

Hyosung Corporation

Separate Financial Statements

December 31, 2019 and 2018

(With Independent Auditor's Report Thereon)

Hyosung Corporation

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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 separate financial statements of Hyosung Corporation (the "Company"), which comprise the separate statements of financial position as of December 31, 2019 and 2018, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies..

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

Basis for Opinion

We conducted our audit 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 Separate Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in Korea, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

The reader of this report may need to draw attention to the matters explained in Note 41 to the separate financial statements. As a result of the spin-off dated on June 1, 2018, the 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 Heavy Industries, Hyosung Advanced Materials and Hyosung Chemical Corporation that operate business in textile and trading, heavy industries and construction, industrial materials and chemical products, respectively. Accordingly, the Company presented the performance of the discontinued operation as the separate line item in the prior period's separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 as Key Audit Matters

The Company holds a 32.47% of ownership in Hyosung Heavy Industries and classifies it as investments in associates. As of December 31, 2019, the carrying amount of Hyosung Heavy Industries' ownership is KRW 161,041 million.

The Company 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 Company 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 Company
- Review on appropriateness of business plan estimated by the management considering actual to forecast comparison analysis of the past period
- 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 Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 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.
- 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 Company'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 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 Company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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.

Nexia Samduk

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 separate financial statements and may result in modifications to this report.

(Attachment) Separate Financial Statements

Hyosung Corporation

The 65th period

From January 1, 2019 to December 31, 2019

The 64th period

From January 1, 2018 to December 31, 2018

"The attached separate financial statements were prepared by the Company." CEO

Kyu-Young Kim of Hyosung Corporation

The Headquarter	Address	119 Mapo-daero, Mapo-gu, Seoul, Korea
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Hyosung Corporation

Separate Statements of Financial Position

As at December 31, 2019 and 2018

(In millions of Korean Won)

	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	4,8,9,10	₩ 2,964	₩ 11,916
Trade and other receivables	4,7,8,11,18,22	50,908	42,197
Due from customers for contract work	4	2	43
Other current assets	13	18,673	6,931
Inventories	14	8,172	17,569
		80,719	78,656
Non-current assets			
Long-term trade and other receivables	4,8,11,18,22	51,476	46,009
Property, plant and equipment	15,18	536,004	531,301
Investment property	16,18	8,694	6,176
Intangible assets	17	40,419	37,145
Investments in subsidiaries and associates	21,22	1,327,617	1,328,415
Other non-current financial assets	4,5,8,10,12	49,836	68,484
Other non-current assets	13	23,999	24,681
		2,038,045	2,042,211
Total assets		₩ 2,120,868	₩ 2,120,868
Liabilities			
Current liabilities			
Trade and other payables	4,8,20,22,23	₩ 60,923	₩ 75,379
Due to customers for contract work		97	1
Borrowings	4,8,24	34,507	837
Other financial liabilities	4,5,8,12,18	12,295	120
Current tax liabilities		6,737	8,631
Other current liabilities	27	18,254	2,741
		132,813	87,709
Non-current liabilities			
Long-term trade and other payables	4, 8, 19, 22, 23	10,386	16,314
Long-term borrowings	4, 8, 24	899	1,035
Post-employment benefit obligation	25	7,316	4,902
Deferred tax liabilities	26	141,328	140,972
Other non-current financial liabilities	18	9,373	-
Other non-current liabilities	27	429	601
		169,731	163,824
Total liabilities		302,544	251,533
Equity			
Share capital	28	105,355	105,355
Share premium		451,188	451,188
Retained earnings	29	5,775,733	5,828,979
Other components of equity	30	(4,516,058)	(4,516,187)
Total equity		1,816,218	1,869,336
Total liabilities and equity		₩ 2,118,763	₩ 2,120,868

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

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

(In millions of Korean Won)

	Notes	2019		2018	
Revenue	22,31	₩	342,850	₩	387,911
Cost of sales	22,32		233,743		323,290
Gross profit			109,107		64,621
Selling and administrative expenses	32,33,34		54,742		51,547
Research and development expenses	32,33		-		143
Operating profit (loss)			54,364		12,932
Other income	35		2,844		9,201
Other expenses	35		(4,732)		(4,472)
Finance income	36		6,339		14,774
Finance expenses	36		(8,784)		(14,811)
Profit before income tax			50,032		17,624
Income tax benefit expense (benefit)	26		6,221		(1,071)
Profit for the year from continuing operation			43,811		18,695
Profit for the year from discontinued operation	41		-		3,000,820
Profit for the year		₩	43,811	₩	3,019,516
Basic earnings per share from continuing operation	37	₩	2,155	₩	862
Basic earnings per share from discontinued operation	37	₩	-	₩	138,350

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

Hyosung Corporation

Separate Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(In millions of Korean Won)

	Notes	2019	2018
Profit for the year		₩ 43,811	₩ 3,019,516
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	29	129	(93,371)
Remeasurements of net defined benefit liability	24	(5,180)	1,357
Items that may be subsequently reclassified to profit or loss			
Exchange difference of translation of foreign operations	29	-	(901)
Other comprehensive income for the period, net of tax		(5,051)	(92,915)
Total comprehensive income for the year		₩ 38,760	₩ 2,926,601

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

Hyosung Corporation

Separate Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(In millions of Korean Won)

	Share Capital	Share Premium	Retained Earnings	Other Component of Equity	Total
Balance at January 1, 2018	₩ 175,587	₩ 130,826	₩ 2,937,089	₩ 230,208	₩ 3,473,711
Effect from change in accounting policy	-	-	37,360	(42,078)	(4,718)
Adjusted balance	175,587	130,826	2,974,449	188,130	3,468,993
Total comprehensive income	-	-	-	-	-
Profit for the year	-	-	3,019,516	-	3,019,516
Gain(loss) on valuation of financial assets measured at FVOCI	-	-	-	(93,371)	(93,371)
Remeasurements of net defined benefit liability	-	-	1,357	-	1,357
Exchange differences on translation of foreign operations	-	-	-	(901)	(901)
Transactions with owners	-	-	-	-	-
Dividend (Note 38)	-	-	(166,343)	-	(166,343)
Capital increase with consideration	36,379	399,796	-	-	436,175
Others	-	-	-	(787)	(787)
Movements from spin-off	(106,612)	(79,434)	-	(4,609,259)	(4,795,304)
Balance at December 31, 2018	₩ 105,355	₩ 451,188	₩ 5,828,979	₩ (4,516,187)	₩ 1,869,336
Balance at January 1, 2019	₩ 105,355	₩ 451,188	₩ 5,828,979	₩ (4,516,187)	₩ 1,869,336
Effect from change in accounting policy	-	-	9,777	-	9,777
Adjusted balance	105,355	451,188	5,838,756	(4,516,187)	1,879,113
Total comprehensive income	-	-	-	-	-
Profit for the year	-	-	43,811	-	43,811
Gain(loss) on valuation of financial assets measured at FVOCI	-	-	-	129	129
Remeasurements of net defined benefit liability	-	-	(5,180)	-	(5,180)
Transactions with owners	-	-	-	-	-
Dividend (Note 38)	-	-	(101,654)	-	(101,654)
Balance at December 31, 2019	₩ 105,355	₩ 451,188	₩ 5,775,733	₩ (4,516,058)	₩ 1,816,218

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

Hyosung Corporation

Separate Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(In millions of Korean Won)

	Notes	2019		2018	
Cash flows from operating activities					
Cash generated from operations	39	₩	4,685	₩	(89,122)
Income taxes paid			(9,264)		(39,424)
Interest paid			(801)		(30,707)
Interest received			1,635		502
Dividend received			69,143		45,081
Net cash inflow(outflow) from operating activities			65,398		(113,670)
Cash flows from investing activities					
Collection of loans			4,610		1,097
Decrease in short-term financial instrument			-		208
Proceeds from sales of available-for-sales financial assets			14,108		1
Collection of long-term loans			5		13,081
Decrease in long-term deposit			438		7,038
Proceeds from sale of property, plant and equipment			751		2,778
Government grants received			342		3,499
Proceeds from sales of intangible assets			177		222
Decrease in long-term financial instrument			2,732		4,290
Increase in short-term loans			(704)		(569)
Acquisition of available-for-sales financial assets			(977)		(4,354)
Increase in long-term loans			-		(253,195)
Increase in long-term deposits			(220)		(3,672)
Acquisition of property, plant and equipment			(10,458)		(108,392)
Acquisition of intangible assets			(5,851)		(7,625)
Acquisition of subsidiaries and associates			(146)		(219,861)
Increase in long-term financial instrument			(585)		(4,568)
Acquisition of other investment assets			-		(396)
Net cash inflow(outflow) from investing activities			4,223		(570,419)
Cash flows from financing activities					
Proceeds from short-term borrowings			102,123		5,764,984
Proceeds from long-term borrowings			-		247,326
Proceeds from issuance of debentures			20,000		269,136
Government grants received			1,104		1,498
Repayment of short-term borrowings			(68,454)		(4,647,804)
Repayment of current portion of long-term borrowings			-		(136,671)
Repayment of government grants			(330)		(1,696)
Dividends paid			(101,654)		(166,343)
Acquisition of treasury shares			-		(787)
Share issuance cost			-		(377)
Cash outflows from spin-off			-		(679,882)
Payments of lease liabilities			(11,227)		-
Repayments of bonds			(20,000)		-
Repayments of long term borrowings			(136)		-
Net cash inflow(outflow) from financing activities			(78,574)		649,383
Net increase(decrease) in cash and cash equivalents			(34,706)		5,954
Cash and cash equivalents at the beginning of the period			11,916		46,622
Cash and cash equivalents at the end of the period		₩	2,964	₩	11,916

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

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

1. General Information

Hyosung Corporation (the “Company”) was established on November 3, 1966, and primarily manufactures and sells synthetic fiber products and electronic products, and is engaged in construction, international trade and other related business activities. As a result of the spin-off dated on June 1, 2018, the 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 Heavy Industries, Hyosung Advanced Materials 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 shareholders of the Company are as follows:

(In number of shares and percentage)		
Shareholders	Number of Shares	Percentage of ownership(%)
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 Gwang-Ja	101,387	0.48
Cho Yang-Rae and others	11,915	0.06
Others	9,093,857	43.16
Treasury stocks	<u>740,201</u>	<u>3.51</u>
Total	<u><u>21,071,025</u></u>	<u><u>100.00</u></u>

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

2.2 Changes in Accounting Policy and Disclosures

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

The Company 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 leases 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 Company 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 Company 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.

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.

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

-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.

-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.

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

- 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.

(2) New and amended standards not yet adopted

-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.

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

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

The Company 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.

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%.

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	₩	23,844
Discounted amounts using the lessee’s incremental borrowing rate at the date of initial application		22,719
Current lease liabilities		7,956
Non-current lease liabilities		14,763
Lease liability recognized as at January 1, 2019	<u>₩</u>	<u>22,719</u>

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

1) Amounts recognized in the separate statements of financial position

The amounts recognized in the separate statements of financial position for leases are as follows

<i>(in millions of Korean won)</i>	December 31,2019	January 1,2019
Assets(*1)		
Buildings	₩ 4,788	₩ 4,785
Vehicles	897	1,008
Others	3,779	-
Right-of-use assets total	<u>9,464</u>	<u>5,793</u>
Lease receivables	19,984	30,535
Liabilities(*2)		-
Current lease liabilities	12,295	7,956
Non-current lease liabilities	9,373	14,763
Lease liabilities total	<u>21,668</u>	<u>22,719</u>
Equity		
Retained earnings	<u>₩ 9,777</u>	<u>₩ 9,777</u>

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

(*2) It was included in the 'Other financial liabilities' in the separate 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>	2019
Depreciation of right-of-use assets	₩ <u>4,956</u>
Buildings	2,256
Vehicles	591
Others	2,109
Interest expense relating to lease liabilities (included in finance cost)	" 772
Interest income relating to lease receivables (included in finance income)	₩ <u>777</u>

2.3 Subsidiaries and Associates

The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027, Separate Financial Statements. Investment in subsidiaries and associates are measured at acquisition costs based on direct investment cost. The Company applied the carrying amounts under the previous K-GAAP at the time of transition to the Korean IFRS. The Company recognizes dividend income from subsidiaries and associates in profit or loss when its right to receive the dividend is established.

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2.4 Foreign Currency Translation

(1) Functional and presentation currency

Items included in the separate financial statements are measured using the currency of the primary economic environment in which each entity operates (the “functional currency”). The separate financial statements are presented in Korean won, which is the Company’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 statement of financial position only when the Company 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.

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 Company 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.

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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

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 and interest
- 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.

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 amortized costs

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 Company has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

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(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 Company 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.

	Stage	Impairment loss allowance
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 Company 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.

2.6 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. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within “other income(expenses)”.

2.7 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.

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2.8 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.

2.9 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	40 years
Structures	40 years
Machinery	8~10 years
Vehicles	5 years
Tools and equipment	5 years
Others	4 years
Lease assets	1~3 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.

2.10 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.

2.11 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 Company 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.

2.12 Intangible Assets

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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 Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<u>Useful Life</u>
Industrial rights	5-10 years
Facility usage right	10-25 years
Other intangible assets	5 years

2.13 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 Company depreciates investment properties, except for land, using the straight-line method over their useful lives of 40 years.

2.14 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are tested for impairment if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount (that is the higher of an asset's fair value less costs of disposal and value-in-use). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Financial Liabilities

Financial liabilities are recognized in the statement of financial position only when the Company 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").

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(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.

(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 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 Company nets off the financial assets and liabilities and presents the net amount in the statement of financial position when the Company 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.

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2.16 Financial Guarantee Contracts

Financial guarantee contracts provided by the Company 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

2.17 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.

2.18 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 Company 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.

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The Company recognizes a deferred tax liability associated with investments in subsidiaries, associates, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Company 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.

2.19 Employee Benefits

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

Under the defined contribution plan that the Company 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.

2.20 Revenue Recognition

1) Identification of Performance Obligation

In accordance with Korean IFRS 1115, the Company 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.

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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 Company's performance creates or enhances an assets that the customer controls as the assets is created or enhanced or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

3) Incremental costs of obtaining a contract

In accordance with Korean IFRS 1115, the Company recognizes the incremental costs of obtaining a contract with customer as an asset if the Company 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 Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company 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 Company does not expect to be entitled.

5) Significant financial elements

With implementation of Korean IFRS 1115, when calculating the transaction price, the Company 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 Company has a significant financial benefit when the goods or services are transferred due to the agreed payment date between contracting parties.

2.21 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.

If the Company is a lessee, lessee recognizes right-of-use assets representing a right to use the underlying assets and lease liabilities representing an obligation on lease payment. However, the Company 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.

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If the Company 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.

2.22 Operating Segment

Information of each operating segment is reported in a manner consistent with the business segment 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.

2.23 Account reclassification of prior period's financial statements

In order to facilitate comparability 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.

2.24 Approval of Separate Financial Statements

The separate 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 the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The Company 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) Income taxes

As the Company'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 26).

If certain portion of the taxable income is not used for three years from 2018 for investments or increase in wages or dividends in accordance with the Tax System for Recirculation of Corporate Income, the Company is liable to pay additional income tax calculated based on the tax laws. As the measurement of current and deferred income tax is affected by the tax effects from the new tax system, the Company's income tax is dependent on the investments, increase in wages and dividends. Therefore, there is an uncertainty measuring the final tax effects.

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(2) Fair value of financial instruments

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

(3) Provisions

As at December 31, 2019, the Company recognizes provisions for warranties and others. These provisions are estimated based on past experience (Note 27).

(4) 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 25).

4. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Company. The Company 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 Company operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar, Euro and Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

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

The table below summarizes the impact of weakened/strengthened Korean won on the Company'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)	
		Impact on pre-tax profit	
		2019	2018
US Dollar	Strengthened	₩ 332	₩ (1,536)
	Weakened	(332)	1,536
EURO	Strengthened	29	(4)
	Weakened	(29)	4
JPY	Strengthened	(10)	(6)
	Weakened	10	6
Others	Strengthened	3	(3)
	Weakened	(3)	3

(1) Price Risk

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

The Company'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 Company'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)	
		Impact on equity	
		2019	2018
Increase	₩	1,756	₩ 1,688
Decrease		(1,756)	(1,688)

(2) 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.

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The Company is exposed to interest rate risk due to its borrowings in fixed and floating interest rates. The Company'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 Company'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)		
		Impact on pre-tax profit		
		2019	2018	
Increase	₩	(349)	₩	(12)
Decrease		349		12

4.1.2 Credit Risk

Credit risk is managed on an 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 Company 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)		
		2019	2018	
Cash and cash equivalents(*1)	₩	2,934	₩	11,886
Trade and other receivables		50,908		42,197
Due from customers for contract work		2		43
Other financial assets		-		-
Long-term trade and other receivables		51,476		46,009
Other non-current financial assets		49,836		68,484

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

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4.1.3 Liquidity Risk

The Company monitors the forecasts on the Company'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 Company does not breach borrowing limits or covenants (where applicable). The Company considers short, mid and long-term financial plan, compliance on commitment and target financial ratio on liquidity forecast.

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

(In millions of Korean won)

	2019			
	Less than 1year	Between 1 and 5	Over 5 years	Total
Trade and other payables	₩ 58,298	₩ 10,085	₩ 730	₩ 69,113
Borrowings (including interest expense)	34,605	546	492	35,643
Other financial liabilities	12,513	9,835	-	22,348
	<u>₩ 105,416</u>	<u>₩ 20,466</u>	<u>₩ 1,222</u>	<u>₩ 127,104</u>

(In millions of Korean won)

	2018			
	Less than 1year	Between 1 and 5	Over 5 years	Total
Trade and other payables	₩ 74,584	₩ 16,197	₩ 718	₩ 91,499
Borrowings (including interest expense)	838	546	492	1,876
Other financial liabilities	120	-	-	120
	<u>₩ 75,542</u>	<u>₩ 16,743</u>	<u>₩ 1,210</u>	<u>₩ 93,495</u>

Except above contracts, the Company 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 40).

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4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so the Company 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 Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company 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 separate statement of financial position plus net debt.

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

	(In millions of Korean won)			
	2019		2018	
Total borrowings	₩	35,406	₩	1,872
Less: cash and cash equivalents		<u>(2,964)</u>		<u>(11,916)</u>
Net debt (A)		32,442		(10,044)
Total equity (B)		1,816,218		1,869,336
Total capital (A+B=C)	₩	<u>1,848,660</u>	₩	<u>1,859,292</u>
Gearing ratio (A/C)		1.75%		-

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5. Fair Value of Financial Instrument

5.1 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	Level 3	total
Asset				
Financial asset measured at FVOCI (Listed stock)	₩ 7,722	-	-	7,722
Financial asset measured at FVOCI (Non-listed stock)	-	-	3,054	3,054
Financial asset measured at FVOCI (Debt instruments)	-	-	1,158	1,158
Financial asset measured at FVPL (Non-listed stock)	-	-	36,008	36,008
	₩ 7,722	-	40,220	47,942
Liability				
Financial liability measured at FVPL (Other financial liabilities)	₩ -	-	-	-

(In millions of Korean won)

2018

	Level 1	Level 2(*1)	Level 3	total
Asset				
Financial asset measured at FVOCI (Listed stock)	₩ 7,245	-	-	7,243
Financial asset measured at FVOCI (Non-listed stock)	-	-	4,056	4,056
Financial asset measured at FVOCI (Debt instruments)	-	-	1,158	1,158
Financial asset measured at FVPL (Non-listed stock)	-	-	51,804	51,804
	₩ 7,245	-	57,018	64,443
Liability				
Financial liability measured at FVPL (Derivative liabilities)	₩ -	120	-	120

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(*1): The Company 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.

5.2 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.

5.3 Valuation Techniques and the Inputs

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

(In millions of Korean won)

	2019				
	Fair value	Level	Valuation techniques	Inputs	Range of Inputs
Other non-current financial asset					
Financial asset measured at FVOCI	₩ (Asset) 4,211	3	DCF Model	Discount rate	9.89%~11.24%
Financial asset measured at FVPL	₩(Asset) 36,008	3	DCF Model Net asset value	Discount rate Stock price, Volatility	13.32% N/A

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6. Reporting on Segment

A. The Company operates single business segment. Therefore, the Company does not disclose the operating segment information.

B. Information about Major Customers

Information on external customers accounting for 10 per cent or more of the Company's revenues for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of Korean won)
	<u>2019</u>
Hyosung Heavy Industries	55,803
Hyosung TNC Corporation	41,975

7. Transfer of Financial Assets

Under factoring arrangement, the Company sells trade receivables at a discount to the financial institutions for the year ended December 31, 2019 and 2018. The Company 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, 24 and 40).

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

	2019	(In millions of Korean won) 2018
Carrying amount of assets	₩ 470	701
Carrying amount of the associated liabilities	(470)	(701)
Net position	₩ -	-

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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				
	Equity securities measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Financial liabilities measured at amortized cost	Total
Cash and cash equivalents	₩		2,964	2,964
Trade and other receivables			50,908	50,908
Long-term trade and other receivables			51,476	51,476
Other non-current financial assets	36,008	11,934	1,893	49,835
Total	₩ 36,008	11,934	107,241	155,183

(In millions of Korean won)

2019				
	Derivative measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total	
Trade and other payables	₩	-	60,923	60,923
Borrowings		-	34,507	34,507
Other financial liabilities		-	12,295	12,295
Long-term trade and other payables		-	10,386	10,386
Long-term borrowings		-	899	899
Total	₩	-	128,383	128,383

2) FY2018

(In millions of Korean won)

2018				
	Equity securities measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Financial liabilities measured at amortized cost	Total
Cash and cash equivalents	₩	-	11,916	11,916
trade and other receivables		-	42,197	42,197
Long-term trade and other receivables		-	46,009	46,009
Other non-current financial assets	51,804	12,639	-	64,443
Total	₩ 51,804	12,639	100,122	164,565

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2018			
	Derivative measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Trade and other payables	₩ -	75,379	75,379
Borrowings	-	837	837
Other financial liabilities	120	-	120
Long-term trade and other payables	-	16,314	16,314
Long-term borrowings	-	1,035	1,035
	₩ -	93,565	93,685

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(2) 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
Financial assets						
Financial assets measured at amortized cost	₩	238	-	-	2,790	3,028
Financial asset measured at FVPL		(3,343)	-	-	-	(3,343)
Financial asset measured at FVOC		774	170	-	30	974
Financial liabilities						
Financial liabilities measured at amortized cost		(739)	-	-	(1,796)	(2,535)
Derivative financial assets and liabilities		575	-	-	-	-

(*1): Other financial liabilities include transfer transactions not qualified for derecognition, financial payment guarantees and others that are not subject to the categorizations.

(In millions of Korean won)

		2018				
		Gain(Loss)	Other comprehensive income	Reclassification	Interest income (expense)	Total
Financial assets						
Financial assets measured at amortized cost	₩	(6,686)	-	-	3,362	(3,324)
Financial asset measured at FVPL		(806)	-	-	-	(806)
Financial asset measured at FVOC		322	(135,189)	-	29	(134,838)
Financial liabilities						
Financial liabilities measured at amortized cost		(9,723)	-	-	(36,904)	(2,535)
Derivative financial assets and liabilities		2,076	-	-	-	-

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)

	2019		2018	
Cash on hand	₩	30	₩	30
Bank deposits		2,934		11,886
	₩	<u>2,964</u>	₩	<u>11,916</u>

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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>2019</u>	<u>2018</u>	<u>Details</u>
Other non-current financial assets ₩	1,893	1,896	Restricted for lease deposits received\

11. Trade and Other Receivables

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

(In millions of Korean won)

		2019		
		Receivable amount	Provision for impairment	Carrying amount
Trade receivables	₩	27,559	-	27,559
Other receivables		24,950	(1,602)	23,349
Long-term trade receivables		-	-	-
Long-term other receivables		51,476	-	51,476
	₩	<u>103,985</u>	<u>(1,602)</u>	<u>102,384</u>

(In millions of Korean won)

		2018		
		Receivable amount	Provision for impairment	Carrying amount
Trade receivables	₩	27,775	(3)	27,772
Other receivables		16,027	(1,602)	14,425
Long-term trade receivables		-	-	-
Long-term other receivables		46,009	-	46,009
	₩	<u>89,811</u>	<u>(1,605)</u>	<u>88,206</u>

The Company 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 471 million (2018: KRW 701 million). The Company 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 (Notes 7, 24 and 40).

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

	(In millions of Korean Won)	
	2019	2018
Other receivables:	₩	
Non-trade receivable	2,050	3,916
Short-term loans	10,413	9,397
Accrued income	396	1,112
Current lease receivables	10,490	-
Sub-total	₩ 23,349	14,425
Long-term other receivables:		
Long-term loans	20,361	25,311
Deposits provided	12,433	12,390
Long-term accrued income	9,188	8,308
Non current lease receivables	9,494	-
Sub-total	₩ 51,476	46,009
Total	₩ 74,825	60,434

(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.

	2019	2018
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)				
	2019				
	Trade receivables	Other receivables	Long-term trade receivables	Long-term other receivables	Total
Past due but not impaired	₩ 7,934	23,226	-	51,476	82,636
Receivables not past due					
Up to 3 months	18,083	-	-	-	18,083
4 to 6 months	241	-	-	-	241
7 to 12 months	394	-	-	-	394
Over 12 months	907	-	-	-	907
	27,559	-	-	51,476	82,636
Impaired receivable	-	1,724	-	-	1,724
	₩ 27,559	24,950	-	51,476	103,985

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	2018				
	Trade receivables	Other receivables	Long-term trade receivables	Long-term other receivables	Total
Past due but not impaired	₩ 16,241	14,303	-	46,009	76,553
Receivables not past due					
Up to 3 months	11,417	-	-	-	11,417
4 to 6 months	117	-	-	-	117
7 to 12 months	-	-	-	-	-
Over 12 months	-	-	-	-	-
	<u>27,775</u>	<u>14,303</u>	<u>-</u>	<u>46,009</u>	<u>88,087</u>
Impaired receivable	-	1,724	-	-	1,724
	<u>₩ 27,775</u>	<u>16,027</u>	<u>-</u>	<u>46,009</u>	<u>89,811</u>

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

- (5) Individually impaired receivables mainly relate to customers that are experiencing unexpected economic difficulties. The Company expects that a portion of their receivables will be recovered. If the Company determines that no objective evidence of impairment exists for an individually assessed receivables, those will be collectively assessed for impairment.
- (6) The Company measured the credit quality of trade receivables and long-term trade receivables that are not impaired by using the external credit ratings or historical information about counterparty default rates.

(In millions of Korean Won)

2019	
Trade receivables and long-term trade receivables	Carrying amount
Counterparties with external credit rating	₩
A	21,779
BB	2,906
BBB	14
Sub-total	<u>24,701</u>
Counterparties without external credit rating	
Group 1(*1)	91
Group 2(*2)	2,767
Group 3(*3)	-
Sub-total	<u>2,858</u>
Total of unimpaired trade receivables	<u>₩ 27,559</u>

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2018	
Trade receivables and long-term trade receivables	Carrying amount
Counterparties with external credit rating	₩
A	9,364
BB	361
BBB	14,845
Sub-total	<u>24,570</u>
Counterparties without external credit rating	
Group 1(*1)	496
Group 2(*2)	2,709
Group 3(*3)	-
Sub-total	<u>3,205</u>
Total of unimpaired trade receivables	<u>₩ 27,775</u>

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

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

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

(7) 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		
	Trade receivables and long-term trade receivables	Other receivables and long-term other receivables	Total
Beginning balance	₩ 3	1,602	1,605
Provisions for impaired receivables	(3)		(3)
Ending balance	<u>₩ -</u>	<u>1,602</u>	<u>1,602</u>

(In millions of Korean Won)

	2018		
	Trade receivables and long-term trade receivables	Other receivables and long-term other receivables	Total
Beginning balance	₩ 32,709	128,785	161,494
Provisions for impaired receivables	1,084	(1,081)	3
Receivables written off as uncollectible	(127)	(8,562)	(8,689)
Others	9,825	44,646	54,471
Movements resulting from spin-off	(43,488)	(162,186)	(205,674)
Ending balance	<u>₩ 3</u>	<u>1,602</u>	<u>1,605</u>

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(8) Provision provided and reversed for impaired trade receivables have been included in selling and administrative expenses (Note 34) and the provision provided and reversed for the other receivables have been included in other income and other expense (Note 35). The Company writes off the provision in case where the additional cash collection is not expected.

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)	
	2019	2018
Other financial assets		
Financial assets measured at AC	₩ 1,893	4,041
Financial assets measured at FVOCI	11,934	12,639
Financial assets measured at FVPL	36,008	51,804
	<u>49,836</u>	<u>68,484</u>
Less: current portion	-	-
	<u>49,836</u>	<u>68,484</u>
Other financial liabilities		
Derivative financial liabilities	-	120
Less: current portion	-	(120)
	<u>-</u>	<u>-</u>
	<u>₩ -</u>	<u>-</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)	
	2019	2018
Short-term financial instruments	₩ -	-
Long-term financial instruments	1,893	4,041
	<u>₩ 1,893</u>	<u>4,041</u>

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

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

	(In millions of Korean Won)	
	2019	2018
Non-listed	₩ 14,781	27,987
Invested capital fund	21,228	23,817
	<u>₩ 36,008</u>	<u>51,804</u>

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

	(In millions of Korean Won)	
	2019	2018
Listed	₩ 7,722	7,425
Non-listed	3,053	4,055
Invested capital fund	1	1
Government bonds	1,158	1,158
	<u>₩ 11,934</u>	<u>12,639</u>

(4) Equity investments in which the Company has more than 20% of voting rights but are accounted for financial assets measured at fair value through other comprehensive income as at December 31, 2019 and 2018 are as follows:

	(In millions of Korean Won)	
<u>Company</u>	2019	2018
Invested capital fund OksanOchang Highway Corporation(*1)	₩ -	12,422
	<u>₩ -</u>	<u>12,422</u>

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

(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:

	(In millions of Korean Won)	
	2019	2018
Beginning balance	₩ 64,443	233,700
Change in accounting policy	-	3,576
Acquisitions	977	267,751
Disposals	(14,418)	(156)
Impairment loss on available-for-sale financial assets	-	-
Valuation		
Financial assets measured at FVOCI	170	(123,182)
Financial assets measured at FVPL	(3,231)	(960)
Net gains (losses) reclassified from equity	-	-
Increase due to merger	-	-
Decrease due to merger	-	-
Movements resulting from spin-off	-	(201,149)
Transfer(*1)	-	(115,137)
Ending balance	<u>₩ 47,942</u>	<u>64,443</u>

(*1): During the prior period, equity instruments of Hyosung TNC Corporation, Hyosung Heavy Industries, Hyosung Advanced Materials and Hyosung Chemical Corporation were reclassified to investments in associates from financial assets measured at fair value measured other comprehensive income.

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- (6) The Company entered into currency forward exchange contracts to hedge the foreign exchange risks arising from trade receivable denominated in foreign currency. The related gain (loss) on valuation of derivatives is recognized as profit or loss in the profit or loss of the period.

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

		(In millions of Korean Won)	
		2018	
		Derivative assets	Derivative
Current			
Currency forward exchange contracts	₩	-	120
Instruments forward contracts		-	-
Currency swap		-	-
Total return swap		-	-
Sub-total		-	120
Non-current			
Currency forward exchange contracts		-	-
Currency swap		-	-
Redeemable convertible preference shares		-	-
Sub-total		-	-
Total	₩	-	120

13. Other Assets

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

		(In millions of Korean Won)	
		2019	
		Current	Non-current
Advance payments	₩	15,104	-
Allowance for bad debts		-	-
Prepaid expenses		3,569	-
Other investments		-	23,980
Long-term prepaid expenses		-	19
Total	₩	18,673	23,999

		(In millions of Korean Won)	
		2018	
		Current	Non-current
Advance payments	₩	5,245	-
Allowance for bad debts		-	-
Prepaid expenses		1,685	-
Other investments		-	23,980
Long-term prepaid expenses		-	701
Total	₩	6,930	24,681

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14. Inventory

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

(In millions of Korean Won)

	2019		
	<u>Acquisition</u>	<u>Provision</u>	<u>Carrying</u>
Merchandise	₩ -	-	-
Finished goods	3,135	(92)	3,042
Semi-finished goods	3,869	(181)	3,688
Work in process	-	-	-
Raw materials	312	-	312
Sub-materials	1,072	(27)	1,045
Supplies	4	-	4
Packing	65	(3)	62
Goods in transit	20	-	20
Cost accrued on construction contracts	-	-	-
Temporary installations	-	-	-
Land	-	-	-
	<u>₩ 8,476</u>	<u>(304)</u>	<u>8,172</u>

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(In millions of Korean Won)

	2018		
	Acquisition	Provision	Carrying
Merchandise	₩ 9,442	-	9,442
Finished goods	3,202	(76)	3,126
Semi-finished goods	3,633	(149)	3,484
Work in process	-	-	-
Raw materials	570	-	570
Sub-materials	802	(20)	782
Supplies	2	-	2
Packing	76	(3)	73
Goods in transit	89	-	89
Cost accrued on construction contracts	-	-	-
Temporary installations	-	-	-
Land	-	-	-
	₩ 17,816	(248)	17,568

Inventories recognized as cost of sales for the year ended December 31, 2019 amounted to KRW 63,448 million (2018: KRW 195,396 million). In the meanwhile, the Company recognized the inventory allowance loss amounting to KRW 44 million as cost of sales for the year ended December 31, 2019 (2018: KRW 46 million as reversal of inventory allowance loss).

15. 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)

	2019		
	Acquisition cost	Accumulated depreciation(*1)	Carrying amount
Land	₩ 443,336	-	443,336
Buildings	62,311	(28,538)	33,773
Structures	15,070	(3,944)	11,126
Machinery	206,286	(183,568)	22,718
Vehicles	924	(782)	142
Tool and equipment	48,648	(39,215)	9,433
Others	-	-	-
Construction in progress	8,469	-	8,469
Machinery in transit	87	-	87
Lease assets	10,429	(3,509)	6,920
	₩ 795,584	(259,580)	536,004

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(In millions of Korean Won)

	2018		
	Acquisition cost	Accumulated depreciation(*1)	Carrying amount
Land	₩ 444,584	-	444,584
Buildings	62,231	(26,978)	35,253
Structures	13,809	(3,492)	10,317
Machinery	207,988	(184,663)	23,325
Vehicles	999	(911)	88
Tool and equipment	45,886	(37,692)	8,194
Others	-	-	-
Construction in progress	9,486	-	9,486
Machinery in transit	54	-	54
	₩ 785,037	(253,736)	531,301

(*1): Accumulated impairment losses are included.

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

	2019							
	Beginning	Acquisition	Disposal	Depreciation and others	Transfer(*1)	Government grants received	Change in accounting policy	Carrying amount
Land	₩ 444,584	-	(1,248)	-	-	-	-	443,336
Building	35,253	-	-	(1,560)	80	-	-	33,773
Structures	10,317	-	(10)	(460)	1,279	-	-	11,126
Machinery	23,325	1,321	(1)	(5,470)	3,811	(268)	-	22,718
Vehicles	88	-	-	(38)	92	-	-	142
Tool and equipment	8,194	2,211	-	(3,658)	2,761	(75)	-	9,433
Others	-	-	-	-	-	-	-	-
Construction in progress	9,486	6,017	-	-	(7,034)	-	-	8,469
Machinery in transit	54	909	-	-	(876)	-	-	87
Lease assets	-	9,527	(131)	(3,533)	-	-	1,057	6,920
	₩ 531,301	19,985	(1,390)	(14,719)	113	(343)	1,057	536,004

	2018							
	Beginning	Acquisition	Disposal	Effect of merger	Depreciation and others	Transfer(*1)	Government grants received	Carrying amount
Land	₩ 1,459,501	-	(567)	(1,013,717)	-	457	(1,090)	444,584
Building	573,401	319	(686)	(530,992)	(9,745)	3,382	(426)	35,253
Structures	207,214	-	(295)	(197,115)	(3,520)	4,088	(55)	10,317
Machinery	910,376	3,991	(753)	(854,275)	(91,131)	57,181	(2,064)	23,325
Vehicles	5,131	128	(1)	(4,497)	(901)	233	(5)	88
Tool and equipment	55,933	1,934	(103)	(44,742)	(11,493)	6,785	(120)	8,194
Others	86,761	879	(488)	(87,152)	-	-	-	-
Construction in progress	41,294	93,450	(6)	(60,919)	-	(64,332)	-	9,487
Machinery in transit	179	7,950	-	(34)	-	(8,041)	-	-
	₩ 3,339,790	108,652	(2,901)	(2,793,443)	(116,791)	(246)	(3,760)	531,301

(*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 3,877 million, 2018: KRW 105,504 million), selling and administrative expenses (2019: KRW 5,248 million, 2018: KRW 4,288 million) and research and development expenses (2019: KRW 5,620 million, 2018: 6,975 million), respectively.

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(4) Land, building and machineries are provided to the financial institutions as collaterals for borrowings (Note 40).

16. Investment Properties

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

(In millions of Korean Won)

	2019		
	Acquisition cost	Accumulated depreciation(*1)	Carrying amount
Land	₩ 5,488	-	5,488
Buildings	1,047	(385)	662
Lease assets	3,966	(1,422)	2,544
	<u>₩ 10,501</u>	<u>(1,807)</u>	<u>8,694</u>

(In millions of Korean Won)

	2018		
	Acquisition cost	Accumulated depreciation(*1)	Carrying amount
Land	₩ 5,488	-	5,488
Buildings	1,047	(359)	688
	<u>₩ 6,535</u>	<u>(359)</u>	<u>6,176</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)

	2019				2018		
	Land	Building	Lease assets	Total	Land	Building	Total
Beginning balance	₩ 5,488	662	-	6,176	328,022	99,015	427,037
Acquisition	-	-	653	653	-	-	-
Disposals	-	-	(1,423)	(1,423)	-	(1)	(1)
Depreciation	-	(26)	(1,422)	(1,448)	-	(1,484)	(1,484)
Transfers, etc.	-	-	-	-	-	138	138
Spin-off effect	-	-	-	-	(322,534)	(96,980)	(419,514)
Change in accounting policy	-	-	4,736	4,736	-	-	-
Ending balance	<u>₩ 5,488</u>	<u>662</u>	<u>2,544</u>	<u>8,694</u>	<u>5,488</u>	<u>688</u>	<u>6,176</u>

(3) During the year of 2019, rental income from investment property is KRW 6,078 million (2018: KRW 26,028 million) and rental expense including depreciation expense is KRW 4,790 million (2018: KRW 18,455 million).

(4) Fair value of investment properties as at December 31, 2019 is KRW 15,329 million (2018: KRW 8,800 million) The fair value was estimated based on the Land Value by Public Announcement.

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17. Intangible Assets

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

(In millions of Korean Won)

	2019			
	Industrial property	Others (*1)	Membership right	Total
Beginning balance	₩ 160	9,159	27,826	37,145
Acquisition	19	5,660	60	5,739
Disposals	-	-	(25)	(25)
Amortization	-	(2,375)	-	(2,440)
Transfers(*2)	-	-	-	-
Ending balance	₩ 114	12,444	27,861	40,419

(In millions of Korean Won)

	2018			
	Industrial property	Others (*1)	Membership right	Total
Beginning balance	₩ 7,103	11,928	5,398	4,429
Acquisition	396	6,909	-	7,625
Disposals	-	-	(328)	(328)
Effect of spin-off	(6,701)	(2,847)	19,429	9,881
Amortization	(638)	(4,028)	-	(4,666)
Transfers(*2)	-	(2,803)	-	204
Ending balance	₩ 160	9,159	27,826	37,145

(*1): Right to use of facilities and natural resource development cost are included.

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

(2) Amortization expenses are allocated to manufacturing cost (2019: KRW 24 million, 2018: KRW 108 million), selling and administrative expenses (2019: KRW 91 million, 2018: KRW 300 million) and research and development expenses (2019: KRW 2,326 million, 2018: KRW 4,258 million), respectively.

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18. Lease

(1) As of December 31, 2019, the breakdown of right-of-use assets for each basic asset type is as follows:

	<u>(in millions of Korean won)</u>	
	2019	
Real properties	₩	4,788
Vehicles		897
Others		3,779
	₩	<u>9,464</u>

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

	<u>(In millions of Korean Won)</u>	
	2019	
Real properties	₩	2,256
Vehicles		591
Others		2,109
	₩	<u>4,956</u>
Interest expense relating to lease liabilities	₩	772
Interest income relating to lease receivables		777
Expense relating to short-term leases		4,146
Expense relating to leases of low-value assets that are not short-term leases		38
Expense relating to variable lease payments not included in lease		-

During the current period, revenue from subleases of right-of-use assets is KRW 5,832 million and total lease cash outflow is KRW 10,726 million.

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

	<u>(In millions of Korean Won)</u>	
	2019	
	<u>Minimum lease payments</u>	<u>Present value of minimum lease payments</u>
Within 1 year	₩ 12,513	12,295
1 year ~ 5 years	9,835	9,373
Over 5 years	-	-
	₩ <u>22,348</u>	<u>21,668</u>

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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)	
	2019	
Lease liabilities ¹		
Current	₩	12,295
Non-current		9,373
	₩	<u>21,668</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 Company 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 Company 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.

(6) The financial lease receivables as of December 31, 2019 are as follows:

	(In millions of Korean Won)		
	2019		
		Current	Non-current
Financial lease receivables	₩	10,490	9,494
LESS: Provision for impairment loss		-	-
	₩	<u>10,490</u>	<u>9,494</u>

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Financial lease receivables increased by KRW 30,535 million due to the initial application of Korean IFRS 1116 was increased by KRW 3,269 million due to interest income on new contracts and receivables, and decreased by KRW 13,820 million due to termination of contracts and collection of receipts receivables.

(7) Details of finance income from finance lease and variable lease payments for the year ended December 31, 2019 are as follows:

	(In millions of Korean Won)	
	2019	
Net revenue from sublease	₩	357
Finance income of net investment in the lease		777
	₩	<u>1,134</u>

(8) The analysis of maturity of finance lease receivables is as follows

	(In millions of Korean Won)	
	2019	
Within 1 year	₩	10,656
1 year ~ 2 years		9,939
Over 2 years		-
	₩	<u>20,595</u>
Gross investment in the lease	₩	20,595
LESS : Unrealized finance income		(611)
Present value of minimum lease payments		19,984
Net investment in the lease	₩	19,984

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19. Insured Assets

As at December 31, 2019, details of insured assets are as follows:

(In millions of Korean Won)

2019				
Insurance type	Insured assets	Carrying amount	Insured amount	Insurance company
General property insurance	Property, plant and equipment	₩ 85,364	₩ 458,117	Samsung Fire and Package insurance

20. Government Grants

- (1) The Company entered into development agreements with Korea Evaluation Institute of industrial technology and others for various national research projects, including development of materials related to Polyketone.
- (2) As at December 31, 2019, the balance of government grants related to asset acquisition is KRW 1,885 million (2018: KRW 2,332 million), and the balance of government grants related to liabilities to be repaid is KRW 15,531 million (2018: KRW 16,123 million).

21. Investment in Associates and Subsidiaries

- (1) Changes in investment in subsidiaries for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

	2019	2018
Beginning balance	₩ 1,328,415	1,521,103
Acquisition	147	552,859
Impairment loss	(945)	(500)
Movements from spin-off	-	(745,047)
Ending balance	₩ 1,327,617	1,328,415
Investment in subsidiaries	714,774	714,627
Investment in associates	612,843	613,788

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

(In millions of Korean Won)

	Location	2019	2018	
		Ownership (%)	Carrying amount	Carrying amount
Gongdeok Gyeongwoo Development Corporation (*1)	Korea	73.33	₩ 974	974
Hyosung TNS	Korea	54.02	75,178	75,178
Taeon Solar Farm	Korea	100	1,880	1,880
Hana Land Chip Private Real Estate Investment Trust No.39	Korea	50	16,000	16,000
Hyosung Good Springs	Korea	100	74,361	74,361
Hyosung Capital	Korea	97.49	362,863	362,846
Hyosung Investment & Development	Korea	58.75	34,798	34,798
Hyosung Transworld		100	4,698	4,698
Hyosung (H.K) LIMITED	China	100	557	557
Hyosung Brasil industrial & commercial LTDA	Brazil	100	5,451	5,451
Hyosung Holdings USA	USA	100	89,589	89,589
Hyosung Resource (Australia) PTY Ltd.	Australia	100	14,691	14,561
Hyosung RUS.	Russia	100	1,692	1,692
Hyosung SRL	Romania	100	1	1
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	China	100	10,772	10,772
PT.HYOSUNG JAKARTA	Indonesia	99.9	1,268	1,268
FMK	Korea	100	20,001	20,001
			₩ 714,774	714,627

(*1): Equity shares of Gongdeok Gyeongwoo Development Corporation are pledged as collateral to financial institutions for the borrowings of Gongdeok Gyeongwoo Development Corporation (Notes 22 and 40).

(3) Details of investments in associates as at December 31, 2019 and 2018 are as follows:

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(In millions of Korean Won)

	Location	2019	2018	
		Ownership (%)	Carrying amount	Carrying amount
Shinwha Intertek Co., Ltd.	Korea	35	₩ 5,334	5,334
Taebaek Wind Power Co., Ltd.	Korea	42	6,510	6,510
Pyeongchang Wind Power Co., Ltd.(*1)	Korea	50	24,860	24,860
Hyosung Information System Co., Ltd.	Korea	40	-	-
Hyosung Toyota Corp.	Korea	34.99	6,961	6,961
Hyosung ITX Co., Ltd.	Korea	15	4,687	4,687
PT. GELORA MANDIRI Membangun(*2)	Indonesia	15	10,458	10,458
PT. Papua Agro Lestari(*2)	Indonesia	49	2,345	3,290
The Kwangjuilbo	Korea	20.32	176,483	176,483
Hyosung TNC	Korea	32.47	161,041	161,041
Hyosung Heavy Industries	Korea	21.2	116,476	116,476
Hyosung Advanced Materials Corporation	Korea	20.17	97,688	97,688
			₩ 612,843	613,788

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(*1) The Company provides Pyeongchang Wind Power Co., Ltd.'s ownership equity as a collateral for borrowings of PyeongChang Wind Power Co., Ltd. (See Notes 22 and 40).

(*2) Although the ownership ratio of the company is less than 20%, it is classified as an associate because it is considered to have significant influence when considering the participation of the investee in the board of Directors and mutual exchange of management.

(4) Details of impairment losses recognized in relation to investments in subsidiaries and associates for the years ended December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

		2019			
		Carrying amount before impairment	Recoverable amount	Impairment loss	Method to calculate recoverable amount
The Kwangjuilbo	₩	3,290	2,345	945	Value-in-use

(In millions of Korean Won)

		2018			
		Carrying amount before impairment	Recoverable amount	Impairment loss	Method to calculate recoverable amount
Pohang New & Renewable Energy	₩	500	-	500	Value-in-use

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

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(5) Fair value of investments in associates that has a quoted market price as at December 31, 2019 and 2018 are as follows:

2019				
(In millions of Korean Won except market price per share)	Number of shares	Market price per share (in Korean won)	Fair value (in millions of Korean won)	Book value (in millions of Korean won)
Hyosung ITX Co., Ltd.	4,349,000	₩ 16,700	72,628	6,961
Hyosung TNC Co.	879,290	154,500	135,850	176,483
Hyosung Heavy Industries	3,027,801	26,650	80,691	161,041
Hyosung Advanced Materials	949,839	111,000	105,432	116,476
Hyosung Chemical Corporation	643,481	144,500	92,983	97,688

2018				
(In millions of Korean Won except market price per share)	Number of shares	Market price per share (in Korean won)	Fair value (in millions of Korean won)	Book value (in millions of Korean won)
Hyosung ITX Co., Ltd.	4,349,000	₩ 10,400	45,230	6,961
Hyosung TNC Co.	879,290	185,000	162,669	176,483
Hyosung Heavy Industries	3,027,801	41,350	125,200	161,041
Hyosung Advanced Materials	949,839	103,000	97,833	116,476
Hyosung Chemical Corporation	643,481	142,000	91,374	97,688

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22. Related Party Transactions

(1) Details of related parties as at December 31, 2019 are as follows:

1) Subsidiaries

Region	Related Party
Domestic	Gongdeok Development Corporation, Hyosung TNS INC., Hana Land Chip Private Real Estate Investment Trust No.39, Taeon Solar Farm Co., Ltd., Hyosung GoodSprings, Inc., Hyosung Capital INC., Hyosung Investment & Development Co., Ltd., Hyosung Trans World Co Ltd, Pohang New & Renewable Energy, Inc.
America	HICO America Sales & Tech., Hyosung Holdings USA, Inc., Hyosung USA Inc. and others
Asia	PT. HYOSUNG JAKARTA and others
Europe	Hyosung RUS. And others

2) Associates

Region	Related Party
Domestic	Hyosung Heavy Industries, Hyosung TNS INC., Hyosung Advanced Materials Corporation, Hyosung Chemical Corporation, Soonchon Eco Green Corporation, The Kwangjuilbo, Taebabaek Wind Power, Pyeongchang Wind Power Co, Ltd, Hyosung Toyota Corp, Hyosung Information System Co., Ltd, Hyosung ITX Co., Ltd., Paithfinder Youth's Investment Foundation Association
Asia	Papua Agro Lestari, PT. GELORA MANDIRI MEMBANGUN(GMM)., Hyosung Vietnam Co., Ltd.
Europe	Hyosung Istanbul TEKSTIL LTD.STI

3) Other related party

Region	Related Party
Domestic	Galaxia Co. Ltd, Galaxia Co., Ltd., Galaxia device Co., Ltd., Galaxia Micropayment Co.,Ltd., Galaxia Electronics Co., Ltd., Gongdeok Development Corporation, The Class Hyosung Corporation, The premium Hyosung Co., Ltd., Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., A-SEUNG AUTOMOTIVE GROUP , ITX Marketing Co., Ltd, ITX M&S Co., Ltd., Trinity Asset Managemernt, Haengbokdoodrimi Co., Ltd. , Hyosung Premier Motors, ASC Co. Ltd., and others
China	Tianjin Galaxia Device Electronics., Co.Ltd., Huizhou Galaxia Device Electronics., Co. Ltd., Qingdao Galaxia Device Electronics., Co.Ltd., Weihai Galaxia Device Electronics., Co.Ltd, SHINWHA INTERTEK (SUZHOU) CO.,LTD, DNS Technology Co., Ltd., and others
Asia	Galaxia Japan, Hyosung Singapore PTE Ltd., and others
Europe	Hyosung Europe SRL and others

4) Others

Region	Related Party
Domestic	Galaxia SM, Galaxia Communications Ltd., Shinseong Motor Co., Ltd., Jinheung Enterprise Co., Ltd., Taeuk Construction Co., Ltd., and others
China	IB China, Ltd. And others
America	IB America, Ltd., and others

(*1): 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 Company included those entities in the scope of the related parties.

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(2) Significant transactions with related parties

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

(In millions of Korean Won)

		2019			
		Sales and Others (*1)	Dividend income and Others	Purchase and Others (*1)	Acquisition of Fixed Assets
Subsidiaries					
Hana Land Chip Private Real Estate Investment Trust No.39	₩	-	975	581	-
Hyosung Transworld		239	3600	1,310	13
Hyosung USA Inc.		5,002	-	54	-
Hyosung Capital		954	13,260	152	-
Hyosung Investment & Development		-	11,750	-	-
Hyosung TNS		4,398	32,386	8,116	218
Others		2,096	400	875	-
		12,689	62,371	11,088	231
Associates					
Hyosung ITX Co., Ltd.		1,448	2,179	489	2,918
Hyosung Heavy Industries		56,348	-	158	22
Hyosung Advanced Materials		25,274	-	7,958	-
Hyosung Chemical		29,365	643	8	-
Hyosung TNC		27,609	879	13,188	-
Hyosung Information System Co., Ltd.		479	2,596	330	447
Others		247	-	600	-
		140,769	6,297	22,731	3,387
Other related parties					
Hyosung Japan Co., Ltd.		7,979	-	-	-
Hyosung International Trade(Jiaxing) Co., Ltd.		26	-	119	23
Gongdeok Development Corporation		-	-	316	2
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.		85	-	311	-
Others		1,574	-	78	75
		9,664	-	824	100
Others					
Galaxia Communications		1,089	-	-	-
Galaxia SM		-	-	1,979	-
Others		-	-	-	-
		1,089	-	1,979	-
Total	₩	164,211	68,668	36,622	3,718

(*1): Sales, other income and interest income are included in sales and others. Purchase of raw materials, upfront fees, other expenses are included in purchase and others.

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(In millions of Korean Won)

	2018			
	Sales and Others (*1)	Dividend income and Others	Purchase and Others (*1)	Acquisition of Fixed Assets
Subsidiaries				
	₩			
Hyosung Holdings USA	20,862	-	265	-
Hyosung USA Inc.	62,103	-	634	11
HICO America Sales & Tech.	65,033	-	107	-
Hyosung Investment Development Co., Ltd	-	25,380	-	-
Hyosung Trans World Co.	145	3,500	68,506	140
Others	16,090	1,383	18,074	3,093
	164,233	30,263	87,586	3,244
Associates				
Hyosung Vietnam Co., Ltd.	81,242	96,490	33,642	-
Hyosung Heavy Industries	32,729	-	-	-
Hyosung Advanced Materials	15,185	-	5,235	1
Hyosung Chemical	17,934	-	6	-
Hyosung TNC	15,735	-	12,581	-
Others	8,235	16,045	6,034	752
	171,060	112,535	57,498	753
Other related parties				
Hyosung Japan Co., Ltd.	106,247	-	20,429	-
Hyosung Singapore PTE Ltd.	88,691	-	256	-
Hyosung DongNai Co, LTD	22,540	-	57,073	-
Hyosung Luxembourg S.A	22,740	9,205	-	-
HYOSUNG T&D INDIA Pvt Ltd	37,315	-	11,766	-
Others	100,170	24,933	73,574	195
	377,703	34,138	163,098	195
Others				
Shinwha intertek Co., Ltd.	2,885	-	3	-
Galaxia Communications	1,064	-	1	-
Galaxia SM	-	-	5,716	-
Others	1,047	-	-	-
	4,996	-	5,720	-
Total	717,992	176,936	313,902	4,192

(*1): Sales, other income and interest income are included in sales and others. Purchase of raw materials, upfront fees, other expenses are included in purchase and others.

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2) Significant outstanding balances to related parties as at December 31, 2019 and 2018 are as follows:

(In millions of Korean Won)

		2019			
		Trade receivables and others	Other receivables (*1)	Trade payables	Other payables (*1)
Subsidiaries					
Hana Land Chip Private Real Estate Investment Trust No.39	₩	-	9,450	-	14,692
Hyosung TNS		342	9,011	-	4,455
Hyosung USA Inc.		549	180	-	120
Hyosung Capital		75	-	-	12
Gongdeok Development Corporation		-	30,320	89	978
Others		314	240	96	337
		1,280	49,201	185	20,595
Associates					
Hyosung Heavy Industries(*2)		10,028	13	-	11,498
Hyosung TNC		1,425	55	756	401
Hyosung Advanced Materials		2,468	8	939	1,596
Hyosung Chemical		2,619	40	1	55
The Kwangjuilbo		-	7,963	-	55
Others		208	2,625	2	1,708
		16,748	10,704	1,698	15,313
Other related parties					
Hyosung Japan Co., Ltd.		471	-	-	31
Hyosung International Trade(Jiaxing) Co., Ltd.		7	23	-	-
Gongdeok Development		-	513	-	1,229
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.		21	-	-	-
Others		150	193	4	69
		649	729	4	1,329
Others					
Galaxia Communications		-	-	-	660
Galaxia SM		41	-	123	-
Others		-	-	-	-
		41	-	123	660
Total	₩	18,718	60,633	2,010	37,897

(*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 21,600 million has been accounted for as intangible assets

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		2018			
		Trade receivables and others	Other receivables (*1)	Trade payables	Other payables (*1)
Subsidiaries					
Hyosung USA Inc.	₩	1,524	25	-	16
Gongdeok Development Corporation		-	29,334	-	79
Hyosung TNS		261	-	-	4,610
Others		244	9,816	362	197
		2,029	39,175	362	4,902
Associates					
Hyosung Heavy Industries(*2)		7,004	30	-	727
Hyosung TNC		2,007	141	1,576	438
Hyosung Advanced Materials		2,842	111	874	395
Hyosung Chemical		2,922	7	3	33
The Kwangjuilbo		-	7,980	-	55
Others		264	4,983	-	388
		15,039	13,252	2,453	2,036
Other related parties					
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.		-	19	218	-
Hyosung Japan Co., Ltd.		509	-	-	54
Gongdeok Development		-	339	-	3
Others		8	238	5	-
		517	596	223	57
Others					
Galaxia Communications		-	-	1	643
Galaxia SM		20	-	112	-
Others		-	-	-	-
		20	-	113	643
Total	₩	17,605	53,023	3,151	7,638

(*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 21,600 million has been accounted for as intangible assets.

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

		2019					
		Beginning	Loans	Exclusion	Others	Translation	Ending
Subsidiaries							
Gongdeok Kyoung Woo Development Co., Ltd.	₩	20,361	-	-	-	-	20,361
Associates							
PT. Gelora Mandiri Membangun		4,945	-	(2,362)	-	(23)	2,560
The Kwangjuilbo		7,149	704	-	-	-	7,853

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		2018					
		Beginning	Loans	Exclusion	Others	Translation	Ending
Subsidiaries							
Gongdeok Kyoung Woo Development Co., Ltd.	₩	20,361	-	-	-	-	20,361
Baoding Hyosung Tianwei Transformer Co., Ltd (*1)		14,571	-	-	(14,571)	-	-
Pohang New & Renewable Energy		2,200	569	(2,769)	-	-	-
Associates							
Suncheon Eco Green		924	345	(1,269)	-	-	-
PT. Gelora Mandiri Membangun		4,738	-	-	-	207	4,945
Gwangju Ilbo Corporation		7,149	-	-	-	-	7,149
Other related parties							
HYOSUNG INDIA PVT.LTD (*2)		-	-	-	-	-	-
HYOSUNG VINA CHEMICALS CO., LTD (*2)		-	-	-	-	-	-
Green Power 5th LLC(Italian Solar Power)		-	11,483	(11,483)	-	-	-
Best Red LLC(Romanian Photovoltaic)		-	52,391	(52,391)	-	-	-
Best Blue LLC(Romanian Photovoltaic)		-	41,830	(41,830)	-	-	-
Best Purple LLC(Romanian Photovoltaic)		-	52,460	(52,460)	-	-	-
Grand 5th LLC(Romania Photovoltaic)		-	30,532	(30,532)	-	-	-
Grand 6th LLC(Romania Photovoltaic)		-	20,874	(20,874)	-	-	-
Green Power 8th LLC(Romania Photovoltaic)		-	34,144	(34,144)	-	-	-
Grand Seventh LLC(Romania Solar)		79,753	-	(79,753)	-	-	-
ProVest Kingdom First (British biomass)		46,100	-	(46,100)	-	-	-

(*1): Boading Hyosung Tianwei Transformer Co., Ltd. was excluded from the scope of the consolidating group as it was disposed during the current period.

(*2): Hyosung India PVT Ltd. and Hyosung VINA Chemicals Co., Ltd. was excluded due to the spin-off of the current period and the relevant capital contribution of KRW 218,691 million was excluded from the contribution details of the Company.

(4) 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	6,969
Post-employment benefits			614	731
	₩		<u>6,363</u>	<u>7,700</u>

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(5) Details of payment guarantees provided by the Company for the financial supports to the related parties as at December 31, 2019 are as follows:

(In millions of Korean Won)

		2019			
		Guaranteed amount	Remark	Amount of borrowings	Guaranteed by
Subsidiaries					
Hyosung USA, Inc.	₩	45,154	Borrowings	38,752	KEB Hana Bank and others
Hyosung Holdings USA, Inc.		141,252	Borrowings	125,425	KB Kookmin Bank and others
HICO America Sales & Tech.		9,262	Borrowings	4,290	Woori Bank
Gongdok Kyeongwoo Development		170,000	Borrowings	164,000	Korean Development Bank and others
Other related parties					
Hyosung Dongnai Co., Ltd.		532,065	Borrowings	372,605	Korean Development Bank and others
	₩	897,733		705,072	

(6) Details of collaterals provided by the Company for the financial supports to the related parties as at December 31, 2019 are as follows:

(In millions of Korean Won)

		2018					
		Carrying amount	Secured amount	Secured asset	Remark	Amount of borrowings	Provided by
Subsidiaries							
Gongdeok Kyoung Woo Development Co., Ltd.	₩	974	974	Equity security	Borrowings	164,000	Korean Development Bank and others
Associates							
Suncheon Eco Green		924	345	Equity security	Borrowings	34,709	Industrial Bank of Korea and others
Pyeongchang Wind Power Plant Co.		6,510	6,510	Equity security	Borrowings	52,000	Woori Bank and others
		7,484	7,484			250,709	

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23. 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	₩ 7,851	29,784
Other payables	53,073	45,595
Long-term other payables	10,386	16,314
Ending balance	<u>₩ 71,309</u>	<u>91,693</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>
Other payables		
Non-trade payables	₩ 27,096	26,660
Accrued expenses	6,945	5,426
Withholdings	15,284	12,208
Deposits received	3,749	1,301
Sub-total	<u>53,073</u>	<u>45,595</u>
Long-term other payables		
Non-trade payables	2,359	5,804
Accrued expenses	398	353
Deposits received	7,629	10,157
Sub-total	<u>10,386</u>	<u>16,314</u>
Total	<u>63,459</u>	<u>61,909</u>

(3) The fair value of other long-term payables 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%~2.90%	1.60%~3.40%

(4) The fair values of trade payables and other payables as at December 31, 2019 and 2018 are similar to the carrying amounts.

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24. Borrowings

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

	(In millions of Korean Won)	
	2019	2018
Short-term borrowings	₩ 33,901	-
Borrowings of sales receivables(*1)	470	701
Long-term borrowings	1,035	1,171
Debentures	-	-
	35,406	1,872
Less: current portion	(34,507)	(837)
	<u>₩ 899</u>	<u>1,035</u>

(*1): The Company sold trade receivables denominated in foreign currencies at a discount to the financial institutions. The Company 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 (Notes 7 and 40).

The Company provides some of the Company's property, plant and equipment as collateral for the above borrowings (Notes 15 and 40).

(2) Details of carrying amount of short-term borrowings as at December 31, 2019 and 2018 are as follows:

			(In millions of Korean Won)		
	Creditor	Latest Maturity date	Annual Interest rate(%)	2019	2018
Short-term borrowings denominated in Korean won					
General loan	Woori Bank and others	-	2.59	33,901	-
Short-term borrowings denominated in foreign currency					
Others	Woori Bank	-	1.25	470	701
				<u>34,371</u>	<u>701</u>

(3) Details of carrying amount of long-term borrowings as at December 31, 2019 and 2018 are as follows:

			(In millions of Korean Won)		
	Creditor	Latest Maturity date	Annual Interest rate(%)	2019	2018
Long-term borrowings denominated in Korean won					
General loan	Korea Energy Co.	2027-12-15	0.75	1,035	1,171
				1,035	1,171
Less : Current portion				(136)	(136)
				<u>899</u>	<u>1,035</u>

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25. Post-employment Benefits

(1) Defined Benefit Plan

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

	(In millions of Korean Won)	
	2019	2018
Present value of defined benefit obligations	₩ 86,716	78,725
Fair value of plan assets(*1)	(79,400)	(73,823)
Net defined benefit liabilities	<u>₩ 7,316</u>	<u>4,902</u>

(*1): The contributions to the National Pension Fund of KRW 78 million are included in the fair value of plan assets as at December 31, 2019 (2018: KRW 77 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)	
	2019	2018
Current service cost	₩ 5,989	23,891
Interest expense	702	4,419
Service cost of the past period and adjustment	-	21,866
Interest income	(2,018)	(5,370)
	<u>₩ 4,673</u>	<u>44,805</u>

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)	
	2019	2018
Cost of sales	₩ 374	24,327
Selling and administrative expenses	1,832	18,148
Research and development expenses	2,467	2,330
	<u>₩ 4,673</u>	<u>44,805</u>

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

	(In millions of Korean Won)	
	2019	2018
Beginning balance	₩ 78,725	373,688
Current service cost	5,989	23,891
Interest expense	702	4,419
Service cost of the past period and adjustment	-	21,866
Benefit payments	(2,651)	(18,186)
Remeasurements:		
Actuarial loss from change in demographic assumptions	(137)	1,091
Actuarial loss (gain) from change in financial assumptions	263	2,427
Actuarial loss (gain) from experience adjustments	5,620	(8,480)
Transfer from(to) associates	(1,796)	(1,198)
Effect of business combination and spin-off	-	(320,793)
Ending Balance	₩ 86,716	78,725

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)	
	2019	2018
Beginning balance	₩ 73,823	358,084
Interest income	2,018	5,370
Employer's contributions	8,000	14,289
Benefit payments	(2,298)	(27,305)
Remeasurements	(1,087)	(3,172)
Transfer from(to) associates	(1,056)	4,410
Effect of business combination and spin-off	-	(277,853)
Ending Balance	₩ 79,400	73,823

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

	(In millions of Korean Won)			
	2019		2018	
	Amount	Portion(%)	Amount	Portion(%)
Deposits	₩ 37,569	47.26	52,120	71.57
Debt instruments	41,831	52.74	21,703	29.43
	₩ 79,400	100.00	73,823	100.00

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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)	
	2019	2018
Before income tax effects	₩ 6,834	1,790
Income tax effects	(1,654)	(433)
After income tax effects	₩ 5,180	1,357

(*): Accumulated remeasurements of net defined benefit liabilities recognized as other comprehensive income (expenses) is KRW 51,794 million as at December 31, 2019 (2018: KRW 46,614 million).

8) The significant actuarial assumptions as at December 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	2.40%	2.75%
Wage growth rate	2.52%	2.44%

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

	Changes in assumption	Impact on defined benefit obligation
Discount rate	1.0% increase/decrease	3.3% decrease / 3.9% increase
Wage growth rate	1.0% increase/decrease	3.9% increase / 3.4% decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the separate statement of financial position.

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

10) The Company 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 5,663 million and expected balance of plan assets are KRW 75,910 million as at December 31, 2020.

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

	Less than 1 year	Between 1~2 years	Between 2~5 years	Over 5 years (*1)	Total
Pension benefits	635	239	2,512	91,693	95,079

(*1): The amount includes financial impact on defined benefit plan of executives and contract employees. The weighted average duration of the defined benefit obligations is 10.6 years.

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(2) Defined Contribution Plan

The expense recognized in the current period in relation to defined contribution plan was KRW 480 million (2018: KRW 2,018 million).

26. 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)	
	2019	2018
Current tax		
Current tax on profit for the year	₩ -	66,716
Adjustments in respect of prior years(*1)	7,238	(4,209)
Total current tax	7,238	62,507
Deferred tax		
Origination and reversal of temporary differences	(1,017)	2,492
Total deferred tax	(1,017)	2,492
Income tax expense(income)	₩ 6,221	64,999
Income tax expense(income) from discontinued operation	-	66,070
Income tax expense(income) from continued operation	6,221	(1,071)

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

	(In millions of Korean Won)	
	2019	2018
Profit before income tax expense	₩ 50,032	3,084,515
Tax calculated at tax rates	11,646	745,991
Tax effects of		
Income not subject to tax	(16,973)	(691,381)
Expenses not deductible for tax purposes	5,029	13,432
Unrecognized deferred income tax assets	323	21,025
Adjustment in respect of prior years	7,238	(8,902)
Tax credits	-	(18,631)
Others	(1,042)	3,465
Income tax expense(benefit)	6,221	64,999
Income tax expense(income) from discontinued operation	-	66,070
Income tax expense(income) from continued operation	6,221	(1,071)

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(3) The tax effects relating to components of other comprehensive income (expenses) for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of Korean Won)					
	2019			2018		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain(Loss) on						
Financial assets measured at fair value through other comprehensive income	₩ 170	(41)	129	(157,425)	38,097	(119,328)
Remeasurement of net defined benefit liabilities	(6,834)	1,654	(5,180)	(61,495)	14,882	(46,614)
	₩ (6,664)	1,613	(5,051)	(218,920)	52,979	(165,942)

(4) 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)	
	2019	2018
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 27,195	25,916
Deferred tax asset to be recovered within 12 months	2,060	826
	29,255	26,742
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(170,584)	(165,464)
Deferred tax liability to be recovered within 12 months	-	(2,250)
	(170,584)	(167,714)
Deferred tax assets(liabilities), net	₩ (141,329)	(140,972)

(5) 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)	
	2019	2018
Beginning balance	₩ (140,972)	(104,615)
Tax charged to the statement of profit or loss	1,017	(2,492)
Tax charged (credited) to components of other comprehensive income	(1,509)	(29,517)
Unused tax credit	135	-
Transfer by spin-off	-	(4,347)
Ending balance	₩ (141,329)	(140,972)

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(6) 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 balance	Statement of profit or loss	Other comprehensive income	Ending balance
Deferred tax liabilities					
Gains on revaluation of land	₩	(96,210)	300	-	(95,910)
Investment in subsidiaries and associates		(47,100)	-	-	(47,100)
Defined benefit pension plan assets		(17,847)	(1,613)	263	(19,197)
Others		(6,557)	1,301	(3,121)	(8,377)
		<u>(167,714)</u>	<u>(12)</u>	<u>(2,858)</u>	<u>(170,584)</u>
Deferred tax assets					
Financial assets measured at fair value through other comprehensive income		2,236	(559)	(41)	1,636
Post-employment benefit obligation		17,641	157	1,391	19,189
Provision for receivables in excess of tax limit		266	12	-	278
Government grants		3,902	(143)	-	3,759
Loss on valuation of inventories		60	13	-	73
Impairment loss on property, plant and equipment		790	-	-	790
Accrued compensated absences		488	(77)	-	411
Long-term employment allowance		85	11	-	96
Others		1,274	451	-	1,725
Tax loss		-	1,163	-	1,163
		<u>26,742</u>	<u>1,028</u>	<u>1,350</u>	<u>29,120</u>
Unused tax credit		-	-	-	135
	₩	<u>(140,972)</u>	<u>1,016</u>	<u>(1,508)</u>	<u>(141,329)</u>

(In millions of Korean Won)

		2018				
		Beginning balance	Statement of profit or loss	Other comprehensive income	Transfer by spin-off	Ending balance
Deferred tax liabilities						
Gains on revaluation of land	₩	(280,913)	1	-	184,702	(96,210)
Investment in subsidiaries and associates		(28,752)	121	(22,837)	4,368	(47,100)
Defined benefit pension plan assets		(86,558)	783	768	67,161	(17,847)
Reserve for research and human resource development		(4,033)	4,033	-	-	-
Gain from fire insurance policy		(102)	2	-	101	-
Others		(7,096)	271	-	267	(6,557)
		<u>(407,455)</u>	<u>5,211</u>	<u>(22,070)</u>	<u>256,599</u>	<u>(167,714)</u>
Deferred tax assets						
Financial assets measured at fair value through other comprehensive income		97,215	(588)	(6,247)	(88,145)	2,236
Post-employment benefit obligation		85,711	7,452	(1,201)	(74,321)	17,641
Provision for receivables in excess of tax limit		27,858	(4,624)	-	(22,955)	279
Government grants		4,450	(474)	-	(74)	3,902
Loss on valuation of inventories		11,380	(3,078)	-	(8,242)	60
Impairment loss on property, plant and equipment		35,912	333	-	(35,453)	792
Provision for guarantees		10,754	(10,754)	-	-	-
Accrued compensated absences		4,727	1,075	-	(5,314)	488
Provision for warranties		12,380	1,121	-	(13,501)	-
Provision for construction loss		3,025	(744)	-	(2,282)	-
Long-term employment allowance		1,487	(14)	-	(1,388)	85
Others		7,940	2,591	-	(9,271)	1,260
		<u>302,839</u>	<u>(7,703)</u>	<u>(7,448)</u>	<u>(260,947)</u>	<u>26,742</u>
	₩	<u>(10,461)</u>	<u>(2,492)</u>	<u>(29,517)</u>	<u>(4,347)</u>	<u>(140,972)</u>

(7) The Company does not recognize deferred tax assets (liabilities) if it is not probable that the temporary difference will reverse in the foreseeable future, and also the Company does not recognize deferred tax assets (liabilities) for taxable temporary differences associated with investments in subsidiaries and associates, which deferred tax assets (liabilities) are unrealizable due to low potential dividend payment and disposal of investments in the foreseeable future. Therefore, the Company did not recognize deferred income tax assets of KRW 17,189 million as at December 31, 2019 (2018: KRW 17,032 million).

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27. Other Liabilities

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

	(In millions of Korean Won)	
	2019	2018
Other current liabilities		
Advances	₩ 18,205	2,727
Unearned revenues	49	14
	18,254	2,741
Other non-current liabilities		
Long-term unearned revenues	429	601
	429	601
	₩ 18,683	3,342

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

	2018		
	Construction warranties	Payment guarantee	Total
Beginning balance	₩ 51,156	50,589	101,745
Additional provisions	11,251	-	11,251
Used during the year	(6,617)	(7)	(6,624)
Others(Transfer)	-	(44,646)	(44,646)
Movements from spin-off	(55,790)	(5,936)	(61,726)
Ending balance	₩ -	-	-

28. Share Capital

(1) The Company'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 ₩5,000 per share.

(2) Movements in share capital and additional paid in capital for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of Korean Won)			
	Number of authorized shares	Share capital	Share premium	Total
Balance at January 1, 2018	35,117,455	175,587	130,826	306,413
Spin-off	(21,322,304)	(106,612)	(79,434)	(186,046)
Capital increase with consideration	7,275,874	36,379	399,796	436,175
Balance at December 31, 2018	21,071,025	105,354	451,188	556,542
Balance at December 31, 2019	21,071,025	105,354	451,188	556,542

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29. Retained Earnings

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

	(In millions of Korean Won)		
	2019	2018	Remark
Legal reserves	₩ 75,670	75,670	(*1)
Discretionary reserves			(*2)
Research and development reserves	-	16,667	
Facility reserves	5,647,000	2,677,000	
Unappropriated retained earnings	53,062	3,059,642	
	₩ 5,775,732	5,828,979	

(*1): The Commercial Act of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued 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 Company appropriates a certain portion of its retained earnings as reserves for research and development which are provided in order to obtain tax benefits under the Special Tax Treatment Control Law. Among these reserves, the reversed amount according to the terms of related tax laws may be distributed.

(2) The appropriation of retained earnings for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Changes in accounting policy	₩ 9,777	37,360
Unappropriated retained earnings carried over from prior year	4,655	1,409
Remeasurements of net defined benefit liabilities	(5,180)	1,357
Profit (loss) for the year	43,810	3,019,516
Transfers such as discretionary reserves		
Facility reserves	50,000	16,667
Retained earnings available for appropriation	103,062	3,076,309
Appropriation of retained earnings		
Facility reserves	-	2,970,000
Dividends (Cash dividend (%):		
Ordinary share: ₩ 5,000 (100%),	101,654	101,654
Preferred share: ₩ 5,000 (100%)		
Unappropriated retained earnings to be carried forward	₩ 1,408	4,655

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30. Other Components of Equity

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

	<u>2019</u>	<u>2018</u>
Other capital surplus	₩ 250,410	250,410
Treasury shares(*1)	(14,223)	(14,223)
Financial assets measured at fair value through other comprehensive income	(119,199)	(119,328)
Gain from disposal of treasury shares(*1)	183,913	183,913
Losses on capital reduction(*2)	(4,816,959)	(4,816,959)
	<u>₩ (4,516,058)</u>	<u>(4,516,187)</u>

(*1): The Company 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, 2018.

(*2): The Company 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.

(2) Changes in accumulated other comprehensive income for the years ended December 31, 2019 and 2018 are as follows:

	(In millions of Korean Won)					
	2019					
	Beginning balance	Increase (Decrease)	Reclass to profit of the	Effect from change in	Movements from spin-off	Ending
Financial assets measured at fair value through other comprehensive income	₩ (119,328)	129	-	-	-	(119,199)

	(In millions of Korean Won)					
	2018					
	Beginning balance	Increase (Decrease)	Reclass to profit of the	Effect from change in	Movements from spin-off	Ending
Financial assets measured at fair value through other comprehensive income	₩ -	(93,372)	-	(25,409)	(547)	(119,328)
Gain on valuation of Available-for-sale financial assets	16,669	-	-	(16,669)	-	-
Currency translation differences	(2,666)	(901)	-	-	3,567	-
	<u>₩ 14,003</u>	<u>(94,273)</u>	<u>-</u>	<u>(42,078)</u>	<u>3,020</u>	<u>(119,328)</u>

(*): Above changes in accumulated other comprehensive income are net of income tax (Note 26).

31. Revenue

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

	(In millions of Korean Won)	
	2019	2018
Merchandise	₩ 32,131	160,838
Finished goods	89,242	90,627
Other	221,476	100,846
	<u>₩ 342,850</u>	<u>352,311</u>

32. 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)	
	2019	2018
Changes in inventories of finished goods and work in process and others	₩ (1,127)	8,914
Changes in merchandise	30,769	157,009
Raw materials and consumables used	35,611	29,473
Employee benefits expenses	66,825	53,822
Depreciation and amortization	18,608	11,400
Electricity expense	6,545	2,986
Export expense	1,493	2,753
Fuel expense	1,062	1,235
Service expense	11,256	17,773
Outsourcing expense	18,811	15,928
Other	98,632	73,686
(*1)	<u>₩ 288,485</u>	<u>374,979</u>

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

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

33. Employee Benefits Expenses

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

	(In millions of Korean Won)	
	2019	2018
Salaries	₩ 57,041	262,483
Employee welfare benefits	4,631	33,003
Pension costs - defined contribution plans	480	2,018
Pension costs - defined benefit plans (Note 25)	4,673	44,805
	<u>₩ 66,825</u>	<u>342,309</u>

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

34. 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)	
	2019	2018
Salaries	₩ 24,051	22,121
Post-employment benefits	1,763	4,811
Employee welfare benefits	1,568	1,535
Training	108	91
Transportation	1,237	862
Communications	236	209
Taxes and dues	1,852	1,612
Rental expenses	1,405	2,250
Depreciation	2,527	1,167
Amortization	363	2,702
Bad debt expenses	(3)	3
Entertainment	2,560	2,636
Advertising expense	1	3
Service fee	1,215	1,068
Professional service fee	11,859	6,342
Export expenses	382	545
Other	3,618	3,589
	<u>₩ 54,742</u>	<u>51,546</u>

Hyosung Corporation
Notes to the Separate Financial Statements
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35. Other Income and Other Expenses

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

	(In millions of Korean Won)	
	2019	2018
Other income:		
Rental income	₩ 215	111
Gain on disposal of property, plant and equipment	19	620
Gain on disposal of intangible assets	153	-
Reversal of provision for impairment loss on other assets	-	1,482
Miscellaneous gains	2,456	6,988
Gain on disposal of lease assets	2	-
	2,844	9,201
Other expense:		
Loss on disposal of property, plant and equipment	526	498
Loss on disposal of intangible assets	-	66
Other bad debt expense	-	567
Donations	1,037	1,287
Miscellaneous losses	2,220	1,553
Loss on disposal of lease assets	4	-
Impairment loss on investment in subsidiaries and associates	945	500
	4,732	4,471
Net other income (expense)	₩ (1,888)	4,730

Hyosung Corporation
Notes to the Separate Financial Statements
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36. Finance Income and Expenses

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

	(In millions of Korean Won)	
	2019	2018
Finance income		
Interest income	₩ 2,827	1,255
Gain on disposal of financial assets	21	-
Gain on foreign currency transactions	872	8,825
Gain on foreign currency translation	645	1,674
Gain on derivative transactions	633	701
Gain on valuation of derivatives	-	-
Valuation gain on financial assets	1,342	2,319
	<u>6,339</u>	<u>14,774</u>
Finance expense		
Interest expenses	1,803	652
Loss on foreign currency transactions	1,159	9,215
Loss on foreign currency translation	717	840
Loss on derivative transactions	57	125
Loss on valuation of derivatives	-	121
Impairment loss on financial assets	-	-
Loss on disposal of financial assets	333	156
Valuation loss on financial assets	4,573	3,279
Nego commission	34	358
Loss on disposal of account receivable	108	65
	<u>8,784</u>	<u>14,811</u>
Net finance income (expense)	<u>₩ (2,445)</u>	<u>(37)</u>

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

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

37. 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>
Profit attributable to the ordinary equity holders(*1) (In millions of Korean Won)		
Profit or loss of the year from continuing operation	43,811	18,695
Profit or loss of the year from discontinued operation	-	3,000,820
Weighted average number of ordinary shares outstanding	20,330,824	21,690,071
Earnings per shares (In Korean Won)		
From continuing operation	2,155	862
From discontinued operation	-	138,350

(*1): Profit attributable to the ordinary equity holders corresponds to the Company's profit.

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

	2019			2018		
	<u>Before tax</u>	<u>Tax effect</u>	<u>After tax</u>	<u>Before tax</u>	<u>Tax effect</u>	<u>After tax</u>
Beginning	20,330,824	365days/365days	20,330,824	33,268,604	365days/365days	33,268,604
Movements from spin-off	-	-	-	(20,199,733)	214days/365days	(11,810,773)
Acquisition of treasury shares	-	-	-	(13,921)	166days/365days	(6,314)
In-kind capital increase	-	-	-	7,275,874	12days/365days	238,553
Weighted average number of ordinary shares outstanding	20,330,824	-	20,330,824	20,330,824	-	21,690,071

(Unit: Per share)

38. Dividend

The dividends paid in 2019 and 2018 were KRW 101,654 million(KRW 5,000 per share)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 20, 2020. These separate financial statements do not reflect this dividend payable.

Hyosung Corporation
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39. 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)	
	2019	2018
Profit before income tax	₩ 50,032	3,084,515
Adjustments for		
Interest income and expense, net	(1,024)	33,513
Gain (Loss) on foreign currency translation, net	72	2,473
Gain (Loss) on valuation of derivatives, net	-	(1,038)
Depreciation and amortization	18,608	122,940
Loss (Gain) on disposal of property, plant, equipment, intangible assets, and investment property	356	291
Bad debt expense and other bad debt expense	(3)	3
Loss on valuation of inventories and loss on disposal	56	1,383
Gain (Loss) on valuation of financial assets, net	3,231	960
Gain (Loss) on disposal of financial assets, net	312	156
Impairment loss on investment in subsidiaries and associates	945	500
Dividend income	(69,642)	(177,569)
Post-employment benefits	5,153	44,805
Additional provisions	-	11,251
Loss on disposal of trade receivables	108	598
Long-term employee benefits	-	512
Gain (Loss) on disposal of discontinued operation, net	-	(2,828,778)
Others	(1,124)	(10,460)
Changes in operating assets and liabilities		
Decrease (increase) in trade receivables	114	(36,642)
Decrease (increase) in inventories	9,342	(17,017)
Increase in other receivables	14,738	(30,829)
Increase in due from customers for contract work	41	(28,825)
Decrease in other financial assets	-	9,062
Decrease (increase) in other assets	(11,772)	(22,603)
Decrease in Currency translation differences	-	(901)
Increase in trade payables	(22,005)	(179,661)
Increase (decrease) in other payables	16,003	(98,477)
Decrease in due to customers for contract work	97	55,939
Decrease in other financial liabilities	(120)	(3,181)
Decrease in other liabilities	-	(3,392)
Payment of warranty expenses	-	(6,617)
Payment of defined benefits	(833)	(3,950)
Contributions of plan assets	(8,000)	(8,083)
Cash generated from operations	₩ 4,685	(89,122)

Non-cash involved transaction includes an additional paid-in capital increase amounting to KRW 436,552 million for the current period.

Hyosung Corporation
Notes to the Separate Financial Statements
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(2) Changes in liabilities arising from financial activities

(In millions of Korean Won)

	2019			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Total
Beginning balance	₩ 837	1,035	-	1,872
Cash flow	33,670	(136)	(11,227)	22,307
Others(*1)	-	-	32,895	32,895
Ending balance	₩ 34,507	899	21,668	57,074

(*1): Changes in foreign exchange rate and effect from liquidity reclassification were included.

40. Contingencies and Commitments

(1) Notes and others provided as collaterals

The Company provided 3 checks as collaterals to the customers and others for borrowings and transaction agreements as at December 31, 2019.

(2) Commitment with financial institution

The Company 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 85,789 million. Also, the Company entered into trade receivables discount agreements with a limit of KRW 57,500 million as at December 31, 2019.

(3) Guarantees provided for others

The Company has an obligation to provide a cash deficiency support amounting to KRW 170,000 million for Gongdeok Gyeongwoo Development Corporation for the period ended December 31, 2019 (2018: KRW 170,000 million). The Company has provided payment guarantees amounting to KRW 727,233 million for the subsidiaries (2018: KRW 284,333 million).

The Company entered into the agreements with Hanwha Life Insurance Co., Ltd. and 2 other financial institutions in relation to the borrowings of Hana Land Chip Private Real Estate Investment Trust No.39, one of the subsidiaries, amount to KRW 150,000 million for the year ended December 31, 2019 (2018: KRW 150,000 million). The Company has an obligation to purchase the specific real estate located in Gangnam-gu, Seoul at fair value in case of shortfalls to cover principal and interest expenses at maturity date.

In accordance with Article 530-9 (1) of Commercial Act of the Republic of Korea, the Company 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 Heavy Industries, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation. The Company 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.

Hyosung Corporation
Notes to the Separate Financial Statements
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(4) Guarantees provided by others

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

(In millions of Korean Won)

2019			
Guarantor	Details of guarantees	Guaranteed amounts	
Seoul Guarantee Insurance	Payment guarantee related to construction project	₩	65,375
Construction Guarantee Cooperative and others	Performance guarantee for contracts		6,488

(5) Assets pledged as collaterals

1) Details of assets pledged as collaterals for the Company'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
Other financial assets	₩ -	5,703	Machinery financial cooperative
Account receivables	470	470	Woori bank
	₩ 470	6,173	

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

2) The equity for Gongdeok Gyeongwoo Development Corporation (subsidiaries, carrying amount: KRW 974 million) was provided as collateral for the borrowings of Gongdeok Gyeongwoo Development Corporation as at December 31, 2019. The equity for Pyeongchang Wind Power Corporation (investments in associates, carrying amount: KRW 6,510 million) was provided as collateral for the borrowings 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 KRW 34,709 million of Soonchon Eco Green Corporation (Notes 20 and 21).

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

(6) Pending lawsuits

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

(In millions of Korean Won)

	2019		Description
	Number of lawsuit	Claim amounts	
Lawsuit as a plaintiff	5 cases	17,164	Administrative litigation on cancellation of corporate tax levy
Lawsuit as a dependent	4 cases	20,739	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 separate financial statements. Among the above lawsuits, there were 4 cases (claim amount: KRW 24,026 million) that was filed against the Company in relation to the newly established companies' business as at December 31, 2019.

41. Discontinued Operation

(1) Spin-off

As a result of the spin-off dated on June 1, 2018, the 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 Heavy Industries, 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 Company existed before the spin-off. The details of spin-off are presented as follows:

Entity type	Company name	Business segment
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 statements of comprehensive income, respectively and the statement of comprehensive income herein presented as comparative purpose was restated.

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

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

	(In millions of Korean Won)	
	2018	
Revenue	₩	3,657,746
Cost of sales		3,296,679
Gross profit		361,067
Selling and administrative expenses		180,865
Research and development expenses		39,907
Operating profit (loss)		140,295
Other income		157,855
Other expenses		(9,703)
Finance income		53,979
Finance expenses		(104,313)
Investment gain (Loss) on associates		-
Profit before income tax		238,113
Income tax benefit expense		66,070
Net profit for the year from discontinued operation		172,043
Gain (loss) from disposal of discontinued operation		2,828,778
Profit for the year from discontinued operation	₩	<u>3,000,821</u>

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

	(In (In millions of Korean Won)	
	2018	
Cash flows from operating activities	₩	(118,982)
Cash flows from investing activities		(570,334)
Cash flows from financing activities		649,979
Net cash flows		(39,337)

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

(4) The details of assets and liabilities transferred to the newly established companies as at December 31, 2018 are as follows:

	(In millions of Korean Won)	
	2018	
Current assets	₩	2,759,742
Cash and cash equivalents	679,882	
Trade and other receivables	1,116,982	
Due from customers for contract work	168,731	
Inventories	646,523	
Other current assets	135,833	
Other financial assets	11,791	
Non-current assets		4,947,151
Long-term trade and other receivables	474,631	
Property, plant and equipment	2,793,443	
Investment property	419,514	
Intangible assets	32,120	
Investments in subsidiaries and associates	963,738	
Other non-current financial assets	201,734	
Other non-current assets	3,957	
Deferred tax assets	58,014	
Total assets		7,706,893
Current liabilities		3,906,469
Trade and other payables	1,084,317	
Due to customers for contract work	122,819	
Borrowings	2,415,054	
Other financial liabilities	76	
Current tax liabilities	56,670	
Other current liabilities	227,533	
Non-current liabilities		1,629,218
Long-term trade and other payables	237,035	
Long-term borrowings	1,214,684	
Other non-current financial liabilities	1,225	
Post-employment benefit obligation	42,952	
Deferred tax liabilities	50,355	
Other non-current liabilities	82,967	
Total liabilities		5,535,687
Net assets		2,171,206

Hyosung Corporation
Notes to the Separate Financial Statements
December 31, 2019 and 2018

(5) Changes in equity resulting from the spin-off

(In millions of Korean Won)

	2018				
	Share Capital	Share Premium	Retained Earnings	Other Component of Equity	Total
Movements from spin-off	₩ (106,612)	(79,434)	-	(4,609,258)	(4,795,304)

(6) 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 Company recognizes the dividend payables at fair value at the time when the Company declares the distribution and has had an obligation to distribute the relevant assets and liabilities. Accordingly, the Company 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 Company 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 (In millions of Korean Won)

	2018
Fair value of spin-off segment	₩ 5,003,004
Carrying amount of spin-off segment	(2,171,206)
Accumulated other comprehensive income of spin-off segment	(3,020)
Gain from disposal of discontinued operation	₩ 2,828,778

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:

	2018
Textile and trading	9.96%
Heavy industries and construction	11.28%
Industrial materials	9.90%
Chemical products	10.87%

Report on Independent Auditor's Audit of Internal Control over Financial Reporting
(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
Hyosung Corporation

Opinion on Internal Control over Financial Reporting

We have audited Hyosung Corporation's (the Company) internal control over financial reporting ("ICFR") as of December 31, 2019, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting.

We also have audited, in accordance with Korean Standards on Auditing (KSAs), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2019, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, and our report dated March 12, 2020 expressed an unmodified opinion on those separate financial statements.

Basis for Opinion

We conducted our audit in accordance with KSAs. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the internal control over financial reporting in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Internal Control over Financial Reporting

The Company's management is responsible for designing, operating and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report on Operating Status of Internal Control over Financial Reporting.

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Those charged with governance are responsible for overseeing the Company's internal control over financial reporting.

Auditors' Responsibilities for the Audit of the Internal Control over Financial Reporting

Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with K-IFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Nexia Samduk

March 12, 2020

Seoul, Korea

Report on the Operations of the Internal Accounting Control System

To the Shareholders, Board of Directors and Audit committee of
Hyosung Corporation

We, as Chief Executive Officer and the Internal Accounting Control Officer of Hyosung Corporation (“the Company”), assessed operating status of the Company’s internal Control over Financial Reporting (“ICFR”) for the year ending December 31, 2019.

Design and operation of ICFR is the responsibility of the Company’s management, including the Chief Executive Officer and the Internal Control Officer (collectively, “We”).

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the ‘Guidelines for Internal Control over Financial Reporting’ for evaluating design and operation of the Company’s ICFR, established by the Operating Committee of Internal Control over Financial Reporting in Korea (THE “ICFR Committee”).

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which may cause material misunderstanding of the readers, and we have reviewed and verified this report with sufficient care.

January 31, 2020

Kyu-Young Kim, Chief Executive Officer

Gwang-oh Kim, Internal Accounting Control Officer