Hyosung Corporation and its subsidiaries

Consolidated financial statements
for the year ended December 31, 2020
with the independent auditor's report

Table of contents

Ernst & Young Han Young
Taeyoung Building, 111, Yeouigongwon-ro,
Yeongdeungpo-gu, Seoul 07241 Korea

Tel: +82 2 3787 6600
Fax: +82 2 783 5890
ey.com/kr

Independent auditor's report

The Shareholders and Board of Directors
Hyosung Corporation

Opinion

We have audited the consolidated financial statements of Hyosung Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of other comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

Basis for opinion

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

Key audit matter

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

➢ **Impairment test on investments in an associate of Hyosung Heavy Industries Corporation**

As described in Note 14 to the consolidated financial statements, the book value of investments in associates of Hyosung Heavy Industries Corporation is KRW 400,510 million as of December 31, 2020.

The Group assesses whether there is an indication that an associate may be impaired on annual basis. As of December 31, 2020, there is an indication of impairment on investments in associates due to the continuous decline of stock prices in active markets. Accordingly, the Group identified an indication of the impairment and performed impairment test on the investments in associates. The Group performs the impairment test on the investments in associates with indication of impairment. The impairment amount of the investments in associates with indication of impairment is determined as the difference between the investments in associates' book value and the higher of value in use and fair value. The determination of key assumptions used in estimating the value in use of investments in associates involves management's judgment, such as long-term business plans, discount rate, and permanent growth rate. Therefore, considering the involvement of management's judgments for assumptions on valuation of investments in associates and its bias that may exist, we determined impairment test on the investments in an associate of Hyosung Heavy Industries Corporation for which the investments are significant as a key audit matter.

We performed the following audit procedures regarding the key audit matter:

- Reviewed the qualification and independence of the external specialists involved by management of the Group.
- Involved our internal valuation specialists to evaluate the appropriateness of the valuation model and discount rate used by the Group for estimating the value in use.
- Reviewed the business plan approved by management in order to assess the rationality of key inputs such as estimated sales, operating expenses and growth rate of the investee used in calculating the value in use by the Group and compared them with information from observable market data.
- Performed an independent recalculation to assess the accuracy of the value in use by involving our internal valuation specialists.
- Compared the estimated cash flows in prior year to the actual result in current year to evaluate the accuracy of the management's estimates.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 12, 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yong Soo Jung.

Ernst & Young Han Young

March 11, 2021

This audit report is effective as of March 11, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Hyosung Corporation and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2020 and 2019

"The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group."

Hyun-Joon Cho, Kyoo-Young Kim
Chief Executive Officers
Hyosung Corporation

Hyosung Corporation and its subsidiaries
Consolidated statements of financial position
as of December 31, 2020 and 2019

(Korean won in millions)

	Notes		Dec 31, 2020		Dec 31, 2019
Assets					
Current assets:					
Cash and cash equivalents	4,6,35	₩	222,015	₩	189,328
Trade and other receivables	4,7,17,35,36		493,060		403,089
Due from customers for contract work	26,35		3,073		2,114
Other current financial assets	4,8,19,34,35,36		338,119		9,838
Other current assets	16		91,114		118,216
Inventories	9,36		463,206		573,742
Current tax assets			16,208		15,713
			1,626,795		1,312,040
Non-current assets:					
Long-term trade and other receivables	4,7,17,35		41,676		48,054
Property, plant and equipment	10,13,36		930,909		918,325
Investment property	11		278,154		300,262
Intangible assets	12,17		73,081		160,511
Investments in associates and joint ventures	14,31		1,257,906		1,280,661
Other financial business assets	4,15,35		-		1,931,519
Other non-current financial assets	4,8,20,35,36		161,608		508,930
Other non-current assets	16		30,918		37,445
Deferred tax assets	31		28,703		29,308
			2,802,955		5,215,015
Total assets		**₩**	**4,429,750**	**₩**	**6,527,055**
Liabilities					
Current liabilities:					
Trade and other payables	4,17,18,20,34,35	₩	404,628	₩	431,206
Due to customers for contract work	26		1,329		3,047
Borrowings	4,19,34,35,36		392,008		1,513,215
Other current financial liabilities	4,8,13,34,35		19,446		22,435
Current tax liabilities			31,214		30,773
Other current liabilities	22		241,713		237,726
			1,090,338		2,238,402
Non-current liabilities:					
Long-term trade and other payables	4,17,18,20		20,751		206,091
Long-term borrowings	4,19,34		448,281		988,378
Net defined benefit liabilities	21		6,673		12,301
Deferred tax liabilities	31		252,420		274,226
Other non-current financial liabilities	4,8,13,34,35		86,069		91,362
Other non-current liabilities	22		10,895		6,053
			825,089		1,578,411
Total liabilities			**1,915,427**		**3,816,813**
Equity					
Equity attributable to owners of the Parent Company					
Share capital	23		105,355		105,355
Share premium			451,188		451,188
Retained earnings	23		6,180,531		6,336,611
Other components of equity	23		(4,503,806)		(4,452,767)
			2,233,268		2,440,387
Non-controlling interests			281,055		269,855
Total equity			**2,514,323**		**2,710,242**
Total liabilities and equity		**₩**	**4,429,750**	**₩**	**6,527,055**

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

Hyosung Corporation and its subsidiaries
Consolidated statements of profit or loss
for the years ended December 31, 2020 and 2019

(Korean won in millions, except for earnings (loss) per share)

	Notes		2020		2019
Revenue	5,14,17,24,25,26,38	₩	2,782,555	₩	3,175,624
Cost of sales	9,17,21,28,38		2,366,561		2,699,399
Gross profit	38		415,994		476,226
Selling and administrative expenses	7,17,21,27,28		257,417		255,937
Research and development expenses	21,28		19,783		18,203
Operating profit	5		138,793		202,085
Other income	29		57,869		12,553
Other expenses	28,29		35,517		20,727
Finance income	30		47,411		40,505
Finance costs	30		98,787		68,628
Profit before tax from continuing operations	5,31		109,770		165,788
Income tax expenses	31		14,057		43,227
Profit for the year from continuing operations	5,31,32		95,713		122,561
Profit (loss) for the year from discontinued operation	31,32,38		(94,493)		27,449
Profit for the year		₩	1,220	₩	150,009
Profit for the year attributable to:					
Owners of the Parent Company		₩	(52,770)	₩	103,683
Non-controlling interests			53,990		46,326
		₩	1,220	₩	150,009
Earnings (loss) per share attributable to owners of the Parent Company (in Korean won):					
Basic earnings per share from continuing operations	32	₩	2,106	₩	3,784
Basic earnings (loss) per share from discontinued operation	32,38		(4,738)		1,316

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

Hyosung Corporation and its subsidiaries
Consolidated statements of other comprehensive income (loss)
for the years ended December 31, 2020 and 2019

(Korean won in millions)

	Notes	2020		2019	
Profit for the year		₩	1,220	₩	150,009
Other comprehensive loss			(28,658)		(3,904)
Items that will not be subsequently reclassified to profit or loss (net of tax):					
Net gain on equity instruments at fair value through OCI	30		2,432		2,098
Remeasurements loss on net defined benefit liabilities	25		(1,525)		(11,561)
Shares of remeasurement loss of associates	14,15		(730)		(8,742)
Items that may be subsequently reclassified to profit or loss (net of tax):					
Net gain (loss) on valuation of investments in associates	14,15		(18,646)		9,776
Exchange difference of translation of foreign operations			(10,189)		4,526
Other comprehensive loss for the year, net of tax			(28,658)		(3,904)
Total comprehensive income (loss) for the year		₩	(27,438)	₩	146,105
Total comprehensive income (loss) for the year attributable to:					
Owners of the Parent Company		₩	(77,568)	₩	99,384
Non-controlling interests			50,130		46,721
		₩	(27,438)	₩	146,105

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

Hyosung Corporation and its subsidiaries
Consolidated statements of changes in equity
for the years ended December 31, 2020 and 2019

(Korean won in millions)

	Attributable to owners of the Parent Company					Non-controlling interests	Total Equity
	Share capital	Share premium	Retained earnings	Other components of equity	Total		
As of January 1, 2019	₩ 105,355	₩ 451,188	₩ 63,534,265	₩ (4,467,327)	₩ 2,442,642	₩ 259,504	₩ 2,702,147
Total comprehensive income:							
Profit for the year	-	-	103,683	-	103,683	46,326	150,009
Remeasurements loss on net defined benefit liabilities	-	-	(10,102)	-	(10,102)	(1,460)	(11,561)
Share of remeasurement loss of associates	-	-	(8,742)	-	(8,742)	-	(8,742)
Net gain on equity instruments at fair value through OCI	-	-	-	1,314	1,314	784	2,098
Net gain on valuation of investments in associates	-	-	-	8,111	8,111	1,665	9,776
Exchange differences on translation of foreign operations	-	-	-	5,120	5,120	(594)	4,526
Transactions with owners of the parent company:							
Dividend (Note 32)	-	-	(101,654)	-	(101,654)	(36,054)	(137,708)
Others	-	-	-	15	15	(318)	(302)
As of December 31, 2019	₩ 105,355	₩ 451,188	₩ 6,336,611	₩ (4,452,767)	₩ 2,440,387	₩ 269,855	₩ 2,710,242
As of January 1, 2020	₩ 105,355	₩ 451,188	₩ 6,336,611	₩ (4,452,767)	₩ 2,440,387	₩ 269,855	₩ 2,710,242
Total comprehensive loss:							
Profit for the year	-	-	(52,770)	-	(52,770)	53,990	1,220
Remeasurements loss on net defined benefit liabilities	-	-	(926)	-	(926)	(599)	(1,525)
Share of remeasurement loss of associates	-	-	(730)	-	(730)	-	(730)
Net gain on equity instruments at fair value through OCI	-	-	-	1,552	1,552	880	2,432
Net loss on valuation of investments in associates	-	-	-	(15,633)	(15,633)	(3,012)	(18,646)
Exchange differences on translation of foreign operations	-	-	-	(9,060)	(9,060)	(1,129)	(10,189)
Transactions with owners of the parent company:							
Dividend (Note 32)	-	-	(101,654)	-	(101,654)	(27,921)	(129,576)
Purchase of treasury shares	-	-	-	(27,897)	(27,897)		(27,897)
Change in scope of consolidation	-	-	-	-	-	(11,009)	(11,009)
As of December 31, 2020	₩ 105,355	₩ 451,188	₩ 6,180,531	₩ (4,503,806)	₩ 2,233,268	₩ 281,055	₩ 2,514,323

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

Hyosung Corporation and its subsidiaries
Consolidated statements of cash flows
for the years ended December 31, 2020 and 2019

(Korean won in millions)

	Notes	2020		2019	
Cash flows from operating activities:					
Profit for the year from continuing operations		₩	95,713	₩	122,561
Profit (loss) for the year from discontinued operation	38		(94,493)		27,449
Cash generated from operations	34		246,100		110,018
Working capital adjustments	34		7,839		(177,103)
Income taxes paid			(44,812)		(48,223)
Interest paid			(83,101)		(77,606)
Interest received			110,805		147,958
Dividend received			40,143		35,781
Net cash flows provided by operating activities:			278,194		140,835
Cash flows from investing activities:					
Collection of finance lease receivables			1,173		5,448
Collection of short-term loans			74,213		6,023
Decrease in short-term deposits			1,072		190
Proceeds from sales of other financial assets			95,651		12,324
Collection of long-term loans			119		8
Decrease in long-term deposits			4,737		5,136
Proceeds from disposal of long-term financial instruments			70,733		76,964
Proceeds from disposal of property, plant and equipment			7,622		4,217
Proceeds from disposal of intangible assets			7,491		427
Decrease in other non-current financial assets			173,107		599
Acquisition of finance lease receivables			-		(6,621)
Increase in short-term loans			(72,561)		(1,311)
Increase in short-term deposits			(52)		(747)
Acquisition of other financial assets			(429,461)		(11,176)
Increase in long-term loans			(617)		(228)
Increase in long-term deposits			(5,829)		(2,483)
Acquisition of other non-current financial assets			(85,176)		(138,650)
Acquisition of property, plant and equipment			(60,628)		(66,122)
Acquisition of investment properties			-		(565)
Acquisition of intangible assets			(8,811)		(10,008)
Acquisition of investments in associates			(1,415)		(1,196)
Acquisition of other non-current assets			(74)		(65)
Net cash flows used in investing activities			(228,707)		(127,836)
Cash flows from financing activities:					
Proceeds from long-term borrowings and issuance of debentures			594,222		648,445
Proceeds from short-term borrowings			1,191,272		1,025,246
Government grants received			3,221		1,104
Long-term deposits withheld			-		16
Repayment of short-term borrowings			(1,132,593)		(1,014,217)
Redemption of long-term borrowings and debentures			(16,901)		(6,112)
Repayment of current portion of long-term borrowings			(462,089)		(661,233)
Payments of lease liabilities			(27,283)		(25,833)
Dividends paid			(129,653)		(137,708)
Repayment of government grants			(4,557)		(201)
Purchase of treasury shares			(27,897)		-
Repayment of other long-term liabilities			(84)		-
Net cash flows used in financing activities			(12,342)		(170,493)
Effects of exchange rate changes on cash and cash equivalents			(4,458)		5,614

Hyosung Corporation and its subsidiaries
Consolidated statements of cash flows
for the years ended December 31, 2020 and 2019

(Korean won in millions)

	Notes	2020		2019	
Net increase (decrease) in cash and cash equivalents			32,687		(151,880)
Cash and cash equivalents at the beginning of the year			189,328		341,208
Cash and cash equivalents at the end of the year		₩	222,015	₩	189,328

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

1. Group information

Hyosung Corporation (the “Company” or the “Parent Company”) and its subsidiaries (collectively, the “Group”) was established on November 3, 1966, primarily manufactures and sells synthetic fiber products and electronic products, and is engaged in construction, international trade and other related business activities. As a result of the spin-off dated on June 1, 2018, the Company was separated into the surviving company; Hyosung Corporation that manages the equities and investments of the subsidiaries, and newly established companies; Hyosung TNC Corporation, Hyosung Heavy Industries Corporation, Hyosung Advanced Materials Corporation and Hyosung Chemical Corporation that operate business in textile and trading, heavy industries and construction, industrial materials and chemical products, respectively.

As of December 31, 2020, the shareholders of the Company are as follows:

(In number of shares and percentage)

Shareholder	Number of Shares	Percentage of Ownership (%)
Cho Seok-Rae	1,986,333	9.43
Cho Hyun-Joon	4,623,736	21.94
Cho Hyun-Sang	4,513,596	21.42
Song Gwang-Ja	101,387	0.48
Cho Yang-Rae and others	93,755	0.45
Others	8,590,597	40.77
Treasury shares	1,161,621	5.51
Total	21,071,025	100

A. Consolidated subsidiaries

Details of the consolidated subsidiaries as of December 31, 2020 are as follows:

Subsidiaries	Percentage of ownership (%)	Location	Closing month	Main business
Hyosung GoodSprings, Inc.	100	Korea	December	Liquid pump manufacturing
Taeansolarfarm Corp.	100	Korea	December	Photovoltaic power generation business
Hyosung Investment & Development Corporation	58.75	Korea	December	Property leasing
Gongdeok Gyeongwoo development Corporation	73.33	Korea	December	Property leasing
Hyosung Trans World Co., Ltd.	100	Korea	December	International logistics supply business
Hyosung TNS Inc.	54.02	Korea	December	ATM manufacturing
Atmplus.Inc	53.11	Korea	December	CD VAN business
NAUTILUS HYOSUNG CMS INC.	100	Korea	December	ATM cash transportation
NAUTILUS HYOSUNG TECH INC.	100	Korea	December	ATM machine maintenance, interior
HYOSUNG FMS INC.	100	Korea	December	Electronic payment agency
Forza Motors Korea Corp.	100	Korea	December	Automobile sales and maintenance
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co.,Ltd.	100	Korea	December	Real estate services
Hyosung Solutions S DE RL DE CV	100	Mexico	December	Manufacture and sales of financial automation equipment
Hyosung Sumiden Steel Cord(Nanjing)Co.Ltd.	100	China	December	Manufacture and sale of steel cord
Hyosung Financial System (Huizhou) Co.,LTD	100	China	December	Manufacture and sales of financial automation equipment
HYOSUNG FINANCIAL SYSTEM VINA Co.,Ltd	100	Vietnam	December	Manufacture and sales of financial automation equipment
Hyosung USA Inc.	100	USA	December	Tire reinforcement production
Hyosung Brasil Participacoes LTDA	100	Brazil	December	Production and sales of tire reinforcing materials
HICO America Sales & Tech.	100	USA	December	General trade business
PT. HYOSUNG JAKARTA	99.9	Indonesia	December	General trade business
Hyosung Holdings USA, Inc.	100	USA	December	US holding company
Hyosung Mexico S. de R.L. de C.V.	100	Mexico	December	Leasing business
GST Safety Textiles Mexico S. de R.L. de C.V	100	Mexico	December	Manufacture and sale of airbag cushion and fabric
Nautilus Hyosung America Inc.	100	USA	December	Sales and maintenance of ATM machines
Hyosung RUS	100	Russia	December	ATM sales
Hyosung Resource (Australia) PTY Ltd.	100	Australia	December	Mine development
Luck Faith Investment Ltd.(*1)	-	Hong Kong	December	Other
Central Trade Investment Ltd.(*1)	-	Hong Kong	December	Other
Hyosung (H.K) LIMITED	100	Hong Kong	December	General trade business
Hyosung Europe SRL	100	Romania	December	Production and sales of tire reinforcing materials

(*1) The Group's ownership is less than 50% of voting rights. However, considering the power to direct relevant activities of the investees, exposure to variable returns, and the ability to use its power over the investees to affect the amount of the Company's returns, the Group is considered to have control over the entities.

B. Summary of financial information on consolidated subsidiaries

Summary of consolidated statements of financial position and comprehensive income of significant subsidiaries as of and for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	As of December 31, 2020			For the year ended December 31, 2020		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Hyosung TNS Inc. (*1)	729,944	376,290	353,654	909,767	89,173	84,894
Hyosung USA Inc.	259,889	147,013	112,876	554,314	1,157	(5,791)
Hyosung Holdings USA	235,519	160,850	74,669	165,534	9,866	9,053
Hyosung GoodSprings, Inc.	213,985	152,862	61,123	257,034	(9,348)	(8,879)
Gongdeok Gyeongwoo development corporation	212,716	243,067	(30,351)	20,111	(434)	(421)
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co.,Ltd.	168,845	160,865	7,980	7,661	1,926	1,926
HICO America Sales & Tech.	175,452	147,843	27,609	186,379	1,422	535
Forza Motors Korea Corp.	121,035	87,261	33,774	181,419	2,048	2,759
Hyosung Trans World Co., Ltd.	55,962	43,272	12,690	216,463	4,994	4,934

(*1) Consolidated financial information basis

	As of December 31, 2019			For the year ended December 31, 2019		
	Asset	Liability	Equity	Revenue	Profit (loss) for the year	Total comprehensive income (loss)
Hyosung Capital Co., Ltd. (*1)	2,358,085	1,941,292	416,793	198,028	27,601	26,879
Hyosung TNS Inc. (*1)	609,475	300,021	309,454	943,300	68,205	64,159
Hyosung USA Inc.	283,976	165,310	118,666	728,002	6,634	10,522
Hyosung Holdings USA	238,624	168,668	69,956	205,780	(11,710)	(11,241)
Hyosung GoodSprings, Inc.	235,537	162,488	73,049	244,255	3,462	2,118
Gongdeok Gyeongwoo development corporation	218,332	248,167	(29,835)	20,407	(1,806)	(1,805)
Hana Alternative Investmentlandchip 39th Real Estate Investment Trust Co.,Ltd.	191,932	159,948	31,984	8,109	1,944	1,944
HICO America Sales & Tech.	168,550	121,342	47,208	204,916	1,775	3,199
Forza Motors Korea Corp.	134,024	103,254	30,770	216,740	4,564	3,644
Hyosung Trans World Co., Ltd.	39,730	28,219	11,511	202,786	5,064	4,926

(*1) Consolidated financial information basis

C. Changes in scope for consolidation

(1) Subsidiaries newly included in the consolidation for the year ended December 31, 2020 are as follows:

Subsidiary	Description
HYOSUNG FINANCIAL SYSTEM VINA Co.,Ltd	Newly acquired
Hyosung Solutions S DE RL DE CV	Newly acquired

(2) Subsidiaries excluded from the consolidation for the year ended December 31, 2020 are as follows:

Subsidiary	Description
Pohang Renewable Energy Co., Ltd.	Liquidated
Hyosung Capital Co., Ltd	Liquidated
Hyosung Capital the 27th Securitization Specialty Co., Ltd.	Liquidated

2. Significant accounting policies

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

2.1 Basis of preparation

The Group prepared statutory financial statements in accordance with Korean International Financial Reporting Standards enacted by the Act on External Audit of Stock Companies ("KIFRS"). The accompanying consolidated financial statements have been translated into English from the Korean consolidated financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets that are measured at fair values. The consolidated financial statements are presented in Korean won (KRW) except when otherwise indicated.

2.2 New and amended standards and interpretations adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to KIFRS 1103: Definition of a Business

The amendment to KIFRS 1103 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it also clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no significant impact on the Group's consolidated financial statements but, may impact future periods should the Group enter into any business combinations.

KIFRS 1107, KIFRS 1109, and KIFRS 1039: Interest Rate Benchmark Reform

The amendments to KIFRS 1109 and KIFRS 1039 'Financial Instruments: Recognition and Measurement' provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to KIFRS 1001 and KIFRS 1008: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the KASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to KIFRS 1116: Covid-19 Related Rent Concessions

The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

2.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below.

Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to KIFRS 1103

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of KIFRS 1103 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of KIFRS 1037 or KIFRS 2121 'Levies', if incurred separately. At the same time, the Board decided to clarify existing guidance in KIFRS 1103 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to KIFRS 1016

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to KIFRS 1037

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

KIFRS 1101 'First-time Adoption of International Financial Reporting Standards' – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(1) of KIFRS 1101 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to KIFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(1) of KIFRS 1101. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

KIFRS 1109 'Financial Instruments' – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

KIFRS 1041 'Agriculture' – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of KIFRS 1041 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of KIFRS 1041. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2020. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

• Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee, and
• The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

• The contractual arrangement with the other vote holders of the investee
• Rights arising from other contractual arrangements
• The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment is recognized at fair value.

2.5 Associates and joint ventures

An associate is an entity over which the parent has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is s a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost and adjusted thereafter to recognize the Group's share of the changes in net assets of the associates and joint ventures. Goodwill relating to the associates and joint ventures is included in the carrying amount of the investment and is not amortized or otherwise tested for impairment.

The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in its associates and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2.6 Classification of current/non-current

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification.

An asset is current when it is:

· expected to be realize or intended to be sold or consumed in the normal operating cycle
· held primarily for the purpose of trading.
· expected to be realized within twelve months after the reporting period, or
· cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

· it is expected to be settled in the normal operating cycle.
· it is held primarily for the purpose of trading.
· it is due to be settled within twelve months after the reporting period, or
· There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities s as non-current.

Deferred tax liabilities are classified as non-current liabilities.

2.7 Fair value measurement

The Group measures financial instruments at their fair value as of the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

· In the principal market for the asset or liability
· In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

· Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
· Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
· Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purposes of fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

· Quantitative disclosure of the fair value measurement hierarchy - Note 4
· Investment properties - Note 11

2.8 Foreign currency translation

Items included in the consolidated financial statements of the Group are measured using Korean won (KRW), the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Korean won.

Transactions in foreign currency are initially recorded by the Group at functional currency spot rates at the date the transaction first qualifies for recognition.

Foreign exchange gains and losses resulting from the settlement of such transactions are from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss is also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

1) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedients are measured at the transaction price determined under KIFRS 1115.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, the cash flows need be composed exclusively of solely payments of principal and interest (SPPI) This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets is related to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

① Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets measured at amortized cost include trade and other receivables, finance lease receivables, and other financial assets.

② Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

③ Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 'Financial Instruments: Presentation' and are not held for investment.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group may also elect to classify irrevocably its non-listed equity investments under this category.

④ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated or required upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivatives and listed equity instruments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity instruments are recognized in profit or loss at the time the rights are established.

3) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement.

When the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions – Note 3
- Trade and other receivables – Note 7

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category by the credit rating agency to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from an independent credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

(2) Financial liabilities

1) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

2) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as of fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by KIFRS 1109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in KIFRS 1109 are satisfied. The Group has not designated any financial liability as of fair value through profit or loss.

② Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

3) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.10 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position consist of ordinary deposits, small amounts of cash and short-term deposits with maturities of three months or less from the acquisition date.

2.11 Derivative instruments

(1) Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

・Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment.
・Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.
・ Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements.

・ There is 'an economic relationship' between the hedged item and the hedging instrument.
・ The effect of credit risk does not 'dominate the value changes' that result from that economic relationship
・The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below.

(2) Fair value hedges

The change in the fair value of a hedging derivative is recognized in the statements of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statements of income.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

(3) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statements of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast

transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to forward contracts is recognized as finance income or finance expenses. The ineffective portion relating to the forward product contract is recognized as other operating income or other operating expenses.

The Group has designated certain elements of forward contracts as hedging instruments. Forward elements are recognized in other comprehensive income and as a separate equity item of cash flow hedging reserves.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the year. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

(4) Hedges of a Net Investment in a Foreign Operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statements of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statements of profit or loss.

2.12 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventories consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the moving-weighted average method except for in-transit inventories which are determined using the specific identification method.

2.13 Non-current assets held for sale (or disposal group)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The costs to sell are incremental costs (excluding financial costs and income tax costs) that are directly attributable to the disposal of an asset (or disposal group).

This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. The measures required to complete the sale must show that the sale is unlikely to be significantly altered or withdrawn, and the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized. Assets and liabilities classified as held for sale or held for distribution are presented as separate current items in the statements of financial position.

A disposal group is considered a discontinued operation if:
・It is a separate main business line or business area.
・It is a part of a single plan to dispose of separate major business lines or business areas; or
・It is a subsidiary acquired solely for sale.

The Group excludes the profit or loss from the results of the continuing operation and displays the profit or loss as a single amount in the income statements. Additional details of discontinued operations are disclosed in Note 38. Notes to other financial statements include amounts of continuing operations unless otherwise stated.

2.14 Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers are initially measured at the fair value at the date on which control is obtained.

The Group does not depreciate land. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

	Useful Life
Buildings	10 ~ 60 years
Structures	5 ~ 40 years
Machinery	3 ~ 30 years
Vehicles	3 ~ 10 years
Tools and equipment	3 ~ 15 years
Other property, plant, and equipment assets	2 ~ 10 years
Lease assets	1 ~ 20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.15 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.16 Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received, Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and the government grants related to income are recognized as ‘other income’ at the time of recognition or deducted from expenses related to the purpose of the government grants.

2.17 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

	Useful life
Industrial rights	5~20 years
Facility usage right	3~50 years
Other intangible assets	5 years

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2.18 Investment property

Investment property is a property held to earn rentals or for capital appreciation or both. investment properties are measured initially at cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. The Group depreciates investment properties, except for land, over their useful lives of 40 years and investment properties related to leases over the lease terms using the straight-line method.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The consideration (amount) to be included in the profit or loss arising from the disposal of investment property is calculated in accordance with the requirements for the calculation of transaction prices in KIFRS 1115.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.19 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.20 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement. The expense relating to a provision is presented in the consolidated statement of profit and loss net of any reimbursement.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

In addition, if an event occurred in the past but the Group has a potential obligation of which the existence is identified when an uncertain future event occurs, or if the past event or transaction causes a current obligation but resources are not likely to flow out of the Group, or if an amount required to perform the current obligation cannot be reliably estimated, the Group recognizes a contingent liability and discloses such a liability in its consolidated financial statements.

2.21 Taxes

(1) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that enacted or substantively enacted by the reporting date.

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

· When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
· the Group is able to control the timing of the reversal of the temporary difference relating to deferred tax liabilities associated with investments in subsidiaries, associates and joint ventures, and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

· When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of

the transaction, affects neither the accounting profit nor taxable profit or loss
· In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(3) Sales tax
Revenue, expenses and assets are recognized net of the amount of sales tax. However, when the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

2.22 Employee benefits

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

(1) Defined contribution plan

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

(2) Defined benefit plan

The Group operates a defined benefit plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as years of service and compensation.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in other comprehensive income in the period in which they occur and will not be reclassified to profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

· The date of the plan amendment or curtailment, and
· The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales' and 'selling and administrative expenses' in the consolidated statements of profit or loss and other comprehensive income:

2.23 Revenue from contracts with customers

(1) Identifying performance obligations

In accordance with KIFRS 1115, the Group identifies distinct performance obligations in contracts with customers and differentiates the time of recognition of the revenue from contracts with customers depending on whether a performance obligation is fulfilled at a point in time or over a period of time.

(2) Performance obligations satisfied at a point in time

Revenue from the sale of goods is recognized when the assets are transferred and performance obligations are fulfilled, and performance obligations satisfied at a point in time are fulfilled at the point in time when the control of the goods or services is transferred to the customer.

(3) Performance obligations satisfied over time

In accordance with KIFRS 1115, the revenue is recognized over time by measuring progress only if the Group's performance creates or enhances an asset that the customer controls as the asset is

created or enhanced or the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(4) Measurement of progress using input method

The Group applies the input method to performance obligations fulfilled over a period of time as a progress measurement method. In the process of transferring control of goods or services to customers, the influence of inputs that do not indicate the progress of the Group towards complete satisfaction is excluded from the input method. In addition, if the output of the performance obligation cannot be measured reasonably but costs are expected to be recovered, revenue is recognized only in the range of costs incurred to the extent that the output can be measured reasonably. At contract inception, the Group recognizes the same amount of revenue as the goods used to fulfil the performance obligation if the goods are not distinct, the control of the goods is expected to be transferred to the customer significantly earlier than the time when the customer is provided with services related to the goods, the costs of the goods transferred are expected to be significant compared to the total costs expected to fully satisfy the performance obligation, and the Group expects to procure the goods from a third party and is not significantly involved in the design and production of the goods.

(5) Incremental costs of obtaining a contract

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

(6) Variable consideration

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

(7) Significant financing component

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

2.24 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(1) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment, refer Note 2.19 Impairment of non-financial assets.

2) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including substance fixed payments less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group classifies lease liabilities as interest-bearing borrowings.

3) Short-term and low-value leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(2) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2.25 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is accounted for as other components of equity.

2.26 Cash dividend

The Group recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

2.27 Approval of consolidated financial statements

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on February 26, 2021 and are subject to change with approval of shareholders at their Annual General Meeting.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(1) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that non-financial assets may be impaired. The Group performs impairment tests for intangible assets with indefinite useful lives and goodwill every year or when there is an indication of impairment. The Group performs impairment tests for other nonfinancial assets if there is an indication that their book value is not recoverable. To calculate use value, management estimates expected future cash flows arising from cash generating units (CGU) or assets and selects an appropriate discount rate to compute the present value of the expected future cash flows.

(2) Pension benefits

The cost of the defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date

To determine an appropriate discount rate, management refers to the interest rate of corporate bonds rated AA or higher. Mortality rates are based on publicly available tables, and future wage growth rates and future pension growth rates are based on the Group's average salary increase rate.

(3) Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

(4) Calculation of incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (i.e. leases that are not of the functional currency of subsidiaries).

(5) Deferred tax and corporate tax

Recognition and measurement of deferred tax assets and liabilities require the management's judgment, in particular, whether to recognize if the scope of deferred tax assets is affected by management's judgment and assumption in the future. In addition, in accordance with the "Special Taxation for Investment and Promoting Win-win Cooperation", The Group shall pay an additional corporate tax calculated by the method prescribed by the tax law. Accordingly, as the Group considers the tax effects from reflux taxes when computing its corporate income tax, the Group's corporate tax may change arising from changes in investment, wage growth, etc.

(6) Calculation of loss allowance for trade and other receivables

The Group estimates the amount of loss incurred by taking into account the age of the receivables, history of bad debt in the past, and other economic and industrial environment factors in order to calculate the loss allowance for trade and other receivables.

4. Financial assets and financial liabilities

A. Financial assets

Financial assets of the Group as of December 31, 2020 and 2019 are as follows (KRW in millions):

December 31, 2020				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	222,015	222,015
Trade and other receivables	-	-	493,060	493,060
Other financial assets	337,431	688	-	338,119
Long-term trade and other receivables	-	-	41,676	41,676
Other non-current financial assets	23,861	28,178	109,569	161,608
Total	361,292	28,866	866,320	1,256,478

December 31, 2019				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at amortized cost	Total
Cash and cash equivalents	-	-	189,328	189,328
Trade and other receivables	-	-	403,089	403,089
Other financial assets	713	-	9,125	9,838
Long-term trade and other receivables	-	-	48,054	48,054
Other financial business assets	-	-	1,872,707	1,872,707
Other non-current financial assets	343,034	52,784	113,112	508,930
Total	343,747	52,784	2,635,415	3,031,946

B. Financial liabilities

Financial liabilities of the Group as of December 31, 2020 and 2019 are as follows (KRW in millions):

December 31, 2020			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables	-	404,628	404,628
Borrowings	-	392,008	392,008
Other current financial liabilities	3,344	16,102	19,446
Long-term trade and other payables	-	20,751	20,751
Long-term borrowings	-	448,281	448,281
Other non-current financial liabilities	-	86,069	86,069
Total	3,344	1,367,839	1,371,183

December 31, 2019			
	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total
Trade and other payables	-	431,206	431,206
Borrowings	-	1,513,215	1,513,215
Other current financial liabilities	916	21,519	22,435
Long-term trade and other payables	-	206,091	206,091
Long-term borrowings	-	988,378	988,378
Other non-current financial liabilities	152	91,210	91,362
Total	1,068	3,251,619	3,252,687

C. Net profit and loss by financial instrument category

Net profit and loss for financial incurred for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Financial assets at amortized cost		
Interest income	2,351	3,751
Gain on foreign currency transactions	3,165	3,810
Gain (loss) on foreign currency translation	212	(32)
Loss on disposal of trade receivables	(90)	(108)
Bad debt expense	(3,700)	(801)
Other bad debt expense	(8,262)	(7,552)
Nego commission	(811)	(2,003)
Financial assets at FVPL		
Gain (loss) on disposal of financial assets	(278)	(312)
Valuation gain/loss on financial assets	263	(1,895)
Dividend income	380	203
Financial assets at FVOCI		
Valuation gain on financial assets	3,357	2,435
Dividend income	299	864
Interest income	31	30
Financial liabilities at amortized cost		
Interest expense	(30,016)	(35,808)
Gain (loss) on foreign currency transactions	(19,728)	2,416
Gain (loss) on foreign currency translation	(4,501)	9
Derivative financial assets and liabilities		
Valuation loss on derivatives	(2,812)	(203)
Gain on derivative transactions	840	3,300

D. Fair value hierarchy

Details of the carrying amounts and fair values of the Group's financial instruments that are measured at fair value as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020		December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Financial assets at FVPL	361,292	361,292	343,747	343,747
Financial assets at FVOCI	28,866	28,866	52,784	52,784
Financial liabilities				
Financial liabilities at FVPL	3,344	3,344	1,068	1,068

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

- 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 (Level 3)

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value disclosed as of December 31, 2020 and 2019 are as follows (KRW in millions):

December 31, 2020				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
Assets				
Financial assets at FVPL	-	337,431	23,861	361,292
Financial assets at FVOCI	22,533	-	6,333	28,866
Total	22,533	337,431	30,194	390,158
Liabilities				
Financial liabilities at FVPL	-	3,344	-	3,344

(*1) The Group uses the market approach model as the valuation technique for derivative liabilities classified as Level 2 in the fair value hierarchy, and exchange rates and others are used as the input variable.
(*2) The Group uses the discounted cash flow method, the comparable company analysis method, and the risk-adjusted discount rate model for fair value measured financial assets classified as Level 3, and the main input variables include discount rate and growth rate.

December 31, 2019				
	Level 1	Level 2 (*1)	Level 3 (*2)	Total
Assets				
Financial assets at FVPL	3,834	713	339,200	343,747
Financial assets at FVOCI	21,202	-	31,582	52,784
Total	25,036	713	370,782	396,531
Liabilities				
Financial liabilities at FVPL	-	1,068	-	1,068

(*1) The Group uses the market approach model as the valuation technique for derivative liabilities classified as Level 2 in the fair value hierarchy, and exchange rates and others are used as the input variable.
(*2) The Group uses the discounted cash flow method, the comparable company analysis method, and the risk-adjusted discount rate model for fair value measured financial assets classified as Level 3, and the main input variables include discount rate and growth rate.

There were no transfers between fair value hierarchy levels for the year ended December 31, 2020.

E. Restricted financial instruments

Restricted financial instruments as of December 31, 2020 and 2019 are as follows (KRW in millions):

	Description	December 31, 2020	December 31, 2019
Cash and cash equivalents	Others	18	566
Other current financial assets	Restricted for checking account and lease deposits	-	5,200
	Others	700	-
Other non-current financial assets	Restricted for checking account and lease deposits	2,232	1,909
	Pledge for borrowings	-	7,047
	Others	1,939	-
Total		4,889	14,722

5. Segment information

Management who makes strategic decisions has determined the operating segments. Management makes strategic decisions on allocation of resources to segments and assesses the performance of operating segments based on the operating profit.

The Group's operating segment information for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020						
	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Total revenue	1,087,522	257,034	181,419	1,535,950	(279,370)	2,782,555
Operating profit (loss)	106,061	(4,902)	918	119,085	(82,369)	138,793
Profit (loss) before tax from continuing operations	119,316	(12,856)	3,324	138,782	(138,796)	109,770
Profit (loss) from continuing operations	103,872	(10,395)	2,535	133,602	(133,901)	95,713
Total assets	783,351	213,533	121,500	3,927,733	(616,367)	4,429,750
Total liabilities	425,140	152,410	87,484	1,340,997	(90,604)	1,915,427

2019						
	Information communication	Pump manufacturing	Imported car dealer	Others	Consolidation adjustment	Total
Total revenue	1,174,567	244,255	216,740	1,827,843	(287,781)	3,175,624
Operating profit (loss)	96,982	7,412	4,238	128,080	(34,627)	202,085
Profit (loss) before tax from continuing operations	97,499	6,381	5,902	140,518	(84,512)	165,788
Profit (loss) from continuing operations	73,234	3,462	4,564	127,913	(86,612)	122,561
Total assets	665,487	235,537	134,024	6,521,276	(1,029,269)	6,527,055
Total liabilities	349,531	162,488	103,254	3,280,565	(79,025)	3,816,813

6. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Cash on hand	10,822	10,767
Bank deposits, etc.	211,193	178,561
Total	222,015	189,328

7. Trade and other receivables

A. Trade and other receivables as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020			December 31, 2019		
	Receivable amount	Allowance for doubtful accounts	Carrying amount	Receivable amount	Allowance for doubtful accounts	Carrying amount
Trade receivables	458,759	(6,090)	452,669	356,961	(14,517)	342,444
Other receivables	50,264	(9,873)	40,391	62,604	(1,960)	60,644
Long-term other receivables	44,000	(2,324)	41,676	48,055	-	48,055
Total	553,023	(18,287)	534,736	467,620	(16,477)	451,143

The Group has transferred trade receivables to the financial institutions in exchange for cash. The outstanding balances that have not been collected as of December 31, 2020 is KRW 57,399 million (2019: KRW 21,508 million). The Group may retain an obligation to compensate a bank for debtors' failure to make payment when they become due; therefore, the transaction has been accounted for as a collateralized borrowing.

B. Details of other receivables as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Other receivables		
Non-trade receivables	34,139	40,025
Short-term loans	1,131	10,950
Accrued income	2,066	7,847
Short-term deposits	2,979	1,741
Finance lease receivables	76	81
Subtotal	40,391	60,644
Long-term other receivables		
Long-term loans	662	772
Long-term deposits	40,838	45,854
Long-term finance lease receivables	176	1,429
Subtotal	41,676	48,055
Total	82,067	108,699

C. The aging analysis of trade receivables as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Current	364,260	263,375
Past due but not impaired		
Up to 3 months	69,890	59,750
4 ~ 6 months	9,850	10,879
7 ~ 12 months	4,632	3,358
Over 12 months	9,949	19,413
Impaired receivables	178	186
Total	458,759	356,961

D. The aging analysis of other receivables as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Current	95,691	119,237
Past due but not impaired		
Up to 3 months	8	206
4 ~ 6 months	9	-
7 ~ 12 months	16	-
Over 12 months	53	-
Impaired receivables	9,985	2,360
Total	105,762	121,803

The above amounts per age are based on the present value and before impairment evaluation.

E. Individually impaired receivables mainly relate to customers that are experiencing unexpected economic difficulties. The Group expects that a portion of their receivables will be recovered. If the Group determines that no objective evidence of impairment exists for an individually assessed receivables, those will be collectively assessed for impairment.

F. The changes in allowance for bad debt for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020		2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
January 1	14,517	1,960	30,119	1,979
Increase	3,700	8,262	1,734	13
Reversal	-	-	(946)	-
Removal	(11,913)	(28)	-	-
Change in scope of consolidation	-	(323)	-	-
Others	(214)	2,326	(16,390)	(32)
December 31	6,090	12,197	14,517	1,960

At the end of the reporting periods, the maximum exposure to credit risk is the book value of each receivables mentioned above.

8. Other financial assets and liabilities

A. Details of other financial assets and liabilities as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Other financial assets		
Financial assets at amortized cost	109,569	122,237
Financial assets at FVOCI	28,866	52,784
Financial assets at FVPL	361,292	343,747
Total	499,727	518,768
Other financial liabilities		
Lease liabilities (current)	16,102	21,519
Lease liabilities (non-current)	86,069	91,209
Financial liabilities at FVPL	3,344	1,068
Total	105,515	113,796

B. The carrying amount of other financial assets by category as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Financial assets at amortized cost		
Debt securities	109,569	122,237
Financial assets at FVPL:		
Equity securities that are traded in an active market	-	1,459
Equity securities that are not traded in an active market	3,885	15,475
Beneficiary certificates	337,431	67,792
Capital investments, etc.	19,976	258,308
Subtotal	361,292	343,034
Financial assets at FVOCI		
Equity securities that are traded in an active market	22,533	21,202
Equity securities that are not traded in an active market	4,353	9,186
Capital investments, etc.	1,980	22,396
Subtotal	28,866	52,784
Derivatives assets	-	713
Total	499,727	518,768

C. Changes in the financial assets measured at fair value through profit or loss and other comprehensive income for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
January 1	395,818	355,284
Acquisition	337,795	114,440
Disposal	(18,021)	(74,446)
Valuation gain or loss (other comprehensive income)	3,357	2,435
Valuation gain or loss (profit or loss)	263	(1,895)
Change in the scope of consolidation	(329,054)	-
December 31	390,158	395,818

D. Details of derivative financial assets and liabilities as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020		December 31, 2019	
	Asset	Liability	Asset	Liability
Current derivative assets and liabilities				
Currency forward exchange contracts	-	1,352	-	384
Instruments forward contracts currency swap	-	1,992	-	532
Subtotal	-	3,344	-	916
Non-current derivative assets and liabilities				
Currency forward exchange contracts	-	-	713	-
Others	-	-	-	152
Subtotal	-	-	713	152
Total	-	3,344	713	1,068

9. Inventories

A. Details of inventories as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020			December 31, 2019		
	Acquisition cost	Valuation allowance	Carrying amount	Acquisition cost	Valuation allowance	Carrying amount
Merchandise	255,081	(2,040)	253,041	318,785	(2,342)	316,443
Finished goods	98,452	(4,964)	93,488	115,651	(7,160)	108,491
Semi-finished goods	16,009	(269)	15,740	25,810	(370)	25,440
Work in process	30,493	-	30,493	32,845	-	32,845
Raw materials	34,939	(1,200)	33,739	43,276	(1,624)	41,652
Sub-materials	4,331	(24)	4,307	5,393	(27)	5,366
Supplies	6,021	-	6,021	6,288	-	6,288
Packing	96	-	96	83	(3)	80
Goods in transit	26,281	-	26,281	37,138	-	37,138
Total	471,703	(8,497)	463,206	585,267	(11,526)	573,742

Meanwhile, the reversal of valuation allowance for inventories deducted from the cost of sales for the year ended December 31, 2020 are KRW 3,029 million, and the loss on inventory valuation added to the cost of sales for the year ended December 31, 2019 are KRW 259 million.

10. Property, plant and equipment

A. Details of property, plant and equipment as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation(*1)	Carrying amount	Acquisition cost	Accumulated depreciation(*1)	Carrying amount
Land	491,510	-	491,510	491,202	-	491,202
Buildings	165,459	(52,496)	112,963	153,861	(46,652)	107,209
Structures	24,216	(10,168)	14,048	23,748	(9,159)	14,589
Machinery	373,710	(306,869)	66,841	366,628	(293,055)	73,572
Vehicles	5,929	(4,700)	1,229	6,356	(4,767)	1,589
Tools and equipment	313,103	(223,466)	89,637	286,077	(199,436)	86,640
Other property, plant and equipment	-	-	-	1,367	(1,178)	189
Construction in progress	32,983	-	32,983	19,663	-	19,663
Machinery in transit	129	-	129	87	-	87
Right-of-use assets	158,941	(37,372)	121,569	146,376	(22,791)	123,585
Total	1,565,980	(635,071)	930,909	1,495,363	(577,038)	918,325

(*1) Accumulated impairment losses are included.

B. Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020									
	January 1	Acquisition	Disposal	Depreciation	Transfer (*1)	Reclassification (*2)	Change in consolidation scope	Others (*3)	December 31
Land	491,202	252	(240)	-	9	782	-	(495)	491,510
Buildings	107,209	-	(70)	(7,478)	65	15,240	-	(2,003)	112,963
Structures	14,589	153	-	(1,289)	678	-	-	(83)	14,048
Machinery	75,179	4,500	(48)	(17,767)	8,727	-	-	(2,368)	68,223
(Government grant)	(1,607)	(343)	-	568	-	-	-	-	(1,382)
Vehicles	1,589	362	(414)	(544)	260	-	-	(24)	1,229
Tools and equipment	86,917	14,251	(201)	(30,267)	4,830	13,099	(351)	1,512	89,790
(Government grant)	(277)	(32)	-	156	-	-	-	-	(153)
Other property, plant and equipment	189	8	(5)	(136)	-	-	(56)	-	-
Construction in progress	19,663	32,729	(1,804)	-	(17,023)	-	-	(582)	32,983
Machinery in transit	87	243	-	-	(201)	-	-	-	129
Right-of-use assets	123,585	48,540	(11,601)	(30,243)	-	-	(11,154)	2,442	121,569
Total	918,325	100,663	(14,383)	(87,000)	(2,655)	29,121	(11,561)	(1,601)	930,909

(*1) The amount transferred to intangible assets is KRW 2,655 million.
(*2) KRW 13,099 million of tool and equipment was transferred from inventory, and KRW 782 million of land and KRW 15,240 million of buildings were transferred from investment property.
(*3) The amount includes the effect of exchange rate fluctuations, etc.

2019								
	January 1	Acquisition	Disposal	Depreciation	Transfer (*1)	Others (*2)	Effect from accounting policy change	December 31
Land	491,159	-	(1,248)	-	1,280	11	-	491,202
Buildings	273,081	278	-	(5,154)	(166,330)	5,334	-	107,209
Structures	12,720	1,342	(13)	(973)	1,481	32	-	14,589
Machinery	70,115	4,888	(74)	(17,041)	16,659	633	-	75,179
(Government grant)	(1,922)	(268)	-	582	-	-	-	(1,607)
Vehicles	2,103	179	(275)	(615)	179	18	-	1,589
Tools and equipment	76,052	33,059	(1,666)	(28,212)	7,267	418	-	86,917
(Government grant)	(411)	(75)	-	208	-	-	-	(277)
Other property, plant and equipment	399	22	-	(237)	-	5	-	189
Construction in progress	24,625	24,236	(43)	-	(29,860)	705	-	19,663
Machinery in transit	54	2,398	-	-	(2,365)	-	-	87

Right-of-use assets	-	78,503	(13,265)	(27,094)	2,965	(490)	82,966	123,585
Total	947,975	144,562	(16,584)	(78,536)	(168,724)	6,666	82,966	918,325

(*1) Transfers include transfer to or from construction in progress, machinery-in-transit and investment property.

Some of land, buildings, machinery, and others are pledged as collateral to financial institutions in relation to the Group's borrowings, etc. (See Note 36).

11. Investment properties

A. Details of investment as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020			December 31, 2019		
	Acquisition cost	Accumulated depreciation (*1)	Carrying amount	Acquisition cost	Accumulated depreciation (*1)	Carrying amount
Land	64,101	(34)	64,067	64,883	(26)	64,857
Buildings	256,713	(42,626)	214,087	272,051	(36,646)	235,405
Total	320,814	(42,660)	278,154	336,934	(36,672)	300,262

(*1) Accumulated impairment losses are included.

B. Changes in investment properties for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020					
	January 1	Disposal	Depreciation	Reclassification	December 31
Land	64,857	-	(8)	(782)	64,067
Buildings	235,405	(95)	(5,983)	(15,240)	214,087
Total	300,262	(95)	(5,991)	(16,022)	278,154

(*1) Transfers to property, plant and equipment are included.

2019						
	January 1	Acquisition	Depreciation	Transfers	Others	December 31
Land	66,162	-	(26)	(1,279)	-	64,857
Buildings	79,481	565	(7,880)	167,675	(4,436)	235,405
Total	145,643	565	(7,906)	166,396	(4,436)	300,262

C. Rental income from investment properties recognized in the Group's consolidated statement of profit or loss for the year ended December 31, 2020 is KRW 23,387 million (2019: KRW 32,253 million).

D. Fair value of investment properties as of December 31, 2020 is KRW 480,378 (2019: KRW 405,122 million). The fair value was estimated based on the land value publicly published.

12. Intangible assets

A. Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020									
	January 1	Acquisition	Disposal	Amortization	Impairment loss	Transfer (*1)	Change in scope of consolidation	Others (*2)	December 31
Goodwill	78,943	-	-	-	-	-	(76,727)	-	2,216
Industrial property right	1,229	93	-	(394)	-	279	-	-	1,207
Others	29,304	8,487	-	(9,426)	-	2,376	(478)	(118)	30,145
Memberships	51,035	876	(7,607)	-	(30)	-	(4,761)	-	39,513
Total	160,511	9,456	(7,607)	(9,820)	(30)	2,655	(81,966)	(118)	73,081

(*1) Transfers made from property, plant and equipment.
(*2) The amount includes the effect of exchange rate fluctuations, etc.

2019								
	January 1	Acquisition	Disposal	Amortization	Impairment loss	Transfer	Others	December 31
Goodwill	79,438	-	-	-	(495)	-	-	78,943
Industrial property right	1,277	19	-	(371)	-	304	-	1,229
Others	30,952	9,343	-	(11,587)	(168)	589	174	29,304
Memberships	50,660	645	(306)	-	-	-	36	51,035
Total	162,327	10,007	(306)	(11,958)	(663)	893	210	160,511

13. Leases

A. Changes in right-of-use assets for the year ended December 31, 2020 is as follows (KRW in millions):

2020							
	January 1	Increase	Amortization	Decrease	Change in scope of consolidation	Others (*1)	December 31
Buildings	57,428	27,430	(16,495)	(1,675)	(10,457)	2,021	58,252
Equipment	542	-	(370)	-	-	(4)	168
Vehicles	18,597	9,761	(8,154)	(9,926)	(266)	48	10,060
Others	47,018	11,349	(5,224)	-	(431)	377	53,089
Total	123,585	48,540	(30,243)	(11,601)	(11,154)	2,442	121,569

(*1) The amount includes the effect of exchange rate fluctuations, etc.

B. Changes in lease liabilities for the year ended December 31, 2020 is as follows (KRW in millions):

2020								
	January 1	Increase	Interest expenses	Decrease	Termination	Change in scope of consolidation	Others	December 31
Lease liabilities	112,728	48,540	4,156	(31,439)	(11,151)	(11,183)	(9,480)	102,171

C. The amounts recognized in profit or loss in relation to the lease for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Depreciation of right-of-use assets	30,243	27,094
Interest expenses relating to lease liabilities	4,156	4,245
Short-term lease payments	24,159	14,260
Expense relating to leases of low-value assets that are not short-term leases	1,543	932
Variable lease payments not included in lease liabilities	1	341
Variable lease income	257	265

14. Investments in associates and joint ventures

A. The carrying amount of investments in associates and joint ventures as of December 31, 2020 and 2019 as follows (KRW in millions):

Associate / Joint venture	Ownership (%)	Location	Acquisition cost	December 31, 2020	December 31, 2019
Hyosung TNC Corporation	20.32	Korea	176,483	208,024	189,194
Hyosung Heavy Industries Corporation	32.47	Korea	161,041	400,510	426,231
Hyosung Advanced Materials Corporation	21.20	Korea	116,476	97,783	99,850
Hyosung Chemical Corporation	20.17	Korea	97,688	102,814	114,367
Taebaek Wind Power Co., Ltd.	35	Korea	5,334	8,964	10,099
PyeongChang Wind Power Co., Ltd. (*1)	42	Korea	6,510	8,445	9,873
HYOSUNG INFORMATION SYSTEMS CO., LTD (*2)	50	Korea	24,860	48,930	47,195
Hyosung Toyota Corporation	40	Korea	800	3,040	3,116
Hyosung ITX Co., Ltd.	35.26	Korea	7,676	17,670	17,962
Suncheon ecogreen (*3,4)	29.50	Korea	-	-	-
THE KWANGJUILBO	49	Korea	3,920	2,225	3,596
Papua Agro Lestari (*5)	15	Indonesia	10,458	8,480	9,713
PT. GELORA MANDIRI MEMBANGUN (*5)	15	Indonesia	4,687	4,134	4,174
Hyosung Vietnam Co., Ltd.	28.57	Vietnam	20,849	171,145	185,309
Hyosung Istanbul TEKSTIL LTD.STI (*6)	56.58	Turkey	12,731	175,742	157,606
Pathfinder Youth Entrepreneurs (*7)	-	Korea	-	-	2,376
Total			649,513	1,257,906	1,280,661

(*1) The Group provides its interests in PyeongChang Wind Power Co., Ltd. as collateral for the borrowings of PyeongChang Wind Power Co., Ltd (see Note 36)
(*2) The Group and Hitachi Vantara Corporation have joint control over the investee and, therefore, are classified as a joint venture.
(*3) The Group provides its interests in Suncheon eco-green as collateral for the borrowings of Suncheon eco-green (see Note 36)
(*4) The application of equity method was discontinued as the book value of investments in the associate became less than zero ("0") due to accumulated equity method losses.
(*5) Although the ownership ratio of the Group is less than 20%, it is classified as an associate because the Group is considered to have significant influence when considering the participation in the Board of Directors of the investee and mutual exchange of management.
(*6) The Group assigned the voting right on Hyosung Istanbul TEKSTIL LTD. STI to Hyosung TNC Corporation in accordance with the agreement between the shareholders. Therefore, it has been classified as associates even though the ownership ratio exceeds 50%.
(*7) Sold during the year ended December 31, 2020.

B. Details of equity method valuation of associates and joint ventures for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020						
Associate / joint venture	January 1	Acquisition (disposal)	Equity method gains and losses	Other comprehensive gains and losses	Others	December 31
Hyosung TNC Corporation	189,194	-	23,870	(2,722)	(2,318)	208,024
Hyosung Heavy Industries Corporation	426,231	-	(24,927)	(2,151)	1,357	400,510
Hyosung Advanced Materials Corporation	99,850	-	197	(2,128)	(136)	97,783
Hyosung Chemical Corporation	114,367	-	(3,324)	(4,395)	(3,834)	102,814
Taebaek Wind Power Co., Ltd.	10,099	-	(890)	-	(245)	8,964
PyeongChang Wind Power Co., Ltd.	9,873	-	(63)	-	(1,365)	8,445
HYOSUNG INFORMATION SYSTEMS CO., LTD	47,195	-	4,147	-	(2,412)	48,930
Hyosung Toyota Corporation	3,116	-	(116)	-	40	3,040
Hyosung ITX Co., Ltd.	17,962	715	4,425	(346)	(5,086)	17,670
THE KWANGJUILBO	3,596	-	(1,354)	-	(17)	2,225
Papua Agro Lestari	9,713	-	(827)	(406)	-	8,480
PT. GELORA MANDIRI MEMBANGUN	4,174	-	(3)	(37)	-	4,134
Hyosung Vietnam Co., Ltd.	185,309	-	5,869	(2,388)	(17,645)	171,145
Hyosung Istanbul TEKSTIL LTD.STI	157,606	-	32,967	(6,270)	(8,561)	175,742
Pathfinder Youth Entrepreneurs	2,376	(2,349)	(27)	-	-	-
Total	1,280,661	(1,634)	39,944	(20,843)	(40,222)	1,257,906

2019						
Associate / joint venture	January 1	Acquisition (disposal)	Equity method gains and losses	Other comprehensive gains and losses	Others	December 31
Hyosung TNC Corporation	176,483	-	14,298	311	(1,898)	189,194
Hyosung Heavy Industries Corporation	434,370	-	(4,702)	551	(3,988)	426,231
Hyosung Advanced Materials Corporation	116,476	-	(18,241)	2,511	(896)	99,850
Hyosung Chemical Corporation	97,688	-	16,755	1,527	(1,603)	114,367
Taebaek Wind Power Co., Ltd.	7,931	-	2,168	-	-	10,099
PyeongChang Wind Power Co., Ltd.	9,103	-	770	-	-	9,873
HYOSUNG INFORMATION SYSTEMS CO., LTD	46,740	-	3,466	-	(3,011)	47,195
Hyosung Toyota Corporation	2,357	-	842	-	(83)	3,116
Hyosung ITX Co., Ltd.	16,660	-	3,820	982	(3,500)	17,962
THE KWANGJUILBO	3,501	-	154	-	(59)	3,596
Papua Agro Lestari	9,872	-	(706)	547	-	9,713
PT. GELORA MANDIRI MEMBANGUN	4,141	-	(30)	63	-	4,174
Hyosung Vietnam Co., Ltd.	187,867	-	12,677	2,093	(17,328)	185,309
Hyosung Istanbul TEKSTIL LTD.STI	127,200	-	39,588	1,944	(11,126)	157,606
Pathfinder Youth Entrepreneurs	1,638	790	(52)	-	-	2,376
Total	1,242,027	790	70,807	10,529	(43,492)	1,280,661

C. Significant transactions in equity changes that were not recognized due to the discontinuation of the application of the equity method as of December 31, 2020 is as follows (KRW in millions):

Associate	January 1	Changes	December 31
Suncheon Eco Green Co., Ltd.	(2,850)	(2,844)	(5,694)

D. The financial information of significant associates and joint ventures that was adjusted to the carrying amount of the equity in the associates and joint ventures as of December 31, 2020 is as follows (KRW in millions):

Associate / joint venture	Net assets	Ownership (%)	Share of net assets	Differences	Fair value difference undepreciated balance	Intercompany transactions, others	Carrying amount
Hyosung TNC Corporation	600,974	20.32	122,105	17,213	68,938	(232)	208,024
Hyosung Heavy Industries Corporation	883,582	32.47	286,910	-	113,600	-	400,510
Hyosung Advanced Materials Corporation	312,839	21.20	66,328	1,817	31,103	(1,465)	97,783
Hyosung Chemical Corporation	402,202	20.17	81,128	3,116	18,570	-	102,814
Taebaek Wind Power Co., Ltd.	25,610	35	8,964	-	-	-	8,964
PyeongChang Wind Power Co., Ltd.	20,107	42	8,445	-	-	-	8,445
HYOSUNG INFORMATION SYSTEMS CO., LTD	97,861	50	48,930	-	-	-	48,930
Hyosung Toyota Corporation	7,599	40	3,040	-	-	-	3,040
Hyosung ITX Co., Ltd.	49,361	35.26	17,405	576	-	(311)	17,670
THE KWANGJUILBO	4,540	49	2,225	-	-	-	2,225
Papua Agro Lestari	35,263	15	5,289	3,191	-	-	8,480
PT. GELORA MANDIRI MEMBANGUN	4,759	15	714	3,420	-	-	4,134
Hyosung Vietnam Co., Ltd.	190,173	28.57	54,332	144,972	20,296	(48,455)	171,145
Hyosung Istanbul TEKSTIL LTD.STI	256,333	56.58	145,033	41,058	16,899	(27,248)	175,742
Total	2,891,203	-	850,848	215,363	269,406	(77,711)	1,257,906

E. Summary of financial information of significant associates and joint ventures and dividends received as of December 31, 2020 is as follows (KRW in millions):

Associate / joint venture	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit (loss) for the year	Other comprehensive income (loss)	Total comprehensive income (loss)	Dividends received
Hyosung TNC Corporation	1,245,072	1,579,055	1,681,903	426,869	5,161,617	168,272	(18,680)	149,592	1,759
Hyosung Heavy Industries Corporation	1,238,408	2,465,046	1,740,041	995,163	2,983,971	(19,258)	(2,988)	(22,246)	-
Hyosung Advanced Materials Corporation	842,036	1,534,557	1,574,912	420,571	2,394,623	6,810	(12,941)	(6,131)	-
Hyosung Chemical Corporation	435,749	1,981,616	627,538	1,387,474	1,817,190	(11,616)	(24,850)	(36,466)	3,217
Taebaek Wind Power Co., Ltd.	1,448	27,428	788	2,478	4,434	(2,545)	-	(2,545)	245
PyeongChang Wind Power Co., Ltd.	8,381	64,133	5,064	47,344	8,430	(151)	-	(151)	1,365
HYOSUNG INFORMATION SYSTEMS CO., LTD	119,919	29,326	45,395	5,990	184,292	8,295	-	8,295	2,595
Hyosung Toyota Corporation	8,397	14,766	6,886	8,678	49,587	(292)	-	(292)	-

Hyosung ITX Co., Ltd.	80,231	74,425	83,908	21,388	485,930	12,618	-	12,618	4,136
Suncheon ecogreen	988	26,516	2,949	45,831	3,130	(9,639)	-	(9,639)	-
THE KWANGJUILBO	4,525	16,761	14,325	2,421	7,785	(2,765)	-	(2,765)	-
Papua Agro Lestari	17,921	40,113	1,655	21,116	6,022	(5,507)	-	(5,507)	-
PT. GELORA MANDIRI MEMBANGUN	6,149	74,103	41,733	33,760	8,474	(15)	-	(15)	-
Hyosung Vietnam Co., Ltd.	342,857	338,951	490,950	685	1,082,897	18,958	-	18,958	17,646
Hyosung Istanbul TEKSTIL LTD.STI	466,445	772,860	697,535	256,320	1,301,614	(89,482)	(11,565)	(101,047)	8,561

F. Fair value of marketable investments in associates with quoted market price as of December 31, 2020 is as follows (KRW in millions):

Associate	December 31, 2020
Hyosung TNC Corporation	185,530
Hyosung Heavy Industries Corporation	188,329
Hyosung Advanced Materials Corporation	141,526
Hyosung Chemical Corporation	100,705
Hyosung ITX Co., Ltd.	101,668

G. The Group estimated recoverable amount for investments in associates that show signs of impairment. In calculating the recoverable amount, the Group considers fair value less costs of disposal and value-in-use. The fair value less costs of disposal was estimated based on the best information available to calculate the amount of consideration, which may be received in a sale of assets between independent parties with reasonable judgment and intentions, less costs of disposal at the end of the reporting period. The value-in-use was calculated by discounting estimated future cash flows of subsidiaries and associates with an appropriate discount rate. The major assumptions used in calculating the value-in-use reflect management's evaluation, which was determined by taking into account external and internal information (past historical information).

H. The major assumptions used in the impairment review of investments in associates as of December 31, 2020 are as follows:

Recoverable amount	Growth rate	Discount rate
Value-in-use	0%	8.65% ~ 10.80%

The Group did not recognize impairment for the year ended December 31, 2020 as it determined by an impairment review of investments in associates that the carrying amount did not exceed the recoverable amount.

15. Other financial business assets

A. Details of other financial business assets as of December 31, 2019 are as follows (KRW in millions):

	December 31, 2019
Loan receivables at amortized costs	1,389,168
Lease and rental assets	542,351
Total	1,931,519

B. Details of loan receivables measured at amortized costs as of December 31, 2019 are as follows (KRW in millions):

	December 31, 2019

Receivables	1,419,017
Allowance for doubtful accounts	(29,849)
Total	1,389,168

C. Details of lease & rental assets as of December 31, 2019 are as follows (KRW in millions):

	December 31, 2019
Finance and termination lease receivables	481,549
Operating lease assets	15,488
Prepaid lease (rental) assets	482
Rental receivables	1,990
Rental assets	42,842
Total	542,351

The Group reclassified lease and rental assets from loans measured at amortized costs during the previous period.

D. The changes in allowance for doubtful accounts for other financial business assets for the year ended December 31, 2019 are as follows (KRW in millions):

	12 Month	Lifetime		Total
	Expected credit loss	Loan receivable credit unimpaired	Loan receivable credit impaired	
January 1	8,264	4,371	29,292	41,927
- Transfer to whole period ECL	(438)	513	(75)	-
- Transfer to credit impaired financial assets	(572)	(2,545)	3,117	-
- Transfer to 12 months ECL	296	(289)	(7)	-
Subtotal	7,550	2,050	32,327	41,927
Impairment provision (reversal)	(4,200)	77	24,835	20,712
Executed or purchased financial assets	4,060	730	1,380	6,170
Bad debt	-	-	(36,190)	(36,190)
Collection of amortized bonds	-	-	8,900	8,900
Changes in currency exchange rate and etc.	-	-	(3,384)	(3,384)
December 31	7,410	2,857	27,868	38,135

16. Other assets

A. Details of other assets as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Other current assets		
Advance payments	60,449	99,916
Allowance for bad debts	-	(3,175)
Prepaid expenses	30,665	21,475
Subtotal	91,114	118,216
Other non-current assets		
Long-term advance payments	1,175	2,526
Long-term prepaid expenses	4,944	490
Other investment assets	24,799	34,429
Subtotal	30,918	37,445
Total	122,032	155,661

B. Details of other investment assets as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Mining rights	819	10,449
Work of art	23,980	23,980
Total	24,799	34,429

In calculating the recoverable amount of mining rights, the Group considers fair value and value-in-use. The fair value was estimated based on the best information available to calculate the amount of consideration, which may be received in a sale of assets between independent parties with reasonable judgment and intentions, less costs of disposal at the end of the reporting period.

The Group conducted an impairment review of mining rights and found that found that the recoverable amount is less than the carrying amount. Consequently, the Group recognized impairment loss of KRW 10,039 million.

17. Related party transactions

A. Details of related parties as of December 31, 2020 are as follows (KRW in millions):

(1) Associates and joint ventures

Region	Related party
Domestic	Hyosung Heavy Industries Corporation, Hyosung TNC Corporation, Hyosung Advanced Materials Corporation, Hyosung Chemical Corporation, Suncheon ecogreen, THE KWANGJUILBO, Taebaek Wind Power Co., Ltd., PyeongChang Wind Power Co, Ltd, Hyosung Toyota Corporation, HYOSUNG INFORMATION SYSTEMS CO., LTD, Hyosung ITX Co., Ltd and others
Asia	Hyosung Vietnam Co., Ltd., Papua Agro Lestari, PT. GELORA MANDIRI MEMBANGUN
Europe	Hyosung Istanbul TEKSTIL LTD.STI

(2) Other related parties (*1)

Region	Related party
Domestic	Galaxia device Co., Ltd., Galaxia Micro Payment Co., Ltd., Galaxia Electronics Co., Ltd., Gongdeok Development Corporation, The Class Hyosung, The premium Hyosung Co., Ltd., Dong Ryung Co., Ltd., Shin Dong Jin Co., Ltd., A-SEUNG AUTOMOTIVE GROUP, Trinity Asset Management Co., Ltd, HaengbokDoodrimee, Hyosung Premier Motors Corporation, Galaxia SM, INC., Galaxiamoneytree Co., Ltd., Shinsung Motors Co., Ltd and others
China	Tianjin Galaxia Device Electronics., Co. Ltd., Huizhou Galaxia Device Electronics., Co. Ltd., Qingdao Galaxia Device Electronics., Co. Ltd., Weihai Galaxia Device Electronics., Co. Ltd., Galaxia Electronics (China Huizhou) CO., Ltd., DNS Technology Co., Ltd. and others
Asia	Galaxia Japan Co., Ltd., Hyosung Singapore PTE Ltd. and others
Europe	Hyosung Europe SRL. and others

(*1) Those entities that are not included in the scope of related party in accordance with KIFRS 1024 but belonged to a large enterprise group in accordance with the Monopoly Regulation and Fair-Trade Act are included.

B. Significant transactions with related parties

Significant transactions with related parties for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020					
	Related party	Sales and others (*1)	Dividends	Purchases and others (*1)	Acquisition of property, plant and equipment and intangible assets
Associates and joint ventures	Hyosung Heavy Industries Corporation	83,365	-	144,588	(7,102)
	Hyosung Chemical Corporation	72,228	3,217	4,466	-
	Hyosung TNC Corporation	74,521	1,759	66,399	317
	Hyosung Advanced Materials Corporation	46,222	-	143,047	2
	Hyosung Vietnam Co., Ltd.	1,783	17,646	224,770	-
	Hyosung ITX Co., Ltd.	1,742	4,136	4,612	1,690
	HYOSUNG INFORMATION SYSTEMS CO., LTD.	512	2,595	1,112	1,049
	Hyosung Istanbul TEKSTIL LTD.STI	167	8,561	-	-
	Others	22	1,609	227	-
	Subtotal	280,562	39,523	589,221	(4,044)
Others	Global Safety Textiles LLC	46,754	-	1,618	-
	Huizhou Galaxia Device Electronics., Co.Ltd.	2,046	-	193,225	244
	Hyosung Japan Co., Ltd.	5,063	-	268	-
	Hyosung Mexico CITY S.A. de C.V	4,428	-	110	-
	Hyosung DongNai Co, LTD.	2,041	-	66,408	-
	Hyosung Steel Cord (Qingdao) Co., Ltd	1,036	-	4,017	-
	Chinhung Inc.	16	-	-	-
	Galaxia moneytree (Previously: Galaxia Communications)	147	60	1,007	-
	Galaxia SM, INC.	293	-	2,078	-
	HICO America Corporation	1,906	-	10,485	-
	Galaxia device	63	-	10,703	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	92	-	8,588	-
	Others	9,322	-	12,907	2,669
	Subtotal	73,207	60	311,414	2,913
Total		353,769	39,583	900,635	(1,131)

(*1) Sales, other income, interest income, etc. are included in sales and others. Purchase of raw materials, selling and administrative expenses, other expenses, etc. are included in purchase and others.

2019						
	Related party	Sales and others (*1)	Dividend	Purchase and others (*1)	Acquisition of property, plant and equipment and intangible assets
Associates	Hyosung Heavy Industries Corporation	95,751	-	188,111	33
	Hyosung Chemical Corporation	66,530	643	2,729	-
	Hyosung TNC Corporation	66,254	879	90,017	-
	Hyosung Advanced Materials Corporation	55,098	-	185,796	-
	Hyosung Vietnam Co., Ltd.	2,947	17,328	356,695	-
	Hyosung ITX Co., Ltd.	1,451	2,179	4,044	3,768
	HYOSUNG INFORMATION SYSTEMS CO., LTD.	566	2,595	425	1,206
	Hyosung Istanbul TEKSTIL LTD.STI	129	11,126	-	-
	Others	31	-	913	-
	Subtotal	288,757	34,750	828,730	5,007
Others	Global Safety Textiles LLC	46,520	-	2,652	-
	Huizhou Galaxia Device Electronics., Co, Ltd.	22,023	-	203,597	3
	Hyosung Japan Co., Ltd.	8,031	-	545	-
	Hyosung Mexico CITY S.A. de C.V	3,683	-	315	-
	Hyosung DongNai Co, LTD.	1,369	-	115,319	-
	Hyosung Steel Cord (Qingdao) Co., Ltd	569	-	5,028	-
	Chinhung Inc.	111	-	-	612
	Galaxia Communications	1,101	28	435	-
	Galaxia SM, INC.	-	-	4,036	-
	Others	5,576	-	40,400	2,249
	Subtotal	88,983	28	372,327	2,864
Total		377,740	34,778	1,201,057	7,871

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

C. Significant outstanding balances to/from related parties as of December 31, 2020 and 2019 are as follows (KRW in millions):

December 31, 2020					
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables
Associates	Hyosung Heavy Industries Corporation (*2)	12,319	19,763	26,208	8,833
	Hyosung Chemical Corporation	11,770	23	-	2,987
	Hyosung TNC Corporation	11,779	61	14,653	3,082
	Hyosung Advanced Materials Corporation	7,742	41	4,810	5,606
	Hyosung Vietnam Co., Ltd.	511	210	42,680	-
	THE KWANGJUILBO	-	8,262	-	112
	Others	346	7	723	727
	Subtotal	44,467	28,367	89,074	21,347
Others	Global Safety Textiles LLC	9,664	-	2,966	-
	Hyosung Mexico CITY S.A. de C.V.	1,704	-	-	-
	Huizhou Galaxia Device Electronics., Co, Ltd.	1,618	54	24,861	70
	Hyosung Europe SRL	1,340	17	-	30
	Hyosung Japan Co., Ltd.	176	-	-	290
	Hyosung DongNai Co, LTD.	199	116	13,603	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	21	-	3,043	-
	Gongdeok Development Corporation	-	833	-	2,905
	Galaxia SM, INC.	34	-	126	2
	Galaxia moneytree (Previously: Galaxia Communications)	-	1,944	-	830
	Hyosung Luxembourg S.A	-	-	2,127	-
	Others	26,004	1,693	2,731	4,336
	Subtotal	40,760	4,657	49,457	8,463
Total		85,227	33,024	138,531	29,810

(*1) Other receivables include non-trade receivables, loans, lease deposits, advance payments, etc. Other payables include accrued expenses, deposits withheld and others.
(*2) The membership on Hyosung Heavy Industries Corporation amounting to KRW 30,000 million has been accounted for as intangible assets.

December 31, 2019						
	Related party	Trade receivables	Other receivables (*1)	Trade payables	Other payables
Associates	Hyosung Heavy Industries Corporation (*2)	14,207	53,223	1,008	15,310
	Hyosung Chemical Corporation	8,972	40	725	87
	Hyosung TNC Corporation	6,358	58	1,717	445
	Hyosung Advanced Materials Corporation	5,968	14	1,216	1,798
	Hyosung Vietnam Co., Ltd.	72	187	39,272	-
	THE KWANGJUILBO	-	7,963	-	55
	Others	216	2,625	1,280	2,519
	Subtotal	35,793	64,110	45,218	20,214
Others	Global Safety Textiles LLC	7,425	-	3,727	-
	Hyosung Mexico CITY S.A. de C.V.	3,658	-	-	-
	Huizhou Galaxia Device Electronics., Co, Ltd.	1,767	2,176	12,439	-
	Hyosung Europe SRL	1,321	373	4	237
	Hyosung Japan Co., Ltd.	470	-	24	146
	Hyosung DongNai Co, LTD.	67	100	13,011	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	28	-	2,765	-
	Gongdeok Development Corporation	-	823	-	1,230
	Galaxia SM, INC.	41	-	123	2
	Galaxia Communications	1	-	2	779
	Others	2,248	147	3,517	792
	Subtotal	17,026	3,619	35,612	3,186
Total		52,819	67,729	80,830	23,400

(*1) Other receivables include non-trade receivable, loans, lease deposits, advance payments, etc. Other payables include accrued expenses, deposits withheld and others.
(*2) The membership on Hyosung Heavy Industries Corporation amounting to KRW 40,800 million has been accounted for as intangible assets.

D. Fund transactions with related parties for the year ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020						
	Related party	January 1	Loans	Collections	Impairment	December 31
Associates	PT. GELORA MANDIRI MEMBANGUN	2,560	-	(2,560)	-	-
	THE KWANGJUILBO	7,853	-	-	(7,853)	-
Others	Hyosung Mexico CITY S.A. de C.V.	712	-	(712)	-	-
	Others	-	70,500	(70,500)	-	-

2019							
	Related party	Fund loan transaction					Contribution in cash
		January 1	Loans	Collections	Translation exchange differences	December 31	
Associates	PT. GELORA MANDIRI MEMBANGUN	4,945	-	(2,362)	(23)	2,560	-
	THE KWANGJUILBO	7,149	704	-	-	7,853	-
	Pathfinder Youth Entrepreneurs	-	-	-	-	-	2,543
Others	The Class Hyosung	-	28	(28)	-	-	-
	Hyosung Mexico CITY S.A. de C.V.	-	712	-	-	712	-

E. Details of compensations to key management personnel for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Salaries and other short-term employee benefits	5,780	5,749
Retirement benefits	917	614
Total	6,697	6,363

F. Payment guarantees provided by the Group for the financial supports to the related parties are described in Note 36.

G. The Group provides two pledged notes for the private investment business of Suncheon eco-green.

18. Trade and other payables

A. Details of trade and other payables as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Trade payables	233,503	242,144
Other payables	171,125	189,062
Subtotal	404,628	431,206
Long-term other payables	20,751	206,091
Total	425,379	637,297

B. The carrying amount of other payables as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Other payables		
Non-trade payables	82,510	81,520
Accrued expenses	29,346	36,754
Withholdings	55,889	68,068
Deposits withheld	3,380	2,720
Subtotal	171,125	189,062
Long-term other payables		
Non-trade payables	5,008	5,160
Accrued expenses	958	420
Deposits withheld	14,785	200,511
Subtotal	20,751	206,091
Total	191,876	395,153

19. Borrowings

A. Details of borrowings as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Current liabilities		
Short-term borrowings	391,872	765,629
Current portion of long-term borrowings	136	747,586
Subtotal	392,008	1,513,215
Non-current liabilities		
Long-term borrowings	437,482	236,128
Debentures	10,799	752,250
Subtotal	448,281	988,378
Total	840,289	2,501,593

B. Details of short-term borrowings as of December 31, 2020 and 2019 are as follows (KRW in millions):

	Creditor	Interest rate (%)	December 31, 2020	December 31, 2019
General loan	Woori Bank and others	1.86 ~ 3.09	192,032	387,338
Collateralized borrowings (*1)	Woori Bank and others	1.19 ~ 1.47	57,399	21,508
Others	Woori Bank and others	0.49 ~ 2.70	142,441	356,783
Total			391,872	765,629

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

C. Details of long-term borrowings as of December 31, 2020 and 2019 are as follows (KRW in millions):

	Creditor	Interest rate (%)	December 31, 2020	December 31, 2019
<Hyosung Corporation>				
Long-term borrowings denominated in KRW	Korea Energy Co	0.75	899	1,035
<Subsidiaries>				
Long-term borrowings denominated in KRW	Hanwha Life Insurance and others	0.75 ~ 3.70	340,000	324,450
Long-term borrowings denominated in foreign currency	The Export-Import Bank of Korea and others	1.93 ~ 2.34	96,832	61,363
Total			437,731	386,848
Less: Current portion			(136)	(150,586)
Present value discounts			(113)	(134)
Total			437,482	236,128

Above long-term borrowings are subject to installment repayment or lump-sum repayment at maturity date. Borrowings are collateralized with the Group's available-for-sale financial assets and property, plant and equipment, and others (see Note 8, 10 and 36).

D. Details of debentures as of December 31, 2020 and 2019 are as follows (KRW in millions):

	Maturity date	Interest rate (%)	December 31, 2020	December 31, 2019
133rd Debenture	-	-	-	29,000
180th - 208th Debenture	-	-	-	118,000
209th – 235th Debenture	-	-	-	575,000
236th – 239th Debenture	-	-	-	355,000
250th – 254th Debenture	-	-	-	113,000
Asset Backed Short-Term Bonds	-	-	-	40,000
Senior Current Corporate Bonds	-	-	-	110,000
Private Placement Bond	2022-05-23	1.19	10,880	11,578
Total			10,880	1,351,578
Less : Current portion of Debentures			-	(597,000)
Discount on Bond Payable			(81)	(2,328)
Total			10,799	752,250

20. Government grants

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

B. The balance of government grants related to assets as of December 31, 2020 is KRW 1,535 million (2019: KRW 1,885 million), and the balance of government grants related to liabilities to be repaid is KRW 7,987 million (2019: KRW 15,544 million).

21. Retirement benefits

A. Defined contribution plan

The expense amount recognized in relation to retirement benefit plans under defined contribution plans for the year ended December 31, 2020 is KRW 1,011 million (2019: KRW 1,207 million).

B. Defined benefit plan

(1) Details of net defined benefit liabilities for the year ended December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	166,588	192,664
Fair value of plan assets (*1)	(159,915)	(180,363)
Net defined benefit liabilities	6,673	12,301

(*1) The contributions to the National Pension Fund of KRW 115 million are included in the fair value of plan assets as of December 31, 2020 (2019: KRW 117 million).

(2) The changes in defined benefit obligations for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
January 1	192,664	168,557
Current service costs	18,672	18,382
Interest expenses	2,672	2,728
Service cost of the past period and adjustment	8	28
Benefits paid	(36,036)	(8,319)
Remeasurements:		
Changes in demographical assumptions	(358)	1,810
Changes in financial assumptions	2,354	3,184
Experience adjustments	(1,466)	7,710
Transfer to affiliates, net	(1,134)	(1,416)
Change in scope of consolidation	(10,788)	-
December 31	166,588	192,664

(3) The changes in the fair value of plan assets for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
January 1	180,363	158,490
Interest income	4,019	4,243
Employer’s contributions	25,734	27,283
Benefits paid	(36,258)	(7,379)
Remeasurements	(1,501)	(1,843)
Transfer to affiliates, net	(1,036)	-
Others	(1,830)	(431)
Change in scope of consolidation	(9,576)	-
December 31	159,915	180,363

(4) Details of plan assets as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Deposits	46,542	138,532
Debt instruments	105,140	41,831
Cash and cash equivalents	8,233	-
Total	159,915	180,363

(5) The significant actuarial assumptions as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Discount rate	1.03%~2.84%	1.65%~2.63%
Salary increase rate	2.00%~3.74%	1.38%~4.84%

(6) The sensitivity of the defined benefit liabilities to changes in the principal assumptions is as follows (KRW in millions):

	Changes in assumption	When increased	When decreased
Discount rate	1.0% increase/decrease	(4,936)	5,765
Salary	1.0% increase/decrease	5,690	(4,970)

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

22. Other liabilities

Details of other liabilities as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Other current liabilities		
Advances received	218,004	197,670
Unearned revenues	8,950	17,476
Provision	14,759	22,580
Subtotal	241,713	237,726
Other non-current liabilities		
Long-term advances	4,987	-
Long-term unearned revenues	2,367	2,739
Provision	3,542	3,314
Subtotal	10,896	6,053
Total	252,609	243,779

B. Details of provision for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020						
	January 1	Additional provisions	Used during the year	Change in scope of consolidation	Others	December 31
Construction warranties	1,802	538	(777)	-	-	1,563
Product warranties	8,052	-	(1,710)	-	-	6,342
Provisions for legal proceedings	12,833	146	(5,363)	-	-	7,616
Other provisions	3,207	(294)	(73)	(1,819)	1,759	2,780
Total	25,894	390	(7,923)	(1,819)	1,759	18,301

2019					
	January 1	Additional provisions	Used during the year	Others	December 31
Construction warranties	4,660	3,304	(4,614)	(1,548)	1,802
Product warranties	254	7,634	-	164	8,052
Provisions for legal proceedings	8,933	3,900	-	-	12,833
Other provisions	11,563	157	(6,889)	(1,624)	3,207
Total	25,410	14,995	(11,503)	(3,008)	25,894

23. Share capital

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

B. Retained Earnings

Details of retained earnings as of December 31, 2020 and 2019 are as follows (KRW in millions):

	Description	December 31, 2020	December 31, 2019
Legal reserves	Earned profit reserves (*1)	80,471	77,070
Discretionary reserves	Facility reserves	5,597,000	5,647,000
Unappropriated retained earnings		588,405	503,060
Total		6,261,075	6,180,531

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

C. Other components of equity

Other components of equity as of December 31, 2020 and 2019 consist of the followings (KRW in millions):

	December 31, 2020	December 31, 2019
Other capital surplus	316,278	316,278
Treasury share	(42,119)	(14,223)
Loss on valuation of financial assets at FVOCI	(119,993)	(121,545)
Gain on valuation of derivatives	613	613
Equity adjustments in equity method	(7,191)	8,442
Cumulative effect of foreign currency translation	(16,125)	(7,063)
Losses on capital reduction (*1)	(4,816,959)	(4,816,959)
Gain on sales of treasury shares	183,913	183,913
Other capital adjustments	(2,223)	(2,223)
Total	(4,503,806)	(4,452,767)

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

24. Revenue

Details of revenue for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Merchandise	1,381,890	1,669,610
Finished goods	858,973	929,942
Service sales	392,029	399,772
Gain on equity method	39,971	70,858
Others	109,692	105,442
Total	2,782,555	3,175,624

25. Revenue from contracts with customers

A. Revenues generated from contracts with customers for the years ended December 31, 2020 and 2019 are classified as follows (KRW in millions):

2020						
	Information communication	Pump manufacture	Imported car dealer	Others	Consolidation adjustment	Total
1. Type of good or service:						
merchandise	404,644	-	171,483	963,215	(157,452)	1,381,890
finished goods	374,313	244,210	-	266,575	(26,125)	858,973
service	332,441	-	-	70,590	(11,002)	392,029
others	(23,876)	12,824	9,936	167,641	(80,220)	86,305
Total	1,087,522	257,034	181,419	1,468,021	(274,799)	2,719,197
2. Geographic market:						
Domestic	909,767	257,034	181,419	513,638	(251,814)	1,610,044
North and Central America	-	-	-	928,869	(21,305)	907,564
Asia	-	-	-	25,482	(1,537)	23,945
Europe	177,755	-	-	-	(143)	177,612
Others	-	-	-	32	-	32
Total	1,087,522	257,034	181,419	1,468,021	(274,799)	2,719,197
3. Revenue recognition:						
At a point in time	724,258	242,231	163,926	1,232,700	(185,114)	2,178,001
Over a period of time	363,264	14,803	17,493	235,321	(89,685)	541,196
Total	1,087,522	257,034	181,419	1,468,021	(274,799)	2,719,197

(*1) Equity method gains of KRW 39,971 million and operating lease income of KRW 23,387 million that are not covered by KIFRS 1115 are excluded from the revenue.

2019						
	Information communication	Pump manufacture	Imported car dealer	Others	Consolidation adjustment	Total
1. Type of good or service:						
merchandise	293,737	73	217,264	1,168,545	(10,009)	1,669,610
finished goods	397,521	217,799	-	315,473	(851)	929,942
service	330,997	-	-	80,083	(11,308)	399,772
others	(22,768)	26,383	(524)	76,304	(7,153)	72,242
Total	999,487	244,255	216,740	1,640,405	(29,322)	3,071,565
2. Geographic market:						
Domestic	770,366	244,255	216,740	464,953	(27,952)	1,668,362
North and Central America	-	-	-	1,142,899	(317)	1,142,582
Asia	-	-	-	32,345	(984)	31,361
Europe	229,121	-	-	-	(69)	229,052
Others	-	-	-	208	-	208
Total	999,487	244,255	216,740	1,640,405	(29,322)	3,071,565
3. Revenue recognition:						
At a point in time	640,224	216,575	215,733	1,463,762	(11,790)	2,524,504
Over a period of time	359,262	27,681	1,007	176,643	(17,532)	547,061
Total	999,486	244,256	216,740	1,640,405	(29,322)	3,071,565

(*1) Equity method gains of KRW 70,806 million and operating lease income of KRW 32,253 million that are not covered by KIFRS 1115 are excluded from the revenue.

B. Information about major customers

There are no external customers accounting for 10 percent or more of the Group's revenues for the years ended December 31, 2020 and 2019.

26. Construction contracts

A. The construction revenue and construction costs for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Construction revenue	39,856	54,938
Construction costs	38,483	50,610

B. The carrying amounts of contract assets and contract liabilities as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Contract assets	3,073	2,461
Contract liabilities	1,329	3,046

C. The amount affecting the profit or loss for the current and future periods and unclaimed constructions due to changes in estimated total cost of contracts in progress are as follows (KRW in millions):

	Change in contract revenue	Change in estimated total contract costs	Impact on the profit or loss of the current period	Impact on the profit or loss of the future periods
Plant	(674)	3,259	(2,878)	(1,055)

27. Selling and administrative expenses

Details of the selling and administrative expenses for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Salaries and wages	105,283	100,220
Retirement benefits	6,953	5,488
Employee welfare	13,976	12,331
Education and training expenses	704	423
Travel expenses	3,813	9,029
Communication expenses	1,902	1,952
Taxes and dues	6,567	8,756
Rental expenses	7,586	7,426
Depreciation	22,797	20,906
Amortization	2,963	2,586
Bad debt expenses	3,700	801
Entertainment expenses	5,452	5,720
Advertisement	7,643	10,445
Service expenses	9,309	10,611
Commission	26,304	21,832
Export expenses	5,897	4,946
Insurance premium	5,440	4,971
Supplies expenses	5,230	3,942
Sales promotion expenses	4,804	5,297
Electricity (utility) expenses	2,008	2,148
Vehicle maintenance expenses	1,484	1,546
Others	7,602	14,561
Total	257,417	255,937

28. Classification of expense by nature

Cost of sales, selling and administrative and research and development expenses by nature for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Changes in inventories of finished goods and work in process and others	(17,889)	(245,481)
Changes in merchandise	1,079,103	1,479,518
Raw materials and consumables used	635,992	761,686
Salaries and wages	301,827	325,786
Retirement benefits	18,350	9,526
Employee welfare	45,971	16,600
Depreciation and amortization	102,811	89,960
Electricity (utility) expense	22,711	24,434
Service expenses	28,512	53,094
Outsourcing expenses	169,497	142,345
Commission	80,447	38,845
Advertisement	32,734	38,164
Other	143,695	239,062
Total (*1)	2,643,761	2,973,539

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

29. Other income and expenses

Details of other income and expenses for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Other income		
Gain on disposal of property, plant and equipment	7,037	1,932
Dividend income	679	151
Gain on disposal of subsidiaries	3,592	-
Miscellaneous gains	46,561	10,470
Subtotal	57,869	12,553
Other expenses		
Loss on disposal of property, plant and equipment	2,043	884
Other bad debt expenses	8,262	7,552
Donations	1,772	1,710
Miscellaneous losses	23,440	10,581
Subtotal	35,517	20,727
Net other income (expense)	22,352	(8,174)

30. Finance income and costs

A. Details of finance income and costs for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Finance income		
Interest income	2,382	3,781
Gain on foreign currency transactions	28,677	26,516
Gain on foreign currency translation	8,505	3,884
Gain on derivative transactions	3,804	4,224
Gain on valuation of derivatives	-	713
Gain on disposition of financial assets	951	21
Gain on valuation of financial assets	3,092	1,366
Subtotal	47,411	40,505
Finance costs		
Interest expenses	30,016	35,574
Loss on foreign currency transactions	45,242	20,290
Loss on foreign currency translation	12,794	3,907
Loss on derivative transactions	2,964	924
Loss on valuation of derivatives	2,812	916
Loss on valuation of derivatives	1,229	333
Loss on disposition of financial assets	2,829	4,573
Nego commission	811	2,003
Loss on disposal of trade receivables	90	108
Subtotal	98,787	68,628
Net finance costs	(51,376)	(28,123)

31. Income tax expenses and deferred taxes

A. Income tax expenses for the years ended December 31, 2020 and 2019 consists of the followings (KRW in millions):

	2020	2019
Current tax on profit for the year	59,069	38,948
Adjustments in respect for the prior years	(2,702)	7,728
Origination and reversal of temporary differences	(22,404)	4,156
Income tax added to or subtracted from equity	2,337	(157)
Income tax expenses	36,300	50,676
Income tax expense from continuing operations	14,057	43,227
Income tax expense from discontinued operation	22,243	7,449

B. Reconciliation between actual income tax expenses and amount computed by applying the statutory tax rate to profit before income tax for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Profit before income tax	37,520	200,685
Profit from continuing operations before income tax expense	109,770	165,788
Profit (loss) from discontinued operation before income tax expense	(72,250)	34,897
Income tax expense calculated at each country's domestic corporate tax rate	22,237	51,613
Tax effects of:		
Income not subject to tax	(2,013)	(16,354)
Expenses not deductible for tax purposes	1,993	5,549
Adjustment in respect of prior years	(2,702)	7,602
Tax credits	(3,705)	(5,003)
Unrecognized deferred tax	5,736	-
Corporate tax on non-reflux income	1,715	-
Others	13,039	7,232
Impact of change in tax rate	-	37
Income tax expenses	36,300	50,676
Income tax expense from continuing operations	14,057	43,227
Income tax expense from discontinued operation	22,243	7,449
Effective tax rate	12.8%	26.1%

C. The movements in deferred tax assets and liabilities for the years ended December 31, 2020 and 2019, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows (KRW in millions):

2020					
	January 1	Statement of profit or loss	Equity	Change in scope of consolidation	December 31
Temporary difference	(246,081)	21,230	2,337	(1,204)	(223,718)
Unused tax deficit	1,163	(1,163)	-	-	-
Total	(244,918)	20,067	2,337	(1,204)	(223,718)
Deferred tax assets	29,308				28,702
Deferred tax liabilities	(274,226)				(252,420)

2019					
	January 1	Statement of profit or loss	Equity	Change in scope of consolidation	December 31
Temporary difference	(241,935)	(3,988)	(157)	-	(246,080)
Unused tax deficit	-	1,163	-	-	1,163
Total	(241,935)	(2,825)	(157)	-	(244,917)
Deferred tax assets	32,291				29,308
Deferred tax liabilities	(274,226)				(274,226)

D. Details of the temporary difference without deferred tax assets as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Temporary difference	20,312	2,112
Unused tax deficit	35,131	35,064
Total	55,443	37,176

32. Earnings (loss) per share

A. The calculation details of basic earnings (loss) per share for the years ended December 31, 2020 and 2019 are computed as follows (KRW in millions, except for number of shares and earnings (loss) per share):

	2020	2019
Profit (loss) for the year attributable to ordinary share (*1)	(52,770)	103,683
Profit for the year from continuing operations	42,237	76,926
Profit (loss) for the year from discontinued operation	(95,007)	26,757
Weighted average number of ordinary shares outstanding	20,050,682 shares	20,330,824 shares
Earnings per share (in KRW)		
Basic earnings (loss) per share	(2,632)	5,100
Earnings per share for continuing operations	2,106	3,784
Earnings (loss) per share from discontinued operation	(4,738)	1,316

(*1) Profit (loss) for the year of the ordinary shares is the same as profit (loss) for the year of the Group.

B. Weighted average number of ordinary shares for the years ended December 31, 2020 and 2019 are as follows (in shares):

(Unit: Share)

	2020			2019		
	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding	Outstanding ordinary shares	Weighted	Weighted average number of ordinary shares outstanding
January 1	20,330,824	366 days / 366 days	20,330,824	20,330,824	365 days / 365 days	20,330,824
Purchase of treasury shares	(421,420)	(*1)	(280,142)	-	-	-
Weighted average number of ordinary shares outstanding	19,909,404	-	20,050,682	20,330,824	-	20,330,824

(*1) The Group acquired treasury shares several times for the year ended December 31, 2020.

33. Dividends

The dividends paid were KRW 101,654 million (KRW 5,000 per share) for the years ended December 31, 2020 and 2019.

A dividend in respect of the year ended December 31, 2020, of KRW 5,000 per share, amounting to a total dividend of KRW 99,547 million, is to be proposed to shareholders at the annual general meeting to be held on March 19, 2021. These consolidated financial statements do not reflect this dividend payable.

34. Cash generated from operation

A. Details of the adjustment of non-cash items for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Income tax expenses	36,300	50,676
Interest income	(105,342)	(149,455)
Interest expenses	71,666	100,631
Gain on foreign currency translation	(20,843)	(3,884)
Loss on foreign currency translation	37,325	3,907
Gain on valuation of derivatives	-	(713)
Loss on valuation of derivatives	2,812	1,068
Gain on derivative transactions	(1,125)	-
Loss on derivative transactions	481	-
Amortization of property, plant, equipment	87,000	79,909
Amortization of investment properties	5,991	6,531
Amortization of intangible assets	9,820	11,958
Amortization of operating lease assets	9,485	14,686
Gain on disposal of property, plant, equipment, intangible assets, and investment properties	(7,037)	(2,264)
Loss on disposal of property, plant, equipment, intangible assets, and investment properties	2,043	926
Impairment loss on disposal of property, plant, equipment, intangible assets, and investment properties	34	664
Bad debt expense and other bad debt expense	33,270	35,204
Gain on disposal of financial assets	(2,747)	(2,302)
Loss on disposal of financial assets	4,825	7,886
Gain on valuation of financial assets	(3,046)	3,231
Loss on valuation of financial assets	2,829	-
Dividend income	(2,282)	(1,542)
Retirement benefits	18,566	16,895
Additional provisions	390	8,260
Loss on disposal of trade receivables	(478)	108
Gain on equity method	(39,944)	(70,806)
Loss from investment in associates	106,714	-
Loss (reversal) on valuation of inventories	(3,029)	896
Reversal of provisions	(7,499)	-
Others	9,921	(2,453)
Total	246,100	110,017

B. Details of the working capital adjustments for the years ended December 31 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Trade receivables	(132,000)	29,889
Inventories	74,113	(61,188)
Other receivables	(11,154)	31,834
Due from customers for contract work	(990)	(1,733)
Other financial assets	713	(132)
Other assets	22,723	(69,021)
Overseas business translation gains and losses	-	(1,293)
Other financial business assets	54,516	(17,713)
Trade payables	(1,791)	(98,426)
Other liabilities	40,668	(29,787)
Other payables	(12,856)	69,734
Other financial liabilities	(536)	(47)
Warranty expenses paid	(777)	(977)
Retirement benefits paid	(21,110)	(2,130)
Contributions to plan assets	(4,400)	(26,114)
Others	720	-
Total	7,839	(177,104)

C. Details of non-cash transactions of the Group for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Transfer of construction-in-progress to related property, plant and equipment	17,224	32,225
Increase in right-of-use assets due to increased lease liabilities	48,540	146,376
Transfer of investment properties to property, plant and equipment	16,022	-
Transfer of inventories to property, plant and equipment	13,099	-

D. Changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020					
	January 1	Cash flow	Change in scope of consolidation	Others (*1)	December 31
Short-term borrowings	1,513,215	58,679	(1,188,000)	8,114	392,008
Long-term borrowings	988,378	115,232	(625,984)	(29,345)	448,281
Lease liabilities	112,728	(27,283)	(11,183)	27,910	102,172
Total	2,614,321	146,628	(1,825,167)	6,679	942,461

(*1) Changes in foreign exchange rate, effects from liquidity reclassification and others are included.

2019				
	January 1	Cash flow	Others (*1)	December 31
Short-term borrowings	1,571,441	11,030	(69,256)	1,513,215
Long-term borrowings	942,926	(18,901)	64,353	988,378
Lease liabilities	-	(25,833)	138,561	112,728
Total	2,514,367	(33,704)	133,658	2,614,321

(*1) Changes in foreign exchange rate, effects from reclassification to current portion and changes in accounting policy are included.

35. Financial risk management

35.1 Financial risk management factor

The Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group. The Group uses derivatives to avoid certain risks.

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

35.1.1 Market risk

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures to the US dollar, Russian rubles, etc. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

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

Foreign currency financial assets and foreign currency financial liabilities converted into KRW as of December 31, 2020 and 2019 are as follows (KRW in millions):

Foreign currency	December 31, 2020		December 31, 2019	
	Foreign currency financial assets	Foreign currency financial liabilities	Foreign currency financial assets	Foreign currency financial liabilities
USD	268,680	(279,519)	747,099	(1,269,922)
EUR	12,821	(6,151)	85,801	(61,462)
JPY	280	(617)	4,265	(33,139)
Others	119,781	(140,983)	74,035	(66,272)
Total	401,562	(427,270)	911,200	(1,430,795)

The analysis is based on the assumption that KRW has increased/decreased by 10% with all other variables held constant. The summarizes the impact of increased/decreased KRW on the Group's pre-tax profit as of December 31, 2020 is as follows (KRW in millions):

Currency		Impact on pre-tax profit	
		2020	2019
US Dollar	Strengthened	(1,084)	(52,282)
	Weakened	1,084	52,282
EURO	Strengthened	667	2,434
	Weakened	(667)	(2,434)
JPY	Strengthened	(34)	(2,887)
	Weakened	34	2,887
Others	Strengthened	(2,120)	2,435
	Weakened	2,120	(2,435)

(2) Price risk

The Group is exposed to equity securities price risk arising from investments held by the Group that are classified as financial assets at FVOCI on the consolidated financial statement of the Group.

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

The analysis is based on the assumption that the stock price has increased/decreased by 30% with all other variables held constant. The summarizes the impact of increases/decreases of the stock price on the Group's equity as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Increase	5,218	5,242
Decrease	(5,218)	(5,242)

(3) Interest risk

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

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

The table below summarizes the impact of increases/decreases of interest rate on the Group's pre-tax profit for the years ended December 31, 2020 and 2019. The analysis is based on the assumption that the interest rate has increased/decreased by 100 basis points with all other variables held constant (KRW in millions).

	2020	2019
Increase	(8,035)	(9,421)
Decrease	8,035	9,421

35.1.2 Credit risk

Credit risk is managed on a consolidated corporate entity level. Credit risk arises from cash and cash equivalents, financial assets and outstanding receivables, etc. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit risk based on the credit quality of the customer, considering its financial position, past experience and other factors. The compliance with credit limits is monitored on a regular basis (see Note 7).

The maximum exposures to credit risk as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Cash and cash equivalents (*1)	211,193	178,561
Trade and other receivables	493,060	403,089
Due from customers for contract work	3,073	2,114
Other financial assets	338,119	9,838
Long-term trade and other receivables	41,676	48,054
Other financial business assets	-	1,931,519
Other non-current financial assets	161,608	509,051

(*1) The difference with ‘cash and cash equivalents’ in the consolidated statements of financial position is cash on hand.

35.1.3 Liquidity risk

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

Details of the Group’s liquidity risk analysis as of December 31, 2020 and 2019 are as follows (KRW in millions):

December 31, 2020				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables	400,996	26,969	-	427,965
Borrowings	542,138	363,158	221	905,517
Other financial liabilities	23,926	50,860	78,418	153,204
Total	967,060	440,987	78,639	1,486,686

December 31, 2019				
	Less than 1 year	1-5 years	Over 5 years	Total
Trade and other payables	431,255	208,250	730	640,235
Borrowings (including interest)	1,543,216	960,351	492	2,504,059
Other financial liabilities	1,068	-	-	1,068
Total	1,975,539	1,168,601	1,222	3,145,362

The Group’s trading portfolio derivative instruments have been included at their fair value of KRW 3,344 million (2019: KRW 1,068 million) within the less than 1-year time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net fair value basis rather than by maturity date.

Except above contracts, the Group has entered into payment guarantee contracts and supplementary fund contracts. Therefore, if the principal debtor fails to meet its obligation to pay, there may be an additional obligation to pay within one year (see Note 36).

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

35.2 Capital risk management

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

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

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

The gearing ratios as of December 31, 2020 and 2019 are as follows (KRW in millions):

	December 31, 2020	December 31, 2019
Total borrowings	840,289	2,501,592
Less: cash and cash equivalents	(222,015)	(189,328)
Net debt (A)	618,274	2,312,264
Total equity (B)	2,514,323	2,710,242
Total capital (A+B=C)	3,132,597	5,022,506
Gearing ratio (A/C)	19.74%	46.04%

36. Contingencies and commitments

A. Notes and others provided as collaterals

The Group provided 3 notes and 6 checks as collaterals to the customers and others as of December 31, 2020.

B. Commitment with financial institution

The Group entered into agreements such as bank overdrafts, trade bill discounts, open local L/C, general loans and others with financial institutions with a limit of KRW 933,662 million. On February 28, 2020, a PF loan agreement signed with New Star Gongdeok Cheil Co., Ltd. for the Gyeongui Line Gongdeok Station Complex Facility Development Project. (As of December 31, 2020, contract amount: KRW 190,000 million, execution amount: KRW 190,000 million). Also, the Group entered into trade receivables discount agreements with a limit of KRW 238,272 million as of December 31, 2020.

C. Guarantees provided for others

The Group has provided payment guarantees amounting to $25,000 thousands and $439,500 thousands respectively for the Group's associate Hyosung Istanbul TEKSTIL LTD.STI and its subsidiary Hyosung DongNai Co., Ltd.

The Group entered into the agreements with Hanwha Life Insurance Co., Ltd. and 2 other financial institutions in relation to the borrowings of Hana Land Chip Private Real Estate Investment Trust No.39, one of the subsidiaries, amount to KRW 150,000 million for the year ended December 31, 2020 (2019: KRW 150,000 million). The Group has an obligation to purchase the specific real estate located in Gangnam-gu, Seoul at fair value in case of shortfalls to cover principal and interest expenses at maturity date.

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

D. Guarantees provided by others

Details of guarantees provided by others as of December 31, 2020 is as follows (KRW in millions):

Guarantor	Details of guarantees	Guaranteed amounts
The Export-Import Bank Of Korea, Woori bank and etc.	Performance guarantee for contracts	81,207
Machinery Financial Cooperative	Warranty deposit for delivery contracts	64,568
Seoul Guarantee Insurance Company	Warranty deposit for delivery contracts	40,771
Korea Software Financial Cooperative	Performance guarantee for contracts	524
Construction Guarantee Cooperative	Performance guarantee for contracts	17,997

E. Assets pledged as collaterals

(1) Details of the Group's assets pledged as collaterals as of December 31, 2020 are as follows (KRW in millions, USD in thousands):

Pledged assets	Currency	Carrying amount	Amount of borrowing	Maximum pledge amount	Lien
Inventories	USD	76,077	46,000	76,077	Wells Fargo
Trade receivables	KRW	60,170	57,399	57,399	Woori Bank and others
Other financial assets	KRW	2,349	121,000	2,349	Machinery Financial Cooperative
Property, plant and equipment, etc.	KRW	23,630	10,000	35,000	KDB

Some of property, plant and equipment were provided as collaterals for the Group's borrowings (collateral amount: KRW 437,953 million) and the borrowings of the Group were transferred to the newly established companies.

(2) 1,302,000 shares of Pyeongchang Wind Power Co., Ltd. owned by the Group was provided as collateral for the borrowings KRW 48,011 million of Pyeongchang Wind Power Co., Ltd. as of December 31, 2020. 449,521 shares of Sunchon ecogreen Corporation owned by the Group was provided as collateral for the borrowings KRW 32,667 million of Suncheon ecogreen Corporation as of December 31, 2020.

F. Pending lawsuits

Details of pending lawsuits as of December 31, 2020 are as follows (KRW in millions):

	Number of lawsuits	Claim amount	Description
Lawsuit as a plaintiff	12	35,123	Administrative litigation on cancellation of corporate tax levy
Lawsuit as a dependent	9	46,906	Claims for damages

The final outcome of the above cases cannot yet be estimated as of December 31, 2020. Accordingly, no provision for potential losses arising from the claims was reflected in the consolidated financial statements.

Among the above lawsuits, there were 3 cases (claim amount: KRW 22,837 million) that was filed against the Group in relation to the newly established companies' business as at the end date of the reporting period.

G. Business promotion agreement

The Group, as an entity that constructs and manages complex facilities in accordance with the Gyeongui Line Gongdeok Station development project, entered into a business promotion agreement in February 2012 with the Korea Rail Network Authority. The business promotion method implemented is Build-Operate-Transfer (BOT) in which the business implementer holds the ownership of the facilities for the first 30 years following the completion of the construction before donating it to the country. In addition, the Group makes annual payment for the occupancy to the Korea Rail Network Authority during the occupancy permit period.

37. Information on non-controlling interests

A. Changes in accumulated non-controlling interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

2020			
Subsidiary	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
Hyosung TNS Inc.	45.98%	37,042	157,606
Hyosung Investment Development Co., Ltd.	41.25%	14,704	33,031

The dividend paid to the non-controlling interests was KRW 27,921 million for the year ended December 31, 2020.

2019			
Subsidiary	Non-controlling interests (%)	Profit attributable to non-controlling interests	Accumulated non-controlling interests
Hyosung Capital	2.50%	691	10,961
Hyosung TNS Inc.	45.98%	29,225	140.905
Hyosung Investment& Development Co., Ltd.	41.25%	18,982	29,863

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

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

2020		
	Hyosung TNS Inc.	Hyosung Investment Development Co., Ltd.(*1)
<Summarized statements of financial position>		
Current assets	423,843	5,743
Non-current assets	306,339	63,613
Current liabilities	344,396	2,858
Non-current liabilities	31,894	4,309
<Summarized statements of comprehensive income>		
Revenues	909,767	492
Profit for the year	88,688	23,021
Total comprehensive income	84,396	25,712
<Summarized statements of cash flows>		
Cash flows from operating activities	66,036	25,162
Cash flows from investing activities	(27,532)	2,030
Cash flows from financing activities	26,712	(21,998)
Increase in cash and cash equivalents	65,216	5,194

(*1) Separate financial information basis.

2019			
	Hyosung Capital	Hyosung TNS Inc.	Hyosung Investment Development Co., Ltd.(*1)
<Summarized statements of financial position>			
Current assets	71,379	312,695	2,510
Non-current assets	2,286,706	296,779	60,894
Current liabilities	993,417	287,780	1,280
Non-current liabilities	947,875	12,242	3,647
<Summarized statements of comprehensive income>			
Revenues	198,028	943,300	539

Profit for the year	27,601	68,205	22,205
Total comprehensive income	26,879	64,159	23,679
< Summarized statements of cash flows >			
Cash flows from operating activities	25,475	145,544	19,869
Cash flows from investing activities	(28,565)	(50,043)	120
Cash flows from financing activities	(76,365)	(134,587)	(19,984)
Increase (decrease) in cash and cash equivalents	(79,455)	(39,086)	4

(*1) Separate financial information basis.

38. Discontinued operation

As of December 18, 2020, the Group completed the sale of its subsidiary, Hyosung Capital.

A. Gain or loss from discontinued operation included in the consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Revenue	167,829	197,823
Cost of sales	103,123	129,199
Gross profit	64,706	68,624
Selling and administrative expenses	29,688	33,881
Operating profit	35,018	34,743
Other income	116	616
Other expenses	106,982	229
Finance costs	402	233
Profit (loss) before tax	(72,250)	34,897
Income tax expenses	22,243	7,449
Profit (loss) from discontinued operation	(94,493)	27,448
Profit (loss) attributable to owners of the parent company	(95,007)	26,757
Non-controlling interest	514	691
Earnings (loss) per share from discontinued operation	(4,738)	1,316

B. Cash flows incurred from the discontinued operation for the years ended December 31, 2020 and 2019 are as follows (KRW in millions):

	2020	2019
Cash flows from operating activities	93,332	25,475
Cash flows from investing activities	(24,345)	(28,565)
Cash flows from financing activities	78,191	(76,365)

39. Non-consolidated structured companies

A. The characteristics of unconsolidated structured companies as of December 31, 2019 are as follows (KRW in millions):

	Purpose of establishment and method of activities	Financing method	Total assets of unconsolidated structured companies
Investment fund and trust	Investment execution and profit distribution	Issuance of shares	5,504,257
Real estate finance	Real estate investment and recovery through sale	Issuance of shares and borrowing	1,085,528
Asset securitization	Asset securitization and asset recovery	Issuance of ABL and ABCP	142,262
Ship investment	Ship investment and profit distribution	Issuance of shares and borrowing	39,359

B. The risks associated with the stakes in unconsolidated structured companies as of December 31, 2020 is as follows (KRW in millions):

	Book value of financial assets at FVOCI	Book value of loan receivables	total
Investment fund and trust	295,529	-	295,529
Real estate finance	-	317,341	317,341
Asset securitization	-	19,038	19,038
Ship investment	-	10,040	10,040

As of the end of the previous year, the maximum loss exposure amount for the shares of unconsolidated structured companies is the same as the book value

40. Event after the reporting period

The Company merged with one of its subsidiaries, Hyosung Transworld Co., Ltd., on January 29, 2021.

41. Uncertainty of the impact of COVID-19

In order to prevent the spread of COVID-19, a various prevention and controls measures, including restrictions on traveling are being implemented worldwide, and as a result, the global economy has been extensively affected. In addition, governments are implementing various support measures to address COVID-19.

The Group’s accounting did not have significant impact from COVID-19. The Group has prepared its consolidated financial statements with reasonable estimates of the impact of COVID-19. However, during the COVID-19 situation, there are significant uncertainties exist in estimating the end timing of COVID-19 and the impact of COVID-19 on the Group.