Inc. ³	170,926	170,926	Equity security	-	-	Committee of Creditor Banks of Chin Hung International Inc.
	<u>₩ 210,385</u>	<u>₩ 181,610</u>			<u>₩ 153,700</u>	

¹ Other than the collateral above, the Company has an obligation to complete the construction and provides fund supplemental commitment amounting ₩ 160,000 million in relation to Project financing construction of Gongdeok Gyeongwoo Development Corporation, a subsidiary (Note 40).

² 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 15 and 40).

³ 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 12 and 40)

22. Trade Payables and Other Payables

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

<i>(in millions of Korean won)</i>	2015		2014	
Trade payables	₩	654,786	₩	728,643
Other payables		349,657		329,503
Long-term trade payables		-		204
Long-term other payables		61,997		55,577
	<u>₩</u>	<u>1,066,440</u>	<u>₩</u>	<u>1,113,927</u>

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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	₩	238,253	₩	206,887
Accrued expenses		55,082		55,634
Withholdings		22,267		32,135
Deposits received		34,055		34,847
		349,657		329,503
Long-term other payables				
Non-trade payables		8,134		16,006
Accrued expenses		5,942		5,859
Deposits received		47,921		33,712
		61,997		55,577
	₩	411,654	₩	385,080

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

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

23. Borrowings

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

<i>(in millions of Korean won)</i>	Creditor	Latest Maturity date	Annual interest rate (%) December 31, 2015		
				2015	2014
Short-term borrowings denominated in Korean won					
Bank overdrafts	Kyongnam Bank	-	-	₩ -	₩ 3,052
General loan	Shinhan Bank and others	2016-05-06	2.80-3.22	60,000	90,000
Revolving loan	Korea Development Bank	2016-06-26	2.88	42,000	111,000
Mutual fund loan	The Export-Import Bank of Korea	2016-06-03	2.74	18,619	13,957
USANCE	Woori Bank and others	-	0.95	393,720	493,256
Sale of trade receivables ¹	Woori Bank and others	-	1.99	196,171	373,728
Short-term borrowings denominated in foreign currency					
Facility loan	Shinhan Bank	2016-01-31	1.90	11,720	10,992
Limit loan	Hana Bank and others	2016-01-27	2.02-2.17	55,084	117,614
Import financing	Korea Exim Bank	2016-02-10	1.94	82,040	76,944
General loan	Shinhan Bank	2016-07-31	1.40	9,376	-

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Long-term borrowings denominated in Korean won

General loan	Korea Development Bank and others	2027-12-15	1.20-3.88	334,947	360,054
Facility loan	Korea Development Bank and others	2018-09-10	2.76-5.08	773,000	658,316
Factoring ²	KDB CAPITAL CORPORATION	-	2.75	79	209

Long-term borrowings denominated in foreign currency

General loan	Shinhan Bank and others	2018-11-12	2.08-2.92	97,964	105,240
Facility loan	Standard Chartered Korea and others	2017-11-14	1.57-2.59	164,080	153,888

Debentures

	242-2 nd Public bond	-	-	-	70,000
	243-2 nd Public bond	-	-	-	30,000
	244-3 rd Public bond	-	-	-	40,000
	245-2 nd Public bond	2016-01-07	5.25	60,000	60,000
	246-2 nd Public bond	2016-06-24	4.94	60,000	60,000
	248-2 nd Public bond	2016-10-12	5.03	50,000	50,000
	251-1 st Public bond	-	-	-	90,000
	251-2 nd Public bond	2017-02-07	4.71	60,000	60,000
Fixed interest rate Korean won debenture	253-1 st Public bond	2016-02-21	3.45	90,000	90,000
	253-2 nd Public bond	2018-02-21	3.75	30,000	30,000
	254 Private bond	2017-05-02	4.5	30,000	30,000
	255 Private bond	2017-11-06	3.8	30,000	30,000
	256-1 st Public bond	2017-02-25	3.054	50,000	-
	256-2 nd Public bond	2018-02-25	3.275	100,000	-
	256-3 rd Public bond	2020-02-25	3.763	50,000	-
	257-1 st Public bond	2018-06-26	2.901	130,000	-
	257-2 nd Public bond	2020-06-26	3.972	70,000	-
Fixed interest rate Foreign currency debenture	252 nd Private bond	-	-	-	32,976
	258 Private bond	2018-12-27	0.70	29,160	-
Less: Present value discounts				(1)	(8)
Discount on bonds payable				(2,167)	(902)
Total ³				₩ 3,075,792	₩ 3,240,316

¹ Trade receivables denominated in foreign currency of the Company have been discounted to financial institutions in 2015 and 2014. In case the customer's default, the Company has an obligation to pay the related amounts to the bank. As a result, this transaction, which is treated as a transaction with recourse, has been accounted for as a collateralized borrowing (Notes 7 and 40).

² Trade receivables of the Company have been discounted through factoring agreements with banks in 2015 and 2014. In case the customer's default, the Company has an obligation to pay the related amounts to the bank. As a result, this transaction, which is treated as a transaction with recourse, has been accounted for as a collateralized borrowing (Notes 7 and 40).

³ Certain amounts of available-for-sale financial assets and the property, plant and equipment are provided as collaterals to creditors for above borrowings (Note 12, 15 and 40).

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24. Post-employment Benefits

24.1 Defined Benefit Plan

Details of net defined benefit liabilities recognized in the separate 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	₩ 322,301	₩ 283,198
Fair value of plan assets ¹	(301,911)	(243,910)
Net defined benefit liabilities	<u>₩ 20,390</u>	<u>₩ 39,288</u>

¹ The contributions to the National Pension Fund of ₩ 446 million are included in the fair value of plan assets as of December 31, 2015 (2014: ₩ 480 million).

The amounts recognized in the separate 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	₩ 46,119	₩ 42,779
Interest expense	7,120	8,909
Past service cost and gains and losses arising from settlements	(1,965)	-
Interest income	(8,156)	(8,515)
	<u>₩ 43,118</u>	<u>₩ 43,173</u>

Line items including total expenses in the separate 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	₩ 24,229	₩ 25,092
Selling and administrative expenses	15,962	15,314
Research and development expenses	2,927	2,767
	<u>₩ 43,118</u>	<u>₩ 43,173</u>

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

<i>(in millions of Korean won)</i>	2015		2014	
Beginning balance	₩	283,198	₩	232,792
Current service cost		46,119		42,779
Interest expense		7,120		8,909
Past service cost and gains and losses arising from settlements		(1,965)		-
Benefit payments		(30,795)		(16,840)
Remeasurements:				
- Actuarial gains and losses arising from changes in demographic assumptions		13,731		2,800
- Actuarial gains and losses arising from changes in financial assumptions		17,322		24,104
- Actuarial gains and losses arising from experience adjustments		(12,429)		(4,086)
Transfer from(to) associates		-		90
Effects from business combination and disposal of business		-		(7,350)
Ending balance	₩	322,301	₩	283,198

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	₩	243,910	₩	204,059
Interest income		8,156		8,515
Employer's contributions		76,400		52,500
Benefit payments		(23,168)		(12,393)
Remeasurements:		(3,387)		(2,950)
Effects from business combination and disposal of business		-		(5,821)
Ending balance	₩	301,911	₩	243,910

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

<i>(in millions of Korean won)</i>	2015			2014		
	Amount	Compo- sition	Amount	Compo- sition		
Deposits	₩ 183,527	60.79%	₩ 127,061	52.09%		
Debt instruments	118,384	39.21%	116,849	47.91%		
	₩ 301,911	100%	₩ 243,910	100%		

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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	₩	(22,011)	₩	(25,768)
Income tax effects		5,327		6,236
After income tax effects	₩	<u>(16,684)</u>	₩	<u>(19,532)</u>

Accumulated remeasurements of net defined benefit liabilities recognized as other comprehensive income or expense is ₩ 59,700 million (2014: ₩ 43,015 million) as of December 31, 2015.

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 obligations as of December 31, 2015, to changes in the weighted principal assumptions is:

	Changes in principal assumption	Effect on defined benefit obligation
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. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the separate statement of financial position.

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

The Company 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 ₩ 42,681 million and expected balance of plan assets are ₩ 335,114 million as of December 31, 2016.

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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 5 and 5 years	Over 5 years¹	Total
Pension benefits	₩ 12,236	₩ 14,740	₩ 59,895	₩ 1,126,721	₩ 1,213,592

¹ The amount includes executives and contract employees.

The weighted average duration of the defined benefit obligations is 10.85 years.

24. 2 Defined Contribution Plan

Recognized expense related to the defined contribution plan for the year ended December 31, 2015, is ₩ 3,185 million (2014: ₩ 855 million).

25. 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	₩ 74,737	₩ 94,411
Adjustments in respect of prior years	(12,071)	12,139
Total current tax	<u>62,666</u>	<u>106,550</u>
Deferred tax		
Origination and reversal of temporary differences	(4,119)	(28,550)
Total deferred tax	<u>(4,119)</u>	<u>(28,550)</u>
Income tax expense	<u>₩ 58,547</u>	<u>₩ 78,000</u>

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

<i>(in millions of Korean won)</i>	2015		2014	
Profit before tax	₩	376,273	₩	262,872
Tax calculated at tax rates	₩	90,596	₩	63,615
Tax effects of				
Income not subject to tax		(4,579)		(2,855)
Expenses not deductible for tax purposes		20,156		9,027
Unrecognized deferred income tax assets		7,033		13,718
Adjustment in respect of prior years		(12,071)		4,233
Tax credits		(42,651)		(9,521)
Others		63		(217)
Income tax expense ¹	₩	58,547	₩	78,000

¹ The weighted average applicable tax rate of the Company is 16% (2014: 30%). Applicable tax rate decreased due to the increase of tax credit in relation to recognition of dividend income from overseas subsidiaries.

Income tax effects related to components of 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
Loss(Gain) on valuation of available-for-sale securities	₩ (13,632)	₩ 3,299	₩ (10,333)	₩ 30,029	₩ (7,267)	₩ 22,762
Remeasurements of net defined benefit liabilities	78,760	(19,060)	59,700	56,748	(13,733)	43,015
	₩ 65,128	₩ (15,761)	₩ 49,367	₩ 86,777	₩ (21,000)	₩ 65,777

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The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2015 and 2014, is 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	₩ 196,920	₩ 202,194
Deferred tax asset to be recovered within 12 months	37,549	33,136
	<u>234,469</u>	<u>235,330</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(465,223)	(464,768)
Deferred tax liability to be recovered within 12 months	(1,767)	(1,963)
	<u>(466,990)</u>	<u>(466,731)</u>
Deferred tax assets (liabilities), net	<u>₩ (232,521)</u>	<u>₩ (231,401)</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	₩ (231,401)	₩ (265,663)
Tax charged to the statement of income	4,119	28,550
Tax charged (credited) to components of other comprehensive income	(5,239)	5,712
Ending balance	<u>₩ (232,521)</u>	<u>₩ (231,401)</u>

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Changes in deferred 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:

(in millions of Korean won)

	2015			
	Beginning balance	Statement of income	Other comprehensive income	Ending balance
Deferred tax liabilities				
Gains on revaluation of land	₩ (285,149)	₩ 1,672	₩ -	₩ (283,477)
Investment in subsidiaries and associates	(82,522)	178	-	(82,344)
Defined benefit pension plan assets	(58,910)	(12,792)	-	(71,702)
Reserve for research and human resource development	(33,880)	10,487	-	(23,393)
Gain from fire insurance policy	(1,071)	525	-	(546)
Others	(5,199)	(329)	-	(5,528)
	<u>(466,731)</u>	<u>(259)</u>	<u>-</u>	<u>(466,990)</u>
Deferred tax assets				
Available-for-sale financial assets	100,175	(879)	(10,566)	88,730
Post-employment benefit obligation	60,839	5,536	5,327	71,702
Provision for receivables in excess of tax limit	17,007	2,407	-	19,414
Government grants	9,476	(4,051)	-	5,425
Loss on valuation of inventories	7,258	2,044	-	9,302
Impairment loss on property, plant and equipment	4,013	2,429	-	6,442
Provision for guarantees	8,312	(6,776)	-	1,536
Accrued compensated absences	4,103	(100)	-	4,003
Provision for warranties	7,951	992	-	8,943
Provision for construction loss	1,857	2,461	-	4,318
Long-term employment allowance	1,418	20	-	1,438
Others	12,921	295	-	13,216
	<u>235,330</u>	<u>4,378</u>	<u>(5,239)</u>	<u>234,469</u>
	<u>₩ (231,401)</u>	<u>₩ 4,119</u>	<u>₩ (5,239)</u>	<u>₩ (232,521)</u>

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	2014			
	Beginning balance	Statement of income	Other comprehensive income	Ending balance
Deferred tax liabilities				
Gains on revaluation of land	₩ (290,861)	₩ 5,712	₩ -	₩ (285,149)
Investment in subsidiaries and associates	(82,690)	168	-	(82,522)
Post-employment benefit pension plan assets	(47,206)	(11,704)	-	(58,910)
Reserve for research and human resource development	(43,560)	9,680	-	(33,880)
Gain from fire insurance policy	(1,599)	528	-	(1,071)
Others	(5,490)	291	-	(5,199)
	<u>(471,406)</u>	<u>4,675</u>	<u>-</u>	<u>(466,731)</u>
Deferred tax assets				
Available-for-sale financial assets	98,890	1,809	(524)	100,175
Post-employment benefit obligation	47,206	7,397	6,236	60,839
Provision for receivables in excess of tax limit	17,353	(346)	-	17,007
Government grants	8,696	780	-	9,476
Loss on valuation of inventories	5,896	1,362	-	7,258
Impairment loss on property, plant and equipment	3,540	473	-	4,013
Provision for guarantees	6,776	1,536	-	8,312
Accrued compensated absences	4,380	(277)	-	4,103
Provision for warranties	7,149	802	-	7,951
Provision for construction loss	1,185	672	-	1,857
Long-term employment allowance	-	1,418	-	1,418
Others	4,672	8,249	-	12,921
	<u>205,743</u>	<u>23,875</u>	<u>5,712</u>	<u>235,330</u>
	<u>₩ (265,663)</u>	<u>₩ 28,550</u>	<u>₩ 5,712</u>	<u>₩ (231,401)</u>

The Company does not recognize deferred tax assets (liabilities) if it is not probable that the temporary difference will reverse in the foreseeable future, and also the Company does not recognize deferred tax assets (liabilities) for taxable temporary differences associated with investments in subsidiaries and associates, which deferred tax assets (liabilities) are unrealizable due low potential dividend payment and disposal of investments in the foreseeable future. Therefore, the Company did not recognize deferred income tax assets of ₩ 95,351 million (2014: ₩ 90,376 million) as of December 31, 2015.

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26. 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 from customers	₩	147,328	₩	155,224
Unearned revenues		369		448
		<u>147,697</u>		<u>155,672</u>
Other non-current liabilities				
Unearned revenues		6,036		4,257
Provision for warranties ¹		36,952		32,856
Provision for guarantees ²		6,348		34,348
		<u>49,336</u>		<u>71,461</u>
	₩	<u>197,033</u>	₩	<u>227,133</u>

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

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

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

<i>(in millions of Korean won)</i>	2015		
	Provision for warranties	Provision for guarantees	Total
Beginning balance	₩ 32,856	₩ 34,348	₩ 67,204
Net Increase	18,046	-	18,046
Used	(13,950)	(28,000)	(41,950)
Ending balance	<u>₩ 36,952</u>	<u>₩ 6,348</u>	<u>₩ 43,300</u>

<i>(in millions of Korean won)</i>	2014		
	Provision for warranties	Provision for guarantees	Total
Beginning balance	₩ 29,541	₩ 28,000	₩ 57,541
Net Increase	4,605	6,348	10,953
Used	(1,290)	-	(1,290)
Ending balance	<u>₩ 32,856</u>	<u>₩ 34,348</u>	<u>₩ 67,204</u>

27. Capital Stock

The Company is authorized to issue 200,000,000 shares with a par value per share of ₩5,000. As of December 31, 2015, the Company has issued 35,117,455 shares of common stock. There is no change in capital stock for the years ended December 31, 2015 and 2014.

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28. Retained Earnings

Retained earnings as of December 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015		2014	
Legal reserves ¹	₩	30,758	₩	24,104
Discretionary reserves				
Research and development reserves ²		140,000		180,000
Facility reserves		1,905,000		1,773,000
Retained earnings before appropriation		302,350		166,499
	₩	<u>2,378,108</u>	₩	<u>2,143,603</u>

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

² The Company appropriates a certain portion of its retained earnings as reserves for research and development which are provided in order to obtain tax benefits under the Special Tax Treatment Control Law. Among these reserves, the reversed amount according to the terms of related tax laws may be distributed.

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The appropriation of retained earnings for the years ended December 31, 2015 and 2014, is as follows:

<i>(in millions of Korean won)</i>	2015	2014
Unappropriated retained earnings carried over from prior year	₩ 1,308	₩ 1,159
Remeasurements of net defined benefit liabilities	(16,684)	(19,532)
Net income	317,726	184,872
Transfers such as discretionary reserves		
Research and development reserves	43,333	40,000
Facility reserves	-	-
Retained earnings available for appropriation	<u>345,683</u>	<u>206,499</u>
Appropriation of retained earnings		
Earned profit reserves	11,644	6,654
Research and development reserves	-	-
Facility reserves	216,000	132,000
Dividends (Cash dividend (%):	116,440	66,537
Common stock:		
₩3,500 (70%) in 2015		
₩2,000 (40%) in 2014)		
Unappropriated retained earnings to be carried forward	<u>₩ 1,599</u>	<u>₩ 1,308</u>

The appropriation of retained earnings for the year ended December 31, 2015, is expected to be appropriated at the shareholders' meeting on March 18, 2016. The appropriation date for the year ended December 31, 2014, was March 20, 2015.

29. Other Components of Equity

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

<i>(in millions of Korean won)</i>	2015	2014
Other capital surplus	₩ 330,210	₩ 330,210
Treasury shares ¹	(34,204)	(34,204)
Gain (Loss) on valuation of available-for-sale financial assets	10,333	(22,762)
Currency translation differences	(413)	(1,562)
	<u>₩ 305,926</u>	<u>₩ 271,682</u>

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

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Changes in accumulated other comprehensive income for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015			
	Beginning balance	Increase (Decrease)	Reclassification to profit or loss	Ending balance
Gain(Loss) on valuation of available-for-sale financial assets	₩ (22,762)	₩ 33,095	₩ -	₩ 10,333
Currency translation differences	(1,562)	1,149	-	(413)
	<u>₩ (24,324)</u>	<u>₩ 34,244</u>	<u>₩ -</u>	<u>₩ 9,920</u>

(in millions of Korean won)

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

Changes in accumulated other comprehensive income represent net of tax effect amounts (Note 25).

30. Revenue

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

(in millions of Korean won)

	2015		2014	
Merchandise	₩	2,213,641	₩	2,568,156
Finished goods		4,408,618		4,724,139
Construction		963,856		765,196
Housing		240,148		254,036
Other		206,847		220,626
	<u>₩</u>	<u>8,033,110</u>	<u>₩</u>	<u>8,532,153</u>

31. Construction Contract

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

(in millions of Korean won)

	2015			
	Beginning balance	Changes¹	Recognized construction revenue	Ending balance
Construction	₩ 1,650,077	₩ 2,557,826	₩ (817,742)	₩ 3,390,161
Heavy industrial	624,062	394,266	(386,646)	631,682
	<u>₩ 2,274,139</u>	<u>₩ 2,952,092</u>	<u>₩ (1,204,388)</u>	<u>₩ 4,021,843</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 ₩ 2,978,221 million and ₩ 26,129 million, respectively.

(in millions of Korean won)

	2014			
	Beginning balance	Changes¹	Recognized construction revenue	Ending balance
Construction	₩ 1,309,445	₩ 975,081	₩ (634,449)	₩ 1,650,077
Heavy industrial	646,704	363,035	(385,677)	624,062
	<u>₩ 1,956,149</u>	<u>₩ 1,338,116</u>	<u>₩ (1,020,126)</u>	<u>₩ 2,274,139</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 ₩ 1,497,972 million and ₩ 159,856 million, respectively.

Details of in-progress 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	Reserve¹
Construction	₩ 1,518,949	₩ 1,404,856	₩ 114,093	₩ 42	₩ -
Heavy industrial	1,034,223	1,013,034	21,189	2,282	129,820
	<u>₩ 2,553,172</u>	<u>₩ 2,417,890</u>	<u>₩ 135,282</u>	<u>₩ 2,324</u>	<u>₩ 129,820</u>

¹ In the separate 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	Reserve¹
Construction	₩ 1,219,285	₩ 1,098,252	₩ 121,033	₩ 1,900	₩ -
Heavy industrial	782,698	773,844	8,854	6,349	127,415
	<u>₩ 2,001,983</u>	<u>₩ 1,872,096</u>	<u>₩ 129,887</u>	<u>₩ 8,249</u>	<u>₩ 127,415</u>

¹ In the separate 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	₩ 21,474	₩ 45,341	₩ 88,015	₩ 59,183
Heavy industrial	54,035	56,969	81,466	41,876
	<u>₩ 75,509</u>	<u>₩ 102,310</u>	<u>₩ 169,481</u>	<u>₩ 101,059</u>

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

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

Provisions of loss on construction amounting to ₩ 17,842 million (2014: 7,674 million) as of December 31, 2015 are included in unbilled and overbilled amounts.

Details of provisions loss on construction as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)

	2015	2014
Algeria Boufarik project	₩ 1,657	₩ 2,239
Pakistan Gujarat project	4,432	861
India Mokokchung & Melriat project	3,152	-
Yongdoodongmyun construction of road	1,898	-
India JHARKHAND project	1,049	1,537
Telecom center construction	1,044	-
Welfare facilities construction in downtown	1,025	-
Bangladesh Kaliakoir project	302	1,380
Others	3,283	1,657
	<u>₩ 17,842</u>	<u>₩ 7,674</u>

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 separate statement of financial position.

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Changes in the estimates of estimated total contract costs

Details of changes in estimated total contract costs, profits or loss for the year and the succeeding year, and the impact on due from customers for contract work are as follows:

<i>(in millions of Korean won)</i>	Changes in estimated total contract revenue		Changes in estimated total contract cost		Impact on profit or loss for the year		Impact on profit or loss for the succeeding year		Changes in due from customers for contract work^{1&2}	
Construction	₩	49,915	₩	23,836	₩	21,612	₩	4,467	₩	21,612
Heavy industrial		1,093		12,866		(12,103)		330		(12,103)
	₩	51,008	₩	36,702	₩	9,509	₩	4,797	₩	9,509

¹ The impact on recognition of housing revenue are included.

² The impact on sites of overbilled amounts are included.

The impact on profit or loss for the year and the succeeding year is determined based on total contract costs, which are estimated based on the circumstances present from the start of the contract to the end of current year, and the estimated contract revenue as of December 31, 2015. Contract costs and contract revenue may change in the future.

When the estimated total contract costs increase by 5%, profit before income tax and net assets before income tax effects decrease by ₩ 109,885 million.

32. 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	₩	30,776	₩	451,417
Sales of merchandise		2,098,519		2,458,944
Raw materials and supplies used		2,637,367		2,557,549
Employee benefit expense (Note 33)		616,659		611,731
Depreciation and amortization		240,398		224,900
Electricity expense		200,941		207,932
Export expense		213,907		230,067
Fuel expense		83,193		108,781
Service expense		183,937		188,285
Outsourcing expense		817,251		638,699
Others		436,812		649,101
Total ¹	₩	7,559,760	₩	8,327,406

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

33. Employee Benefit Expense

Employee benefit expenses for the years ended December 31, 2015 and 2014, consist of:

<i>(in millions of Korean won)</i>	2015		2014	
Salaries	₩	501,134	₩	499,567
Employee benefits		69,222		68,136
Pension costs - defined contribution plans		3,185		855
Pension costs - defined benefit plans (Note 24)		43,118		43,173
	₩	616,659	₩	611,731

34. 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	
Export expenses	₩	213,907	₩	230,067
Salaries		132,857		138,770
Service fees		38,891		45,987
Freight and storage expenses		25,572		33,280
Advertising		30,228		25,592
Bad debt expenses		3,678		23,515
Rent		19,147		17,271
Operating expenses for overseas branches		19,306		17,047
Severance pension benefits		17,544		15,729
Transportation		15,222		14,553
Employee benefits		13,545		13,402
Amortization		8,757		9,907
Taxes and dues		9,360		8,921
Depreciation		6,452		6,372
Communications		3,911		3,978
Training		1,737		2,123
Others		48,776		55,345
	₩	608,890	₩	661,859

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35. 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	₩ 2,136	₩ 1,923
Gain on derivative transactions	20,726	29,447
Gain on valuation of derivatives	1,694	6,037
Gain on disposal of property, plant and equipment	8,751	768
Gain on disposal of investment property	3,520	64
Gain on disposal of intangible assets	868	7,349
Gains on disposal of other assets	-	218,231
Dividends	132,765	77,089
Miscellaneous revenue	50,342	41,939
	<u>220,802</u>	<u>382,847</u>
Other operating expenses		
Loss on disposal of trade receivables	1,852	3,150
Loss on derivative transactions	42,432	12,141
Loss on valuation of derivatives	33,033	29,825
Loss on disposal of property, plant and equipment	286	1,166
Impairment loss on property, plant and equipment	10,362	1,769
Loss on disposal of investment property	523	6
Loss on disposal of intangible assets	1,175	1,829
Other bad debt expenses	1,885	2,655
Donations	5,067	3,847
Additional provisions for guarantees	-	6,348
Commissions	7,173	6,586
Sales promotion	-	252
Miscellaneous losses	62,662	39,303
	<u>166,450</u>	<u>108,877</u>
	<u>₩ 54,352</u>	<u>₩ 273,970</u>

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36. Financial Income and Expenses

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

<i>(in millions of Korean won)</i>	2015	2014
Financial income		
Interest income		
Loans and receivables	₩ 3,759	₩ 5,542
Available-for-sale financial assets	13	30
Gain on foreign currency transactions	136,816	123,704
Gain on foreign currency translation	67,873	108,761
Gain on disposal of financial assets		
Available-for-sale financial assets	1,650	1
Investments in subsidiaries and associates	41,644	580
	<u>251,755</u>	<u>238,618</u>
Financial expenses		
Interest expenses		
Financial liabilities at amortized cost	92,590	103,909
Other financial liabilities	6,097	8,558
Loss on foreign currency transactions	142,910	153,144
Loss on foreign currency translation	123,976	128,329
Loss on disposal of financial assets		
Available-for-sale financial assets	575	382
Investments in subsidiaries and associates	9,326	881
Impairment loss of financial assets		
Available-for-sale financial assets	1,310	105
Losses related to available-for-sale financial assets	-	10,050
	<u>376,784</u>	<u>405,358</u>
	<u>₩ (125,029)</u>	<u>₩ (166,740)</u>

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

37. Earnings per Share

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

	2015	2014
Profit attributable to the ordinary equity holders ¹	₩ 317,726 million	₩ 184,872 million
Weighted average number of ordinary shares outstanding ²	33,268,604	33,268,604
Earnings (loss) per share	<u>₩ 9,550</u>	<u>₩ 5,557</u>

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¹ Profit attributable to the ordinary equity holders corresponds to the Company's profit.

² Weighted average number of ordinary shares outstanding for the years ended December 31, 2015 and 2014, is 33,268,604 and there has been no change.

38. 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 a total dividend of ₩ 116,440 million, is to be proposed at the annual general shareholders' meeting on March 18, 2016. These separate financial statements do not reflect this dividend payable.

39. Cash Generated from Operations

(a) Cash generated from operations

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

<i>(in millions of Korean won)</i>	2015	2014
Profit before income tax	₩ 376,273	₩ 262,872
Adjustments for		
Interest income and expense, net	94,915	106,895
Gain (Loss) on foreign currency translation, net	56,103	19,568
Gain (Loss) on valuation of derivatives, net	31,339	23,788
Depreciation and amortization	240,398	224,900
Loss (Gain) on disposal of property, plant, equipment, intangible assets, and investment property	(11,155)	(5,180)
Impairment loss on property, plant, equipment, intangible assets, and investment property	10,362	1,769
Bad debt expense and other bad debt expense	5,563	26,170
Gain on disposal of other assets	-	(218,231)
Losses related to available-for-sale financial assets	-	10,050
Gain (Loss) on disposal of financial assets, net	(33,393)	682
Impairment loss on financial assets	1,310	105
Impairment loss on investment in subsidiaries and associates	26,399	49,105
Dividend income	(132,765)	(77,089)
Post-employment benefits	43,118	43,173
Additional provisions	18,046	10,884
Loss on disposal of trade receivables	1,852	3,150
Long-term employee benefits	736	5,859
Others	97	2,097

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Changes in operating assets and liabilities		
Decrease in trade receivables	53,137	8,072
Decrease in inventories	48,052	124,432
Decrease (Increase) in other receivables	2,125	(9,714)
Decrease (Increase) in due from customers for contract work	93,972	(124,326)
Decrease in other financial assets	8,235	36,393
Decrease (Increase) in other assets	9,590	(28,183)
Increase in Currency translation differences	1,149	690
Increase (Decrease) in trade payables	(82,872)	(91,516)
Increase (Decrease) in other payables	29,975	(14,970)
Increase in due to customers for contract work	1,251	38,353
Decrease in other financial liabilities	(26,607)	(448)
Payment of warranty expenses	(13,950)	(1,221)
Payment of defined benefits	(7,627)	(5,831)
Contributions of plan assets	(76,400)	(52,500)
Cash generated from operations	<u>₩ 769,228</u>	<u>₩ 369,798</u>

(b) Non-cash transactions

<i>(in millions of Korean won)</i>	2015	2014
Reclassification of receivables into inventories (sites)	₩ -	₩ 16,160
Reclassification of the current portion of long-term trade receivables	1,730	1,927
Reclassification of unbilled amount of construction into construction receivables	-	7,244
Change in advance payments related to the acquisition of property, plant and equipment	(5,297)	(7,543)
Change in non-trade payables related to the acquisition of property, plant and equipment	(2,302)	(40,694)
Change in other receivables related to the disposal of property, plant and equipment	205	-
Change in other receivables related to the disposal of intangible asset	3,991	-
Offset available-for-sale financial assets against long-term borrowings	3,366	-
Transferred to property, plant and equipment from non-current assets held-for-sale	26	-
Transferred to property, plant and equipment from machinery-in-transit	13,774	126,668
Transferred to property, plant and equipment from construction-in-progress	546,410	337,378
Reclassification between property, plant and equipment and intangible asset	1,085	1,834
Reclassification between property, plant and equipment and investment property	9	2,116
Reclassification of investments in subsidiaries and associates into available-for-sale financial assets	-	22,880
Reclassification of trade receivables into available-for-sale financial assets	881	-
Debt-equity swap of Chin Heung International Inc.	-	16,000
Reclassification of accounts related to disposal of other assets	-	196,769
Reclassification of the current portion of long-term deposits received	5,153	7,275
Reclassification of the current portion of debentures	260,000	262,976
Reclassification of the current portion of long-term borrowings	355,466	251,926
Reclassification of the current portion of long-term other payable	9,546	-
Offset provisions for guarantee against allowance for receivables	28,000	-

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40. Contingencies and Commitments

(a) Notes and others provided as collaterals

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

	Beneficiary	Number	Contents
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
	OKSAN OCHANG Highway Corporation	4	To settle the obligation as investor
Check	Korea Resources Corporation	1	Blank

(b) Commitment contracted with financial institutions

The Company has commitments contracted with financial institutions with a limit of ₩ 3,287,665 million, including bank overdrafts, trade bill discounts, open local L/C and general loans. Also, the Company has trade receivables discount agreements with a limit of ₩ 1,257,409 million as of December 31, 2015.

(c) Guarantees provided for others and others

The Company has provided payment guarantees for financial institutions in relation to the purchasing house funds and other guarantees amounting to ₩253,773 million (2014: ₩ 241,144 million) as of December 31, 2015. Also, the limits of the related guarantees are ₩658,982 million (2014: ₩ 404,515 million) as of December 31, 2015.

The Company has provided a 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 Company has provided guarantees for related parties, amounting to ₩ 3,034,895 million (2014: ₩ 2,530,939 million) (Note 24).

Meanwhile, the Company entered into the agreements with DH Holdings Co., Ltd. and DH Holdings the 2nd Co., Ltd in relation to the borrowings of Doomi Construction Co., Ltd., one of the subsidiaries. The Company has an obligation to purchase the golf membership right amounting to sum of principal and interest expenses in case of shortfalls to cover principal and interest expenses at maturity date. As of December 31, 2015, the total amount in relation to the agreement is ₩ 55,000 million and carrying amount of borrowings is ₩ 17,800 million.

The Company entered into the agreements with Hanwha Life Insurance Co., Ltd. and seven other financial institutions in relation to the borrowings of Hana Land Chip Private Real Estate Investment Trust No.39, one of the subsidiaries, amount to ₩ 150,000 million. The Company has an obligation to purchase the specific real estate located in Gangnam-gu, Seoul at fair value in case of shortfalls to cover principal and interest expenses at maturity date.

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(d) Guarantees provided in relation to project financing

Details of guarantees provided for the borrowings of 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	₩	310,000	₩	285,000
Joint guarantees		-		28,000
	₩	<u>310,000</u>	₩	<u>313,000</u>

Details of guarantees provided by the Company 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	Security Corp.	₩ 132,000	₩ 117,000	Debt take-over commitments	Apr.2013~Apr.2016
Sangdodong APT	Bank	18,000	18,000	Debt take-over commitments	Sep.2012~Jun.2016
Gongdeok complex facility ¹	Bank	160,000	49,000	Fund supplemental commitments	Aug.2014~Jul.2019
		<u>₩ 310,000</u>	<u>₩ 184,000</u>		

¹ The Company has an obligation to complete the construction and provides fund supplemental commitment for Gongdeok Gyeongwoo Development Corporation, one of the subsidiaries (Note 21).

The Company recognized ₩6,348 million as provision for guarantees and ₩59 million as financial guarantee liabilities in relation to project financing as of December 31, 2015.

(e) Guarantees provided by others

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

(in millions of Korean won)

Guarantor	Guaranteed amount	Details of guarantees
Construction Guarantee Cooperative and others	₩ 749,991	Payment guarantee related to construction
The Export-Import Bank of Korea and others	618,612	Guarantee of performing contracts and others
	<u>₩ 1,368,603</u>	

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(f) Assets pledged as collaterals

Details of assets pledged as collaterals for the Company's debt and others as of December 31, 2015, are as follows:

(in millions of Korean won)

Secured assets	Secured amount	Amount of agreement (Including borrowings)	Provided by
Property, plant and equipment	₩ 285,317	₩ 213,823	Woori Bank
Available-for-sale financial assets ¹	7,047		
Available-for-sale financial assets ²	170,926	-	Committee of Creditor Banks of Chin Hung International Inc.
Available-for-sale financial assets	3,300	-	Machinery financial cooperative
Available-for-sale financial assets	3,319	-	Construction Guarantee cooperative
Property, plant and equipment	1,486,496	1,105,639	Korea Development Bank and others
Property, plant and equipment ³	10,000	-	JeonJu City
Trade receivables	196,250	196,250	Woori Bank and others
	₩ 2,162,655	₩ 1,515,712	

¹The shares of Capro Corporation. have been provided as collateral in relation to the borrowings of the Company (Notes 12 and 23).

²The 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. (Note 12 and 21).

³Certain amounts of the property, plant and equipment are provided as collaterals to JeonJu city for receiving government grants.

As of December 31, 2015, the Company has pledged its shares of Somesevit Corporation (investment in subsidiaries with no book value) as collateral for borrowings of Somesevit Corporation amount to ₩ 56,000 million. And the Company has pledged its shares of Gongdeok Gyeongwoo Development Corporation (investment in subsidiaries with the book value of ₩ 974 million) as collateral for borrowings of Gongdeok Gyeongwoo Development Corporation amount to ₩ 49,000 million. Also, the Company has pledged its shares of Pyeongchang Wind Power Co., Ltd. (investment in subsidiaries with the book value of ₩ 6,510 million) as collateral for borrowings of Pyeongchang Wind Power Co., Ltd. amount to ₩ 48,700 million. In addition, 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 20 and 21).

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(g) Pending lawsuits

Details of major pending lawsuits as of December 31, 2015, are as follows:

(in millions of Korean won)

Court	Plaintiff	Defendant	Details of lawsuit	Amount	Status
Lawsuits in which the Company is the plaintiff					
Supreme Court of Korea	Hyosung Corporation	Korea Railroad Corp.	Claims for construction costs	₩ 28,744	3 rd Trial
Lawsuits in which the Company is the defendant					
Changwon District Court	819 Plaintiffs	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	Quashing and returned trial
Seoul Central District Court	Management of Jongro jewelry city	Hyosung Corporation	Claims for development costs and other 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
Seoul Western District Court	Representative meeting of Pyungtaek APT	Hyosung Corporation	Claims for warrantee	1,587	1 st Trial
Ulsan district court	Representative meeting of Yangsan APT	Hyosung Corporation	Claims for warrantee	1,300	1 st Trial
Suwon District Court, Seongnam	Korea Land & Housing Corporation	Hyosung Corporation and others	Claims for damages	1,100	1 st Trial

Other than the above, the Company faces various lawsuits of which the amounts are not material. The final outcome of the above cases cannot yet be estimated as of December 31, 2015.

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

To the President of
Hyosung Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hyosung Corporation (the "Company") as of December 31, 2015. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2015, the Company's IACS has been designed and is operating effectively as of December 31, 2015, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2015, and we did not review management's assessment of its IACS subsequent to December 31, 2015. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 10, 2016

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit committee of
Hyosung Corporation

I, as the Internal Accounting Control Officer (“IACO”) of Hyosung Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2015.

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

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2015, in all material respects, in accordance with the IACS standards.

January 15, 2016

Sang-Woon Lee, Chief Executive Officer

Yong-Joo Lee, Internal Accounting Control Officer