

**Hyosung Corporation and Subsidiaries**

**Consolidated Financial Statements**

**December 31, 2019 and 2018**

**(With Independent Auditor's Report Thereon)**

# Hyosung Corporation and Subsidiaries

## Table of Contents

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report .....                    | 1           |
| Consolidated Financial Statements .....               | 6           |
| Consolidated Statements of Financial Position .....   | 7           |
| Consolidated Statements of Profit or Loss .....       | 8           |
| Consolidated Statements of Comprehensive Income ..... | 9           |
| Consolidated Statements of Changes in Equity .....    | 10          |
| Consolidated Statements of Cash Flows .....           | 11          |
| Notes to the Consolidated Financial Statements .....  | 12          |

**Independent Auditor's Report**  
**(Based on report originally issued in Korean)**

To the Board of Directors and Shareholders of  
Hyosung Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Hyosung Corporation(the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019 and 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

**Basis for Opinion**

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Emphasis of Matters**

The reader of this report may need to draw attention to the matters explained in Note 42 to the consolidated financial statements. As a result of the spin-off dated on June 1, 2018, the Group was separated into the surviving company; Hyosung Corporation that manages the equities and investments of the subsidiaries, and newly established companies; Hyosung TNC Corporation, Hyosung Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation that operate business in textile and trading, heavy industries and construction, industrial materials and chemical products, respectively. Accordingly, the Group presented the performance of the discontinued operation as the separate line item in the prior period's consolidated statements of profit or loss.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### (1) Review of impairment on investments in associates

Reason to be determined decide as Key Audit Matters

The Group holds a 32.47% of ownership in Hyosung Heavy Industries and classifies it as an investments in associates. As of December 31, 2019, the carrying amount of Hyosung Heavy Industries' ownership is KRW 426,231 million.

The Group draw attention on the decrease in market value of Hyosung Heavy Industries' shares and has carried out impairment test on its shares on hold in accordance with Korean IFRS 1036 Impairment of Assets.

We determined that the decrease in market value of Hyosung Heavy Industries was of significance and the significant judgment by management of the Group was used in determining the value-in-use while carrying out impairment test, as such; we have included "the review of impairment on investment in associates" in Key Audit Matters.

Audit approaches on key audit matters

Our audit approaches on valuation model in associated with value-in-use, key assumption and judgment by the management are as follows;

- Inquiries and review on the valuation model applied by the Group
- Evaluate the adequacy of management's past business plan estimation by comparing Hyosung

Heavy Industries' actual performance against the past business plan.

- Understanding on future cash flows of Hyosung Heavy Industries and verification on determining whether the future cash flows agree with the business plan approved by the management.

- Review on appropriateness of key assumption used in valuation model including discount rate, growth rate and etc. by comparing with industry benchmarks and historical financial records of Hyosung Heavy Industries.

- Sensitivity analysis on key assumptions used in valuation model to determine whether the impairment occurs depending on the changes in assumptions.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated

financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yong-Woon Yun.



March 12, 2020  
Seoul, Korea

This audit report is effective as of the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

## **(Attachment) Consolidated Financial Statements**

### **Hyosung Corporation and its Subsidiaries**

**The 65<sup>th</sup> period**

**From January 1, 2019 to December 31, 2019**

**The 64<sup>rd</sup> period**

**From January 1, 2018 to December 31, 2018**

**"The attached consolidated financial statements were prepared by the Company."**

**CEO Kyu-Young Kim of Hyosung Corporation**

|                            |                |  |
|----------------------------|----------------|--|
| <b>The<br/>Headquarter</b> | <b>Address</b> | <b>119 Mapo-daero, Mapo-gu, Seoul, Korea</b> |
|                            | <b>Tel</b>     | <b>(02) 707-7000</b>                         |



**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2019 and 2018**

(In millions of Korean Won)

|  | Notes           | 2019               | 2018               |
|--|-----------------|--------------------|--------------------|
| <b>Assets</b>  |                 |                    |                    |
| <b>Current assets</b>                                      |                 |                    |                    |
| Cash and cash equivalents                                  | 4, 8, 9, 10     | ₩ 189,328          | ₩ 341,208          |
| Trade and other receivables                                | 4, 7, 8, 11, 21 | 403,090            | 464,295            |
| Due from customers for contract work                       | 4, 8            | 2,114              | 381                |
| Other financial assets                                     | 4, 5, 8, 12     | 9,839              | 10,274             |
| Other current assets                                       | 14              | 118,216            | 48,076             |
| Inventories  | 15              | 573,742            | 498,426            |
| Current tax assets   |                 | 15,711             | 16,740             |
|  |                 | <u>1,312,040</u>   | <u>1,379,400</u>   |
| <b>Non-current assets</b>                                  |                 |                    |                    |
| Long-term trade and other receivables                      | 4, 8, 11, 21    | 48,054             | 54,216             |
| Property, plant and equipment                              | 16              | 918,325            | 947,976            |
| Investment property  | 17              | 300,262            | 145,644            |
| Intangible assets  | 18              | 160,511            | 162,328            |
| Investments in associates                                  | 19, 21          | 1,280,661          | 1,242,027          |
| Other financial business assets                            | 4, 8, 13        | 1,931,519          | 1,958,459          |
| Other non-current financial assets                         | 4, 5, 8, 10, 12 | 508,930            | 447,329            |
| Other non-current assets                                   | 14              | 37,445             | 38,235             |
| Deferred tax assets  | 25              | 29,308             | 32,291             |
|  |                 | <u>5,215,015</u>   | <u>5,028,505</u>   |
| <b>Total assets</b>  |                 | <u>₩ 6,527,055</u> | <u>₩ 6,407,905</u> |
| <b>Liabilities</b>   |                 |                    |                    |
| <b>Current liabilities</b>                                 |                 |                    |                    |
| Trade and other payables                                   | 4, 8, 21, 22    | ₩ 431,206          | ₩ 471,129          |
| Due to customers for contract work                         |                 | 3,046              | 8,741              |
| Borrowings   | 4, 8, 23        | 1,513,215          | 1,571,441          |
| Other financial liabilities                                | 4, 5, 8, 12     | 22,435             | 161                |
| Current tax liabilities                                    |                 | 30,774             | 28,109             |
| Other current liabilities                                  | 26              | 237,726            | 168,290            |
|  |                 | <u>2,238,402</u>   | <u>2,247,871</u>   |
| <b>Non-current liabilities</b>                             |                 |                    |                    |
| Long-term trade and other payables                         | 4, 8, 21, 22    | 206,091            | 220,786            |
| Long-term borrowings                                       | 4, 8, 23        | 988,378            | 942,927            |
| Post-employment benefit obligation                         | 24              | 12,301             | 10,068             |
| Deferred tax liabilities                                   | 25              | 274,226            | 273,052            |
| Other non-current financial liabilities                    | 4, 5, 8, 12     | 91,362             | 39                 |
| Other non-current liabilities                              | 26              | 6,053              | 11,015             |
|  |                 | <u>1,578,411</u>   | <u>1,457,887</u>   |
| <b>Total liabilities</b>                                   |                 | <u>3,816,813</u>   | <u>3,705,758</u>   |
| <b>Equity</b>  |                 |                    |                    |
| <b>Equity attributable to owners of the Parent Company</b> |                 |                    |                    |
| Share capital  | 27              | 105,355            | 105,355            |
| Share premium  |                 | 451,188            | 451,188            |
| Retained earnings  | 28              | 6,336,611          | 6,353,427          |
| Other components of equity                                 | 12, 25, 29      | (4,452,767)        | (4,467,327)        |
|  |                 | <u>2,440,387</u>   | <u>2,442,643</u>   |
| <b>Non-controlling interest</b>                            | 40              | 269,855            | 259,504            |
| <b>Total equity</b>  |                 | <u>2,710,242</u>   | <u>2,702,147</u>   |
| <b>Total liabilities and equity</b>                        |                 | <u>₩ 6,527,055</u> | <u>₩ 6,407,905</u> |

“The accompanying notes are an integral part of the consolidated financial statements”

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Profit or Loss**  
**For the years ended December 31, 2019 and 2018**

(In millions of Korean Won, except earnings per share)

|   | Notes      | 2019        | 2018        |
|---|------------|-------------|-------------|
| <b>Revenue</b>  | 6, 21, 30  | ₩ 3,373,447 | ₩ 3,002,480 |
| <b>Cost of sales</b>  | 21, 31     | 2,828,597   | 2,552,511   |
| <b>Gross profit</b>   |            | 544,850     | 449,969     |
| Selling and administrative expenses                                 | 31, 32, 33 | 289,819     | 277,358     |
| Research and development expenses                                   | 31         | 18,203      | 17,654      |
| <b>Operating profit</b>   | 6          | 236,828     | 154,957     |
| Other income  | 34         | 13,169      | 470,925     |
| Other expenses  | 34         | 20,956      | (25,704)    |
| Finance income  | 35         | 40,505      | 50,249      |
| Finance expenses  | 35         | 68,861      | (83,193)    |
| <b>Profit before income tax</b>                                     |            | 200,685     | 567,234     |
| Income tax benefit expense (benefit)                                | 25         | 50,676      | 103,167     |
| <b>Profit for the year from continuing operation</b>                |            | 150,009     | 464,067     |
| <b>Profit for the year from discontinued operation</b>              | 42         | -           | 2,961,910   |
| <b>Profit for the year</b>  |            | ₩ 150,009   | ₩ 3,425,977 |
| <b>Profit attributable to:</b>                                      |            |             |             |
| Owners of the Parent Company  | 36         | 103,683     | 3,357,772   |
| Non-controlling interests   |            | 46,326      | 68,205      |
| <b>Earnings per share attributable to the equity holders of the</b> |            |             |             |
| <b>Parent Company</b>   |            |             |             |
| Basic earnings per share from continuing operation                  | 36         | ₩ 5,100     | ₩ 18,541    |
| Basic earnings per share from discontinued operation                | 36         | -           | 136,266     |

“The accompanying notes are an integral part of the consolidated financial statements”

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**

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(In millions of Korean Won)

|  | <u>Notes</u> | <u>2019</u>      | <u>2018</u>        |
|--|--------------|------------------|--------------------|
| <b>Profit for the year</b>   |              | ₩ 150,009        | ₩ 3,425,977        |
| <b>Other comprehensive income</b>  |              |                  |                    |
| <b>Items that will not be reclassified to profit or loss</b>               |              |                  |                    |
| Financial assets measured at fair value through other comprehensive income | 12, 29       | 2,098            | (94,024)           |
| Remeasurements of net defined benefit liability                            | 24           | (11,561)         | (1,327)            |
| Share of remeasurements of net defined benefit liabilities of associates   |              | (8,742)          | (415)              |
| <b>Items that may be subsequently reclassified to profit or loss</b>       |              |                  |                    |
| Valuation gain (loss) from investments in associates                       | 20, 29       | 9,776            | (6,278)            |
| Exchange difference of translation of foreign operations                   | 29           | 4,526            | 18,452             |
| <b>Other comprehensive income for the year, net of tax</b>                 |              | <u>(3,904)</u>   | <u>(83,592)</u>    |
| <b>Total comprehensive income for the year</b>                             |              | <u>₩ 146,105</u> | <u>₩ 3,342,385</u> |
| <b>Total comprehensive income for the year</b>                             |              |                  |                    |
| Owners of the Parent Company   |              | ₩ 99,384         | ₩ 3,278,124        |
| Non-controlling interest   |              | 46,721           | 64,261             |
|  |              | <u>₩ 146,105</u> | <u>₩ 3,342,385</u> |

“The accompanying notes are an integral part of the consolidated financial statements”

# Hyosung Corporation and Subsidiaries

## Consolidated Statements of Changes in Equity

### For the years ended December 31, 2019 and 2018

(In millions of Korean Won)

|   | Attributable to owners of the Parent Company |                  |                      |                                 |                    |                                 |                    |
|---|--|------------------|----------------------|---------------------------------|--------------------|---------------------------------|--------------------|
|   | Share<br>Capital                             | Share<br>Premium | Retained<br>Earnings | Other<br>Component of<br>Equity | Total              | Non-<br>Controlling<br>Interest | Total<br>Equity    |
| <b>Balance at January 1, 2018</b>   | ₩ 175,587                                    | ₩ 130,826        | ₩ 3,143,153          | ₩ 203,950                       | ₩ 3,653,516        | ₩ 209,765                       | ₩ 3,863,282        |
| Effect from change in accounting policy   |  |                  | 19,468               | (42,705)                        | (23,237)           | (600)                           | (23,837)           |
| <b>Total comprehensive income</b>   |  |                  |                      |                                 |                    |                                 |                    |
| Profit for the year   | -  | -                | 3,357,772            | -                               | 3,357,772          | 68,205                          | 3,425,977          |
| Remeasurements of net defined benefit liability   | -  | -                | (609)                | -                               | (609)              | (718)                           | (1,327)            |
| Share of remeasurements of net defined benefit liabilities of associates                              | -  | -                | (415)                | -                               | (415)              | -                               | (415)              |
| gain(loss) on valuation of financial assets measured at fair value through other comprehensive income | -  | -                | -                    | (93,460)                        | (93,460)           | (564)                           | (94,024)           |
| Share of other comprehensive income of associates   | -  | -                | -                    | (2,474)                         | (2,474)            | (3,804)                         | (6,278)            |
| Exchange differences on translation of foreign operations   | -  | -                | -                    | 17,309                          | 17,309             | 1,143                           | 18,452             |
| <b>Transactions with owners</b>   |  |                  |                      |                                 |                    |                                 |                    |
| Capital Increase with consideration   | 36,379                                       | 399,796          | -                    | -                               | 436,175            | -                               | 436,175            |
| Dividend  | -  | -                | (166,343)            | -                               | (166,343)          | (17,820)                        | (184,163)          |
| Others capital adjustment   | -  | -                | -                    | (787)                           | (787)              | -                               | (787)              |
| Movements from spin-off   | (106,612)                                    | (79,434)         | -                    | (4,535,448)                     | (4,735,494)        | 2,693                           | (4,732,800)        |
| Others  | -  | -                | 399                  | -                               | 399                | 1                               | 400                |
| Effect from change in ownership ratio on subsidiaries   | -  | -                | -                    | 288                             | 288                | 1,204                           | 1,492              |
| <b>Balance at December 31, 2018</b>   | <u>₩ 105,355</u>                             | <u>₩ 451,188</u> | <u>₩ 6,353,427</u>   | <u>₩ (4,467,327)</u>            | <u>₩ 2,442,642</u> | <u>₩ 259,504</u>                | <u>₩ 2,702,147</u> |
| <b>Balance at January 1, 2019</b>   | <u>₩ 105,355</u>                             | <u>₩ 451,188</u> | <u>₩ 6,353,427</u>   | <u>₩ (4,467,327)</u>            | <u>₩ 2,442,642</u> | <u>₩ 259,504</u>                | <u>₩ 2,072,147</u> |
| <b>Total comprehensive income</b>   |  |                  |                      |                                 |                    |                                 |                    |
| Profit for the year   | -  | -                | 103,683              | -                               | 3,357,772          | 68,205                          | 3,425,977          |
| Remeasurements of net defined benefit liability   | -  | -                | (10,102)             | -                               | (10,102)           | (1,460)                         | (11,561)           |
| Share of remeasurements of net defined benefit liabilities of associates                              | -  | -                | (8,742)              | -                               | (8,742)            | -                               | (8,742)            |
| Gain(loss) on valuation of financial assets measured at fair value through other comprehensive income | -  | -                | -                    | 1,314                           | 1,314              | 784                             | 2,098              |
| Share of other comprehensive income of associates   | -  | -                | -                    | 8,111                           | 8,111              | (3,804)                         | (6,278)            |
| Exchange differences on translation of foreign operations   | -  | -                | -                    | 5,120                           | 5,120              | 1,143                           | 18,452             |
| <b>Transactions with owners</b>   |  |                  |                      |                                 |                    |                                 |                    |
| Dividend  | -  | -                | (101,654)            | -                               | (166,343)          | (17,820)                        | (184,163)          |
| Others  | -  | -                | -                    | 15                              | 15                 | (318)                           | (302)              |
| <b>Balance at December 31, 2019</b>   | <u>₩ 105,355</u>                             | <u>₩ 451,188</u> | <u>₩ 6,366,611</u>   | <u>₩ (4,452,767)</u>            | <u>₩ 2,440,387</u> | <u>₩ 269,855</u>                | <u>₩ 2,710,242</u> |

“The accompanying notes are an integral part of the consolidated financial statements”

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**

(In millions of Korean Won)

|   | Notes | 2019             | 2018             |
|---|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                   |       |                  |                  |
| Cash generated from operations                                | 38    | ₩ 82,924         | ₩ 283,484        |
| Income taxes paid   |       | (48,223)         | (79,599)         |
| Interest paid   |       | (77,606)         | (105,049)        |
| Interest received   |       | 147,958          | 158,608          |
| Dividend received   |       | 35,781           | 6,569            |
| <b>Net cash inflow(outflow) from operating activities</b>     |       | <b>140,834</b>   | <b>264,012</b>   |
| <b>Cash flows from investing activities</b>                   |       |                  |                  |
| Proceeds from sales of other receivables                      |       | 11,661           | 2,550            |
| Proceeds from sales of other financial liabilities            |       | 12,324           | 39,465           |
| Proceeds from sales of long-term other receivables            |       | 82,108           | 98,808           |
| Proceeds from sale of property, plant and equipment           |       | 4,217            | 10,252           |
| Proceeds from sales of investment property                    |       | 427              | -                |
| Proceeds from sales of intangible assets                      |       | 342              | 502              |
| Government grants received                                    |       | 257              | 3,499            |
| Proceeds from sale of investment in associates                |       | (0)              | 2,032            |
| Proceeds from sale of investment in subsidiaries              |       | (8,679)          | (481)            |
| Acquisition of other receivable                               |       | (11,176)         | (315)            |
| Acquisition of other financial assets                         |       | (2,711)          | (16,694)         |
| Acquisition of long-term other receivable                     |       | (138,650)        | (285,158)        |
| Acquisition of non-current financial assets                   |       | (66,122)         | (115,865)        |
| Acquisition of investment property, plant and equipment       |       | (565)            | (358,104)        |
| Acquisition of intangible assets                              |       | (10,008)         | (11,394)         |
| Acquisition of investments in associates                      |       | (1,196)          | (2,134)          |
| Acquisition of other non-current assets                       |       | (65)             | (470)            |
| <b>Net cash inflow(outflow) from investing activities</b>     |       | <b>(127,835)</b> | <b>(633,505)</b> |
| <b>Cash flows from financing activities</b>                   |       |                  |                  |
| Proceeds from short-term borrowings                           |       | 1,025,246        | 7,862,977        |
| Proceeds from long-term borrowings and debentures             |       | 648,445          | 1,366,336        |
| Government grants received                                    |       | 1,104            | 1,498            |
| Repayment of short-term borrowings                            |       | (1,014,217)      | (6,692,982)      |
| Repayment of long-term borrowings and debentures              |       | (667,346)        | (1,016,543)      |
| Dividends paid  |       | (137,708)        | (184,163)        |
| Repayment of government grants                                |       | (25,833)         | (1,695)          |
| Proceeds from long-term withholding deposits                  |       | (201)            | 10               |
| Repayment of withholding deposits                             |       | 16               | 11               |
| Acquisition of treasury shares                                |       | -                | (787)            |
| Others  |       | -                | (377)            |
| Cash outflows from spin-off                                   |       | -                | (1,109,215)      |
| <b>Net cash inflow(outflow) from financing activities</b>     |       | <b>(170,493)</b> | <b>225,069</b>   |
| Effects of exchange rate changes on cash and cash equivalents |       | 5,614            | (15,500)         |
| <b>Net increase(decrease) in cash and cash equivalents</b>    |       | <b>(151,880)</b> | <b>(159,924)</b> |
| <b>Cash and cash equivalents at the beginning of the year</b> |       | <b>341,208</b>   | <b>501,133</b>   |
| <b>Cash and cash equivalents at the end of the year</b>       |       | <b>₩ 189,328</b> | <b>₩ 341,208</b> |

“The accompanying notes are an integral part of the consolidated financial statements”

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**1. General Information**

Hyosung Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”) were 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 a result of the spin-off dated on June 1, 2018, the controlling company was separated into the surviving company; Hyosung Corporation that manages the equities and investments of the subsidiaries, and newly established companies; Hyosung TNC Corporation, Hyosung Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation that operate business in textile and trading, heavy industries and construction, industrial materials and chemical products, respectively.

As at December 31, 2019, the Company has plants in Anyang and ect. In addition, the Group has subsidiaries and branches all over the countries in the United States, Europe and Asia.

As at December 31, 2019, the shareholders of the Group are as follows:

(In number of shares and percentage)

| <b>Shareholders</b>     | <b>Number of Shares</b> | <b>Percentage of ownership(%)</b> |
|-------------------------|-------------------------|-----------------------------------|
| Cho Seok-Rae            | 1,986,333               | 9.43                              |
| Cho Hyun-Joon           | 4,623,736               | 21.94                             |
| Cho Hyun-Sang           | 4,513,596               | 21.42                             |
| Song Kwang-Ja           | 101,387                 | 0.48                              |
| Cho Yang-Rae and others | 11,915                  | 0.06                              |
| Others                  | 9,093,857               | 43.16                             |
| Treasury stocks         | 740,201                 | 3.51                              |
| Total                   | 21,071,025              | 100                               |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**1-1 Consolidated Subsidiaries**

Details of the consolidated subsidiaries as at December 31, 2019 are as follows:

| <b>Subsidiaries</b>   | <b>Percentage of ownership(%)</b> | <b>Location</b> | <b>Reporting month</b> | <b>Main business</b>                                    |
|---|-----------------------------------|-----------------|------------------------|---|
| Hyosung Goodsprings, Inc.   | 100                               | Korea           | December               | Liquid Pump Manufacturing                               |
| Taeansolarfarm Corp.  | 100                               | Korea           | December               | Photovoltaic power generation business                  |
| Hyosung Investment & Development Corporation                      | 58.75                             | Korea           | December               | Property leasing  |
| Gongdeokgyeongwoo development Corporation                         | 73.33                             | Korea           | December               | Property leasing  |
| Pohang Renewable Energy, Inc.                                     | 100                               | Korea           | December               | Power Plant Engineering                                 |
| Hyosung Trans World Co., Ltd.                                     | 100                               | Korea           | December               | International logistics supply business                 |
| Hyosung TNS   | 54.02                             | Korea           | December               | ATM manufacturing                                       |
| ATM Plus  | 53.11                             | Korea           | December               | CD VAN business   |
| NAUTILUS HYOSUNG CMS INC.   | 100                               | Korea           | December               | ATM cash transportation                                 |
| NAUTILUS HYOSUNG TECH INC.  | 100                               | Korea           | December               | ATM machine maintenance, interior                       |
| Hyosung FMS Inc.  | 100                               | Korea           | December               | Electronic payment agency                               |
| Forza Motors Korea Corp.  | 100                               | Korea           | December               | Automobile sales and maintenance                        |
| HanaLandchip Private Real Estate Investment Trust No. 39          | 100                               | Korea           | December               | Real Estate Services                                    |
| Hyosung Capital Co., Ltd.   | 97.50                             | Korea           | December               | Facilities rental and installment financing             |
| Hyosung Capital the 27th Securitization Specialty Co., Ltd. (* 1) | 0.5                               | Korea           | December               | Other   |
| HYOSUNG SUMIDEN STEEL CORD(NANJING)CO.LTD.                        | 100                               | China           | December               | Manufacture and sale of steel cord                      |
| Hyosung Financial System (Huizhou) Co.,LTD                        | 100                               | China           | December               | Manufacture and sales of financial automation equipment |
| Hyosung USA Inc.  | 100                               | USA             | December               | Tire reinforcement production                           |
| Hyosung Participacoes Brasil LTDA                                 | 100                               | Brazil          | December               | Production and sales of tire reinforcing materials      |
| HICO America Sales & Tech.  | 100                               | USA             | December               | General trade business                                  |
| PT. HYOSUNG JAKARTA   | 99.9                              | Indonesia       | December               | General trade business                                  |
| Hyosung Holdings USA, Inc.  | 100                               | USA             | December               | US holding company                                      |
| Hyosung Mexico S. de R.L. de C.V.                                 | 100                               | Mexico          | December               | Leasing business  |
| GST Safety Textiles Mexico S. de R.L. de C.V                      | 100                               | Mexico          | December               | Manufacture and sale of airbag cushion and fabric       |
| Nautilus Hyosung America Inc.                                     | 100                               | USA             | December               | Sales and maintenance of ATM machines                   |
| Hyosung RUS   | 100                               | Russia          | December               | ATM sales   |
| Hyosung Resource (Australia) PTY Ltd.                             | 100                               | Australia       | December               | Mine development  |
| Luck Faith Investment Ltd.(*1)                                    | -                                 | Hong Kong       | December               | Other   |
| Central Trade Investment Ltd.(*1)                                 | -                                 | Hong Kong       | December               | Other   |
| Hyosung (H.K) LIMITED   | 100                               | Hong Kong       | December               | General trade business                                  |
| Hyosung SRL   | 100                               | Romania         | December               | Production and sales of tire reinforcing materials      |

(\*1): The Group's ownership is less than 50% of voting rights. However, the Group has ability to materially impact the returns of the investees and is exposed to variable returns of the investees. Accordingly, the Group is considered to have substantive power over the entities.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**1-2 Summary of Financial Information on Consolidated Subsidiaries**

Summary of financial information of material subsidiaries as at and for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|  | <b>2019</b>  |                  |               |                |                                      |   |
|--|--------------|------------------|---------------|----------------|--------------------------------------|---|
|  | <b>Asset</b> | <b>Liability</b> | <b>Equity</b> | <b>Revenue</b> | <b>Profit(loss)<br/>for the year</b> | <b>Total<br/>comprehensive<br/>income(loss)</b> |
| Hyosung Capital Co., Ltd. (*1)   | ₩ 2,358,085  | ₩ 1,941,292      | ₩ 416,793     | ₩ 198,028      | ₩ 27,601                             | ₩ 26,879  |
| Hyosung T & S Co., Ltd. (*1)   | 609,475      | 300,021          | 309,454       | 943,300        | 68,205                               | 64,159  |
| Hyosung USA Inc.   | 283,976      | 165,310          | 118,666       | 728,002        | 6,634                                | 10,522  |
| Hyosung Holdings USA   | 238,624      | 168,668          | 69,956        | 205,780        | (11,710)                             | (11,241)  |
| Hyosung Good Springs Co., Ltd.   | 235,537      | 162,488          | 73,049        | 244,255        | 3,462                                | 2,118   |
| Gongdeokgyeongwoo development corporation                                    | 218,332      | 248,167          | (29,835)      | 20,407         | (1,806)                              | (1,805)   |
| Alternative Investment Land Chip Private Real Estate Investment Trust No. 39 | 191,932      | 159,948          | 31,985        | 8,109          | 1,944                                | 1,944   |
| HICO America Sales & Tech.   | 168,550      | 121,342          | 47,208        | 204,916        | 1,775                                | 3,199   |
| FMK Corporation  | 134,024      | 103,254          | 30,770        | 216,740        | 4,564                                | 3,644   |
| Hyosung Transworld Co., Ltd.   | 39,730       | 28,219           | 11,511        | 202,786        | 5,064                                | 4,926   |

(In millions of Korean won)

|  | <b>2018</b>  |                  |               |                |                                      |   |
|--|--------------|------------------|---------------|----------------|--------------------------------------|---|
|  | <b>Asset</b> | <b>Liability</b> | <b>Equity</b> | <b>Revenue</b> | <b>Profit(loss)<br/>for the year</b> | <b>Total<br/>comprehensive<br/>income(loss)</b> |
| Hyosung Capital Co., Ltd. (*1)   | ₩ 2,399,351  | ₩ 1,995,943      | ₩ 403,408     | ₩ 202,908      | ₩ 22,979                             | ₩ 21,772  |
| Hyosung T & S Co., Ltd. (*1)   | 625,243      | 319,992          | 305,251       | 725,038        | 25,905                               | 22,113  |
| Hyosung USA Inc.   | 263,487      | 155,343          | 108,144       | 648,884        | 11,732                               | 15,930  |
| Hyosung Good Springs Co., Ltd.   | 204,372      | 133,440          | 70,932        | 213,208        | 3,890                                | 3,261   |
| HICO America Sales & Tech.   | 146,728      | 102,719          | 44,009        | 241,138        | 10,283                               | 11,614  |
| Gongdeokgyeongwoo development corporation                                    | 185,239      | 213,269          | (28,030)      | 13,760         | 8,521                                | (8,521)   |
| Alternative Investment Land Chip Private Real Estate Investment Trust No. 39 | 191,939      | 159,948          | 31,991        | 8,154          | 1,967                                | 1,967   |
| Hyosung Holdings USA   | 215,636      | 136,908          | 78,728        | 133,834        | (6,491)                              | (5,964)   |
| FMK Corporation  | 123,137      | 96,011           | 27,126        | 238,551        | 5,590                                | 5,648   |
| Hyosung Transworld Co., Ltd.   | 41,066       | 30,881           | 10,185        | 191,844        | 3,605                                | 3,626   |

(\*1): Consolidated financial information basis



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**1-3 Changes in Scope for Consolidation**

(1) Subsidiaries newly included in the consolidation for the year ended December 31, 2019, are as follows:

| <b>Subsidiary</b>   | <b>Description</b> |
|---|--------------------|
| Hyosung Capital SPC 27 <sup>th</sup> Securitization Specialty Co., Ltd. | Newly acquired     |

(2) Subsidiaries excluded from the consolidation for the year ended December 31, 2019, are as follows:

| <b>Subsidiary</b>   | <b>Description</b> |
|---|--------------------|
| Hyosung Capital's 20th Securitization Specialty Co., Ltd. | Liquidation        |
| Hyosung Capital's 20th Securitization Specialty Co., Ltd. | Liquidation        |
| HSCS's 1st, Ltd   | Liquidation        |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**2. Significant Accounting Policies**

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

**2.1 Basis of Preparation**

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with 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.

The preparation of financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgment in 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.

**2.2 Changes in Accounting Policy and Disclosure**

(1) New and amended standards and interpretations adopted by the Group

The Group has applied the following new and amended standards and interpretations for the first time for their annual reporting period commencing January 1, 2019.

-Korean IFRS 1116 Leases

Korean IFRS 1116 replaces Korean IFRS 1017 Leases. Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

With implementation of Korean IFRS 1116 Lease, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 2.2 (3) Financial impact resulting from the newly adopted standards or interpretations.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

In applying Korean IFRS 1116 for the first time, the Company has used the following practical expedients permitted by the standard

- reliance on previous assessments on whether leases are onerous – there were no onerous contracts as at January 1, 2019
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

**-Amendments to Korean IFRS 1109 Financial Instrument**

The narrow-scope amendments made to Korean IFRS 1109 Financial Instruments enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the financial statements.

**-Amendments to Korean IFRS 1019 Employee Benefits**

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

**-Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures**

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. The amendments also clarify that Korean IFRS 1109 requirements are applied to long-term interests that form part of the entity's net investment in an associate or joint venture before applying the impairment requirements of Korean IFRS 1028. The amendment does not have a significant impact on the financial statements.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

-Enactment to Interpretation of Korean IFRS 2123 Uncertainty over Income Tax Treatments

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The enactment does not have a significant impact on the financial statements.

-Annual Improvements to Korean IFRS 2015 – 2017 Cycle

- Amendments to Korean IFRS 1103 Business Combination

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1111 Joint Agreements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the financial statements.

- Amendments to Paragraph 57A of Korean IFRS 1012 Income Tax

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the financial statements.

- Korean IFRS 1023 Borrowing Costs

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the financial statements.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(2) New and amended standards not yet adopted

New accounting standards and interpretations that have been published that are not mandatory for the reporting period and have not been early adopted by the Group are set out below.

-The Conceptual Framework for Financial Reporting

The new amendment of The Conceptual Framework for Financial Reporting introduces new concepts for measurement, presentation, disclosure, and elimination, and updates the definition and recognition criteria for assets and liabilities. In addition, the concept of prudence, stewardship, uncertainty of measurement, and substance over form expressed in the existing The Conceptual Framework is clearly presented. The above amendments will be applied from the fiscal year beginning on or after January 1, 2020, and it does not expect that these amendments have a significant impact on the financial statements.

-Amendments to Korean IFRS 1103 Business Combination

Amendment to Korean IFRS 1103 clarify the definition of a business and provide a method for evaluating whether a set of acquired activities and assets are business. The above amendments will be applied from the fiscal year beginning on or after January 1, 2020, and it does not expect that these amendments have a significant impact on the financial statements.

-Korean IFRS 1001 “Presentation of Financial Statements” and Korean IFRS 1008 “Accounting Policies, Changes in Accounting Estimates and Errors”

The above amendments provide definitions of materiality and guidelines for practical application. The above amendments will be applied from the fiscal year beginning on or after January 1, 2020, and it does not expect that these amendments have a significant impact on the financial statements

(3) Financial impact resulting from the newly adopted standards or interpretations

The Group has adopted Korean IFRS 1116, retrospectively, from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are, therefore, recognized in the consolidated statement of financial position on January 1, 2019.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at January 1, 2019. The lessee’s weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.08 ~ 4.76%.

The measurement principles of Korean IFRS 1116 are only applied after the date of initial application. The remeasurements to the lease liabilities were recognized as adjustments to the related right-of-use assets immediately after the date of initial application.

*(in millions of Korean won)*

|   | <u>2019</u> |               |
|---|-------------|---------------|
| Operating lease commitments disclosed as at December 31, 2018                                       | ₩           | 111,556       |
| Discounted amounts using the lessee’s incremental borrowing rate at the date of initial application |             | 82,902        |
| Current lease liabilities   |             | 14,348        |
| Non-current lease liabilities   |             | 68,554        |
| <b>Lease liability recognized as at January 1, 2019</b>   | <u>₩</u>    | <u>82,902</u> |

As for right-of-use assets for real estate lease contracts, Korean IFRS 1116 was only applied from January 1, 2019. Other right-of-use are measured at the same amount as the lease liabilities, by adjusting the amount of lease payments paid in advance or unpaid in relation to the lease recognized in the statement of financial position as of December 31, 2018. As of the initial date of application, there was no loss burden lease requiring adjustment of licensed assets.

In applying Korean IFRS 1116 for the first time, the Group has used the following practical expedients permitted by the standard.

- apply a single discount rate to portfolio of leases with reasonably similar characteristics with similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months of January 1, 2019, as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

1) Amounts recognized in the consolidated statements of financial position.

The amounts recognized in the consolidated financial statements for leases are as follows

| <i>(in millions of Korean won)</i> | <b>December<br/>31,2019</b> | <b>January<br/>1,2019</b> |
|------------------------------------|-----------------------------|---------------------------|
| <b>Assets(*1)</b>                  |                             |                           |
| Building                           | ₩ 57,429                    | ₩ 24,461                  |
| Machinery                          | 542                         | 942                       |
| Vehicles                           | 18,597                      | 16,660                    |
| Others                             | 47,017                      | 40,903                    |
| Right-of-use assets                | 123,585                     | 82,966                    |
| Lease receivables                  | -                           | -                         |
| <b>Liabilities(*2)</b>             | 112,728                     | 82,902                    |
| Current lease liabilities          | 21,519                      | 14,348                    |
| Non-current lease liabilities      | 91,209                      | 68,554                    |

(\*1) It was included in the 'Property, plant and equipment' and 'investment property' in the consolidated statements of financial position

(\*2) It was included in the 'Other financial liabilities' in the consolidated statements of financial position

2) The Amount recognized in the profit or loss statements

The amounts recognized in the profit or loss statements for leases are as follows:

| <i>(in millions of Korean won)</i>   | <b>2019</b> |
|--|-------------|
| Depreciation of right-of-use assets  | ₩ 26,436    |
| Building   | 12,247      |
| Machinery  | 398         |
| Vehicles   | 8,455       |
| Others   | 5,336       |
| Interest expense relating to lease liabilities (included in finance cost)  | ₩ 4,231     |
| Interest income relating to lease receivables (included in finance income) | ₩ -         |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**2.2 Consolidation**

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

(1) Subsidiaries

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

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

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

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

(2) Associates

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



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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### **2.3 Segment Reporting**

Information of each segment is 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.

### **2.4 Foreign Currency Translation**

#### (1) Functional and presentation currency

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

#### (2) Foreign currency transaction and balances at the end of reporting period

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

### **2.5 Financial Assets**

#### (1) Financial assets

The financial assets are recognized in the consolidated statement of financial position only when the Group is eligible for the contracting parties and the regular way acquisition or sales are recognized at the transaction date or settlement date. The financial assets are classified to financial assets measured at fair value through profit or loss (“FVPL”) , financial assets measured at fair value through other comprehensive income (“FVOCI”) and financial assets at amortized cost (“AC”) depending on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

The financial assets are measured at fair value at initial recognition and the transaction cost directly incurred in relation to the acquisition is added to the fair value at the initial recognition otherwise it falls under the financial assets measured at FVPL

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

1) Financial assets measured at FVPL

The following financial assets are classified to financial assets measured at FVPL

- Financial assets held for short-term trading
- Financial assets designated to financial assets measured at FVPL
- Financial assets that are not measured at FVOCI or AC

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss when it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

After initial recognition, a financial asset at fair value through profit or loss is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income, dividend income, and gains or losses from sale and repayment from financial assets at fair value through profit or loss are recognized in the statement of comprehensive income as net gains on financial instruments at fair value through profit or loss.

2) Financial assets measured at FVOCI

Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and equity instruments that

The following financial assets are measured at FVOCI:

- Debt instruments that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal
- Equity instruments that are not held for short-term trade and designed to financial assets measured at

FVOCI

The financial assets under this category are measured at fair value after initial recognition. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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When the financial asset under this category is disposed, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. However, the cumulative gain or loss incurred from equity instruments designed to this category is not reclassified to profit or loss.

Fair value of the financial assets under this category presented in foreign currency is measured at the foreign currency and translated by using the exchange rate at the end of the reporting period. Fair value movement resulting from foreign exchange difference due to the changes in amortized costs is recognized as profit or loss of the period and other movement is recognized as an element of equity.

3) Financial assets measured at AC

Financial Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and interest income is calculated by using the effective interest rate method.

4) Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

(2) Expected credit losses of financial assets (debt instruments)

Expected credit losses (“ECL”) applies to financial assets measured at AC or measured at FVOCI except for fair value through profit or loss at the end of each reporting period. The method on measurement of impairment loss allowance depends on whether the credit risk has significantly increased or not. As presented in the following table, the Group recognizes 12-month expected credit losses in profit or loss or lifetime expected losses depending on whether there is a significant increase in credit risk after initial recognition.

|         | <u>Stage</u>   | <u>Impairment loss allowance</u>  |
|---------|--|---|
| Stage 1 | No significant increase in credit risk after initial recognition(*1) | 12-month expected credit losses: expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date |
| Stage 2 | Significant increase in credit risk after initial recognition        | Lifetime expected credit losses: expected credit losses that result from all possible   |
| Stage 3 | Credit-impaired  |   |

(\*1): No significant increase in credit risk is regarded in case where the credit risk is low at the end of the reporting period.

The asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance.

For trade receivables, contract assets and lease receivable, the Group applies the practical expedient to provide for expected credit losses, which requires the use of the lifetime expected loss allowance.

Expected credit loss is a probability weighted value of a range of possible outcomes and measured by using the time value of money, historical events and available information at the end of the reporting period without undue cost or effort to predict future economic circumstance.

(3) Financial liabilities

Financial liabilities are recognized in the consolidated statement of financial position only when the Group is a party of financial instrument contract and classified as financial liabilities measured at FVPL or other financial liabilities. The financial liabilities are measured at fair value at initial recognition and the transaction cost directly incurred in relation to the transaction is deducted from the fair value at the initial recognition otherwise it falls under the financial liabilities measured at FVPL (“FVPL”).

1) Financial liabilities measured at FVPL

Financial liabilities measured at FVPL includes the financial liabilities designated to financial liabilities measured at FVPL at initial recognition. After initial recognition, financial liabilities are measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. The transaction costs are recognized as profit or loss of the period as incurred.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

2) Financial liabilities not subject to fair value through profit or loss

Financial liabilities that are not classified as fair value through profit or loss are measured at amortized costs by using the effective interest rate method after the initial recognition except for the following financial liabilities.

The financial liabilities that the transfer does not qualify for derecognition or the continuing involvement approach is applicable are measured to the extent of net carrying amount of the transferred assets and liabilities. The financial liabilities are measure to the extent where the net carrying amount of the transferred assets and relevant liabilities is equivalent to the independently measured fair value on right and obligation of transferor.

Financial guarantee liabilities (except for the transfer of financial assets that are not qualifying for derecognition or financial liabilities that the continuing involvement approach is applicable) and commitments to provide a loan at a below-market interest rate are measured at the higher of the expected credit loss allowance or the amount initially recognized less the cumulative amount of income.

3) Derecognition of financial liabilities

The financial liabilities (or a part of financial liabilities) are derecognized in the consolidated statement of financial position only when it is extinguished. The initially recognized financial liabilities are derecognized and financial liabilities are newly recognized when the existing debtor or creditor exchanges the debt instrument with substantially non-equivalent condition, or the terms of the existing financial liabilities are substantially changed. The difference between the carrying amount and the consideration resulting from the financial liabilities extinguished or transferred to third parties is recognized as profit or loss of the period.

4) Net-off of financial assets and liabilities

The Group nets off the financial assets and liabilities and presents the net amount in the consolidated statement of financial position when the Group hold a right for net-off and has an intention to settle down the net amount.

5) Classification of liabilities and equities

The debt instrument and equity instrument have been classified to the liabilities or equities based on the substance of the contract or the definition of financial liabilities or equity instrument.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

(4) Derivative instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period.

1) Embedded derivative instruments

a. Hybrid contract with a host that is financial assets

Financial assets including embedded derivative instruments are classified based on the whole hybrid contract and the embedded derivative instruments are not separately recognized. The relevant whole hybrid contract is considered when determining whether the contractual cash flows solely consist of principals and interests.

b. Other hybrid contract (Hybrid contract with a host that is not financial assets)

Embedded derivative instruments that meet the following conditions are separated from the host contract and recognized as stand-alone derivative instruments.

- Derivative instruments do not bear economic characteristics and risks of the host contract
- Separate financial instrument that is under same condition with the embedded derivative instrument does meet the definition of derivative instrument
- Changes in fair value of hybrid contract is not recognized as profit or loss of the period

2) Hedge accounting

The Group has applied fair value hedge accounting for the risk hedge resulting from assets or liabilities recognized due to specific risk or fair value change for whole or part of unrecognized firm commitment. The Group has applied cash flow hedge accounting for the risk hedge resulting from assets or liabilities recognized due to specific risk or changes in cash flows that are highly probable to occur.

The Group has documented hedging relationships, risk management purpose, risk management strategy and effect of risk management. The effect of risk management represents an effect that the changes in fair value of derivation instrument and cash flow offsets the risk of change in the fair value or cash flow of risk management objective.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

3) Fair value hedge

Fair value change for a derivative instrument that is designated to be the hedged item and qualifies the requirement of fair value hedge accounting is recognized as profit or loss of the period. However, in case where the hedge objective is equity instruments and the Group has selected to present the changes in fair value as other comprehensive income, the profit or loss of hedge objective resulting from the profit or loss of hedged item and hedge objective's risk is recognized as other comprehensive income. Fair value hedge is ceased when the hedged item is extinguished or disposed or exercised, or the hedged item does not qualify the requirement of fair value hedge accounting. The adjustment for carrying amount of hedged item is amortized and recognized as profit or loss of the period from the ceased date.

4) Cash flow hedge

Fair value change of derivative instrument that is designated to hedged item and effective for the hedge is recognized as other comprehensive income. Fair value change of derivative instrument that is designated to hedged item and not effective for the hedge is recognized as profit or loss of the period. Cash flow hedge is ceased when the hedged item is extinguished or disposed or exercised, or the hedged item does not qualify the requirement of cash flow hedge accounting. The accumulated cash flow hedge reserve is retained in cash flow reserve until future cash flows occur. However, the accumulated cash flow hedge reserve is recognized as profit or loss of the period at the time when the future cash flows are not expected to occur.

5) Hedge of a net investment in a foreign operation

Fair value changes in net investment in a foreign operation that is effective for the hedge is recognized as other comprehensive income. On the other hand, fair value changes in net investment in a foreign operation that is not effective for the hedge is recognized as profit or loss of the period. The portion that is effective for the hedge and recognized as other comprehensive income is reclassified to profit or loss of the period when the foreign operation is disposed in accordance with Korean IFRS 1021 Foreign Exchange Change Effect.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**2.6 Inventory**

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.

**2.7 Property, Plant and Equipment**

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

Depreciation of all property, plant and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows;

|                     | <u>Useful Life</u> |
|---------------------|--------------------|
| Buildings           | 10-60 years        |
| Structures          | 5-40 years         |
| Machinery           | 3-30 years         |
| Vehicles            | 3-10 years         |
| Tools and equipment | 3-15 years         |
| Others              | 2-10 years         |

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted as the change in estimates if appropriate, at the end of each reporting period.

**2.8 Borrowing Costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**2.9 Government Grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and the government grants related to income are deferred and recognized as 'other income' in the statement of profit or loss over the period necessary to match the costs that they compensate.

**2.10 Intangible Assets**

Goodwill is measured using the method explained in Note 2.2(1) and carried at cost less accumulated impairment losses.

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

Software development cost that was internally created is the sum of expenditures incurred after the qualifiable conditions to be recognized as an asset including a technical feasibility, future economic benefit and etc. were met. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

|                         | <u>Useful Life</u> |
|-------------------------|--------------------|
| Industrial rights       | 5-20 years         |
| Other intangible assets | 3-50 years         |

**2.11 Investment Property**

Investment property is a property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost. An investment property is measured at depreciated cost (less any accumulated impairment losses) after the initial measurement. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, using the straight-line method over their useful lives of 40 years.

**2.12 Lease**

Lease is a contract in which the lessor transfers controlling right of using identifiable assets in exchange for the price to the lessee for a period of time. At the time the contract is agreed, the company determines whether the contract itself is a lease or whether the contract includes a lease.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

Leases where the Group is lessee, the Group recognizes right-of-use assets representing a right to use the underlying assets and lease liabilities representing an obligation on lease payment. However, the Group has elected exceptional provisions that allow not to apply lease recognition, measurement and presentation as a lessee for the short-term lease and low-value asset leases.

If the Group is a lessor, leases that transfer most of the risks and rewards associated with owning leased assets on the lease date are classified as financial leases, and all leases other than financial leases are classified as operating leases.

### **2.13 Impairment of Non-financial Assets**

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

### **2.14 Financial Guarantee Contracts**

Financial guarantee contracts provided by the Group are measured at fair value at its initial recognition and recognized as account payables or other payables. Financial guarantee contracts are subsequently measured at the higher of the below:

- The amount determined in accordance with Korean IFRS 1037 Provisions, Contingent liabilities and Contingent Assets
- The amount initially recognized less cumulative amortization in accordance with IFRS 1018 Revenue

### **2.15 Provisions**

Provisions are measured at the present value of the estimate of the expenditure required to settle the present obligation at the end of the reporting period and the increase in the provision due to the passage of time is recognized as interest expense.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**2.16 Current and Deferred Tax**

The tax expense for the period consists of current and deferred tax. Tax is recognized in the profit or loss for the period, except for the items recognized in other comprehensive income or directly in equity.

The tax expense is measured at the amount based on the tax codes that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax return filing in which are changeable in respect for the circumstance varying depending on the applicable interpretation of tax regulation. The Group recognizes current income tax expense on the basis of the amount expected to be paid to the tax authorities.

Deferred income tax is recognized in an estimated tax effect to be recovered or settled for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognized if it arises from the 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 if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability associated with investments in subsidiaries, associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Group recognizes a deferred tax asset for all 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 and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**2.17 Employee Benefits**

The Group operates both defined contribution and defined benefit pension plans.

Under the defined contribution plan that the Group pays the fixed amount of contribution to separate fund, the contribution is expensed when the employees renders the employment service.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. 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 that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur.

**2.18 Revenue Recognition**

1) Identification of Performance Obligation

The Group mainly manufactures and sells electrical equipment, wind power generation facilities, and construction. In accordance with Korean IFRS 1115, the Group identifies the performance obligation distinct from the customer contracts and the recognition timing of revenue may change whether each performance obligation satisfies over time or satisfies at a point in time.

2) A performance obligation is satisfied over time

In accordance with Korean IFRS 1115, the revenue is recognized over time by measuring progress only if the Group's performance creates or enhances an assets that the customer controls as the assets is created or enhanced or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

3) Incremental costs of obtaining a contract

In accordance with Korean IFRS 1115, the Group recognizes the incremental costs of obtaining a contract with customer as an asset if the Group expects to recover those costs. Incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained is recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

4) Variable consideration

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognize revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

5) Significant financial elements

With implementation of Korean IFRS 1115, when calculating the transaction price, the Group should recognize the revenue as an amount that reflects the price of the good or the service customer paid in cash, if the customer or the Group has a significant financial benefit when the goods or services are transferred due to the agreed payment date between contracting parties.

**2.19 Non-current Assets Held for Sale (or Disposal Group)**

Non-current assets (or disposal group) if its carrying amount will be recovered principally through a sale to the highly probable is classified as for held for sale assets and measured at the lower of its carrying amount and fair value.

**2.20 Account reclassification of prior period's financial statements**

In order to facilitate comparison with the current period, the financial statements have been reclassified according to the accounting subjects in the current financial statements. This reclassification does not affect the net income or net asset value reported in the previous period.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**2.21 Approval of Consolidated financial statements**

The consolidated financial statements for the year ended December 31, 2019 were authorized by the Board of Directors on February 20, 2020 and are subject to change with approval of shareholders at their Annual General Meeting.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**3. Critical Accounting Estimates and Assumptions**

The Group makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 discussed below.

(1) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 18).

(2) Income taxes

As the Group's taxable income are 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 24).

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

(3) Fair value of financial instruments

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

(4) Provisions

The Group recognizes provisions for warranties and others. These provisions are estimated based on past experience (Note 26).

(5) 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).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**4. Financial Risk Management**

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

Risk management is carried out under policies approved by the steering committee in the Board of Directors. The committee 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**

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar, Euro and Russian ruble. 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.

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

The table below summarizes the impact of weakened/strengthened Korean won on the Group's pre-tax profit for the years ended December 31, 2019 and 2018. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

|           |              | (In millions of Korean won)     |             |
|-----------|--------------|---------------------------------|-------------|
|           |              | <b>Impact on pre-tax profit</b> |             |
|           |              | <b>2019</b>                     | <b>2018</b> |
| US Dollar | Strengthened | ₩ (52,282)                      | ₩ (8,171)   |
|           | Weakened     | 52,282                          | 8,171       |
| EURO      | Strengthened | 2,434                           | 755         |
|           | Weakened     | (2,434)                         | (755)       |
| JPY       | Strengthened | (2,887)                         | (57)        |
|           | Weakened     | 2,887                           | 57          |
| Others    | Strengthened | 2,435                           | 287         |
|           | Weakened     | (2,435)                         | (287)       |



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

(2) Price Risk

The Group is exposed to equity securities price risk arises from investment held by the Group that are classified as financial assets measured at FVOCI in separate statement of financial position.

The Group's equity investments are publicly traded and are included in the KOSPI index.

The table below summarizes the impact of increases/decreases of the stock price on the Group's equity for the years ended December 31, 2019 and 2018. The analysis is based on the assumption that the stock price has increased/decreased by 30% with all other variables held constant.

(In millions of Korean won)

|          | <b>Impact on equity</b> |             |
|----------|-------------------------|-------------|
|          | <b>2019</b>             | <b>2018</b> |
| Increase | ₩ 5,242                 | ₩ 4,691     |
| Decrease | (5,242)                 | (4,691)     |

(3) Interest 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 in interest rates fluctuations and net interest expense.

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

The table below summarizes the impact of increases/decreases of interest rate on the Group's pre-tax profit for the years ended December 31, 2019 and 2018. The analysis is based on the assumption that the interest rate has increased/decreased by 100 basis points with all other variables held constant.

(In millions of Korean won)

|          | <b>Impact on pre-tax profit</b> |             |
|----------|---------------------------------|-------------|
|          | <b>2019</b>                     | <b>2018</b> |
| Increase | ₩ (9,421)                       | ₩ (6,455)   |
| Decrease | 9,421                           | 6,455       |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**4.1.2 Credit Risk**

Credit risk is managed on a corporate entity level. Credit risk arises from cash and cash equivalents, financial assets and outstanding receivables, etc. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit risk based on the credit quality of the customer, considering its financial position, past experience and other factors. The compliance with credit limits is monitored on a regular basis (Note 11).

The maximum exposures to credit risk as at December 31, 2019 and 2018 are as follows:

|                                       | (In millions of Korean won) |           |             |           |
|---------------------------------------|-----------------------------|-----------|-------------|-----------|
|                                       | <u>2019</u>                 |           | <u>2018</u> |           |
| Cash and cash equivalents(*1)         | ₩                           | 178,561   | ₩           | 287,225   |
| Trade and other receivables           |                             | 403,089   |             | 464,296   |
| Due from customers for contract work  |                             | 2,114     |             | 382       |
| Other financial assets                |                             | 9,838     |             | 10,274    |
| Long-term trade and other receivables |                             | 48,054    |             | 54,216    |
| Other financial business assets       |                             | 1,931,519 |             | 1,958,459 |
| Other non-current financial assets    |                             | 509,051   |             | 447,329   |

(\*1): The difference with 'cash and cash equivalents' in the statement of consolidated financial position is cash on hand.

The maximum exposure to credit risk related to guarantees provided to the subsidiaries and associates, except above, is equal to the maximum guarantee amounts (Note 39).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**4.1.3 Liquidity Risk**

The Group monitors the forecasts on the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing limits at all times so that the Group does not breach borrowing limits or covenants (where applicable). The Group considers short, mid and long-term financial plan, compliance on commitment and target financial ratio on liquidity forecast.

Details of the Group's liquidity risk analysis as at December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|   | <b>2019</b>             |                              |                     |                    |
|---|-------------------------|------------------------------|---------------------|--------------------|
|   | <b>Less than 1 year</b> | <b>Between 1 and 5 years</b> | <b>Over 5 years</b> | <b>Total</b>       |
| Trade and other payables                | ₩ 431,255               | ₩ 208,250                    | ₩ 730               | ₩ 640,235          |
| Borrowings (including interest expense) | 1,543,216               | 960,351                      | 492                 | 2,504,059          |
| Derivative financial liabilities(*1)    | 1,068                   | -                            | -                   | 1,068              |
|   | <u>₩ 1,975,387</u>      | <u>₩ 1,168,601</u>           | <u>₩ 1,222</u>      | <u>₩ 3,145,362</u> |

(In millions of Korean won)

|   | <b>2018</b>             |                              |                     |                    |
|---|-------------------------|------------------------------|---------------------|--------------------|
|   | <b>Less than 1 year</b> | <b>Between 1 and 5 years</b> | <b>Over 5 years</b> | <b>Total</b>       |
| Trade and other payables                | ₩ 468,842               | ₩ 222,440                    | ₩ 1,567             | ₩ 692,849          |
| Borrowings (including interest expense) | 1,639,024               | 1,018,799                    | 587                 | 2,658,410          |
| Derivative financial liabilities(*1)    | 200                     | -                            | -                   | 200                |
|   | <u>₩ 2,108,066</u>      | <u>₩ 1,241,239</u>           | <u>₩ 2,154</u>      | <u>₩ 3,351,459</u> |

(\*1): The Group's trading portfolio derivative instruments have been included at their fair value of KRW 1,068 million (2018: KRW 200 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.

Except above contracts, the Group has entered into payment guarantee contracts and supplementary fund contracts with subsidiaries. Therefore, if the principal debtor fails to meet its obligation to pay, there may be an additional obligation to pay within one year (Note 39).

The Group is required to be repaid immediately on some borrowings and project financing guarantees if the Group's credit rating falls below a certain level. The Group believes that the possibility of such an event is unlikely.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**4.2 Capital Risk Management**

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

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

The Group manages the capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is 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 'equity' on the consolidated statement of financial position plus net debt.

The gearing ratios at December 31, 2019 and 2018 are as follows:

|                                 | (In millions of Korean won) |             |
|---------------------------------|-----------------------------|-------------|
|                                 | <b>2019</b>                 | <b>2018</b> |
| Total borrowings                | ₩ 2,501,592                 | ₩ 2,514,368 |
| Less: cash and cash equivalents | (189,328)                   | (341,208)   |
| Net debt (A)                    | 2,312,264                   | 2,173,160   |
| Total equity (B)                | 2,710,242                   | 2,702,147   |
| Total capital (A+B=C)           | ₩ 5,022,506                 | ₩ 4,875,307 |
| Gearing ratio (A/C)             | 46.04%                      | 44.57%      |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**5. Fair Value of Financial Instrument**

During the current period, there are no significant changes in the business and economic environment that affect the fair value of the Group's financial assets and financial liabilities.

(1) Fair Value Hierarchy

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

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

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value disclosed as at December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|  | 2019            |                |                  |                  |
|--|-----------------|----------------|------------------|------------------|
|  | Level 1         | Level 2 (*1)   | Level 3          | Total            |
| <b>Asset</b>                           |                 |                |                  |                  |
| Financial asset measured at FVPL (*1)  | ₩ 3,834         | ₩ -            | ₩ 339,200        | ₩ 343,034        |
| Financial asset measured at FVOCI (*2) | 21,202          | -              | 31,582           | 52,784           |
| Derivative assets                      | -               | 713            | -                | 713              |
| Long-term financial assets             | -               | -              | 1,200            | 1,200            |
|  | <u>₩ 25,036</u> | <u>₩ 713</u>   | <u>₩ 371,982</u> | <u>₩ 397,731</u> |
| <b>Liability</b>                       |                 |                |                  |                  |
| Derivative liabilities                 | <u>₩ -</u>      | <u>₩ 1,068</u> | <u>₩ -</u>       | <u>₩ 1,068</u>   |

(In millions of Korean won)

|                                     | 2018            |              |                  |                  |
|-------------------------------------|-----------------|--------------|------------------|------------------|
|                                     | Level 1         | Level 2 (*1) | Level 3          | Total            |
| <b>Asset</b>                        |                 |              |                  |                  |
| Available-for-sale financial assets | ₩ 1,770         | ₩ -          | ₩ 302,289        | ₩ 304,059        |
| Derivative assets                   | 18,537          | -            | 32,688           | 51,225           |
| Other financial assets              | -               | 21           | -                | 21               |
| Long-term financial assets          | -               | -            | 600              | 600              |
|                                     | <u>₩ 20,307</u> | <u>₩ 21</u>  | <u>₩ 335,577</u> | <u>₩ 355,905</u> |
| <b>Liability</b>                    |                 |              |                  |                  |
| Derivative liabilities              | <u>₩ -</u>      | <u>₩ 200</u> | <u>₩ -</u>       | <u>₩ 200</u>     |

(\*1): The Group has adopted the market approach for the derivative instrument assets and liabilities classified to level 2 in the fair value hierarchy and used foreign exchange rate as its input variables.

(\*2): The Group has adopted discounted cash flow model or comparable method or risk-adjusted discount rate model and etc., key inputs are discount rate and growth rate.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(2) Transfers between Fair Value Hierarchy Levels of Recurring Fair Value Measurements There were no transfers between fair value hierarchy levels of recurring fair value measurements.

(3) Valuation Techniques and the Inputs

Valuation techniques and inputs used in levels 2 and level 3 are as follows:

|   |   | <b>2019</b>  |  |                                 |                            |
|---|---|--------------|--|---------------------------------|----------------------------|
|   | <b>Fair value<br/>(in millions of<br/>Korean won)</b> | <b>Level</b> | <b>Valuation<br/>techniques</b>                            | <b>Inputs</b>                   | <b>Range of<br/>Inputs</b> |
| <b>Other Non-current financial assets</b> |   |              |  |                                 |                            |
| Financial asset measured at FVOCI         | ₩ 31,582  | 3            | DCF method and others                                      | Discount rate<br>Growth rate    | 10.1%~12.1%<br>1%~3%       |
| Financial asset measured at FVPL          | 339,200   | 3            | DCF method and others<br>Risk-adjusted discount rate model | Discount rate<br>Growth rate    | 7.13%~18.61%<br>1%         |
| <b>Derivative</b>                         |   |              |  |                                 |                            |
| Derivative assets                         | ₩ 713   | 2            | Market approach  | Exchange rate and discount rate | N/A                        |
| Derivative liabilities                    | 1,068   | 2            | Market approach  | Exchange rate and discount rate | N/A                        |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(4) Details of Changes in Recurring Fair Value Measurements Categorized within Level 3

1) Financial assets measured at fair value through other comprehensive income

|                             | <u>2019</u>     | <u>2018</u>   |
|-----------------------------|-----------------|---------------|
| Beginning balance           | ₩ 32,688        | -             |
| Change in accounting policy | -               | 34,891        |
| Acquisition (Disposal)      | (563)           | 38            |
| Other comprehensive income  | (261)           | (2,159)       |
| Others                      | (282)           | 4             |
| Movement from spin-off      | -               | (86)          |
| Ending balance              | <u>₩ 31,582</u> | <u>32,688</u> |

2) Financial assets measured at fair value through profit or loss

|                             | <u>2019</u>      | <u>2018</u>    |
|-----------------------------|------------------|----------------|
| Beginning balance           | ₩ 302,289        | -              |
| Change in accounting policy | -                | 259,287        |
| Acquisition (Disposal)      | 39,005           | 41,341         |
| Other comprehensive income  | (2,376)          | (87)           |
| Others                      | 282              | 6,894          |
| Movement from spin-off      | -                | (5146)         |
| Ending balance              | <u>₩ 339,200</u> | <u>302,289</u> |

(5) Valuation Processes for Fair Value Measurements Categorized Within Level 3

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

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**6. Reporting on Segment**

(1) Operating segment information

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

The Group's operating segment information for the years ended and as at December 31, 2019 and 2018 is as follows:

(In millions of Korean won)

|                        | 2019      |                              |                       |                        |             |                             |             |
|------------------------|-----------|------------------------------|-----------------------|------------------------|-------------|-----------------------------|-------------|
|                        | Finance   | Information<br>Communication | Pump<br>manufacturing | Imported<br>car dealer | Others      | Consolidation<br>adjustment | Total       |
| Total revenue          | ₩ 198,028 | ₩ 1,174,567                  | ₩ 244,255             | ₩ 216,740              | ₩ 1,772,752 | ₩ -                         | ₩ 3,606,342 |
| Inter-segment revenue  | -         | (175,080)                    | -                     | -                      | (47,890)    | (9,925)                     | (232,895)   |
|                        | 198,328   | 999,487                      | 244,255               | 216,740                | 1,724,862   | (9,925)                     | 3,373,447   |
| Operating income(loss) | ₩ 34,948  | ₩ 96,982                     | ₩ 7,412               | ₩ 4,238                | ₩ 72,989    | ₩ 20,259                    | ₩ 236,828   |

(In millions of Korean won)

|                        | 2018      |                              |                       |                        |             |                             |             |
|------------------------|-----------|------------------------------|-----------------------|------------------------|-------------|-----------------------------|-------------|
|                        | Finance   | Information<br>Communication | Pump<br>manufacturing | Imported<br>car dealer | Others      | Consolidation<br>adjustment | Total       |
| Total revenue          | ₩ 202,908 | ₩ 875,470                    | ₩ 213,208             | ₩ 238,551              | ₩ 1,673,479 | ₩ -                         | ₩ 3,203,616 |
| Inter-segment revenue  | -         | (118,624)                    | -                     | -                      | (69,551)    | (12,961)                    | (201,136)   |
|                        | 202,908   | 756,846                      | 213,208               | 238,551                | 1,603,928   | (12,961)                    | 3,002,408   |
| Operating income(loss) | ₩ 33,345  | ₩ 54,914                     | ₩ 5,585               | ₩ 1,394                | ₩ 55,715    | ₩ (4,003)                   | ₩ 154,957   |

(2) Geographical segment information

Geographical segment information of revenue for the years ended December 31, 2019 and 2018 is as follows:

(In millions of Korean won)

|                           | 2019        | 2018        |
|---------------------------|-------------|-------------|
| Republic of Korea         | ₩ 1,970,245 | ₩ 1,800,442 |
| North and Central America | 1,142,582   | 1,023,333   |
| Europe                    | 229,052     | 146,966     |
| Asia                      | 31,361      | 31,665      |
| Others                    | 207         | 74          |
|                           | ₩ 3,373,447 | ₩ 3,002,480 |

(3) There is no external customer, who contribute more than 10% of the Group's revenue for the years ended December 31, 2019 and 2018.



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**7. Transfer of Financial Assets**

Under factoring arrangement, the Group sells trade receivables at a discount to the financial institutions for the year ended December 31, 2019. The Group may retain an obligation to compensate a financial institution for debtors' failure to make payment when they become due, an obligation known as a 'recourse obligation'. Recourse obligations related to the sales of receivables with recourse are accounted for as collateralized borrowings (Notes 11, 23 and 39).

Details of transferred financial assets that are not derecognized in their entirety as at December 31, 2019 and 2018 are as follows:

|   | (In millions of Korean won) |          |             |          |
|---|-----------------------------|----------|-------------|----------|
|   | <u>2019</u>                 |          | <u>2018</u> |          |
| Carrying amount of assets                     | ₩                           | 21,508   | ₩           | 90,981   |
| Carrying amount of the associated liabilities |                             | (21,508) |             | (90,981) |
| Net position                                  |                             | -        |             | -        |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**8. Financial Instruments by Category**

(1) Carrying Amounts of Financial Instruments by Category

Carrying amounts of financial assets and liabilities by category as at December 31, 2019 and 2018 are as follows:

1) FY2019

(In millions of Korean won)

| 2019                                     |   |   |   |   |                    |
|--|---|---|---|---|--------------------|
|  | Derivative<br>measured at fair<br>value through<br>profit or loss | Equity<br>securities<br>measured at fair<br>value through<br>profit or loss | Equity securities<br>measured at fair<br>value through other<br>comprehensive<br>income | Financial<br>assets<br>measured at<br>amortized<br>cost | Total              |
| Cash and cash equivalents                | ₩ -   | ₩ -   | ₩ -   | ₩ 189,328   | ₩ 189,328          |
| Trade and other receivables              | -   | -   | -   | 403,089   | 403,089            |
| Due from customers for contract work     | -   | -   | -   | 2,114   | 2,114              |
| Other financial assets                   | 713   | -   | -   | 9,125   | 9,125              |
| Long-term trade and other<br>receivables | -   | -   | -   | 48,054  | 48,054             |
| Other financial business assets          | -   | -   | -   | 1,389,168   | 1,389,168          |
| Other non-current financial assets       | 713   | 343,034   | 52,784  | 113,112   | 508,930            |
|  | <u>₩ 713</u>  | <u>₩ 343,034</u>  | <u>₩ 52,784</u>   | <u>₩ 2,153,990</u>                                      | <u>₩ 2,550,521</u> |

(In millions of Korean won)

| 2018                                    |   |   |   |  |                    |
|---|---|---|---|--|--------------------|
|   | Derivative<br>measured at fair<br>value through<br>profit or loss | Equity<br>securities<br>measured at fair<br>value through<br>profit or loss | Equity securities<br>measured at fair<br>value through other<br>comprehensive<br>income | Financial<br>liabilities<br>measured at<br>amortized<br>cost | Total              |
| Trade and other payables                | ₩ -   | ₩ -   | ₩ -   | ₩ 431,206  | ₩ 431,206          |
| Borrowings                              | -   | -   | -   | 1,513,215  | 1,513,215          |
| Other financial liabilities             | 916   | -   | -   | 21,519   | 22,435             |
| Long-term trade and other payables      | -   | -   | -   | 206,091  | 206,091            |
| Long-term borrowings                    | -   | -   | -   | 988,378  | 988,378            |
| Other non-current financial liabilities | 152   | -   | -   | 91,209   | 91,361             |
|   | <u>₩ 1,068</u>  | <u>₩ -</u>  | <u>₩ -</u>  | <u>₩ 3,251,618</u>   | <u>₩ 3,252,686</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

1) FY2018

(In millions of Korean won)

| 2019                                     |   |   |   |   |                    |
|--|---|---|---|---|--------------------|
|  | Derivative<br>measured at fair<br>value through<br>profit or loss | Equity<br>securities<br>measured at fair<br>value through<br>profit or loss | Equity securities<br>measured at fair<br>value through other<br>comprehensive<br>income | Financial<br>assets<br>measured at<br>amortized<br>cost | Total              |
| Cash and cash equivalents                | ₩ -   | ₩ -   | ₩ -   | ₩ 341,208   | ₩ 341,208          |
| Trade and other receivables              | -   | -   | -   | 464,296   | 464,296            |
| Due from customers for contract work     | -   | -   | -   | 382   | 382                |
| Other financial assets                   | -   | -   | -   | 10,274  | 10,274             |
| Long-term trade and other<br>receivables | -   | -   | -   | 54,216  | 54,216             |
| Other financial business assets          | -   | -   | -   | 1,958,459   | 1,958,459          |
| Other non-current financial assets       | 21  | 304,059   | 51,225  | 92,025  | 447,330            |
|  | <u>₩ 21</u>   | <u>₩ 304,059</u>  | <u>₩ 51,225</u>   | <u>₩ 2,920,860</u>                                      | <u>₩ 3,276,165</u> |

(In millions of Korean won)

| 2018                                    |   |   |   |  |                    |
|---|---|---|---|--|--------------------|
|   | Derivative<br>measured at fair<br>value through<br>profit or loss | Equity<br>securities<br>measured at fair<br>value through<br>profit or loss | Equity securities<br>measured at fair<br>value through other<br>comprehensive<br>income | Financial<br>liabilities<br>measured at<br>amortized<br>cost | Total              |
| Trade and other payables                | ₩ -   | ₩ -   | ₩ -   | ₩ 471,129  | ₩ 471,129          |
| Borrowings                              | -   | -   | -   | 1,571,441  | 1,571,441          |
| Other financial liabilities             | 161   | -   | -   | -  | 161                |
| Long-term trade and other payables      | -   | -   | -   | 220,786  | 220,786            |
| Long-term borrowings                    | -   | -   | -   | 942,926  | 942,926            |
| Other non-current financial liabilities | 39  | -   | -   | -  | 39                 |
|   | <u>₩ 200</u>  | <u>₩ -</u>  | <u>₩ -</u>  | <u>₩ 3,206,282</u>   | <u>₩ 3,206,482</u> |

(\*1): Other financial liabilities include financial liabilities that are not subject to the categorizations such as financial liabilities.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

3) Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|  | 2019       |                            |                  |                           |           |
|--|------------|----------------------------|------------------|---------------------------|-----------|
|  | Gain(Loss) | Other comprehensive income | Reclassification | Interest income (expense) | Total     |
| <b>Financial assets</b>                          |            |                            |                  |                           |           |
| Financial assets measured at amortized cost      | ₩ (6,685)  | ₩ -                        | ₩ -              | ₩ 3,751                   | ₩ (2,934) |
| Financial asset measured at FVPL                 | (2,047)    | -                          | -                |                           | (2,047)   |
| Financial asset measured at FVOCI                | 864        | 2,435                      | -                | 30                        | 3,329     |
| <b>Financial liabilities</b>                     |            |                            |                  |                           |           |
| Financial liabilities measured at amortized cost | 2,425      | -                          | -                | (35,808)                  | (33,383)  |
| <b>Derivative assets and liabilities</b>         | 3,097      | -                          | -                | -                         | 3,097     |

(In millions of Korean won)

|  | 2018       |                            |                  |                           |           |
|--|------------|----------------------------|------------------|---------------------------|-----------|
|  | Gain(Loss) | Other comprehensive income | Reclassification | Interest income (expense) | Total     |
| <b>Financial assets</b>                          |            |                            |                  |                           |           |
| Financial assets measured at amortized cost      | ₩ (10,740) | ₩ -                        | ₩ -              | ₩ 4,543                   | ₩ (6,197) |
| Financial asset measured at FVPL                 | (221)      | -                          | -                | -                         | (221)     |
| Financial asset measured at FVOCI                | 449        | (124,537)                  | -                | 29                        | (124,059) |
| <b>Financial liabilities</b>                     |            |                            |                  |                           |           |
| Financial liabilities measured at amortized cost | (20,652)   | -                          | -                | (100,742)                 | (121,394) |
| <b>Derivative assets and liabilities</b>         | 9,536      | -                          | -                | -                         | 9,536     |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**9. Cash and Cash Equivalents**

Cash and cash equivalents as at December 31, 2019 and 2018 consist of the followings:

|               | (In millions of Korean won) |                |             |                |
|---------------|-----------------------------|----------------|-------------|----------------|
|               | <b>2019</b>                 |                | <b>2018</b> |                |
| Cash on hand  | ₩                           | 10,767         | ₩           | 53,983         |
| Bank deposits |                             | 178,561        |             | 287,225        |
|               | ₩                           | <u>189,328</u> | ₩           | <u>341,208</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**10. Restricted Financial Instruments**

Restricted financial instruments as at December 31, 2019 and 2018 are as follows:

|                                    |   | (In millions of Korean won) |                 |
|------------------------------------|---|-----------------------------|-----------------|
|                                    | <u>Details</u>  | <u>2019</u>                 | <u>2018</u>     |
| Cash and cash equivalents          | Pledge for borrowings and others                            | ₩ -                         | ₩ -             |
|                                    | Others  | 566                         | 748             |
| Other current financial assets     | Restricted for checking account and lease deposits received | 5,200                       | 5,000           |
| Other non-current financial assets | Restricted for checking account and lease deposits received | 1,909                       | 3,628           |
|                                    | Pledge for borrowings and others                            | 7,047                       | 10,212          |
|                                    |   | <u>₩ 14,722</u>             | <u>₩ 19,588</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**11. Trade and Other Receivables**

(1) Details of trade and other receivables as at December 31, 2019 and 2018 are as follows:

|                             | <b>2019</b>              |                                 |                        |
|-----------------------------|--------------------------|---------------------------------|------------------------|
|                             | <b>Receivable amount</b> | <b>Provision for impairment</b> | <b>Carrying amount</b> |
| Trade receivables           | ₩ 356,961                | ₩ (14,517)                      | ₩ 342,444              |
| Other receivables           | 62,604                   | (1,960)                         | 60,644                 |
| Long-term trade receivables | -                        | -                               | -                      |
| Long-term other receivables | 48,055                   | -                               | 48,055                 |
|                             | <u>₩ 467,620</u>         | <u>₩ (16,477)</u>               | <u>₩ 451,143</u>       |

(In millions of Korean Won)

|                             | <b>2018</b>              |                                 |                        |
|-----------------------------|--------------------------|---------------------------------|------------------------|
|                             | <b>Receivable amount</b> | <b>Provision for impairment</b> | <b>Carrying amount</b> |
| Trade receivables           | ₩ 402,334                | ₩ (30,119)                      | ₩ 372,215              |
| Other receivables           | 94,060                   | (1,979)                         | 92,081                 |
| Long-term trade receivables | -                        | -                               | -                      |
| Long-term other receivables | 54,216                   | -                               | 54,216                 |
|                             | <u>₩ 550,610</u>         | <u>₩ (32,098)</u>               | <u>₩ 518,512</u>       |

The Group has transferred trade receivables to the financial institutions in exchange for cash. The outstanding balances that have not been collected as at December 31, 2019 is KRW 21,508 million (2018: KRW 90,981 million). The Group may retain an obligation to compensate a bank for debtors' failure to make payment when they become due; therefore, the transaction has been accounted for as a collateralized borrowing.

(2) Details of other receivables as at December 31, 2019 and 2018 are as follows:

|                                     | (In millions of Korean Won) |                  |
|-------------------------------------|-----------------------------|------------------|
|                                     | <b>2019</b>                 | <b>2018</b>      |
| <b>Other receivables</b>            |                             |                  |
| Non-trade receivables               | ₩ 40,025                    | ₩ 71,874         |
| Short-term loans                    | 10,950                      | 10,151           |
| Accrued income                      | 7,847                       | 8,796            |
| Deposits provided                   | 1,741                       | 1,260            |
| Finance lease receivables           | 81                          | -                |
|                                     | <u>₩ 60,644</u>             | <u>₩ 92,081</u>  |
| <b>Long-term other receivables</b>  |                             |                  |
| Long-term loans                     | ₩ 772                       | ₩ 5,503          |
| Deposits provided                   | 48,854                      | 48,713           |
| Long-term Finance lease receivables | 1,429                       | -                |
|                                     | <u>₩ 48,055</u>             | <u>₩ 54,216</u>  |
|                                     | <u>₩ 108,699</u>            | <u>₩ 146,297</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

- (3) The fair value of long-term trade and other receivables were measured by discounting the nominal amounts of future cash inflow with the discount rates reflecting the credit risk.

|               | <u>2019</u>   | <u>2018</u>   |
|---------------|---------------|---------------|
| Discount rate | 1.60% ~ 2.50% | 1.60% ~ 2.50% |

- (4) The aging analysis of trade and other receivables as at December 31, 2019 and 2018 are follows:

(In millions of Korean Won)

|                             | <u>2019</u>      |                                  |                      |                       |                       |                             |                  |
|-----------------------------|------------------|----------------------------------|----------------------|-----------------------|-----------------------|-----------------------------|------------------|
|                             | <u>Current</u>   | <u>Past due but not impaired</u> |                      |                       |                       | <u>Impaired receivables</u> | <u>Total</u>     |
|                             |                  | <u>Up to 3 months</u>            | <u>4 to 6 months</u> | <u>7 to 12 months</u> | <u>Over 12 months</u> |                             |                  |
| Trade receivables           | ₩ 263,375        | ₩ 59,750                         | ₩ 10,879             | ₩ 3,358               | ₩ 19,413              | ₩ 186                       | ₩ 356,961        |
| Other receivables           | 60,038           | 206                              | -                    | -                     | -                     | 2,360                       | 62,604           |
| Long-term trade receivables | -                | -                                | -                    | -                     | -                     | -                           | -                |
| Long-term other receivables | 59,199           | -                                | -                    | -                     | -                     | -                           | 59,199           |
|                             | <u>₩ 382,612</u> | <u>₩ 59,956</u>                  | <u>₩ 10,879</u>      | <u>₩ 3,358</u>        | <u>₩ 19,413</u>       | <u>₩ 2,546</u>              | <u>₩ 478,764</u> |

(In millions of Korean Won)

|                             | <u>2018</u>      |                                  |                      |                       |                       |                             |                  |
|-----------------------------|------------------|----------------------------------|----------------------|-----------------------|-----------------------|-----------------------------|------------------|
|                             | <u>Current</u>   | <u>Past due but not impaired</u> |                      |                       |                       | <u>Impaired receivables</u> | <u>Total</u>     |
|                             |                  | <u>Up to 3 months</u>            | <u>4 to 6 months</u> | <u>7 to 12 months</u> | <u>Over 12 months</u> |                             |                  |
| Trade receivables           | ₩ 310,707        | ₩ 30,249                         | ₩ 10,201             | ₩ 7,156               | ₩ 15,065              | ₩ 28,956                    | ₩ 402,334        |
| Other receivables           | 91,349           | 286                              | 7                    | 11                    | 117                   | 2,291                       | 94,061           |
| Long-term trade receivables | -                | -                                | -                    | -                     | -                     | -                           | -                |
| Long-term other receivables | 55,241           | -                                | -                    | -                     | -                     | -                           | 55,241           |
|                             | <u>₩ 457,297</u> | <u>₩ 30,535</u>                  | <u>₩ 10,208</u>      | <u>₩ 7,167</u>        | <u>₩ 15,182</u>       | <u>₩ 31,247</u>             | <u>₩ 551,636</u> |

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



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

- (5) Individually impaired receivables mainly relate to customers that are experiencing unexpected economic difficulties. The Group expects that a portion of their receivables will be recovered. If the Group determines that no objective evidence of impairment exists for an individually assessed receivables, those will be collectively assessed for impairment.
- (6) Movements on the provisions for impairment of receivables for the years ended December 31, 2019 and 2018 are follows:

(In millions of Korean Won)

|                                       | 2019             |                          |                |                                   |                   |                 |
|---------------------------------------|------------------|--------------------------|----------------|-----------------------------------|-------------------|-----------------|
|                                       | Beginning        | Provision for impairment | Reversal       | Changes in scope of consolidation | Others            | Ending          |
| Trade and long-term trade receivables | ₩ 30,119         | ₩ 1,734                  | ₩ (946)        | ₩ -                               | ₩ (16,390)        | ₩ 14,517        |
| Other receivables and long-term other | 1,979            | 13                       | -              | -                                 | (32)              | 1,960           |
|                                       | <u>₩ 205,280</u> | <u>₩ 1,747</u>           | <u>₩ (946)</u> | <u>₩ -</u>                        | <u>₩ (16,422)</u> | <u>₩ 16,477</u> |

(In millions of Korean Won)

|                                       | 2018             |                          |                |                                   |                 |                        |                 |
|---------------------------------------|------------------|--------------------------|----------------|-----------------------------------|-----------------|------------------------|-----------------|
|                                       | Beginning        | Provision for impairment | Reversal       | Changes in scope of consolidation | Others          | Movement from Spin-off | Ending          |
| Trade and long-term trade receivables | ₩ 83,212         | ₩ 478                    | ₩ -            | ₩ (1,236)                         | ₩ 10,155        | ₩ (62,490)             | ₩ 30,119        |
| Other receivables and long-term other | 122,068          | (359)                    | (745)          | -                                 | 43,260          | (162,246)              | 1,978           |
|                                       | <u>₩ 205,280</u> | <u>₩ 119</u>             | <u>₩ (745)</u> | <u>₩ (1,236)</u>                  | <u>₩ 53,415</u> | <u>₩ (224,736)</u>     | <u>₩ 32,097</u> |

- (7) Provision provided and reversed for impaired trade receivables have been included in selling and administrative expenses and the provision provided and reversed for the other receivables have been included in other income and other expense. The Group writes off the provision in case where the additional cash collection is not expected.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**12. Other Financial Assets and Liabilities**

(1) Other financial assets and liabilities as at December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean Won) |                 |
|--|-----------------------------|-----------------|
|  | <u>2019</u>                 | <u>2018</u>     |
| <b>Other financial assets</b>  |                             |                 |
| Financial assets measured at amortized cost                                | 122,237                     | 102,299         |
| Financial assets measured at fair value through other comprehensive income | 52,784                      | 51,225          |
| Financial assets measured at fair value through profit or loss             | 343,034                     | 304,059         |
| Derivative assets  | 713                         | 21              |
|  | <u>518,768</u>              | <u>457,604</u>  |
| Less: current portion  | <u>(9,838)</u>              | <u>(10,274)</u> |
|  | <u>508,930</u>              | <u>447,330</u>  |
| <b>Other financial liabilities</b>   |                             |                 |
| Derivative liabilities   | 1,068                       | 200             |
| Lease liabilities  | 112,728                     | -               |
| Less: current portion  | <u>(22,435)</u>             | <u>(161)</u>    |
|  | <u>₩ 91,361</u>             | <u>₩ 39</u>     |

(2) Details of other financial assets measured at amortized costs as at December 31, 2019 and loans and receivables as at December 31, 2018 are as follows:

|                                  | (In millions of Korean Won) |                  |
|----------------------------------|-----------------------------|------------------|
|                                  | <u>2019</u>                 | <u>2018</u>      |
| Short-term financial instruments | ₩ 9,125                     | ₩ 10,274         |
| Long-term financial instruments  | <u>113,112</u>              | <u>92,025</u>    |
|                                  | <u>₩ 122,237</u>            | <u>₩ 102,299</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(3) Details of financial assets measured at fair value through profit or loss and other comprehensive income as at December 31, 2019 & 2018 are as follows:

<Financial assets measured at fair value through profit or loss>

|                              |   | (In millions of Korean Won) |                |
|------------------------------|---|-----------------------------|----------------|
|                              |   | <u>2019</u>                 | <u>2018</u>    |
| Listed stock                 | ₩ | 1,459                       | 1,770          |
| Non-listed stock             |   | 15,457                      | 28,631         |
| Investment in capital        |   | 250,858                     | 196,128        |
| Beneficiary certificate fund |   | 67,792                      | 64,136         |
| Government bond              |   | -                           | -              |
| Others                       |   | 7,450                       | 13,394         |
|                              | ₩ | <u>343,034</u>              | <u>304,059</u> |

<Financial assets measured at fair value through other comprehensive income>

|                       |   | (In millions of Korean Won) |               |
|-----------------------|---|-----------------------------|---------------|
|                       |   | <u>2019</u>                 | <u>2018</u>   |
| Listed stock          | ₩ | 21,202                      | 18,537        |
| Non-listed stock      |   | 9,186                       | 10,304        |
| Investment in capital |   | 21,238                      | 21,226        |
| Government bond       |   | 1,158                       | 1,158         |
|                       | ₩ | <u>52,784</u>               | <u>51,225</u> |

(4) Equity securities in which the Group has more than 20% of ownership but are not significantly influenced by the Group as at December 31, 2019 and 2018 are as follows:

|                  |                 | (In millions of Korean Won) |                        |
|------------------|-----------------|-----------------------------|------------------------|
|                  |                 | <u>2019</u>                 | <u>2018</u>            |
| <u>Company</u>   |                 | <u>Carrying amount</u>      | <u>Carrying amount</u> |
| Non-listed stock | Oksan Ochang    | -                           | 12,422                 |
|                  | Highway Co.(*1) | -                           | -                      |
|                  |                 | <u>₩ -</u>                  | <u>₩ 12,422</u>        |

(\*1) The Group held 30% shares of Oksan Ochang Highway Corporation as at December 31, 2018 but the Group has sold out all shares of Oksan Ochang Highway Corporation during the period ended December 31, 2019.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(5) Changes in financial assets measured at fair value through profit or loss and other comprehensive income and available-for-sales financial assets for the years ended December 31, 2019 and 2018 are as follows:

|  | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|
| Beginning balance  | ₩ 355,284        | ₩ 477,598        |
| Change in accounting policy  | -                | 3,996            |
| Acquisitions(*1)   | 114,440          | 374,696          |
| Disposals  | (74,446)         | (65,979)         |
| Financial assets measured at fair value through other comprehensive income | 2,435            | (124,537)        |
| Financial assets measured at fair value through profit or loss             | (1,895)          | (379)            |
| Net gains (losses) reclassified from equity Spin-off                       | -                | -                |
| Transfer   | -                | (201,235)        |
| Others   | -                | (108,880)        |
| Ending balance   | -                | 4                |
|  | <u>₩ 395,818</u> | <u>₩ 355,284</u> |

(6) Details of derivative financial assets and liabilities as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|   | <u>2019</u>              |                               |
|---|--------------------------|-------------------------------|
|   | <u>Derivative assets</u> | <u>Derivative liabilities</u> |
| <b>Current</b>                              |                          |                               |
| Currency forward exchange contracts         | ₩ -                      | ₩ 384                         |
| Instruments forward contracts currency swap | -                        | 532                           |
| Others                                      | -                        | -                             |
| Sub-total                                   | <u>-</u>                 | <u>916</u>                    |
| <b>Non-current</b>                          |                          |                               |
| Currency forward exchange contracts         | 713                      | -                             |
| Currency Swap                               | -                        | -                             |
| Others                                      | -                        | 152                           |
| Sub-total                                   | <u>713</u>               | <u>152</u>                    |
| Total                                       | <u>₩ 713</u>             | <u>₩ 1,068</u>                |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(In millions of Korean Won)

|   | <b>2018</b>              |                               |
|---|--------------------------|-------------------------------|
|   | <b>Derivative assets</b> | <b>Derivative liabilities</b> |
| <b>Current</b>                              |                          |                               |
| Currency forward exchange contracts         | ₩ -                      | ₩ 161                         |
| Instruments forward contracts currency swap | -                        | -                             |
| Others                                      | -                        | -                             |
| Sub-total                                   | <u>-</u>                 | <u>161</u>                    |
| <b>Non-current</b>                          |                          |                               |
| Currency forward exchange contracts         | 21                       | 39                            |
| Currency Swap                               | -                        | -                             |
| Others                                      | -                        | -                             |
| Sub-total                                   | <u>21</u>                | <u>39</u>                     |
| Total                                       | <u>₩ 21</u>              | <u>₩ 200</u>                  |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**13. Other Financial Business Assets**

(1) Details of other financial business assets as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                                  | <u>2019</u>        |   | <u>2018</u>      |
|----------------------------------|--------------------|---|------------------|
| Loan measured at amortized costs | ₩ 1,389,168        | ₩ | 1,917,725        |
| Lease and rental assets          | 542,351            |   | 40,734           |
|                                  | <u>₩ 1,931,519</u> | ₩ | <u>1,958,459</u> |

(2) Details of loan receivables measured at amortized costs as of December 31, 2019 and 2018 are as follows:

|                    | <u>2019</u>        |   | <u>2018</u>      |
|--------------------|--------------------|---|------------------|
| Receivables        | ₩ 1,419,017        | ₩ | 1,959,652        |
| Bad debt allowance | (29,849)           |   | (41,927)         |
|                    | <u>₩ 1,389,168</u> | ₩ | <u>1,917,725</u> |

(3) Details of lease & rental assets as at December 31, 2019 are as follows:

|                    | <u>2019</u>      |
|--------------------|------------------|
| Receivables        | ₩ 550,637        |
| Bad debt allowance | (8,286)          |
|                    | <u>₩ 542,351</u> |

The Group reclassified lease & rental assets from Loans and receivables during the current period.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

- (4) Movements in bad debt allowance for other financial business assets for the year ended December 31, 2019 are as follows:

(In millions of Korean Won)

|  | 12 months            |                                   | Lifetime                          |                                 | Total    |
|--|----------------------|-----------------------------------|-----------------------------------|---------------------------------|----------|
|  | Expected credit loss | Loan receivable credit unimpaired | Loan receivable credit unimpaired | Loan receivable credit impaired |          |
| Beginning                                    | ₩ 8,264              | ₩ 4,371                           | ₩ 4,371                           | ₩ 29,292                        | ₩ 41,927 |
| Transfer to whole period ECL                 | (438)                | 513                               | 513                               | (75)                            | -        |
| Transfer to credit impaired financial assets | (572)                | (2,545)                           | (2,545)                           | 3,117                           | -        |
| Transfer to 12 months ECL                    | 296                  | (289)                             | (289)                             | (7)                             | -        |
| Sub-total                                    | 7,550                | 2,050                             | 2,050                             | 32,327                          | 41,927   |
| Impairment provision (reversal)              | (4,200)              | 77                                | 77                                | 24,835                          | 20,712   |
| Executed or purchased financial assets       | 4,060                | 730                               | 730                               | 1,380                           | 6,170    |
| Bad debt                                     | -                    | -                                 | -                                 | (36,190)                        | (36,190) |
| Collection of amortized bonds                | -                    | -                                 | -                                 | 8,900                           | 8,900    |
| Changes in currency exchange rate and etc.   | -                    | -                                 | -                                 | (3,384)                         | (3,384)  |
| Ending                                       | ₩ 7,410              | ₩ 2,857                           | ₩ 2,857                           | ₩ 27,868                        | ₩ 38,135 |

- (5) Movements in bad debt allowance for other financial business assets for the year ended December 31, 2018 are as follows:

(In millions of Korean Won)

|  | 12 months            |                                   | Lifetime                          |                                 | Total    |
|--|----------------------|-----------------------------------|-----------------------------------|---------------------------------|----------|
|  | Expected credit loss | Loan receivable credit unimpaired | Loan receivable credit unimpaired | Loan receivable credit impaired |          |
| Beginning(*1)                                | ₩ 9,646              | ₩ 4,422                           | ₩ 4,422                           | ₩ 58,067                        | ₩ 72,135 |
| Transfer to whole period ECL                 | (516)                | 545                               | 545                               | (29)                            | -        |
| Transfer to credit impaired financial assets | (5,94)               | (2,244)                           | (2,244)                           | 2,838                           | -        |
| Transfer to 12 months ECL                    | 242                  | (238)                             | (238)                             | (4)                             | -        |
| Sub-total                                    | 8,778                | 2,485                             | 2,485                             | 60,872                          | 72,135   |
| Impairment provision (reversal)              | (4,234)              | 995                               | 995                               | 24,878                          | 21,639   |
| Executed or purchased financial assets       | 4,261                | 821                               | 821                               | 879                             | 5,961    |
| Bad debt                                     | -                    | -                                 | -                                 | (65,523)                        | (65,523) |
| Collection of amortized bonds                | -                    | -                                 | -                                 | 10,486                          | 10,486   |
| Changes in currency exchange rate and etc.   | -                    | -                                 | -                                 | (2,771)                         | (2,771)  |
| Ending                                       | ₩ 8,805              | ₩ 2,857                           | ₩ 2,857                           | ₩ 28,821                        | ₩ 41,927 |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(6) As at December 31, 2019, details of carrying amounts of impairment provision for financial assets measured at amortized costs depending on measurement methods are as follows:

(In millions of Korean won)

|                       | 2019                             |   |   |             |
|-----------------------|----------------------------------|---|---|-------------|
|                       | 12 months expected credit losses | Lifetime expected credit losses - credit unimpaired | Lifetime expected credit losses - credit impaired | Total       |
| Loans and receivables | ₩ 1,270,983                      | ₩ 56,419  | ₩ 91,438  | ₩ 1,418,840 |

(7) The aging analysis of loans and receivables as at December 31, 2018 are as follows:

(In millions of Korean won)

|                       | 2018                            |   |  |             |
|-----------------------|---------------------------------|---|--|-------------|
|                       | 12 month expected credit losses | Lifetime expected credit losses-credit unimpaired | Lifetime expected credit losses -credit impaired | Total       |
| Loans and receivables | ₩ 1,738,131                     | ₩ 108,272   | ₩ 112,451  | ₩ 1,958,854 |

The above-mentioned amounts represent the amounts before reflecting present value and impairment.



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**14. Other Assets**

Details of other assets as at December 31, 2019 and 2018 are as follows:

|                                 | (In millions of Korean Won) |                 |
|---------------------------------|-----------------------------|-----------------|
|                                 | <u>2019</u>                 | <u>2018</u>     |
| <b>Other current assets</b>     |                             |                 |
| Advance payments                | ₩ 99,916                    | ₩ 24,923        |
| Allowance for bad debts         | (3,175)                     | -               |
| Prepaid expenses                | 21,475                      | 23,153          |
| Other                           | -                           | -               |
|                                 | <u>₩ 118,216</u>            | <u>₩ 48,076</u> |
| <b>Other non-current assets</b> |                             |                 |
| Advance payments                | ₩ 2,526                     | ₩ 3,162         |
| Prepaid expenses                | 490                         | 998             |
| Other investment assets         | 34,429                      | 34,075          |
|                                 | <u>₩ 37,445</u>             | <u>₩ 38,235</u> |
| Total                           | <u>₩ 155,661</u>            | <u>₩ 86,311</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**15. Inventory**

Details of inventories as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|  | <b>2019</b>             |                   |                        |
|--|-------------------------|-------------------|------------------------|
|  | <u>Acquisition cost</u> | <u>Allowance</u>  | <u>Carrying amount</u> |
| Merchandise                            | ₩ 318,785               | ₩ (2,342)         | ₩ 316,443              |
| Finished goods                         | 115,651                 | (7,160)           | 108,491                |
| Semi-finished goods                    | 25,810                  | (370)             | 25,440                 |
| Work in process                        | 32,845                  | -                 | 32,845                 |
| Consigned goods                        | -                       | -                 | -                      |
| Raw materials                          | 43,276                  | (1,624)           | 41,652                 |
| Sub-materials                          | 5,393                   | (27)              | 5,366                  |
| Supplies                               | 6,288                   | -                 | 6,288                  |
| Packing                                | 83                      | (3)               | 80                     |
| Goods in transit                       | 37,138                  | -                 | 37,138                 |
| Cost accrued on construction contracts | -                       | -                 | -                      |
| Temporary installations                | -                       | -                 | -                      |
| Land                                   | -                       | -                 | -                      |
|  | <u>₩ 585,267</u>        | <u>₩ (11,526)</u> | <u>₩ 573,742</u>       |

(In millions of Korean Won)

|  | <b>2018</b>             |                   |                        |
|--|-------------------------|-------------------|------------------------|
|  | <u>Acquisition cost</u> | <u>Allowance</u>  | <u>Carrying amount</u> |
| Merchandise                            | ₩ 286,203               | ₩ (2,343)         | ₩ 283,860              |
| Finished goods                         | 92,163                  | (7,088)           | 85,075                 |
| Semi-finished goods                    | 17,589                  | (370)             | 17,219                 |
| Work in process                        | 23,278                  | -                 | 23,278                 |
| Consigned goods                        | -                       | -                 | -                      |
| Raw materials                          | 32,953                  | (1,116)           | 31,837                 |
| Sub-materials                          | 4,580                   | (20)              | 4,560                  |
| Supplies                               | 3,263                   | -                 | 3,263                  |
| Packing                                | 87                      | (3)               | 84                     |
| Goods in transit                       | 49,250                  | -                 | 49,250                 |
| Cost accrued on construction contracts | -                       | -                 | -                      |
| Temporary installations                | -                       | -                 | -                      |
| Land                                   | -                       | -                 | -                      |
|  | <u>₩ 509,366</u>        | <u>₩ (10,940)</u> | <u>₩ 498,426</u>       |

Inventories recognized as cost of sales for the year ended December 31, 2019 amounted to KRW 1,979,246 million (2018: KRW 1,775,686 million). In the meanwhile, the Group recognized the inventory allowance loss amounting to KRW 259 million as cost of sales for the year ended December 31, 2019 (2018: KRW 193 million as the reversal of inventory allowance).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**16. Property, Plants and Equipment**

(1) Details of property, plant and equipment as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                          | <b>2019</b>                 |  |                            |
|--------------------------|-----------------------------|--|----------------------------|
|                          | <b>Acquisition<br/>cost</b> | <b>Accumulated<br/>depreciation<br/>(*1)</b> | <b>Carrying<br/>amount</b> |
| Land                     | ₩ 491,202                   | ₩ -  | ₩ 491,202                  |
| Building                 | 153,861                     | (46,652)                                     | 107,209                    |
| Structures               | 23,748                      | (9,159)                                      | 14,589                     |
| Machinery                | 366,628                     | (293,055)                                    | 73,572                     |
| Vehicles                 | 6,356                       | (4,767)                                      | 1,589                      |
| Tool and equipment       | 286,077                     | (199,436)                                    | 86,640                     |
| Others                   | 1,367                       | (1,178)                                      | 189                        |
| Construction in progress | 19,663                      | -  | 19,663                     |
| Machinery in transit     | 87                          | -  | 87                         |
| Lease                    | 146,376                     | (22,791)                                     | 123,585                    |
|                          | <u>₩ 1,495,363</u>          | <u>₩ (577,038)</u>                           | <u>₩ 918,325</u>           |

(In millions of Korean Won)

|                          | <b>2018</b>                 |  |                            |
|--------------------------|-----------------------------|--|----------------------------|
|                          | <b>Acquisition<br/>cost</b> | <b>Accumulated<br/>depreciation<br/>(*1)</b> | <b>Carrying<br/>amount</b> |
| Land                     | ₩ 491,159                   | ₩ -  | ₩ 491,159                  |
| Building                 | 326,046                     | (52,965)                                     | 273,081                    |
| Structures               | 20,833                      | (8,113)                                      | 12,720                     |
| Machinery                | 346,577                     | (278,384)                                    | 68,193                     |
| Vehicles                 | 6,928                       | (4,825)                                      | 2,103                      |
| Tool and equipment       | 264,789                     | (189,148)                                    | 75,641                     |
| Others                   | 1,318                       | (919)  | 399                        |
| Construction in progress | 24,625                      | -  | 24,625                     |
| Machinery in transit     | 54                          | -  | 54                         |
|                          | <u>₩ 1,482,329</u>          | <u>₩ (534,354)</u>                           | <u>₩ 947,975</u>           |

(\*1): Accumulated impairment losses are included.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(2) Changes in property, plant and equipment for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                          | 2019      |             |            |                         |                 |                         |                            |                           |                               |           |
|--------------------------|-----------|-------------|------------|-------------------------|-----------------|-------------------------|----------------------------|---------------------------|-------------------------------|-----------|
|                          | Beginning | Acquisition | Disposal   | Depreciation and others | Impairment loss | Transfer <sup>(*)</sup> | Government grants received | Others (Foreign exchange) | Change in consolidation scope | Ending    |
| Land                     | ₩ 491,159 | ₩ -         | ₩ (1,248)  | ₩ -                     | ₩ -             | ₩ 1,280                 | ₩ -                        | ₩ 11                      | ₩ -                           | ₩ 491,202 |
| Building                 | 273,081   | 278         | -          | (5,154)                 | -               | (166,330)               | -                          | 5,334                     | -                             | 107,209   |
| Structures               | 12,720    | 1,342       | (13)       | (973)                   | -               | 1,481                   | -                          | 32                        | -                             | 14,589    |
| Machinery                | 68,193    | 4,888       | (74)       | (16,459)                | -               | 16,659                  | (268)                      | 633                       | -                             | 73,572    |
| Vehicles                 | 2,103     | 179         | (275)      | (615)                   | -               | 179                     | -                          | 18                        | -                             | 1,589     |
| Tool and equipment       | 75,641    | 33,059      | (1,666)    | (28,004)                | -               | 7,267                   | (75)                       | 418                       | -                             | 86,640    |
| Others                   | 399       | 22          | -          | (237)                   | -               | -                       | -                          | 5                         | -                             | 189       |
| Construction in progress | 24,625    | 24,236      | (43)       | -                       | -               | (29,860)                | -                          | 705                       | -                             | 19,663    |
| Machinery in transit     | 54        | 2,398       | -          | -                       | -               | (2,365)                 | -                          | -                         | -                             | 87        |
| Lease                    | -         | 78,503      | (13,265)   | (27,094)                | -               | 2,965                   | -                          | (490)                     | 82,966                        | 123,585   |
|                          | ₩ 947,975 | ₩ 141,195   | ₩ (18,007) | ₩ (78,536)              | ₩ -             | ₩ (168,724)             | ₩ (343)                    | ₩ 7,434                   | ₩ 87,331                      | ₩ 918,325 |

(In millions of Korean Won)

|                          | 2018        |             |           |                         |                 |                         |                            |                           |                               |                        |           |
|--------------------------|-------------|-------------|-----------|-------------------------|-----------------|-------------------------|----------------------------|---------------------------|-------------------------------|------------------------|-----------|
|                          | Beginning   | Acquisition | Disposal  | Depreciation and others | Impairment loss | Transfer <sup>(*)</sup> | Government grants received | Others (Foreign exchange) | Change in consolidation scope | Movement from spin-off | Ending    |
| Land                     | ₩ 1,570,058 | ₩ 16,226    | ₩ (567)   | ₩ -                     | ₩ -             | ₩ 22,192                | ₩ (1,090)                  | ₩ (286)                   | ₩ -                           | ₩ (1,115,374)          | ₩ 491,159 |
| Building                 | 1,259,730   | 7,184       | (1,483)   | (28,167)                | -               | 75,168                  | (229)                      | 6,959                     | (3,882)                       | (1,042,198)            | 273,081   |
| Structures               | 267,322     | 916         | (301)     | (4,943)                 | -               | 7,155                   | (55)                       | 677                       | -                             | (258,050)              | 12,720    |
| Machinery                | 2,007,861   | 18,713      | (2,037)   | (202,187)               | -               | 247,029                 | (1,859)                    | 14,923                    | (386)                         | (2,013,863)            | 68,193    |
| Vehicles                 | 11,661      | 1,173       | (31)      | (2,282)                 | -               | 642                     | (5)                        | 45                        | (16)                          | (9,084)                | 2,103     |
| Tool and equipment       | 151,110     | 27,754      | (4,727)   | (35,789)                | -               | 13,472                  | (120)                      | 665                       | (82)                          | (76,643)               | 75,641    |
| Others                   | 102,333     | 923         | (645)     | (1,369)                 | -               | (126)                   | -                          | 127                       | -                             | (100,844)              | 399       |
| Construction in progress | 282,303     | 250,441     | (112)     | -                       | -               | (279,207)               | -                          | 4,133                     | -                             | (232,934)              | 24,625    |
| Machinery in transit     | 10,798      | 38,865      | -         | -                       | -               | (46,622)                | -                          | 55                        | -                             | (3,042)                | 54        |
|                          | ₩ 5,663,176 | ₩ 362,195   | ₩ (9,903) | ₩ (274,737)             | ₩ -             | ₩ 39,703                | ₩ (3,358)                  | ₩ 27,298                  | ₩ (4,366)                     | ₩ (4,852,032)          | ₩ 947,975 |

(\*1): Transfers include transfer of construction in progress, transfer of machinery-in-transit and transfer from or to intangible assets.

(3) Depreciation expenses are allocated to manufacturing cost (2019: KRW 54,087 million, 2018: KRW 248,771 million), selling and administrative expenses (2019: KRW 18,378 million, 2018: KRW 20,542 million) and research and development expenses (2019: KRW 6,071 million, 2018: 7,522 million), respectively.

(4) A part of properties, plants and equipment are provided to the financial institutions as collaterals for borrowings of the Group and related parties.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**17. Investment Properties**

(1) Details of investment properties as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|          | <b>2019</b>                 |   |                            |
|----------|-----------------------------|---|----------------------------|
|          | <b>Acquisition<br/>cost</b> | <b>Accumulated<br/>depreciation(*1)</b> | <b>Carrying<br/>amount</b> |
| Land     | ₩ 64,883                    | ₩ (26)                                  | ₩ 64,857                   |
| Building | 272,051                     | (36,646)                                | 235,405                    |
|          | <u>₩ 336,934</u>            | <u>₩ (36,672)</u>                       | <u>₩ 300,262</u>           |

(In millions of Korean Won)

|          | <b>2018</b>        |                    |                  |
|----------|--------------------|--------------------|------------------|
|          | <b>Acquisition</b> | <b>Accumulated</b> | <b>Carrying</b>  |
| Land     | ₩ 66,162           | ₩ -                | ₩ 66,162         |
| Building | 96,475             | (16,994)           | 79,481           |
|          | <u>₩ 162,637</u>   | <u>₩ (16,994)</u>  | <u>₩ 145,643</u> |

(\*1): Accumulated impairment losses are included.

(2) Changes in investment properties for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                   | <b>2019</b>     |                  |                  | <b>2018</b>     |                 |                  |
|-------------------|-----------------|------------------|------------------|-----------------|-----------------|------------------|
|                   | <b>Land</b>     | <b>Building</b>  | <b>Total</b>     | <b>Land</b>     | <b>Building</b> | <b>Total</b>     |
| Beginning balance | ₩ 66,162        | ₩ 79,481         | ₩ 145,643        | ₩ 350,275       | ₩ 199,941       | ₩ 550,216        |
| Acquisition       | -               | 565              | 565              | -               | -               | -                |
| Disposals         | -               | -                | -                | -               | (1)             | (1)              |
| Depreciation      | (26)            | (7,880)          | (7,906)          | -               | (4,569)         | (4,569)          |
| Transfers, etc.   | (1,279)         | 167,675          | 166,396          | (22,787)        | (26,754)        | (49,541)         |
| Spin-off effect   | -               | (4,436)          | (4,436)          | (261,326)       | (89,136)        | (350,462)        |
| Ending balance    | <u>₩ 64,857</u> | <u>₩ 235,405</u> | <u>₩ 300,262</u> | <u>₩ 66,162</u> | <u>₩ 79,481</u> | <u>₩ 145,643</u> |

(3) During the year, rental income from investment property is KRW 32,279 million (2018: KRW 34,299 million) and rental expense including depreciation expense is KRW 3,175 million (2018: KRW 11,419 million).

(4) Fair value of investment properties as at December 31, 2019 is KRW 405,122 million (2018: KRW 216,266 million). The fair value was estimated based on the Land Value by Public Announcement.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**18. Intangible Assets**

(1) Changes in intangible assets for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                   | <b>2019</b>     |                            |                 |                         |                  |
|-------------------|-----------------|----------------------------|-----------------|-------------------------|------------------|
|                   | <b>Goodwill</b> | <b>Industrial property</b> | <b>Others</b>   | <b>Membership right</b> | <b>Total</b>     |
| Beginning balance | ₩ 79,438        | ₩ 1,277                    | ₩ 30,952        | ₩ 50,660                | ₩ 162,327        |
| Acquisition       | -               | 19                         | 9,343           | 645                     | 10,007           |
| Disposals         | -               | -                          | -               | (306)                   | (306)            |
| Transfers(*1)     | -               | 304                        | 589             | -                       | 893              |
| Amortization      | -               | (371)                      | (11,587)        | -                       | (11,958)         |
| Impairment loss   | (496)           | -                          | (168)           | -                       | (664)            |
| Others            | -               | -                          | 174             | 36                      | 210              |
| Ending balance    | <u>₩ 78,942</u> | <u>₩ 1,229</u>             | <u>₩ 29,303</u> | <u>₩ 51,035</u>         | <u>₩ 160,509</u> |

(In millions of Korean Won)

|                                   | <b>2018</b>     |                            |                 |                         |                  |
|-----------------------------------|-----------------|----------------------------|-----------------|-------------------------|------------------|
|                                   | <b>Goodwill</b> | <b>Industrial property</b> | <b>Others</b>   | <b>Membership right</b> | <b>Total</b>     |
| Beginning balance                 | ₩ 126,813       | ₩ 8,258                    | ₩ 172,582       | ₩ 10,477                | ₩ 318,130        |
| Acquisition                       | -               | 396                        | 9,101           | 596                     | 10,093           |
| Disposals                         | -               | -                          | (273)           | (328)                   | (601)            |
| Transfers(*1)                     | -               | 236                        | (1,644)         | 2,846                   | 1,438            |
| Amortization                      | -               | (904)                      | (22,121)        | (16)                    | (23,041)         |
| Impairment loss                   | -               | (15)                       | -               | 12                      | (3)              |
| Others                            | 176             | 15                         | 1,807           | 82                      | 2,080            |
| Changes in scope of consolidation | -               | -                          | (229)           | -                       | (229)            |
| Spin-off effect                   | (47,551)        | (6,708)                    | (128,271)       | 36,991                  | (145,539)        |
| Ending balance                    | <u>₩ 79,438</u> | <u>₩ 1,277</u>             | <u>₩ 30,952</u> | <u>₩ 50,660</u>         | <u>₩ 162,327</u> |

(\*1): Transfers include transfer from or to property, plant and equipment.

(2) Amortization expenses are allocated to manufacturing cost (2019: KRW 8,549 million, 2018: KRW 13,516 million), selling and administrative expenses (2019: KRW 477 million, 2018: KRW 703 million) and research and development expenses (2019: KRW 2,932 million, 2018: KRW 9,337 million), respectively.

(3) Impairment test for goodwill

Goodwill is monitored by the management at the operating segment or cash generating level. There are no changes in goodwill allocation method in 2019 and 2018. The following is a summary of goodwill allocation for each operating segment.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

| <b>2019</b>          |                  |                 |                            |                 |
|----------------------|------------------|-----------------|----------------------------|-----------------|
|                      | <b>Beginning</b> | <b>Increase</b> | <b>Impairment<br/>loss</b> | <b>Ending</b>   |
| Heavy industrial     | ₩ 496            | ₩ -             | ₩ (496)                    | ₩ -             |
| Trading              | 2,216            | -               | -                          | 2,216           |
| Others               | 76,726           | -               | -                          | 76,726          |
|                      | <u>₩ 79,438</u>  | <u>₩ -</u>      | <u>₩ (496)</u>             | <u>₩ 78,942</u> |
| <b>2018</b>          |                  |                 |                            |                 |
|                      | <b>Beginning</b> | <b>Increase</b> | <b>Spin-off<br/>effect</b> | <b>Ending</b>   |
| Fabric               | ₩ 6,654          | ₩ -             | ₩ (6,654)                  | ₩ -             |
| Industrial Materials | 40,721           | -               | (40,721)                   | -               |
| Heavy industrial     | 496              | -               | -                          | 496             |
| Trading              | 2,216            | -               | -                          | 2,216           |
| Others               | 76,726           | -               | -                          | 76,726          |
|                      | <u>₩ 126,813</u> | <u>₩ -</u>      | <u>₩ (47,375)</u>          | <u>₩ 79,438</u> |

Goodwill impairment reviews are undertaken annually. As a result of Impairment test, the carrying value of other operating segments does not exceed the recoverable amounts. The recoverable amounts have been determined based on value-in-use calculations. These calculations use pre- tax cash flow projections based on financial budgets approved by management covering five- years period. Gross rate used for the projection of five-year period and perpetual growth rate used for the period after are stated below.

The key assumptions used for value-in-use calculations in 2019 are as follows:

| <b>Key assumption factor</b> | <b>Other business</b> |
|------------------------------|-----------------------|
| Gross margin                 | 2.99%                 |
| Growth rate(*1)              | 1.41%                 |
| Perpetual growth rate(*2)    | 1.00%                 |
| Pre-tax discount rate(*3)    | 7.97%                 |

(\*1): The average revenue growth rate, which is computed based on historical growth rate, is used to forecast five years of cash flow.

(\*2): Projected growth rate over five years.

(\*3): Discount rate applied to the cash flow projections

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**19. Lease**

(1) As of December 31, 2019, details of right-of-use assets are as follows:

|                 | (in millions of Korean won) |                |
|-----------------|-----------------------------|----------------|
|                 | <b>2019</b>                 |                |
| Real properties | ₩                           | 57,429         |
| Machinery       |                             | 542            |
| Vehicles        |                             | 18,597         |
| Others          |                             | 47,017         |
|                 | ₩                           | <u>123,585</u> |

Right-of-use assets has increased by KRW 40,619 million.

(2) The amounts recognized in profit or loss in relation to the lease as at December 31, 2019 are as follows:

|   | (In millions of Korean Won) |               |
|---|-----------------------------|---------------|
|   | <b>2019</b>                 |               |
| <b>Depreciation of right-of-use assets</b>                                    |                             |               |
| Real properties   | ₩                           | 12,247        |
| Machinery   |                             | 398           |
| Vehicles  |                             | 8,455         |
| Others  |                             | 5,336         |
|   | ₩                           | <u>26,436</u> |
| Interest expense relating to lease liabilities                                | ₩                           | 4,231         |
| Expense relating to short-term leases   |                             | 14,260        |
| Expense relating to leases of low-value assets that are not short-term leases |                             | 932           |
| Expense relating to variable lease payments not included in lease             |                             | 341           |

Total cash outflow of the lease during the current year is KRW 49,431 million.

(3) The lease liabilities as of December 31, 2019 are as follows:

|                  | (In millions of Korean Won)   |  |
|------------------|-------------------------------|--|
|                  | <b>2019</b>                   |  |
|                  | <b>Minimum lease payments</b> | <b>Present value of minimum lease payments</b> |
| Within one year  | ₩ 22,344                      | 21,519   |
| 1 year ~ 5 years | 54,142                        | 46,429   |
| Over 5 years     | 77,074                        | 44,780   |
|                  | ₩ 153,560                     | <u>112,728</u>                                 |



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(4) Details of lease liabilities by current and non-current portion as of December 31, 2019 are as follows:

|                   | (In millions of Korean Won) |                |
|-------------------|-----------------------------|----------------|
|                   | <b>2019</b>                 |                |
| Lease liabilities |                             |                |
| Current           | ₩                           | 21,519         |
| Non-current       |                             | 91,209         |
|                   | ₩                           | <u>112,728</u> |

(5) Details of future cash outflows potentially exposed as a lessee but not reflected in lease liabilities are as follows:

1) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

2) Extension and termination options

In determining the lease term, management considers all relevant facts and circumstances that result in economic incentives to exercise the option of extension or not to exercise the option of termination. The term of the extension option (or the term of the termination option) is included in the lease term only if it is significantly certain that the lessee will (or will not) exercise the extension option. The Group exercises (or does not exercise) the extension options that reasonably certain re-evaluate when there are significant incidents or changes in circumstances that are within the control of the lessor and that affect the calculation of the lease term.

3) Residual value guarantees

At initial recognition, the Group estimates the amount expected to be paid as the residual value guarantee and recognizes it as part of the lease liability. This amount will be reviewed at the end of each reporting period and adjusted where appropriate.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**20. Investment in Associates**

(1) Details of associates of the Group as at December 31, 2019 are as follows.

| Shareholders                            | Percentage of ownership(%) |       | Main business place | Financial statement date in use |
|---|----------------------------|-------|---------------------|---------------------------------|
|   | 2019                       | 2018  |                     |                                 |
| Hyosung T & C Co., Ltd.                 | 20.32                      | 20.32 | Korea               | 2019-12-31                      |
| Hyosung Heavy Industry Co., Ltd.        | 32.47                      | 32.47 | Korea               | 2019-12-31                      |
| Hyosung Advanced Material Co., Ltd.     | 21.20                      | 21.20 | Korea               | 2019-12-31                      |
| Hyosung Chemical Co., Ltd.              | 20.17                      | 20.17 | Korea               | 2019-12-31                      |
| Taebaek Wind Power Co., Ltd.            | 35.00                      | 35.00 | Korea               | 2019-12-31                      |
| Pyeongchang Wind Power Co., Ltd. (*1)   | 42.00                      | 42.00 | Korea               | 2019-12-31                      |
| Hyosung Information System Co., Ltd.    | 50.00                      | 50.00 | Korea               | 2019-12-31                      |
| Hyosung Toyota                          | 40.00                      | 40.00 | Korea               | 2019-12-31                      |
| Hyosung ITX Co., Ltd.                   | 34.99                      | 34.99 | Korea               | 2019-12-31                      |
| Suncheon Eco Green Co., Ltd. (*2)       | 29.50                      | 29.50 | Korea               | 2019-12-31                      |
| Gwangju Ilbo Corporation                | 49.00                      | 49.00 | Korea               | 2019-12-31                      |
| Hyosung Vietnam Co., Ltd. (*3)          | 28.57                      | 28.57 | Vietnam             | 2019-12-31                      |
| Hyosung Istanbul TEKSTIL LTD.STI (*3)   | 56.58                      | 56.58 | Turkey              | 2019-12-31                      |
| PT. Papua Agro Lestari (*4)             | 15.00                      | 15.00 | Indonesia           | 2019-12-31                      |
| PT. GELORA MANDIRI MEMBANGUN (GMM) (*4) | 15.00                      | 15.00 | Indonesia           | 2019-12-31                      |

(\*1): The Group has pledged its shares of Pyeongchang Wind Power Co., Ltd. as collateral for borrowings of Pyeongchang Wind Power Co., Ltd. .

(\*2): The equity method was ceased due to capital impairment.

(\*3): Due to the decrease in ownership ratio resulting from the spin-off, it was reclassified to investment in associates from subsidiaries. The Company assigned the voting right on Hyosung Istanbul TEKSTIL LTD. STI to Hyosung TNC Corporation in accordance with the agreement between the shareholders. Therefore, the shares has been reclassified as investment in associates.

(\*4): The Group holds less than 20% of the associate's equity shares. However, the Group has significant influence over associate as the Group has involved in making decision and management communication. Therefore, the shares has been reclassified as investment in associates.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(2) Details of equity method valuation for investment in associates as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

| Shareholders                         | Beginning | Acquisition<br>(Disposals) | Movements by equity method in 2019                 |  |            | Ending    |
|--------------------------------------|-----------|----------------------------|--|--|------------|-----------|
|                                      |           |                            | Gain or loss<br>on equity<br>method<br>investments | Other<br>comprehensive<br>income or loss | Others(*1) |           |
| Hyosung T & C Co., Ltd.              | 176,483   | -                          | 14,298   | 311                                      | (1,898)    | 189,194   |
| Hyosung Heavy Industry Co., Ltd.     | 434,370   | -                          | (4,702)  | 551                                      | (3,988)    | 426,231   |
| Hyosung Advanced Material Co., Ltd.  | 116,476   | -                          | (18,241)   | 2,511                                    | (896)      | 99,850    |
| Hyosung Chemical Co., Ltd.           | 97,688    | -                          | 16,755   | 1,527                                    | (1,603)    | 114,367   |
| Shinhwa Intertek Co., Ltd.           | -         | -                          | -  | -  | -          | -         |
| Taebaek Wind Power Co., Ltd.         | 7,931     | -                          | 2,168  | -  | -          | 10,099    |
| Pyeongchang Wind Power Co., Ltd.     | 9,103     | -                          | 770  | -  | -          | 9,873     |
| Hyosung Information System Co., Ltd. | 46,740    | -                          | 3,466  | -  | (3,011)    | 47,195    |
| Hyosung Toyota                       | 2,357     | -                          | 842  | -  | (83)       | 3,116     |
| Hyosung ITX Co., Ltd.                | 16,660    | -                          | 3,820  | 982                                      | (3,500)    | 17,962    |
| Hyosung Vietnam Co., Ltd.            | 187,867   | -                          | 12,677   | 2,093                                    | (17,328)   | 185,309   |
| Hyosung Istanbul TEKSTIL LTD.STI     | 127,200   | -                          | 39,588   | 1,944                                    | (11,126)   | 157,606   |
| PT. Papua Agro Lestari               | 9,872     | -                          | (706)  | 547                                      | -          | 9,713     |
| PT. GELORA MANDIRI                   |           |                            |  |  |            |           |
| MEMBANGUN (GMM)                      | 4,141     | -                          | (30)   | 63                                       | -          | 4,174     |
| Gwangju Ilbo Corporation             | 3,501     | -                          | 154  | -  | (59)       | 3,596     |
| Other                                | 1,638     | 790                        | (52)   | -  | -          | 2,376     |
|                                      | 1,242,027 | 790                        | 70,807   | 10,529                                   | (43,492)   | 1,280,661 |

(\*1): Dividend, remeasurement component of net defined benefit liabilities and ect. were included.

(\*2): Equity method evaluations of Hyosung Dong NaiCo, LTD, Hyosung Spandex (Quzhou), Hyosung NEW Material & Hitech (Quzhou) Co., Ltd., and HYOSUNG INDIA Pvt Ltd, which are owned by Hyosung Istanbul TEKSTIL LTD.STI. were included.

(In millions of Korean Won)

| Shareholders                         | Beginning | Acquisition<br>(Disposals) | Movements by equity method in 2019                 |  |            | Movement<br>from Spin-off | Ending    |
|--------------------------------------|-----------|----------------------------|--|--|------------|---------------------------|-----------|
|                                      |           |                            | Gain or loss<br>on equity<br>method<br>investments | Other<br>comprehensive<br>income or loss | Others(*1) |                           |           |
| Hyosung T & C Co., Ltd.              | -         | 176,483                    | -  | -  | -          | -                         | 176,483   |
| Hyosung Heavy Industry Co., Ltd.     | -         | 161,041                    | 273,329  | -  | -          | -                         | 434,370   |
| Hyosung Advanced Material Co., Ltd.  | -         | 116,476                    | -  | -  | -          | -                         | 116,476   |
| Hyosung Chemical Co., Ltd.           | -         | 97,688                     | -  | -  | -          | -                         | 97,688    |
| Shinhwa Intertek Co., Ltd.           | 14,230    | -                          | (521)  | 36                                       | 15         | (13,760)                  | -         |
| Taebaek Wind Power Co., Ltd.         | 7,412     | -                          | 793  | -  | (274)      | -                         | 7,931     |
| Pyeongchang Wind Power Co., Ltd.     | 6,949     | -                          | 2,126  | 28                                       | -          | -                         | 9,103     |
| Hyosung Information System Co., Ltd. | 46,112    | -                          | 3,351  | -  | (2,723)    | -                         | 46,740    |
| Hyosung Toyota                       | 569       | -                          | 1,800  | -  | (12)       | -                         | 2,357     |
| Hyosung ITX Co., Ltd.                | 21,437    | -                          | 2,455  | (4,913)                                  | (2,319)    | -                         | 16,660    |
| Hyosung Vietnam Co., Ltd.            | -         | -                          | (3,004)  | 2,268                                    | -          | 188,603                   | 187,867   |
| Hyosung Istanbul TEKSTIL LTD.STI     | -         | -                          | 3,668  | 1,063                                    | -          | 122,469                   | 127,200   |
| PT. Papua Agro Lestari               | 9,919     | -                          | 143  | (190)                                    | -          | -                         | 9,872     |
| PT. GELORA MANDIRI                   |           |                            |  |  |            |                           |           |
| MEMBANGUN (GMM)                      | 4,409     | -                          | (243)  | (25)                                     | -          | -                         | 4,141     |
| Gwangju Ilbo Corporation             | 3,561     | -                          | (55)   | -  | (5)        | -                         | 3,501     |
| Other                                | 2,640     | (1,152)                    | 150  | -  | -          | -                         | 1,638     |
|                                      | 117,238   | 550,536                    | 283,992  | (1,733)                                  | (5,318)    | 297,312                   | 1,242,027 |

(\*1): Dividend, remeasurement component of net defined benefit liabilities and ect. were included.

(\*2): Equity method evaluations of Hyosung Dong NaiCo, LTD, Hyosung Spandex (Quzhou), Hyosung NEW Material & Hitech (Quzhou) Co., Ltd., and HYOSUNG INDIA Pvt Ltd, which are owned by Hyosung Istanbul TEKSTIL LTD.STI. were included.

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

- (3) Summary of condensed financial information of major associates, details of adjustments from the book amount of investments in associates, and dividends received from associates as at and for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                                      | 2019           |                    |                     |                         |             |   |                            |                                  |                                    |  |
|--------------------------------------|----------------|--------------------|---------------------|-------------------------|-------------|---|----------------------------|----------------------------------|------------------------------------|--|
|                                      | Current assets | Non-current assets | Current liabilities | non-currnet liabilities | Revenue     | Profit(Loss) from continuing operations | Other comprehensive income | Total comprehensive income(loss) | Dividends received from associates |  |
| Hyosung T & C Co., Ltd.              | ₩ 1,470,103    | ₩ 1,754,204        | ₩ 2,045,477         | ₩ 595,876               | ₩ 5,983,145 | ₩ 1,221,023                             | ₩ (1,336)                  | ₩ 120,687                        | ₩ (879)                            |  |
| Hyosung Heavy Industry Co., Ltd.     | 1,579,014      | 2,421,816          | 2,116,804           | 893,529                 | 3,781,445   | 16,023                                  | (10,452)                   | 5,571                            | -                                  |  |
| Hyosung Advanced Material Co., Ltd.  | 982,899        | 1,548,200          | 1,540,234           | 585,464                 | 3,053,616   | (52,907)                                | 9,984                      | (42,923)                         | -                                  |  |
| Hyosung Chemical Co., Ltd.           | 446,058        | 1,617,458          | 431,320             | 1,177,488               | 1,812,470   | 87,823                                  | (1,843)                    | 85,980                           | (643)                              |  |
| Taebaek Wind Power Co., Ltd.         | 6,461          | 32,030             | 4,091               | 5,544                   | 6,177       | 6,194                                   | -                          | 6,194                            | -                                  |  |
| Pyeongchang Wind Power Co., Ltd.     | 11,629         | 68,002             | 4,773               | 51,350                  | 10,713      | 1,832                                   | -                          | 1,832                            | -                                  |  |
| Hyosung Information System Co., Ltd. | 115,189        | 25,160             | 40,288              | 5,670                   | 186,860     | 6,933                                   | -                          | 6,933                            | (2,595)                            |  |
| Hyosung Toyota                       | 11,573         | 10,760             | 7,666               | 6,875                   | 76,808      | 2,106                                   | -                          | 2,106                            | -                                  |  |
| Hyosung Haitex Co., Ltd.             | 86,093         | 74,045             | 798,532             | 28,468                  | 388,013     | 10,916                                  | (2,964)                    | 7,952                            | (2,179)                            |  |
| Hyosung Vietnam Co., Ltd.            | 420,895        | 409,721            | 588,382             | 900                     | 1,401,634   | 57,625                                  | (7,325)                    | 50,300                           | (17,328)                           |  |
| Hyosung Istanbul TEKSTIL LTD.STI     | 79,108         | 110,485            | 38,247              | 77,882                  | 166,622     | 18,194                                  | 671                        | 18,865                           | (11,126)                           |  |
| PT. Papua Agro Lestari               | 22,711         | 43,316             | 881                 | 21,665                  | 1,384       | (4,706)                                 | (3,644)                    | (8,350)                          | -                                  |  |
| PT. GELORA MANDIRI MEMBANGUN (GMM)   | 2,254          | 66,687             | 24,912              | 39,008                  | -           | (198)                                   | (412)                      | (610)                            | -                                  |  |
| Gwangju Ilbo Corporation             | 4,208          | 18,437             | 13,599              | 1,707                   | 8,056       | (314)                                   | (9)                        | 305                              | -                                  |  |

(\*1) Based on separate financial information

(In millions of Korean Won)

|                                      | 2018           |                    |                     |                         |             |   |                            |                                  |                                    |  |
|--------------------------------------|----------------|--------------------|---------------------|-------------------------|-------------|---|----------------------------|----------------------------------|------------------------------------|--|
|                                      | Current assets | Non-current assets | Current liabilities | non-currnet liabilities | Revenue     | Profit(Loss) from continuing operations | Other comprehensive income | Total comprehensive income(loss) | Dividends received from associates |  |
| Hyosung T & C Co., Ltd.              | ₩ 1,423,095    | ₩ 1,710,301        | ₩ 1,969,074         | ₩ 677,420               | ₩ 3,359,086 | ₩ 31,498                                | ₩ (18,851)                 | ₩ 12,648                         | ₩ -                                |  |
| Hyosung Heavy Industry Co., Ltd.     | 1,512,258      | 1,920,027          | 1,998,380           | 528,483                 | 2,180,485   | 2,619                                   | (16,946)                   | (14,326)                         | -                                  |  |
| Hyosung Advanced Material Co., Ltd.  | 1,030,998      | 1,503,700          | 1,474,716           | 593,966                 | 1,767,487   | (23,744)                                | 2,478                      | (21,267)                         | -                                  |  |
| Hyosung Chemical Co., Ltd.           | 429,020        | 1,214,926          | 716,676             | 560,022                 | 1,116,772   | 20,395                                  | 2,891                      | 23,286                           | -                                  |  |
| Taebaek Wind Power Co., Ltd.         | 4,857          | 31,989             | 2,929               | 11,255                  | 8,232       | 2,266                                   | -                          | 2,266                            | (274)                              |  |
| Pyeongchang Wind Power Co., Ltd.     | 10,187         | 71,824             | 5,149               | 55,187                  | 12,615      | 5,063                                   | -                          | 5,063                            | -                                  |  |
| Hyosung Information System Co., Ltd. | 126,741        | 15,772             | 44,035              | 5,000                   | 176,941     | 6,701                                   | (257)                      | 6,444                            | (2,595)                            |  |
| Hyosung Toyota                       | 10,480         | 6,341              | 9,345               | 1,582                   | 111,041     | 4,501                                   | (29)                       | 4,472                            | -                                  |  |
| Hyosung Haitex Co., Ltd.             | 75,318         | 38,204             | 59,942              | 5,671                   | 402,110     | 7,017                                   | (14,285)                   | (7,268)                          | (2,179)                            |  |
| Hyosung Vietnam Co., Ltd.            | 429,144        | 445,339            | 636,789             | 658                     | 1,274,323   | 47,753                                  | -                          | 47,753                           | -                                  |  |
| Hyosung Istanbul TEKSTIL LTD.STI     | 69,578         | 116,909            | 34,746              | 76,143                  | 161,370     | 16,348                                  | -                          | 16,348                           | -                                  |  |
| PT. Papua Agro Lestari               | 27,664         | 36,893             | 2,485               | 17,529                  | -           | 957                                     | (5,239)                    | (4,282)                          | -                                  |  |
| PT. GELORA MANDIRI MEMBANGUN (GMM)   | 1,850          | 51,307             | 10,685              | 37,664                  | -           | (1,618)                                 | (976)                      | (2,594)                          | -                                  |  |
| Gwangju Ilbo Corporation             | 4,118          | 18,542             | 14,092              | 1,424                   | 8,112       | (113)                                   | (9)                        | (122)                            | -                                  |  |

(\*1) Based on separate financial information

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(4) Details of adjustments from financial information of major associates to the book amount of investments in associates for the years ended December 31, 2019 and 2018, are as follows:

(In millions of Korean Won)

|                                       | 2019              |                                      |                                     |          |                            |          |                |
|---------------------------------------|-------------------|--------------------------------------|-------------------------------------|----------|----------------------------|----------|----------------|
|                                       | Net assets<br>(a) | Percentage<br>of<br>ownership<br>(b) | Interests in<br>net assets<br>(a*b) | Goodwill | Inter-group<br>transaction | Others   | Book<br>amount |
| Hyosung T & C Co., Ltd.               | ₩ 488,958         | 20.32%                               | ₩ 99,356                            | ₩ 17,214 | ₩ -                        | ₩ 72,624 | ₩ 189,194      |
| Hyosung Heavy Industry Co., Ltd.      | 908,243           | 32.47%                               | 294,907                             | -        | -                          | 131,324  | 426,231        |
| Hyosung Advanced Material Co.,        | 323,432           | 21.20%                               | 68,568                              | 1,817    | -                          | 29,465   | 99,850         |
| Hyosung Chemical Co., Ltd.            | 454,708           | 20.17%                               | 91,715                              | 3,116    | -                          | 19,536   | 114,367        |
| Taebaek Wind Power Co., Ltd.          | 28,855            | 35.00%                               | 10,099                              | -        | -                          | -        | 10,099         |
| Pyeongchang Wind Power Co., Ltd.      | 23,508            | 42.00%                               | 9,873                               | -        | -                          | -        | 9,873          |
| Hyosung Information System Co.,       | 94,390            | 50.00%                               | 47,195                              | -        | -                          | -        | 47,195         |
| Hyosung Toyota                        | 7,791             | 40.00%                               | 3,116                               | -        | -                          | -        | 3,116          |
| Hyosung Haitex Co., Ltd.              | 51,817            | 34.99%                               | 18,131                              | -        | -                          | (169)    | 17,962         |
| Hyosung Vietnam Co., Ltd.             | 241,335           | 28.57%                               | 68,949                              | 98,407   | -                          | 17,953   | 185,309        |
| Hyosung Istanbul TEKSTIL              | 73,464            | 56.58%                               | 41,566                              | 64,108   | -                          | 51,932   | 157,606        |
| PT. Papua Agro Lestari                | 43,477            | 15.00%                               | 6,522                               | 3,191    | -                          | -        | 9,713          |
| PT. GELORA MANDIRI<br>MEMBANGUN (GMM) | 5,024             | 15.00%                               | 754                                 | 3,420    | -                          | -        | 4,174          |
| Gwangju Ilbo Corporation              | 7,339             | 49.00%                               | 3,596                               | -        | -                          | -        | 3,596          |

(\*1) : Hyosung Dong Nai Co, LTD, Hyosung Spandex (Quzhou), Hyosung NEW Material & Hitech (Quzhou) Co., Ltd., HYOSUNG INDIA Pvt Ltd, owned by Hyosung Istanbul TEKSTIL LTD.STI. adjustments were included.

(In millions of Korean Won)

|                                       | 2019              |                                      |                                     |          |                            |          |                |
|---------------------------------------|-------------------|--------------------------------------|-------------------------------------|----------|----------------------------|----------|----------------|
|                                       | Net assets<br>(a) | Percentage<br>of<br>ownership<br>(b) | Interests in<br>net assets<br>(a*b) | Goodwill | Inter-group<br>transaction | Others   | Book<br>amount |
| Hyosung T & C Co., Ltd.               | ₩ 403,571         | 20.32%                               | ₩ 82,006                            | ₩ -      | ₩ -                        | ₩ 94,477 | ₩ 176,483      |
| Hyosung Heavy Industry Co., Ltd.      | 906,131           | 32.47%                               | 294,221                             | -        | -                          | 140,150  | 434,371        |
| Hyosung Advanced Material Co.,        | 385,806           | 21.20%                               | 81,791                              | -        | -                          | 34,685   | 116,476        |
| Hyosung Chemical Co., Ltd.            | 367,249           | 20.17%                               | 74,074                              | -        | -                          | 23,614   | 97,688         |
| Taebaek Wind Power Co., Ltd.          | 22,662            | 35.00%                               | 7,932                               | -        | -                          | -        | 7,932          |
| Pyeongchang Wind Power Co., Ltd.      | 21,675            | 42.00%                               | 9,104                               | -        | -                          | -        | 9,104          |
| Hyosung Information System Co.,       | 93,478            | 50.00%                               | 46,739                              | -        | -                          | -        | 46,739         |
| Hyosung Toyota                        | 5,894             | 40.00%                               | 2,358                               | -        | -                          | -        | 2,358          |
| Hyosung Haitex Co., Ltd.              | 47,909            | 34.99%                               | 16,763                              | -        | -                          | (103)    | 16,660         |
| Hyosung Vietnam Co., Ltd.             | 237,036           | 28.57%                               | 67,721                              | 98,407   | -                          | 21,739   | 187,867        |
| Hyosung Istanbul TEKSTIL              | 75,598            | 56.58%                               | 42,773                              | 64,108   | -                          | 20,319   | 127,200        |
| PT. Papua Agro Lestari                | 44,543            | 15.00%                               | 6,681                               | 3,191    | -                          | -        | 9,872          |
| PT. GELORA MANDIRI<br>MEMBANGUN (GMM) | 4,808             | 15.00%                               | 721                                 | 3,420    | -                          | -        | 4,141          |
| Gwangju Ilbo Corporation              | 7,144             | 49.00%                               | 3,501                               | -        | -                          | -        | 3,501          |

(\*1): Hyosung Dong Nai Co, LTD, Hyosung Spandex (Quzhou), Hyosung NEW Material & Hitech (Quzhou) Co., Ltd., HYOSUNG INDIA Pvt Ltd, owned by Hyosung Istanbul TEKSTIL LTD.STI. adjustments were included.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(5) Fair value of marketable investments in associates as at December 31, 2019 and 2018 are as follows:

| <b>2019</b>                         |                         |   |   |   |
|-------------------------------------|-------------------------|---|---|---|
|                                     | <b>Number of shares</b> | <b>Market price per share<br/>(in Korean won)</b> | <b>Fair value<br/>(in millions of Korean won)</b> | <b>Book value<br/>(in millions of Korean won)</b> |
| Hyosung ITX Co., Ltd.               | ₩ 4,349,000             | ₩ 16,700  | ₩ 72,628  | ₩ 17,962  |
| Hyosung T & C Co., Ltd.             | 879,290                 | 154,500   | 135,850   | 189,194   |
| Hyosung Heavy Industry Co., Ltd.    | 3,027,801               | 26,650  | 80,691  | 426,231   |
| Hyosung Advanced Material Co., Ltd. | 949,839                 | 111,000   | 105,432   | 99,850  |
| Hyosung Chemical Co., Ltd.          | 643,481                 | 144,500   | 92,983  | 114,367   |

  

| <b>2018</b>                         |                         |   |   |   |
|-------------------------------------|-------------------------|---|---|---|
|                                     | <b>Number of shares</b> | <b>Market price per share<br/>(in Korean won)</b> | <b>Fair value<br/>(in millions of Korean won)</b> | <b>Book value<br/>(in millions of Korean won)</b> |
| Hyosung ITX Co., Ltd.               | 4,349,000               | ₩ 10,400  | ₩ 45,230  | ₩ 6,961   |
| Hyosung T & C Co., Ltd.             | 879,290                 | 185,000   | 162,669   | 176,483   |
| Hyosung Heavy Industry Co., Ltd.    | 3,027,801               | 41,350  | 125,200   | 161,041   |
| Hyosung Advanced Material Co., Ltd. | 949,839                 | 103,000   | 97,833  | 116,476   |
| Hyosung Chemical Co., Ltd.          | 643,481                 | 142,000   | 91,374  | 97,688  |

(6) Accumulated unrecognized changes in equity due to ceased equity method for the year ended December 31, 2019 are as follows:

(In millions of Korean Won)

| <b>2019</b>                  |                          |  |         |
|------------------------------|--------------------------|--|---------|
|                              | <b>Unrecognized loss</b> | <b>Unrecognized accumulated losses</b> |         |
| Suncheon Eco Green Co., Ltd. | ₩ (934)                  | ₩                                      | (2,850) |

(In millions of Korean Won)

| <b>2018</b>                  |                          |  |         |
|------------------------------|--------------------------|--|---------|
|                              | <b>Unrecognized loss</b> | <b>Unrecognized accumulated losses</b> |         |
| Suncheon Eco Green Co., Ltd. | ₩ (1,524)                | ₩                                      | (1,916) |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**21. Related Party Transactions**

Details of associates and other related parties as at December 31, 2019 are as follows:

(1) Associates

| <b>Region</b> | <b>Related Party</b>   |
|---------------|--|
| Domestic      | Hyosung Heavy Industries Co., Ltd., Hyosung Advanced Materials Co., Ltd., Hyosung Chemical Co., Ltd., Taebaek Wind Power Company, Pyeongchang Wind Power Co., Suncheon Eco Green Company, Hyosung ITX Co., Ltd., Hyosung Information System Co., Hyosung Toyota Co., Pathfinder Youth Entrepreneurs Investment Association |
| Asia          | Papua Agro Lestari, PT. GELORA MANDIRI MEMBANGUN(GMM), Hyosung Vietnam Co., Ltd.   |
| Europe        | Hyosung Istanbul TEKSTIL LTD.STI   |

(2) Other related party

| <b>Region</b> | <b>Related Party</b>  |
|---------------|---|
| Domestic      | Galaxia Corporation, Galaxia Device, Galaxia Micropayment, Galaxia Electronics, Gongdeuk Development, The Class Hyosung, The Premium Hyosung, Dongryung Industry, Shindongjin Co., Ahip Automotive Group, ITX Marketing Co., M & S Corporation, Trinity Asset Management Co., Ltd., Happy Dudley Co., Ltd., Hyosung Premier Motors Co., Ltd., AES Co., Ltd., and others |
| China         | Tianjin Galaxia Device Electronics Co., Ltd., Huizhou Galaxia Device Electronics Co., Ltd., Qingdao Galaxia Device Electronics Co., Ltd., Weihai Newsolim Electronics Co., Ltd., DNS Technology Co., Ltd and others   |
| Asia          | Galaxia Japan, Hyosung Singapore PTE Ltd and others   |
| Europe        | Hyosung Europe SRL and others   |

(3) Others

| <b>Region</b> | <b>Related Party</b>  |
|---------------|---|
| Domestic      | Gabee Inc., Galaxia SM, Galaxia Communications, Shinseong Motor Co., Ltd., and others |
| China         | IB China, Ltd., and others  |
| America       | IB America, Inc. and others   |

Those entities are not subject to the related party in accordance with Korean IFRS 1024, but the entity belongs to a large enterprise group in accordance with the Monopoly Regulation and Fair-Trade Act. Therefore, the Group included those entities in the scope of the related parties.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(4) Significant transactions with related parties

- 1) Significant transactions and outstanding balances with relate parties for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|   | <b>2019</b>                      |                            |                                |  |
|---|----------------------------------|----------------------------|--------------------------------|--|
|   | <b>Sales and<br/>Others (*1)</b> | <b>Dividend<br/>income</b> | <b>Purchase and<br/>Others</b> | <b>Acquisition of<br/>Fixed Assets</b> |
| <b>Associates</b>                           |                                  |                            |                                |  |
| Hyosung Heavy Industry                      | ₩ 95,751                         | ₩ -                        | ₩ 188,111                      | ₩ 33                                   |
| Hyosung Chemical Co., Ltd.                  | 66,530                           | 643                        | 2,729                          | -                                      |
| Hyosung TNC Co., Ltd.                       | 66,254                           | 879                        | 90,017                         | -                                      |
| Hyosung Advanced Material Co., Ltd.         | 55,098                           | -                          | 185,796                        | -                                      |
| Hyosung Vietnam Co., Ltd.                   | 2,947                            | 17,328                     | 356,695                        | -                                      |
| Hyosung ITX Co., Ltd.                       | 1,451                            | 2,179                      | 4,044                          | 3,768                                  |
| Hyosung Information System Co., Ltd.        | 566                              | 2,595                      | 425                            | 1,206                                  |
| Hyosung Istanbul TEKSTIL LTD.STI            | 129                              | 11,126                     | -                              | -                                      |
| Others                                      | 31                               | -                          | 913                            | -                                      |
|   | <u>288,757</u>                   | <u>34,750</u>              | <u>828,730</u>                 | <u>5,007</u>                           |
| <b>Other related parties</b>                |                                  |                            |                                |  |
| Global Safety Textiles LLC                  | ₩ 46,520                         | ₩ -                        | ₩ 2,652                        | ₩ -                                    |
| Huizhou Galaxia Dvice Electronics CO., Ltd. | 22,023                           | -                          | 203,597                        | 3                                      |
| Hyosung Japan Co., Ltd                      | 8,031                            | -                          | 545                            | -                                      |
| Hyosung Mexico City S.A. de C.V.            | 3,683                            | -                          | 315                            | -                                      |
| Hyosung DongNai Co., LTD                    | 1,369                            | -                          | 115,319                        | -                                      |
| Hyosung Steel Cord(Qingdao) Co., Ltd.       | 569                              | -                          | 5,028                          | -                                      |
| Chinhung Inc.                               | 111                              | -                          | -                              | 612                                    |
| Others                                      | 5,028                            | -                          | 40,400                         | 2,249                                  |
|   | <u>87,334</u>                    | <u>-</u>                   | <u>367,856</u>                 | <u>2,864</u>                           |
| <b>Others</b>                               |                                  |                            |                                |  |
| Galaxia Communications                      | 1,101                            | 28                         | 435                            | -                                      |
| Galaxia SM                                  | -                                | -                          | 4,036                          | -                                      |
| Others                                      | 548                              | -                          | -                              | -                                      |
|   | <u>1,646</u>                     | <u>28</u>                  | <u>4,471</u>                   | <u>-</u>                               |
| Total                                       | <u>₩ 377,740</u>                 | <u>₩ 34,778</u>            | <u>₩ 1,201,057</u>             | <u>₩ 7,871</u>                         |

(\*1): Revenue, rental income, interest income and others are included in revenue and others. Purchase of raw materials, export fees, service fees, interest expense and others are included in purchases and others.



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(In millions of Korean won)

|   | <b>2018</b>                      |                            |                                |  |
|---|----------------------------------|----------------------------|--------------------------------|--|
|   | <b>Sales and<br/>Others (*1)</b> | <b>Dividend<br/>income</b> | <b>Purchase and<br/>Others</b> | <b>Acquisition of<br/>Fixed Assets</b> |
| <b>Associates</b>                             |                                  |                            |                                |  |
| Hyosung Heavy Industry                        | ₩ 55,665                         | ₩ -                        | ₩ 85,610                       | ₩ -                                    |
| Hyosung TNC Co., Ltd.                         | 35,978                           | -                          | 56,267                         | -                                      |
| Hyosung Chemical Co., Ltd.                    | 34,759                           | -                          | 1,165                          | -                                      |
| Hyosung Advanced Material Co., Ltd.           | 33,786                           | -                          | 90,644                         | 1                                      |
| Hyosung Information System Co., Ltd.          | 472                              | 2,595                      | 310                            | 1,004                                  |
| Hyosung Vietnam Co., Ltd.                     | 2,401                            | -                          | 131,913                        | -                                      |
| Others  | 6,339                            | 2,453                      | 9,397                          | 459                                    |
|   | <u>169,400</u>                   | <u>5,048</u>               | <u>375,306</u>                 | <u>1,464</u>                           |
| <b>Other related parties</b>                  |                                  |                            |                                |  |
| Global Safety Textiles LLC                    | 25,380                           | -                          | 559                            | 241                                    |
| HYOSUNG T & D INDIA Pvt Ltd                   | 12,025                           | -                          | 388                            | -                                      |
| Hyosung Japan Co., Ltd                        | 5,430                            | -                          | 106                            | -                                      |
| Galaxia Electronics (China Huizhou) CO., Ltd. | 2,021                            | -                          | 129,259                        | 69                                     |
| Hyosung DongNai Co., LTD                      | 848                              | -                          | 108,370                        | -                                      |
| Others  | 8,610                            | -                          | 31,848                         | 408                                    |
|   | <u>54,314</u>                    | <u>-</u>                   | <u>270,530</u>                 | <u>718</u>                             |
| <b>Others</b>                                 |                                  |                            |                                |  |
| Shinwha intertek Co., Ltd.                    | 3,992                            | -                          | 3                              | -                                      |
| Galaxia Communications                        | 1,080                            | -                          | 20                             | -                                      |
| Jin Heung International Co.                   | 1,056                            | -                          | -                              | 2,748                                  |
| Others  | 2                                | -                          | 6,234                          | -                                      |
|   | <u>6,130</u>                     | <u>-</u>                   | <u>6,257</u>                   | <u>2,748</u>                           |
| Total   | <u>₩ 229,844</u>                 | <u>₩ 5,048</u>             | <u>₩ 652,093</u>               | <u>₩ 4,930</u>                         |

(\*1): Revenue, rental income, interest income and others are included in revenue and others. Purchase of raw materials, export fees, service fees, interest expense and others are included in purchases and others.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(In millions of Korean won)

|  | 2019                            |                           |                 |                 |
|--|---------------------------------|---------------------------|-----------------|-----------------|
|  | Trade receivables<br>and Others | Other receivables<br>(*1) | Trade payables  | Other payables  |
| <b>Associates</b>                              |                                 |                           |                 |                 |
| Hyosung Heavy Industries Co., Ltd. (*2)        | ₩ 14,207                        | ₩ 53,223                  | ₩ 1,008         | ₩ 15,310        |
| Hyosung Chemical Co., Ltd.                     | 8,972                           | 40                        | 725             | 87              |
| Hyosung TNC Co., Ltd.                          | 6,358                           | 58                        | 1,717           | 445             |
| Hyosung Advanced Material Co., Ltd.            | 5,968                           | 14                        | 1,216           | 1,798           |
| Hyosung Vietnam Co., Ltd.                      | 72                              | 187                       | 39,272          | -               |
| Gwangju Ilbo Corporation                       | -                               | 7,963                     | -               | 55              |
| Others   | 216                             | 2,625                     | 1,280           | 2,519           |
|  | <u>35,793</u>                   | <u>64,110</u>             | <u>45,218</u>   | <u>20,214</u>   |
| <b>Other related parties</b>                   |                                 |                           |                 |                 |
| Global Safety Textiles LLC                     | 8,200                           | -                         | 3,727           | -               |
| Hyosung Mexico CITY S.A. de C.V.               | 3,658                           | -                         | -               | -               |
| Huizhou Galaxia Device Electronics., Co., Ltd. | 1,767                           | 2,176                     | 12,439          | -               |
| Hyosung Europe SRL                             | 1,321                           | 373                       | 4               | 237             |
| Hyosung Japan Co., Ltd.                        | 470                             | -                         | 24              | 146             |
| Hyosung DongNai Co., LTD                       | 67                              | 100                       | 13,011          | -               |
| Hyosung Spandex (Jiaxing) Co., Ltd.            | 28                              | -                         | 2,765           | -               |
| Gongdeokgyeongwoo development corporation      | -                               | 823                       | -               | 1,230           |
| Others   | 2,175                           | 147                       | 3,517           | 792             |
|  | <u>16,911</u>                   | <u>3,619</u>              | <u>35,487</u>   | <u>2,405</u>    |
| <b>Others</b>                                  |                                 |                           |                 |                 |
| Galaxia SM                                     | 41                              | -                         | 123             | 2               |
| Galaxia Communications                         | 1                               | -                         | 2               | 779             |
| Others   | 73                              | -                         | -               | -               |
|  | <u>115</u>                      | <u>-</u>                  | <u>125</u>      | <u>781</u>      |
| Total  | <u>₩ 52,819</u>                 | <u>₩ 67,729</u>           | <u>₩ 80,830</u> | <u>₩ 23,400</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.

(\*2): The membership right on Hyosung Heavy Industries amounting to KRW 40,800 million has been accounted for as intangible assets.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(In millions of Korean won)

|   | <b>2018</b>                             |                                   |                       |                       |
|---|---|-----------------------------------|-----------------------|-----------------------|
|   | <b>Trade receivables<br/>and Others</b> | <b>Other receivables<br/>(*1)</b> | <b>Trade payables</b> | <b>Other payables</b> |
| <b>Associates</b>                             |   |                                   |                       |                       |
| Hyosung Heavy Industries Co., Ltd. (*2)       | ₩ 12,241                                | ₩ 23,316                          | ₩ 44,355              | ₩ 5,218               |
| Hyosung Chemical Co., Ltd.                    | 10,395                                  | 8                                 | 364                   | 2,017                 |
| Hyosung Advanced Material Co., Ltd.           | 9,349                                   | 181                               | 1,293                 | 1,201                 |
| Hyosung TNC Co., Ltd.                         | 8,568                                   | 483                               | 11,410                | 1,597                 |
| Hyosung Vietnam Co., Ltd.                     | 760                                     | -                                 | 44,254                | -                     |
| Gwangju Ilbo Corporation                      | -                                       | 7,980                             | -                     | 55                    |
| Others  | 276                                     | 4,983                             | 166                   | 1,013                 |
|   | <u>41,589</u>                           | <u>36,951</u>                     | <u>101,842</u>        | <u>11,101</u>         |
| <b>Other related parties</b>                  |   |                                   |                       |                       |
| Global Safety Textiles LLC                    | 8,200                                   | -                                 | 544                   | -                     |
| Hyosung Europe SRL                            | 2,858                                   | 470                               | 4                     | 274                   |
| Hyosung DongNai Co., LTD                      | 301                                     | 23                                | 16,615                | -                     |
| Galaxia Electronics (China Huizhou) CO., Ltd. | -                                       | 885                               | 9,219                 | 55                    |
| Others  | 1,611                                   | 877                               | 6,196                 | 58                    |
|   | <u>12,970</u>                           | <u>2,255</u>                      | <u>32,578</u>         | <u>387</u>            |
| <b>Others</b>                                 |   |                                   |                       |                       |
| Shinhwa Intertek                              | 145                                     | -                                 | -                     | -                     |
| Galaxia SM                                    | 20                                      | -                                 | 112                   | 140                   |
| Jin Hung International Co.                    | 1                                       | -                                 | -                     | 3,023                 |
| Others  | 2                                       | -                                 | 3                     | 694                   |
|   | <u>168</u>                              | <u>-</u>                          | <u>115</u>            | <u>3,857</u>          |
| Total   | <u>₩ 54,727</u>                         | <u>₩ 39,206</u>                   | <u>₩ 134,535</u>      | <u>₩ 15,345</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.

(\*2): The Group (or Consolidate) recognizes Hyosung Heavy Industries' membership of KRW 40,800 million as an intangible asset.

2) Fund transfer to related parties for the years ended December 31, 2019 and 2018 are as follows:

|  | <b>2019</b>                  |              |                   |                                 |   |                           |                                 |
|--|------------------------------|--------------|-------------------|---------------------------------|---|---------------------------|---------------------------------|
|  | <b>Beginning<br/>balance</b> | <b>Loans</b> | <b>Collection</b> | <b>Exclusion<br/>(spin-off)</b> | <b>Translation<br/>exchange<br/>differences</b> | <b>Ending<br/>balance</b> | <b>Contribution<br/>in cash</b> |
| <b>Associates</b>  |                              |              |                   |                                 |   |                           |                                 |
| PT. GELORA MANDIRI<br>MEMBANGUN(GMM).                    | ₩ 4,945                      | ₩ -          | ₩ (2,362)         | ₩ -                             | ₩ (23)  | ₩ 2,560                   | ₩ -                             |
| Gwangju Ilbo Corporation                                 | 7,149                        | 704          | -                 | -                               | -   | 7,853                     | -                               |
| Pathfinder Youth Entrepreneurs<br>Investment Association | -                            | -            | -                 | -                               | -   | -                         | 2,543                           |
| <b>Other related parties</b>                             |                              |              |                   |                                 |   |                           |                                 |
| The Class Hyosung  | -                            | 28           | (28)              | -                               | -   | -                         | -                               |
| Hyosung Mexico CITY S.A. de C.V                          | -                            | 712          | -                 | -                               | -   | 712                       | -                               |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(In millions of Korean won)

|   | 2018              |       |            |                      |                                  |                |                      |
|---|-------------------|-------|------------|----------------------|----------------------------------|----------------|----------------------|
|   | Beginning balance | Loans | Collection | Exclusion (spin-off) | Translation exchange differences | Ending balance | Contribution in cash |
| <b>Associates</b>                                     |                   |       |            |                      |                                  |                |                      |
| Suncheon Eco Green Co., Ltd.                          | ₩ 924             | ₩ 345 | ₩ -        | ₩ (1,269)            | ₩ -                              | ₩ -            | ₩ -                  |
| PT. Gelora Mandiri Membangun                          | 4,738             | -     | -          | -                    | 207                              | 4,945          | -                    |
| Gwangju Ilbo Corporation                              | 7,149             | -     | -          | -                    | -                                | 7,149          | -                    |
| Pathfinder Youth Entrepreneurs Investment Association | -                 | -     | -          | -                    | -                                | -              | 1,050                |
| <b>Other related parties</b>                          |                   |       |            |                      |                                  |                |                      |
| The Class Hyosung                                     | 47                | -     | (47)       | -                    | -                                | -              | -                    |
| Ahseung Automotive Group                              | 100               | -     | (100)      | -                    | -                                | -              | -                    |

3) Details of remuneration to key management for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|   | 2019           | 2018           |
|---|----------------|----------------|
| Salaries and other short-term employee benefits | ₩ 5,749        | ₩ 7,017        |
| Post-employment benefits                        | 614            | 731            |
|   | <u>₩ 6,363</u> | <u>₩ 7,748</u> |

4) Details of collaterals and payment guarantee provided by the Group for the related parties as at December 31, 2019 are as follows:

(In millions of Korean won)

|                        | 2019            |                |                 |            |                      |                                     |
|------------------------|-----------------|----------------|-----------------|------------|----------------------|-------------------------------------|
|                        | Carrying amount | Secured amount | Secured asset   | Remark     | Amount of borrowings | Provided by                         |
| <b>Associates</b>      |                 |                |                 |            |                      |                                     |
| Sooncheon Eco Green    | ₩ -             | ₩ -            | Equity security | Borrowings | 34,709               | Industrial Bank of Korea and others |
| Pyeongchang Wind Power | 9,873           | 6,510          | Equity security | Borrowings | 52,000               | Woori Bank and others               |
|                        | <u>₩ 9,873</u>  | <u>₩ 6,510</u> |                 |            | <u>86,709</u>        |                                     |

In addition, the Group provides the payment guarantee of KRW 523,564 million in terms of borrowings of Hyosung DongNai Co., Ltd (other related parties). The Group provides 2 checks for the private investment business of Soonchon Eco Green Corporation.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**22. Trade Payables and Other Payables**

(1) Trade payables and other payables as at December 31, 2019 and 2018 are as follows:

|                          | (In millions of Korean won) |                |             |                |
|--------------------------|-----------------------------|----------------|-------------|----------------|
|                          | <u>2019</u>                 |                | <u>2018</u> |                |
| Trade payables           | ₩                           | 242,114        | ₩           | 304,646        |
| Other payables           |                             | 189,062        |             | 166,483        |
| Long-term other payables |                             | 206,091        |             | 220,786        |
|                          | ₩                           | <u>637,297</u> | ₩           | <u>691,915</u> |

(2) Details of other payables as at December 31, 2019 and 2018 are as follows:

|                                 | (In millions of Korean won) |                |             |                |
|---------------------------------|-----------------------------|----------------|-------------|----------------|
|                                 | <u>2019</u>                 |                | <u>2018</u> |                |
| <b>Other payables</b>           |                             |                |             |                |
| Non-trade payables              | ₩                           | 81,520         | ₩           | 95,442         |
| Accrued expenses                |                             | 36,754         |             | 33,869         |
| Withholdings                    |                             | 68,068         |             | 36,049         |
| Withholding deposits            |                             | 2,720          |             | 1,123          |
|                                 |                             | <u>189,062</u> |             | <u>166,483</u> |
| <b>Long-term other payables</b> |                             |                |             |                |
| Non-trade payables              |                             | 5,160          |             | 6,100          |
| Accrued expenses                |                             | 420            |             | 366            |
| Withholding deposits            |                             | 200,511        |             | 214,320        |
|                                 |                             | <u>206,091</u> |             | <u>220,786</u> |
|                                 | ₩                           | <u>395,153</u> | ₩           | <u>387,268</u> |

(3) The fair value of other long-term payables was measured by discounting the nominal amounts of future cash inflow with the discount rates reflecting the credit risk.

|               | <u>2019</u>   | <u>2018</u>   |
|---------------|---------------|---------------|
| Discount Rate | 1.60% ~ 2.90% | 1.60% ~ 3.40% |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**23. Borrowings**

(1) Borrowings as at December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean won) |                    |
|--|-----------------------------|--------------------|
|  | <u>2019</u>                 | <u>2018</u>        |
| <b>Short-term borrowings</b>                           |                             |                    |
| Short-term borrowings                                  | ₩ 765,629                   | ₩ 748,072          |
| Current portion of long-term borrowings and debentures | 747,586                     | 823,369            |
|  | <u>1,513,215</u>            | <u>1,571,441</u>   |
| <b>Long-term borrowings</b>                            |                             |                    |
| Long-term borrowings                                   | 236,128                     | 249,188            |
| Debentures   | 752,250                     | 693,738            |
|  | <u>988,378</u>              | <u>942,926</u>     |
|  | <u>₩ 2,501,593</u>          | <u>₩ 2,514,367</u> |

The Group provides some of the Group's property, plant and equipment as collateral for the above borrowings (Notes 16 and 39).

(2) Details of borrowings as at December 31, 2019 and 2018 are as follows:

1) Short-term borrowings

|                                | Creditor              | Annual interest rate(%) | (In millions of Korean won) |                  |
|--------------------------------|-----------------------|-------------------------|-----------------------------|------------------|
|                                |                       |                         | 2019                        | 2018             |
| Bank overdrafts                | -                     | -                       | ₩ -                         | ₩ -              |
| General loan                   | Woori Bank and others | 2.59~4.50               | 387,338                     | 372,817          |
| Collateralized borrowings (*1) | Woori Bank and others | 2.84~3.12               | 21,508                      | 90,981           |
| Others                         | Woori Bank and others | 2.00~4.75               | 356,783                     | 284,274          |
|                                |                       |                         | <u>₩ 765,629</u>            | <u>₩ 748,072</u> |

(\*1): The Group sold trade receivables denominated in foreign currencies at a discount to the financial institutions. The Group may retain an obligation to compensate a financial institution for debtors' failure to make payment when they become due, an obligation known as a 'recourse obligation'. Recourse obligations related to the sales of receivables with recourse are accounted for as collateralized borrowings (Notes 7 and 39).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

2) Long-term borrowings

(In millions of Korean won)

|                           | Creditor  | Annual interest<br>rate(%) | 2019             | 2018             |
|---------------------------|---|----------------------------|------------------|------------------|
| <b>Hyosung Corp.</b>      |   |                            |                  |                  |
| Long-term borrowings deno | Korea Energy Co   | 0.75                       | ₩ 1,035          | ₩ 1,171          |
| Long-term borrowings deno | -   | -                          | -                | -                |
| <b>Subsidiaries</b>       |   |                            |                  |                  |
| Long-term borrowings deno | Woori Bank and others<br>The Export-Import<br>Bank of Korea and | 3.80~4.36                  | 324,450          | 367,544          |
| Long-term borrowings deno | others  | 3.17~3.85                  | 61,363           | 62,707           |
|                           | Total   |                            | <u>386,848</u>   | <u>431,422</u>   |
|                           | Less: Current portion   |                            | (150,586)        | (181,988)        |
|                           | Present value discounts   |                            | (134)            | (246)            |
|                           |   |                            | <u>₩ 236,128</u> | <u>₩ 249,188</u> |

Above long-term borrowings are subject to installment repayment or lump-sum repayment at maturity date. Borrowings are collateralized with the Group's available-for-sale financial assets and property, plant and equipment, and others (Notes 12, 16 and 39).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

3) Debentures

(In millions of Korean won)

|   | <b>Maturity date</b>       | <b>Interest rate as at<br/>Dec 31, 2018 (%)</b> | <b>2019</b>    | <b>2018</b>    |
|---|----------------------------|---|----------------|----------------|
| <b>Hyosung Capital</b>  |                            |   |                |                |
| 133rd Debenture   | 2020-06-14<br>2020-01-31 ~ | 3.84  | 29,000         | -              |
| 180th - 208th Debenture   | 2020-08-31<br>2020-01-11 ~ | 3.97 ~ 4.64                                     | 118,000        | -              |
| 209th - 235th Debenture   | 2021-12-28<br>2022-01-04 ~ | 3.42 ~ 4.66                                     | 575,000        | -              |
| 236th - 239th Debenture   | 2023-05-08<br>2020-11-26 ~ | 2.49 ~ 3.61                                     | 355,000        | -              |
| 250th - 254th Debenture   | 2022-11-08<br>2020-01-03 ~ | 2.60 ~ 2.91                                     | 113,000        | -              |
| Asset Backed Short-Term Bonds                                     | 2020-02-07<br>2020-01-20 ~ | 2.18 ~ 2.40                                     | 40,000         | -              |
| Senior Current Corporate Bonds                                    | 2021-06-18                 | 1.69 ~ 2.02                                     | 110,000        | -              |
| 133rd Debenture   | 2019-06-14<br>2019-01-31 ~ | 4.43  | -              | 29,000         |
| 176th - 208th Debenture   | 2020-08-31<br>2019-07-30 ~ | 3.10 ~ 4.64                                     | -              | 689,500        |
| 209th - 235th Debenture   | 2021-12-28<br>2019-01-06 ~ | 3.28 ~ 4.66                                     | -              | 597,000        |
| 26th ABS  | 2020-02-06                 | 2.26 ~ 2.67                                     | -              | 42,000         |
| Hyosung Goodsprings, Inc.<br>Private Placement Corporate<br>Bonds | 2022-05-23                 | 2.85  | 11,578         | -              |
| Total   |                            |   | 1,351,578      | 1,357,500      |
| Deduction: Current portion of Debentures                          |                            |   | (597,000)      | (661,500)      |
| Discount on Bond payable  |                            |   | (2,328)        | (2,262)        |
|   |                            |   | <u>752,250</u> | <u>693,738</u> |



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**24. Post-employment Benefits**

(1) Details of net defined benefit liabilities as at December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean won) |           |             |           |
|--|-----------------------------|-----------|-------------|-----------|
|  | <b>2019</b>                 |           | <b>2018</b> |           |
| Present value of defined benefit obligations | ₩                           | 192,664   | ₩           | 168,557   |
| Fair value of plan assets(*1)                |                             | (180,363) |             | (158,488) |
| Net defined benefit liabilities              | ₩                           | 12,301    | ₩           | 10,068    |

(\*1): The contributions to the National Pension Fund of KRW 117 million are included in the fair value of plan assets as at December 31, 2019 (2018: KRW 122 million).

(2) The amounts recognized in the profit or loss for the years ended December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean won) |         |             |         |
|--|-----------------------------|---------|-------------|---------|
|  | <b>2019</b>                 |         | <b>2018</b> |         |
| Current service cost                           | ₩                           | 18,382  | ₩           | 35,062  |
| Interest expense                               |                             | 2,728   |             | 6,507   |
| Interest income                                |                             | (4,243) |             | (7,707) |
| Service cost of the past period and adjustment |                             | 28      |             | 26,109  |
|  | ₩                           | 16,895  | ₩           | 59,971  |

(3) Line items including total expenses in the profit or loss for the years ended December 31, 2019 and 2018 are as follows:

|                                     | (In millions of Korean won) |        |             |        |
|-------------------------------------|-----------------------------|--------|-------------|--------|
|                                     | <b>2019</b>                 |        | <b>2018</b> |        |
| Cost of sales                       | ₩                           | 7,339  | ₩           | 30,485 |
| Selling and administrative expenses |                             | 6,326  |             | 25,999 |
| Research and development expenses   |                             | 3,230  |             | 3,487  |
|                                     | ₩                           | 16,895 | ₩           | 59,971 |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(4) Movements in the defined benefit obligations for the years ended December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean won) |                |             |                |
|--|-----------------------------|----------------|-------------|----------------|
|  | <u>2019</u>                 |                | <u>2018</u> |                |
| Beginning balance  | ₩                           | 168,557        | ₩           | 456,270        |
| Current service cost                                       |                             | 18,382         |             | 35,062         |
| Interest expense   |                             | 2,728          |             | 6,507          |
| Service cost of the past period and adjustment             |                             | 28             |             | 26,109         |
| Benefit payments   |                             | (8,319)        |             | (25,285)       |
| Remeasurements:  |                             |                |             |                |
| Actuarial loss from change in demographic assumptions      |                             | 1,810          |             | 1,091          |
| Actuarial loss (gain) from change in financial assumptions |                             | 3,184          |             | 4,616          |
| Actuarial loss (gain) from experience adjustments          |                             | 7,710          |             | (8,688)        |
| Transfer from(to) associates                               |                             | (1,416)        |             | (1,552)        |
| Others(Transfer due to spin-off and etc.)                  |                             | -              |             | (325,573)      |
| Ending Balance   | ₩                           | <u>192,664</u> | ₩           | <u>168,557</u> |

(5) Movements in the fair value of plan assets for the years ended December 31, 2019 and 2018 are as follows:

|                          | (In millions of Korean won) |                |             |                |
|--------------------------|-----------------------------|----------------|-------------|----------------|
|                          | <u>2019</u>                 |                | <u>2018</u> |                |
| Beginning balance        | ₩                           | 158,490        | ₩           | 432,995        |
| Interest income          |                             | 4,243          |             | 7,707          |
| Employer's contributions |                             | 27,283         |             | 31,158         |
| Benefit payments         |                             | (7,379)        |             | (33,917)       |
| Remeasurements           |                             | (1,843)        |             | (4,358)        |
| Others                   |                             | (431)          |             | (275,097)      |
| Ending balance           | ₩                           | <u>180,363</u> | ₩           | <u>158,488</u> |

(6) Plan assets as at December 31, 2019 and 2018 consist of the followings:

|                  | (In millions of Korean won) |                |             |                |
|------------------|-----------------------------|----------------|-------------|----------------|
|                  | <u>2019</u>                 |                | <u>2018</u> |                |
| Deposits         | ₩                           | 138,532        | ₩           | 136,785        |
| Debt instruments |                             | 41,831         |             | 21,703         |
|                  | ₩                           | <u>180,363</u> | ₩           | <u>158,488</u> |

(7) Remeasurements of net defined benefit liabilities recognized as other comprehensive income(expenses) for the years ended December 31, 2019 and 2018 are as follows:

|                           | (In millions of Korean won) |                 |             |                |
|---------------------------|-----------------------------|-----------------|-------------|----------------|
|                           | <u>2019</u>                 |                 | <u>2018</u> |                |
| Before income tax effects | ₩                           | (13,475)        | ₩           | (1,650)        |
| Income tax effects        |                             | 3,373           |             | 323            |
| After income tax effects  | ₩                           | <u>(10,102)</u> | ₩           | <u>(1,327)</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(8) The significant actuarial assumptions as at December 31, 2018 are as follows:

|                  | <u>2019</u> | <u>2018</u> |
|------------------|-------------|-------------|
| Discount rate    | 1.65%~2.63% | 0.35%~2.75% |
| Wage growth rate | 1.38%~4.84% | 1.02%~3.34% |

(9) The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:

|                  | <u>Changes in assumption</u> | <u>Impact on defined benefit obligation</u>   |
|------------------|------------------------------|---|
| Discount rate    | 1.0% increase/decrease       | 1.63%~10.04% decrease / 1.42%~12.02% increase |
| Wage growth rate | 1.0% increase/decrease       | 1.64%~11.95% increase / 1.63%~10.17% 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 consolidated statement of financial position.

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

(10) The Group reviews the funding level on an annual basis and has a policy of recovering deficit. Expected contributions to post-employment benefit plans for the year ending December 31, 2020 are KRW 20,956 million.

The expected maturity analysis of undiscounted pension benefits as at December 31, 2019 are as follows:

(In millions of Korean won)

|                  | <u>Less than 1</u> | <u>Between 1</u>   | <u>Between 2</u>   | <u>Over 5 years</u> | <u>Total</u> |
|------------------|--------------------|--------------------|--------------------|---------------------|--------------|
|                  | <u>year</u>        | <u>and 2 years</u> | <u>and 5 years</u> |                     |              |
| Pension benefits | ₩ 7,282            | ₩ 7,249            | ₩ 19,561           | ₩ 207,817           | ₩ 241,909    |

The weighted average duration of the defined benefit obligations is 2.02 ~ 10.91 years.

(11) Defined Contribution Plan

The expense recognized in the current period in relation to defined contribution plan was KRW 1,207 million (2018: KRW 4,112 million).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**25. Tax Expense and Deferred Tax**

(1) Income tax expense for the years ended December 31, 2019 and 2018 consists of the followings:

|   | (In millions of Korean won) |               |             |                |
|---|-----------------------------|---------------|-------------|----------------|
|   | <u>2019</u>                 |               | <u>2018</u> |                |
| <b>Current tax</b>                                      |                             |               |             |                |
| Current tax on profit for the year                      | ₩                           | 38,948        | ₩           | 115,167        |
| Adjustments in respect of prior years                   |                             | 7,728         |             | (82,580)       |
| Total current tax                                       |                             | <u>46,676</u> |             | <u>32,588</u>  |
| <b>Deferred tax</b>                                     |                             |               |             |                |
| Origination and reversal of temporary differences       |                             | 3,963         |             | 151,496        |
| Impact of change in tax rate                            |                             | 37            |             | -              |
| Total deferred tax                                      |                             | <u>3,999</u>  |             | <u>151,496</u> |
| Income tax expense                                      | ₩                           | <u>50,676</u> | ₩           | <u>184,084</u> |
| Income tax expense(benefit) from discontinued operation |                             | -             |             | 80,917         |
| Income tax expense(benefit) from continuing operation   |                             | 50,676        |             | 103,167        |

(2) Details of reconciliation between the tax on the Group's profit before tax and the theoretical amount arising from the weighted average tax rate are as follows:

|   | (In millions of Korean won) |               |             |                |
|---|-----------------------------|---------------|-------------|----------------|
|   | <u>2019</u>                 |               | <u>2018</u> |                |
| Profit before income tax expense                        | ₩                           | 200,685       | ₩           | 3,610,061      |
| Tax calculated at tax rates                             |                             | 51,613        |             | 873,173        |
| Tax effects of  |                             |               |             |                |
| Income not subject to tax                               |                             | (16,354)      |             | (687,859)      |
| Expenses not deductible for tax purposes                |                             | 5,549         |             | 9,944          |
| Adjustment in respect of prior years                    |                             | 7,602         |             | (82,580)       |
| Tax credits   |                             | (5,003)       |             | (18,685)       |
| Others  |                             | 7,232         |             | 90,090         |
| Impact of change in tax rate                            |                             | 37            |             | -              |
| Income tax expense(benefit)                             | ₩                           | <u>50,676</u> | ₩           | <u>184,084</u> |
| Income tax expense(benefit) from discontinued operation |                             | -             |             | 80,917         |
| Income tax expense(benefit) from continuing operation   |                             | 50,676        |             | 103,167        |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

- (3) The timing of collection and settlement of deferred income tax assets and liabilities for the years ended December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean won) |                    |
|--|-----------------------------|--------------------|
|  | <b>2019</b>                 | <b>2018</b>        |
| <b>Deferred tax assets</b>                                       |                             |                    |
| Deferred tax asset to be recovered after more than 12 months     | ₩ 54,416                    | ₩ 2,635            |
| Deferred tax asset to be recovered within 12 months              | 27,150                      | 29,656             |
|  | <u>81,567</u>               | <u>32,291</u>      |
| <b>Deferred tax liabilities</b>                                  |                             |                    |
| Deferred tax liability to be recovered after more than 12 months | (323,454)                   | (266,554)          |
| Deferred tax liability to be recovered within 12 months          | (3,030)                     | (6,499)            |
|  | <u>(326,484)</u>            | <u>(273,052)</u>   |
| <b>Deferred tax assets(liabilities), net</b>                     | <u>₩ (244,917)</u>          | <u>₩ (240,761)</u> |

- (4) The movements in the deferred income tax account for the years ended December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean won) |                  |
|--|-----------------------------|------------------|
|  | <b>2019</b>                 | <b>2018</b>      |
| Beginning balance  | ₩ (240,761)                 | (118,677)        |
| Tax charged to the statement of profit or loss                     | (3,999)                     | (151,497)        |
| Tax charged (credited) to components of other comprehensive income | (347)                       | 35,055           |
| Currency Effect  | 190                         | -                |
| Transfer by spin-off   | -                           | (5,641)          |
| Ending balance   | <u>₩ (244,917)</u>          | <u>(240,761)</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

- (5) The movements in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(In millions of Korean won)

|   | 2019                 |                                |                                  |                         |                    |
|---|----------------------|--------------------------------|----------------------------------|-------------------------|--------------------|
|   | Beginning<br>balance | Statement of<br>profit or loss | Other<br>comprehensive<br>income | Transfer by<br>spin-off | Ending<br>balance  |
| <b>Deferred tax liabilities</b>                     |                      |                                |                                  |                         |                    |
| Gains on revaluation of land                        | ₩ (96,839)           | ₩ 300                          | ₩ -                              | ₩ -                     | ₩ (96,539)         |
| Investment in subsidiaries and associates           | (77,759)             | (3,444)                        | (59)                             | -                       | (81,262)           |
| Defined benefit pension plan assets                 | (24,654)             | (1,811)                        | 200                              | -                       | (26,265)           |
| Reserve for research and human resource development | (367)                | -                              | -                                | -                       | (367)              |
| Gain from fire insurance policy                     | (444)                | -                              | -                                | -                       | (444)              |
| Others  | (147,811)            | (7,202)                        | (3,528)                          | -                       | (158,541)          |
|   | <u>(347,874)</u>     | <u>(12,157)</u>                | <u>(3,387)</u>                   | <u>-</u>                | <u>(363,418)</u>   |
| <b>Deferred tax assets</b>                          |                      |                                |                                  |                         |                    |
| Available-for-sale financial assets                 | 3,950                | 256                            | (41)                             | -                       | 4,165              |
| Post-employment benefit obligation                  | 30,934               | 482                            | 2,733                            | -                       | 34,148             |
| Provision for receivables in excess of tax limit    | (4,268)              | 12                             | -                                | -                       | (4,256)            |
| Government grants                                   | 4,727                | (147)                          | -                                | -                       | 4,580              |
| Loss on valuation of inventories                    | (20,131)             | (47)                           | -                                | -                       | (20,178)           |
| Impairment loss on property, plant and equipment    | 27,508               | -                              | -                                | -                       | 27,508             |
| Provision for guarantees                            | (10,530)             | -                              | -                                | -                       | (10,530)           |
| Accrued compensated absences                        | (1,559)              | 347                            | -                                | -                       | (1,212)            |
| Provision for warranties                            | (8,822)              | 19                             | -                                | -                       | (8,803)            |
| Provision for construction loss                     | (2,007)              | 11                             | -                                | -                       | (1,996)            |
| Long-term employment allowance                      | 10,536               | 1,552                          | -                                | -                       | 12,088             |
| Others  | 76,775               | 5,672                          | 539                              | -                       | 82,986             |
|   | <u>107,113</u>       | <u>8,158</u>                   | <u>3,230</u>                     | <u>-</u>                | <u>118,501</u>     |
|   | <u>₩ (240,761)</u>   | <u>₩ (3,999)</u>               | <u>₩ (157)</u>                   | <u>₩ -</u>              | <u>₩ (244,917)</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(In millions of Korean won)

|   | 2018                 |                                |                                  |                         |                    |
|---|----------------------|--------------------------------|----------------------------------|-------------------------|--------------------|
|   | Beginning<br>balance | Statement of<br>profit or loss | Other<br>comprehensive<br>income | Transfer by<br>spin-off | Ending<br>balance  |
| <b>Deferred tax liabilities</b>                     |                      |                                |                                  |                         |                    |
| Gains on revaluation of land                        | ₩ (281,542)          | ₩ 1                            | ₩ -                              | ₩ 184,702               | ₩ (96,839)         |
| Investment in subsidiaries and associates           | (59,411)             | 121                            | (22,837)                         | 4,368                   | (77,759)           |
| Defined benefit pension plan assets                 | (92,296)             | (293)                          | 774                              | 67,161                  | (24,654)           |
| Reserve for research and human resource development | (4,400)              | 4,033                          | -                                | -                       | (367)              |
| Gain from fire insurance policy                     | (546)                | 2                              | -                                | 101                     | (444)              |
| Others  | (65,367)             | (145,337)                      | 63,919                           | (1,026)                 | (147,811)          |
|   | <u>(503,562)</u>     | <u>(141,474)</u>               | <u>41,856</u>                    | <u>255,305</u>          | <u>(347,874)</u>   |
| <b>Deferred tax assets</b>                          |                      |                                |                                  |                         |                    |
| Available-for-sale financial assets                 | 98,530               | (664)                          | (5,771)                          | (88,145)                | 3,950              |
| Post-employment benefit obligation                  | 97,619               | 8,666                          | (1,030)                          | (74,321)                | 30,934             |
| Provision for receivables in excess of tax limit    | 24,985               | (6,298)                        | -                                | (22,955)                | (4,268)            |
| Government grants                                   | 5,430                | (629)                          | -                                | (74)                    | 4,727              |
| Loss on valuation of inventories                    | 14,969               | 353                            | -                                | (35,453)                | (20,131)           |
| Impairment loss on property, plant and equipment    | 38,839               | (3,089)                        | -                                | (8,242)                 | 27,508             |
| Provision for guarantees                            | 224                  | (10,754)                       | -                                | -                       | (10,530)           |
| Accrued compensated absences                        | 2,740                | 1,015                          | -                                | (5,314)                 | (1,559)            |
| Provision for warranties                            | 3,558                | 1,121                          | -                                | (13,501)                | (8,822)            |
| Provision for construction loss                     | 1,019                | (744)                          | -                                | (2,282)                 | (2,007)            |
| Long-term employment allowance                      | 12,113               | (189)                          | -                                | (1,388)                 | 10,536             |
| Others  | 84,859               | 1,189                          | -                                | (9,271)                 | 76,777             |
|   | <u>384,885</u>       | <u>(10,023)</u>                | <u>(6,801)</u>                   | <u>(260,947)</u>        | <u>107,115</u>     |
|   | <u>₩ (118,677)</u>   | <u>₩ (151,497)</u>             | <u>₩ 35,055</u>                  | <u>₩ (5,641)</u>        | <u>₩ (240,761)</u> |

- (6) The Group 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 Group 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 to low potential dividend payment and disposal of investments in the foreseeable future. Therefore, the Group did not recognize deferred income tax assets of KRW 241,969 million as at December 31, 2019 (2018: KRW 210,872 million). Deferred income tax assets for tax deferred carryover and carryover tax credits are recognized when related tax benefits are likely to be realized through future taxable income.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**26. Other Liabilities**

(1) Details of other liabilities as at December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|                                      | <u>2019</u>      | <u>2018</u>      |
|--------------------------------------|------------------|------------------|
| <b>Other current liabilities</b>     |                  |                  |
| Advances                             | ₩ 197,670        | ₩ 125,937        |
| Unearned revenues                    | 17,476           | 24,463           |
| Provision                            | 22,580           | 17,890           |
|                                      | <u>237,726</u>   | <u>168,290</u>   |
| <b>Other non-current liabilities</b> |                  |                  |
| Long-term advances                   | ₩ 2,739          | ₩ 3,495          |
| Provision                            | 3,314            | 7,520            |
|                                      | <u>6,053</u>     | <u>11,015</u>    |
|                                      | <u>₩ 243,779</u> | <u>₩ 179,305</u> |

(3) Details of provision for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean won)

|                       | <u>2019</u>                    |                           |                 |                 |
|-----------------------|--------------------------------|---------------------------|-----------------|-----------------|
|                       | <u>Construction warranties</u> | <u>Product warranties</u> | <u>Others</u>   | <u>Total</u>    |
| Beginning balance     | ₩ 2,300                        | ₩ 254                     | ₩ 22,855        | ₩ 25,409        |
| Additional provisions | 478                            | 7,634                     | 3,895           | 12,007          |
| Used during the year  | (976)                          | (148)                     | (10,714)        | (11,838)        |
| Others                | -                              | 312                       | 4               | (316)           |
| Ending balance        | <u>₩ 1,802</u>                 | <u>₩ 8,052</u>            | <u>₩ 16,040</u> | <u>₩ 25,894</u> |

(In millions of Korean won)

|                         | <u>2018</u>                    |                           |                 |                 |
|-------------------------|--------------------------------|---------------------------|-----------------|-----------------|
|                         | <u>Construction warranties</u> | <u>Product warranties</u> | <u>Others</u>   | <u>Total</u>    |
| Beginning balance       | ₩ 54,677                       | ₩ 262                     | ₩ 64,537        | ₩ 119,476       |
| Additional provisions   | 11,466                         | 30                        | 30,961          | 42,457          |
| Used during the year    | (8,053)                        | -                         | (21,809)        | (29,862)        |
| Others                  | -                              | (38)                      | (44,637)        | (44,675)        |
| Movements from spin-off | (55,790)                       | -                         | (6,197)         | (61,987)        |
| Ending balance          | <u>₩ 2,300</u>                 | <u>₩ 254</u>              | <u>₩ 22,855</u> | <u>₩ 25,409</u> |



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**27. Share Capital**

The Group's total number of authorized shares is 200,000,000 shares and the total number of ordinary shares issued is 21,071,025 shares with a par value of KRW 5,000 per share as at December 31, 2019.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**28. Retained Earnings**

(1) Retained earnings as at December 31, 2019 and 2018 consist of the followings:

|   | (In millions of Korean won) |                    |               |
|---|-----------------------------|--------------------|---------------|
|   | <u>2019</u>                 | <u>2018</u>        | <u>Remark</u> |
| <b>Legal reserves</b>                   | ₩ 77,070                    | ₩ 75,670           | (*1)          |
| <b>Discretionary reserves</b>           |                             |                    |               |
| Research and development reserves       | -                           | 16,667             | (*2)          |
| Business stabilization reserves         | -                           | -                  |               |
| Facility reserves                       | 5,647,000                   | 2,677,000          |               |
| <b>Unappropriated retained earnings</b> | 612,541                     | 3,584,089          |               |
|   | <u>₩ 6,336,611</u>          | <u>₩ 6,353,426</u> |               |

(\*1): The Commercial Act of the Republic of Korea requires the Group to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserve is not available for cash dividends payment but may be transferred to share capital 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 Group 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.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**29. Other Components of Equity**

(1) Other components of equity as at December 31, 2019 and 2018 consist of the followings:

|   | (In millions of Korean won) |                      |
|---|-----------------------------|----------------------|
|   | <u>2019</u>                 | <u>2018</u>          |
| Other capital surplus   | ₩ 316,278                   | ₩ 316,263            |
| Treasury shares(*1)   | (14,223)                    | (14,223)             |
| Gain (loss) on valuation of financial assets<br>measured at FVOCI | (121,545)                   | (122,858)            |
| Gain (loss) on valuation of derivatives                           | 613                         | 613                  |
| Change in equity from applying the equity method                  | 8,442                       | 331                  |
| Cumulative effect of foreign currency translation                 | (7,063)                     | (12,183)             |
| Losses on capital reduction(*2)                                   | (4,816,959)                 | (4,816,959)          |
| Gain on sales of treasury shares                                  | 183,913                     | 183,913              |
| Other capital adjustments   | (2,223)                     | (2,224)              |
|   | <u>₩ (4,452,767)</u>        | <u>₩ (4,467,327)</u> |

(\*1): The Group acquired 1,848,851 shares of treasury stock through a merger in 1998 and hold 740,201 shares as a result of the spin-off and acquisition of fraction shares as at December 31, 2019.

(\*2): The Group recognized the difference between carrying amount and fair value of the non-cash assets to be distributed to the stake holders as a result of the spin-off as gain on disposal of discontinued operation. In this regard, other capital injection was reduced.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**30. Revenue**

Details of revenue for the years ended December 31, 2019 and 2018 are as follows:

|                | (In millions of Korean won) |                  |             |                  |
|----------------|-----------------------------|------------------|-------------|------------------|
|                | <u>2019</u>                 |                  | <u>2018</u> |                  |
| Merchandise    | ₩                           | 1,669,610        | ₩           | 1,626,159        |
| Finished goods |                             | 929,942          |             | 800,573          |
| Construction   |                             | 54,567           |             | 31,232           |
| Housing        |                             | -                |             | -                |
| Other          |                             | 719,328          |             | 544,516          |
|                | ₩                           | <u>3,373,447</u> | ₩           | <u>3,002,480</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**31. Expenses by Nature**

Cost of sales, selling and administrative expenses and research and development expenses by nature for the years ended December 31, 2019 and 2018 are as follows:

|   | (In millions of Korean Won) |                    |
|---|-----------------------------|--------------------|
|   | <u>2019</u>                 | <u>2018</u>        |
| Changes in inventories of finished goods and work in process and others ₩ | (245,419)                   | ₩ (1,529)          |
| Changes in merchandise  | 1,479,518                   | 1,404,395          |
| Raw materials and consumables used  | 746,952                     | 372,820            |
| Employee benefits expenses  | 368,926                     | 316,006            |
| Depreciation and amortization   | 108,407                     | 79,642             |
| Electricity expense   | 12,230                      | 7,779              |
| Export expense  | 614                         | 2,084              |
| Fuel expense  | 7,379                       | 9,216              |
| Service expense   | 53,644                      | 37,684             |
| Outsourcing expense   | 142,277                     | 137,707            |
| Others  | <u>462,091</u>              | <u>481,718</u>     |
| Total(*1)   | <u>₩ 3,136,619</u>          | <u>₩ 2,847,522</u> |

(\*1): Total of cost of sales, selling and administrative expenses and research and development expenses in the consolidated statements of profit or loss.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

---

**32. Employee Benefits Expenses**

Employee benefits expenses for the years ended December 31, 2019 and 2018 consist of the followings:

|   | (In millions of Korean Won) |                    |
|---|-----------------------------|--------------------|
|   | <u>2019</u>                 | <u>2018</u>        |
| Salaries  | ₩ 944,187                   | ₩ 902,578          |
| Employee welfare benefits                       | 122,975                     | 108,086            |
| Pension costs - defined contribution plans      | 1,207                       | 4,112              |
| Pension costs - defined benefit plans (Note 24) | <u>16,895</u>               | <u>59,971</u>      |
|   | <u>₩ 1,075,264</u>          | <u>₩ 1,074,747</u> |

(\*1): Above amount includes the employee salaries included in gain or loss from discontinued operation.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**33. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2019 and 2018 are as follows:

|                           | (In millions of Korean Won) |                  |
|---------------------------|-----------------------------|------------------|
|                           | <u>2019</u>                 | <u>2018</u>      |
| Salaries                  | ₩ 115,521                   | ₩ 106,452        |
| Post-employment benefits  | 6,744                       | 11,050           |
| Employee welfare benefits | 14,030                      | 12,470           |
| Training                  | 774                         | 742              |
| Transportation            | 9,199                       | 8,265            |
| Communications            | 2,341                       | 2,361            |
| Taxes and dues            | 10,392                      | 9,070            |
| Rental expenses           | 8,130                       | 18,044           |
| Depreciation              | 24,321                      | 12,028           |
| Amortization              | 2,932                       | 5,326            |
| Bad debt expenses         | 801                         | 22               |
| Entertainment             | 6,379                       | 6,201            |
| Advertising expense       | 12,872                      | 15,629           |
| Service fee               | 13,009                      | 14,742           |
| Professional service fee  | 23,822                      | 28,149           |
| Others                    | 38,552                      | 26,807           |
|                           | <u>₩ 289,819</u>            | <u>₩ 277,358</u> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**34. Other Income and Other Expense**

Details of other income and expense for the years ended December 31, 2019 and 2018 are as follows:

|   | (In millions of Korean Won) |                  |
|---|-----------------------------|------------------|
|   | <u>2019</u>                 | <u>2018</u>      |
| <b>Other income:</b>                                      |                             |                  |
| Gain from bargain purchase                                | ₩ -                         | ₩ 273,519        |
| Gain on disposal of property, plant and equipment         | 1,932                       | 892              |
| Reversal of provision for impairment loss on other assets | -                           | 563              |
| Dividend  | 151                         | 130              |
| Miscellaneous incomes                                     | 11,086                      | 195,821          |
|   | <u>₩ 13,169</u>             | <u>₩ 470,925</u> |
| <b>Other expense:</b>                                     |                             |                  |
| Loss on disposal of property, plant and equipment         | ₩ 884                       | ₩ 4,964          |
| Loss on disposal of intangible assets                     | -                           | 66               |
| Impairment loss on intangible assets                      | 664                         | -                |
| Other bad debt expenses                                   | 7,552                       | 3,177            |
| Donations   | 1,713                       | 1,997            |
| Miscellaneous losses                                      | 10,143                      | 15,500           |
|   | <u>₩ 20,956</u>             | <u>₩ 25,704</u>  |
| <b>Net other income (expense)</b>                         | <u>₩ (7,787)</u>            | <u>₩ 445,221</u> |



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**35. Finance Income and Expense**

(1) Details of finance income and expense for the years ended December 31, 2019 and 2018 are as follows:

|  | (In millions of Korean Won) |                   |
|--|-----------------------------|-------------------|
|  | <u>2019</u>                 | <u>2018</u>       |
| <b>Finance income</b>                  |                             |                   |
| Interest income                        | ₩ 3,782                     | ₩ 1,952           |
| Gain on disposal of financial assets   | 21                          | 1                 |
| Gain on foreign currency transactions  | 26,515                      | 22,893            |
| Gain on foreign currency translation   | 3,884                       | 14,727            |
| Gain on derivative transactions        | 4,224                       | 8,336             |
| Gain on valuation of derivatives       | 713                         | -                 |
| Valuation gain on financial assets     | 1,366                       | 2,341             |
|  | <u>₩ 40,505</u>             | <u>₩ 50,250</u>   |
| <b>Finance expense</b>                 |                             |                   |
| Interest expenses                      | 35,808                      | 29,231            |
| Loss on foreign currency transactions  | 20,290                      | 23,846            |
| Loss on foreign currency translation   | 3,906                       | 24,636            |
| Loss on derivative transactions        | 924                         | 248               |
| Loss on valuation of derivatives       | 916                         | 161               |
| Impairment loss on financial assets    | -                           | -                 |
| Loss on disposal of financial assets   | 333                         | 156               |
| Valuation loss on financial assets     | 4,573                       | 3,279             |
| Nego commission                        | 2,003                       | 1,541             |
| Loss on disposal of account receivable | 108                         | 94                |
|  | <u>₩ 68,861</u>             | <u>₩ 83,193</u>   |
| <b>Net finance income (expense)</b>    | <u>₩ (28,356)</u>           | <u>₩ (32,943)</u> |

(2) The Group recognizes income and expenses related to exchange differences as finance income and expenses.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**36. Earnings per Share**

(1) The calculation details of basic earnings per share for the years ended December 31, 2019 and 2018 are computed as follows:

|   | <u>2019</u>       | <u>2018</u>       |
|---|-------------------|-------------------|
| <b>Profit attributable to the ordinary equity holders(*1)</b><br><b>(In millions of Korean Won)</b> |                   |                   |
| Profit or loss of the year from continuing operation  | 103,683           | 402,164           |
| Profit or loss of the year from continuing operation  | -                 | 2,955,608         |
| <b>Weighted average number of ordinary shares outstanding</b>                                       | 20,330,824 shares | 21,690,071 shares |
| <b>Earnings per shares (In Korean Won)</b>  |                   |                   |
| From continuing operation   | 5,100             | 18,541            |
| From discontinued operation   | -                 | 136,266           |

(2) Weighted average number of ordinary shares outstanding for the years ended December 31, 2019 and 2018 are as follows:

|  | (Unit: Per share)                      |                 |   |
|--|--|-----------------|---|
|  | <u>2019</u>                            |                 |   |
|  | <b>Outstanding<br/>ordinary shares</b> | <b>Weighted</b> | <b>Weighted average<br/>number of ordinary<br/>shares outstanding</b> |
| Beginning  | 20,330,824                             | 365days/365days | 20,330,824  |
| Movements from spin-off                                | -                                      | -               | -   |
| Acquisition of treasury shares                         | -                                      | -               | -   |
| In-kind capital increase                               | -                                      | -               | -   |
| Weighted average number of ordinary shares outstanding | 20,330,824                             | -               | 20,330,824  |

|  | (Unit: Per share)                      |                   |   |
|--|--|-------------------|---|
|  | <u>2018</u>                            |                   |   |
|  | <b>Outstanding<br/>ordinary shares</b> | <b>Weighted</b>   | <b>Weighted average<br/>number of ordinary<br/>shares outstanding</b> |
| Beginning  | 33,268,604                             | 365 days/365days  | 33,268,604  |
| Movements from spin-off                                | (20,199,733)                           | 214 days/365 days | (11,810,773)  |
| Acquisition of treasury shares                         | (13,921)                               | 166 days/365 days | (6,314)   |
| In-kind capital increase                               | 7,275,874                              | 12 days/365 days  | 238,553   |
| Weighted average number of ordinary shares outstanding | 20,330,824                             | -                 | 21,690,071  |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**37. Dividends**

The dividends paid in 2019 and 2018 were KRW 101,654 and 166,343 million (KRW 5,000 per share), respectively.

A dividend in respect of the year ended December 31, 2019, of KRW 5,000 per share, amounting to a total dividend of KRW 101,654 million, is to be proposed to shareholders at the annual general meeting on March 15, 2020. These consolidated financial statements do not reflect this dividend payable.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**38. Cash Generated from Operation**

(1) Details of cash generated from operations for the years ended December 31, 2019 and 2018 are as follows:

|   | (In millions of Korean Won) |               |             |                |
|---|-----------------------------|---------------|-------------|----------------|
|   | <u>2019</u>                 |               | <u>2018</u> |                |
|   | ₩                           |               | ₩           |                |
| <b>Profit before income tax</b>   | ₩                           | 200,685       | ₩           | 3,610,061      |
| <b>Adjustments for</b>  |                             |               |             |                |
| Interest income and expense, net  |                             | (48,824)      |             | 13,143         |
| Gain (Loss) on foreign currency translation, net  |                             | 23            |             | 9,523          |
| Gain (Loss) on valuation of derivatives, net  |                             | 355           |             | (979)          |
| Depreciation and amortization   |                             | 113,085       |             | 315,670        |
| Loss (Gain) on disposal of property, plant, equipment, intangible assets, and investment property |                             | (1,338)       |             | 5,089          |
| Impairment loss on property, plant, equipment, intangible assets, and investment property         |                             | 664           |             | -              |
| Bad debt expense and other bad debt expense   |                             | 35,204        |             | 32,642         |
| Reversal of allowance for bad debt  |                             | -             |             | (2,227)        |
| Gain (Loss) on disposal of financial assets, net  |                             | 5,584         |             | 4,630          |
| Impairment loss on financial assets   |                             | 3,231         |             | 961            |
| Dividend income   |                             | (1,542)       |             | (1,351)        |
| Post-employment benefits  |                             | 16,895        |             | 59,971         |
| Additional provisions   |                             | 8,260         |             | 12,009         |
| Loss on disposal of trade receivables   |                             | 108           |             | 773            |
| Gain (loss) from investment in associates   |                             | (70,806)      |             | (454,493)      |
| Gain (Loss) on disposal of discontinued operation, net  |                             | -             |             | (2,859,339)    |
| Others  |                             | (1,558)       |             | (9,035)        |
| <b>Changes in operating assets and liabilities</b>  |                             |               |             |                |
| Decrease (increase) in trade receivables  |                             | 29,889        |             | (42,056)       |
| Decrease (increase) in inventories  |                             | (61,188)      |             | (110,064)      |
| Increase in other receivables   |                             | 31,834        |             | 76,820         |
| Increase in due from customers for contract work  |                             | (1,733)       |             | (28,785)       |
| Decrease in other financial assets  |                             | (132)         |             | 9,130          |
| Decrease (increase) in other assets   |                             | (69,021)      |             | (70,316)       |
| Decrease in Currency translation differences  |                             | (1,293)       |             | (790)          |
| Increase in trade payables  |                             | (17,713)      |             | 201,201        |
| Increase (decrease) in other payables   |                             | (98,426)      |             | (218,914)      |
| Decrease in due to customers for contract work  |                             | 39,947        |             | (228,677)      |
| Decrease in other financial liabilities   |                             | (46)          |             | (4,040)        |
| Payment of warranty expenses  |                             | (977)         |             | (8,053)        |
| Payment of defined benefits   |                             | (2,130)       |             | (13,150)       |
| Others  |                             | (26,114)      |             | (15,869)       |
| <b>Cash generated from operations</b>   | <b>₩</b>                    | <b>82,923</b> | <b>₩</b>    | <b>283,485</b> |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(2) Changes in liabilities arising from financial activities

(In millions of Korean Won)

|                   | <b>2019</b>                      |                                 |               |
|-------------------|----------------------------------|---------------------------------|---------------|
|                   | <b>Short-term<br/>borrowings</b> | <b>Long-term<br/>borrowings</b> | <b>Totals</b> |
| Beginning balance | ₩ 1,571,441                      | ₩ 942,926                       | ₩ 2,514,367   |
| Cash flow         | 11,030                           | (18,901)                        | (7,817)       |
| Others(*1)        | (69,256)                         | 64,303                          | (4,903)       |
| Ending balance    | ₩ 1,513,215                      | ₩ 988,378                       | ₩ 2,501,593   |

(\*1): Others include exchange differences or changes in scope of consolidation to liabilities.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**39. Contingencies and Commitments**

(1) Notes and others provided as collaterals

The Group provided 3 notes and 6 checks as collaterals to the customers and others as at December 31, 2019.

(2) Commitment with financial institution

The Group entered into agreements such as bank overdrafts, trade bill discounts, open local L/C, general loans and others with financial institutions with a limit of KRW 1,266,460 million. Also, the Group entered into trade receivables discount agreements with a limit of KRW 225,381 million as at December 31, 2019.

(3) Guarantees provided for others

The Group has provided payment guarantees for the related parties including associates and etc. (Note 20).

In accordance with Article 530-9 (1) of Commercial Act of the Republic of Korea, the Group is jointly liable to pay the outstanding liabilities resulting from the liabilities as at the date of the spin-off for the newly established companies; Hyosung TNC Corporation, Hyosung Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation. The Group is jointly responsible with the newly established companies for the payment guarantee, commitment on cash deficiency support, conditional acceptance on debts and completion of construction that existed before the date of the spin-off.

(4) Guarantees provided by others

Details of guarantees provided by others as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

| <b>2019</b>  |   |                           |         |
|--|---|---------------------------|---------|
| <b>Guarantor</b>                                     | <b>Details of guarantees</b>                      | <b>Guaranteed amounts</b> |         |
| The Export-Import Bank Of Korea, Woori bank and etc. | Performance guarantee for contracts               | ₩                         | 105,208 |
| Machinery Financial Cooperative                      | Warranty deposit for delivery contracts           |                           | 73,694  |
| Seoul Guarantee Insurance                            | Payment guarantee related to construction Project |                           | 92,872  |
| Korea Software Financial Cooperative                 | Performance guarantee for contracts               |                           | 51,013  |
| Construction Guarantee Cooperative and others        | Performance guarantee for contracts               |                           | 10,760  |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(5) Assets pledged as collaterals

- 1) Details of assets pledged as collaterals for the Group's borrowings and others as at December 31, 2019 are as follows:

(In millions of Korean Won)

| 2019                                 |                               |            |                       |            |                                      |
|--------------------------------------|-------------------------------|------------|-----------------------|------------|--------------------------------------|
| Secured assets                       | Carrying amount of borrowings |            | Maximum pledge amount |            | Lien                                 |
| Property, plant and equipments, etc. | KRW                           | 11,350     | KRW                   | 37,779     | KDB and others                       |
| Inventory                            | USD                           | 43,000,000 | USD                   | 43,000,000 | Wells Fargo Bank                     |
| Other financial business assets      | KRW                           | 10,000     | KRW                   | 13,000     | KDB Capital                          |
| Account receivables                  | KRW                           | 25,571     | KRW                   | 25,571     | Woori Bank                           |
| Other financial assets               | KRW                           | -          | KRW                   | 5,703      | Machinery Financial Cooperative      |
| Cash and cash equivalent             | KRW                           | 164,000    | KRW                   | 221,000    | Korea Federation of Community Credit |
| Property, plant and equipments       |                               |            |                       |            | Cooperative., Credit Union           |

(\*1): Some of property, plant and equipment were provided as collaterals for the Group's borrowings (collateral amount: KRW 440,652 million) and the borrowings of the Group were transferred to the newly established companies.

- 2) The equity for Gongdeok Gyeongwoo Development Corporation was provided as collateral for the borrowings amounting to KRW 164,000 million of Gongdeok Gyeongwoo Development Corporation as at December 31, 2019. The equity for Pyeongchang Wind Power Corporation (investments in associates, carrying amount: KRW 9,873 million) was provided as collateral for the borrowings amounting to KRW 52,000 million of Pyeongchang Wind Power Corporation. The equity for Soonchon Eco Green Corporation (investments in associates, carrying amount: KRW 0) was provided as collateral for the borrowings amounting to KRW 34,709 million of Soonchon Eco Green Corporation (Notes 20 and 21).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(6) Pending lawsuits

Details of pending lawsuits as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                        | <b>2019</b>               |                      | <b>Description</b>  |
|------------------------|---------------------------|----------------------|---|
|                        | <b>Number of lawsuits</b> | <b>Claim amounts</b> |   |
| Lawsuit as a plaintiff | 10 cases                  | ₩ 43,213             | Administrative litigation on cancellation of corporate tax levy |
| Lawsuit as a dependent | 18 cases                  | 85,559               | Claims for damages  |

The final outcome of the above cases cannot yet be estimated at end of the reporting period. Accordingly, no provision for potential losses arising from the claims was reflected in the consolidated financial statements.

Among the above lawsuits, there were 4 cases (claim amount: KRW 24,026 million) that was filed against the Group in relation to the newly established companies' business as at December 31, 2019.



**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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

(1) Changes in Accumulated Non-controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2019 and 2018 is as follows:

(In millions of Korean Won)

|  | <b>2019</b>                           |   |  |
|--|---------------------------------------|---|--|
|  | <b>% of non-controlling interests</b> | <b>Profit attributable to non-controlling interests</b> | <b>Accumulated non-controlling interests</b> |
| Hyosung Capital                          | 2.50%                                 | ₩ 692   | ₩ 10,961                                     |
| Hyosung TNS                              | 45.98%                                | 29,226  | 140,905                                      |
| Hyosung Investment Development Co., Ltd. | 41.25%                                | 18,982  | 29,863                                       |

The dividend paid to the non-controlling interests was KRW 36,054 million for the year ended December 31, 2019.

(In millions of Korean Won)

|  | <b>2018</b>                           |   |  |
|--|---------------------------------------|---|--|
|  | <b>% of non-controlling interests</b> | <b>Profit attributable to non-controlling interests</b> | <b>Accumulated non-controlling interests</b> |
| Hyosung Capital                          | 2.51%                                 | ₩ 600   | ₩ 10,542                                     |
| Hyosung TNS                              | 45.98%                                | 9,210   | 142,454                                      |
| Hyosung Investment Development Co., Ltd. | 41.25%                                | 50,650  | 24,252                                       |
| Hyosung Vietnam Co., Ltd.                | 11.79%                                | 5,894   | 58,486                                       |

The dividend paid to the non-controlling interests was KRW 17,820 million for the year ended December 31, 2018.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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

|  | 2019            |           |             |           |  |          |
|--|-----------------|-----------|-------------|-----------|--|----------|
|  | Hyosung Capital |           | Hyosung TNS |           | Hyosung Investment Development Co., Ltd.(*1) |          |
| <b>Summarized statement of financial position:</b>   |                 |           |             |           |  |          |
| Current assets                                       | ₩               | 71,379    | ₩           | 312,695   | ₩  | 2,510    |
| Non-current assets                                   |                 | 2,286,706 |             | 296,779   |  | 60,894   |
| Current liabilities                                  |                 | 993,417   |             | 287,780   |  | 1,280    |
| Non-current liabilities                              |                 | 947,875   |             | 12,242    |  | 3,647    |
| <b>Summarized statement of comprehensive income:</b> |                 |           |             |           |  |          |
| Revenues   |                 | 198,028   |             | 943,300   |  | 539      |
| Profit for the period                                |                 | 27,601    |             | 68,205    |  | 22,205   |
| Total comprehensive income                           |                 | 22,505    |             | 22,072    |  | 44,388   |
| <b>Summarized statement of cash flows:</b>           |                 |           |             |           |  |          |
| Cash flows from operating activities                 |                 | 25,475    |             | 145,544   |  | 19,869   |
| Cash flows from investing activities                 |                 | (28,565)  |             | (50,043)  |  | 120      |
| Cash flows from financing activities                 |                 | (76,365)  |             | (134,587) |  | (19,984) |
| Increase or decrease in cash                         |                 | (79,455)  |             | (39,086)  |  | 4        |

(\*1): Stand-alone financial information basis.

(In millions of Korean Won)

|  | 2018            |           |             |          |  |          |                           |           |
|--|-----------------|-----------|-------------|----------|--|----------|---------------------------|-----------|
|  | Hyosung Capital |           | Hyosung TNS |          | Hyosung Investment Development Co., Ltd.(*1) |          | Hyosung Vietnam Co., Ltd. |           |
| <b>Summarized statement of financial position:</b>   |                 |           |             |          |  |          |                           |           |
| Current assets                                       | ₩               | 2,111,083 | ₩           | 393,758  | ₩  | 2,403    | ₩                         | 429,144   |
| Non-current assets                                   |                 | 288,268   |             | 231,247  |  | 59,570   |                           | 445,339   |
| Current liabilities                                  |                 | 1,089,207 |             | 319,490  |  | 3,981    |                           | 636,789   |
| Non-current liabilities                              |                 | 906,736   |             | 502      |  | 3,195    |                           | 658       |
| <b>Summarized statement of comprehensive income:</b> |                 |           |             |          |  |          |                           |           |
| Revenues   |                 | 83,207    |             | 725,038  |  | 527      |                           | 1,274,323 |
| Profit for the period                                |                 | 22,979    |             | 25,905   |  | 43,042   |                           | 47,753    |
| Total comprehensive income                           |                 | 22,505    |             | 22,072   |  | 44,388   |                           | 47,753    |
| <b>Summarized statement of cash flows:</b>           |                 |           |             |          |  |          |                           |           |
| Cash flows from operating activities                 |                 | 268,705   |             | 2,942    |  | 43,360   |                           | 89,714    |
| Cash flows from investing activities                 |                 | (953)     |             | (20,753) |  | (150)    |                           | (87,770)  |
| Cash flows from financing activities                 |                 | (303,802) |             | 20,204   |  | (43,200) |                           | (192)     |
| Increase or decrease in cash                         |                 | (36,049)  |             | 2,393    |  | 10       |                           | (3,891)   |

(\*1): Stand-alone financial information basis.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**41. Unconsolidated Structured Entities**

(1) The nature of business unconsolidated structured entities as at December 31, 2019 and 2018, are as follows:

(In millions of Korean Won)

|                                      | Purpose of establishment                                     | Financing method                         | Unconsolidated Structured Entities' Assets |             |
|--------------------------------------|--|--|--|-------------|
|                                      |  |  | 2019                                       | 2018        |
| Investment fund and investment trust | Enforcement of investment and profit sharing                 | Issuance of equity shares                | ₩ 5,504,257                                | ₩ 3,971,545 |
| Mortgage loan                        | Investment and in real property and collection through sales | Issuance of equity shares and borrowings | 1,085,528                                  | 1,255,946   |
| Securitization of assets             | Securitization and collection of assets                      | Issuance of ABL and ABCP                 | 142,262                                    | 190,222     |
| Investment in vessels                | Investment in vessels and profit sharing                     | Issuance of equity shares and borrowings | 39,359                                     | 39,502      |

(2) The risk of interest in unconsolidated structured entities as at December 31, 2019 and 2018, are as follows:

(In millions of Korean Won)

|                                      | 2019                               |                 |           |
|--------------------------------------|------------------------------------|-----------------|-----------|
|                                      | Financial assets measured at FVOCI | Loan receivable | Totals    |
| Investment fund and investment trust | ₩ 295,529                          | ₩ -             | ₩ 295,529 |
| Mortgage loan                        | -                                  | 317,341         | 317,341   |
| Securitization of assets             | -                                  | 19,038          | 19,038    |
| Investment in vessels                | -                                  | 10,040          | 10,040    |

(In millions of Korean Won)

|                                      | 2018                               |                 |           |
|--------------------------------------|------------------------------------|-----------------|-----------|
|                                      | Financial assets measured at FVOCI | Loan receivable | Totals    |
| Investment fund and investment trust | ₩ 234,576                          | ₩ -             | ₩ 234,576 |
| Mortgage loan                        | -                                  | 231,666         | 231,666   |
| Securitization of assets             | -                                  | 36,204          | 36,204    |
| Investment in vessels                | -                                  | 10,183          | 10,183    |

Maximum exposure to loss on interest in unconsolidated structured entities as at December 31, 2019 and 2018 is equal to the book amount.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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**42. Discontinued Operation**

(1) Spin-off

As a result of the spin-off dated on June 1, 2019, the controlling company was separated into the surviving company; Hyosung Corporation that manages the equities and investments of the subsidiaries, and newly established companies; Hyosung TNC Corporation, Hyosung Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation that operate its business in textile and trading, heavy industries and construction, industrial materials and chemical products, respectively. In accordance with Article 530-9 (1) of Commercial Act of the Republic of Korea, the newly established companies and surviving company are jointly liable to pay the liabilities of the Group existed before the spin-off. The details of spin-off are presented as follows:

| <b>Entity type</b>                    | <b>Company name</b>       | <b>Business segment</b>  |
|---------------------------------------|---------------------------|--|
| Surviving company after spin-off      | Hyosung                   | The rest of all businesses except for textile and trading, heavy industries and construction, industrial materials and chemical products |
| Newly established company by spin-off | Hyosung TNC               | Textile and trading  |
|                                       | Hyosung Heavy Industries  | Heavy industries and construction  |
|                                       | Hyosung Advanced Material | Industrial materials   |
|                                       | Hyosung Chemical          | Chemical products  |

The continuing operation and discontinued operation were presented as separate line items in the consolidated statements of comprehensive income, respectively and the consolidated statement of comprehensive income herein presented as comparative purpose was restated.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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- (2) Gain or loss from discontinued operation included in the statements of comprehensive income for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|   | <u>2019</u> |   | <u>2018</u> |
|---|-------------|---|-------------|
| Revenue   | ₩ -         | ₩ | 4,315,495   |
| Cost of sales   | -           |   | 3,780,087   |
| Gross profit  | -           |   | 535,408     |
| Selling and administrative expenses                   | -           |   | 231,373     |
| Research and development expenses                     | -           |   | 41,913      |
| Operating profit                                      | -           |   | 262,122     |
| Other income  | -           |   | 25,114      |
| Other expenses  | -           |   | (17,461)    |
| Finance income  | -           |   | 82,734      |
| Finance expenses                                      | -           |   | (165,979)   |
| Investment gain (loss) on associates                  | -           |   | (3,043)     |
| Profit before income tax                              | -           |   | 183,487     |
| Income tax benefit expense                            | -           |   | 80,917      |
| Net profit for the period from discontinued operation | -           |   | 102,570     |
| Gain from disposal of discontinued operation          | -           |   | 2,859,339   |
| Profit for the year from discontinued operation       | ₩ -         | ₩ | 2,961,909   |

- (3) Cash flows incurred from the discontinued operation for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

|                                      | <u>2019</u> |   | <u>2018</u> |
|--------------------------------------|-------------|---|-------------|
| Cash flows from operating activities | ₩ -         | ₩ | (46,965)    |
| Cash flows from investing activities | -           |   | (581,938)   |
| Cash flows from financing activities | -           |   | 879,396     |
| Net cash flows                       | ₩ -         | ₩ | 250,493     |

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(4) Disposal gain or loss from discontinued operation

In case where the non-cash assets that are equally treated by the all owners holding the same type of equity instruments are distributed for free, the Group recognizes the dividend payables at fair value at the time when the Group declares the distribution and has had an obligation to distribute the relevant assets and liabilities. Accordingly, the Group determined the fair value of the non-cash assets distributed by using the estimates and valuation model based on the judgment of the independent external valuation agency. The Group has recognized the difference between the non-cash assets distributed and the recognized dividend payables at the time of distribution as gain or loss from discontinued operation.

|  | (In millions of Korean Won) |             |
|--|-----------------------------|-------------|
|  | <u>2019</u>                 |             |
| Fair value of spin-off segment                             | ₩                           | 5,003,005   |
| Carrying amount of spin-off segment                        |                             | (2,215,023) |
| Non-controlling interests for spin-off division            |                             | 134,187     |
| Accumulated other comprehensive income of spin-off segment |                             | (62,830)    |
| Gain from disposal of discontinued operation               |                             | 2,859,339   |

In the meanwhile, gain or loss from discontinued operation does not involve the cash inflows and the fair value on the non-cash assets distributed is accounted for as other equity adjustment (deduction of equity). Therefore, equity increase effect resulting from the disposal gain or loss was not accounted for. The key assumptions used for the fair value measurement of non-cash assets distributed are as follows:

|  | <u>Discount rate</u> |
|--|----------------------|
| Textile / trade business               | 9.96%                |
| Heavy Industry / Construction Business | 11.28%               |
| Industrial Materials Division          | 9.90%                |
| Chemical Business Division             | <u>10.87%</u>        |