

Hyosung Corporation

**Separate Financial Statements
December 31, 2012 and 2011**

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December 31, 2012 and 2011

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Report of Independent Auditors

To the Board of Directors and Shareholders of
Hyosung Corporation

We have audited the accompanying separate statements of financial position of Hyosung Corporation (the "Company") as of December 31, 2012 and 2011, the related separate statement of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall separate financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial statements, referred to above, present fairly, in all material respects, the financial position of Hyosung Corporation as of December 31, 2012 and 2011, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Seoul, Korea
March 14, 2013

This report is effective as of March 14, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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1. General Information

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

As of December 31, 2012, the Company has plants in Ulsan, Anyang, Yongyeon, Icheon, Jincheon, Gumi, Daegu, Changwon, and Daejeon. In addition, the Company has subsidiaries and branches all over the world.

As of December 31, 2011, the Company's major stockholders are Cho Seok Rae (10.32%), Cho Hyun Joon (7.26%), Cho Hyun Moon (7.18%) and Cho Hyun Sang (7.90%).

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

The Company's financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

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

2.1.1 Change of Accounting Principles and Notification

(a) New and amended standards adopted by the Company

The Company changed its accounting policy to present the operating income after deducting cost of sales, and selling and administrative expenses from revenue, in accordance with the amendment of Korean IFRS 1001, Presentation of Financial Statements.

The Company applies the accounting policy retroactively in accordance with the amended standards and the comparative consolidated statement of the comprehensive income is restated by reflecting adjustments resulting from the retrospective application.

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Results of the changes in the accounting policy for the years ended December 31, 2012 and 2011, are as follows:

<i>(In millions of Korean won)</i>		2012		
		Before	Effect ¹	After
Operating profit	₩	378,694	₩ (193,199)	₩ 185,450
Net income		197,424	-	192,424
Earnings per share		5,784	-	5,784

<i>(In millions of Korean won)</i>		2011		
		Before	Effect ¹	After
Operating profit	₩	393,022	₩ (107,964)	₩ 285,058
Net income		108,045	-	108,045
Earnings per share		3,248	-	3,248

Details classified as operating income under the previous standard and excluded from operating income under the new standard, are as follows:

<i>(In millions of Korean won)</i>	December 31, 2012	December 31, 2011
Other revenues:		
Rent revenue	1,219	1,248
Gains on disposal of property, plant and equipment	871	3,392
Gain on disposal of non-current assets	62	14
Miscellaneous revenue	64,538	68,040
Gain on derivatives transactions	51,673	35,015
Gain on valuation of derivatives	62,996	5,981
Gain on disposal of intangible assets	-	1,431
Reversal of other bad debt expenses	444	2,681
Dividend income	68,089	1,786
Total	249,892	119,720

<i>(In millions of Korean won)</i>	December 31, 2012	December 31, 2011
Other expenses:		
Loss on disposal of property, plant and equipment	130	1,005
Loss on impairment of property, plant and equipment	-	569
Loss on disposal of intangible assets	-	75
Donations	2,700	2,863
Loss on disposal of non-current assets	-	5
Other bad debts expense	5,365	-
Miscellaneous losses	21,042	22,121
Contribution to provision for guarantees	11,997	-
Loss on derivatives transactions	4,439	16,476
Loss on valuation of derivatives	399	19,407
Nego commission expenses	6,546	5,000
Loss on disposal of receivables	3,777	2,295
Commission for sales activities	298	147

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Total	56,693	69,693
Other Profits	193,199	107,964

(b) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2012, and not early adopted by the Company are as follows:

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

Korean-IFRS 1001, *Presentation of Financial Statements*, was amended to require other comprehensive income items to be presented into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently. This is effective for annual periods beginning on or after July 1, 2012, with early adoption permitted. The Company expects that the application of this amendment would not have a material impact on its consolidated financial statements.

- Amendments to Korean IFRS1019, *Employee Benefits*

According to the amendments to Korean IFRS1019, *Employee Benefits*, use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are now changed to calculating net interest expense(income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities(assets). This amendment will be effective for the Company as of January 1, 2013.

- Enactment of Korean IFRS1113, *Fair value measurement*

Korean IFRS1113, *Fair value measurement*, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRSs. Korean IFRS1113 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within Korean IFRSs. This amendment will be effective for the Company as of January 1, 2013.

- Enactment of Korean IFRS 1110, *Consolidated Financial Statements*

Korean IFRS 1110, *Consolidated Financial Statements*, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the Parent Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Group is reviewing the impact of this standard.

- Enactment of Korean IFRS 1112, *Disclosures of Interests in Other Entities*

Korean IFRS 1112, *Disclosures of Interests in Other Entities*, provides the disclosure requirements for all forms of interests in other entities, including a subsidiary, a joint arrangement, an associate, a consolidated structured entity and an unconsolidated structured entity. This enactment will be effective for annual periods beginning on or after January 1, 2013, and the Group is reviewing the impact of this standard.

The Company expects that the application of this amendment except for Korean IFRS1019, *Employee Benefits*, would not have material impact on its consolidated financial statements.

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2.2 Investment in Subsidiaries and Associates

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

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5).

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within 'financial income or expenses'.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.6 Financial Assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: Financial assets and liabilities at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives or embedded derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as 'current assets' in the statement of financial position.

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(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'cash and cash equivalents', 'trade and other receivables', 'long-term trade and other receivables' and 'unbilled construction' in the statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as 'other financial assets' and 'long-term other financial assets'. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of the reporting period.

2.6.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the income statement within 'other income or other expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of 'other income' when the Company's right to receive dividend payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'other income or other expenses'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of 'financial income'. Dividends on available-for-sale equity instruments are recognized in the income statement as part of 'other income' when the Company's right to receive dividend payments is established.

2.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6.4 Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the investments have expired or have been transferred and the Company has substantially transferred all risks and rewards of ownership. If the risk and rewards of ownership of transferred assets have not been substantially transferred, the Company reviews the level of control retained over that asset and the extent of its continuing involvement to determine if transfers do not qualify for derecognition.

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Collaterals (trade receivables and other) provided in transactions of discount and factoring of trade receivables do not meet the requirements for asset derecognition if risks and rewards do not substantially transfer in the event the debtor defaults. Financial liabilities recognized in relation to these transactions are included as borrowings in the Company's statement of financial position.

2.7 Impairment of Financial Assets

(a) Assets carried at amortized cost

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

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio, such as:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the initial effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the income statement. In practice, the Company may measure impairment loss based on the fair value of financial asset using an observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the income statement.

(b) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria refer to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost, for example decrease in fair value of the investments below its cost intentionally and consistently, is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-

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sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

2.8 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The resulting gain or loss is recognized in 'other income or other expenses'.

The Company designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10. Trading derivatives are classified as a current asset or liability.

2.9 Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method except for in-transit inventories which are determined using the specific identification method. The cost of finished goods and work in progress consists of the raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of raw materials.

2.11 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attribute to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Estimated Useful Lives

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income or other expenses' in the income statement.

2.12 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their 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. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.13 Government Grants

Grants from a 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 relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.14 Intangible Assets

(a) Industrial property

Acquired industrial property is shown at historical cost. Industrial property has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of industrial property over their estimated useful lives of five to ten years.

(b) Other intangible assets

Other intangible assets which meet the definition of an intangible asset are amortized using the straight-line method over their estimated useful lives of 5~25 years when the asset is available for use. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. All membership rights are tested annually for impairment and stated at cost less accumulated impairment. Impairment losses are not reversed.

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(c) Research and development costs

Development costs are recognized as expenses when they are incurred. Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future benefits are capitalized as intangible assets.

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Amortization of capitalized development costs is computed using the straight-line method over useful lives from the commencement of the commercial production of the related products or use of the related technology. Such costs are subject to periodic review of their recoverability.

There is no development costs capitalized as assets as of December 31, 2012.

2.15 Investment Property

Investment property is held to earn rentals or for capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are include in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using straight-line method over their useful lives for 40 years.

The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each financial year and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income or other expenses' in the income statements.

2.16 Impairment of Non-financial Assets

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

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costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.17 Financial Liabilities

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified as financial liabilities at fair value through profit or loss when incurred principally for the purpose of repurchasing it in the near term. Derivatives or embedded derivatives are also categorized as this category unless they are designated as hedges.

(b) Financial liabilities carried at amortized cost

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, as financial liabilities carried at amortized cost and as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position. Financial liabilities carried at amortized cost are included in non-current liabilities, except for liabilities with maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

2.18 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Financial Guarantee Contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the amounts below. Any increase in the liability relating to guarantees is reported as other financial liabilities.

- amount calculated in accordance with Korean IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets; or
- the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, Revenue.

2.20 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. The Company recognizes borrowings as current assets unless it has an unconditional right to delay the settlement of the borrowing. The condition for liability which can be paid by issuing equity depending on the choice of other party of contract does not affect the classification of current liability.

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2.21 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Current and Deferred Income Tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

2.23 Employee Benefits

(a) Retirement benefit obligations

The Company operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when

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they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. 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 to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income, while costs are amortized over the vesting period.

2.24 Share Capital

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Company's equity holders.

2.25 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes, after elimination of intra-company transactions.

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

(a) Sales of goods

Sales of goods are recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or The Company has objective evidence that all criteria for acceptance have been satisfied.

Provisions for product discount and returns are made based on historic trends and specific knowledge of any customer's intent to return products.

(b) Rendering of services

Normally, if the contract is based on time and materials related to rendering services, revenue is recognized according to the percentage of completion and a fixed ratio in the terms of the contract is used. If the contract is based on time, the percentage of completion is measured as the time provided over the total estimated time to be provided, and if the contract is based on materials, the percentage of completion is measured as the costs to date over the total estimated costs.

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(c) Royalty income

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

(d) Interest income

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

(e) Dividend income

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

2.26 Construction Contracts

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

Contract costs are recognized as expenses. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

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

In cases where the aggregate amount of costs incurred and recognized profits (less recognized losses) exceeds progress billings, the total cost incurred plus recognized profits (less recognized losses and progress billings), represents an asset (unbilled amount).

In cases where progress billing exceeds the aggregate amount of costs incurred and recognized profits (less recognized losses), the aggregate amount of recognized losses plus progress billing (less cost incurred and recognized profits) represents a liability (overbilled amount).

The Company applies the percentage of completion method on recognition of sales-real estate based on the Korea Accounting Institute Opinion "2011 - I - KQA". This application is effective pursuant to the Acts on Article 13.1.1 Korean International Financial Reporting Standards (K-IFRS) on External Audit for Stock Companies in Korea

2.27 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

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2.28 Approval of Issuance of the Financial Statement

The issuance of the December 31, 2012 separate financial statements of the Company was approved by the Board of Directors on February 26, 2013.

3. Critical Accounting Estimates and Judgments

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

(a) Income taxes

The Company is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recorded, based on its best estimate, current taxes and deferred taxes that the Company will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Fair value of financial instruments

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

(c) Provisions

As described in Note 25, the Company recognizes provisions for warranties, repairs and estimated returns as of the reporting date. The amounts are estimated based on historical data.

(d) Defined benefit liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions.

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4. Financial Risk Management

4.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, 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 potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

i) Foreign exchange risk

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

The Company's financial instruments denominated in major foreign currencies as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Assets denominated in foreign currencies				
USD	₩	890,008	₩	1,171,342
EUR		35,375		34,434
JPY		1,689		1,117
Others		11,398		14,837
Liabilities denominated in foreign currencies				
USD		1,723,695		2,006,690
EUR		72,440		68,298
JPY		61,994		47,598
Others		16,877		1,208

As of December 31, 2011 and 2010, if the foreign exchange rate of the Korean won fluctuated by 10%, the effects on net income would be as follows:

<i>(in millions of Korean won)</i>	2012				2011			
	10% Increase		10% Decrease		10% Increase		10% Decrease	
USD	₩	(83,369)	₩	83,369	₩	(83,535)	₩	83,535
EUR		(3,706)		3,706		(3,386)		3,386
JPY		(6,030)		6,030		(4,648)		4,648
Others		(548)		548		1,363		(1,363)

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ii) Price risk

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

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

The table below summarizes the impact of increases/decreases of the two equity indexes on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 30% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

<i>(in millions of Korean won)</i>	Impact on post-tax profit		Impact on other components of equity	
	2012	2011	2012	2011
KOSPI	₩ -	₩ -	₩ 33,603	₩ 3,367
KOSDAQ	-	-	544	672
Unlisted	-	-	-	2,379

Other components of equity would increase/ decrease as a result of gains/losses on equity securities classified as available for sale.

iii) Cash flow and fair value interest rate risk

The Company's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates. Also, fixed rate financial assets classified as available for sale expose the Company to fair value interest rate risk. Company policy is to review on interest rate fluctuation periodically so that they can manage whether to repay or renew the borrowings.

The book value of borrowings exposed to cash flow interest rate risk as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Borrowings	₩ 752,000	₩ 810,604

At December 31, 2012, if interest rates on US dollar-denominated borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been ₩ 7,393 million (2011: ₩ 8,530 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings

(b) Credit Risk

If wholesale customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available-for-sale.

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(c) Liquidity Risk

Cash flow forecasting is performed in the operating entities of the Company in and aggregated by Company finance. The Company finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements. At the reporting date, the Company held money market funds and other liquid assets of that are expected to readily generate cash inflows for managing liquidity risk.

The analyses the Company's liquidity risk for the financial liabilities as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
2012				
Trade and other payables	₩ 1,136,884	₩ 37,553	₩ -	₩ 1,174,437
Borrowings	2,018,654	1,625,516	5,706	3,649,876
Derivative liabilities ¹	514,563	315,339	-	829,902
Financial guarantee payment ²	2,134,993	1,006,522	-	3,141,515
PF guarantee payment ²	183,000	183,800	-	366,800
	<u>₩ 5,988,094</u>	<u>₩ 3,168,730</u>	<u>₩ 5,706</u>	<u>₩ 9,162,530</u>
2011				
Trade and other payables	₩ 1,502,453	₩ 43,556	₩ -	₩ 1,546,009
Borrowings	1,906,143	1,813,508	5,683	3,725,334
Derivative liabilities ¹	1,916,440	626,050	-	2,542,490
Financial guarantee payment ²	2,438,125	-	-	2,438,125
PF guarantee payment ²	148,000	120,000	-	268,000
	<u>₩ 7,911,161</u>	<u>₩ 2,603,114</u>	<u>₩ 5,683</u>	<u>₩ 10,519,958</u>

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

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

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4.2 Capital Management

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

In order to maintain an optimal capital structure, the Company monitors financial ratios, such as debt ratio and net borrowing ratio periodically. If necessary, the Company seeks ways to improve the capital structure.

The debt-to-equity ratio and net borrowing ratio as of December 31, 2012 and 2011 are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Debt (A)	₩	5,227,705	₩	5,626,347
Equity (B)		3,057,089		2,880,775
Cash and cash equivalents (C)		143,396		133,339
Borrowings (D)		3,383,449		3,499,091
Debt-to-equity ratio (A/B)		171.0%		195.3%
Net borrowing ratio ((C-D)/B)		106.0%		116.8%

4.3 Fair Value Estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Company's financial assets and financial liabilities that are measured at fair value as of December 31, 2012 and 2011.

<i>(in millions of Korean won)</i>	2012			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	₩ 145,928	₩ 1,204	₩ 6,860	₩ 153,992
Derivative assets	-	63,724	-	63,724
	<u>₩ 145,928</u>	<u>₩ 64,928</u>	<u>₩ 6,860</u>	<u>₩ 217,716</u>
Liabilities				
Derivative liabilities	₩ -	₩ 3,906	₩ -	₩ 3,906
	<u>₩ -</u>	<u>₩ 3,906</u>	<u>₩ -</u>	<u>₩ 3,906</u>

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<i>(in millions of Korean won)</i>	2011			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	₩ -	₩ 13,542	₩ -	₩ 13,542
Available-for-sale financial assets	27,428	1,143	6,860	35,431
Derivative assets	-	7,525	-	7,525
	<u>₩ 27,428</u>	<u>₩ 22,210</u>	<u>₩ 6,860</u>	<u>₩ 56,498</u>
Liabilities				
Derivative liabilities	₩ -	₩ 20,677	₩ -	₩ 20,677
	<u>₩ -</u>	<u>₩ 20,677</u>	<u>₩ -</u>	<u>₩ 20,677</u>

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents available-for-sale financial assets that are valued at historical cost as of December 31, 2012 and 2011:

<i>(in millions of Korean won)</i>	Category	2012	2011
Available-for-sale financial assets (unlisted)	TransLink Capital Partners 1, L.P.	₩ 1,915	₩ 1,689
	Korea Housing Guarantee Co., Ltd.	1,717	1,717
	The Korea Economic Daily	1,354	1,354
	Others	1,438	1,487

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Because above investments are unlisted equities, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed and therefore these instruments are measured at cost. The Company does not have any plans to dispose of the above-mentioned equities in the near future. These equities will be measured at fair value when the Company can develop a reliable estimate of the fair value.

5. Segment information

The Company's reportable segments and details are as follows:

The strategic steering committee is the Company's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance. Product separation units in terms of type of goods were separated as fabric, industrial materials, chemicals, heavy industrial, construction, trading, and others.

The following table presents segment information for the years ended December 31, 2012 and 2011:

<i>(in millions of Korean won)</i>	2012							Total
	Fabric	Industrial Materials	Chemical	Heavy industrial	Construction	Trading	Others	
External revenue	₩1,217,119	₩1,270,254	₩1,428,568	₩2,065,381	₩572,934	₩2,696,649	₩33,973	₩9,284,878
Inter-segment revenue	446,086	61,317	234,551	19,860	-	46,242	-	808,056
	<u>₩1,663,205</u>	<u>₩1,331,571</u>	<u>₩1,663,119</u>	<u>₩2,085,241</u>	<u>₩572,934</u>	<u>₩2,742,891</u>	<u>₩33,937</u>	<u>₩10,092,934</u>
Operating income	98,784	90,770	62,327	(128,332)	39,990	19,286	2,625	185,450
Depreciation and amortization	50,888	45,459	69,832	28,502	262	595	19,845	215,383
Assets								
Current assets	245,459	337,637	193,693	981,022	376,809	247,499	172,243	2,554,362
Non-current assets	448,487	527,459	903,430	922,881	151,236	16,533	2,760,406	5,730,432
Investments in associates	387,957	531,317	38,267	124,622	72,633	50,227	504,626	1,709,649
Acquisition of non-current assets	18,199	136,693	226,494	98,556	27,338	5,071	110,070	622,421
Liabilities								
Current liabilities	323,096	246,521	316,447	571,651	111,642	299,131	1,488,023	3,356,511
Non-current liabilities	9,456	11,950	8,919	42,431	26,949	-	1,771,489	1,871,194

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<i>(in millions of Korean won)</i>	2011							Total
	Fabric	Industrial Materials	Chemical	Heavy industrial	Construction	Trading	Others ¹	
External revenue	₩1,322,042	₩1,422,164	₩1,467,623	₩1,715,553	₩366,292	₩2,924,705	₩64,926	₩9,283,305
Inter-segment revenue	476,890	56,404	201,306	52,445	-	34,676	-	821,721
	<u>₩1,798,932</u>	<u>₩1,478,568</u>	<u>₩1,668,929</u>	<u>₩1,767,998</u>	<u>₩366,292</u>	<u>₩2,959,381</u>	<u>₩64,926</u>	<u>₩10,105,026</u>
Operating income	108,005	125,805	113,637	(115,339)	7,539	42,324	3,087	285,058
Depreciation and amortization	46,498	45,448	61,160	24,066	239	624	16,777	194,812
Assets								
Current assets	277,045	470,486	203,006	988,167	635,232	417,475	156,033	3,147,444
Non-current assets	522,004	450,579	755,321	891,906	141,919	12,241	2,585,708	5,359,678
Investments in associates	396,282	558,796	18,899	134,343	52,233	39,803	499,277	1,699,633
Acquisition of non-current assets	113,475	83,062	230,458	95,978	7,928	762	362,830	894,493
Liabilities								
Current liabilities	444,464	435,418	415,587	663,310	78,573	492,978	1,002,651	3,532,981
Non-current liabilities	7,050	8,880	7,150	41,446	15,265	-	2,013,575	2,093,366

Geographical segment information for the years ended December 31, 2012 and 2011, is as follows:

<i>(in millions of Korean won)</i>	2012	2011
Korea	₩ 3,455,658	₩ 3,361,882
North and Central America	545,205	501,269
Asia	4,166,429	4,182,606
Europe	661,577	741,308
Others	456,009	496,240
	<u>₩ 9,284,878</u>	<u>₩ 9,283,305</u>

6. Transfers of Financial Assets

Related liabilities not derecognized due to the ex-post settlement condition are recognized as borrowings:

<i>(in millions of Korean won)</i>	December 31, 2012	December 31, 2011
Book value of assets	₩ 619,676	₩ 943,141
Book value of related liabilities	(619,676)	(943,141)
Net position	-	-

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7. Financial Instruments by Category

Categorizations of financial assets as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012			
	Loans and receivables	Available-for-sale financial assets	Derivative assets	Total
Cash and cash equivalents	₩ 143,396	₩ -	₩ -	₩ 143,396
Trade and other receivables	1,322,291	-	-	1,322,291
Unbilled construction	28,407	-	-	28,407
Other financial assets	50,004	245	63,724	113,973
Long-term trade and other receivables	202,685	-	-	202,685
Long-term other financial assets	50	165,762	-	165,812
	<u>₩ 1,746,833</u>	<u>₩ 166,007</u>	<u>₩ 63,724</u>	<u>₩ 1,976,564</u>

<i>(in millions of Korean won)</i>	2011				
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Derivative assets	Total
Cash and cash equivalents	₩ -	₩ 133,339	₩ -	₩ -	₩ 133,339
Trade and other receivables	-	1,745,738	-	-	1,745,738
Unbilled construction	-	54,555	-	-	54,555
Other financial assets	-	1	806	7,525	8,332
Long-term trade and other receivables	-	176,061	-	-	176,061
Long-term other financial assets	13,542	50	46,464	-	60,056
	<u>₩ 13,542</u>	<u>₩ 2,109,744</u>	<u>₩ 47,270</u>	<u>₩ 7,525</u>	<u>₩ 2,178,081</u>

Categorizations of financial liabilities as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012			
	Financial liabilities at amortized cost	Financial guarantee liability	Derivative liabilities	Total
Trade and other payables	₩ 1,128,558	₩ 8,279	₩ -	₩ 1,136,837
Borrowings	1,910,802	-	-	1,910,802
Other financial liabilities	-	-	3,906	3,906
Long-term trade and other payables	32,630	-	-	32,630
Long-term borrowings	1,472,647	-	-	1,472,647
	<u>₩ 4,544,637</u>	<u>₩ 8,279</u>	<u>₩ 3,906</u>	<u>₩ 4,556,822</u>

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<i>(in millions of Korean won)</i>	2011			
	Financial liabilities at amortized cost	Financial guarantee liability	Derivative liabilities	Total
Trade and other payables	₩ 1,492,769	₩ 9,662	₩ -	₩ 1,502,431
Borrowings	1,805,589	-	-	1,805,589
Other financial liabilities	-	-	20,677	20,677
Long-term trade and other payables	38,904	-	-	38,904
Long-term borrowings	1,693,502	-	-	1,693,502
	₩ 5,030,764	₩ 9,662	₩ 20,677	₩ 5,061,103

Income and loss of financial instruments by category for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Financial assets at fair value through profit or loss		
Gain (Loss) on valuation (Other comprehensive income(loss))	₩ -	₩ (183)
Gain (Loss) on valuation (Profit or loss)	-	(7,247)
Interest income	185	865
Loans and receivables		
Gain (Loss) on disposal (Profit or loss)	(3,777)	(2,295)
Interest income	5,748	10,659
Reversal of allowance for bad debt	-	1,771
Reversal of other allowance for bad debt	444	993
Bad debts expense	(7,426)	-
Other bad debts expense	(5,365)	-
Gain on foreign currency translation	33,953	18,068
Loss on foreign currency translation	(25,170)	(29,781)
Available-for-sale financial assets		
Gain (Loss) on valuation (Other comprehensive income(loss))	38,905	(6,293)
Gain (Loss) on disposal (Profit or loss)	13,310	23,771
Impairment loss (Profit or loss)	(49)	(84,099)
Interest income	31	1,387
Dividends	1,616	1,728
Financial liabilities at amortized cost		
Interest expenses	(143,413)	(141,748)
Gain on foreign currency translation	61,957	51,951
Loss on foreign currency translation	(21,060)	(79,972)
Derivative assets and liabilities		
Gain (Loss) on valuation (Other comprehensive income(loss))		-
Gain (Loss) on transactions (Profit or loss)	47,234	17,097
Gain (Loss) on valuation (Profit or loss)	62,596	(14,656)

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8. Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position as of December 31, 2012 and 2011, are the same as cash and cash equivalents in the statements of cash flows.

<i>(in millions of Korean won)</i>	2012		2011	
Cash on hand	₩	318	₩	115
Bank deposits		143,078		133,224
	₩	<u>143,396</u>	₩	<u>133,339</u>

9. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011		Description
Long-term financial instruments	₩	50	₩	50	Deposits for checking accounts
	₩	<u>50</u>	₩	<u>50</u>	

10. Trade and Other Receivables

Details of trade and other receivables as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		
	Receivable amounts	Allowance for doubtful accounts	Net book value
Trade receivables	₩ 1,284,220	₩ (39,543)	₩ 1,244,676
Other receivables	77,809	(194)	77,615
Long-term trade receivables	5,536	-	5,536
Long-term other receivables	209,302	(12,153)	197,149
	₩ <u>1,576,867</u>	₩ <u>(51,890)</u>	₩ <u>1,524,976</u>

<i>(in millions of Korean won)</i>	2011		
	Receivable amounts	Allowance for doubtful accounts	Net book value
Trade receivables	₩ 1,638,452	₩ (19,528)	₩ 1,618,924
Other receivables	140,759	(13,945)	126,814
Long-term trade receivables	8,205	-	8,205
Long-term other receivables	175,088	(7,232)	167,856
	₩ <u>1,962,503</u>	₩ <u>(40,705)</u>	₩ <u>1,921,799</u>

As of December 2012, the Company transferred trade receivables amounting to ₩ 617,550 million to banks and collected cash. This transaction is accounted for as a collateralized borrowing (Note 21). According to the loan agreement, the Company has the obligation to pay the relevant amounts to the bank if the customer becomes bankrupt.

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Details of other receivables as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Other receivables				
Non-trade receivables	₩	53,995	₩	36,896
Short-term loans ¹		21,539		88,993
Accrued income		2,081		925
		<u>77,615</u>		<u>126,814</u>
Long-term other receivables				
Long-term loans		15,751		12,565
Deposits		181,398		155,290
		<u>197,149</u>		<u>167,855</u>
	₩	<u>274,764</u>	₩	<u>294,669</u>

¹Short-term loan for Chin Hung International Inc. amounting to ₩90,000 million was converted to available-for-sale financial assets according to paid-in capital increase by Chin Hung International Inc. for the year ended December 31, 2012 (Note 11).

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

<i>(in millions of Korean won)</i>	2012	2011
Discount rate	3.40% ~ 5.00%	3.40% ~ 5.00%

Meanwhile, the fair value of trade and other receivables as of December 31, 2012 and 2011, are the same as book value.

The aging analysis of trade and other receivables as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012						
	Receivables not past due	Past due but not impaired				Impaired	Total
		Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 1,123,776	₩ 43,247	₩ 13,303	₩ 5,375	₩ 58,356	₩ 40,163	₩1,284,220
Other receivables	77,615	-	-	-	-	194	77,809
Long-term trade receivables	3,870	-	-	-	2,405	-	6,275
Long-term other receivables	198,629	-	-	-	-	12,153	210,782
	<u>₩ 1,403,890</u>	<u>₩ 43,247</u>	<u>₩ 13,303</u>	<u>₩ 5,375</u>	<u>₩ 60,761</u>	<u>₩ 52,510</u>	<u>₩1,579,086</u>

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	2011						Total
	Receivables not past due	Up to 3 months	Past due but not impaired			Impaired	
			4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 1,482,996	₩ 70,633	₩ 17,699	₩ 16,575	₩ 47,826	₩ 2,723	₩1,638,452
Other receivables	126,814	-	-	-	-	13,945	140,759
Long-term trade receivables	6,295	35	-	13	2,974	-	9,317
Long-term other receivables	168,525	-	-	-	-	7,232	175,757
	<u>₩ 1,784,630</u>	<u>₩ 70,668</u>	<u>₩ 17,699</u>	<u>₩ 16,588</u>	<u>₩ 50,800</u>	<u>₩ 23,900</u>	<u>₩1,964,285</u>

The Company performs individual impairment review on the relevant items by determining whether the individually significant bonds have the symptom of impairment. The collective impairment review is performed for other bonds on which impairment loss was recognized as a result of individual impairment review.

The Company classifies bonds, which are uncertain to collect due to debtor's bankruptcy or insolvency, as accidental bond. The accidental bond is categorized as composition bond or other accidental bonds. The composition bond is valued by performing impairment valuation by considering estimated repayment amount and other accidental bond is valued by recognizing impairment loss by considering the type and amount of collaterals.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as of December 31, 2012 and 2011:

(in millions of Korean won)	2012	2011
Counterparties with external credit rating		
A	₩ 415,818	₩ 331,292
BB	248,797	286,612
BBB	146,632	156,346
	<u>811,247</u>	<u>774,250</u>
Counterparties without external credit rating		
Group 1	23,459	31,035
Group 2	415,376	839,527
Group 3	250	234
	<u>439,085</u>	<u>870,796</u>
	<u>₩ 1,250,332</u>	<u>₩ 1,645,046</u>

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

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

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

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Changes in allowance for doubtful accounts (bad debt) for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012				
	Beginning	Provision for impairment	Reversal	Others	Ending
Trade receivables	₩ 19,528	₩ 7,426	₩ -	₩ 12,589	₩ 39,543
Other accounts receivable	13,945	-	-	(13,751)	194
Long-term other receivables	7,232	5,365	(444)	-	12,153
	<u>₩ 40,705</u>	<u>₩ 12,791</u>	<u>₩ (444)</u>	<u>₩ (1,162)</u>	<u>₩ 51,890</u>

<i>(in millions of Korean won)</i>	2011				
	Beginning	Provision for impairment	Reversal	Others	Ending
Trade receivables	₩ 22,282	₩ -	₩ (1,771)	₩ (983)	₩ 19,528
Other accounts receivable	13,945	-	-	-	13,945
Long-term other receivables	7,236	-	(4)	-	7,232
	<u>₩ 43,463</u>	<u>₩ -</u>	<u>₩ (1,775)</u>	<u>₩ (983)</u>	<u>₩ 40,705</u>

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

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

11. Other Financial Assets and Liabilities

Other financial assets as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Financial assets at fair value through profit or loss	₩	-	₩	13,542
Loans and receivables		50,054		51
Available-for-sale financial assets		166,007		47,270
Derivative assets		63,724		7,525
		<u>279,785</u>		<u>68,388</u>
Less: Current portion		<u>(113,973)</u>		<u>(8,332)</u>
	₩	<u>165,812</u>	₩	<u>60,056</u>

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Other financial liabilities as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Derivative liabilities	₩	3,906	₩	20,677
Less: Current portion		<u>(3,906)</u>		<u>(20,677)</u>
	₩	<u>-</u>	₩	<u>-</u>

Financial assets at fair value through profit or loss of December 31, 2011, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	
Convertible bond investment ¹	₩	13,542

¹ Designated as financial assets at fair value through profit or loss as convertible bond, maturing in 2018 and issued by Chin Hung International Inc. The Company recognized loss on valuation amounting to ₩ 7,430 million by using binomial tree option pricing model for the year ended December 31, 2011. Convertible bond investment was converted to available-for-sale financial assets due to the paid-in capital increase by Chin Hung International Inc. during the year ended December 31, 2012.

Loans and receivables as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Short-term financial instruments	₩	50,004	₩	1
Long-term financial instruments		<u>50</u>		<u>50</u>
	₩	<u>50,054</u>	₩	<u>51</u>

Changes in available-for-sale financial assets for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Beginning balance	₩	47,270	₩	105,518
Acquisition		524		262
Reclassification ^{1,2}		103,542		84,099
Disposals		(24,184)		(52,217)
Gain (loss) on valuation of available-for-sale financial assets ²		38,905		(6,293)
Impairment loss of available-for-sale financial assets ¹		(49)		(84,099)
Ending balance	₩	<u>166,008</u>	₩	<u>47,270</u>
Short-term available-for-sale financial assets	₩	245	₩	806
Long-term available-for-sale financial assets		165,763		46,464

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¹ The Company cannot exercise control due to the special agreement to fulfill plan for normalization of management of Chin Hung International Inc. for the year end December 31, 2011. The investment in subsidiaries, amounting to ₩ 84,099 million, was reclassified to available-for-sale financial assets. But the impairment loss of available-for-sale financial assets was fully recognized, as Chin Hung International Inc. decided on a capital reduction without refund for all shares that the Company owned on December 31, 2011 (Note 19).

² Loans and convertible bond investment was converted to available-for-sale financial assets, which were measured at the fair value according to paid-in capital increase by Chin Hung International Inc. for the year ended December 31, 2012.

Short-term available-for-sale financial assets as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Government bond	₩	245	₩	806

Long-term available-for-sale financial assets as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Acquisition cost	Fair value / Net asset value	Book value ²	Book value
Listed stock	₩ 105,108	₩ 145,928	₩ 145,928	₩ 27,428
Unlisted stock ¹	16,368	13,333	13,284	13,107
Equity investments	5,591	5,591	5,591	5,591
Debt securities	960	960	960	338
	<u>₩ 128,027</u>	<u>₩ 165,812</u>	<u>₩ 165,763</u>	<u>₩ 46,464</u>

¹ Net asset value of unlisted stock is calculated based on their recent financial statements.

² Available-for-sale financial assets are calculated by using fair value. However, unlisted stock is recorded at cost if the fair value is not available or does not have market value available in an active market.

Details of listed stock (except for investment in subsidiaries and associates) as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012				2011	
	Number of share	Percentage of ownership (%)	Acquisition cost	Fair value	Book value	Book value
KT CORP.	-	-	₩ -	₩ -	₩ -	₩ 20,495
SBI Global Investment Co., Ltd.	202,839	0.44%	815	81	81	69
KTB Investment Securities Co., Ltd.	2,634	-	13	6	6	5
Savezone I&C Corp.	4,555	0.01%	30	12	12	10
Ultra Construction & Engineering Co., Ltd. (preferred share)	911	0.07%	5	2	2	2
Korea Environment Technology Co., Ltd.	814,280	1.63%	407	1,730	1,730	2,797
Hanshin Construction Co., Ltd.	712	0.01%	1	5	5	6
CJ E&M Corporation (formerly OnMedia Corp.)	19,055	0.05%	280	505	505	577
Kumho Tires Co., Inc	-	-	-	-	-	3,467

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Chin Hung International Inc. ¹	221,578,080	49,21%	103,542	143,583	143,583	-
Dong Yang Engineering and Construction Corporation	1,372	0.01%	15	4	4	-
			<u>₩ 105,108</u>	<u>₩ 145,928</u>	<u>₩ 145,928</u>	<u>₩ 27,428</u>

¹ The impairment loss of available-for-sale financial assets was fully recognized as Chin Hung International Inc. decided on a capital reduction without refund for all shares that the Company owned on December 31, 2011. Loans and convertible bond investment was converted to available-for-sale financial assets due to the paid-in capital increase by Chin Hung International Inc. during the year ended December 31, 2012. The Company cannot exercise control due to the special agreement to fulfill plan for normalization of management of Chin Hung International Inc. for the year end December 31, 2011. The investments in subsidiaries were recognized as available-for-sale financial assets (Notes 20 and 40).

Details of unlisted stock (except for investment in subsidiaries and associates) as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

Investee	Number of share	Percentage of ownership (%)	2012			2011
			Acquisition cost	Fair value	Book value	Book value
Doosan Capital Co., Ltd.	600,000	2.14%	3,000	6,860	6,860	6,860
Korea Housing Guarantee Co., Ltd.	343,380	0.05%	1,717	2,408	1,717	1,717
Hankook Economic Newspaper	124,308	0.66%	1,354	948	1,354	1,354
TransLink Capital Partners 1, L.P.	-	-	1,916	1,743	1,915	1,689
Others	-	-	8,381	2,679	1,438	1,487
			<u>₩ 16,368</u>	<u>₩ 14,638</u>	<u>₩ 13,284</u>	<u>₩ 13,107</u>

Changes in unrealized gain and loss from available-for-sale securities recorded as accumulated other comprehensive income and expense for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012	2011
Beginning balance	₩ 14,611	₩ 29,227
Gain(loss) on valuation of available-for-sale financial assets (Before tax)	38,905	(6,293)
Transfer	(12,414)	(12,306)
Tax effect	(7,235)	3,983
Ending balance	<u>₩ 33,867</u>	<u>₩ 14,611</u>

To hedge against foreign exchange risks, the Company entered into forward exchange contracts and foreign exchange risk insurance, and the related gain (loss) on valuation of derivatives is charged to current operations.

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Fair values of derivative assets and liabilities as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Current				
Forward exchange contracts	₩ 45,153	₩ 3,906	₩ 7,489	₩ 20,568
Foreign exchange risk insurance	-	-	36	109
Swap	18,571	-	-	-
	<u>₩ 63,724</u>	<u>₩ 3,906</u>	<u>₩ 7,525</u>	<u>₩ 20,677</u>

Details of derivative assets and liabilities as of December 31, 2012 and 2011, are as follows:

		Weighted average exchange rate based on contracts (in Korean won)	Weighted average expiry date as of December 31, 2012	Contract price of outstanding derivatives ¹	
				(in thousands)	
				2012	2011
Forward exchange contracts	Sell	1,159.03	2013-06-14	USD 495,190	USD 771,947
Forward exchange contracts	Sell	1,465.19	2013-08-04	EUR 25,180	EUR 62,301
Forward exchange contracts	Sell	1,108.05	2013-06-20	CAD 4,476	CAD 21,256
Forward exchange contracts	Sell	1,142.18	2013-07-12	AUD 3,026	AUD 8,196
Forward exchange contracts	Sell	14.51	2013-10-20	JPY 419,600	JPY 1,680,217
Forward exchange contracts	Sell	1,813.47	2013-07-25	GBP 4,563	GBP 996
Forward exchange contracts	Sell	149.40	2013-08-30	HKD 3,562	HKD 3,562
Foreign currency swap		12.60	2015-11-14	JPY18,471,801	-
Interest rate swap		-	2013-10-08	KRW 6,573	KRW 13,552

¹ Since the Company has entered into numerous derivative contracts, the classification per each contract is not presented. Instead, the contracts are grouped into similar types as changes in gain/loss are predictable through the fluctuation of exchange rate.

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12. Other Assets

Details of other assets as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Current				
Advance payments	₩	68,167	₩	87,301
Provision for impairment		-		(3,768)
Prepaid expenses		<u>22,882</u>		<u>22,561</u>
		91,049		106,094
Non-current				
Other investments		<u>31</u>		<u>31</u>
	₩	<u>91,080</u>	₩	<u>106,125</u>

13. Inventories

Inventories as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		
	Acquisition cost	Valuation allowance	Net book value
Merchandise	₩ 64,882	₩ -	₩ 64,882
Finished goods	270,820	(4,630)	266,190
Semi-finished goods	158,371	(206)	158,165
Work-in-process	29,635	-	29,635
Processing materials on consignment	18,399	-	18,399
Processing materials on trust	679	-	679
Raw materials	131,814	(359)	131,455
Sub-materials	11,418	-	11,418
Supplies	3,534	-	3,534
Packaging	2,660	-	2,660
Goods in transit	20,026	-	20,026
Cost accrued on construction contract	7,436	-	7,436
Temporary installations	34	-	34
Finished housing	38,432	-	38,432
Sites	107,955	(5,654)	102,301
	<u>₩ 866,095</u>	<u>₩ (10,849)</u>	<u>₩ 855,246</u>

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<i>(in millions of Korean won)</i>	2011		
	Acquisition cost	Valuation allowance	Net book value
Merchandise	₩ 50,321	₩ -	₩ 50,321
Finished goods	258,914	(4,386)	254,528
Semi-finished goods	190,380	(112)	190,268
Work-in-process	36,948	-	36,948
Processing materials on consignment	28,632	-	28,632
Processing materials on trust	610	-	610
Raw materials	127,079	(538)	126,541
Sub-materials	11,228	-	11,228
Supplies	3,220	-	3,220
Packaging	2,501	-	2,501
Goods in transit	64,591	-	64,591
Cost accrued on construction contract	94,483	-	94,483
Temporary installations	20	-	20
Finished housing	31,907	(12)	31,895
Sites	214,555	(16,945)	197,610
	₩ 1,115,389	₩ (21,993)	₩ 1,093,396

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 8,376,956 million (2011: ₩ 8,255,816 million) for the year ended December 31, 2012.

14. Property, plant and equipment

Changes in property, plant and equipment for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012									
	Land	Building	Structure	Machinery	Vehicle	Tools and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning	₩ 1,349,197	₩ 462,543	₩ 96,561	₩ 722,902	₩ 3,139	₩ 50,509	₩ 36,087	₩ 233,358	₩ 4,969	₩ 2,959,265
Acquisition	1,564	12,628	5,182	59,746	1,938	17,328	2,962	348,774	10,606	460,728
Disposal	(2,105)	-	-	(922)	(158)	(41)	(19,702)	-	-	(22,928)
Depreciation and others ¹	-	(16,625)	(3,729)	(168,450)	(1,180)	(18,610)	(1,637)	-	-	(210,231)
Transfer ²	-	6,115	3,407	194,706	645	8,862	-	(200,049)	(13,686)	-
Transfer to investment property	(2)	(2,088)	-	-	-	-	-	-	-	(2,090)
Government grants	-	-	-	(4,422)	-	(778)	-	-	-	(5,200)
Ending	₩ 1,348,654	₩ 462,573	₩ 101,421	₩ 803,560	₩ 4,384	₩ 57,270	₩ 17,710	₩ 382,083	₩ 1,889	₩ 3,179,544

¹ Depreciation and others include ₩ 185 million of shrinkage loss from others and ₩ 1,452 million of supplies.

² Transfer includes the transfer from construction-in-process and machinery-in-transit.

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(in millions of Korean won)	2011									
	Land	Building	Structure	Machinery	Vehicle	Tools and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning	₩ 1,342,266	₩ 458,382	₩ 95,291	₩ 654,942	₩ 3,063	₩ 39,831	₩ 11,690	₩ 78,466	₩ 520	₩ 2,684,451
Acquisition	13,451	11,823	4,564	58,794	1,241	19,459	25,683	366,178	31,711	532,904
Disposal	(2,733)	(962)	(1,683)	(279)	(43)	(28)	(727)	-	-	(6,455)
Depreciation and others ¹	-	(16,143)	(3,619)	(152,796)	(1,246)	(15,542)	(559)	-	-	(189,905)
Impairment loss	-	-	-	(569)	-	-	-	-	-	(569)
Transfer ²	33,807	31,343	2,008	163,279	124	7,343	-	(211,286)	(27,262)	(644)
Transfer to investment property	(37,594)	(21,900)	-	-	-	-	-	-	-	(59,494)
Government grants	-	-	-	(469)	-	(554)	-	-	-	(1,023)
Ending	₩ 1,349,197	₩ 462,543	₩ 96,561	₩ 722,902	₩ 3,139	₩ 50,509	₩ 36,087	₩ 233,358	₩ 4,969	₩ 2,959,265

¹ Depreciation and others include ₩ 348 million of shrinkage loss from others.

² Transfer includes the transfer from construction-in-process and machinery-in-transit.

Depreciation expense of ₩ 202,608 million (2011: ₩ 184,446 million) has been charged to 'cost of goods sold', and ₩ 5,987 million (2011: ₩ 5,459 million) to 'selling administrative expenses' for the year ended December 31, 2012.

The Company has capitalized borrowing costs amounting to ₩ 9,892 million (2011: ₩ 3,991 million) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 5.04% (2011: 5.57%) for the year ended December 31, 2012.

Bank borrowings are secured by land, buildings and machinery (Notes 21 and 40).

15. Investment property

Changes in investment property for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	2012		
	Land	Building	Total
Beginning	₩ 293,689	₩ 142,825	₩ 436,514
Acquisition	4,566	1,207	5,773
Disposal	(70)	(34)	(104)
Depreciation	-	(4,414)	(4,414)
Transfer from property, plant and equipment	2	2,088	2,090
Ending	₩ 298,187	₩ 141,672	₩ 439,859

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<i>(in millions of Korean won)</i>	2011		
	Land	Building	Total
Beginning	₩ 258,658	₩ 119,959	₩ 378,617
Acquisition	963	1,407	2,370
Disposal	(5)	-	(5)
Depreciation	-	(3,961)	(3,961)
Transfer from property, plant and equipment	37,594	21,900	59,494
Impairment loss	(3,521)	3,521	-
Ending	₩ 293,689	₩ 142,826	₩ 436,515

Rent income from investment property amounted to ₩ 18,579 million (2011: ₩ 18,002 million), and operating expenses (including repairs and maintenance) directly related to those investment property amounted to ₩ 10,696 million (2011: ₩ 11,395 million) for the year ended December 31, 2012.

16. Intangible Assets

Changes in intangible assets for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012			
	Industrial property	Others	Memberships	Total
Beginning	₩ 6,396	₩ 2,089	₩ 19,632	₩ 28,117
Acquisition	1,169	5,986	30	7,185
Disposal	-	-	(75)	(75)
Amortization	(1,167)	(1,205)	(3)	(2,375)
Ending	₩ 6,398	₩ 6,870	₩ 19,584	₩ 32,852

<i>(in millions of Korean won)</i>	2011			
	Industrial property	Others	Memberships	Total
Beginning	₩ 6,295	₩ 4,522	₩ 20,726	₩ 31,543
Acquisition	1,196	449	257	1,902
Transfer	-	645	-	645
Disposal	-	(3,118)	(1,349)	(4,467)
Amortization	(1,095)	(409)	(2)	(1,506)
Ending	₩ 6,396	₩ 2,089	₩ 19,632	₩ 28,117

Amortization of ₩ 195 million (2011: ₩ 174 million) was included in the 'cost of goods sold', and ₩ 2,180 million (2011: ₩ 1,332 million) in the 'selling and administrative expenses' in the statement of income for the year ended December 31, 2012.

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17. Insurance Coverage

Assets covered by insurance policies as of December 31, 2012, are as follows:

<i>(in millions of Korean won)</i>	Assets	Book value		Insurance coverage		Insured by
Property insurance	Building	₩	462,573	₩	1,009,311	Samsung Fire and Marine Insurance Co. and others
	Structure		101,421		98,634	
	Machinery		803,560		3,225,632	
	Inventories		855,246		728,554	
	Vehicles and tools		61,654		82,141	
		₩	<u>2,284,454</u>	₩	<u>5,144,272</u>	

18. Government Grants

Changes in government grants for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Beginning	₩	41,130	₩	28,099
Increase		10,332		21,133
Decrease		(19,598)		(8,102)
Ending	₩	<u>31,864</u>	₩	<u>41,130</u>

The Company entered into development agreements with Korea Electric Power Research Institute and others for various national projects, including the electric power converter project.

19. Investments in subsidiaries and associates

Changes in investments in subsidiaries and associates for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	Book Value			
	2012		2011	
Beginning	₩	1,699,633	₩	1,519,895
Acquisition		77,133		291,501
Disposal		-		(10,139)
Impairment loss		(67,117)		(17,525)
Others ¹		-		(84,099)
Ending	₩	<u>1,709,649</u>	₩	<u>1,699,633</u>

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¹The Company lost the control over Chin Hung International Inc. due to the special agreement to fulfill a plan for normalization of Chin Hung International Inc. during the year ended December 31, 2012. Accordingly, the investments in subsidiaries of ₩ 84,099 million were fully reclassified as available-for-sale financial assets.

Details of investments in subsidiaries as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)	Location	Percentage of ownership (%)	Book value	
			2012	2011
Galaxia Photonics Co.,Ltd.	Korea	83.32%	₩ 35,644	₩ 15,502
Gumoknongsan Co.,Ltd.	Korea	90.00%	2,787	2,787
Gongdeok gyeongwoo development corporation	Korea	73.33%	4,400	-
The Class Hyosung	Korea	58.02%	7,183	7,183
Asia Lnghub Co.,Ltd	Korea	78.95%	441	344
Flossom Corporation	Korea	57.83%	4,152	18,947
Taeansolarfarm Corp.	Korea	100.00%	1,880	1,880
Hanadaol Landchip Private Real Estate Investment Trust No.39	Korea	50.00%	16,000	-
Hongjin Data Servece Co., Ltd.	Korea	65.52%	3,300	3,300
Hyosung Goodsprings, Inc.	Korea	100.00%	74,361	74,361
Hyosung Ebara Engineering Co.,Ltd	Korea	81.33%	17,435	17,435
Hyosung Wind Power Holdinds Ltd.	Korea	100.00%	1,200	1,200
Hyosung Capital Co., Ltd.	Korea	97.15%	361,762	361,762
Hyosung Investment & Development Corporation	Korea	58.75%	34,798	34,798
Hyosung Trans World Co., Ltd.	Korea	100.00%	4,698	4,698
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	80.00%	1,475	4,683
Beijing Hyosung Container Co., Ltd.	China	100.00%	10,590	10,590
GST Global Gmbh	Germany	100.00%	170,682	170,682
Hyosung (H.K) LIMITED	China	100.00%	829	829
Hyosung Brasil industria e comercio de fibras LTDA	Brazil	100.00%	33,322	33,322
Hyosung Brasil industrial & commercial LTDA	Brazil	100.00%	8,607	8,607
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	100.00%	166,881	166,881
Hyosung Chemicals (Jiaxing) Co., Ltd.	China	100.00%	4,848	4,848
Hyosung Composite (GuangDong) Co., Ltd.	China	100.00%	2,250	-
Hyosung Corporation India Pvt. Ltd.	India	100.00%	461	-
Hyosung Europe SRL	Italy	100.00%	3,704	3,704
Hyosung Global(Taiwan) Co., LTD	Taiwan	100.00%	558	558
Hyosung Holdings USA	America	100.00%	89,589	89,589
Hyosung International Trade(Jiaxing) Co., Ltd.	China	100.00%	1,295	1,295
Hyosung Istanbul TEKSTIL LTD.STI	Turkey	76.66%	12,621	12,621
Hyosung Japan Co., Ltd.	Japan	100.00%	6,899	6,899
Hyosung Luxembourg S.A	Luxemburg	100.00%	18,535	18,535
Hyosung Power Holdings Co., Ltd.	Cayman Islands	100.00%	16,256	22,769

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Hyosung Resource (Australia) PTY Ltd.	Australia	100.00%	14,195	4,233
Hyosung Singapore PTE Ltd.	Singapore	100.00%	-	-
Hyosung Spandex (GuangDong) Co., Ltd.	China	100.00%	121,384	121,384
Hyosung Spandex (Jiaxing) Co., Ltd.	China	100.00%	135,712	135,712
Hyosung Spandex (Zhuhai) Co., Ltd.	China	75.00%	24,644	24,644
Hyosung SRL	Romania	100.00%	1	-
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd (prior to Hyosung Steel Cord (Nanjing) Co., Ltd.).	China	70.00%	23,659	23,659
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	100.00%	70,203	70,203
Hyosung Vietnam Co., Ltd.	Vietnam	88.21%	49,192	49,192
Hyosung Wire Luxembourg S.A	Luxembourg	100.00%	-	18,380
Xepix Corp.	America	74.93%	2,768	2,768
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	64.50%	10,404	10,404
			<u>₩ 1,571,605</u>	<u>₩ 1,561,188</u>

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

Details of investments in associates as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	Location	Percentage of ownership (%)	Book value	
			2012	2011
Nautilus Hyosung Inc.	Korea	43.50%	₩ 65,178	₩ 65,178
E-pia Tech.Co., Ltd.	Korea	21.30%	-	401
Capro Corp.	Korea	21.04%	22,672	22,672
Taebaek Wind Power Co., Ltd.	Korea	35.00%	5,334	5,334
Pyeongchang Wind Power Co., Ltd	Korea	35.00%	893	893
Hyosung Information System Co., Ltd	Korea	50.00%	24,860	24,860
Hyosung Toyota Corp.	Korea	40.00%	-	-
Hyosung ITX Co., Ltd.	Korea	34.99%	6,961	6,961
Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.	Taiwan	30.00%	12,146	12,146
			<u>₩ 138,044</u>	<u>₩ 138,445</u>

Fair value of marketable shares held by associates as of December 31, 2012 and 2011, is as follows:

<i>(in millions of Korean won)</i>	2012			
	Number of shares	Market price per share <i>(in Korean won)</i>	Market value	Book value
Capro Corp.	8,417,708	12.500	105,221	22,672
Hyosung ITX Co., Ltd.	4,349,000	3,955	17,200	6,961

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<i>(in millions of Korean won)</i>	2011			
	Number of shares	Market price per share (in Korean won)	Market value	Book value
Capro Corp.	8,417,708	20,950	176,351	22,672
Hyosung ITX Co., Ltd.	4,349,000	3,020	10,507	6,961

20. Related party transactions

Details of the subsidiaries, associates and other related parties as of December 31, 2012, are as follows:

Subsidiaries

Location	Name	
Korea	Gongdeok Gyeongwoo Development Corporation	
	Galaxia Photonics Co.,Ltd.	
	Gumoknongsan Co.,Ltd.	
	The Class Hyosung	
	Asia Lnghub Co.,Ltd.	
	Asia Pacific No.21 Ship Investment Co.,Ltd.	
	Taeansolarfarm Corp.	
	Flossom Corporation	
	Hanadaol Landchip Private Real Estate Investment Trust No.39	
	Hongjin Data Servece Co., Ltd.	
	Hyosung Goodsprings, Inc.	
	Hyosung Ebara Engineering Co.,Ltd.	
	Hyosung Wind Power Holdinds Ltd.	
	Hyosung Capital Co., Ltd.	
	Hyosung Investment & Development Corporation	
	Hyosung Trans World Co., Ltd.	
	The Americas	HICO America Sales & Tech.
		Hyosung Holdings USA
		Hyosung Brasil industria e comercio de fibras LTDA
Hyosung Brasil industrial & commercial LTDA		
Hyosung Power Holdings Co., Ltd.		
Hyosung USA Inc.		
Global Safety Textiles U.S. Holdings, Inc.		
Global Safety Textiles LLC		
GST Automotive Safety Components International LLC		
GST Automotive Safety Components International LLC S.A.de C.V.		
Powertech Corporation		
Xepix Corp.		

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Europe	Hyosung Europe SRL	
	Hyosung Istanbul TEKSTIL LTD.STI	
	Hyosung Luxembourg S.A.	
	Hyosung SRL	
	Hyosung Wire Luxembourg S.A.	
	GST Global GmbH	
	Global Safety Textiles GmbH	
	GST Automotive Safety Poland Sp.z.oo.	
	GST Automotive Safety Czech s.r.o.	
	GST Automotive Safety UK Limited	
	GST Automotive Safety RO S.R.L.	
	Asia	Hyosung Global Taiwan Co., LTD.
		Hyosung Japan Co., Ltd.
Hyosung Singapore PTE Ltd.		
Hyosung Vietnam Co., Ltd.		
Hyosung Corporation India Pvt. Ltd.		
China	GST China Investment Limited (Hong Kong)	
	Baoding Hyosung Tianwei Transformer Co., Ltd.	
	Beijing Hyosung Container Co., Ltd.	
	Hyosung (H.K) LIMITED	
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	
	Hyosung Chemicals (Jiaxing) Co., Ltd.	
	Hyosung Composites (Guangdong) Co., Ltd.	
	Hyosung International Trade(Jiaxing) Co., Ltd.	
	Hyosung Spandex (GuangDong) Co., Ltd.	
	Hyosung Spandex (Jiaxing) Co., Ltd.	
	Hyosung Spandex (Zhuhai) Co., Ltd.	
	Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd.	
	Hyosung Steel Cord (Qingdao) Co., Ltd.	
	Zhangjiagang Xiaosha Coil Service Co., Ltd.	
	Hyosung International(HK) Ltd.	
	Nantong Hyosung Transformer Co., Ltd.	
	Nantong Transformer Co., Ltd.	
Nantong Yaubong Transformer Co., Ltd.		
GST Automotive Safety(Changshu) Co. Ltd.		
Others	Hyosung Resource (Australia) PTY Ltd.	
	GST Automotive Safety South Africa(Proprietary) Limited	

Associates

Location	Name
Korea	Nautilus Hyosung Inc.,

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	E-pia Tech.Co., Ltd.
	Capro Corp.
	Taebaek Wind Power Co., Ltd.
	Pyeongchang Wind Power Co., Ltd.
	Hyosung Information System Co., Ltd.
	Hyosung Toyota Corp.
	Hyosung ITX Co., Ltd.
Asia	Sumiden Hyosung Steel Cord (Thailand) Co., Ltd.

Other related parties

Location	Name
Korea	Galaxia device co., Ltd.
	Galaxia display.
	Galaxia Electronics
	Galaxia Media
	Galaxia Communications
	Kiwoong Information and Communication (KWIC)
	Dong Ryung Co., Ltd.
	Doomi Development
	AEGIS enterprise(prior to AEGIS HYOSUNG)
	Shin Dong Jin Co., Ltd.
	Chin Hung International Inc.
	Taeuk Construction Co., Ltd and others
China	Tianjin Galaxia Device Electronics., Co. Ltd.
	Huizhou Galaxia Device Electornics., Co. Ltd.
	Qingdao Galaxia Device Electronics., Co.,Ltd.
	Beijing Hyosung Computer Technologies.Co., Ltd. and others
USA	Nautilus Hyosung America Inc.
	GALAXIA AMERICA,INC.

Significant transaction with related parties

Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
	Sales	Purchases	Sales	Purchases
Subsidiaries	₩ 1,366,137	722,206	₩ 1,577,083	₩ 903,382
Associates	27,657	553,544	20,789	626,589
Other related parties	32,320	33,487	55,200	14,599
	<u>₩ 1,426,114</u>	<u>1,309,237</u>	<u>₩ 1,653,072</u>	<u>₩ 1,544,570</u>

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(in millions of Korean won)

	2012		2011	
	Receivables	Payables	Receivables	Payables
Subsidiaries	₩ 258,342	₩42,214	₩ 374,704	₩135,770
Associates	186	111,245	17,127	153,185
Other related parties	120,438	5,993	181,156	8,420
	<u>₩ 378,966</u>	<u>₩159,452</u>	<u>₩ 572,987</u>	<u>₩297,375</u>

Financial agreements for the relate parties as of December 31, 2012, are as follows:

(in millions of Korean won,
in thousands of US dollars)

	Related party	Details	Foreign currency		Won equivalent
Subsidiaries	Hyosung Power Holdings Co., Ltd.	Short-term loan	USD	6,141	₩ 6,578
	Gongdeok gyeongwoo development corporation	Short-term loan ¹		-	14,961
Other related parties	OpCo GmbH	Long-term loan ²	EUR	2,505	3,548
			USD	3,025	3,240

¹ The Company provided short-term loan at annual interest rate of 4.73% during the year.

² There are no changes other than fluctuation in exchange rate during the year, and the Company accounted for the above whole amounts as bad debts.

Details of the compensation for key management for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012		2011	
Short-term benefits	₩	6,040	₩	5,891
Severance pension benefits		1,277		1,523
	<u>₩</u>	<u>7,317</u>	<u>₩</u>	<u>7,414</u>

Details of pledges and guarantees provided to related parties by the Company as of December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

2012	Related company	Guaranteed amount	Type of loan	Credit amount	Creditor
Subsidiaries	Hyosung Spandex(Jiaxing) Co., Ltd.	₩ 76,048	Operating capital and others	₩ 76,048	Korea Development Bank
	Hyosung Spandex(GuangDong) Co.,Ltd	126,876	Operating capital and others	110,810	Korea Development Bank and others
	Hyosung Spandex(Zhuhai)Co., Ltd.	27,490	Operating capital and others	27,490	Korea Development Bank
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	121,034	Facility loans and others	117,821	The Export-Import Bank of Korea and others
	Hyosung Chemical(Jiaxing) Co.,Ltd	40,979	Operating capital and others	39,432	Shinhan Bank and others
	Hyosung Composite (GuangDong) Co., Ltd.	10,393	Operating capital and others	5,856	The Export-Import Bank of Korea

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					and others
	Hyosung Steel Cord (Qingao) Co., Ltd	140,528	Facility loans and others	139,243	Korea Development Bank and others
	Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	72,835	Operating capital and others	68,422	The Export-Import Bank of Korea and others
	Baoding Hyosung Tianwei Transformer Co.	16,152	Facility loans and others	15,638	Korea Development Bank and others
	Nantong Hyosung Transformer Co.,Ltd.	243,818	Facility loans and others	149,112	Hana Bank and others
	Hyosung Vietnam Co.,Ltd	864,015	Facility loans and others	636,847	Woori Bank and others
	Hyosung Istanbul Tekstil Ltd. STI	109,252	Facility loans and others	109,252	The Export-Import Bank of Korea and others
	Hyosung Luxembourg S.A.	56,650	Operating capital and others	41,072	The Export-Import Bank of Korea and others
	Hyosung Wire Luxembourg S.A.	28,325	Operating capital and others	24,076	Shinhan Bank and others
	Hyosung USA, Inc.	163,878	Operating capital and others	147,812	Korea Exchange Bank and others
	Hyosung Holdings USA, Inc.	23,564	Operating capital and others	23,564	Kookmin Bank and others
	HICO America Inc.	42,844	Foreign currency loans and others	28,920	Woori Bank and others
	Hyosung Japan	152,984	Foreign currency loans and others	51,689	Woori Bank and others
	Hyosung International (HK) LTD.	21,422	Foreign currency loans and others	1,192	Hana Bank and others
	Hyosung Singapore PTE Ltd.	10,711	Foreign currency loans and others	9,372	Woori Bank
	Hyosung Brasil Industria E Comercio De Fibras Ltda.	95,328	Facility loans	95,328	Mizho Bank
	GST Global GMBH	160,665	Facility loans and others	160,665	Korea finance corporation and others
	Flossom Co., Ltd. (Note 41)	56,010	Facility loans and others	56,010	Newstarhaechi
Associates	Hyosung Toyota Corp.	3,200	Operating capital and others	-	Toyota Motor Korea Corporation
		<u>₩2,665,001</u>		<u>₩2,135,671</u>	

(in millions of Korean won)

2011	Related company	Guaranteed amount	Type of loan	Credit amount	Creditor
Subsidiaries	Hyosung Spandex(Jiaxing) Co., Ltd.	₩ 86,498	Operating capital and others	₩ 86,498	Korea Development Bank
	Hyosung Spandex(GuangDong) Co.,Ltd	98,893	Operating capital and others	97,126	Woori Bank and Others
	Hyosung Spandex(Zhuhai)Co., Ltd.	31,139	Operating capital and others	27,080	Korea Development Bank and others
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	63,432	Facility loans and others	63,432	The Export-Import Bank of Korea and others
	Hyosung Chemical(Jiaxing) Co.,Ltd	44,023	Operating capital and others	42,381	Shinhan Bank and others

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Hyosung Steel Cord (Qingao) Co., Ltd	162,615	Facility loans and others	151,082	Woori Bank and others
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd	70,111	Operating capital and others	70,063	The Export-Import Bank of Korea and others
Baoding Hyosung Tianwei Transformer Co.	16,179	Facility loans and others	16,179	Woori Bank and others
Nantong Hyosung Transformer Co.,Ltd.	273,679	Facility loans and others	218,342	Hana Bank and others
Hyosung Vietnam Co.,Ltd	674,805	Facility loans and others	542,752	Woori Bank and others
Hyosung Istanbul Tekstil Ltd. STI	123,403	Facility loans and others	123,403	The Export-Import Bank of Korea and others
Hyosung Luxembourg S.A.	56,776	Operating capital and others	49,305	The Export-Import Bank of Korea and others
Hyosung Wire Luxembourg S.A.	37,353	Operating capital and others	25,400	Shinhan Bank and others
Hyosung USA, Inc.	153,389	Operating capital and others	138,396	Korea Exchange Bank and others
Hyosung Holdings USA, Inc.	25,373	Operating capital and others	25,373	The Export-Import Bank of Korea and others
HICO America Inc.	46,132	Foreign currency loans and others	11,533	Woori Bank and others
Hyosung Japan	168,593	Foreign currency loans and others	77,057	Woori Bank and others
Hyosung International (HK) LTD.	20,759	Foreign currency loans and others	819	Hana Bank and others
Hyosung Singapore PTE Ltd.	11,533	Foreign currency loans and others	-	Woori Bank
Hyosung Brasil Industria E Comercio De Fibras Ltda.	91,111	Facility loans	91,111	Mizho Bank
GST Global GMBH	149,929	Facility loans and others	149,929	Korea finance corporation and others
Flossom Co., Ltd. (Note 41)	63,000	Facility loans and others	56,000	Korea Exchange Bank and others
	<u>₩2,468,725</u>		<u>₩2,063,261</u>	

In addition to the above transactions, the Company recognized dividend income of ₩ 56,324 million (2011: ₩ 79,748 million) from subsidiaries, such as Hyosung Goodsprings, Inc. and others, and recognized dividend income of ₩ 10,148 million (2011: ₩ 4,236 million) from associates, such as Capro Corp., during the year ended December 31, 2012.

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21. Borrowings

Details of borrowings as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Current				
Short-term borrowings	₩	1,226,597	₩	1,401,699
Current portion of long-term borrowings		684,205		403,890
		<u>1,910,802</u>		<u>1,805,589</u>
Non-current				
Debentures		799,870		877,168
Long-term borrowings		672,777		816,334
		<u>1,472,647</u>		<u>1,693,502</u>
	₩	<u>3,383,449</u>	₩	<u>3,499,091</u>

Details of short-term borrowings as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	Financial institutions	Interest rate (%)	2012		2011	
Korean won borrowings						
Bank overdrafts	Woori Bank	-	₩	-	₩	4,759
	Kyungnam Bank	-		-		4,159
General loan	Woori Bank	5.72%		30,000		60,000
	Jeonbuk Bank National Agricultural Cooperative Federation	-		-		20,000
	Korea Exchange Bank	4.60%		10,000		-
Trade bill discount	Woori Bank	4.29%		30,000		-
Other bill discount	Woori Bank	4.54%		100,000		-
	Shinhan Bank	4.35%		20,000		-
				<u>190,000</u>		<u>88,918</u>
Foreign currency borrowings						
General loan	Shinhan Bank Korea Development Bank	2.91%		10,711		11,533
	The Export-Import Bank of Korea	-		-		44,979
	Hana Bank	-		-		5,766
	Woori Bank and Others	2.18%		32,133		-
USANCE Collateralized borrowings ¹	Woori Bank and Others	0.72%~3.66%		376,203		311,594
	Korea Development Bank and others	0.96%~5.62%		617,550		938,909
				<u>1,036,597</u>		<u>1,312,781</u>
			₩	<u>1,226,597</u>	₩	<u>1,401,699</u>

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¹ The Company sold foreign accounts receivable to financial institutions, and these transactions are accounted for as secured borrowing.

Details of long-term borrowings as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	Type of loan	Financial institutions	Interest rate (%)	2012	2011
Korean won borrowings					
	Facility loans	Korea Development Bank	1.75%~7.59%	₩ 351,821	₩ 285,077
	Facility loans	Kwangju Bank	5.28%	10,000	10,000
	Facility loans	Jeonbuk Bank	5.06%	10,000	10,000
	Facility loans	Hana Bank	5.23%	50,000	20,000
	Facility loans	Kookmin Bank	5.17%~7.08%	33,333	70,000
	Facility loans	KDB Capital	1.75%~3.00%	14,430	15,776
	Facility loans	Korea Housing Guarantee Co., Ltd.	1.00%	4,400	4,400
	Operating capital	Korea Development Bank	4.76%~5.01%	80,000	110,000
	Operating capital	Woori Bank	5.60%~5.76%	70,000	70,000
	Operating capital	Korea Exchange Bank	4.45%	20,000	20,000
	Operating capital	Hana Bank	5.06%~5.43%	30,000	60,000
	Operating capital	Shinhan Bank	5.19%~5.68%	80,000	80,000
	Operating capital	Kookmin Bank	5.17%~7.08%	30,000	-
	Operating capital	Mineral Resource Corporation	1.20%	1,359	-
	Account receivable		3.00~4.00%	2,187	4,388
	Factoring	KDB Capital			
Foreign currency borrowings					
	Facility loans	The Export-Import Bank of Korea	2.78%~3.77%	160,665	192,103
	Facility loans	Hana Bank	3.27%	10,711	11,533
	Facility loans	Kookmin Bank	3.26%	10,711	6,343
	Facility loans	Korea Finance Corporation	2.98%	39,631	20,759
	Facility loans	Korea Exchange Bank	3.20%	21,422	-
	Facility loans	Korea Development Bank	2.87%~2.92%	24,950	-
	Facility loans	Shinhan Bank	3.01%	21,422	-
				<u>1,077,042</u>	<u>990,379</u>
Less: Current portion				(404,205)	(173,889)
Present value discounts				(60)	(156)
				<u>₩ 672,777</u>	<u>₩ 816,334</u>

Above long-term borrowings are subject to installment repayment or lump-sum repayment at maturity date. Borrowings are collateralized with the Company's investment in associates and property, plant and equipment (Notes 14, 19 and 40).

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Details of debentures as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate (%)	2012	2011
232-2 nd Public subscription bond	2012.05.21	-	₩ -	₩ 50,000
233-2 nd Public subscription bond	2012.07.11	-	-	30,000
235-3 rd Public subscription bond	2013.03.13	6.06%	30,000	30,000
236-3 rd Public subscription bond	2013.07.24	7.00%	30,000	30,000
238-3 rd Public subscription bond	2012.01.22	-	-	70,000
241-2 nd Public subscription bond	2012.03.19	-	-	80,000
241-3 rd Public subscription bond	2013.03.19	6.90%	40,000	40,000
242-1 st Public subscription bond	2013.03.05	5.18%	80,000	80,000
242-2 nd Public subscription bond	2015.03.05	5.79%	70,000	70,000
243-1 st Public subscription bond	2013.07.12	4.93%	70,000	70,000
243-2 nd Public subscription bond	2015.07.12	5.75%	30,000	30,000
244-1 st Public subscription bond	2013.12.21	4.10%	30,000	30,000
244-2 nd Public subscription bond	2014.12.21	4.60%	30,000	30,000
244-3 rd Public subscription bond	2015.12.21	4.99%	40,000	40,000
245-1 st Public subscription bond	2014.01.17	4.25%	90,000	90,000
245-2 nd Public subscription bond	2016.01.17	5.25%	60,000	60,000
246-1 st Public subscription bond	2014.06.24	4.33%	70,000	70,000
246-2 nd Public subscription bond	2016.06.24	4.94%	60,000	60,000
248 th Private bond	2014.09.30	5.32%	20,000	20,000
248-1 st Public subscription bond	2014.10.12	4.49%	40,000	40,000
248-2 nd Public subscription bond	2016.10.12	5.03%	50,000	50,000
249 th Private bond	2014.11.14	5.23%	40,000	40,000
250 th Private bond	2014.01.02	5.40%	20,000	-
251-1 st Public subscription bond	2015.02.07	4.26%	90,000	-
251-2 nd Public subscription bond	2017.02.07	4.70%	60,000	-
252 th Private bond	2015.08.28	3M USD LIBOR + 280bps	32,133	-
			1,082,133	1,110,000
Less: Current portion			(280,000)	(230,000)
Discount on bonds payable			(2,263)	(2,832)
			₩ 799,870	₩ 877,168

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22. Trade and other payables

Details of trade and other payables as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Trade payables	₩	789,921	₩	1,103,337
Other payables		346,916		399,094
Long-term other payables		32,630		38,904
	₩	<u>1,169,467</u>	₩	<u>1,541,335</u>

The book values of other payables as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Other payables				
Non-trade payables	₩	223,995	₩	266,163
Accrued expenses		48,833		52,461
Withholdings		27,333		33,141
Deposits received		46,755		47,329
		<u>346,916</u>		<u>399,094</u>
Long-term other payables				
Non-trade payables		11,471		14,807
Deposits received		21,160		24,097
		<u>32,631</u>		<u>38,904</u>
	₩	<u>379,547</u>	₩	<u>437,998</u>

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

	2012	2011
Discount rate	3.4% ~ 5.00%	3.4% ~ 5.00%

Meanwhile, the fair values of trade and other payables as of December 31, 2012 and 2011, are the same as their book values.

23. Retirement benefit obligations

Retirement benefit obligations recognized on the statements of finance position as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Present value of defined benefit payables	₩	213,197	₩	171,381
Fair value of plan assets ¹		<u>(171,812)</u>		<u>(132,853)</u>
Defined benefit liabilities	₩	<u>41,385</u>	₩	<u>38,527</u>

¹ The fair value of plan asset includes ₩ 554 million of deposits made to National Pension Fund (2011: ₩ 594 million).

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The amounts recognized on the income statements for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Current service cost	₩	38,855	₩	34,711
Interest expenses		7,575		6,864
Expected income of plan assets		(6,872)		(4,902)
	₩	<u>39,558</u>	₩	<u>36,673</u>

The expenses by nature for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Cost of goods sold	₩	22,361	₩	21,039
Selling and administrative expenses		14,550		13,380
Research and development costs		2,647		2,254
	₩	<u>39,558</u>	₩	<u>36,673</u>

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Beginning	₩	171,381	₩	130,553
Current service cost		38,855		34,711
Interest expenses		7,575		6,864
Payment		(11,164)		(12,704)
Actuarial gains and losses		9,741		12,993
Effect of pension system reduction/ settlement		(3,301)		(1,063)
Subsidiaries transfer in/out		110		27
Ending	₩	<u>213,197</u>	₩	<u>171,381</u>

The movements in the fair value of plan assets for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Beginning	₩	132,852	₩	93,358
Expected income of plan assets		6,872		4,902
Employer contribution		41,000		41,500
Benefits paid		(5,391)		(5,546)
Actuarial gains and losses		(1,106)		(720)
Effect of pension system reduction/ settlement		(2,415)		(598)
Ending	₩	<u>171,812</u>	₩	<u>132,853</u>

¹ Plan assets consisted of short-term financial instruments.

Actual return of plan assets amounted to ₩ 5,766 million (2011: ₩ 4,182 million) for the year ended December 31, 2012.

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Actuarial gains and losses recognized as other comprehensive income for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Actuarial gains and losses before income tax	₩	(10,847)	₩	(13,713)
Income tax effects		6,386		-
Actuarial gains and losses after income tax	₩	<u>(4,461)</u>	₩	<u>(13,713)</u>

As of December 31, 2012, accumulated actuarial gains and losses recognized as other comprehensive income and expenses amount to ₩ 33,851 million (2011: ₩ 29,390 million).

The principal actuarial assumptions as of December 31, 2012 and 2011, are as follows:

	2012	2011
Discount rate	3.65%	4.57%
Inflation rate	3.15%	3.50%
Expected return on plan assets ¹	4.67%	4.84%
Future salary increases	2.66%	2.87%

¹ Expected return of plan asset is calculated by considering weighted average of actual ratio of return for the last five years. If the provided period of earnings is less than five years, the weighted average for the given period is used.

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Changes in principal assumption	Impact on overall liability
Discount rate	1.0% increase/decrease	6.4% decrease/7.3% increase
Inflation rate	1.0% increase/decrease	7.3% increase/6.5% decrease
Salary growth rate	1.0% increase/decrease	7.4 % increase/6.5% decrease

Adjustments for the differences between initial assumptions and actual figures as of December 31, 2012, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2012		December 31, 2011		December 31, 2010		January 1, 2010	
Present value of defined benefit liability	₩	213,197	₩	171,381	₩	130,467	₩	148,440
Fair value of plan assets		(171,812)		(132,853)		(92,670)		(112,898)
Deficit(Surplus) of the funded plans		41,385		38,528		37,707		35,542
Defined benefit liability adjustments		2,722		13,078		47,878		-
Plan asset adjustments		1,106		(720)		735		-

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24. Deferred Income Tax

The analyses of deferred tax assets and deferred tax liabilities as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩	150,957	₩	62,994
Deferred tax asset to be recovered within 12 months		19,429		80,687
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		(469,341)		(452,567)
Deferred tax liability to be recovered within 12 months		(4,523)		(3,080)
Deferred tax assets (liabilities), net	₩	<u>(303,478)</u>	₩	<u>(311,966)</u>

The movements in the deferred income tax account for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Beginning balance	₩	(311,966)	₩	(312,753)
Income statement charge (Note 36)		9,337		(3,612)
Current income taxes charged to equity (Note 36)		(849)		4,399
Ending balance		<u>(303,478)</u>	₩	<u>(311,966)</u>

Changes in deferred income tax assets and liabilities for the years ended December 31, 2012 and 2011, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<i>(in millions of Korean won)</i>	2012			
	Beginning	Income statement	Equity	Ending
Deferred tax liabilities				
Reserve for research and human resource development	₩ (29,040)	₩ (8,873)	₩ -	₩ (37,913)
Accrued income	(88)	(255)	-	(313)
Defined benefit pension plan assets	(31,895)	(9,246)	-	(41,141)
Investments in subsidiaries and associates	(29,464)	(53,451)	-	(82,915)
Gain (loss) from fire insurance policy	(2,669)	535	-	(2,134)
Revaluation of land	(291,336)	6	-	(291,330)
Loss on valuation of derivatives	(364)	305	-	(59)
Valuation on present value	(484)	484	-	-
Manufacturing cost	(1,818)	1,005	-	(813)
Others	(4,308)	(3,343)	-	(7,651)

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	(391,466)	(72,803)	-	(464,269)
Deferred tax assets				
Available-for-sale financial assets	(2,854)	84,267	(7,235)	74,178
Provision for severance pension benefits	31,895	2,860	6,386	41,141
Construction contracts	3,675	(430)	-	3,245
Accrued compensated absences	3,802	(1,254)	-	2,548
Capitalized of financial cost	2,027	(276)	-	1,751
Impairment loss of available-for-sale financial assets	6,098	(102)	-	5,996
Loss on valuation of inventories	4,164	(2,907)	-	1,257
Accumulated impairment loss	319	-	-	319
Provision for impairment in excess of tax limit	8,827	1,959	-	10,786
Impairment loss on sites	1,654	(286)	-	1,368
Provision for construction warranties	2,432	(262)	-	2,170
Government grants	9,953	(2,242)	-	7,711
Provision for guarantees	137	2,788	-	2,925
Provision for construction losses	4,355	(4,275)	-	80
Impairment loss of property, plant and equipment	3,251	247	-	3,498
Depreciation	1,064	(1,064)	-	-
Loss on valuation of assets and liabilities in foreign currencies	54	(54)	-	-
Trade receivables	(1,294)	1,448	-	154
Provision for financial guarantees	(297)	367	-	70
Others	238	1,356	-	1,594
	79,500	82,140	(849)	160,791
	(311,966)	9,337	(849)	(303,478)

2011

<i>(in millions of Korean won)</i>	Beginning	Income statement	Equity	Ending
Deferred tax liabilities				
Reserve for research and human resource development	₩ (17,600)	₩ (11,440)	₩ -	₩ (29,040)
Accrued income	(228)	140	-	(88)
Available-for-sale financial assets	(6,837)	-	3,983	(2,854)
Defined benefit pension plan assets	(20,377)	(11,518)	-	(31,895)
Investments in subsidiaries and associates	(74,362)	44,898	-	(29,464)
Gain (loss) from fire insurance policy	(2,913)	244	-	(2,669)
Revaluation of land	(265,160)	(26,481)	305	(291,336)

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Loss on valuation of derivatives	(3,127)	2,763	-	(364)
Trade accounts receivable	(933)	(361)	-	(1,294)
Valuation on present value	(283)	(201)	-	(484)
Guarantee payment	(282)	(15)	-	(297)
Manufacturing cost	-	(1,818)	-	(1,818)
Others	(3,916)	(391)	-	(4,307)
	<u>(396,018)</u>	<u>(4,180)</u>	<u>4,288</u>	<u>(395,910)</u>
Deferred tax assets				
Provision for severance pension benefits	25,222	6,673	-	31,895
Construction contracts	63	3,612	-	3,675
Accrued compensated absences	3,442	360	-	3,802
Capitalized of financial cost	2,098	(71)	-	2,027
Impairment loss of available-for-sale financial assets	3,846	2,252	-	6,098
Gains on valuation of inventories	3,680	484	-	4,164
Accumulated impairment loss	290	29	-	319
Provision for impairment in excess of tax limit	10,809	(1,982)	-	8,827
Impairment loss on sites	1,654	-	-	1,654
Provision for construction warranties	1,867	565	-	2,432
Government grants	6,800	3,153	-	9,953
Provision for guarantees	17,087	(17,061)	111	137
Provision for construction losses	4,026	329	-	4,355
Impairment loss of property, plant and equipment	2,898	353	-	3,251
Depreciation	853	211	-	1,064
Loss of valuation of foreign asset and liabilities	(1,436)	1,490	-	54
Others	66	171	-	237
	<u>83,265</u>	<u>568</u>	<u>111</u>	<u>83,944</u>
	<u>₩ (312,753)</u>	<u>₩ (3,612)</u>	<u>₩ 4,399</u>	<u>₩ (311,966)</u>

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25. Other liabilities

Details of other liabilities as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Other current liabilities				
Advances from customers	₩	196,476	₩	188,966
Unearned revenues		4,970		4,675
		201,446		193,641
Other non-current liabilities				
Provision for warranties ¹		8,967		9,900
Provision for guarantee ²		12,087		567
		21,054		10,467
	₩	222,500	₩	204,106

¹ The Company establishes expenses, which are expected to be spent in the future such as defect repairs in relation to contract of construction work, as a provision based on the past experience rate.

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

Changes in the Company's provision for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		
	Provision for warranties	Provision for guarantee	Total
Beginning	₩ 9,900	₩ 566	₩ 10,466
Increase	2,136	11,997	14,133
Decrease	(3,068)	(476)	(3,544)
Ending	₩ 8,968	₩ 12,087	₩ 21,055

<i>(in millions of Korean won)</i>	2011		
	Provision for warranties	Provision for guarantee	Total
Beginning	₩ 8,788	₩ 77,670	₩ 86,458
Increase	2,832	449	3,281
Decrease	(1,720)	(77,553)	(79,273)
Ending	₩ 9,900	₩ 566	₩ 10,466

26. Capital stock

The Company is authorized to issue 200,000,000 shares with the par value per share of ₩ 5,000. As of December 31, 2012, the Company has issued 35,117,455 shares of common stock. There is no change of capital stock for the year ended December 31, 2012.

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27. Retained Earnings

Details of retained earnings as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Legal reserve ¹	₩	17,450	₩	14,124
Discretionary reserve				
Reserve for research and human resource development ²		120,000		80,000
Reserve for facility		2,092,000		699,000
Unappropriated retained earnings		189,332		1,470,964
	₩	2,418,782	₩	2,264,088

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

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

Appropriation of Retained Earnings

Details of appropriation of retained earnings for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Retained earnings before appropriation				
Unappropriated retained earnings carried over from prior year	₩	1,368	₩	1,376,632
Actuarial gains and losses		(4,461)		(13,713)
Net income		192,424		108,045
		189,331		1,470,964
Reversal of				
reserve for research and human resource development		13,333		-
		202,664		1,470,964
Appropriation of retained earnings				
Legal reserve		3,327		3,327
Reserve for research and human resource development		50,000		40,000
Reserve for facility		115,000		1,393,000
Dividends				
Cash dividends		33,269		33,269
Dividends(ratio) per share Common stock:				
₩1,000 (20%) in 2012,				
₩1,000 (20%) in 2011				
Unappropriated retained earnings carried forward to subsequent year	₩	1,068	₩	1,368

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28. Other Components of Equity

Details other components of equity as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Other additional capital	₩	330,210	₩	330,210
Treasury stock ¹		(34,204)		(34,204)
Gain (loss) on valuation of available-for-sale financial assets		33,867		14,611
Cumulative effect of foreign currency translation		2,021		(343)
	₩	<u>331,894</u>	₩	<u>310,274</u>

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

Changes in the accumulated other comprehensive income for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	January 1, 2012		Increase (Decrease)		Reclassify to profit and loss		December 31, 2012	
Gain (loss) on valuation of available-for-sale financial assets	₩	14,611	₩	28,666	₩	(9,410)	₩	33,867
Cumulative effect of foreign currency translation		(343)		2,364		-		2,021
	₩	<u>14,268</u>	₩	<u>31,030</u>	₩	<u>(9,410)</u>	₩	<u>35,888</u>
<i>(in millions of Korean won)</i>	January 1, 2011		Increase (Decrease)		Reclassify to profit and loss		December 31, 2011	
Gain (loss) on valuation of available-for-sale financial assets	₩	29,227	₩	(4,770)	₩	(9,846)	₩	14,611
Cumulative effect of foreign currency translation		60		(403)		-		(343)
	₩	<u>29,287</u>	₩	<u>(5,173)</u>	₩	<u>(9,846)</u>	₩	<u>14,268</u>

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29. Sales

Details of sales for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Sales-Merchandise	₩	2,953,045	₩	3,263,252
Sales-Finished goods		5,441,982		5,377,196
Sales-Construction		365,651		343,327
Sales-Real estate		386,959		151,517
Sales-Others		137,241		148,013
	₩	<u>9,284,878</u>	₩	<u>9,283,305</u>

30. Construction contracts

Details of revenue and cost of construction for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Revenues of construction	₩	572,933	₩	366,292
Costs of construction		(508,573)		(341,919)
Profits of Construction		64,360		24,373

The following table presents book value of unbilled/overbilled amount related to construction as of December 31, 2012 and 2011:

<i>(in millions of Korean won)</i>	2012¹		2011	
Unbilled Amount	₩	28,407	₩	54,555
Overbilled Amount		39,959		10,643

¹ The provisions for construction loss amounting to ₩ 330 million are included by estimating future construction loss in relation to the construction-in-progress of the Company.

Details of construction receivables and advance payments as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Construction trade receivables	₩	164,920	₩	177,210
Advance payments		-		641
Amounts of deferred collection		-		-

Details of construction contracts as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Amounts after added(deducted) recognized profits(losses) on accumulated costs	₩	815,916	₩	531,753
Less: Progress billing		(827,468)		(487,842)
Net amounts of construction contracts	₩	<u>(11,552)</u>	₩	<u>43,911</u>

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31. Expenses by Nature

Cost of sales and selling and administrative expenses by nature for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012		2011	
Changes in product and work-in process	₩	115,292	₩	(209,205)
Changes in merchandise		2,803,074		3,063,851
Usage of raw material and supplies		3,890,432		3,905,654
Employee benefit expenses (Note 32)		568,818		550,122
Depreciation and amortization		215,383		194,812
Utility		177,288		154,674
Export expenses		244,098		258,876
Utilities		107,278		101,707
Service		110,058		99,486
Outsourcing		463,443		472,463
Others		404,264		405,807
Total ¹	₩	9,099,428	₩	8,998,247

¹Included in the cost of goods sold, selling and administrative expense, and research and development costs in the statements of income.

32. Employee Benefit Expense

Employee benefit expense for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012		2011	
Wages and salaries	₩	464,155	₩	451,661
Employee benefits		64,291		60,875
Pension costs - defined contribution plans		814		913
Pension costs - defined benefit plans (Note 22)		39,558		36,673
	₩	568,818	₩	550,122

33. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2012 and 2011, are as follows:

(in millions of Korean won)

	2012		2011	
Salaries	₩	133,149	₩	127,290
Severance pension benefits		14,651		13,881
Employee benefits		13,926		12,911
Training		2,630		3,524
Travel		15,982		18,750

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Communications	4,118	4,290
Taxes and dues	8,615	8,256
Rent	13,049	11,241
Depreciation	5,987	5,459
Amortization	2,180	1,332
Operating expenses for overseas branches	19,250	20,124
Advertising	12,094	13,506
Transportation	32,402	30,072
Commissions and fees	24,537	48,982
Export expenses	244,097	258,876
Entertainment	6,965	7,351
Others	47,568	37,173
	₩ 601,200	₩ 623,018

34. Other Operation Income and Expenses

Other operating income and expenses for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Other operating income		
Rental income	₩ 1,219	₩ 1,513
Gain on disposal of property, plant and equipment	871	3,002
Gain on disposal of intangible assets	62	2
Miscellaneous revenue	64,538	48,367
Gain on derivative transactions	51,673	33,573
Gain on valuation of derivatives	62,996	4,751
Gains on disposal of intangible assets	-	14
Reversal of other bad debts expense	444	993
Dividends	68,089	85,713
	249,892	177,928
Other operating expenses		
Loss on disposal of property, plant and equipment	130	1,005
Impairment loss of property, plant and equipment	-	569
Loss on disposal of intangible assets	-	75
Donations	2,700	2,863
Impairment loss of intangible assets	-	5
Other bad debts expense	5,365	-
Miscellaneous losses	21,041	22,122
Transfer to provision for guarantees	11,997	-
Loss on derivative transactions	4,439	16,476
Loss on valuation of derivatives	399	19,407
Commissions	6,546	5,000
Loss on disposal of trade receivables	3,777	2,295
Sales promotion	298	147
	56,963	69,963
	₩ 193,198	₩ 107,965

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35. Financial Income and Expenses

Financial income and expenses for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Financial income		
Interest income		
Financial assets at fair value through profit or loss	₩ 185	₩ 865
Loans and receivables	4,795	9,775
Available-for-sale financial assets	31	1,387
Other financial instruments	954	883
Gain on foreign currency transactions	67,007	93,817
Gain on foreign currency translation	95,910	70,019
Gain on disposal of financial assets		
Available-for-sale financial assets	13,310	23,583
Investments in subsidiaries and associates	-	656
	<u>182,192</u>	<u>200,985</u>
Financial expenses		
Interest expenses		
Financial liabilities at amortized cost	143,413	141,748
Loss on foreign currency transactions	50,630	77,172
Loss on foreign currency translation	46,230	109,753
Loss on disposal of financial assets		
Available-for-sale financial assets	-	467
Loss on valuation of financial assets		
Financial assets at fair value through profit or loss	-	7,247
Impairment loss of financial assets		
Available-for-sale financial assets	49	84,099
	<u>240,322</u>	<u>420,486</u>
	<u>₩ (58,130)</u>	<u>₩ (219,501)</u>

The Company recognized income and expenses related to exchange difference as financial income and expenses.

36. Income Tax Expense

Income tax expense for the years ended December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Current tax:		
Current tax on profits for the year	₩ 55,132	₩ 33,783
Adjustments in respect of prior years	(2,643)	377
Total current tax	<u>52,489</u>	<u>34,160</u>
Deferred tax (Note 24):		
Origination and reversal of temporary differences	8,488	787
Impact of change in Korean tax rate	-	13,005
Total deferred tax	<u>8,488</u>	<u>13,792</u>
Income tax expense	<u>₩ 60,977</u>	<u>₩ 47,952</u>

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The income tax (charged)/credited directly to equity as of December 31, 2012 and 2011, is as follows:

(in millions of Korean won)

	2012			2011		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Gain (loss) on valuation of available-for-sale financial assets	₩45,996	₩ (12,129)	₩33,867	₩19,506	₩ (4,894)	₩14,612
Actuarial gains and losses	(42,978)	9,127	(33,851)	(32,131)	2,741	(29,390)
	₩3,018	₩ (3,002)	₩16	₩(12,625)	₩ (2,153)	₩(14,778)

The weighted average applicable tax rate was 22.4% (2011: 30.7%).

37. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2012 and 2011, is as follows:

(in Korean won)	2012	2011
Net income ¹	₩ 192,424 million	₩ 108,045 million
Weighted average number of shares ²	33,268,604	33,268,604
Earnings per share	₩ 5,784	₩ 3,248

¹ Common share net profit corresponds to the Company's net income.

² The number of weighted average number of ordinary shares for the years ended December 31, 2012 and 2011, is 33,268,604 and there has been no change.

38. Dividends per Share

The dividends paid in 2012 and 2011 were ₩ 33,269 million (₩ 1,000 per share) and ₩ 41,586 million (₩ 1,250 per share), respectively. A dividend in respect of the year ended December 31, 2012, of ₩ 1,000 per share, amounting to total dividends of ₩ 33,269 million, is to be proposed at the annual general meeting on March 22, 2013. These financial statements do not reflect this dividend payable.

39. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2012 and 2011, is as follows:

(in millions of Korean won)	2012	2011
Profit before income tax	₩ 253,401	₩ 155,997
Adjustments for:		
Interest income and expenses	137,449	128,838
Gain (loss) on foreign currency translation	(49,681)	39,734
Gain (loss) on derivatives	(62,597)	14,655
Depreciation and amortization	215,383	194,812
Loss on disposal of property, plant, equipment, intangible assets and investment property	130	1,083

Hyosung Corporation
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Gain on disposal of property, plant, equipment, intangible assets, and investment property	(934)	(3,016)
Impairment loss on property, plant, equipment, intangible assets, and investment property	-	569
Bad debts expense	12,791	-
Reversal of allowance for bad debts	(444)	(2,764)
Loss on disposal of financial assets	-	467
Gain on disposal of financial assets	(13,310)	(24,239)
Impairment loss on financial assets	49	84,099
Loss on valuation of financial assets	-	7,247
Impairment loss on investment in subsidiaries and associates	67,117	-
Reversal of impairment loss on investment in subsidiaries and associates	-	17,525
Dividends	(68,089)	(85,713)
Severance pension benefits	39,559	36,672
Additional provisions adjustment	14,134	3,281
Reversal of provisions adjustment	(477)	-
Loss on disposal of trade receivables	3,777	2,295
Others	1,636	3,562
Changes in assets and liabilities from operations:		
Increase in trade receivables	362,936	(249,448)
Increase in inventories	238,150	(208,495)
Increase in other receivables	(17,610)	(3,261)
Increase in unbilled amount	26,148	(24,049)
Decrease in other financial assets	6,797	19,958
Increase (decrease) in other assets	743	13,148
Increase (decrease) in cumulative effect of foreign currency translation	2,364	(404)
Increase in trade payables	(304,265)	105,646
Increase (decrease) in other payables	(49,304)	118,501
Decrease (Increase) in overbilled amount	29,316	(7,649)
Increase in other financial liabilities	(17,171)	50,409
Payment of warranty expenses	(3,068)	(1,720)
Payment of severance pension benefits	(5,773)	(7,158)
Payment into plan assets	(41,000)	(41,500)
Curtailment of severance pension benefits	(885)	(422)
Cash generated from operations	₩ 777,272	₩ 338,660

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2012	2011
Reclassification of the current portion of debentures	₩ 280,000	₩ 230,000
Construction-in-progress transferred to property, plant and equipment	196,641	213,214
Reclassification of the current portion of long-term loans	387,110	183,897
Replacement of investment of associates	-	84,099
Offset of provision for guarantees	-	77,553

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Machinery-in-transit transferred to property, plant and equipment	13,686	27,262
Gain (loss) on valuation of available-for-sale financial assets	26,490	(18,599)
Reclassification of the current portion of long-term trade receivables	4,220	2,909
Debt-to-equity swap of Chin Heung International Inc.,(Notes 19)	103,542	-
Reclassification of the current portion of long-term deposits received	2,668	-
Accounts payables related to acquisition of property, plant and equipment	729	(307)
Advance payment related to acquisition of property, plant and equipment	(15,835)	17,175

40. Contingencies and Commitments

Guarantees of notes and checks provided as collaterals

Details of commitments and contingencies provided by the Company regarding accounts payable and trade terms as of December 31, 2012, are as follows:

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

Loan agreement and others

The Company has general loans and open local L/C with a maximum limit of ₩ 3,240,262 million, including bank overdraft and trade bill discount. Also, the Company has accounts receivable discounting agreements with a maximum limit of ₩ 1,073,884 million with financial institutions as of December 31, 2012.

Guarantees provided to others

The Company provided guarantees for others, amounting to ₩ 535,724 million as of December 31, 2012. In addition, the Company provided guarantees for related parties (Note 20).

Guarantees provided to others with regard to PF

Details of guarantees provided by the Company to developers as of December 31, 2012 and 2011, are as follows:

<i>(in millions of Korean won)</i>	2012		2011	
Acceptances for debt	₩	308,800	₩	210,000
Joint and several guarantees		58,000		58,000
	₩	<u>366,800</u>	₩	<u>268,000</u>

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As of December 31, 2012, the Company provided guarantees in relation to Project Financing:

(in millions of Korean won)

Name	Bond entity	Guarantees limit	Borrowings balance	Guarantee detail	Period
Changdong station	Capital	₩ 28,000	₩ 28,000	Joint and several guarantees	2007.10~2013.06
Guangjoo Taejeondong APT	Bank and insurance	90,000	90,000	Acceptances for Debt	2010.04~2013.04
Reconstruction of Daegu bongduk APT	Capital	30,000	18,362	Joint and several guarantees	2006.07~2013.01
Gangnam officetel	IB	85,800	78,000	Capital supplement	2011.12~2015.01
Naepo APT	IB	40,000	31,000	Capital supplement	2012.06~2014.12
Bundang Townhouse	IB	35,000	35,000	Capital supplement	2011.05~2013.05
Sangdodong APT	Bank	58,000	49,500	Acceptance for Debt	2012.09~2015.10
		₩ 366,800	₩ 329,862		

The Company recognized ₩ 11,997 million as guarantee liability in relation to PF guarantee and ₩ 796 million as financial guarantee liability as of December 31, 2012.

Guarantees provided by others

Guarantees provided by others as of December 31, 2012, are as follows:

(in millions of Korean won)

Guarantor	Collaterals and guarantees provided	Amount
Korea Construction Financial Cooperative and others	Construction performance and others	₩ 294,784
The Export-Import Bank of Korea	Performance guarantee	560,884

Assets pledged as collaterals

As of December 31, 2012, the Company provided following assets as collaterals:

(in millions of Korean won)

Collateral	Maximum credit amount	Lender	Descriptions
Available-for-sale financial assets	₩ 143,583	Creditors of Chin Hung International Inc.	-
Investment in subsidiaries and associates	89,760	Woori Bank	General loan and others
Property, plant and equipment & inventories	1,657,690	Korea Development Bank and others	General loan and others
	₩ 1,891,033		

Pending Lawsuits

The Company is involved in various lawsuits and claims for damages aggregating to ₩ 55,576 million as of December 31, 2012. Management believes that these lawsuits and claims will not have a significant adverse effect on the Company's financial position, operating results or cash flows.

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41. Events after the Reporting Period

Guarantees provided to others

The Company has provided Newstarhaechi 2nd Limited with the payment guarantees amounting to ₩14,000 million in relation to the business of Flossom Co. Ltd. in January 2013.

Chin Hung International Inc

As a result of capital reduction by Chin Hung International Inc., the Company's percentage of ownership decreased from 49.3% to 46.1%.

Shinwha Intertek Corp.

The Company entered into a contract with Osung Lst Co., Ltd. to acquire 4,446,227 common shares of Shinwha Intertek Corp. and the due diligence is in progress.

Issuance of debentures

The Company has issued unsecured debentures amounting to ₩120,000 million in February 2013.

Hyosung Corporation
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Report of Independent Accountants'
Review of Internal Accounting Control System

To the President of
Hyosung Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hyosung Corporation (the "Company") as of December 31, 2012. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2012, the Company's IACS has been designed and is operating effectively as of December 31, 2012, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2012, and we did not review management's assessment of its IACS subsequent to December 31, 2012. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 14, 2013

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of
Hyosung Corporation

I, as the Internal Accounting Control Officer (“IACO”) of Hyosung Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2012.

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

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2011, in all material respects, in accordance with the IACS standards.

January 25, 2013

Sang-Woon Lee, Chief Executive Officer

Yoon-Teck Jung, Internal Accounting Control Officer