

**Hyundai Engineering & Construction Co., Ltd.  
and Subsidiaries**  
Consolidated Financial Statements  
December 31, 2019

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Index**  
**December 31, 2019 and 2018**

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## Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
Hyundai Engineering & Construction Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Hyundai Engineering & Construction Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, 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 at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

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

### Key Audit Matters

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

*(a) Revenue recognition based on input method*

**Why it is determined to be a key audit matter**

As explained in Note 3 to the consolidated financial statements, measurement of total contract revenue is affected by the uncertainty of the occurrence of future events relating to additional contract work, claims, incentive payments and penalties, etc. in the course of construction. In addition, construction revenue is recognized according to the percentage of completion, which is measured on the basis of the cost incurred to date. Total contract costs are estimated based on future estimates of material costs, labor costs, outsourcing costs, construction period and others. Therefore, there is uncertainty in the total contract costs to be changed in the future.

We focused on the area because assumptions and judgments of management are involved in assessing the criteria set out in the accounting standards for measurement of completion based on input method and the impacts of the recognition of the revenue over a period of time on financial statements are significant.

**How our audit addressed the Key Audit Matter**

In respect of the revenue recognition based on input method, we performed the following audit procedures:

- Obtained an understanding of procedures and controls in relation to revenue recognition, and tested the design and operating effectiveness of key controls
  
- Procedures for total contract costs
  - Compared the total contract costs of the major contracts on the project management system with the accounting system for consistency.
  - Confirmed whether the total contract costs approved by an appropriate approver and reviewed reasonableness on the major components of the total contract costs.
  - Observed the internal review committee meeting on the appropriateness of the total contract costs.
  - Made inquiries to determine whether key facts have been appropriately reflected in the estimation of total contract costs using customer and site briefing document of major contracts, and examined related documents.
  - Made inquiries to determine projects with significant changes in total contract costs and examined the reason for changes.
  - Made inquiries to determine whether total contract costs of major contracts changed after the end of the reporting period and examined related documents.
  - Compared the total contract costs of major contracts with business plan.
  - Use of construction industry experts.
  
- Procedures for percentage of completion
  - Examined supporting document to test the occurrence, accuracy of amount and the appropriateness of cut-off through audit sampling from detailed listing of material and outsourcing costs for each project.
  - Reconciled the aggregate costs incurred from the system with those from the final account.
  - Examined details of replacement costs among projects.
  - Performed recalculation for accuracy of percentage of completion and calculation of sales

based on the percentage of completion.

- Procedures for changes in contracts
  - Reviewed the accounting policies of the Group related to the contract variation.
  - Confirmed whether the customer approved on the contract amount variation for major contracts.
  - Reviewed the reasonableness of the Group's review on possibilities of liquidated damages.

*(b) Collectability of due from customers for contract work with indication of impairment*

#### **Why it is determined to be a key audit matter**

As explained in Note 2 to the consolidated financial statements, the Group recognizes performance obligations satisfied over time based on percentage of completion by input method. When cumulative contract costs incurred to date plus recognized profit exceed progress billing, exceeding amount is presented as amounts due from customers for contract work, which amounted to 13% of the Group's total assets, as at December 31, 2019.

We focused on this area as the amount of due from customers for contract work is material to the Group, and uncertainty may exist in collectability due to customers' risk and others, and impact on the consolidated financial statements is significant.

#### **How our audit addressed the Key Audit Matter**

In respect of the collectability of due from customers for contract work, we performed the following audit procedures:

- Obtained an understanding of procedures and controls in relation to review in collectability of due from customers for contract work and tested the design and operating effectiveness of key controls.
- Procedures for due from customers for contract work
  - Made inquiries of reasons for the sites where the due from customers for contract work is material, and reviewed plan for billing.
  - Examined review performed by management for the collectability of due from customers for contract work.

#### **Other Matters**

The consolidated financial statements of the Group for the year ended December 31, 2018, were audited by Shinhan Accounting Corp., who expressed an unqualified opinion on those statements on March 7, 2019.

The accompanying consolidated financial statements as at and for the year ended December 31, 2019, have been translated into the U.S. dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 2 to the consolidated financial statements.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, 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.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 Yang-Soo Jeong, Certified Public Accountant.

Seoul, Korea  
March 11, 2020

This report is effective as of March 11, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2019 and 2018**

(in millions of Korean won  
and in thousands of USD (Note 2))

	Notes	2019		2018					
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	4,22,37,39,40	₩	2,586,007	₩	2,241,188	\$	2,233,552	\$	1,935,730
Short-term financial instruments	22,37,40		1,711,216		1,824,955		1,477,989		1,576,226
Trade receivables	5,22,36,40		1,984,169		2,176,726		1,713,741		1,880,054
Other receivables	5,22,29,36,37,40		1,755,324		1,322,349		1,516,086		1,142,122
Due from customers for contract work	5,29,36		2,282,472		2,679,723		1,971,387		2,314,496
Financial assets at amortized cost	9,22,40		3,280		14,692		2,833		12,690
Derivative assets	22, 24		-		9		-		8
Inventories	6,13		1,723,425		1,947,052		1,488,534		1,681,683
Current tax assets	34		3,318		4,898		2,866		4,230
Other current assets	7,13,36		1,122,782		1,125,176		969,755		971,822
			<u>13,171,993</u>		<u>13,336,768</u>		<u>11,376,743</u>		<u>11,519,061</u>
<b>Non-current assets</b>									
Long-term financial instruments	21,22,37,40		22,304		7,531		19,264		6,505
Long-term accounts receivables	5,22,40		358,977		379,385		310,051		327,677
Long-term other receivables	5,22,29,36,40		1,236,123		975,213		1,067,648		842,298
Financial assets at fair value through other comprehensive income	8,22,37		60,299		83,468		52,081		72,092
Financial assets at fair value through profit or loss	8,22,37		285,980		298,346		247,003		257,684
Financial assets at amortized cost	9,22,40		35,720		37,306		30,852		32,221
Investments in joint ventures and associates	10,36		62,049		45,891		53,592		39,636
Investment property	11		382,875		371,598		330,692		320,952
Property, plant and equipment	12		1,419,749		1,436,574		1,226,247		1,240,779
Right-of-use assets			81,530		-		70,418		-
Intangible assets	14		697,843		711,198		602,732		614,267
Deferred income tax assets	34		258,932		252,549		223,641		218,128
Other non-current assets	7		152,598		118,782		131,800		102,593
			<u>5,054,979</u>		<u>4,717,841</u>		<u>4,366,021</u>		<u>4,074,832</u>
<b>Total assets</b>			<u>₩ 18,226,972</u>		<u>₩ 18,054,609</u>		<u>\$ 15,742,764</u>		<u>\$ 15,593,893</u>



**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2019 and 2018**

(in millions of Korean won  
and in thousands of USD (Note 2))

	Notes	2019	2018	2019	2018
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade payables	16,22,36,40	₩ 1,696,586	₩ 2,256,754	\$ 1,465,353	\$ 1,949,174
Other payables	16,22,36,40	1,013,740	1,182,054	875,574	1,020,948
Advances from customers	29,36	934,384	1,193,947	807,034	1,031,220
Due to customers for contract work	29,36	1,886,336	1,461,712	1,629,242	1,262,491
Short-term borrowings	17,22,38,40	415,114	272,242	358,537	235,137
Current portion of long-term borrowings and debentures	17,22,38,40	423,036	328,612	365,379	283,824
Current tax liabilities	34	65,774	40,094	56,809	34,629
Provisions	18	172,805	34,066	149,253	29,423
Other financial liabilities	19,22,36,37,38,40	42,064	14,493	36,331	12,518
Lease liabilities	15	58,315	-	50,367	-
Other current liabilities	20	62,713	76,901	54,166	66,420
		<u>6,770,867</u>	<u>6,860,875</u>	<u>5,848,045</u>	<u>5,925,784</u>
<b>Non-current liabilities</b>					
Long-term other payables	16,22,40	394,795	425,499	340,987	367,506
Debentures	17,22,38,40	1,247,435	1,347,438	1,077,418	1,163,792
Long-term borrowings	17,22,38,40	503,417	458,363	434,805	395,891
Net defined benefit liabilities	21	7,941	17,034	6,859	14,712
Provision for long-term employee benefits		27,833	21,291	24,040	18,389
Provisions	18	388,254	451,076	335,338	389,598
Other financial liabilities	19,22,37,38,40	96,196	113,404	83,085	97,948
Lease liabilities	15	15,311	-	13,224	-
Other non-current liabilities	20	56,756	59,416	49,021	51,318
Deferred income tax liabilities	34	3,185	8,357	2,751	7,218
		<u>2,741,123</u>	<u>2,901,878</u>	<u>2,367,528</u>	<u>2,506,372</u>
<b>Total liabilities</b>		<u>9,511,990</u>	<u>9,762,753</u>	<u>8,215,573</u>	<u>8,432,156</u>
<b>Equity</b>					
<b>Equity attributable to owners of the Parent Company</b>					
Share capital	1,25,40	557,273	557,273	481,321	481,321
Other paid-in capital	25,40	1,013,764	997,930	875,595	861,919
Other components of equity	26,40	(233,700)	(267,546)	(201,848)	(231,081)
Retained earnings	27,40	5,325,219	4,986,437	4,599,429	4,306,821
		<u>6,662,556</u>	<u>6,274,094</u>	<u>5,754,497</u>	<u>5,418,980</u>
<b>Non-controlling interest</b>		<u>2,052,426</u>	<u>2,017,762</u>	<u>1,772,695</u>	<u>1,742,755</u>
<b>Total equity</b>		<u>8,714,982</u>	<u>8,291,856</u>	<u>7,527,192</u>	<u>7,161,735</u>
<b>Total liabilities and equity</b>		<u>₩ 18,226,972</u>	<u>₩ 18,054,609</u>	<u>\$ 15,742,765</u>	<u>\$ 15,593,891</u>

The U.S. dollar amounts are provided for information purpose only and do not form part of the audited consolidated financial statements. Refer to Note 2.  
The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2019 and 2018**

(in millions of Korean won  
and in thousands of USD (Note 2))

	Notes	2019	2018	2019	2018
<b>Sales</b>	28,29,36	₩ 17,278,792	₩ 16,730,894	\$ 14,923,814	\$ 14,450,591
<b>Cost of sales</b>	29,33,36	15,552,887	15,069,747	13,433,138	13,015,846
<b>Gross profit</b>		1,725,905	1,661,147	1,490,676	1,434,745
Selling and administrative expenses	30,33,36	866,238	821,158	748,176	709,240
<b>Operating profit</b>		859,667	839,989	742,500	725,505
Share of profit of joint ventures and associates		378	1,856	326	1,603
Share of loss of joint ventures and associates		8,097	18,299	6,993	15,805
Finance income	23,31,36	151,832	283,085	131,138	244,503
Finance costs	23,31,33,36	148,370	172,583	128,148	149,061
Other income	32,36	228,191	257,050	197,090	222,016
Other expenses	32,33,36	284,670	293,236	245,871	253,270
<b>Profit before income tax</b>		798,931	897,862	690,042	775,491
Income tax expense	34	225,600	362,559	194,852	313,145
<b>Profit for the year</b>	27	₩ 573,331	₩ 535,303	\$ 495,190	\$ 462,346
<b>Other comprehensive income, net of tax</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Share of other comprehensive income of joint ventures and associates		₩ (1)	₩ 1	\$ (1)	\$ 1
Remeasurements of defined benefit liabilities	21,27	(30,664)	(18,799)	(26,485)	(16,237)
Gain on valuation of financial assets at fair value through other comprehensive income	23,26	5,873	2,790	5,073	2,410
<i>Items that may be subsequently reclassified to profit or loss</i>					
Loss on foreign operation translation	26	(8,373)	(191,129)	(7,232)	(165,079)
		(33,165)	(207,137)	(28,645)	(178,905)
<b>Total comprehensive income for the year</b>		₩ 540,166	₩ 328,166	\$ 466,545	\$ 283,441
<b>Profit is attributable to:</b>					
Owners of the Parent Company		₩ 407,428	₩ 381,606	\$ 351,898	\$ 329,596
Non-controlling interest		165,903	153,697	143,292	132,749
<b>Total comprehensive income for the year is attributable to:</b>					
Owners of the Parent Company		428,360	225,077	369,978	194,401
Non-controlling interests		111,806	103,089	96,568	89,039
<b>Earnings per share (in Korean won and in U.S. dollars)</b>					
Basic earnings per share of ordinary share	35	3,656	3,424	3.00	3.00
Basic earnings per share of preferred share	35	3,706	3,474	3.00	3.00

The U.S. dollar amounts are provided for information purpose only and do not form part of the audited consolidated financial statements. Refer to Note 2.  
The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2019 and 2018**

(in millions of Korean won)

	Attributable to owners of the Parent Company					
	Share capital	Other paid-in capital	Other components of equity	Retained earnings	Non-controlling interests	Total
<b>Balance at January 1, 2018</b>	₩ 557,273	₩ 1,028,151	₩ 68,973	₩ 4,813,249	₩ 2,005,292	₩ 8,472,938
Changes in accounting policies	-	-	(189,409)	(143,268)	(40,179)	(372,856)
<b>Total comprehensive income (loss)</b>						
Profit for the year	-	-	-	381,606	153,697	535,303
Other comprehensive income						-
Remeasurements of defined benefit liabilities	-	-	-	(9,593)	(9,206)	(18,799)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	(1,013)	175	3,628	2,790
Loss on foreign operations translation	-	-	(146,098)	-	(45,031)	(191,129)
Share of other comprehensive income of joint ventures and associates	-	-	1	-	-	1
<b>Total comprehensive income (loss) for the year</b>	-	-	(147,110)	372,188	103,088	328,166
<b>Transactions with owners</b>						
Payments of dividends	-	-	-	(55,732)	(52,112)	(107,844)
<b>Total transactions with owners</b>	-	-	-	(55,732)	(52,112)	(107,844)
<b>Others</b>						
Capital increase	-	-	-	-	3,610	3,610
Acquisition and disposal of subsidiaries	-	(30,221)	-	-	(1,937)	(32,158)
	-	(30,221)	-	-	1,673	(28,548)
<b>Balance at December 31, 2018</b>	₩ 557,273	₩ 997,930	₩ (267,546)	₩ 4,986,437	₩ 2,017,762	₩ 8,291,856
<b>Balance at January 1, 2019</b>	₩ 557,273	₩ 997,930	₩ (267,546)	₩ 4,986,437	₩ 2,017,762	₩ 8,291,856
<b>Total comprehensive income (loss)</b>						
Profit for the year	-	-	-	407,428	165,903	573,331
Other comprehensive income						
Remeasurements of defined benefit liabilities	-	-	-	(22,797)	(7,867)	(30,664)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	(3,835)	9,883	(175)	5,873
Gain (loss) on foreign operations translation	-	-	37,682	-	(46,055)	(8,373)
Share of other comprehensive income of joint ventures and associates	-	-	(1)	-	-	(1)
<b>Total comprehensive income for the year</b>	-	-	33,846	394,514	111,806	540,166
<b>Transactions with owners</b>						
Payments of dividends	-	-	-	(55,732)	(52,026)	(107,758)
<b>Total transactions with owners</b>	-	-	-	(55,732)	(52,026)	(107,758)
<b>Others</b>						
Acquisition and disposal of subsidiaries	-	15,834	-	-	(25,116)	(9,282)
<b>Balance at December 31, 2019</b>	₩ 557,273	₩ 1,013,764	₩ (233,700)	₩ 5,325,219	₩ 2,052,426	₩ 8,714,982

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**Years Ended December 31, 2019 and 2018**

(in thousands of USD (Note 2))

	Attributable to owners of the Parent Company					Total
	Share capital	Other paid-in capital	Other components of equity	Retained earnings	Non-controlling interests	
<b>Balance at January 1, 2018</b>	\$ 481,321	\$ 888,021	\$ 59,572	\$ 4,157,237	\$ 1,731,985	\$ 7,318,136
Changes in accounting policies	-	-	(163,594)	(123,742)	(34,703)	(322,039)
<b>Total comprehensive income (loss)</b>						
Profit for the year	-	-	-	329,596	132,749	462,345
Other comprehensive income						
Remeasurements of defined benefit liabilities	-	-	-	(8,286)	(7,951)	(16,237)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	(875)	151	3,134	2,410
Loss on foreign operations translation	-	-	(126,186)	-	(38,894)	(165,080)
Share of other comprehensive income of joint ventures and associates	-	-	1	-	-	1
<b>Total comprehensive income (loss) for the year</b>	-	-	(127,060)	321,461	89,038	283,439
<b>Transactions with owners</b>						
Payments of dividends	-	-	-	(48,136)	(45,010)	(93,146)
<b>Total transactions with owners</b>	-	-	-	(48,136)	(45,010)	(93,146)
<b>Others</b>						
Capital increase	-	-	-	-	3,118	3,118
Acquisition and disposal of subsidiaries	-	(26,102)	-	-	(1,673)	(27,775)
	-	(26,102)	-	-	1,445	(24,657)
<b>Balance at December 31, 2018</b>	\$ 481,321	\$ 861,919	\$ (231,082)	\$ 4,306,820	\$ 1,742,755	\$ 7,161,733
<b>Balance at January 1, 2019</b>	\$ 481,321	\$ 861,919	\$ (231,081)	\$ 4,306,821	\$ 1,742,755	\$ 7,161,735
<b>Total comprehensive income (loss)</b>						
Profit for the year	-	-	-	351,898	143,292	495,190
Other comprehensive income						
Remeasurements of defined benefit liabilities	-	-	-	(19,690)	(6,795)	(26,485)
Gain (loss) on valuation of financial assets at fair value through other comprehensive income	-	-	(3,312)	8,536	(151)	5,073
Gain (loss) on foreign operations translation	-	-	32,546	-	(39,778)	(7,232)
Share of other comprehensive income of joint ventures and associates	-	-	(1)	-	-	(1)
<b>Total comprehensive income for the year</b>	-	-	29,233	340,744	96,568	466,545
<b>Transactions with owners</b>						
Payments of dividends	-	-	-	(48,136)	(44,935)	(93,071)
<b>Total transactions with owners</b>	-	-	-	(48,136)	(44,935)	(93,071)
<b>Others</b>						
Acquisition and disposal of subsidiaries	-	13,676	-	-	(21,693)	(8,017)
<b>Balance at December 31, 2019</b>	\$ 481,321	\$ 875,595	\$ (201,848)	\$ 4,599,429	\$ 1,772,695	\$ 7,527,192

The U.S. dollar amounts are provided for information purpose only and do not form part of the audited consolidated financial statements. Refer to Note 2.

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.



# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

#### 1. General Information

Hyundai Engineering & Construction Co., Ltd. (the Company or the Parent Company), the parent company in accordance with Korean IFRS 1110 *Consolidated Financial Statements*, was incorporated on January 10, 1950, under the laws of the Republic of Korea to engage in civil engineering and construction business. On December 22, 1984, the Company listed its shares on the Korea Stock Exchange. Total ordinary shares and preferred shares as at December 31, 2019, are ₩ 556,779 million (\$ 480,894 thousand) and ₩ 494 million (\$ 427 thousand), respectively. The details of the Company's shareholders as at December 31, 2019, are as follows:

	Number of shares		Percentage of ownership (%)	
	Ordinary share	Preferred share	Ordinary share	Preferred share
Hyundai Motor Company	23,327,400	-	20.95	-
Hyundai Mobis Co., Ltd.	9,719,750	-	8.73	-
Kia Motors Corporation	5,831,850	-	5.24	-
Other shareholders	72,476,765	98,856	65.08	100.00
	<u>111,355,765</u>	<u>98,856</u>	<u>100.00</u>	<u>100.00</u>

#### 1.1 Consolidated Subsidiaries

There are 33 subsidiaries, including Hyundai Engineering Co., Ltd., and details of subsidiaries as at December 31, 2019 and 2018, is as follows:

Name of subsidiary	Main business	Location	Closing date	Ownership interest held by the Group (%)	
				2019	2018
Hyundai Engineering Co., Ltd. <sup>1</sup>	Construction	Korea	Dec.31	38.62	38.62
Hyundai Engineering & Steel Industries Co., Ltd.	Steel structure manufacturing and installation	Korea	Dec.31	100.00	100.00
Hyundai Architects & Engineers Assoc.	Architectural design and facility maintenance	Korea	Dec.31	84.79	84.79
Hyundai Farm Land & Development Co., Ltd.	Agricultural management and livestock industry	Korea	Dec.31	84.67	84.67
Hyundai City Corporation	Real estate suppliers	Korea	Dec.31	100.00	100.00
Hyundai Engineering & Construction (Wuxi) Co., Ltd.	Construction	China	Dec.31	100.00	100.00
Hyundai Asian Technics (Pte) Ltd.	Construction	Singapore	Dec.31	-	100.00
Hyundai Rnc HATAY Co., Ltd.	Real estate developer	Vietnam	Dec.31	100.00	100.00
Middle East Engineering & Development Co., Ltd.	Construction	Saudi Arabia	Dec.31	100.00	100.00
Hyundai E&C Vina Song Gia Co., Ltd.	Management of resort condominium	Vietnam	Dec.31	100.00	100.00
Hyundai Energy Inc. <sup>2</sup>	Production of steam, cold	Korea	Dec.31	49.00	49.00

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Name of subsidiary	Main business	Location	Closing date	Ownership interest held by the Group (%)	
				2019	2018
	and hot water and air-conditioning				
Songdo Landmark City, LLC	Real estate development and supply	Korea	Dec.31	99.28	94.20
PT. Hyundai Citra	Equipment maintenance	Indonesia	Dec.31	95.00	95.00
CONSORCIO PUENTE CHACAO S.A.	Construction	Chile	Dec.31	99.00	51.00
Hyundai Eco Energy Co, Ltd.	Electricity production	Korea	Dec.31	81.00	81.00
GEC Engineering & Construction Co., Ltd	Construction	Myanmar	Dec.31	100.00	100.00
Hyundai Engineering Pakistan Private Limited	Construction	Pakistan	Dec.31	99.99	99.99
Hyundai Engineering India Private Limited	Construction and engineering services	India	Mar.31	100.00	100.00
HYUNDAI ENG AMERICA, INC.	Construction of commercial building	USA	Dec.31	100.00	100.00
HYUNDAI ENGINEERING RUS. L.L.C.	Construction of commercial building	Russia	Dec.31	100.00	100.00
HYUNDAI ENGINEERING INSAAT TURIZM SANAYI VE TICARET LIMITED SIRKETI	Construction of commercial building	Turkey	Dec.31	100.00	100.00
HYUNDAI ENGINEERING CHINA (BEIJING) CO., LTD. (formerly, AMCO CHINA (BEIJING) CO., LTD.)	Construction of commercial building	China	Dec.31	90.00	90.00
HYUNDAI AMCO CHINA (RIZHAO) CO.,LTD <sup>3</sup>	Business facility management service	China	Dec.31	100.00	100.00
HYUNDAI ENGINEERING DEUTSCHLAND GmbH	Construction of commercial building	Germany	Dec.31	100.00	100.00
HYUNDAI ENGINEERING BRASIL CONSTRUTORAE GESTAO DE PROJETOS LTDA.	Construction of commercial building	Brazil	Dec.31	100.00	100.00
HYUNDAI ENGINEERING CZECH s.r.o.	Construction of commercial building	Czech	Dec.31	100.00	100.00
HYUNDAI ENGINEERING SLOVAKIA s.r.o.	Construction of commercial building	Slovakia	Dec.31	100.00	100.00
GALING POWER & ENERGY CONSTRUCTION CO. INC.	Construction	Philippines	Dec.31	100.00	100.00
HYUNDAI ENGINEERING MEXICO, S. DE R.L. DE C.V.	Construction	Mexico	Dec.31	100.00	100.00
HYUNDAI AMCO MEXICO S. DE R.L.	Construction	Mexico	Dec.31	-	100.00
PT.HEIN GLOBAL UTAMA	Construction	Indonesia	Dec.31	67.00	67.00
HYUNDAI ENGINEERING MALAYSIA SDN BHD	Construction	Malaysia	Dec.31	100.00	100.00
HEC INDIA LLP	Construction	India	Mar.31	100.00	100.00

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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<b>Name of subsidiary</b>	<b>Main business</b>	<b>Location</b>	<b>Closing date</b>	<b>Ownership interest held by the Group (%)</b>	
				<b>2019</b>	<b>2018</b>
HG POWER LLC	Construction	Guam	Dec.31	100.00	-
HESI SINGAPORE PTE. LTD.	Rental of heavy equipment	Singapore	Dec.31	100.00	-

<sup>1</sup> Hyundai Engineering Co., Ltd. is classified as a subsidiary since the entity is substantially controlled by the Group in accordance with the agreement with other investors who are related parties.

<sup>2</sup> Hyundai Energy Inc. is classified as a subsidiary in consideration of potential voting rights.

<sup>3</sup> It is a subsidiary of HYUNDAI ENGINEERING CHINA (BEIJING) Co., Ltd. (formerly, AMCO CHINA (BEIJING) CO., LTD.)

**1.2 Changes in Scope of Consolidation**

Subsidiaries newly included in and excluded from consolidation for the year ended December 31, 2019, are as follows:

<b>Subsidiary</b>	<b>Reason</b>
HESI SINGAPORE PTE. LTD.	Newly established
HG POWER LLC	Newly established
Hyundai Asian Technics (Pte) Ltd.	Liquidation completed during the year ended December 31, 2019
HYUNDAI AMCO MEXICO S. DE R.L.	Liquidation completed during the year ended December 31, 2019



**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**1.3 Information for Non-controlling Interests**

As at December 31, 2019 and 2018, summarized financial positions of subsidiaries, of which non-controlling interests are material to the Group's consolidated financial statements, are as follows:

<i>(in millions of Korean won)</i>	<b>Hyundai Engineering Co., Ltd.</b>	
	<b>2019</b>	<b>2018</b>
Current assets	₩ 4,904,348	₩ 4,772,936
Non-current assets	1,418,168	1,473,957
Total assets	₩ 6,322,516	₩ 6,246,893
Current liabilities	₩ 2,504,606	₩ 2,368,925
Non-current liabilities	315,880	494,686
Total liabilities	2,820,486	2,863,611
Equity attributable to the owners of the Parent Company	3,508,739	3,389,085
Non-controlling interests	(6,709)	(5,803)
Total equity	₩ 3,502,030	₩ 3,383,282

<i>(in thousands of USD (Note2))</i>	<b>Hyundai Engineering Co., Ltd.</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 4,235,920	\$ 4,122,418
Non-current assets	1,224,882	1,273,067
Total assets	\$ 5,460,802	\$ 5,395,485
Current liabilities	\$ 2,163,246	\$ 2,046,057
Non-current liabilities	272,828	427,264
Total liabilities	\$ 2,436,074	\$ 2,473,321
Equity attributable to the owners of the Parent Company	\$ 3,030,523	\$ 2,927,177
Non-controlling interests	(5,795)	(5,012)
Total equity	\$ 3,024,728	\$ 2,922,164

The above summarized financial position is based on the consolidated financial position of subsidiaries before the elimination of the intercompany transactions.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Condensed business performance of subsidiaries, of which non-controlling interests are material to the Group's consolidated financial statements, for the years ended December 31, 2019 and 2018, is summarized as follows:

<i>(in millions of Korea won)</i>	<b>Hyundai Engineering Co., Ltd.</b>			
	<b>2019</b>		<b>2018</b>	
Sales	₩	6,801,060	₩	6,286,224
Operating profit		408,107		453,692
Profit for the year		298,471		279,092
Other comprehensive income		(92,547)		(83,026)
Total comprehensive income		205,924		196,066

<i>(in thousands of USD (Note2))</i>	<b>Hyundai Engineering Co., Ltd.</b>			
	<b>2019</b>		<b>2018</b>	
Sales	\$	5,874,123	\$	5,429,456
Operating profit		352,485		391,857
Profit for the year		257,792		241,054
Other comprehensive income		(79,933)		(71,710)
Total comprehensive income		177,858		169,344

The above summarized business performance is based on the consolidated business performance of subsidiaries before the elimination of the intercompany transactions.

Condensed cash flows of subsidiaries, of which non-controlling interests are material to the Group's consolidated financial statements, for the years ended December 31, 2019 and 2018, are summarized as follows:

<i>(in millions of Korea won)</i>	<b>Hyundai Engineering Co., Ltd.</b>			
	<b>2019</b>		<b>2018</b>	
Cash flows from operating activities	₩	399,097	₩	(137,209)
Cash flows from investing activities		474,472		(6,307)
Cash flows from financing activities		(212,705)		(81,466)
Net increase (decrease) in cash and cash equivalents		660,864		(224,982)
Cash and cash equivalents at the beginning of the year		523,992		745,387
Effects of exchange rate changes on cash and cash equivalents		3,315		3,587
Cash and cash equivalents at the end of the year	₩	1,188,171	₩	523,992

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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<i>(in thousands of USD (Note2))</i>	<b>Hyundai Engineering Co., Ltd.</b>	
	<b>2019</b>	<b>2018</b>
Cash flows from operating activities	\$ 344,703	\$ (118,508)
Cash flows from investing activities	409,805	(5,447)
Cash flows from financing activities	(183,715)	(70,363)
Net increase (decrease) in cash and cash equivalents	570,793	(194,319)
Cash and cash equivalents at the beginning of the year	452,576	643,796
Effects of exchange rate changes on cash and cash equivalents	2,863	3,098
Cash and cash equivalents at the end of the year	\$ 1,026,232	\$ 452,576

The above summarized cash flows is based on the consolidated cash flows of subsidiaries before the elimination of the intercompany transactions.

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

#### 1.4 Financial Position and Performance of Major Subsidiaries

Condensed financial position and business performance of major subsidiaries as at and for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	2019			
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Sales</b>	<b>Loss for the year</b>
Hyundai Engineering & Steel Industries Co., Ltd.	₩ 504,724	₩ 108,957	₩ 255,150	₩ (345)
Hyundai City Corporation	487,841	89,141	10,576	(309)

<i>(in thousands of USD (Note2))</i>	2019			
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Sales</b>	<b>Loss for the year</b>
Hyundai Engineering & Steel Industries Co., Ltd.	\$ 435,934	\$ 94,107	\$ 220,375	\$ (298)
Hyundai City Corporation	421,352	76,992	9,135	(267)

<i>(in millions of Korean won)</i>	2018			
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Sales</b>	<b>Profit (loss) for the year</b>
Hyundai Engineering & Steel Industries Co., Ltd.	₩ 497,267	₩ 101,442	₩ 276,655	₩ (10,149)
Hyundai City Corporation	479,546	80,535	77,944	4,008

<i>(in thousands of USD (Note2))</i>	2018			
	<b>Total assets</b>	<b>Total liabilities</b>	<b>Sales</b>	<b>Profit (loss) for the year</b>
Hyundai Engineering & Steel Industries Co., Ltd.	\$ 429,493	\$ 87,616	\$ 238,949	\$ (8,766)
Hyundai City Corporation	414,187	69,559	67,321	3,462

## 2. Significant Accounting Policies

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

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

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

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The Group operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All Korean won amounts are expressed in the U.S. dollars at US\$1: ₩ 1,157.80, the exchange rate in effect on December 31, 2019. Such presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States, and should not be construed as a representation that the Korean won amounts shown could be readily converted, realized or settled in the U.S. dollars at this or any other rate.

The December 31, 2018 U.S. dollar amounts, which were previously expressed at US\$ 1: ₩ 1,118.10, the rate in effect on December 31, 2018, have been restated to reflect the exchange rate in effect on December 31, 2019.

#### **2.1 Basis of Preparation**

The Group has prepared the consolidated financial statements in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The significant accounting policies used for the preparation of the consolidated financial statements are summarized below. These accounting policies are consistent with those applied to the consolidated financial statements for the year ended December 31, 2018, except for the adoption effect of the new accounting standards and interpretations described below.

The accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given.

##### *2.1.1 New and amended standards adopted by the Group*

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

##### *(a) Enactment of Korean IFRS 1116 Leases*

Korean IFRS 1116 *Lease* replaces Korean IFRS 1017 *Leases*. With implementation of Korean IFRS 1116 *Lease*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are as follows.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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i) Adjustments recognized on adoption of Korean IFRS 1116 *Lease*

Korean IFRS 1116 provides a single model where lessee recognize assets and liabilities in relation with lease contract on financial statements. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.1%.

There are optional exemptions for short-term leases and leases of low value assets. The Group elected to apply the short-term lease exemption and the exemption relating to leases of low-value assets for all types of leases.

A lessor's accounting treatment is similar to the existing standard that classifies leases as finance leases and operating leases. The impacts on the Group's financial statements with adoption of Korean IFRS Leases are as follows and details of right-of-use assets recognized on January 1, 2019, is explained in Note 11.

<i>(in millions of Korean won)</i>	<b>Before adjustments</b>	<b>Adjustments<sup>1</sup></b>	<b>After adjustments</b>
Assets	₩ 18,054,609	₩ 47,049	₩ 18,101,658
Liabilities	9,762,753	47,049	9,809,802
Equity	₩ 8,291,856	-	₩ 8,291,856

<i>(in thousands of USD (Note 2))</i>	<b>Before adjustments</b>	<b>Adjustments<sup>1</sup></b>	<b>After adjustments</b>
Assets	\$ 15,593,893	\$ 40,637	\$ 15,634,529
Liabilities	8,432,158	40,637	8,472,795
Equity	\$ 7,161,734	-	\$ 7,161,734

<sup>1</sup> Adjustments are as follows:

- Intangible assets: decrease by ₩ 10,356 million (\$ 8,945 thousand)
- Right-of-use assets: increase by ₩ 57,405 million (\$ 49,581 thousand)
- Lease liabilities: increase by ₩ 47,049 million (\$ 40,637 thousand)

ii) Practical expedients applied

The Group applied practical expedient that maintains the definition of lease for the lease contracts existing at the date of initial application. When the practical expedient is applied, leases contracted before January 1, 2019 and identified as a lease under Korean IFRS 1017 or Korean IFRS 2104 *Determining whether an Arrangement contains a Lease* are accounted

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

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for by applying Korean IFRS 1116 without reassessing whether the contracts satisfy the definition of lease under the new standard. The Group has used the following practical expedients:

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

#### *(b) Amendment to Korean IFRS 1109 Financial Instruments – Prepayment Features with Negative Compensation*

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

#### *(c) Amendments to Korean IFRS 1019 Employee Benefits –Amendment, Curtailment or Settlement of the Plan*

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

#### *(d) Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

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#### *(e) Enactment to Interpretation of Korean IFRS 2123 Uncertainty over Income Tax Treatments*

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

#### *(f) Annual Improvements to Korean IFRS 2015 – 2017 Cycle:*

- Amendments to Korean IFRS 1103 *Business Combination*

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

- Amendments to Korean IFRS 1111 *Joint Agreements*

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

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

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

- Korean IFRS 1023 *Borrowing Costs*

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

#### *2.1.2 New standards and interpretations not yet adopted by the Group*

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the



# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

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Group.

*(a) Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

*(b) Amendments to Korean IFRS 1103 Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

## 2.2 Significant Accounting Policies

### (1) Consolidation

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

#### 1) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

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basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognized in profit or loss.

#### 2) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

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#### 3) Joint Arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

#### (2) Cash and Cash Equivalents

Cash and cash equivalents include cash, checks issued by others, checking accounts, ordinary deposits, and financial instruments with maturities (or date of redemption) of three months or less from acquisition, which can be easily converted into cash and whose value changes are not material due to changes in interest rates.

#### (3) Financial Assets

##### 1) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

##### 2) Measurement

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly

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attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### a) Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

##### ① Financial assets measured at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

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

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'Other income and expenses' and impairment losses are presented in 'Other expenses'.

##### ③ Financial assets measured at fair value through profit or loss

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'Finance income and expenses' in the year in which it arises.

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#### b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'Finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Other income and expenses' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

#### 3) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables and lease receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

#### 4) Recognition and Derecognition

Purchases and sales of financial assets in the ordinary course of business are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as "borrowings" in the statement of financial position.

#### 5) Offsetting of financial instruments

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

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#### (4) Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'Other income and expenses' or 'Finance income and expenses' based on the nature of transactions.

#### (5) Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined using the first-in, first-out method for merchandise, supplies and raw materials; specific identification method for land for construction and materials in transit; and weighted-average method for finished and unfinished housing units. The cost of construction support materials is determined at cost, less accumulated expenses incurred. The amount of any write-down of inventories to net realizable value due to obsolescence or excess inventory and other losses of inventories occurring in the normal course of business is recognized as cost of revenues, and such valuation losses are deducted from the inventories as allowance for valuation losses. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### (6) Investment Property

Investment property is a property held to earn rentals or for capital appreciation, or both. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is reported at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from 11 to 60 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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#### (7) Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized at the carrying amount of an asset or as a separate asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land and construction in progress. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Estimated useful lives (years)</u>
Buildings	5 - 60
Structures	2 - 48
Machinery	1 - 30
Vehicles	2 - 7
Tools and fixtures	2 - 20
Ship	3 - 15
Other	4 - 50

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

#### (8) Intangible Assets

Intangible assets are initially recognized at acquisition cost (purchase cost, plus expenditure directly related to preparing the assets ready for its use) and subsequently presented at amortized cost. In relation to intangible assets with indefinite useful lives, the estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for as a change in accounting estimates.

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An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

#### (9) Lease

The Group leases various construction equipment, vehicles, buildings and others. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.



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To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- adjusts specific factors to the lease, for example term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture

#### (10) Impairment of Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are

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tested for impairment at least annually, and irrespective of whether there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell, and value in use. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently is reversed, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### (11) Financial Liabilities and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and an equity instrument.

##### 1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized as the proceeds are received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

##### 2) Financial liabilities

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

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

##### 3) Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments

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to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- The amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments*; and
- The amount initially recognized, less cumulative amortization recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*.

#### 4) Derecognition of financial liabilities

The Group derecognizes financial liabilities when the Group's obligations are discharged, canceled, they expire or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### (12) Employee Benefits

##### 1) Post-employment benefits

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

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution has been paid. The contribution is recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

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#### 2) Other long-term employee benefits

The Group provide long-term employee benefits that are entitled to employees with service period for ten years and above. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The Group recognizes service cost, net interest on other long-term employee benefits and remeasurements as profit or loss for the year. These liabilities are valued annually by an independent qualified actuary.

#### 3) Termination benefit

A liability for termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognizes any related restructuring costs.

#### (13) Provisions

A provision is 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during that period.

#### (14) Revenue Recognition

##### 1) Identification of performance obligations

The Group identifies the performance obligation in the contract with customers. Different performance obligation shall be identified if customer benefits from goods or service or customer benefits from goods or service with other resources that are readily available and

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promise to customer to transfer goods or service is separately identified from another promise within a contract.

#### 2) A performance obligation satisfied over time

Revenue is recognized over time by measuring progress only if 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.

For housing contracts meeting conditions under Korea Accounting Institute's Question and Answer, 2017-I-KQA015, revenue of the number of residential units the Group built and sold is recognized using percentage of completion method, and the accounting treatment is allowed only for Korean IFRS in accordance with Section 1, Paragraph 1 of Article 13 of the Act on External Audit of Stock Companies.

#### 3) Progress measurement using input method

The Group recognizes performance obligations satisfied over time based on percentage of completion by input method after excluding the effects of any inputs that do not depict the performance. In addition, if the Group may not be able to reasonably measure the outcome of a performance obligation, but the Group expects to recover the cost incurred in satisfying the performance obligation, the Group will recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Meanwhile, a faithful depiction of the Group's performance might be to recognize revenue at an amount equal to the cost of goods used to satisfy a performance obligation if the Group expects at contract inception that all of the following conditions would be met: i) the goods are not distinct; ii) the customer is expected to obtain control of the goods significantly before receiving services related to the goods; iii) the cost of the transferred goods is significant relative to the total expected costs to completely satisfy the performance obligation; and iv) the Group procures the goods from a third party and is not significantly involved in designing and manufacturing the goods.

When contract costs incurred to date plus recognized profits exceed progress billing, the exceeding amount is presented as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits, the exceeding amount is presented as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statements of financial position, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statements of financial position as trade and other receivables.

The Group recognizes other income when the amount of revenue can be reasonably measured and it is probable that any future economic benefit associated with the item of revenue will flow to the entity.

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#### 4) Variable consideration

The Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes 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.

#### 5) Incremental costs of obtaining a contract

The incremental costs of obtaining a contract are those contracts that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The costs to obtain a contract will be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained. The Group reviews the incremental costs of obtaining a contract based on each incurred items and recognizes the capitalized costs as contract cost based on percentage of completion.

#### 6) Costs to fulfill a contract

The Group shall recognize an asset for contract fulfillment costs only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract ;
- the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future ; and
- the costs are expected to be recovered.

#### (15) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### (16) Foreign Currency Translation

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

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In preparation of the Group's consolidated financial statements, any transaction occurred in currency other than its functional currency will be recorded in translated amount using the exchange rate of the transaction. At the end of the reporting period, all monetary assets and liabilities will be translated using the exchange rate. Meanwhile, non-monetary assets and liabilities measured at fair value will be retranslated using the exchange rate at the date of fair value evaluation, whereas non-monetary assets and liabilities measured at historical cost will not be translated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- Exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

In case of foreign assets and liabilities of overseas branches and offices for which the operating and financial activities operate independently with the headquarters, the Group translates assets and liabilities using the exchange rate at the end of the reporting period, equity using historical exchange rate and income and expenses using the average exchange rate in the current period.

Gains and losses arising from the translation are offset and recognized in other component equity as gain (loss) on translation of foreign operations. The amount will be offset with gains (losses) on translation of foreign operations arising in future periods and recognized in profit or loss in the period when the branches and offices are disposed, closed or liquidated.

#### (17) Non-current Assets Held for Sale

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 continued use. 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. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value, less costs to sell.

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#### (18) Income Tax Expense and Deferred Income Tax

Income tax expense represents the sum of the taxes currently payable and deferred.

##### 1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### 2) Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period.



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Deferred income tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred income tax assets and 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 income tax liabilities or assets are expected to be settled or recovered.

#### 3) Current tax and deferred income tax for the year

Current tax and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity or items arising from initial accounting treatments of a business combination. The tax effect arising from a business combination is included in the accounting for the business combination.

#### (19) Fair Value

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Korean IFRS 1102, leasing transactions that are within the scope of Korean IFRS 1116 *Leases* and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in Korean IFRS 1002 *Inventories* or value in use in Korean IFRS 1036 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

#### (20) Approval of Issuance of the Consolidated Financial Statements

The 2019 consolidated financial statements were approved for issue by the Board of Directors on February 28, 2020 and are subject to change with the approval of shareholders at their Annual General Meeting.

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

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### 3. Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *(a) Uncertainty of the estimated total contract revenue*

Total contract revenue is measured based on contractual amount initially agreed. The contract revenue can be increased by additional contract work, claims and incentive payments in the course of construction, or decreased by the penalty when the completion of contract is delayed due to the Group's fault. Therefore, this measurement of contract revenue is affected by the uncertainty of the occurrence of future events. The change in contract revenue is recognized when it is probable that the customer will approve the increase in revenue due to the changes in contract work, or when it is probable that the Group will be able to satisfy the performance requirements, and all or part of variable consideration up to level that it is highly probable which significant amounts of being estimated reliably will not be reversed, is included in the contract revenue.

#### *(b) Uncertainty of the estimated total contract revenue due to delay*

Measurement of construction revenue is affected by the uncertainty of the occurrence of future events. Since the contract revenue can be decreased by the penalty when the completion of contract is delayed due to the Group's fault, the Group estimates the delay compensation from past experiences for contracts expected to delay.

#### *(c) Estimated total contract costs*

Construction revenue is recognized according to the percentage of completion, which is measured on the basis of the cost incurred to date. Total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others.

#### *(d) Income taxes*

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments or increase in wages, the Group is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new

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tax system. As the Group's income tax is dependent on the investments, increase in wages and other, there is an uncertainty measuring the final tax effects.

#### *(e) Fair value of financial instruments*

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

#### *(f) Net defined benefit liability*

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

#### *(g) Provisions*

The Group recognizes provision for warranty reserve related to construction contracts at the end of the reporting period. The amounts are estimated based on historical data.

#### *(h) Lease*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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**4. Cash and Cash Equivalents**

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

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Cash on hand	₩ 1,724	₩ 1,395
Checking deposits	213,751	287,767
Ordinary deposits	2,370,532	1,952,026
	<u>₩ 2,586,007</u>	<u>₩ 2,241,188</u>

  

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 1,489	\$ 1,205
Checking deposits	184,618	248,546
Ordinary deposits	2,047,445	1,685,979
	<u>\$ 2,233,552</u>	<u>\$ 1,935,730</u>

**5. Trade, Other Receivables, Due from Customers for Contract Work, Long-term Accounts Receivables and Long-term Other Receivables**

Details of trade, other receivables, due from customers for contract work, long-term accounts receivable and long-term other receivables as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Trade receivables	₩ 24,862	₩ 29,767
Trade receivables	(395)	(408)
Provision for impairment	352,508	396,672
Receivables from real estate sales	(300)	-
Provision for impairment	1,798,273	1,917,100
Construction work trade receivables	(190,778)	(166,405)
Provision for impairment	<u>₩ 1,984,170</u>	<u>₩ 2,176,726</u>
Other receivables	₩ 833,108	₩ 563,860
Short-term guarantee deposits	(21,797)	(15,896)
Provision for impairment	43,225	57,675
Short-term loans	(421)	(753)
Provision for impairment	773,911	625,640
Non-trade receivables	(106,555)	(108,964)
Provision for impairment	31,541	46,570
Accrued income	(8,766)	(8,994)
Provision for impairment		

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<i>(in millions of Korean won)</i>		<b>2019</b>	<b>2018</b>
	Current portion of long-term loans	213,253	164,578
	Provision for impairment	(2,175)	(1,367)
		<u>₩ 1,755,324</u>	<u>₩ 1,322,349</u>
Due from customers for contract work	Due from customers for contract work	₩ 2,323,186	₩ 2,747,139
	Provision for impairment	(40,714)	(67,416)
		<u>₩ 2,282,472</u>	<u>₩ 2,679,723</u>
Long-term accounts receivable	Long-term accounts receivable	₩ 362,709	₩ 384,648
	Provision for impairment	(3,664)	(4,272)
	Present value discount	(75)	(1,011)
	Long-term construction work trade receivables	7	20
		<u>₩ 358,977</u>	<u>₩ 379,385</u>
Long-term other receivables	Long-term non-trade receivables	₩ 154,348	₩ 4,707
	Provision for impairment	(1,819)	(352)
	Long-term loans	347,335	215,383
	Provision for impairment	(130,072)	(124,886)
	Present value discount	(12,437)	(3,838)
	Guarantee deposits	934,286	933,859
	Provision for impairment	(8,604)	(13,562)
	Present value discount	(46,914)	(36,098)
		<u>₩ 1,236,123</u>	<u>₩ 975,213</u>
<i>(in thousands of USD(Note 2))</i>		<b>2019</b>	<b>2018</b>
Trade receivables	Trade receivables	\$ 21,473	\$ 25,710
	Provision for impairment	(341)	(352)
	Receivables from real estate sales	304,464	342,608
	Provision for impairment	(259)	-
	Construction work trade receivables	1,553,181	1,655,813
	Provision for impairment	(164,776)	(143,725)
		<u>\$ 1,713,741</u>	<u>\$ 1,880,054</u>
Other receivables	Short-term guarantee deposits	\$ 719,561	\$ 487,010
	Provision for impairment	(18,826)	(13,729)
	Short-term loans	37,334	49,814
	Provision for impairment	(364)	(650)
	Non-trade receivables	668,432	540,370
	Provision for impairment	(92,032)	(94,113)
	Accrued income	27,242	40,223
	Provision for impairment	(7,571)	(7,768)

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<i>(in thousands of USD(Note 2))</i>		<b>2019</b>	<b>2018</b>
	Current portion of long-term loans	184,188	142,147
	Provision for impairment	(1,879)	(1,181)
		<u>\$ 1,516,086</u>	<u>\$ 1,142,122</u>
Due from customers for contract work	Due from customers for contract work	\$ 2,006,552	\$ 2,372,723
	Provision for impairment	(35,165)	(58,228)
		<u>\$ 1,971,387</u>	<u>\$ 2,314,496</u>
Long-term accounts receivable	Long-term accounts receivable	313,274	332,223
	Provision for impairment	(3,165)	(3,690)
	Present value discount	(65)	(873)
	Long-term construction work trade receivables	6	17
		<u>\$ 310,051</u>	<u>\$ 327,677</u>
Long-term other receivables	Long-term non-trade receivables	\$ 133,311	\$ 4,065
	Provision for impairment	(1,571)	(304)
	Long-term loans	299,996	186,028
	Provision for impairment	(112,344)	(107,865)
	Present value discount	(10,742)	(3,315)
	Guarantee deposits	806,949	806,581
	Provision for impairment	(7,431)	(11,714)
	Present value discount	(40,520)	(31,178)
		<u>\$ 1,067,648</u>	<u>\$ 842,298</u>

Changes in provision for impairment on trade, other receivables, due from customers for contract work, long-term accounts receivable and long-term other receivables for the years ended December 31, 2019 and 2018, are as follows:

	<b>2019</b>													
	<b>Beginning balance</b>		<b>Impairment loss</b>		<b>Written off</b>		<b>Reversal</b>		<b>Transfer</b>		<b>Exchange differences and others</b>		<b>Ending balance</b>	
Trade receivables	₩	(408)	₩	-	₩	-	₩	13	₩	-	₩	-	₩	(395)
Receivables from real estate sales		-		(300)		-		-		-		-		(300)
Construction work trade receivables		(166,405)		(104,025)		67,566		14,629		-		(2,543)		(190,778)
Due from customers for contract work		(67,416)		(722)		500		27,540		-		(616)		(40,714)
Short-term guarantee deposits		(15,896)		(4,597)		50		3,261		(4,295)		(320)		(21,797)
Short-term loans		(753)		-		-		332		-		-		(421)
Non-trade receivables		(108,964)		(4,916)		48,109		552		(41,202)		(134)		(106,555)
Accrued income		(8,994)		(77)		-		305		-		-		(8,766)

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Current portion of long-term loans	(1,367)	(813)	-	5	-	-	(2,175)
Long-term accounts receivable	(4,272)	-	-	608	-	-	(3,664)
Long-term construction work trade receivables	-	(10)	10	-	-	-	-
Long-term non-trade receivables	(352)	(1,571)	-	2	102	-	(1,819)
Long-term loans	(124,886)	(11,450)	3,319	2,945	-	-	(130,072)
Guarantee deposits	(13,562)	(2,466)	-	3,117	4,295	12	(8,604)
	<u>₩ (513,275)</u>	<u>₩ (130,947)</u>	<u>₩ 119,554</u>	<u>₩ 53,309</u>	<u>₩ (41,100)</u>	<u>₩ (3,601)</u>	<u>₩ (516,060)</u>

(in thousands of USD  
(Note 2))

	2019						
	Beginning balance	Impairment loss	Written off	Reversal	Transfer	Exchange differences and others	Ending balance
Trade receivables	\$ (352)	\$ -	\$ -	\$ 11	\$ -	\$ -	\$ (341)
Receivables from real estate sales	-	(259)	-	-	-	-	(259)
Construction work trade receivables	(143,725)	(89,847)	58,357	12,635	-	(2,196)	(164,776)
Due from customers for contract work	(58,228)	(624)	432	23,786	-	(532)	(35,165)
Short-term guarantee deposits	(13,729)	(3,970)	43	2,817	(3,710)	(276)	(18,826)
Short-term loans	(650)	-	-	287	-	-	(364)
Non-trade receivables	(94,113)	(4,246)	41,552	477	(35,586)	(116)	(92,032)
Accrued income	(7,768)	(67)	-	263	-	-	(7,571)
Current portion of long-term loans	(1,181)	(702)	-	4	-	-	(1,879)
Long-term accounts receivable	(3,690)	-	-	525	-	-	(3,165)
Long-term construction work trade receivables	-	(9)	9	-	-	-	-
Long-term non-trade receivables	(304)	(1,357)	-	2	88	-	(1,571)
Long-term loans	(107,865)	(9,889)	2,867	2,544	-	-	(112,344)
Guarantee deposits	(11,714)	(2,130)	-	2,692	3,710	10	(7,431)
	<u>\$ (443,319)</u>	<u>\$ (113,100)</u>	<u>\$ 103,260</u>	<u>\$ 46,043</u>	<u>\$ (35,498)</u>	<u>\$ (3,110)</u>	<u>\$ (445,725)</u>

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(in millions of  
Korean won)

	2018							
	Beginning balance	Impairment loss	Written off	Reversal	Transfer	Transition impact	Exchange differences	Ending balance
Trade receivables	₩ (368)	₩ (40)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ (408)
Construction work trade receivables	(152,058)	(1,212)	5,047	380	-	(18,562)	-	(166,405)
Short-term guarantee deposits	(13,079)	(1,162)	-	1,833	-	(3,159)	(329)	(15,896)
Short-term loans	(25)	(657)	-	-	-	(71)	-	(753)
Non-trade receivables	(116,928)	(5,743)	4,625	13,843	-	(5,427)	666	(108,964)
Accrued income	(8,009)	(685)	-	79	-	(379)	-	(8,994)
Current portion of long-term loans	-	24	-	621	-	(2,012)	-	(1,367)
Long-term accounts receivable	-	(229)	-	-	-	(4,043)	-	(4,272)
Due from customers for contract work	(27,104)	(15,783)	(817)	-	7,625	(31,337)	-	(67,416)
Long-term non-trade receivables	(14,936)	-	14,561	26	-	(3)	-	(352)
Long-term loans	(124,777)	(27,996)	23,390	6,421	-	(1,924)	-	(124,886)
Guarantee deposits	(4,295)	(1,237)	-	1,175	-	(9,205)	-	(13,562)
	<u>₩ (461,579)</u>	<u>₩ (54,720)</u>	<u>₩ 46,806</u>	<u>₩ 24,378</u>	<u>₩ 7,625</u>	<u>₩ (76,122)</u>	<u>₩ 337</u>	<u>₩ (513,275)</u>

(in thousands of  
USD (Note 2))

	2018							
	Beginning balance	Impairment loss	Written off	Reversal	Transfer	Transition impact	Exchange differences	Ending balance
Trade receivables	\$ (318)	\$ (35)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (352)
Construction work trade receivables	(131,334)	(1,047)	4,359	328	-	(16,032)	-	(143,725)
Short-term guarantee deposits	(11,296)	(1,004)	-	1,583	-	(2,728)	(284)	(13,729)
Short-term loans	(22)	(567)	-	-	-	(61)	-	(650)
Non-trade receivables	(100,992)	(4,960)	3,995	11,956	-	(4,687)	575	(94,113)
Accrued income	(6,917)	(592)	-	68	-	(327)	-	(7,768)
Current portion of long-term loans	-	21	-	536	-	(1,738)	-	(1,181)
Long-term accounts receivable	-	(198)	-	-	-	(3,492)	-	(3,690)
Due from customers for contract work	(23,410)	(13,632)	(706)	-	6,586	(27,066)	-	(58,228)
Long-term non-trade receivables	(12,900)	-	12,576	22	-	(3)	-	(304)
Long-term loans	(107,771)	(24,180)	20,202	5,546	-	(1,662)	-	(107,865)
Guarantee deposits	(3,710)	(1,068)	-	1,015	-	(7,950)	-	(11,714)
	<u>\$ (398,669)</u>	<u>\$ (47,262)</u>	<u>\$ 40,427</u>	<u>\$ 21,055</u>	<u>\$ 6,586</u>	<u>\$ (65,747)</u>	<u>\$ 291</u>	<u>\$ (443,319)</u>



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The aging analysis of trade receivables as at December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Receivables not past due	₩ 1,593,112	₩ 1,432,584
Past due but not impaired		
Up to 1 year	193,442	437,947
1 to 3 years	185,249	239,070
Over 3 years	5,863	75,223
	<u>384,554</u>	<u>752,240</u>
Impaired <sup>1</sup>		
Up to 1 year	17,908	6,338
1 to 3 years	22,985	10,487
Over 3 years	157,083	141,122
	<u>197,976</u>	<u>157,947</u>
	<u>₩ 2,175,642</u>	<u>₩ 2,342,771</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Receivables not past due	\$ 1,375,982	\$ 1,237,333
Past due but not impaired		
Up to 1 year	167,077	378,258
1 to 3 years	160,001	206,486
Over 3 years	5,064	64,971
	<u>332,142</u>	<u>649,715</u>
Impaired <sup>1</sup>		
Up to 1 year	15,467	5,474
1 to 3 years	19,852	9,058
Over 3 years	135,674	121,888
	<u>170,993</u>	<u>136,420</u>
	<u>\$ 1,879,117</u>	<u>\$ 2,023,468</u>

<sup>1</sup> The Group has recognized the provision for impairment of ₩ 191,473 million (\$ 165,377 thousand) as at December 31, 2019 (2018: ₩ 166,813 million (\$ 144,078 thousand)).

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**6. Inventories**

Inventories as at December 31, 2019 and 2018, consist of the following:

*(in millions of  
Korean won)*

	2019			2018		
	Acquisition cost	Valuation allowance	Book amount	Acquisition cost	Valuation allowance	Book amount
Land for construction	₩ 1,416,271	₩ (1,035)	₩ 1,415,236	₩ 1,623,110	₩ (1,035)	₩ 1,622,075
Finished housing	12,058	(3,406)	8,652	6,513	(2,838)	3,675
Unfinished housing	63,850	-	63,850	71,249	-	71,249
Merchandise	6,937	-	6,937	8,279	-	8,279
Supplies	-	-	-	503	-	503
Work in process	177,580	-	177,580	170,953	-	170,953
Raw materials	26,473	-	26,473	35,052	-	35,052
Materials in transit	9,868	-	9,868	21,745	-	21,745
Construction support materials	2,065	-	2,065	3,468	-	3,468
Korean native cattle	10,909	-	10,909	9,405	-	9,405
Others	1,855	-	1,855	648	-	648
	<u>₩ 1,727,866</u>	<u>₩ (4,441)</u>	<u>₩ 1,723,425</u>	<u>₩ 1,950,925</u>	<u>₩ (3,873)</u>	<u>₩ 1,947,052</u>

*(in thousands of  
USD (Note 2))*

	2019			2018		
	Acquisition cost	Valuation allowance	Book amount	Acquisition cost	Valuation allowance	Book amount
Land for construction	\$ 1,223,243	\$ (894)	\$ 1,222,349	\$ 1,401,892	\$ (894)	\$ 1,400,998
Finished housing	10,415	(2,942)	7,473	5,625	(2,451)	3,174
Unfinished housing	55,148	-	55,148	61,538	-	61,538
Merchandise	5,992	-	5,992	7,151	-	7,151
Supplies	-	-	-	434	-	434
Work in process	153,377	-	153,377	147,653	-	147,653
Raw materials	22,865	-	22,865	30,275	-	30,275
Materials in transit	8,523	-	8,523	18,781	-	18,781
Construction support materials	1,784	-	1,784	2,995	-	2,995
Korean native cattle	9,422	-	9,422	8,123	-	8,123
Others	1,602	-	1,602	560	-	560
	<u>\$ 1,492,370</u>	<u>\$ (3,836)</u>	<u>\$ 1,488,534</u>	<u>\$ 1,685,028</u>	<u>\$ (3,345)</u>	<u>\$ 1,681,683</u>

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Changes in allowance for valuation of inventory for the years ended December 31, 2019 and 2018, are as follows:

*(in millions of  
Korean won)*

	<b>2019</b>			
	<b>Beginning balance</b>	<b>Written-off</b>	<b>Disposal</b>	<b>Ending balance</b>
Land for construction	₩ (1,035)	₩ -	₩ -	₩ (1,035)
Finished housing	(2,838)	(568)	-	(3,406)
	<u>₩ (3,873)</u>	<u>₩ (568)</u>	<u>₩ -</u>	<u>₩ (4,441)</u>

*(in thousands of  
USD (Note 2))*

	<b>2019</b>			
	<b>Beginning balance</b>	<b>Written-off</b>	<b>Disposal</b>	<b>Ending balance</b>
Land for construction	\$ (894)	\$ -	\$ -	\$ (894)
Finished housing	(2,451)	(491)	-	(2,942)
	<u>\$ (3,345)</u>	<u>\$ (491)</u>	<u>\$ -</u>	<u>\$ (3,836)</u>

*(in millions of  
Korean won)*

	<b>2018</b>			
	<b>Beginning balance</b>	<b>Written-off</b>	<b>Disposal</b>	<b>Ending balance</b>
Land for construction	₩ (2,447)	₩ -	₩ 1,412	₩ (1,035)
Finished housing	(4,994)	(549)	2,705	(2,838)
	<u>₩ (7,441)</u>	<u>₩ (549)</u>	<u>₩ 4,117</u>	<u>₩ (3,873)</u>

*(in thousands of  
USD (Note 2))*

	<b>2018</b>			
	<b>Beginning balance</b>	<b>Written-off</b>	<b>Disposal</b>	<b>Ending balance</b>
Land for construction	\$ (2,113)	\$ -	\$ 1,220	\$ (894)
Finished housing	(4,313)	(474)	2,336	(2,451)
	<u>\$ (6,427)</u>	<u>\$ (474)</u>	<u>\$ 3,556</u>	<u>\$ (3,345)</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**7. Other Current Assets and Other Non-current Assets**

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

<i>(in millions of Korean won)</i>		<b>2019</b>		<b>2018</b>	
Other current assets	Advance payments	₩	742,675	₩	672,203
	Provision for impairment		(22,999)		(22,343)
	Prepaid construction cost		169,815		188,011
	Prepaid expenses		201,074		248,021
	Provision for impairment		(1,734)		(1,619)
	Prepaid value-added tax		32,802		40,903
	Other current assets		1,149		-
			₩	<u>1,122,782</u>	₩
Other non-current assets	Long-term advance payments	₩	80	₩	974
	Provision for impairment		(80)		(80)
	Long-term prepaid expenses		152,598		405
	Other non-current assets		-		117,483
			₩	<u>152,598</u>	₩
<i>(in thousands of USD (Note 2))</i>		<b>2019</b>		<b>2018</b>	
Other current assets	Advance payments	\$	641,454	\$	580,586
	Provision for impairment		(19,864)		(19,298)
	Prepaid construction cost		146,670		162,386
	Prepaid expenses		173,669		214,217
	Provision for impairment		(1,498)		(1,398)
	Prepaid value-added tax		28,331		35,328
	Other current assets		992		-
			\$	<u>969,755</u>	\$
Other non-current assets	Long-term advance payments	\$	69	\$	841
	Provision for impairment		(69)		(69)
	Long-term prepaid expenses		131,800		350
	Other non-current assets		-		101,471
			\$	<u>131,800</u>	\$

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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Changes in provision for impairment for the years ended December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	2019					
	Beginning balance	Impairment loss	Written-off	Reversal	Exchange differences	Ending balance
Advance payments	₩ (22,343)	₩ (1,362)	₩ 290	₩ 869	₩ (453)	₩ (22,999)
Prepaid expenses	(1,619)	-	-	-	(115)	(1,734)
Long-term advance payments	(80)	-	-	-	-	(80)
	<u>₩ (24,042)</u>	<u>₩ (1,362)</u>	<u>₩ 290</u>	<u>₩ 869</u>	<u>₩ (568)</u>	<u>₩ (24,813)</u>

*(in thousands of USD (Note 2))*

	2019					
	Beginning balance	Impairment loss	Written-off	Reversal	Exchange differences	Ending balance
Advance payments	\$ (19,298)	\$ (1,176)	\$ 250	\$ 751	\$ (391)	\$ (19,864)
Prepaid expenses	(1,398)	-	-	-	(99)	(1,498)
Long-term advance payments	(69)	-	-	-	-	(69)
	<u>\$ (20,765)</u>	<u>\$ (1,176)</u>	<u>\$ 250</u>	<u>\$ 751</u>	<u>\$ (491)</u>	<u>\$ (21,431)</u>

*(in millions of Korean won)*

	2018					
	Beginning balance	Impairment loss	Reversal	Transition Impact	Exchange differences	Ending balance
Advance payments	₩ (9,216)	₩ (12,940)	₩ -	₩ -	₩ (187)	₩ (22,343)
Prepaid construction cost	(33,410)	-	-	33,410	-	-
Prepaid expenses	(1,557)	-	-	-	(62)	(1,619)
Long-term advance payments	(115)	-	35	-	-	(80)
	<u>₩ (44,298)</u>	<u>₩ (12,940)</u>	<u>₩ 35</u>	<u>₩ 33,410</u>	<u>₩ (249)</u>	<u>₩ (24,042)</u>

*(in thousands of USD (Note 2))*

	2018					
	Beginning balance	Impairment loss	Reversal	Transition Impact	Exchange differences	Ending balance
Advance payments	\$ (7,960)	\$ (11,176)	\$ -	\$ -	\$ (162)	\$ (19,298)
Prepaid construction cost	(28,856)	-	-	28,856	-	-
Prepaid expenses	(1,345)	-	-	-	(54)	(1,398)
Long-term advance payments	(99)	-	30	-	-	(69)
	<u>\$ (38,260)</u>	<u>\$ (11,176)</u>	<u>\$ 30</u>	<u>\$ 28,856</u>	<u>\$ (215)</u>	<u>\$ (20,765)</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**8. Financial Assets measured at Fair Value**

Financial assets measured at fair value as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>		<u>2018</u>	
Financial assets at fair value through other comprehensive income	₩	60,299	₩	83,468
Financial assets at fair value through profit or loss		285,980		298,346
	₩	<u>346,279</u>	₩	<u>381,814</u>

<i>(in thousands of USD (Note2))</i>	<u>2019</u>		<u>2018</u>	
Financial assets at fair value through other comprehensive income	\$	52,081	\$	72,092
Financial assets at fair value through profit or loss		247,003		257,684
	\$	<u>299,084</u>	\$	<u>329,775</u>

Changes in financial assets at fair value for the years ended December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	<u>2019</u>			<u>2018</u>		
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Beginning balance	₩ 83,468	₩ 298,346	₩ 381,814	₩ 75,199	₩ 191,056	₩ 266,255
Acquisitions	153	23,070	23,223	5,999	63,656	69,655
Disposals	(30,965)	(11,638)	(42,603)	(653)	(37,357)	(38,010)
Transfer	-	8,041	8,041	-	11,138	11,138
Gain (loss) on valuation of financial assets at fair value through profit or loss	-	(31,839)	(31,839)	-	79,676	79,676
Gain on valuation of financial assets at fair value through other comprehensive income	7,643	-	7,643	2,923	-	2,923
Impairment	-	-	-	-	(9,823)	(9,823)
Ending balance	₩ 60,299	₩ 285,980	₩ 346,279	₩ 83,468	₩ 298,346	₩ 381,814

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(in thousands of  
USD (Note 2))

	2019			2018		
	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
Beginning balance	\$ 72,092	\$ 257,684	\$ 329,775	\$ 64,950	\$ 165,016	\$ 229,966
Acquisitions	132	19,926	20,058	5,181	54,980	60,162
Disposals	(26,745)	(10,052)	(36,797)	(564)	(32,266)	(32,830)
Transfer	-	6,945	6,945	-	9,620	9,620
Gain (loss) on valuation of financial assets at fair value through profit or loss	-	(27,500)	(27,500)	-	68,817	68,817
Gain on valuation of financial assets at fair value through other comprehensive income	6,601	-	6,601	2,525	-	2,525
Impairment	-	-	-	-	(8,484)	(8,484)
Ending balance	\$ 52,081	\$ 247,003	\$ 299,084	\$ 72,092	\$ 257,684	\$ 329,775

**9. Financial Assets at Amortized Cost**

Financial assets at amortized cost as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019	2018
Current:		
Government & public bonds	₩ 3,280	₩ 14,692
Non-current:		
Government & public bonds and others	35,720	37,306
	₩ 39,000	₩ 51,998

(in thousands of USD (Note 2))	2019	2018
Current:		
Government & public bonds	\$ 2,833	\$ 12,690
Non-current:		
Government & public bonds and others	30,852	32,221
	\$ 33,685	\$ 44,911

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

#### 10. Investments in Joint Ventures and Associates

Details of investments in joint ventures and associates as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	Main operations	Location	Date of financial statements	2019		2018	
				Owner-ship (%)	Book amount	Owner-ship (%)	Book amount
Busan Exhibition & Convention Center LTD.	Business facility management service	Korea	Dec. 31	21.70	₩ 17,607	21.70	₩ 17,230
The Gyeongnam Highway Co., Ltd.	Construction of road	Korea	Dec. 31	29.50	-	29.50	18
Arian International Contractors Company	Construction	Iran	Dec. 31	49.00	-	49.00	-
Oriental Hyundai Quarry Development Corporation	Mine development	Philippine	Dec. 31	40.00	-	40.00	-
Suwon Convention City Co., Ltd.	Real estate development	Korea	Dec. 31	29.00	-	29.00	-
The Ulsan Harbour Bridge Co., Ltd.	Business facility management service	Korea	Dec. 31	24.50	-	24.50	1,864
Ganghwa Tidal Power Corporation Co., Ltd.	Other electricity production	Korea	Dec. 31	22.00	11	22.00	11
Busan Finance Center AMC Co., Ltd. <sup>2</sup>	Real estate management	Korea	Dec. 31	24.63	109	24.63	109
Yulchon 2 Industrial Complex Development Inc.	Other real estate construction	Korea	Dec. 31	48.00	-	48.00	-
Subic Clean Energy & Infra, Inc.	Electricity production	Philippine	Dec. 31	40.00	48	40.00	48
Busan Finance Center PFV Co., Ltd. <sup>2,5</sup>	Real estate business	Korea	Dec. 31	24.63	-	24.63	2,754
Concast HDEC Haldia Port Pvt., Ltd.	Construction	India	Mar. 31	26.00	-	26.00	-
Hyunson Engineering & Construction spa.	Construction	Algeria	Dec. 31	31.85	2,546	31.85	2,546
Hillstate Homaesil Newstay REIT Co., Ltd.	Real estate management	Korea	Dec. 31	27.02	-	27.02	1,679
Hillstate Bongdam Daehan New Stay REIT 6 Co., Ltd.	Real estate management	Korea	Dec. 31	20.63	11,005	-	-
Arboretum Construction, Inc. <sup>3</sup>	Construction	Philippine	Dec. 31	100.00	1,286	100.00	1,286
HYUNDAI ENGINEERING AND CONSTRUCTION RUS <sup>3,4</sup>	Construction	Russia	Dec. 31	100.00	1	-	-
H Energy Co., Ltd. <sup>4</sup>	Private investment for facilities	Korea	Dec. 31	50.00	50	-	-
PENTA-OCEAN / HYUNDAI / BOSKALIS JV PTE.LTD <sup>4</sup>	Construction	Singapore	Dec. 31	35.00	4,357	-	-
Hyundai Engineering (Thailand) Co., Ltd.	Engineering service	Thailand	Dec. 31	49.00	-	49.00	-
Hyundai Engineering (Cambodia) Co., Ltd. <sup>3,5</sup>	Construction	Cambodia	Dec. 31	100.00	-	100.00	-



# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

(in millions of Korean won)

	Main operations	Location	Date of financial statements	2019		2018	
				Owner-ship (%)	Book amount	Owner-ship (%)	Book amount
LHT International Engineering Joint Stock Company	Engineering service	Vietnam	Dec. 31	30.00	85	30.00	479
Haevichi Country Club., Ltd.	Golf course services	Korea	Dec. 31	40.00	6,285	40.00	6,502
Visionride Inc.	Construction	Korea	Dec. 31	32.92	-	32.92	-
Damyang Green Development Co., Ltd.	Construction	Korea	Dec. 31	24.90	-	24.90	-
Cheongju Ochang Technopolis Co., Ltd. <sup>1</sup>	Construction	Korea	Dec. 31	-	-	29.00	290
Incheon Ganghwa Industrial Complex Co., Ltd. <sup>1</sup>	Construction	Korea	Dec. 31	-	-	20.00	2,400
KM Energy	Construction	Korea	Dec. 31	29.90	-	29.90	-
Sejong Mirae Industrial Complex Co., LTD.	Construction	Korea	Dec. 31	20.00	389	20.00	389
Hwaseong City Expressway Co.,Ltd.	Construction	Korea	Dec. 31	27.66	3,984	27.66	5,235
CHONGJU OKSAN2 INDUSTRIAL COMPLEX DEVELOPMENT CO., LTD.	Construction	Korea	Dec. 31	20.00	2	20.00	2
Dongbuk LRT	Transport	Korea	Dec. 31	32.00	13,057	32.00	2,464
Smart Valley Co., Ltd.	Construction	Korea	Dec. 31	20.00	200	20.00	200
Tina Hydropower Limited	Construction	Solomon	Dec. 31	20.00	385	20.00	385
Eumseong Yongin Industrial Complex Co., Ltd. <sup>4</sup>	Construction	Korea	Dec. 31	20.00	100	-	-
SAEMANGEUM HUIMANG TAEYANGGWANG CO.,LTD. <sup>4</sup>	Electricity production	Korea	Dec. 31	29.00	540	-	-
					₩ 62,049		₩ 45,891

(in thousands of USD  
(Note 2))

	Main operations	Location	Date of financial statements	2019		2018	
				Owner-ship (%)	Book amount	Owner-ship (%)	Book amount
Busan Exhibition & Convention Center LTD.	Business facility management service	Korea	Dec. 31	21.70	\$ 15,207	21.70	\$ 14,882
The Gyeongnam Highway Co., Ltd.	Construction of road	Korea	Dec. 31	29.50	-	29.50	16
Arian International Contractors Company	Construction	Iran	Dec. 31	49.00	-	49.00	-
Oriental Hyundai Quarry Development Corporation	Mine development	Philippine	Dec. 31	40.00	-	40.00	-
Suwon Convention City Co., Ltd.	Real estate development	Korea	Dec. 31	29.00	-	29.00	-
The Ulsan Harbour Bridge Co., Ltd.	Business facility management service	Korea	Dec. 31	24.50	-	24.50	1,610
Ganghwa Tidal Power	Other electricity	Korea	Dec. 31	22.00	10	22.00	10

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

(in thousands of USD  
(Note 2))

	Main operations	Location	Date of financial statements	2019		2018	
				Owner-ship (%)	Book amount	Owner-ship (%)	Book amount
Corporation Co., Ltd.	production						
Busan Finance Center AMC Co., Ltd. <sup>2</sup>	Real estate management	Korea	Dec. 31	24.63	94	24.63	94
Yulchon 2 Industrial Complex Development Inc.	Other real estate construction	Korea	Dec. 31	48.00	-	48.00	-
Subic Clean Energy & Infra, Inc.	Electricity production	Philippine	Dec. 31	40.00	41	40.00	41
Busan Finance Center PFV. Co., Ltd. <sup>2.5</sup>	Real estate business	Korea	Dec. 31	24.63	-	24.63	2,379
Concast HDEC Haldia Port Pvt., Ltd.	Construction	India	Mar. 31	26.00	-	26.00	-
Hyunson Engineering & Construction spa.	Construction	Algeria	Dec. 31	31.85	2,199	31.85	2,199
Hillstate Homaesil Newstay REIT Co., Ltd.	Real estate management	Korea	Dec. 31	27.02	-	27.02	1,450
Hillstate Bongdam Daehan New Stay REIT 6 Co., Ltd.	Real estate management	Korea	Dec. 31	20.63	9,505	-	-
Arboretum Construction, Inc. <sup>3</sup>	Construction	Philippine	Dec. 31	100.00	1,111	100.00	1,111
HYUNDAI ENGINEERING AND CONSTRUCTION RUS <sup>3,4</sup>	Construction	Russia	Dec. 31	100.00	1	-	-
H Energy Co., Ltd. <sup>4</sup>	Private investment for facilities	Korea	Dec. 31	50.00	43	-	-
PENTA-OCEAN / HYUNDAI / BOSKALIS JV PTE.LTD <sup>4</sup>	Construction	Singapore	Dec. 31	35.00	3,763	-	-
Hyundai Engineering (Thailand) Co., Ltd.	Engineering service	Thailand	Dec. 31	49.00	-	49.00	-
Hyundai Engineering (Cambodia) Co., Ltd. <sup>3,5</sup>	Construction	Cambodia	Dec. 31	100.00	-	100.00	-
LHT International Engineering Joint Stock Company	Engineering service	Vietnam	Dec. 31	30.00	73	30.00	414
Haevichi Country Club., Ltd.	Golf course services	Korea	Dec. 31	40.00	5,428	40.00	5,616
Visionride Inc.	Construction	Korea	Dec. 31	32.92	-	32.92	-
Damyang Green Development Co., Ltd.	Construction	Korea	Dec. 31	24.90	-	24.90	-
Cheongju Ochang Technopolis Co., Ltd. <sup>1</sup>	Construction	Korea	Dec. 31	-	-	29.00	250
Incheon Ganghwa Industrial Complex Co., Ltd. <sup>1</sup>	Construction	Korea	Dec. 31	-	-	20.00	2,073
KM Energy	Construction	Korea	Dec. 31	29.90	-	29.90	-
Sejong Mirae Industrial Complex Co., LTD.	Construction	Korea	Dec. 31	20.00	336	20.00	336
Hwaseong City Expressway Co.,Ltd.	Construction	Korea	Dec. 31	27.66	3,441	27.66	4,522
CHONGJU OKSAN2 INDUSTRIAL COMPLEX DEVELOPMENT CO., LTD.	Construction	Korea	Dec. 31	20.00	2	20.00	2

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

(in thousands of USD  
(Note 2))

	Main operations	Location	Date of financial statements	2019		2018	
				Owner-ship (%)	Book amount	Owner-ship (%)	Book amount
Dongbuk LRT	Transport	Korea	Dec. 31	32.00	11,277	32.00	2,128
Smart Valley Co., Ltd.	Construction	Korea	Dec. 31	20.00	173	20.00	173
Tina Hydropower Limited	Construction	Solomon	Dec. 31	20.00	333	20.00	333
Eumseong Yongin Industrial Complex Co., Ltd. <sup>4</sup>	Construction	Korea	Dec. 31	20.00	86	-	-
SAEMANGEUM HUIMANG TAEYANGGWANG CO.,LTD. <sup>4</sup>	Electricity production	Korea	Dec. 31	29.00	466	-	-
					<u>\$ 53,592</u>		<u>\$ 39,636</u>

<sup>1</sup> The Group disposed of the entities for the year ended December 31, 2019.

<sup>2</sup> The Group has significant influence over the entities as it holds more than 20% of voting rights directly or indirectly through subsidiaries.

<sup>3</sup> The entities which are small companies, are classified as associates since it does not have significant influence on the Group's consolidated financial statements.

<sup>4</sup> The Group newly invested to the entities for the year ended December 31, 2019.

<sup>5</sup> The liquidation of these entities is in progress as at December 31, 2019.

Changes in investments in joint ventures and associates for the years ended December 31, 2019 and 2018, are as follows:

(in millions of  
Korean won)

	2019													
	Beginning balance		Acquisitions		Share of profit (loss)		Transfer		Capital reduction with consideration		Changes in equity		Ending balance	
Busan Exhibition & Convention Center LTD.	₩	17,230	₩	-	₩	378	₩	-	₩	-	₩	(1)	₩	17,607
The Gyeongnam Highway Co., Ltd.		18		-		(18)		-		-		-		-
The Ulsan Harbour Bridge Co., Ltd.		1,864		-		(1,864)		-		-		-		-
Busan Finance Center PFV. Co., Ltd.		2,754		-		(154)		-		(2,600)		-		-
Hillstate Homaesil Newstay REIT Co., Ltd.		1,679		-		(1,679)		-		-		-		-
Others		22,346		29,561		(4,382)		(3,083)		-		-		44,442
	₩	45,891	₩	29,561	₩	(7,719)	₩	(3,083)	₩	(2,600)	₩	(1)	₩	62,049

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of  
USD (Note 2))

	2019						
	Beginning balance	Acquisitions	Share of profit (loss)	Transfer	Capital reduction with consideration	Changes in equity	Ending balance
Busan Exhibition & Convention Center LTD.	\$ 14,882	\$ -	\$ 326	\$ -	\$ -	\$ (1)	\$ 15,207
The Gyeongnam Highway Co., Ltd.	16	-	(16)	-	-	-	-
The Ulsan Harbour Bridge Co., Ltd.	1,610	-	(1,610)	-	-	-	-
Busan Finance Center PFV. Co., Ltd.	2,379	-	(133)	-	(2,246)	-	-
Hillstate Homaesil Newstay REIT Co., Ltd.	1,450	-	(1,450)	-	-	-	-
Others	19,300	25,532	(3,785)	(2,663)	-	-	38,385
	<u>\$ 39,636</u>	<u>\$ 25,532</u>	<u>\$ (6,667)</u>	<u>\$ (2,663)</u>	<u>\$ (2,246)</u>	<u>\$ (1)</u>	<u>\$ 53,592</u>

(in millions of  
Korean won)

	2018						
	Beginning balance	Acquisitions	Share of profit (loss)	Impairment loss	Transfer	Changes in equity	Ending balance
Busan Exhibition & Convention Center LTD.	₩ 16,457	₩ -	₩ 772	₩ -	₩ -	₩ 1	₩ 17,230
The Gyeongnam Highway Co., Ltd.	4,528	-	(4,510)	-	-	-	18
The Ulsan Harbour Bridge Co., Ltd.	3,992	-	(2,128)	-	-	-	1,864
Busan Finance Center PFV. Co., Ltd.	11,777	-	(831)	(8,192)	-	-	2,754
Hillstate Homaesil Newstay REIT Co., Ltd.	9,240	-	(7,561)	-	-	-	1,679
Others	33,325	6,228	(2,185)	(3,469)	(11,553)	-	22,346
	<u>₩ 79,319</u>	<u>₩ 6,228</u>	<u>₩ (16,443)</u>	<u>₩ (11,661)</u>	<u>₩ (11,553)</u>	<u>₩ 1</u>	<u>₩ 45,891</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(in thousands of  
USD (Note 2))

	2018						
	Beginning balance	Acquisitions	Share of profit (loss)	Impairment loss	Transfer	Changes in equity	Ending balance
Busan Exhibition & Convention Center LTD.	\$ 14,214	\$ -	\$ 667	\$ -	\$ -	\$ 1	\$ 14,882
The Gyeongnam Highway Co., Ltd.	3,911	-	(3,895)	-	-	-	16
The Ulsan Harbour Bridge Co., Ltd.	3,448	-	(1,838)	-	-	-	1,610
Busan Finance Center PFV. Co., Ltd.	10,172	-	(718)	(7,075)	-	-	2,379
Hillstate Homaesil Newstay REIT Co., Ltd.	7,981	-	(6,530)	-	-	-	1,450
Others	28,783	5,379	(1,887)	(2,996)	(9,978)	-	19,300
	<u>\$ 68,508</u>	<u>\$ 5,379</u>	<u>\$ (14,202)</u>	<u>\$ (10,072)</u>	<u>\$ (9,978)</u>	<u>\$ 1</u>	<u>\$ 39,636</u>

The Group used unaudited financial statements of joint ventures and associates in the equity method valuation. The Group does not anticipate that the difference between unaudited and audited financial statements will have a significant effect on the Group's consolidated financial statements and disclosures.

The tables below provide unrecognized share of losses of joint ventures and associates, both for the reporting period and cumulatively, as the Group has stopped recognizing its share of losses of the joint ventures and associates when applying the equity method.

(in millions of Korean won)

	2019	
	Unrecognized loss	Accumulated unrecognized losses
The Gyeongnam Highway Co., Ltd.	₩ 3,045	₩ 3,045
The Ulsan Harbour Bridge Co., Ltd.	132	132
Hillstate Homaesil Newstay REIT Co., Ltd.	8,104	8,104
Hyundai Engineering (Thailand) Co., Ltd.	1,673	14,011

(in thousands of USD (Note 2))

	2019	
	Unrecognized loss	Accumulated unrecognized losses
The Gyeongnam Highway Co., Ltd.	\$ 2,630	\$ 2,630
The Ulsan Harbour Bridge Co., Ltd.	114	114
Hillstate Homaesil Newstay REIT Co., Ltd.	6,999	6,999
Hyundai Engineering (Thailand) Co., Ltd.	1,445	12,101

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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<i>(in millions of Korean won)</i>	<b>2018</b>			
	<b>Unrecognized loss</b>		<b>Accumulated unrecognized losses</b>	
Hyundai Engineering (Thailand) Co., Ltd.	₩	389	₩	12,338

<i>(in thousands of USD (Note 2))</i>	<b>2018</b>			
	<b>Unrecognized loss</b>		<b>Accumulated unrecognized losses</b>	
Hyundai Engineering (Thailand) Co., Ltd.	\$	336	\$	10,656

Condensed financial information of the joint ventures and associates that is material to the Group as at and for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>				
	<b>Busan Exhibition &amp; Convention Center LTD.</b>	<b>The Gyeongnam Highway Co., Ltd.</b>	<b>The Ulsan Harbour Bridge Co., Ltd.</b>	<b>Busan Finance Center PFV. Co., Ltd.</b>	<b>Hillstate Homaesil Newstay REIT Co., Ltd.</b>
Current assets	₩ 47,433	₩ 9,013	₩ 3,367	₩ 11,790	₩ 46,254
Non-current assets	53,835	288,229	265,240	34	274,942
	<u>₩ 101,268</u>	<u>₩ 297,242</u>	<u>₩ 268,607</u>	<u>₩ 11,824</u>	<u>₩ 321,196</u>
Current liabilities	₩ 8,400	₩ 7,195	₩ 3,514	₩ 917	₩ 619
Non-current liabilities	3,402	298,888	259,011	49	264,508
	<u>₩ 11,802</u>	<u>₩ 306,083</u>	<u>₩ 262,525</u>	<u>₩ 966</u>	<u>₩ 265,127</u>
Sales	₩ 32,201	₩ 16,823	₩ 15,491	₩ -	₩ 3,483
Operating profit (loss)	(6,172)	(171)	736	(2,108)	(2,057)
Profit (loss) for the year	1,074	(11,015)	(8,463)	(4,084)	(6,518)
Total comprehensive income (loss)	1,074	(11,015)	(8,463)	(4,084)	(6,518)

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>				
	<b>Busan Exhibition &amp; Convention Center LTD.</b>	<b>The Gyeongnam Highway Co., Ltd.</b>	<b>The Ulsan Harbour Bridge Co., Ltd.</b>	<b>Busan Finance Center PFV. Co., Ltd.</b>	<b>Hillstate Homaesil Newstay REIT Co., Ltd.</b>
Current assets	\$ 40,968	\$ 7,785	\$ 2,908	\$ 10,183	\$ 39,950
Non-current assets	46,498	248,945	229,090	29	237,469
	<u>\$ 87,466</u>	<u>\$ 256,730</u>	<u>\$ 231,998</u>	<u>\$ 10,212</u>	<u>\$ 277,419</u>
Current liabilities	\$ 7,255	\$ 6,214	\$ 3,035	\$ 792	\$ 535
Non-current liabilities	2,938	258,152	223,710	42	228,457
	<u>\$ 10,193</u>	<u>\$ 264,366</u>	<u>\$ 226,745</u>	<u>\$ 834</u>	<u>\$ 228,992</u>
Sales	\$ 27,812	\$ 14,530	\$ 13,380	\$ -	\$ 3,008

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD  
(Note 2))

	<b>2019</b>				
	<b>Busan Exhibition &amp; Convention Center LTD.</b>	<b>The Gyeongnam Highway Co., Ltd.</b>	<b>The Ulsan Harbour Bridge Co., Ltd.</b>	<b>Busan Finance Center PFV. Co., Ltd.</b>	<b>Hillstate Homaesil Newstay REIT Co., Ltd.</b>
Operating profit (loss)	(5,331)	(148)	636	(1,821)	(1,777)
Profit (loss) for the year	928	(9,514)	(7,310)	(3,527)	(5,630)
Total comprehensive income (loss)	928	(9,514)	(7,310)	(3,527)	(5,630)

(in millions of Korean won)

	<b>2018</b>				
	<b>Busan Exhibition &amp; Convention Center LTD.</b>	<b>The Gyeongnam Highway Co., Ltd.</b>	<b>The Ulsan Harbour Bridge Co., Ltd.</b>	<b>Busan Finance Center PFV. Co., Ltd.</b>	<b>Hillstate Homaesil Newstay REIT Co., Ltd.</b>
Current assets	₩ 40,961	₩ 14,797	₩ 4,011	₩ 59,370	₩ 2,488
Non-current assets	54,710	299,245	275,704	34	274,736
	<u>₩ 95,671</u>	<u>₩ 314,042</u>	<u>₩ 279,715</u>	<u>₩ 59,404</u>	<u>₩ 277,224</u>
Current liabilities	₩ 3,780	₩ 4,947	₩ 3,352	₩ 14,913	₩ 5,853
Non-current liabilities	3,331	307,500	261,873	50	207,689
	<u>₩ 7,111</u>	<u>₩ 312,447</u>	<u>₩ 265,225</u>	<u>₩ 14,963</u>	<u>₩ 213,542</u>
Sales	₩ 32,527	₩ 16,612	₩ 15,073	₩ 13,650	₩ -
Operating profit (loss)	(2,010)	(3,879)	357	(3,827)	(801)
Profit (loss) for the year	2,652	(15,355)	(8,962)	(3,230)	(793)
Total comprehensive income (loss)	2,652	(15,355)	(8,962)	(3,230)	(793)

(in thousands of USD  
(Note 2))

	<b>2018</b>				
	<b>Busan Exhibition &amp; Convention Center LTD.</b>	<b>The Gyeongnam Highway Co., Ltd.</b>	<b>The Ulsan Harbour Bridge Co., Ltd.</b>	<b>Busan Finance Center PFV. Co., Ltd.</b>	<b>Hillstate Homaesil Newstay REIT Co., Ltd.</b>
Current assets	\$ 35,378	\$ 12,780	\$ 3,464	\$ 51,278	\$ 2,149
Non-current assets	47,253	258,460	238,127	29	237,291
	<u>\$ 82,632</u>	<u>\$ 271,240</u>	<u>\$ 241,592</u>	<u>\$ 51,308</u>	<u>\$ 239,440</u>
Current liabilities	\$ 3,265	\$ 4,273	\$ 2,895	\$ 12,880	\$ 5,055
Non-current liabilities	2,877	265,590	226,182	43	179,382
	<u>\$ 6,142</u>	<u>\$ 269,863</u>	<u>\$ 229,077</u>	<u>\$ 12,924</u>	<u>\$ 184,438</u>
Sales	\$ 28,094	\$ 14,348	\$ 13,019	\$ 11,790	\$ -
Operating profit (loss)	(1,736)	(3,350)	308	(3,305)	(692)
Profit (loss) for the year	2,291	(13,262)	(7,741)	(2,790)	(685)
Total comprehensive income (loss)	2,291	(13,262)	(7,741)	(2,790)	(685)

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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Adjustments to the carrying amount of investments in joint ventures and associates that are material to the Group as at December 31, 2019, are as follows:

*(in millions of Korean won)*

	<b>2019</b>			
	<b>Busan Exhibition &amp; Convention Center LTD.</b>	<b>The Gyeongnam Highway Co., Ltd.</b>	<b>The Ulsan Harbour Bridge Co., Ltd.</b>	<b>Hillstate Homaesil Newstay REIT Co., Ltd.</b>
Net asset of associate (A)	₩ 89,466	₩ (8,841)	₩ 6,082	₩ 56,068
Ownership percentage (B) (%)	21.70%	29.50%	24.50%	27.02%
Net share amount (A*B)	19,411	(2,608)	1,490	15,150
(-) Elimination of intercompany transactions	1,804	-	1,490	15,150
Book amount	<u>₩ 17,607</u>	<u>₩ (2,608)</u>	<u>₩ -</u>	<u>₩ -</u>

*(in thousands of USD (Note 2))*

	<b>2019</b>			
	<b>Busan Exhibition &amp; Convention Center LTD.</b>	<b>The Gyeongnam Highway Co., Ltd.</b>	<b>The Ulsan Harbour Bridge Co., Ltd.</b>	<b>Hillstate Homaesil Newstay REIT Co., Ltd.</b>
Net asset of associate (A)	\$ 77,272	\$ (7,636)	\$ 5,253	\$ 48,426
Ownership percentage (B) (%)	21.70%	29.50%	24.50%	27.02%
Net share amount (A*B)	16,765	(2,253)	1,287	13,085
(-) Elimination of intercompany transactions	1,558	-	1,287	13,085
Book amount	<u>\$ 15,207</u>	<u>\$ (2,253)</u>	<u>\$ -</u>	<u>\$ -</u>



**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**11. Investment Property**

Changes in investment property for the years ended December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	<b>2019</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Total</b>
Acquisition cost:				
Beginning balance	₩ 329,022	₩ 43,762	₩ 15,304	₩ 388,088
Disposals	(1,990)	(1,386)	-	(3,376)
Transfer <sup>1</sup>	845	14,609	-	15,454
Exchange differences	-	1,145	-	1,145
Ending balance	<u>327,877</u>	<u>58,130</u>	<u>15,304</u>	<u>401,311</u>
Accumulated depreciation:				
Beginning balance	-	(5,825)	(1,212)	(7,037)
Depreciation	-	(1,212)	(765)	(1,977)
Disposals	-	421	-	421
Exchange differences	-	(180)	-	(180)
Ending balance	<u>-</u>	<u>(6,796)</u>	<u>(1,977)</u>	<u>(8,773)</u>
Accumulated impairment loss:				
Beginning balance	(9,453)	-	-	(9,453)
Impairment loss	(210)	-	-	(210)
Ending balance	<u>(9,663)</u>	<u>-</u>	<u>-</u>	<u>(9,663)</u>
Book amount:				
Beginning balance	₩ 319,569	₩ 37,937	₩ 14,092	₩ 371,598
Ending balance	<u>₩ 318,214</u>	<u>₩ 51,334</u>	<u>₩ 13,327</u>	<u>₩ 382,875</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD (Note 2))

	<b>2019</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Total</b>
Acquisition cost:				
Beginning balance	\$ 284,179	\$ 37,798	\$ 13,218	\$ 335,194
Disposals	(1,719)	(1,197)	-	(2,916)
Transfer <sup>1</sup>	730	12,618	-	13,348
Exchange differences	-	989	-	989
Ending balance	<u>283,190</u>	<u>50,207</u>	<u>13,218</u>	<u>346,615</u>
Accumulated depreciation:				
Beginning balance	-	(5,031)	(1,047)	(6,078)
Depreciation	-	(1,047)	(661)	(1,708)
Disposals	-	364	-	364
Exchange differences	-	(155)	-	(155)
Ending balance	<u>-</u>	<u>(5,870)</u>	<u>(1,708)</u>	<u>(7,577)</u>
Accumulated impairment loss:				
Beginning balance	(8,165)	-	-	(8,165)
Impairment loss	(181)	-	-	(181)
Ending balance	<u>(8,346)</u>	<u>-</u>	<u>-</u>	<u>(8,346)</u>
Book amount:				
Beginning balance	\$ 276,014	\$ 32,766	\$ 12,171	\$ 320,952
Ending balance	<u>\$ 274,844</u>	<u>\$ 44,338</u>	<u>\$ 11,511</u>	<u>\$ 330,692</u>

<sup>1</sup> The book amount of ₩ 12,333 million (\$ 10,652 thousand) is transferred from investment property to property, plant and equipment. The book amount of ₩ 27,787 million (\$ 24,000 thousand) is transferred from other assets to investment property.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
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(in millions of Korean won)

	<b>2018</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Total</b>
Acquisition cost:				
Beginning balance	₩ 358,222	₩ 36,124	₩ 15,304	₩ 409,650
Acquisitions	4,977	5,518	-	10,495
Disposals	(31,797)	(2,385)	-	(34,182)
Transfer <sup>1</sup>	(2,380)	3,972	-	1,592
Exchange differences	-	533	-	533
Ending balance	<u>329,022</u>	<u>43,762</u>	<u>15,304</u>	<u>388,088</u>
Accumulated depreciation:				
Beginning balance	-	(5,554)	(447)	(6,001)
Depreciation	-	(861)	(765)	(1,626)
Disposals	-	1,335	-	1,335
Transfer <sup>1</sup>	-	(662)	-	(662)
Exchange differences	-	(83)	-	(83)
Ending balance	<u>-</u>	<u>(5,825)</u>	<u>(1,212)</u>	<u>(7,037)</u>
Accumulated impairment loss:				
Beginning balance	<u>(9,453)</u>	-	-	<u>(9,453)</u>
Ending balance	<u>(9,453)</u>	-	-	<u>(9,453)</u>
Book amount:				
Beginning balance	<u>₩ 348,769</u>	<u>₩ 30,570</u>	<u>₩ 14,857</u>	<u>₩ 394,196</u>
Ending balance	<u>₩ 319,569</u>	<u>₩ 37,937</u>	<u>₩ 14,092</u>	<u>₩ 371,598</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD (Note2))

	<b>2018</b>			
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Total</b>
Acquisition cost:				
Beginning balance	\$ 309,399	\$ 31,201	\$ 13,218	\$ 353,818
Acquisitions	4,299	4,766	-	9,065
Disposals	(27,463)	(2,060)	-	(29,523)
Transfer <sup>1</sup>	(2,056)	3,431	-	1,375
Exchange differences	-	460	-	460
Ending balance	<u>284,179</u>	<u>37,798</u>	<u>13,218</u>	<u>335,194</u>
Accumulated depreciation:				
Beginning balance	-	(4,797)	(386)	(5,183)
Depreciation	-	(744)	(661)	(1,404)
Disposals	-	1,153	-	1,153
Transfer <sup>1</sup>	-	(572)	-	(572)
Exchange differences	-	(72)	-	(72)
Ending balance	<u>-</u>	<u>(5,031)</u>	<u>(1,047)</u>	<u>(6,078)</u>
Accumulated impairment loss:				
Beginning balance	<u>(8,165)</u>	<u>-</u>	<u>-</u>	<u>(8,165)</u>
Ending balance	<u>(8,165)</u>	<u>-</u>	<u>-</u>	<u>(8,165)</u>
Book amount:				
Beginning balance	<u>\$ 301,234</u>	<u>\$ 26,404</u>	<u>\$ 12,832</u>	<u>\$ 340,470</u>
Ending balance	<u>\$ 276,014</u>	<u>\$ 32,766</u>	<u>\$ 12,171</u>	<u>\$ 320,952</u>

<sup>1</sup> The book amount of ₩ 892 million (\$ 770 thousand) is transferred from investment property to property, plant and equipment. The book amount of ₩ 1,822 million (\$ 1,574 thousand) is transferred from other assets to investment property.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Recognized profit or loss on investment property for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>		<u>2018</u>	
Rental income	₩	11,149	₩	12,034
Direct operating expenses arising from investment property		8,689		6,979

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>		<u>2018</u>	
Rental income	\$	9,629	\$	10,394
Direct operating expenses arising from investment property		7,505		6,028

The book amount and fair value of investment property as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>				<u>2018</u>			
	<u>Book amount</u>		<u>Fair value<sup>1</sup></u>		<u>Book amount</u>		<u>Fair value<sup>1</sup></u>	
Land	₩	318,214	₩	454,636	₩	319,569	₩	391,810
Buildings		51,334		53,095		37,937		36,665
Structures		13,327		13,327		14,092		14,858
	₩	<u>382,875</u>	₩	<u>521,058</u>	₩	<u>371,598</u>	₩	<u>443,333</u>

<i>(in thousands of USD (Note2))</i>	<u>2019</u>				<u>2018</u>			
	<u>Book amount</u>		<u>Fair value<sup>1</sup></u>		<u>Book amount</u>		<u>Fair value<sup>1</sup></u>	
Land	\$	274,844	\$	392,672	\$	276,014	\$	338,409
Buildings		44,338		45,859		32,766		31,668
Structures		11,511		11,511		12,171		12,833
	\$	<u>330,692</u>	\$	<u>450,041</u>	\$	<u>320,952</u>	\$	<u>382,910</u>

<sup>1</sup> The fair value of investment property is classified as Level 3 (unobservable inputs for the asset or liability) based on inputs that were used in valuation technique.

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**12. Property, Plant and Equipment**

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

(in millions of  
Korean won)

	2019									
	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Ships	Others	Construction in progress	Total
Acquisition cost:										
Beginning balance	₩ 333,706	₩ 242,329	₩ 89,185	₩ 1,026,230	₩ 51,361	₩ 174,238	₩ 261,898	₩ 51,735	₩ 187,959	₩ 2,418,641
Acquisition	3,917	1,253	932	10,439	5,380	16,379	1,864	-	54,297	94,461
Disposal	(116)	(59)	-	(28,674)	(10,577)	(18,298)	(19,568)	-	-	(77,292)
Transfer <sup>1</sup>	12,325	10,012	-	126,561	22	32	(6,440)	(754)	(168,391)	(26,633)
Exchange differences	4	484	9	8,630	2,053	3,098	-	1,553	7	15,838
Ending balance	349,836	254,019	90,126	1,143,186	48,239	175,449	237,754	52,534	73,872	2,425,015
Accumulated depreciation:										
Beginning balance	-	(67,538)	(23,320)	(498,134)	(35,387)	(128,047)	(182,858)	(36,453)	-	(971,737)
Depreciation	-	(6,298)	(3,275)	(67,948)	(5,317)	(17,156)	(13,827)	(1,199)	-	(115,020)
Disposal	-	22	-	24,281	9,509	16,120	19,659	-	-	69,591
Transfer <sup>1</sup>	-	6	-	24,818	(501)	(249)	6,277	871	-	31,222
Exchange differences	-	(231)	-	(4,406)	(1,081)	(2,215)	3	(1,062)	-	(8,992)
Ending balance	-	(74,039)	(26,595)	(521,389)	(32,777)	(131,547)	(170,746)	(37,843)	-	(994,936)
Accumulated impairment loss:										
Beginning balance	-	(4,656)	(5,674)	-	-	-	-	-	-	(10,330)
Ending balance	-	(4,656)	(5,674)	-	-	-	-	-	-	(10,330)
Book amount:										
Beginning balance	₩ 333,706	₩ 170,135	₩ 60,191	₩ 528,096	₩ 15,974	₩ 46,191	₩ 79,040	₩ 15,282	₩ 187,959	₩ 1,436,574
Ending balance	₩ 349,836	₩ 175,324	₩ 57,857	₩ 621,797	₩ 15,462	₩ 43,902	₩ 67,008	₩ 14,691	₩ 73,872	₩ 1,419,749

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of  
USD (Note 2))

	2019									
	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Ships	Others	Construction in progress	Total
Acquisition cost:										
Beginning balance	\$ 288,224	\$ 209,301	\$ 77,030	\$ 886,362	\$ 44,361	\$ 150,491	\$ 226,203	\$ 44,684	\$ 162,342	\$ 2,088,997
Acquisition	3,383	1,082	805	9,016	4,647	14,147	1,610	-	46,897	81,587
Disposal	(100)	(51)	-	(24,766)	(9,135)	(15,804)	(16,901)	-	-	(66,758)
Transfer <sup>1</sup>	10,645	8,647	-	109,312	19	28	(5,562)	(651)	(145,440)	(23,003)
Exchange differences	3	418	8	7,454	1,773	2,676	-	1,341	6	13,679
Ending balance	302,156	219,398	77,842	987,378	41,664	151,537	205,350	45,374	63,804	2,094,503
Accumulated depreciation:										
Beginning balance	-	(58,333)	(20,142)	(430,242)	(30,564)	(110,595)	(157,936)	(31,485)	-	(839,296)
Depreciation	-	(5,440)	(2,829)	(58,687)	(4,592)	(14,818)	(11,942)	(1,036)	-	(99,344)
Disposal	-	19	-	20,972	8,213	13,923	16,980	-	-	60,106
Transfer <sup>1</sup>	-	5	-	21,435	(433)	(215)	5,421	752	-	26,967
Exchange differences	-	(200)	-	(3,805)	(934)	(1,913)	3	(917)	-	(7,766)
Ending balance	-	(63,948)	(22,970)	(450,327)	(28,310)	(113,618)	(147,475)	(32,685)	-	(859,333)
Accumulated impairment loss:										
Beginning balance	-	(4,021)	(4,901)	-	-	-	-	-	-	(8,922)
Ending balance	-	(4,021)	(4,901)	-	-	-	-	-	-	(8,922)
Book amount:										
Beginning balance	\$ 288,224	\$ 146,947	\$ 51,987	\$ 456,120	\$ 13,797	\$ 39,895	\$ 68,267	\$ 13,199	\$ 162,342	\$ 1,240,779
Ending balance	\$ 302,156	\$ 151,429	\$ 49,971	\$ 537,050	\$ 13,355	\$ 37,918	\$ 57,875	\$ 12,689	\$ 63,804	\$ 1,226,247

<sup>1</sup> The book amount of ₩ 12,333 million (\$ 10,652 thousand) is transferred from investment property to property, plant and equipment and ₩ 840 million (\$ 726 thousand) is transferred from property, plant and equipment to intangible assets. The book amount of ₩ 6,904 million (\$ 5,963 thousand) is transferred from property, plant and equipment to other assets.

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(in millions of  
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	2018									
	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Ships	Others	Construction in progress	Total
Acquisition cost:										
Beginning balance	₩ 330,733	₩ 240,806	₩ 88,921	₩ 1,051,228	₩ 49,408	₩ 167,653	₩ 286,458	₩ 51,422	₩ 65,922	₩ 2,332,551
Acquisition	397	738	754	10,875	6,958	19,934	612	118	136,993	177,379
Changes in consolidation scope	-	-	-	16	182	52	-	-	40	290
Disposal	(1,151)	(150)	(490)	(32,454)	(6,465)	(15,297)	(7,976)	(51)	-	(64,034)
Transfer <sup>1</sup>	3,727	798	-	(4,971)	(3)	(95)	(17,196)	(613)	(14,996)	(33,349)
Exchange differences	-	137	-	1,536	1,281	1,991	-	859	-	5,804
Ending balance	333,706	242,329	89,185	1,026,230	51,361	174,238	261,898	51,735	187,959	2,418,641
Accumulated depreciation:										
Beginning balance	-	(62,211)	(20,544)	(459,564)	(33,818)	(120,035)	(191,636)	(35,622)	-	(923,430)
Depreciation	-	(5,886)	(3,199)	(66,194)	(6,554)	(19,054)	(15,864)	(1,428)	-	(118,179)
Disposal	-	-	423	27,401	5,687	12,241	7,977	51	-	53,780
Transfer <sup>1</sup>	-	667	-	6,362	(43)	(81)	16,665	1,134	-	24,704
Exchange differences	-	(108)	-	(6,139)	(659)	(1,118)	-	(588)	-	(8,612)
Ending balance	-	(67,538)	(23,320)	(498,134)	(35,387)	(128,047)	(182,858)	(36,453)	-	(971,737)
Accumulated impairment loss:										
Beginning balance	-	(4,656)	(5,674)	-	-	-	-	-	-	(10,330)
Ending balance	-	(4,656)	(5,674)	-	-	-	-	-	-	(10,330)
Book amount:										
Beginning balance	₩ 330,733	₩ 173,939	₩ 62,703	₩ 591,664	₩ 15,590	₩ 47,618	₩ 94,822	₩ 15,800	₩ 65,922	₩ 1,398,791
Ending balance	₩ 333,706	₩ 170,135	₩ 60,191	₩ 528,096	₩ 15,974	₩ 46,191	₩ 79,040	₩ 15,282	₩ 187,959	₩ 1,436,574



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	2018									Total
	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Ships	Others	Construction in progress	
Acquisition cost:										
Beginning balance	\$ 285,656	\$ 207,986	\$ 76,802	\$ 907,953	\$ 42,674	\$ 144,803	\$ 247,416	\$ 44,414	\$ 56,937	\$ 2,014,641
Acquisition	343	637	651	9,393	6,010	17,217	529	102	118,322	153,203
Changes in consolidation scope	-	-	-	14	157	45	-	-	35	250
Disposal	(994)	(130)	(423)	(28,031)	(5,584)	(13,212)	(6,889)	(44)	-	(55,307)
Transfer <sup>1</sup>	3,219	689	-	(4,293)	(3)	(82)	(14,852)	(529)	(12,952)	(28,804)
Exchange differences	-	118	-	1,327	1,106	1,720	-	742	-	5,013
Ending balance	288,224	209,301	77,030	886,362	44,361	150,491	226,203	44,684	162,342	2,088,997
Accumulated depreciation:										
Beginning balance	-	(53,732)	(17,744)	(396,929)	(29,209)	(103,675)	(165,517)	(30,767)	-	(797,573)
Depreciation	-	(5,084)	(2,763)	(57,172)	(5,661)	(16,457)	(13,702)	(1,233)	-	(102,072)
Disposal	-	-	365	23,666	4,912	10,573	6,890	44	-	46,450
Transfer <sup>1</sup>	-	576	-	5,495	(37)	(70)	14,394	979	-	21,337
Exchange differences	-	(93)	-	(5,302)	(569)	(966)	-	(508)	-	(7,438)
Ending balance	-	(58,333)	(20,142)	(430,242)	(30,564)	(110,595)	(157,936)	(31,485)	-	(839,296)
Accumulated impairment loss:										
Beginning balance	-	(4,021)	(4,901)	-	-	-	-	-	-	(8,922)
Ending balance	-	(4,021)	(4,901)	-	-	-	-	-	-	(8,922)
Book amount:										
Beginning balance	\$ 285,656	\$ 150,232	\$ 54,157	\$ 511,024	\$ 13,465	\$ 41,128	\$ 81,898	\$ 13,647	\$ 56,937	\$ 1,208,146
Ending balance	\$ 288,224	\$ 146,947	\$ 51,987	\$ 456,120	\$ 13,797	\$ 39,895	\$ 68,267	\$ 13,199	\$ 162,342	\$ 1,240,779

<sup>1</sup> The book amount of ₩ 892 million (\$ 770 thousand) is transferred from investment property to property, plant and equipment and ₩ 6,623 million (\$ 5,720 thousand) is transferred from property, plant and equipment to intangible assets. The book amount of ₩ 2,914 million (\$ 2,517 thousand) is transferred from property, plant and equipment to other assets.

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Allocation of depreciation on property, plant and equipment for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Cost of sales <sup>1</sup>	₩ 102,096	103,030
Selling and administrative expenses	11,373	11,694
Other expenses	1,551	3,455
	<u>₩ 115,020</u>	<u>118,179</u>

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Cost of sales <sup>1</sup>	\$ 88,181	\$ 88,988
Selling and administrative expenses	9,823	10,100
Other expenses	1,340	2,984
	<u>\$ 99,344</u>	<u>\$ 102,072</u>

<sup>1</sup> The depreciation effect from joint operations, and others were excluded.

**13. Borrowing Costs**

Capitalization of borrowing costs for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Qualifying assets	<u>Inventories and others</u>	<u>Inventories and others</u>
Capitalized interest expenses	₩ 3,473	₩ 3,420
Capitalization rate	2.68%~3.70%	2.05%~3.36%

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Qualifying assets	<u>Inventories and others</u>	<u>Inventories and others</u>
Capitalized interest expenses	\$ 3,000	\$ 2,954
Capitalization rate	2.68%~3.70%	2.05%~3.36%

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**14. Intangible Assets**

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

(in millions of Korean won)

	2019				
	Goodwill	Membership	Backlog of orders	Other intangible assets	Total
Acquisition cost:					
Beginning balance	₩ 627,697	₩ 53,312	₩ 213,330	₩ 124,643	₩ 1,018,982
Acquisition	-	1,321	-	13,670	14,991
Disposal	-	(1,433)	-	(51)	(1,484)
Transfer <sup>1</sup>	-	-	-	(9,641)	(9,641)
Exchange differences	-	-	-	665	665
Ending balance	<u>627,697</u>	<u>53,200</u>	<u>213,330</u>	<u>129,286</u>	<u>1,023,513</u>
Accumulated amortization:					
Beginning balance	-	-	(205,449)	(92,347)	(297,796)
Amortization	-	-	(7,881)	(11,662)	(19,543)
Disposal	-	-	-	17	17
Transfer <sup>1</sup>	-	-	-	1,621	1,621
Exchange differences	-	-	-	(145)	(145)
Ending balance	-	-	<u>(213,330)</u>	<u>(102,516)</u>	<u>(315,846)</u>
Accumulated impairment loss:					
Beginning balance	(9,103)	(885)	-	-	(9,988)
Impairment loss	-	(160)	-	-	(160)
Disposal	-	324	-	-	324
Ending balance	<u>(9,103)</u>	<u>(721)</u>	-	-	<u>(9,824)</u>
Book amount:					
Beginning balance	<u>₩ 618,594</u>	<u>₩ 52,427</u>	<u>₩ 7,881</u>	<u>₩ 32,296</u>	<u>₩ 711,198</u>
Ending balance	<u>₩ 618,594</u>	<u>₩ 52,479</u>	<u>₩ -</u>	<u>₩ 26,770</u>	<u>₩ 697,843</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD)  
(Note 2)

	2019				
	Goodwill	Membership	Backlog of orders	Other intangible assets	Total
Acquisition cost:					
Beginning balance	\$ 542,146	\$ 46,046	\$ 184,255	\$ 107,655	\$ 880,102
Acquisition	-	1,141	-	11,807	12,948
Disposal	-	(1,238)	-	(44)	(1,282)
Transfer <sup>1</sup>	-	-	-	(8,327)	(8,327)
Exchange differences	-	-	-	574	574
Ending balance	542,146	45,949	184,255	111,665	884,015
Accumulated amortization:					
Beginning balance	-	-	(177,448)	(79,761)	(257,208)
Amortization	-	-	(6,807)	(10,073)	(16,879)
Disposal	-	-	-	15	15
Transfer <sup>1</sup>	-	-	-	1,400	1,400
Exchange differences	-	-	-	(125)	(125)
Ending balance	-	-	(184,255)	(88,544)	(272,798)
Accumulated impairment loss:					
Beginning balance	(7,862)	(764)	-	-	(8,627)
Impairment loss	-	(138)	-	-	(138)
Disposal	-	280	-	-	280
Ending balance	(7,862)	(623)	-	-	(8,485)
Book amount:					
Beginning balance	\$ 534,284	\$ 45,282	\$ 6,807	\$ 27,894	\$ 614,267
Ending balance	\$ 534,284	\$ 45,326	\$ -	\$ 23,121	\$ 602,732

<sup>1</sup> The book amount of ₩ 840 million (\$ 726 thousand) is transferred from property, plant and equipment to intangible assets. The book amount of ₩ 8,860 million (\$ 7,652 thousand) is transferred from intangible assets to other assets.

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(in millions of Korean won)

	<b>2018</b>				
	<b>Goodwill</b>	<b>Membership</b>	<b>Backlog of orders</b>	<b>Other intangible assets</b>	<b>Total</b>
Acquisition cost:					
Beginning balance	₩ 627,697	₩ 55,436	₩ 213,330	₩ 121,056	₩ 1,017,519
Acquisition	-	9	-	2,434	2,443
Disposal	-	(123)	-	(5,809)	(5,932)
Transfer <sup>1</sup>	-	(2,010)	-	6,753	4,743
Exchange differences	-	-	-	209	209
Ending balance	<u>627,697</u>	<u>53,312</u>	<u>213,330</u>	<u>124,643</u>	<u>1,018,982</u>
Accumulated amortization:					
Beginning balance	-	-	(170,896)	(76,567)	(247,463)
Amortization	-	-	(34,553)	(21,215)	(55,768)
Disposal	-	-	-	5,806	5,806
Transfer <sup>1</sup>	-	-	-	(326)	(326)
Exchange differences	-	-	-	(45)	(45)
Ending balance	<u>-</u>	<u>-</u>	<u>(205,449)</u>	<u>(92,347)</u>	<u>(297,796)</u>
Accumulated impairment loss:					
Beginning balance	(9,103)	(725)	-	-	(9,828)
Impairment loss	-	(160)	-	-	(160)
Ending balance	<u>(9,103)</u>	<u>(885)</u>	<u>-</u>	<u>-</u>	<u>(9,988)</u>
Book amount:					
Beginning balance	<u>₩ 618,594</u>	<u>₩ 54,711</u>	<u>₩ 42,434</u>	<u>₩ 44,489</u>	<u>₩ 760,228</u>
Ending balance	<u>₩ 618,594</u>	<u>₩ 52,427</u>	<u>₩ 7,881</u>	<u>₩ 32,296</u>	<u>₩ 711,198</u>

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(in thousands of USD  
(Note 2))

	2018				
	Goodwill	Membership	Backlog of orders	Other intangible assets	Total
Acquisition cost:					
Beginning balance	\$ 542,146	\$ 47,880	\$ 184,255	\$ 104,557	\$ 878,838
Acquisition	-	8	-	2,102	2,110
Disposal	-	(106)	-	(5,017)	(5,124)
Transfer <sup>1</sup>	-	(1,736)	-	5,833	4,097
Exchange differences	-	-	-	181	181
Ending balance	<u>542,146</u>	<u>46,046</u>	<u>184,255</u>	<u>107,655</u>	<u>880,102</u>
Accumulated amortization:					
Beginning balance	-	-	(147,604)	(66,131)	(213,736)
Amortization	-	-	(29,844)	(18,324)	(48,167)
Disposal	-	-	-	5,015	5,015
Transfer <sup>1</sup>	-	-	-	(282)	(282)
Exchange differences	-	-	-	(39)	(39)
Ending balance	<u>-</u>	<u>-</u>	<u>(177,448)</u>	<u>(79,761)</u>	<u>(257,208)</u>
Accumulated impairment loss:					
Beginning balance	(7,862)	(626)	-	-	(8,489)
Impairment loss	-	(138)	-	-	(138)
Ending balance	<u>(7,862)</u>	<u>(764)</u>	<u>-</u>	<u>-</u>	<u>(8,627)</u>
Book amount:					
Beginning balance	<u>\$ 534,284</u>	<u>\$ 47,254</u>	<u>\$ 36,651</u>	<u>\$ 38,425</u>	<u>\$ 656,614</u>
Ending balance	<u>\$ 534,284</u>	<u>\$ 45,282</u>	<u>\$ 6,807</u>	<u>\$ 27,894</u>	<u>\$ 614,267</u>

<sup>1</sup> The book amount of ₩ 6,623 million (\$ 5,720 thousand) is transferred from property, plant and equipment to intangible assets. The book amount of ₩ 2,206 million (\$ 1,905 thousand) is transferred from intangible assets to other assets.

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Allocation of amortization of intangible assets for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Cost of sales	₩	3,381	₩	3,323
Selling and administrative expenses		16,162		52,445
	₩	19,543	₩	55,768

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>		<b>2018</b>	
Cost of sales	\$	2,920	\$	2,870
Selling and administrative expenses		13,959		45,297
	\$	16,879	\$	48,167

The Group recognized total research and development costs of ₩ 224,442 million (\$ 193,852 thousand) (2018: ₩ 109,949 million (\$ 94,964 thousand)) as expenses.

Goodwill is allocated to the Group's cash-generating unit identified at the operating segment level. The recoverable amounts of the Group's cash-generating unit have been determined based on value-in-use which was calculated using cash flow projections based on business plan approved by management covering a five-year period. The cash flow over five years is only estimated in the maximum range of long-term average growth rate in the industry where the cash-generating unit is affiliated. As a result of impairment test for goodwill, there are no impairment losses recognized for the years ended December 31, 2019 and 2018.

**15. Lease**

Details of right-of-use assets as at December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Book amount</b>
Land	₩ 21,981	₩ (4,082)	₩ 17,899
Buildings	51,801	(15,899)	35,902
Structures	760	(252)	508
Machinery and equipment	42,345	(22,604)	19,741
Vehicles	12,406	(5,812)	6,594
Tools furniture and fixtures	1,319	(447)	872
Construction support materials	115	(101)	14
	₩ 130,727	₩ (49,197)	₩ 81,530

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(in thousands of USD (Note 2))

	<b>2019</b>		
	<b>Acquisition cost</b>	<b>Accumulated depreciation</b>	<b>Book amount</b>
Land	\$ 18,985	\$ (3,526)	\$ 15,459
Buildings	44,741	(13,732)	31,009
Structures	656	(218)	439
Machinery and equipment	36,574	(19,523)	17,050
Vehicles	10,715	(5,020)	5,695
Tools furniture and fixtures	1,139	(386)	753
Construction support materials	99	(87)	12
	<b>\$ 112,910</b>	<b>\$ (42,492)</b>	<b>\$ 70,418</b>

Changes in right-of-use assets for the year ended December 31, 2019, are as follows:

(in millions of Korean won)

	<b>2019</b>						
	<b>Beginning balance</b>	<b>Changes in accounting policy</b>			<b>Exchange differences</b>		<b>Ending balance</b>
		<b>Increase</b>	<b>Decrease</b>	<b>Depreciation</b>			
Land	₩ -	₩ 17,483	₩ 4,392	₩ (24)	₩ (4,081)	₩ 129	₩ 17,899
Buildings	-	7,241	44,726	(259)	(15,942)	137	35,903
Structures	-	4	756	-	(252)	-	508
Machinery and equipment	-	24,796	17,630	(158)	(22,623)	96	19,741
Vehicles	-	7,293	5,055	-	(5,816)	61	6,593
Tools furniture and fixtures	-	469	852	(4)	(447)	2	872
Construction support materials	-	119	6	(6)	(105)	-	14
	<b>₩ -</b>	<b>₩ 57,405</b>	<b>₩ 73,417</b>	<b>₩ (451)</b>	<b>₩ (49,266)</b>	<b>₩ 425</b>	<b>₩ 81,530</b>

(in thousands of USD (Note 2))

	<b>2019</b>						
	<b>Beginning balance</b>	<b>Changes in accounting policy</b>			<b>Exchange differences</b>		<b>Ending balance</b>
		<b>Increase</b>	<b>Decrease</b>	<b>Depreciation</b>			
Land	\$ -	\$ 15,100	\$ 3,793	\$ (21)	\$ (3,525)	\$ 111	\$ 15,459
Buildings	-	6,254	38,630	(224)	(13,769)	118	31,010
Structures	-	3	653	-	(218)	-	439
Machinery and equipment	-	21,416	15,227	(136)	(19,540)	83	17,050
Vehicles	-	6,299	4,366	-	(5,023)	53	5,694
Tools furniture and fixtures	-	405	736	(3)	(386)	2	753
Construction support materials	-	103	5	(5)	(91)	-	12
	<b>\$ -</b>	<b>\$ 49,581</b>	<b>\$ 63,411</b>	<b>\$ (390)</b>	<b>\$ (42,551)</b>	<b>\$ 367</b>	<b>\$ 70,418</b>



**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Changes in lease liabilities for the year ended December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	2019							
	Beginning balance	Changes in accounting policy	Increase	Decrease	Payment	Interest expense	Exchange difference	Ending balance
Lease liabilities	₩ -	₩ 47,049	₩ 72,682	₩ (451)	₩ (48,285)	₩ 2,059	₩ 572	₩ 73,626

<i>(in thousands of USD (Note 2))</i>	2019							
	Beginning balance	Changes in accounting policy	Increase	Decrease	Payment	Interest expense	Exchange difference	Ending balance
Lease liabilities	\$ -	\$ 40,637	\$ 62,776	\$ (390)	\$ (41,704)	\$ 1,778	\$ 494	\$ 63,591

The consolidated statement of profit or loss shows the following amounts relating to leases:

<i>(in millions of Korean won)</i>	2019	2018
Depreciation of right-of-use assets		
Properties	₩ 20,275	₩ -
Equipment	22,728	-
Vehicles	5,816	-
Others	447	-
	₩ 49,266	₩ -
Interest expense relating to lease liabilities	₩ 2,059	₩ -
Expense relating to short-term leases	211,034	-
Expense relating to leases of low-value assets that are not short-term leases	1,375	-
	₩ 214,468	₩ -

<i>(in thousands of USD (Note 2))</i>	2019	2018
Depreciation of right-of-use assets		
Properties	\$ 17,512	\$ -
Equipment	19,630	-
Vehicles	5,023	-
Others	386	-
	\$ 42,551	\$ -
Interest expense relating to lease liabilities	\$ 1,778	\$ -
Expense relating to short-term leases	182,272	-
Expense relating to leases of low-value assets that are not short-term leases	1,188	-
	\$ 185,238	\$ -

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The total cash outflow for leases in 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	
Expense relating to lease liabilities	₩	48,285
Expense relating to short-term lease		211,380
Expense relating to lease of low-value assets		1,449
	₩	<u>261,114</u>

  

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	
Expense relating to lease liabilities	\$	41,704
Expense relating to short-term lease		182,570
Expense relating to lease of low-value assets		1,252
	\$	<u>225,526</u>

**16. Trade, Other and Long-term Other Payables**

Details of trade, other and long-term other payables as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
<b>Trade payables</b>				
Accounts payable-trade	₩	1,696,586	₩	2,256,754
<b>Other payables</b>				
Non-trade payables	₩	625,673	₩	673,238
Accrued expenses		41,887		38,025
Dividend payable		908		-
Withholdings		345,272		470,791
	₩	<u>1,013,740</u>	₩	<u>1,182,054</u>
<b>Long-term other payables</b>				
Long-term non-trade payables	₩	43,251	₩	65,817
Deposits received		363,547		373,856
Present value discounts		(12,003)		(14,174)
	₩	<u>394,795</u>	₩	<u>425,499</u>

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<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
<b>Trade payables</b>		
Accounts payable-trade	\$ 1,465,353	\$ 1,949,174
<b>Other payables</b>		
Non-trade payables	\$ 540,398	\$ 581,480
Accrued expenses	36,178	32,842
Dividend payable	784	-
Withholdings	298,214	406,625
	<u>\$ 875,574</u>	<u>\$ 1,020,948</u>
<b>Long-term other payables</b>		
Long-term non-trade payables	\$ 37,356	\$ 56,847
Deposits received	313,998	322,902
Present value discounts	(10,367)	(12,242)
	<u>\$ 340,987</u>	<u>\$ 367,506</u>

**17. Borrowings**

Details of short-term borrowings as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>Interest rate (%) as at December 31, 2019</b>	<u>2019</u>	<u>2018</u>
<b>Short-term borrowings</b>			
Trade financing	Shinhan Bank and others 0.20	₩ 10,769	₩ 5,756
General loans <sup>1</sup>	NongHyup Bank and others 2.68 ~ 3.36	23,224	5,799
Commercial paper	SJW co., LTD and others 1.72 ~ 2.10	266,400	137,000
Operating loans <sup>1</sup>	Construction Guarantee 1.40 ~ 3.73, TAB180+0.45	114,721	123,687
		<u>₩ 415,114</u>	<u>₩ 272,242</u>

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<i>(in thousands of USD (Note 2))</i>		Interest rate (%) as at December 31,		
		2019	2019	2018
<b>Short-term borrowings</b>				
Trade financing	Shinhan Bank and others	0.20	\$ 9,301	\$ 4,971
General loans <sup>1</sup>	NongHyup Bank and others	2.68 ~ 3.36	20,059	5,009
Commercial paper	SJW and others	1.72 ~ 2.10	230,092	118,328
Operating loans <sup>1</sup>	Construction Guarantee	1.40 ~ 3.73, TAB180+0.45	99,085	106,829
			<u>\$ 358,537</u>	<u>\$ 235,137</u>

<sup>1</sup> The Group's assets are provided as collateral related to the above borrowings (Note 37).

Details of long-term borrowings as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>		Interest rate (%) as at December 31,		
		2019	2019	2018
<b>Long-term borrowings</b>				
Facility loans <sup>1</sup>	Industrial Bank of Korea and others	2.80 ~ 5.50	₩ 343,265	₩ 340,786
Credit loans	Korea Housing & Urban Guarantee Corporation	-	11,280	11,731
General loans	Korea Development Bank and others	3.7	177,900	138,700
Less: present value discounts			(5,931)	(4,156)
			<u>526,514</u>	<u>487,061</u>
Less: current portion			(23,097)	(28,698)
			<u>₩ 503,417</u>	<u>₩ 458,363</u>

<i>(in thousands of USD (Note 2))</i>		Interest rate (%) as at December 31,		
		2019	2019	2018
<b>Long-term borrowings</b>				
Facility loans <sup>1</sup>	Industrial Bank of Korea and others	2.80 ~ 5.50	\$ 296,480	\$ 294,339
Credit loans	Korea Housing & Urban Guarantee Corporation	-	9,743	10,132
General loans	Korea Development Bank and others	3.7	153,653	119,796
Less: present value discounts			(5,123)	(3,590)
			<u>454,754</u>	<u>420,678</u>
Less: current portion			(19,949)	(24,787)
			<u>\$ 434,805</u>	<u>\$ 395,891</u>

<sup>1</sup> The Group's assets are provided as collateral related to above borrowings (Note 37).

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

(in millions of Korean won)

Description	Issued date	Maturity	Interest rate (%) as at December 31, 2019				
				2019	2018		
Unsecured public offered bonds	02/18/2014	02/18/2019	-	₩	-	₩	200,000
Unsecured public offered bonds	04/11/2013	04/11/2020	3.40		100,000		100,000
Unsecured public offered bonds	08/29/2014	08/29/2021	3.64		150,000		150,000
Unsecured public offered bonds	02/16/2015	02/16/2020	2.57		150,000		150,000
Unsecured public offered bonds	02/16/2015	02/16/2022	2.98		200,000		200,000
Unsecured public offered bonds	07/12/2016	07/12/2021	2.03		150,000		150,000
Unsecured public offered bonds	11/08/2016	11/08/2023	3.00		50,000		50,000
Unsecured public offered bonds	02/08/2018	02/08/2021	2.73		120,000		120,000
Unsecured public offered bonds	02/08/2018	02/08/2023	3.19		180,000		180,000
Unsecured public offered bonds	02/26/2019	02/26/2022	2.19		90,000		-
Unsecured public offered bonds	02/26/2019	02/26/2024	2.36		140,000		-
Unsecured public offered bonds	02/26/2019	02/26/2026	2.89		70,000		-
Unsecured public offered bonds	09/25/2014	09/25/2019	2.92		-		100,000
Unsecured public offered bonds	04/13/2015	04/13/2020	2.12		100,000		100,000
Unsecured public offered bonds	04/13/2015	04/13/2022	2.54		100,000		100,000
Unsecured public offered bonds	06/17/2015	06/17/2020	3.41		50,000		50,000
					<u>1,650,000</u>		<u>1,650,000</u>
		Less: discount on bonds			(2,626)		(2,648)
		Less: current portion			<u>(399,939)</u>		<u>(299,914)</u>
				₩	<u>1,247,435</u>	₩	<u>1,347,438</u>

(in thousands of USD (Note 2))

Description	Issued date	Maturity	Interest rate (%) as at December 31, 2019				
				2019	2018		
Unsecured public offered bonds	02/18/2014	02/18/2019	-	\$	-	\$	172,741
Unsecured public offered bonds	04/11/2013	04/11/2020	3.40		86,371		86,371
Unsecured public offered bonds	08/29/2014	08/29/2021	3.64		129,556		129,556
Unsecured public offered bonds	02/16/2015	02/16/2020	2.57		129,556		129,556
Unsecured public offered bonds	02/16/2015	02/16/2022	2.98		172,741		172,741
Unsecured public offered bonds	07/12/2016	07/12/2021	2.03		129,556		129,556
Unsecured public offered bonds	11/08/2016	11/08/2023	3.00		43,185		43,185
Unsecured public offered bonds	02/08/2018	02/08/2021	2.73		103,645		103,645
Unsecured public offered bonds	02/08/2018	02/08/2023	3.19		155,467		155,467
Unsecured public offered bonds	02/26/2019	02/26/2022	2.19		77,734		-
Unsecured public offered bonds	02/26/2019	02/26/2024	2.36		120,919		-
Unsecured public offered bonds	02/26/2019	02/26/2026	2.89		60,459		-

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Description	Issued date	Maturity	Interest rate (%) as at December 31, 2019	2019	2018
Unsecured public offered bonds	09/25/2014	09/25/2019	2.92	-	86,371
Unsecured public offered bonds	04/13/2015	04/13/2020	2.12	86,371	86,371
Unsecured public offered bonds	04/13/2015	04/13/2022	2.54	86,371	86,371
Unsecured public offered bonds	06/17/2015	06/17/2020	3.41	43,185	43,185
				<u>1,425,117</u>	<u>1,425,117</u>
				Less: discount on bonds	(2,268)
				Less: current portion	(259,038)
				<u>\$ 1,077,418</u>	<u>\$ 1,163,792</u>

**18. Provisions**

Changes in provisions for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019				
	Provision for construction warranties	Provision for litigation	Provision for construction loss	Other provisions	Total
<b>Current provisions</b>					
Beginning balance	₩ -	₩ 315	₩ 31,101	₩ 2,650	₩ 34,066
Additional provisions	3,749	-	30,979	44,990	79,718
Reversal of provisions	(121)	(315)	(15,780)	-	(16,216)
Utilization	(4,757)	-	(1,959)	-	(6,716)
Transfer	82,294	-	(26)	-	82,268
Exchange differences	(369)	-	54	-	(315)
Ending balance	<u>₩ 80,796</u>	<u>₩ -</u>	<u>₩ 44,369</u>	<u>₩ 47,640</u>	<u>₩ 172,805</u>

(in thousands of USD (Note 2))

	2019				
	Provision for construction warranties	Provision for litigation	Provision for construction loss	Other provisions	Total
<b>Current provisions</b>					
Beginning balance	\$ -	\$ 272	\$ 26,862	\$ 2,289	\$ 29,423
Additional provisions	3,238	-	26,757	38,858	68,853
Reversal of provisions	(105)	(272)	(13,629)	-	(14,006)
Utilization	(4,109)	-	(1,692)	-	(5,801)
Transfer	71,078	-	(22)	-	71,055
Exchange differences	(319)	-	47	-	(272)
Ending balance	<u>\$ 69,784</u>	<u>\$ -</u>	<u>\$ 38,322</u>	<u>\$ 41,147</u>	<u>\$ 149,253</u>

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(in millions of Korean won)

	2019			
	Provision for construction warranties	Provision for litigation	Provision for construction loss	Total
<b>Non-current provisions</b>				
Beginning balance	₩ 412,953	₩ 37,586	₩ 537	₩ 451,076
Additional provisions	83,693	21,715	-	105,408
Reversal of provisions	(6,595)	(7,946)	(563)	(15,104)
Utilization	(47,224)	(25,449)	-	(72,673)
Transfer	(82,294)	-	26	(82,268)
Exchange differences	1,815	-	-	1,815
Ending balance	₩ 362,348	₩ 25,906	₩ -	₩ 388,254

(in thousands of USD (Note 2))

	2019			
	Provision for construction warranties	Provision for litigation	Provision for construction loss	Total
<b>Non-current provisions</b>				
Beginning balance	\$ 356,670	\$ 32,463	\$ 464	\$ 389,598
Additional provisions	72,286	18,755	-	91,042
Reversal of provisions	(5,696)	(6,863)	(486)	(13,045)
Utilization	(40,788)	(21,980)	-	(62,768)
Transfer	(71,078)	-	22	(71,055)
Exchange differences	1,568	-	-	1,568
Ending balance	\$ 312,963	\$ 22,375	\$ -	\$ 335,338

(in millions of Korean won)

	2018			
	Provision for litigation	Provision for construction loss	Other provisions	Total
<b>Current provisions</b>				
Beginning balance	₩ 546	₩ -	₩ -	₩ 546
Transition impact	-	60,922	-	60,922
Additional provisions	-	(408)	2,650	2,242
Reversal of provisions	(240)	(26,639)	-	(26,879)
Utilization	-	(2,603)	-	(2,603)
Transfer	-	-	-	-
Exchange differences	9	(171)	-	(162)
Ending balance	₩ 315	₩ 31,101	₩ 2,650	₩ 34,066

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USD (Note 2))

	2018			
	Provision for litigation	Provision for construction loss	Other provisions	Total
<b>Current provisions</b>				
Beginning balance	\$ 472	\$ -	\$ -	\$ 472
Transition impact	-	52,619	-	52,619
Additional provisions	-	(352)	2,289	1,936
Reversal of provisions	(207)	(23,008)	-	(23,216)
Utilization	-	(2,248)	-	(2,248)
Transfer	-	-	-	-
Exchange differences	8	(148)	-	(140)
Ending balance	<u>\$ 272</u>	<u>\$ 26,862</u>	<u>\$ 2,289</u>	<u>\$ 29,423</u>

(in millions of Korean won)

	2018			
	Provision for construction warranties	Provision for litigation	Provision for construction loss	Total
<b>Non-current provisions</b>				
Beginning balance	₩ 398,871	₩ 5,998	₩ -	₩ 404,869
Transition impact	-	-	-	-
Additional provisions	87,435	40,760	486	128,681
Reversal of provisions	(12,173)	(3,308)	(1,253)	(16,734)
Utilization	(62,866)	(5,710)	-	(68,576)
Transfer	(27)	(154)	1,304	1,123
Exchange differences	1,713	-	-	1,713
Ending balance	<u>₩ 412,953</u>	<u>₩ 37,586</u>	<u>₩ 537</u>	<u>₩ 451,076</u>

(in thousands of  
USD (Note 2))

	2018			
	Provision for construction warranties	Provision for litigation	Provision for construction loss	Total
<b>Non-current provisions</b>				
Beginning balance	\$ 344,508	\$ 5,181	\$ -	\$ 349,688
Transition impact	-	-	-	-
Additional provisions	75,518	35,205	420	111,143
Reversal of provisions	(10,514)	(2,857)	(1,082)	(14,453)
Utilization	(54,298)	(4,932)	-	(59,230)
Transfer	(23)	(133)	1,126	970
Exchange differences	1,480	-	-	1,480
Ending balance	<u>\$ 356,670</u>	<u>\$ 32,463</u>	<u>\$ 464</u>	<u>\$ 389,598</u>



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**19. Other Financial Liabilities**

Other financial liabilities as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>		<b>2019</b>		<b>2018</b>	
Other current financial liabilities	Financial guarantee liabilities	₩	42,064	₩	14,493
Other non-current financial liabilities	Financial guarantee liabilities		96,196		113,404
		₩	138,260	₩	127,897

  

<i>(in thousands of USD (Note 2))</i>		<b>2019</b>		<b>2018</b>	
Other current financial liabilities	Financial guarantee liabilities	\$	36,331	\$	12,518
Other non-current financial liabilities	Financial guarantee liabilities		83,085		97,948
		\$	119,416	\$	110,466

**20. Other Liabilities**

Other liabilities as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>		<b>2019</b>		<b>2018</b>	
Other current liabilities	Value-added tax withheld	₩	18,654	₩	30,361
	Other advance receipts		33,390		33,997
	Unearned income		10,592		12,299
	Others		77		244
		₩	62,713	₩	76,901
Other non-current liabilities	Long-term unearned income	₩	56,756	₩	59,416

  

<i>(in thousands of USD (Note 2))</i>		<b>2019</b>		<b>2018</b>	
Other current liabilities	Value-added tax withheld	\$	16,112	\$	26,223
	Other advance receipts		28,839		29,363
	Unearned income		9,148		10,623
	Others		67		211
		\$	54,166	\$	66,420
Other non-current liabilities	Long-term unearned income	\$	49,021	\$	51,318

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**21. Post-employment Benefits**

**21.1 Defined Benefit Plan**

The Group maintains defined benefit plan for its employees, and according to the plan, the employees will be paid their average salary amount of the final three months multiplied by the number of years of service, adjusted for payment rate and other. The actuarial valuation of plan assets and defined benefit obligations is performed by an independent qualified actuary using the pension actuarial method.

Details of post-employment benefit obligation recognized in the consolidated statements of financial position as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligations	₩ 732,069	₩ 671,347
Fair value of plan assets <sup>1</sup>	<u>(724,128)</u>	<u>(654,313)</u>
Post-employment benefit obligation	<u>₩ 7,941</u>	<u>₩ 17,034</u>
<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligations	\$ 632,293	\$ 579,847
Fair value of plan assets <sup>1</sup>	<u>(625,434)</u>	<u>(565,135)</u>
Post-employment benefit obligation	<u>\$ 6,859</u>	<u>\$ 14,712</u>

<sup>1</sup> The contributions to the National Pension Fund of ₩ 1,667 million (\$ 1,440 thousand) are included in the fair value of plan assets as at December 31, 2019 (2018: ₩ 1,955 million (\$ 1,689 thousand)).

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Changes in present value of defined benefit obligation for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Beginning balance	₩	671,347	₩	638,421
Current service cost		73,191		72,077
Interest cost		22,085		23,842
Remeasurements:				
Changes in demographic assumptions		7,487		(677)
Changes in financial assumptions		12,334		25,607
Experience adjustments		11,180		(14,241)
Transfer in (out) affiliates		275		211
Benefits paid		(66,343)		(73,893)
Others		437		-
Exchange differences		76		-
Ending balance	₩	<u>732,069</u>	₩	<u>671,347</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>		<b>2018</b>	
Beginning balance	\$	579,847	\$	551,409
Current service cost		63,216		62,253
Interest cost		19,075		20,593
Remeasurements:				
Changes in demographic assumptions		6,467		(585)
Changes in financial assumptions		10,653		22,117
Experience adjustments		9,656		(12,300)
Transfer in (out) affiliates		238		182
Benefits paid		(57,301)		(63,822)
Others		377		-
Exchange differences		66		-
Ending balance	\$	<u>632,293</u>	\$	<u>579,847</u>

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

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Beginning balance	₩	654,313	₩	636,121
Contributions		122,268		40,392
Interest income		21,764		25,101

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<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Remeasurements:		
Changes in financial assumptions	(8,951)	(12,332)
Transfer in (out) affiliates	275	(97)
Benefits paid	(49,208)	(59,434)
Replacement	<u>(16,333)</u>	<u>24,562</u>
Ending balance	<u>₩ 724,128</u>	<u>₩ 654,313</u>

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<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 565,135	\$ 549,422
Contributions	105,604	34,887
Interest income	18,798	21,680
Remeasurements:		
Changes in financial assumptions	(7,731)	(10,651)
Transfer in (out) affiliates	238	(84)
Benefits paid	(42,501)	(51,334)
Replacement	(14,107)	21,214
Ending balance	<u>\$ 625,434</u>	<u>\$ 565,135</u>

Profit or loss recognized for defined benefit plan for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Cost of sales	₩ 45,445	₩ 43,298
Selling and administrative expenses	28,067	27,520
	<u>₩ 73,512</u>	<u>₩ 70,818</u>

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Cost of sales	\$ 39,251	\$ 37,397
Selling and administrative expenses	24,242	23,769
	<u>\$ 63,493</u>	<u>\$ 61,166</u>

Changes in remeasurements of defined benefit plan recognized as other comprehensive income for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Beginning balance	₩ (85,010)	₩ (66,257)
Changes	(39,952)	(21,961)
Less: tax effect	9,288	3,208
Ending balance	<u>₩ (115,674)</u>	<u>₩ (85,010)</u>

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<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (73,424)	\$ (57,227)
Changes	(34,507)	(18,968)
Less: tax effect	8,022	2,771
Ending balance	<u>\$ (99,908)</u>	<u>\$ (73,424)</u>

Fair value of plan assets as at December 31, 2019 and 2018, consists of

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	₩ 14,733	₩ 174
Financial instruments	43,036	13,928
Insurance contracts	655,850	638,924
Others	10,509	1,287
	<u>₩ 724,128</u>	<u>₩ 654,313</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 12,725	\$ 150
Financial instruments	37,170	12,030
Insurance contracts	566,462	551,843
Others	9,077	1,112
	<u>\$ 625,434</u>	<u>\$ 565,135</u>

Investment strategies and policies for plan assets seek a balanced approach of minimizing risks and return of the highest profit. Moreover, actual profit from plan assets for the years ended December 31, 2019 and 2018, is ₩ 12,813 million (\$ 11,067 thousand) and ₩ 12,768 million (\$ 11,028 thousand), respectively.

Actuarial assumptions used as at December 31, 2019 and 2018, are as follows:

	<b>2019</b>	<b>2018</b>
Discount rate	2.10% ~ 3.26%	2.40% ~ 3.61%
Future salary growth rate	2.65% ~ 4.63%	2.75% ~ 4.00%

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The sensitivity analysis below has been determined based on reasonably possible changes in actuarial assumptions while holding all other assumptions constant as at December 31, 2019 and 2018.

<i>(in millions of Korean won)</i>	2019				2018			
	Increase		Decrease		Increase		Decrease	
1% change of discount rate	₩	(68,312)	₩	78,663	₩	(68,065)	₩	78,092
1% change in future salary growth rate		79,402		(69,793)		78,967		(69,521)

<i>(in thousands of USD (Note 2))</i>	2019				2018			
	Increase		Decrease		Increase		Decrease	
1% change of discount rate	\$	(59,002)	\$	67,942	\$	(58,788)	\$	67,449
1% change in future salary growth rate		68,580		(60,281)		68,204		(60,046)

The above sensitivity analysis does not demonstrate actual fluctuations in defined benefit obligation since the actuarial assumptions are correlated and adjustment to a single set of assumption would not occur independently of others. Moreover, the present value of defined benefit obligation in the above sensitivity analysis was calculated using the projected unit credit method that was used to calculate post-employment benefit obligation in the consolidated statement of financial position.

The Group reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund.

Expected contributions to post-employment benefit plans for the year ending December 31, 2020, are ₩ 85,243 million (\$ 73,625 thousand), and the expected maturity analysis of undiscounted pension benefits as at December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years		Total	
<b>Pension benefits</b>										
December 31, 2019	₩	62,694	₩	78,368	₩	157,617	₩	1,729,441	₩	2,028,120
December 31, 2018		60,310		76,796		147,470		1,662,493		1,947,069

  

<i>(in thousands of USD (Note 2))</i>	Less than 1 year		Between 1-2 years		Between 2-5 years		Over 5 years		Total	
<b>Pension benefits</b>										
December 31, 2019	\$	54,149	\$	67,687	\$	136,135	\$	1,493,730	\$	1,751,702
December 31, 2018		52,090		66,329		127,371		1,435,907		1,681,697

The weighted average duration of the defined benefit obligation is 4.88 ~ 12.72 years.

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**21.2 Defined Contribution Plan**

The expense recognized in the current period in relation to defined contribution plan was ₩ 755 million (\$ 652 thousand) (2018: ₩ 798 million (\$ 689 thousand)).

**21.3 Other Long-term and Short-term Employee Benefits**

The short-term employee benefits is paid absences recognized in respect of service rendered by employees in the current period and other long-term employee benefits is the amount related to employee benefits paid for service over a certain number of years.

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	₩ 36,524	₩ 30,966
Other long-term employee benefits	27,833	21,291
	<u>₩ 64,357</u>	<u>₩ 52,257</u>
<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 31,546	\$ 26,746
Other long-term employee benefits	24,040	18,389
	<u>\$ 55,586</u>	<u>\$ 45,135</u>



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**22. Fair Value of Financial Assets and Liabilities**

Carrying amount and fair value of financial assets by category as at December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	<b>2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets at amortized cost:		
Cash and cash equivalents	₩ 2,586,007	₩ 2,586,007
Short-term financial instruments	851,216	851,216
Trade receivables	1,984,169	1,984,169
Other receivables	1,755,324	1,755,324
Long-term trade receivables	358,977	358,977
Long-term other receivables	1,236,123	1,236,123
Long-term financial instruments	22,304	22,304
Financial assets at amortized cost (current)	3,280	3,280
Financial assets at amortized cost (non-current)	35,720	35,720
Financial assets at fair value through other comprehensive income:		
Financial assets at fair value through other comprehensive income	60,299	60,299
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	285,980	285,980
Short-term financial instruments	860,000	860,000
	<u>₩ 10,039,399</u>	<u>₩ 10,039,399</u>

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*(in thousands of USD (Note 2))*

	<b>2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets at amortized cost:		
Cash and cash equivalents	\$ 2,233,552	\$ 2,233,552
Short-term financial instruments	735,201	735,201
Trade receivables	1,713,741	1,713,741
Other receivables	1,516,086	1,516,086
Long-term trade receivables	310,051	310,051
Long-term other receivables	1,067,648	1,067,648
Long-term financial instruments	19,264	19,264
Financial assets at amortized cost (current)	2,833	2,833
Financial assets at amortized cost (non-current)	30,852	30,852
Financial assets at fair value through other comprehensive income:		
Financial assets at fair value through other comprehensive income	52,081	52,081
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	247,003	247,003
Short-term financial instruments	742,788	742,788
	<b>\$ 8,671,099</b>	<b>\$ 8,671,099</b>

*(in millions of Korean won)*

	<b>2018</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
Financial assets at amortized cost:		
Cash and cash equivalents	₩ 2,241,188	₩ 2,241,188
Short-term financial instruments	1,824,955	1,824,955
Trade receivables	2,176,726	2,176,726
Other receivables	1,322,349	1,322,349
Long-term trade receivables	379,385	379,385
Long-term other receivables	975,213	975,213
Long-term financial instruments	7,531	7,531
Financial assets at amortized cost (current)	14,692	14,692
Financial assets at amortized cost (non-current)	37,306	37,306
Derivative financial assets:		
Derivative financial assets (current)	9	9
Financial assets at fair value through other comprehensive income:		
Financial assets at fair value through other comprehensive income	83,468	83,468
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	298,346	298,346
	<b>₩ 9,361,168</b>	<b>₩ 9,361,168</b>

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	<b>2018</b>	
	<u>Carrying amount</u>	<u>Fair value</u>
Financial assets at amortized cost:		
Cash and cash equivalents	\$ 1,935,730	\$ 1,935,730
Short-term financial instruments	1,576,226	1,576,226
Trade receivables	1,880,054	1,880,054
Other receivables	1,142,122	1,142,122
Long-term trade receivables	327,677	327,677
Long-term other receivables	842,298	842,298
Long-term financial instruments	6,505	6,505
Financial assets at amortized cost (current)	12,690	12,690
Financial assets at amortized cost (non-current)	32,221	32,221
Derivative financial assets:		
Derivative financial assets (current)	8	8
Financial assets at fair value through other comprehensive income:		
Financial assets at fair value through other comprehensive income	72,092	72,092
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	257,684	257,684
	<u>\$ 8,085,307</u>	<u>\$ 8,085,307</u>

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Carrying amount and fair value of financial liabilities by category as at December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	<b>2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
Financial liabilities at amortized cost:		
Trade payables	₩ 1,696,586	₩ 1,696,586
Other payables	1,013,740	1,013,740
Short-term borrowings	415,114	415,114
Current portion of long-term borrowings and debentures	423,036	425,905
Long-term other payables	394,795	394,795
Debentures	1,247,435	1,282,162
Long-term borrowings	503,417	503,417
Other financial liabilities (current)	42,064	42,064
Other financial liabilities (non-current)	96,196	96,196
	<b>₩ 5,832,383</b>	<b>₩ 5,869,979</b>

*(in thousands of USD (Note 2))*

	<b>2019</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
Financial liabilities at amortized cost:		
Trade payables	\$ 1,465,353	\$ 1,465,353
Other payables	875,574	875,574
Short-term borrowings	358,537	358,537
Current portion of long-term borrowings and debentures	365,379	367,857
Long-term other payables	340,987	340,987
Debentures	1,077,418	1,107,412
Long-term borrowings	434,805	434,805
Other financial liabilities (current)	36,331	36,331
Other financial liabilities (non-current)	83,085	83,085
	<b>\$ 5,037,470</b>	<b>\$ 5,069,942</b>

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*(in millions of Korean won)*

	<b>2018</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
Financial liabilities at amortized cost:		
Trade payables	₩ 2,256,754	₩ 2,256,754
Other payables	1,182,054	1,182,054
Short-term borrowings	272,242	272,242
Current portion of long-term borrowings and debentures	328,612	329,933
Long-term other payables	425,499	425,500
Debentures	1,347,438	1,372,375
Long-term borrowings	458,363	458,363
Other financial liabilities (current)	14,493	14,493
Other financial liabilities (non-current)	113,404	113,404
	<b>₩ 6,398,859</b>	<b>₩ 6,425,118</b>

*(in thousands of USD (Note 2))*

	<b>2018</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
Financial liabilities at amortized cost:		
Trade payables	\$ 1,949,174	\$ 1,949,174
Other payables	1,020,948	1,020,948
Short-term borrowings	235,137	235,137
Current portion of long-term borrowings and debentures	283,824	284,965
Long-term other payables	367,506	367,507
Debentures	1,163,792	1,185,330
Long-term borrowings	395,891	395,891
Other financial liabilities (current)	12,518	12,518
Other financial liabilities (non-current)	97,948	97,948
	<b>\$ 5,526,740</b>	<b>\$ 5,549,420</b>

Financial instruments that are measured at fair value are categorized by the fair value hierarchy levels, and the defined levels are as follows:

*(a) Fair Value Hierarchy Levels*

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

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Financial instruments that are measured subsequent to initial recognition at fair value according to fair value hierarchy levels as at December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income	₩ 8,727	₩ -	₩ 51,572	₩ 60,299
Financial assets at fair value through profit or loss	-	860,000	285,980	1,145,980

*(in thousands of USD (Note 2))*

	2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income	\$ 7,538	\$ -	\$ 44,543	\$ 52,081
Financial assets at fair value through profit or loss	-	742,788	247,003	989,791

*(in millions of Korean won)*

	2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income	₩ 9,263	₩ -	₩ 74,205	₩ 83,468
Financial assets at fair value through profit or loss	2,071	-	296,275	298,346
Derivative assets	-	9	-	9

*(in thousands of USD (Note 2))*

	2018			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:				
Financial assets at fair value through other comprehensive income	\$ 8,001	\$ -	\$ 64,091	\$ 72,092
Financial assets at fair value through profit or loss	1,789	-	255,895	257,684
Derivative assets	-	8	-	8

The Group recognizes transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

There is no transfer between Level 1 and Level 2 for the year ended December 31, 2019.

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Valuation techniques and inputs used in the financial assets measured at fair value categorized within Level 3 of the fair value hierarchy as at December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	Fair value		Valuation techniques <sup>1</sup>	Inputs
	2019	2018		
Fair value through other comprehensive income(FVOCI):				
Equity security	₩ 51,572	₩ 74,205	Discounted free cash flow model, Net asset value method, Comparable company approach, Historical transaction approach, etc	Discount rate and others
Fair value through profit or loss(FVPL):				
Debt security and others	196,376	209,975		
Other equity investments	89,604	86,300		
	<u>₩ 337,552</u>	<u>₩ 370,480</u>		

*(in thousands of USD (Note 2))*

	Fair value		Valuation Techniques <sup>1</sup>	Inputs
	2019	2018		
Fair value through other comprehensive income(FVOCI):				
Equity security	\$ 44,543	\$ 64,091	Discounted free cash flow model, Net asset value method, Comparable company approach, Historical transaction approach, etc	Discount rate and others
Fair value through profit or loss(FVPL):				
Debt security and others	169,611	181,357		
Other equity investments	77,392	74,538		
	<u>\$ 291,546</u>	<u>\$ 319,986</u>		

<sup>1</sup> There are no changes in the valuation techniques for measuring fair value of financial instruments that are classified as Level 3 during the year ended December 31, 2019.

Changes in the book amount of financial assets measured at fair value in Level 3 of the fair value hierarchy for the years ended December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	2019		2018	
Beginning balance	₩	372,551	₩	254,629
Total profit or loss				
Amount recognized in profit or loss		(30,777)		69,825
Amount recognized in other comprehensive income		8,137		5,322
Purchases		23,223		69,619
Sales		(43,623)		(37,982)
Transfer <sup>1</sup>		8,041		11,138
Ending balance	₩	<u>337,552</u>	₩	<u>372,551</u>

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<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 321,775	\$ 219,925
Total profit or loss		
Amount recognized in profit or loss	(26,582)	60,308
Amount recognized in other comprehensive income	7,028	4,597
Purchases	20,058	60,130
Sales	(37,677)	(32,805)
Transfer <sup>1</sup>	6,945	9,620
Ending balance	<u>\$ 291,546</u>	<u>\$ 321,775</u>

<sup>1</sup> Available-for-sale financial assets as at December 31, 2017 were classified as fair value hierarchy Level 3.

**23. Finance Income (Costs) and Other Comprehensive Income by Categories of Financial Instruments**

Financial income (costs) and other comprehensive income by categories of financial instruments for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>					
	<u>Financial assets at amortized cost</u>	<u>Financial assets at fair value through other comprehensive income</u>	<u>Financial assets at fair value through profit or loss</u>	<u>Financial liabilities at amortized cost</u>	<u>Derivative instruments</u>	<u>Total</u>
Profit or loss:						
Interest income (expenses)	₩ 76,692	₩ -	₩ 6,754	₩ (57,531)	₩ -	₩ 25,915
Impairment loss	(77,639)	-	-	-	-	(77,639)
Dividend income	-	1,083	1,293	-	-	2,376
Gain (loss) on disposal	-	-	1,061	-	(9)	1,052
Loss on valuation	-	-	(31,839)	-	-	(31,839)
	<u>₩ (947)</u>	<u>₩ 1,083</u>	<u>₩ (22,731)</u>	<u>₩ (57,531)</u>	<u>₩ (9)</u>	<u>₩ (80,135)</u>
Other comprehensive income:						
Gain on valuation	₩ -	₩ 7,643	₩ -	₩ -	₩ -	₩ 7,643



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		<b>2019</b>					
<i>(in thousands of USD (Note 2))</i>	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Financial liabilities at amortized cost</b>	<b>Derivative instruments</b>	<b>Total</b>	
Profit or loss:							
Interest income (expenses)	\$ 66,239	\$ -	\$ 5,833	\$ (49,690)	\$ -	\$ 22,383	
Impairment loss	(67,057)	-	-	-	-	(67,057)	
Dividend income	-	935	1,117	-	-	2,052	
Gain (loss) on disposal	-	-	916	-	(8)	909	
Loss on valuation	-	-	(27,500)	-	-	(27,500)	
	<u>\$ (818)</u>	<u>\$ 935</u>	<u>\$ (19,633)</u>	<u>\$ (49,690)</u>	<u>\$ (8)</u>	<u>\$ (69,213)</u>	
Other comprehensive income:							
Gain on valuation	\$ -	\$ 6,601	\$ -	\$ -	\$ -	\$ 6,601	
		<b>2018</b>					
<i>(in millions of Korean won)</i>	<b>Financial assets at amortized cost</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Financial liabilities at amortized cost</b>	<b>Derivative instruments</b>	<b>Total</b>	
Profit or loss:							
Interest income (expenses)	₩ 45,063	₩ -	₩ -	₩ (25,879)	₩ -	₩ 19,184	
Dividend income	-	-	2,362	-	-	2,362	
Gain on foreign currency transaction	3,442	-	-	-	-	3,442	
Gain on foreign currency translation	25,394	-	-	-	-	25,394	
Gain (loss) on disposal	-	-	(28)	-	760	732	
Gain on valuation	-	-	80,225	-	39	80,264	
Impairment loss	-	-	(9,823)	-	-	(9,823)	
	<u>₩ 73,899</u>	<u>₩ -</u>	<u>₩ 72,736</u>	<u>₩ (25,879)</u>	<u>₩ 799</u>	<u>₩ 121,555</u>	
Other comprehensive income:							
Gain on valuation	₩ -	₩ 2,790	₩ -	₩ -	₩ -	₩ 2,790	

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<i>(in thousands of USD (Note 2))</i>	2018						Total
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Derivative instruments		
Profit or loss:							
Interest income (expenses)	\$ 38,921	\$ -	\$ -	\$ (22,352)	\$ -		\$ 16,569
Dividend income	-	-	2,040	-	-		2,040
Gain on foreign currency transaction	2,973	-	-	-	-		2,973
Gain on foreign currency translation	21,933	-	-	-	-		21,933
Gain (loss) on disposal	-	-	(24)	-	656		632
Gain on valuation	-	-	69,291	-	34		69,325
Impairment loss	-	-	(8,484)	-	-		(8,484)
	<u>\$ 63,827</u>	<u>\$ -</u>	<u>\$ 62,823</u>	<u>\$ (22,352)</u>	<u>\$ 690</u>		<u>\$ 104,988</u>
Other comprehensive income:							
Gain on valuation	\$ -	\$ 2,410	\$ -	\$ -	\$ -		\$ 2,410

**24. Derivative Instruments**

There are no derivative instruments held by the Group as at December 31, 2019, and fair values of derivatives as at December 31, 2018, are as follows:

<i>(in millions of Korean won)</i>	2018	
	Assets	Liabilities
Interest rate swap	₩ 9	₩ -
	2018	
<i>(in thousands of USD (Note 2))</i>	Assets	Liabilities
Interest rate swap	\$ 8	\$ -

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Gain or loss recognized for the derivative instruments for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	2019		2018	
	Loss on transactions of derivatives	Gain on valuation of derivatives	Gain on transactions of derivatives	Gain on valuation of derivatives
Currency swap	₩ -	₩ -	₩ 760	₩ -
Interest rate swap	(9)	-	-	39
	₩ (9)	₩ -	₩ 760	₩ 39

<i>(in thousands of USD (Note 2))</i>	2019		2018	
	Loss on transactions of derivatives	Gain on valuation of derivatives	Gain on transactions of derivatives	Gain on valuation of derivatives
Currency swap	\$ -	\$ -	\$ 656	\$ -
Interest rate swap	(8)	-	-	34
	\$ (8)	\$ -	\$ 656	\$ 34

**25. Share Capital and Other Paid-in Capital**

Share capital as at December 31, 2019, and 2018, are as follows:

<i>(in millions of Korean won)</i>	No. of shares authorized	No. of shares issued	Par value (In Korea won)	2019		2018	
				₩	₩	₩	₩
Ordinary shares	6,925,000,000	111,355,765	₩ 5,000	₩ 556,779	₩ 556,779		
Preferred shares <sup>1</sup>	75,000,000	98,856	5,000	494	494		
				₩ 557,273	₩ 557,273		

  

<i>(in thousands of USD (Note 2))</i>	No. of shares authorized	No. of shares issued	Par value (In USD)	2019		2018	
				\$	\$	\$	\$
Ordinary shares	6,925,000,000	111,355,765	\$ 4.319	\$ 480,894	\$ 480,894		
Preferred shares <sup>1</sup>	75,000,000	98,856	4.319	427	427		
				\$ 481,321	\$ 481,321		

<sup>1</sup> Preferred shares are entitled to receive 1% above the cash dividend rate on ordinary shares. If ordinary shares are not entitled to receive cash dividend, the preferred shares have no rights in relation to receipt of cash dividends, non-cumulative. Residual income will be distributed equally between ordinary shares and preferred shares.

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Details of other paid-in capital as at December 31, 2019, and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Share premium	₩ 287,481	₩ 287,481
Gain from reduction of capital	532,974	532,974
Gain on disposal of treasury shares	217	217
Other capital surplus	198,803	182,969
Other capital adjustments	<u>(5,711)</u>	<u>(5,711)</u>
	<u>₩ 1,013,764</u>	<u>₩ 997,930</u>

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Share premium	\$ 248,299	\$ 248,299
Gain from reduction of capital	460,333	460,333
Gain on disposal of treasury shares	187	187
Other capital surplus	171,708	158,032
Other capital adjustments	<u>(4,933)</u>	<u>(4,933)</u>
	<u>\$ 875,595</u>	<u>\$ 861,919</u>

**26. Other Components of Equity**

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

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Changes in value of financial assets at fair value through other comprehensive income	₩ (167,794)	₩ (163,959)
Share of other comprehensive income of joint ventures and associates	(495)	(494)
Gain (loss) on foreign operations translation	<u>(65,411)</u>	<u>(103,093)</u>
	<u>₩ (233,700)</u>	<u>₩ (267,546)</u>

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Changes in value of financial assets at fair value through other comprehensive income	\$ (144,925)	\$ (141,613)
Share of other comprehensive income of joint ventures and associates	(428)	(427)
Gain (loss) on foreign operations translation	<u>(56,496)</u>	<u>(89,042)</u>
	<u>\$ (201,848)</u>	<u>\$ (231,081)</u>

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Changes in other components of equity for the years ended December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	<b>2019</b>		
	<b>Beginning balance</b>	<b>Changes</b>	<b>Ending balance</b>
Changes in value of financial assets at fair value through other comprehensive income	₩ (187,001)	₩ (5,448)	₩ (192,423)
Less: tax effect	23,042	1,613	24,629
	<u>₩ (163,959)</u>	<u>₩ (3,835)</u>	<u>₩ (167,794)</u>
Share of other comprehensive income of joint ventures and associates	₩ (494)	₩ (1)	₩ (495)
Gain (loss) on foreign operations translation	(103,093)	37,682	(65,411)

*(in thousands of USD (Note 2))*

	<b>2019</b>		
	<b>Beginning balance</b>	<b>Changes</b>	<b>Ending balance</b>
Changes in value of financial assets at fair value through other comprehensive income	\$ (161,514)	\$ (4,705)	\$ (166,197)
Less: tax effect	19,902	1,393	21,272
	<u>\$ (141,613)</u>	<u>\$ (3,312)</u>	<u>\$ (144,925)</u>
Share of other comprehensive income of joint ventures and associates	\$ (427)	\$ (1)	\$ (428)
Gain (loss) on foreign operations translation	(89,042)	32,546	(56,496)

*(in millions of Korean won)*

	<b>2018</b>		
	<b>Beginning balance</b>	<b>Changes</b>	<b>Ending balance</b>
Changes in value of available-for-sale financial assets	₩ 35,829	₩ (35,829)	₩ -
Less: tax effect	(9,366)	9,366	-
	<u>₩ 26,463</u>	<u>₩ (26,463)</u>	<u>₩ -</u>
Changes in value of financial assets at fair value through other comprehensive income	₩ -	₩ (187,001)	₩ (187,001)
Less: tax effect	-	23,042	23,042
	<u>₩ -</u>	<u>₩ (163,959)</u>	<u>₩ (163,959)</u>
Share of other comprehensive income of joint ventures and associates	₩ (495)	₩ 1	₩ (494)
Gain (loss) on foreign operations translation	43,005	(146,098)	(103,093)

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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*(in thousands of USD (Note 2))*

	<b>2018</b>		
	<b>Beginning balance</b>	<b>Changes</b>	<b>Ending balance</b>
Changes in value of available-for-sale financial assets	\$ 30,946	\$ (30,946)	\$ -
Less: tax effect	(8,089)	8,089	-
	<u>\$ 22,856</u>	<u>\$ (22,856)</u>	<u>\$ -</u>
Changes in value of financial assets at fair value through other comprehensive income	\$ -	\$ (161,514)	\$ (161,514)
Less: tax effect	-	19,902	19,902
	<u>\$ -</u>	<u>\$ (141,613)</u>	<u>\$ (141,613)</u>
Share of other comprehensive income of joint ventures and associates	\$ (428)	\$ 1	\$ (427)
Gain (loss) on foreign operations translation	37,144	(126,186)	(89,042)

**27. Retained Earnings**

Retained earnings as at December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

		<b>2019</b>	<b>2018</b>
Statutory reserve	Legal reserve	₩ 67,406	₩ 61,832
Voluntary reserve	Reserve for financial structure improvements	61,810	61,810
	Reserve for overseas business losses	1,250,000	1,220,000
	Reserve for technology development	1,140,000	1,110,000
	Reserve for business expansion	1,165,000	1,135,000
	Reserve for research development	-	13,000
	Other voluntary reserves	473,700	463,700
		<u>4,090,510</u>	<u>4,003,510</u>
Retained earnings before appropriations	Retained earnings before appropriations	1,167,303	921,095
		<u>₩ 5,325,219</u>	<u>₩ 4,986,437</u>

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<i>(in thousands of USD (Note 2))</i>		<b>2019</b>		<b>2018</b>	
Statutory reserve	Legal reserve	\$	58,219	\$	53,405
Voluntary reserve	Reserve for financial structure improvements		53,386		53,386
	Reserve for overseas business losses		1,079,634		1,053,723
	Reserve for technology development		984,626		958,715
	Reserve for business expansion		1,006,219		980,307
	Reserve for research development		-		11,228
	Other voluntary reserves		409,138		400,501
				<u>3,533,002</u>	
Retained earnings before appropriations	Retained earnings before appropriations		1,008,208		795,556
		\$	<u>4,599,429</u>	\$	<u>4,306,821</u>

The Commercial Act of the Republic of Korea requires the Group to appropriate for each financial period an amount equal to a minimum of 10% of its cash dividends paid as a legal reserve, until such reserve equals 50% of its share capital. This reserve is not available for the payment of cash dividends where the total sum of the capital reserve and the legal reserve is less than one and a half times its shared capital. Subject to the approval of the shareholders' meeting, it may be transferred to ordinary share or may be used to dispose of accumulated deficit, if any. However, where the total sum of the capital reserve and the legal reserve accumulated exceeds one and a half times its shared capital, such reserves may be decreased for dividend and others by a resolution adopted at a general meeting of shareholders to that effect within the limit of such excess.

Details of the proposed dividends of the Parent Company for the years ended December 31, 2019 and 2018, is as follows:

(a) The computation of the proposed dividends

<i>(in millions of Korean won)</i>	<b>2019</b>				<b>2018</b>			
	<b>Preferred share</b>		<b>Ordinary share</b>		<b>Preferred share</b>		<b>Ordinary share</b>	
Dividends per share (in Korean won)	₩	650	₩	600	₩	550	₩	500
Dividend ratio		13%		12%		11%		10%
Number of shares issued (in shares)		98,856		111,355,765		98,856		111,355,765
Total dividends declared	₩	64	₩	66,813	₩	54	₩	55,678

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<i>(in thousands of USD (Note 2))</i>	2019		2018	
	Preferred share	Ordinary share	Preferred share	Ordinary share
Dividends per share (in USD)	\$ 0.561	\$ 0.518	\$ 0.475	\$ 0.432
Dividend ratio	13%	12%	11%	10%
Number of shares issued (in shares)	98,856	111,355,765	98,856	111,355,765
Total dividends declared	\$ 55	\$ 57,707	\$ 47	\$ 48,089

(b) Ratios of dividends to profit for the year

<i>(in millions of Korean won)</i>	2019		2018	
Total dividends declared	₩	66,877	₩	55,732
Profit attributable to owners of the Parent Company		407,428		381,606
Ratios of dividends to profit for the year		16.41%		14.60%

<i>(in thousands of USD (Note 2))</i>	2019		2018	
Total dividends declared	\$	57,762	\$	48,136
Profit attributable to owners of the Parent Company		351,898		329,596
Ratios of dividends to profit for the year		16.41%		14.60%

(c) Dividend yield ratio

<i>(in Korean won)</i>	2019		2018	
	Preferred share	Ordinary share	Preferred share	Ordinary share
Dividends per share	₩ 650	₩ 600	₩ 550	₩ 500
Market price per share	126,500	42,300	158,000	54,600
Dividend yield ratio	0.51%	1.42%	0.35%	0.92%

<i>(in USD (Note 2))</i>	2019		2018	
	Preferred share	Ordinary share	Preferred share	Ordinary share
Dividends per share	\$ 0.561	\$ 0.518	\$ 0.475	\$ 0.432
Market price per share	109	37	136	47
Dividend yield ratio	0.51%	1.42%	0.35%	0.92%



**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**28. Revenue from Contracts with Customers**

Revenue arising from contracts with customers other than financial and other income (Notes 30 and 31), for the years ended December 31, 2019 and 2018 is as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Performance obligation at point in time	₩ 1,119,869	₩ 1,051,188
Performance obligation over time	<u>16,158,923</u>	<u>15,679,706</u>
	<u>₩ 17,278,792</u>	<u>₩ 16,730,894</u>
<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Performance obligation at point in time	\$ 967,239	\$ 907,918
Performance obligation over time	<u>13,956,575</u>	<u>13,542,672</u>
	<u>\$ 14,923,814</u>	<u>\$ 14,450,591</u>

**29. Construction Contracts**

Recognized contract income related to construction contracts for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
[Construction contract as a constructor]		
Infra/Environment	₩ 2,958,894	₩ 2,360,295
Building/House	6,012,793	6,474,411
Plant/Power	<u>5,047,398</u>	<u>5,349,220</u>
	<u>14,019,085</u>	<u>14,183,926</u>
[Construction contract as a developer & constructor]		
Infra/Environment	-	82,591
Building/House	<u>2,079,387</u>	<u>1,346,983</u>
	<u>2,079,387</u>	<u>1,429,574</u>
[Other construction]		
Others	<u>60,451</u>	<u>68,301</u>
	<u>₩ 16,158,923</u>	<u>₩ 15,681,801</u>

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<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
[Construction contract as a constructor]		
Infra/Environment	\$ 2,555,618	\$ 2,038,603
Building/House	5,193,292	5,591,994
Plant/Power	4,359,473	4,620,159
	<u>12,108,382</u>	<u>12,250,757</u>
[Construction contract as a developer & constructor]		
Infra/Environment	-	71,334
Building/House	1,795,981	1,163,399
	<u>1,795,981</u>	<u>1,234,733</u>
[Other construction]		
Others	52,212	58,992
	<u>\$ 13,956,575</u>	<u>\$ 13,544,482</u>

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

<i>(in millions of Korean won)</i>	<b>2019</b>			<b>2018</b>		
	<b>Contract assets</b>	<b>Contract liabilities</b>		<b>Contract assets</b>	<b>Contract liabilities</b>	
	<b>Due from customers for contract work</b>	<b>Due to customers for contract work</b>	<b>Advance received</b>	<b>Due from customers for contract work</b>	<b>Due to customers for contract work</b>	<b>Advance received</b>
[Construction contract as a constructor]						
Infra/Environment	₩ 941,753	₩ 35,085	₩ 70,851	₩ 999,963	₩ 49,270	₩ 70,247
Building/House	617,264	1,205,997	116,316	642,217	707,118	84,829
Plant/Power	705,555	638,249	412,545	1,026,321	696,205	461,367
[Others]	17,900	7,005	1,591	11,222	9,119	2,259
	<u>₩ 2,282,472</u>	<u>₩ 1,886,336</u>	<u>₩ 601,303</u>	<u>₩ 2,679,723</u>	<u>₩ 1,461,712</u>	<u>₩ 618,702</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>			<b>2018</b>		
	<b>Contract assets</b>	<b>Contract liabilities</b>		<b>Contract assets</b>	<b>Contract liabilities</b>	
	<b>Due from customers for contract work</b>	<b>Due to customers for contract work</b>	<b>Advance received</b>	<b>Due from customers for contract work</b>	<b>Due to customers for contract work</b>	<b>Advance received</b>
[Construction contract as a constructor]						
Infra/Environment	\$ 813,399	\$ 30,303	\$ 61,195	\$ 863,675	\$ 42,555	\$ 60,673
Building/House	533,135	1,041,628	100,463	554,687	610,743	73,267
Plant/Power	609,393	551,260	356,318	886,441	601,317	398,486
[Others]	15,460	6,050	1,374	9,693	7,876	1,951
	<u>\$ 1,971,387</u>	<u>\$ 1,629,242</u>	<u>\$ 519,350</u>	<u>\$ 2,314,496</u>	<u>\$ 1,262,491</u>	<u>\$ 534,377</u>

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

The Group recognized revenue, amounted to \ 1,624,604 million (\$ 1,403,182 thousand) that was the contract liability balance as at December 31, 2019.

As at December 31, 2019, in relation to construction contract as a developer & constructor, the amount in which the accumulated contract revenue exceeds the accumulated billings is ₩ 401,898 million (\$ 347,122 thousand) (2018: ₩ 312,383 million (\$ 269,807 thousand)), and the amount in which the accumulated billings exceeds the accumulated contract revenue is ₩ 121,467 million (\$ 104,912 thousand) (2018: ₩ 382,615 million (\$ 330,467 thousand)).

Details of accumulated contract costs for ongoing or completed construction contracts as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)	2019							
	Accumulated contract costs	Accumulated profit or loss	Accumulated contract revenue	Progress billing	Advance received	Due from customers for contract work	Due to customers for contract work	Retentions <sup>1</sup>
[Construction contract as a constructor]								
Infra/Environment	₩ 16,208,008	₩ 837,438	₩ 17,045,446	₩15,733,123	₩ 70,851	₩ 941,753	₩ 35,085	₩ 248,006
Building/House	15,763,765	1,778,190	17,541,955	18,087,359	116,316	617,264	1,205,997	58,336
Plant/Power	41,087,906	2,937,391	44,025,297	43,759,542	412,545	705,555	638,249	789,520
	<u>73,059,679</u>	<u>5,553,019</u>	<u>78,612,698</u>	<u>77,580,024</u>	<u>599,712</u>	<u>2,264,572</u>	<u>1,879,331</u>	<u>1,095,862</u>
[Construction contract as a developer & constructor]								
Building/House	3,144,508	1,066,845	4,211,353	4,119,580	249,131	-	-	-
[Other construction]								
Others	266,592	28,078	294,670	285,776	1,590	17,900	7,006	-
	<u>₩ 76,470,779</u>	<u>₩ 6,647,942</u>	<u>₩ 83,118,721</u>	<u>₩81,985,380</u>	<u>₩ 850,433</u>	<u>₩ 2,282,472</u>	<u>₩ 1,886,337</u>	<u>₩ 1,095,862</u>

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

(in thousands of USD  
(Note 2))

	2019							
	Accumulated contract costs	Accumulated profit or loss	Accumulated contract revenue	Progress billing	Advance received	Due from customers for contract work	Due to customers for contract work	Retentions <sup>1</sup>
[Construction contract as a constructor]								
Infra/Environment	\$ 13,998,970	\$ 723,301	\$ 14,722,272	\$ 13,588,809	\$ 61,195	\$ 813,399	\$ 30,303	\$ 214,205
Building/House	13,615,275	1,535,835	15,151,110	15,622,179	100,463	533,135	1,041,628	50,385
Plant/Power	35,487,913	2,537,045	38,024,959	37,795,424	356,318	609,393	551,260	681,914
	<u>63,102,158</u>	<u>4,796,182</u>	<u>67,898,340</u>	<u>67,006,412</u>	<u>517,975</u>	<u>1,955,927</u>	<u>1,623,191</u>	<u>946,504</u>
[Construction contract as a developer & constructor]								
Building/House	2,715,934	921,442	3,637,375	3,558,110	215,176	-	-	-
[Other construction]								
Others	230,257	24,251	254,509	246,827	1,373	15,460	6,051	-
	<u>\$ 66,048,349</u>	<u>\$ 5,741,874</u>	<u>\$ 71,790,224</u>	<u>\$ 70,811,349</u>	<u>\$ 734,525</u>	<u>\$ 1,971,387</u>	<u>\$ 1,629,243</u>	<u>\$ 946,504</u>

<sup>1</sup> In the consolidated statement of financial position, the amount of retention is recorded as other receivables and long-term other receivables.

(in millions of Korean won)

	2018							
	Accumulated contract costs	Accumulated profit or loss	Accumulated contract revenue	Progress billing	Advance received	Due from customers for contract work	Due to customers for contract work	Retentions <sup>1</sup>
[Construction contract as a constructor]								
Infra/Environment	₩ 12,786,813	₩ 784,302	₩ 13,571,115	₩ 12,299,607	₩ 70,247	₩ 999,963	₩ 49,270	₩ 244,474
Building/House	16,442,512	2,322,032	18,764,544	18,789,762	84,829	642,217	707,118	64,360
Plant/Power	42,948,232	2,724,683	45,672,915	45,156,112	461,367	1,026,321	696,205	882,190
	<u>72,177,557</u>	<u>5,831,017</u>	<u>78,008,574</u>	<u>76,245,481</u>	<u>616,443</u>	<u>2,668,501</u>	<u>1,452,593</u>	<u>1,191,024</u>
[Construction contract as a developer & constructor]								
Infra/Environment	124,741	15,385	140,127	140,127	91,854	-	-	-
Building/House	2,433,285	642,502	3,075,786	3,075,786	482,339	-	-	-
	<u>2,558,026</u>	<u>657,887</u>	<u>3,215,913</u>	<u>3,215,913</u>	<u>574,193</u>	-	-	-
[Other construction]								
Others	226,726	22,935	249,661	250,056	2,259	11,222	9,119	-
	<u>₩ 74,962,309</u>	<u>₩ 6,511,839</u>	<u>₩ 81,474,148</u>	<u>₩ 79,711,450</u>	<u>₩ 1,192,895</u>	<u>₩ 2,679,723</u>	<u>₩ 1,461,712</u>	<u>₩ 1,191,024</u>

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(in thousands of USD  
 (Note 2))

	2018							
	Accumulated contract costs	Accumulated profit or loss	Accumulated contract revenue	Progress billing	Advance received	Due from customers for contract work	Due to customers for contract work	Retentions <sup>1</sup>
[Construction contract as a constructor]								
Infra/Environment	\$ 11,044,060	\$ 677,407	\$ 11,721,467	\$ 10,623,257	\$ 60,673	\$ 863,675	\$ 42,555	\$ 211,154
Building/House	14,201,513	2,005,555	16,207,069	16,228,850	73,267	554,687	610,743	55,588
Plant/Power	37,094,690	2,353,328	39,448,018	39,001,651	398,486	886,441	601,317	761,954
	<u>62,340,263</u>	<u>5,036,290</u>	<u>67,376,554</u>	<u>65,853,758</u>	<u>532,426</u>	<u>2,304,803</u>	<u>1,254,615</u>	<u>1,028,696</u>
[Construction contract as a developer & constructor]								
Infra/Environment	107,740	13,288	121,029	121,029	79,335	-	-	-
Building/House	2,101,645	554,933	2,656,578	2,656,578	416,600	-	-	-
	<u>2,209,385</u>	<u>568,222</u>	<u>2,777,607</u>	<u>2,777,607</u>	<u>495,935</u>	-	-	-
[Other construction]								
Others	195,825	19,809	215,634	215,975	1,951	9,693	7,876	-
	<u>\$ 64,745,473</u>	<u>\$ 5,624,321</u>	<u>\$ 70,369,794</u>	<u>\$ 68,847,340</u>	<u>\$ 1,030,312</u>	<u>\$ 2,314,496</u>	<u>\$ 1,262,491</u>	<u>\$ 1,028,696</u>

<sup>1</sup> In the consolidated statement of financial position, the amount of retention is recorded as other receivables and long-term other receivables.

Due to the projects changed in accounting estimates during the current period (contracts in progress at the end of prior period applying input method that the proportion that the contract costs incurred for the work performed to date bear to the estimated total contract costs), effects of changes in profit for the year and succeeding period (before net of tax) and due from/to customers for contract work are as follows:

	2019							
	Changes in estimated total contract revenue	Changes in estimated total contract costs	Effects on profit (loss) for the year	Effects on profit (loss) for the subsequent period	Changes in due from customers for contract work	Changes in due to customers for contract work	Provision for construction loss	
Infra/Environment	₩ 473,310	₩ 726,103	₩ (292,848)	₩ 40,055	₩ (290,537)	₩ 2,311	₩ 22,020	
Building/House	621,088	179,127	265,491	176,470	190,197	(75,294)	7,654	
Plant/Power	566,485	618,566	(113,345)	61,264	(172,471)	(59,126)	14,682	
Others	23,278	20,367	2,393	517	1,462	(931)	13	
	<u>₩ 1,684,161</u>	<u>₩ 1,544,163</u>	<u>₩ (138,309)</u>	<u>₩ 278,306</u>	<u>₩ (271,349)</u>	<u>₩ (133,040)</u>	<u>₩ 44,369</u>	

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<i>(in thousands of USD (Note 2))</i>	2019						
	Changes in estimated total contract revenue	Changes in estimated total contract costs	Effects on profit (loss) for the year	Effects on profit (loss) for the subsequent period	Changes in due from customers for contract work	Changes in due to customers for contract work	Provision for construction loss
Infra/Environment	\$ 408,801	\$ 627,140	\$ (252,935)	\$ 34,596	\$ (250,939)	\$ 1,996	\$ 19,019
Building/House	536,438	154,713	229,306	152,418	164,274	(65,032)	6,611
Plant/Power	489,277	534,260	(97,897)	52,914	(148,964)	(51,068)	12,681
Others	20,105	17,591	2,067	447	1,263	(804)	11
	\$ 1,454,622	\$ 1,333,704	\$ (119,458)	\$ 240,375	\$ (234,366)	\$ (114,908)	\$ 38,322

<i>(in millions of Korean won)</i>	2018						
	Changes in estimated total contract revenue	Changes in estimated total contract costs	Effects on profit (loss) for the year	Effects on profit (loss) for the subsequent period	Changes in due from customers for contract work	Changes in due to customers for contract work	Provision for construction loss
Infra/Environment	₩ 397,002	₩ 643,220	₩ (275,424)	₩ 29,206	₩ (64,184)	₩ 211,240	₩ 4,222
Building/House	872,392	690,606	105,753	76,033	99,700	(6,053)	94
Plant/Power	1,132,467	1,016,850	15,409	100,208	325,901	310,492	31,042
Others	30,233	26,445	2,123	1,665	1,586	(537)	156
	₩ 2,432,094	₩ 2,377,121	₩ (152,139)	₩ 207,112	₩ 363,003	₩ 515,142	₩ 35,514

<i>(in thousands of USD (Note 2))</i>	2018						
	Changes in estimated total contract revenue	Changes in estimated total contract costs	Effects on profit (loss) for the year	Effects on profit (loss) for the subsequent period	Changes in due from customers for contract work	Changes in due to customers for contract work	Provision for construction loss
Infra/Environment	\$ 342,893	\$ 555,554	\$ (237,886)	\$ 25,225	\$ (55,436)	\$ 182,449	\$ 3,647
Building/House	753,491	596,481	91,340	65,670	86,112	(5,228)	81
Plant/Power	978,120	878,260	13,309	86,550	281,483	268,174	26,811
Others	26,112	22,841	1,834	1,438	1,370	(464)	135
	\$ 2,100,617	\$ 2,053,136	\$ (131,404)	\$ 178,884	\$ 313,528	\$ 444,932	\$ 30,674

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

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Details of major contracts which contract price more than 5% of sales in the prior period and recognized revenue in the current period by the stage of completion method for basis of the percentage of total costs incurred to date as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019										
	Contract date	Contractual completion date <sup>1</sup>	Percentage-of-completion (%)	Due from customers		Receivables from construction contracts					
				Gross amount	Provision for impairment	Gross amount	Provision for impairment				
Kuwait Aljir LNG port of entry construction	03/30/2016	02/12/2021	83	₩	-	₩	-	₩	60	₩	-
Kuwait Sheik Jaber Causeway construction	11/14/2012	03/31/2020	99		-	-			7,251		-
Katar Lusail expressway construction	05/21/2012	03/31/2020	99		156,079	-			45,243		-
Jurong Rock Cavern Phase 1 - Stage 2 Project	06/15/2009	03/31/2020	99		-	-			364		-
Gaepo 8 complex development project	06/01/2018	07/21/2021	31		-	-			19,663		-
Hillstate River city	04/01/2018	07/31/2020	72		-	-			191,075		-
U.A.E nuclear power plant construction	03/26/2010	12/31/2020	95		40,422	-			370		-
Venezuela Puerto La Cruz oil refinery construction	06/27/2012	09/30/2020	94		-	-			57,766		-
Iraq Karbala oil refinery construction	04/15/2014	02/16/2022	84		92,112	-			45,099		-
U.A.E Saab offshore oil and gas processing facility construction	03/18/2013	03/31/2020	99		34,962	-			1,019		-
Uzbekistan natural gas liquefaction refinement facility construction	01/07/2014	04/30/2020	82		36,759	-			93,632		-
Saudi Marjan Increment Program Pkg 6	05/27/2019	10/30/2022	2		20,505	-			-		-
Saudi Marjan Increment Program Pkg 12	05/27/2019	10/30/2022	1		13,311	-			3,545		-
Libya Tripoli West thermal power plant construction	07/19/2010	12/31/2020	50		-	-			-		-
HPC PROJECT (PACKAGE-1)	08/01/2019	09/30/2021	7		1,003	-			2,132		-
UAE Mirfa IWPP Project	07/02/2014	03/31/2020	99		110,519	-			92,053		-
Saudi, Ethane Deep Recovery Facility	10/27/2016	03/31/2020	98		18,050	-			21,315		-
Indonesia RDMP Balikpapan	12/10/2018	07/26/2023	5		-	-			35,978		-
Turkmenistan Ethane Cracker and PE PP PI	01/29/2014	03/31/2020	99		11,152	-			-		-
Poland Polimery Police PDH/PP Project	05/11/2019	11/30/2022	2		8,197	-			-		-
Melaka 1,800MW-2,400MW CCGT Power Plant	05/30/2017	05/01/2021	60		-	-			63,747		-
Ain Arnat 1200MW CCGT Project	11/25/2012	03/31/2020	97		-	-			840		-

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(in thousands of USD  
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	2019						
	Contract date	Contractual completion date <sup>1</sup>	Percentage-of-completion (%)	Due from customers		Receivables from construction contracts	
				Gross amount	Provision for impairment	Gross amount	Provision for impairment
Kuwait Aljur LNG port of entry construction	03/30/2016	02/12/2021	83	\$ -	\$ -	\$ 52	\$ -
Kuwait Sheik Jaber Causeway construction	11/14/2012	03/31/2020	99	-	-	6,263	-
Katar Lusail expressway construction	05/21/2012	03/31/2020	99	134,807	-	39,077	-
Jurong Rock Cavern Phase 1 - Stage 2 Project	06/15/2009	03/31/2020	99	-	-	314	-
Gaepo 8 complex development project	06/01/2018	07/21/2021	31	-	-	16,983	-
Hillstate River city	04/01/2018	07/31/2020	72	-	-	165,033	-
U.A.E nuclear power plant construction	03/26/2010	12/31/2020	95	34,913	-	320	-
Venezuela Puerto La Cruz oil refinery construction	06/27/2012	09/30/2020	94	-	-	49,893	-
Iraq Karbala oil refinery construction	04/15/2014	02/16/2022	84	79,558	-	38,952	-
U.A.E Saab offshore oil and gas processing facility construction	03/18/2013	03/31/2020	99	30,197	-	880	-
Uzbekistan natural gas liquefaction refinement facility construction	01/07/2014	04/30/2020	82	31,749	-	80,871	-
Saudi Marjan Increment Program Pkg 6	05/27/2019	10/30/2022	2	17,710	-	-	-
Saudi Marjan Increment Program Pkg 12	05/27/2019	10/30/2022	1	11,497	-	3,062	-
Libya Tripoli West thermal power plant construction	07/19/2010	12/31/2020	50	-	-	-	-
HPC PROJECT (PACKAGE-1)	08/01/2019	09/30/2021	7	866	-	1,841	-
UAE Mirfa IWPP Project	07/02/2014	03/31/2020	99	95,456	-	79,507	-
Saudi, Ethane Deep Recovery Facility	10/27/2016	03/31/2020	98	15,590	-	18,410	-
Indonesia RDMP Balikpapan	12/10/2018	07/26/2023	5	-	-	31,074	-
Turkmenistan Ethane Cracker and PE PP PI	01/29/2014	03/31/2020	99	9,632	-	-	-
Poland Polimery Police PDH/PP Project	05/11/2019	11/30/2022	2	7,080	-	-	-
Melaka 1,800MW-2,400MW CCGT Power Plant	05/30/2017	05/01/2021	60	-	-	55,059	-
Ain Arnat 1200MW CCGT Project	11/25/2012	03/31/2020	97	-	-	726	-

<sup>1</sup> Contractual deadlines or expected deadlines by project



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(in millions of Korean won)

	2018										
	Contract date	Contractual completion date <sup>1</sup>	Percentage-of-completion (%)	Due from customers			Receivables from construction contracts				
				Gross amount	Provision for impairment		Gross amount	Provision for impairment			
Kuwait Sheik Jaber Causeway construction	11/14/2012	04/30/2019	99	₩	50,116	₩	-	₩	1,668	₩	-
Kuwait Aljur LNG port of entry construction	03/30/2016	02/12/2021	49		-		-		58		-
Katar Lusail expressway construction	05/21/2012	12/15/2019	99		149,359		-		-		-
Jurong Rock Cavern Phase 1 - Stage 2 Project	06/15/2009	02/28/2019	99		42,152		-		384		-
Hillstate River city	04/01/2018	07/31/2020	14		-		-		212		-
Gaepo 8 complex development project	06/01/2018	07/21/2021	8		-		-		5,408		-
U.A.E nuclear power plant construction	03/26/2010	12/31/2020	93		110,945		-		-		-
Venezuela Puerto La Cruz oil refinery construction	06/27/2012	09/30/2020	91		-		-		23,793		-
Iraq Karbala oil refinery construction	04/15/2014	04/02/2022	61		-		-		21,738		-
U.A.E Saab offshore oil and gas processing facility construction	03/18/2013	02/28/2019	99		31,078		-		-		-
Uzbekistan natural gas liquefaction refinement facility construction	01/07/2014	04/30/2020	53		270,918		-		170,507		-
Libya Tripoli West thermal power plant construction	07/19/2010	12/31/2019	49		-		-		-		-
UAE Mirfa IWPP Project	07/02/2014	03/31/2019	99		107,010		-		118,805		-
Uzbekistan UKAN Project	02/13/2015	01/31/2019	100		69,034		-		-		-
Turkmenistan Ethane Cracker and PE PP PI	01/29/2014	02/28/2019	98		-		-		2,947		-
Melaka 1,800MW-2,400MW CCGT Power Plant	05/30/2017	05/01/2021	21		-		-		4,437		-
Ain Arnat 1200MW CCPP Project	11/25/2012	04/20/2019	94		-		-		5,207		-

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD  
(Notes 2))

	2018						
	Contract date	Contractual completion date <sup>1</sup>	Percentage-of-completion (%)	Due from customers		Receivables from construction contracts	
				Gross amount	Provision for impairment	Gross amount	Provision for impairment
Kuwait Sheik Jaber Causeway construction	11/14/2012	04/30/2019	99	\$ 43,286	\$ -	\$ 1,441	\$ -
Kuwait Aljur LNG port of entry construction	03/30/2016	02/12/2021	49	-	-	50	-
Katar Lusail expressway construction	05/21/2012	12/15/2019	99	129,002	-	-	-
Jurong Rock Cavern Phase 1 - Stage 2 Project	06/15/2009	02/28/2019	99	36,407	-	332	-
Hillstate River city	04/01/2018	07/31/2020	14	-	-	183	-
Gaepo 8 complex development project	06/01/2018	07/21/2021	8	-	-	4,671	-
U.A.E nuclear power plant construction	03/26/2010	12/31/2020	93	95,824	-	-	-
Venezuela Puerto La Cruz oil refinery construction	06/27/2012	09/30/2020	91	-	-	20,550	-
Iraq Karbala oil refinery construction	04/15/2014	04/02/2022	61	-	-	18,775	-
U.A.E Saab offshore oil and gas processing facility construction	03/18/2013	02/28/2019	99	26,842	-	-	-
Uzbekistan natural gas liquefaction refinement facility construction	01/07/2014	04/30/2020	53	233,994	-	147,268	-
Libya Tripoli West thermal power plant construction	07/19/2010	12/31/2019	49	-	-	-	-
UAE Mirfa IWPP Project	07/02/2014	03/31/2019	99	92,425	-	102,613	-
Uzbekistan UKAN Project	02/13/2015	01/31/2019	100	59,625	-	-	-
Turkmenistan Ethane Cracker and PE PP PI	01/29/2014	02/28/2019	98	-	-	2,545	-
Melaka 1,800MW-2,400MW CCGT Power Plant	05/30/2017	05/01/2021	21	-	-	3,832	-
Ain Arnat 1200MW CCGT Project	11/25/2012	04/20/2019	94	-	-	4,497	-

<sup>1</sup> Contractual deadlines or expected deadlines by project

Details of joint contract of construction as at December 31, 2019, are as follows:

	Country	Participation ratio (%)	Lead company
U.A.E nuclear power plant construction	U.A.E	55	Hyundai Engineering & Construction Co., Ltd.
Venezuela Puerto La Cruz oil refinery construction	Venezuela	92	Hyundai Engineering & Construction Co., Ltd.
Iraq Karbala oil refinery construction	Iraq	38	Hyundai Engineering & Construction Co., Ltd.
Indonesia RDMP Balikpapan	Indonesia	55	Hyundai Engineering Co., Ltd

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**30. Selling and Administrative Expenses**

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

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Salaries	₩	377,851	₩	389,894
Post-employment benefits		28,291		27,521
Employee welfare benefits		60,472		58,069
Travel		4,418		4,540
Utility expenses		8,295		7,141
Taxes and dues		11,856		11,388
Depreciation		11,373		11,694
Ordinary development expense		151,432		109,949
Commissions and fees		46,048		49,135
Rental		19,575		23,422
Impairment loss		63,374		18,402
Others		83,253		110,003
	₩	<u>866,238</u>	₩	<u>821,158</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>		<b>2018</b>	
Salaries	\$	326,353	\$	336,754
Post-employment benefits		24,435		23,770
Employee welfare benefits		52,230		50,155
Travel		3,816		3,921
Utility expenses		7,164		6,168
Taxes and dues		10,240		9,836
Depreciation		9,823		10,100
Ordinary development expense		130,793		94,964
Commissions and fees		39,772		42,438
Rental		16,907		20,230
Impairment loss		54,737		15,894
Others		71,906		95,010
	\$	<u>748,176</u>	\$	<u>709,240</u>

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**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**31. Finance Income and Costs**

Finance income for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Interest income	₩ 108,610	₩ 110,298
Dividend income	2,376	2,362
Gain on foreign currency transactions	18,227	37,917
Gain on foreign currency translation	16,783	32,130
Gain on disposal of financial assets at fair value through profit or loss	1,143	-
Gain on valuation of financial assets at fair value through profit or loss	2,164	98,824
Gain on disposal of investments in associates	2,529	679
Gain on derivative transactions	-	819
Gain on valuation of derivatives	-	56
	<u>₩ 151,832</u>	<u>₩ 283,085</u>

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Interest income	\$ 93,807	\$ 95,265
Dividend income	2,052	2,040
Gain on foreign currency transactions	15,743	32,749
Gain on foreign currency translation	14,496	27,751
Gain on disposal of financial assets at fair value through profit or loss	987	-
Gain on valuation of financial assets at fair value through profit or loss	1,869	85,355
Gain on disposal of investments in associates	2,184	586
Gain on derivative transactions	-	707
Gain on valuation of derivatives	-	48
	<u>\$ 131,138</u>	<u>\$ 244,503</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Finance costs for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Interest expenses	₩	84,754	₩	91,114
Loss on foreign currency transactions		20,764		34,475
Loss on foreign currency translation		8,423		6,737
Loss on disposal of financial assets at fair value through profit or loss		81		28
Loss on valuation of financial assets at fair value through profit or loss		34,003		18,599
Impairment loss on financial assets at fair value through profit or loss		-		9,823
Loss on disposal of investments in associates		335		114
Impairment loss on investments in associates		-		11,618
Loss on derivative transactions		9		59
Loss on valuation of derivatives		-		16
	₩	<u>148,369</u>	₩	<u>172,583</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>		<b>2018</b>	
Interest expenses	\$	73,203	\$	78,696
Loss on foreign currency transactions		17,934		29,776
Loss on foreign currency translation		7,275		5,819
Loss on disposal of financial assets at fair value through profit or loss		70		24
Loss on valuation of financial assets at fair value through profit or loss		29,369		16,064
Impairment loss on financial assets at fair value through profit or loss		-		8,484
Loss on disposal of investments in associates		289		98
Impairment loss on investments in associates		-		10,035
Loss on derivative transactions		8		51
Loss on valuation of derivatives		-		14
	\$	<u>128,147</u>	\$	<u>149,061</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**32. Other Income and Expenses**

Other income for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Gain on foreign currency transactions	₩	86,494	₩	74,508
Gain on foreign currency translation		64,115		77,553
Reversal of provision for impairment		5,825		22,857
Gain on disposal of property, plant and equipment		2,100		7,190
Gain on disposal of intangible assets		11		66
Gain on disposal of investment property		1,524		2,603
Reversal of gain on foreign operations translation		-		6,980
Reversal of provision for litigation		5,040		-
Miscellaneous income		63,082		65,293
	₩	<u>228,191</u>	₩	<u>257,050</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>		<b>2018</b>	
Gain on foreign currency transactions	\$	74,705	\$	64,353
Gain on foreign currency translation		55,377		66,983
Reversal of provision for impairment		5,031		19,742
Gain on disposal of property, plant and equipment		1,814		6,210
Gain on disposal of intangible assets		10		57
Gain on disposal of investment property		1,316		2,248
Reversal of gain on foreign operations translation		-		6,029
Reversal of provision for litigation		4,353		-
Miscellaneous income		54,484		56,394
	\$	<u>197,090</u>	\$	<u>222,016</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Other expenses for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
Loss on foreign currency transactions	₩	79,734	₩	65,892
Loss on foreign currency translation		29,059		30,228
Commission expenses		9,758		2,639
Other impairment loss		20,583		47,703
Donations and contributions		16,776		17,624
Loss on disposal of property, plant and equipment		4,100		6,385
Loss on disposal of intangible assets		77		1
Impairment loss on intangible assets		160		2,170
Loss on disposal of investment property		-		1,254
Loss on impairment of investment property		210		-
Depreciation on assets not in use		1,551		3,455
Loss on foreign operations translation		2,948		-
Transfer to provision for litigation		3,570		-
Miscellaneous expenses		116,144		115,885
	₩	<u>284,670</u>	₩	<u>293,236</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>		<b>2018</b>	
Loss on foreign currency transactions	\$	68,867	\$	56,911
Loss on foreign currency translation		25,098		26,108
Commission expenses		8,428		2,279
Other impairment loss		17,778		41,201
Donations and contributions		14,490		15,222
Loss on disposal of property, plant and equipment		3,541		5,515
Loss on disposal of intangible assets		67		1
Impairment loss on intangible assets		138		1,874
Loss on disposal of investment property		-		1,083
Loss on impairment of investment property		181		-
Depreciation on assets not in use		1,340		2,984
Loss on foreign operations translation		2,546		-
Transfer to provision for litigation		3,083		-
Miscellaneous expenses		100,314		100,091
	\$	<u>245,871</u>	\$	<u>253,270</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**33. Breakdown of Expenses by Nature**

Breakdown of expenses by nature for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Use of inventories (land for construction, unfinished housing, and raw materials)	₩ 5,372,174	₩ 5,188,246
Changes in other inventories	9,909	(22,218)
Employee benefit expenses	1,523,630	1,562,333
Outside processing expenses	7,458,058	7,283,506
Depreciation, amortization and others	188,668	172,335
Impairment loss	63,374	18,278
Financial costs	25,983	14,384
Others	1,777,329	1,674,042
	<u>₩ 16,419,125</u>	<u>₩ 15,890,906</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Use of inventories (land for construction, unfinished housing, and raw materials)	\$ 4,639,984	\$ 4,481,125
Changes in other inventories	8,558	(19,190)
Employee benefit expenses	1,315,970	1,349,398
Outside processing expenses	6,441,577	6,290,815
Depreciation, amortization and others	162,954	148,847
Impairment loss	54,737	15,787
Financial costs	22,442	12,424
Others	1,535,092	1,445,882
	<u>\$ 14,181,314</u>	<u>\$ 13,725,087</u>



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**34. Income Tax Expense**

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

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Current tax on profits for the year	₩ 224,746	₩ 324,975
Change in deferred income tax due to temporary differences	(11,555)	(2,922)
Income tax expense directly charged to equity	12,409	40,506
Income tax expense	<u>₩ 225,600</u>	<u>₩ 362,559</u>

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Current tax on profits for the year	\$ 194,115	\$ 280,683
Change in deferred income tax due to temporary differences	(9,980)	(2,524)
Income tax expense directly charged to equity	10,718	34,985
Income tax expense	<u>\$ 194,852</u>	<u>\$ 313,145</u>

The differences between income before income tax expense in financial accounting and income tax expense pursuant to Corporate Income Tax Law of Korea for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Profit before income tax expense	₩ 798,931	₩ 897,862
Tax at domestic tax rates applicable to profits	203,184	241,546
Adjustments:		
Income not subject to tax	(7,828)	(88,881)
Expenses not deductible for tax purposes	4,160	9,753
Tax credit and tax exempt for the year	(24,015)	(8,466)
Others	50,099	208,607
Income tax expense	<u>₩ 225,600</u>	<u>₩ 362,559</u>
Effective tax rate	28.24%	40.38%

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Profit before income tax expense	\$ 690,042	\$ 775,490
Tax at domestic tax rates applicable to profits	175,491	208,625
Adjustments:		
Income not subject to tax	(6,761)	(76,767)
Expenses not deductible for tax purposes	3,593	8,424
Tax credit and tax exempt for the year	(20,742)	(7,312)
Others	43,271	180,175
Income tax expense	<u>\$ 194,852</u>	<u>\$ 313,145</u>
Effective tax rate	28.24%	40.38%

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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The changes in deferred income tax due to temporary differences for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	<b>2019</b>		
	<b>Beginning balance</b>	<b>Changes</b>	<b>Ending balance</b>
Asset revaluation	₩ (1,976)	₩ (69)	₩ (2,045)
Trade and other receivables	127,443	(31,292)	96,151
Inventories	(647)	1,408	761
Financial assets at FVPL	7,763	17,317	25,080
Investment property	2,359	43	2,402
Property, plant and equipment	2,423	174	2,597
Unrealized gain (loss) on the merger and others	(2,477)	2,522	45
Long-term borrowings	(993)	(418)	(1,411)
Post-employment benefits	143,657	11,374	155,031
Provision for long-term employee benefits	(10,234)	(4,559)	(14,793)
Provisions and others	70,991	(9,742)	61,249
Other non-current liabilities	76,598	13,793	90,391
Reserves	408	(44)	364
Foreign operations translation	(4,536)	4,536	-
Interest income	(14,100)	4,813	(9,287)
Retirement insurance fee	(150,128)	(17,801)	(167,929)
Gain (loss) on foreign currency translation	(21,654)	(753)	(22,407)
Borrowing costs	(3,729)	1,442	(2,287)
Revaluation profit (loss)	(54,230)	(111)	(54,341)
Accrued expenses	15,508	492	16,000
Others	12,870	6,021	18,891
Gain (loss) on valuation of financial asset at FVOCI	23,016	3,121	26,137
Remeasurements of defined benefit plan	25,860	9,288	35,148
Deferred income tax assets	₩ 244,192	₩ 11,554	₩ 255,747

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD (Note 2))

	<b>2019</b>		
	<b>Beginning balance</b>	<b>Changes</b>	<b>Ending balance</b>
Asset revaluation	\$ (1,707)	\$ (60)	\$ (1,766)
Trade and other receivables	110,073	(27,027)	83,046
Inventories	(559)	1,216	657
Financial assets at FVPL	6,705	14,957	21,662
Investment property	2,037	37	2,075
Property, plant and equipment	2,093	150	2,243
Unrealized gain (loss) on the merger and others	(2,139)	2,178	39
Long-term borrowings	(858)	(361)	(1,219)
Post-employment benefits	124,078	9,824	133,901
Provision for long-term employee benefits	(8,839)	(3,938)	(12,777)
Provisions and others	61,315	(8,414)	52,901
Other non-current liabilities	66,158	11,913	78,071
Reserves	352	(38)	314
Foreign operations translation	(3,918)	3,918	-
Interest income	(12,178)	4,157	(8,021)
Retirement insurance fee	(129,667)	(15,375)	(145,041)
Gain (loss) on foreign currency translation	(18,703)	(650)	(19,353)
Borrowing costs	(3,221)	1,245	(1,975)
Revaluation profit (loss)	(46,839)	(96)	(46,935)
Accrued expenses	13,394	425	13,819
Others	11,116	5,200	16,316
Gain (loss) on valuation of financial asset at FVOCI	19,879	2,696	22,575
Remeasurements of defined benefit plan	22,335	8,022	30,358
Deferred income tax assets	<u>\$ 210,910</u>	<u>\$ 9,979</u>	<u>\$ 220,890</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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<i>(in millions of Korean won)</i>	<b>2018</b>		
	<b>Beginning balance</b>	<b>Changes</b>	<b>Ending balance</b>
Asset revaluation	₩ (2,113)	₩ 137	₩ (1,976)
Trade and other receivables	127,721	(278)	127,443
Inventories	450	(1,097)	(647)
Financial assets at FVPL <sup>1</sup>	55,446	(47,683)	7,763
Investment property	1,706	653	2,359
Property, plant and equipment	2,911	(488)	2,423
Unrealized gain (loss) on the merger and others <sup>2</sup>	(2,251)	(226)	(2,477)
Long-term borrowings	(1,130)	137	(993)
Post-employment benefits	143,982	(325)	143,657
Provision for long-term employee benefits	(11,071)	837	(10,234)
Retirement insurance fee	(159,099)	8,971	(150,128)
Provisions and others	33,347	37,642	70,989
Other non-current liabilities	89,020	(12,420)	76,600
Reserves	(2,861)	3,269	408
Foreign operations translation	(4,843)	307	(4,536)
Interest income	(13,365)	(735)	(14,100)
Valuation of derivatives	43	(43)	-
Gain (loss) on foreign currency translation	(23,123)	1,469	(21,654)
Borrowing costs	(3,604)	(125)	(3,729)
Revaluation profit (loss)	(51,429)	(2,802)	(54,231)
Accrued expenses	15,188	320	15,508
Others	33,085	(25,103)	7,982
Gain (loss) on valuation of financial asset at FVOCI <sup>3</sup>	(9,392)	32,408	23,016
Retained earnings	-	4,890	4,890
Remeasurements of defined benefit plan	22,651	3,208	25,859
Deferred income tax assets	₩ 241,269	₩ 2,923	₩ 244,192

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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	2018		
	Beginning balance	Changes	Ending balance
(in thousands of USD (Note 2))			
Asset revaluation	\$ (1,825)	\$ 118	\$ (1,707)
Trade and other receivables	110,314	(240)	110,073
Inventories	389	(947)	(559)
Financial assets at FVPL <sup>1</sup>	47,889	(41,184)	6,705
Investment property	1,473	564	2,037
Property, plant and equipment	2,514	(421)	2,093
Unrealized gain (loss) on the merger and others <sup>2</sup>	(1,944)	(195)	(2,139)
Long-term borrowings	(976)	118	(858)
Post-employment benefits	124,358	(281)	124,078
Provision for long-term employee benefits	(9,562)	723	(8,839)
Retirement insurance fee	(137,415)	7,748	(129,667)
Provisions and others	28,802	32,512	61,314
Other non-current liabilities	76,887	(10,727)	66,160
Reserves	(2,471)	2,823	352
Foreign operations translation	(4,183)	265	(3,918)
Interest income	(11,543)	(635)	(12,178)
Valuation of derivatives	37	(37)	-
Gain (loss) on foreign currency translation	(19,971)	1,269	(18,703)
Borrowing costs	(3,113)	(108)	(3,221)
Revaluation profit (loss)	(44,420)	(2,420)	(46,840)
Accrued expenses	13,118	276	13,394
Others	28,576	(21,682)	6,894
Gain (loss) on valuation of financial asset at FVOCI <sup>3</sup>	(8,112)	27,991	19,879
Retained earnings	-	4,224	4,224
Remeasurements of defined benefit plan	19,564	2,771	22,335
Deferred income tax assets	\$ 208,386	\$ 2,525	\$ 210,910

<sup>1</sup> Reclassified from AFS financial assets as at December 31, 2017

<sup>2</sup> Reclassified from impairment loss on long-term investment securities and others as at December 31, 2017

<sup>3</sup> Reclassified from gain/loss on valuation of long-term investment securities as at December 31, 2017

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Unrecognized deferred income tax assets (liabilities) as at December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	2019		2018	
	Temporary differences	Deferred income tax assets (liabilities)	Temporary differences	Deferred income tax assets (liabilities)
<b>Deferred income tax assets:</b>				
Investments in subsidiaries	₩ 180,190	₩ 44,087	₩ 166,120	₩ 39,979
Investments in associates	54,190	13,395	56,719	13,550
Loss on foreign operations translation	474,389	117,269	474,389	113,332
Tax losses carried forward	214,863	47,270	190,054	41,812
Reflux taxes on corporate undistributed profits	-	-	6,133	1,465
Provision for impairment	54,865	13,410	54,865	13,411
Others	6,933	1,525	2,773	610
	<u>₩ 985,430</u>	<u>₩ 236,956</u>	<u>₩ 951,053</u>	<u>₩ 224,159</u>
<b>Deferred income tax liabilities:</b>				
Investments in subsidiaries	₩ (884,707)	₩ (205,207)	₩ (902,739)	₩ (205,361)
	<u>₩ (884,707)</u>	<u>₩ (205,207)</u>	<u>₩ (902,739)</u>	<u>₩ (205,361)</u>

*(in thousands of USD  
(Note 2))*

	2019		2018	
	Temporary differences	Deferred income tax assets (liabilities)	Temporary differences	Deferred income tax assets (liabilities)
<b>Deferred income tax assets:</b>				
Investments in subsidiaries	\$ 155,631	\$ 38,078	\$ 143,479	\$ 34,530
Investments in associates	46,804	11,569	48,989	11,703
Loss on foreign operations translation	409,733	101,286	409,733	97,886
Tax losses carried forward	185,579	40,827	164,151	36,113
Reflux taxes on corporate undistributed profits	-	-	5,297	1,265
Provision for impairment	47,387	11,582	47,387	11,583
Others	5,988	1,317	2,395	527
	<u>\$ 851,123</u>	<u>\$ 204,661</u>	<u>\$ 821,431</u>	<u>\$ 193,608</u>
<b>Deferred income tax liabilities:</b>				
Investments in subsidiaries	\$ (764,128)	\$ (177,239)	\$ (779,702)	\$ (177,372)
	<u>\$ (764,128)</u>	<u>\$ (177,239)</u>	<u>\$ (779,702)</u>	<u>\$ (177,372)</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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Income tax expense directly charged to equity for the years ended December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Deferred income tax assets (liabilities) directly charged to equity:		
Gain (loss) on valuation of financial assets at fair value	₩ 3,121	₩ 32,408
Remeasurements of defined benefit plan	9,288	3,208
Gain (loss) on foreign operations translation	-	4,890
	<u>₩ 12,409</u>	<u>₩ 40,506</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Deferred income tax assets (liabilities) directly charged to equity:		
Gain (loss) on valuation of financial assets at fair value	\$ 2,696	\$ 27,991
Remeasurements of defined benefit plan	8,022	2,771
Gain (loss) on foreign operations translation	-	4,224
	<u>\$ 10,718</u>	<u>\$ 34,985</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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The analysis of deferred tax assets and liabilities as at December 31, 2019 and 2018, is as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	₩ 444,352	₩ 445,490
Deferred tax asset to be recovered within 12 months	121,299	104,551
	<u>565,651</u>	<u>550,041</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(275,697)	(281,239)
Deferred tax liability to be recovered within 12 months	(34,207)	(24,610)
	<u>(309,904)</u>	<u>(305,849)</u>
Deferred tax assets (liabilities), net	<u>₩ 255,747</u>	<u>₩ 244,192</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	\$ 383,790	\$ 384,773
Deferred tax asset to be recovered within 12 months	104,767	90,301
	<u>488,557</u>	<u>475,074</u>
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(238,121)	(242,908)
Deferred tax liability to be recovered within 12 months	(29,545)	(21,256)
	<u>(267,666)</u>	<u>(264,164)</u>
Deferred tax assets (liabilities), net	<u>\$ 220,890</u>	<u>\$ 210,910</u>



**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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**35. Earnings per Share**

Basic earnings per share of ordinary share for the years ended December 31, 2019 and 2018, are computed as follows. The Group does not compute diluted earnings per share of ordinary share for the years ended December 31, 2019 and 2018, because there is no dilution effect.

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Profit attributable to the ordinary equity holders of the Parent Company	₩ 407,427	₩ 381,606
Expected dividends on preferred shares	(64)	(54)
Expected residual income attributable to preferred shares	(302)	(289)
Profit available to ordinary share	407,061	381,263
Weighted-average number of ordinary shares outstanding (shares)	<u>111,355,765</u>	<u>111,355,765</u>
Basic earnings per share of ordinary share <i>(in Korean won)</i>	<u>₩ 3,656</u>	<u>₩ 3,424</u>

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Profit attributable to the ordinary equity holders of the Parent Company	\$ 351,898	\$ 329,596
Expected dividends on preferred shares	(55)	(47)
Expected residual income attributable to preferred shares	(261)	(250)
Profit available to ordinary share	351,581	329,300
Weighted-average number of ordinary shares outstanding (shares)	<u>111,355,765</u>	<u>111,355,765</u>
Basic earnings per share of ordinary share <i>(in USD)</i>	<u>\$ 3</u>	<u>\$ 3</u>

Basic earnings per share of preferred share for the years ended December 31, 2019 and 2018, are computed as follows. The Parent Company does not compute diluted earnings per share of preferred share for the years ended December 31, 2019 and 2018, because there is no dilution effect.

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Expected dividends on and residual income attributable to preferred share	₩ 366	₩ 343
Weighted-average number of preferred shares outstanding (shares)	<u>98,856</u>	<u>98,856</u>
Basic earnings per share of preferred share <i>(in Korean won)</i>	<u>₩ 3,706</u>	<u>₩ 3,474</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Expected dividends on and residual income attributable to preferred share	\$ 316	\$ 296
Weighted-average number of preferred shares outstanding (shares)	<u>98,856</u>	<u>98,856</u>
Basic earnings per share of preferred share <i>(in USD)</i>	<u>\$ 3</u>	<u>\$ 3</u>

**36. Related Party Transactions**

Sales and purchases with related parties for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>			
	<u>Sales and other income</u>	<u>Disposal of property, plant and equipment, etc.</u>	<u>Purchases and other expenses</u>	<u>Acquisition of property, plant and equipment, etc.</u>
Entities with significant influence over the Group:				
Hyundai Motor Company <sup>1</sup>	₩ 612,163	₩ -	₩ 22,188	₩ 1,476
Kia Motors Corporation	143,005	-	9,001	75
Hyundai Mobis Co., Ltd. <sup>1</sup>	151,597	-	14,211	-
	<u>₩ 906,765</u>	<u>₩ -</u>	<u>₩ 45,400</u>	<u>₩ 1,551</u>
Associates:				
Hillstate Bongdam Daehan New Stay REIT 6 Co., Ltd.	₩ 43,325	₩ -	₩ -	₩ -
Tina Hydropower Limited	5,878	-	-	-
Smart Valley Co., Ltd.	5,575	-	-	-
Hwaseong City Expressway Co.,Ltd.	1,108	-	-	-
Others	-	-	864	-
	<u>₩ 55,886</u>	<u>₩ -</u>	<u>₩ 864</u>	<u>₩ -</u>
Other related parties:				
Kia Motors India Private Limited	₩ 43,386	₩ -	₩ 120	₩ -
Hyundai Motor Manufacturing Alabama, LLC	42,704	-	86	-
Hyundai Motor De Mexico S DE RL DE CV	7,173	-	-	-
Glovis India, Pvt. Ltd.	30,534	-	88	-
Kia Motors Slovakia s.r.o.	14,361	-	7	-
HYUNDAI MOTOR MANUFACTURING RUS	13,447	-	932	-
HYUNDAI MOTOR BRASIL MONTADORA DE AUTOMOVEIS LTDA	13,279	-	44	-

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in millions of Korean won)

	2019			
	Sales and other income	Disposal of property, plant and equipment, etc.	Purchases and other expenses	Acquisition of property, plant and equipment, etc.
Hyundai Motor Manufacturing Czech, s.r.o.	11,461	-	43	-
WIA AUTOMOTIVE ENGINE(SHANDONG) COMPANY	5,056	-	432	-
Dymos Lear Automotive India Private Limited	11,082	-	31	-
HYUNDAI MOTOR EUROPE TECHNICAL CENTER GmbH	10,561	-	-	-
MOBIS INDIA LIMITED	10,022	-	26	-
KIA MOTORS MEXICO SA DE CV	10,000	-	-	-
HYUNDAI WIA MEXICO S DE RL DE CV	6,401	-	-	-
MOBIS MANUFACTURING MEXICO S DE RL	9,414	-	-	-
Hyundai Kefico Corporation	9,141	-	-	-
Hyundai Capital Services, Inc.	8,876	-	3,417	7
Hyundai Motors Indonesia	8,104	-	24	-
Hyundai Translead, Inc.	4,406	-	-	-
Others	145,029	-	59,561	-
	<u>₩ 414,437</u>	<u>₩ -</u>	<u>₩ 64,811</u>	<u>₩ 7</u>
Affiliates by the Act <sup>2</sup> :				
Hyundai Steel Company	₩ 83,171	₩ -	₩ 432,277	₩ -
HYUNDAI TRANSYS INC.	35,185	-	13	-
Hyundai Special Steel	27,894	-	-	-
Hyundai Wia	18,589	-	3,673	-
Hyundai Glovis Co., Ltd.	9,997	120	134,069	-
HL green power Inc.	9,320	-	-	-
Hyundai Autoever Corp.	5,161	65	103,392	10,043
Others	1,261	-	600	-
	<u>₩ 190,578</u>	<u>₩ 185</u>	<u>₩ 674,024</u>	<u>₩ 10,043</u>

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD (Note 2))

	2019			
	Sales and other income	Disposal of property, plant and equipment, etc.	Purchases and other expenses	Acquisition of property, plant and equipment, etc.
Entities with significant influence over the Group:				
Hyundai Motor Company <sup>1</sup>	\$ 528,729	\$ -	\$ 19,164	\$ 1,275
Kia Motors Corporation	123,514	-	7,774	65
Hyundai Mobis Co., Ltd. <sup>1</sup>	130,935	-	12,274	-
	<u>\$ 783,179</u>	<u>\$ -</u>	<u>\$ 39,212</u>	<u>\$ 1,340</u>
Associates:				
Hillstate Bongdam Daehan New Stay REIT 6 Co., Ltd.	\$ 37,420	\$ -	\$ -	\$ -
Tina Hydropower Limited	5,077	-	-	-
Smart Valley Co., Ltd.	4,815	-	-	-
Hwaseong City Expressway Co.,Ltd.	957	-	-	-
Others	-	-	746	-
	<u>\$ 48,269</u>	<u>\$ -</u>	<u>\$ 746</u>	<u>\$ -</u>
Other related parties:				
Kia Motors India Private Limited	\$ 37,473	\$ -	\$ 104	\$ -
Hyundai Motor Manufacturing Alabama, LLC	36,884	-	74	-
Hyundai Motor De Mexico S DE RL DE CV	6,195	-	-	-
Glovis India, Pvt. Ltd.	26,372	-	76	-
Kia Motors Slovakia s.r.o.	12,404	-	6	-
HYUNDAI MOTOR MANUFACTURING RUS	11,614	-	805	-
HYUNDAI MOTOR BRASIL MONTADORA DE AUTOMOVEIS LTDA	11,469	-	38	-
Hyundai Motor Manufacturing Czech, s.r.o.	9,899	-	37	-
WIA AUTOMOTIVE ENGINE(SHANDONG) COMPANY	4,367	-	373	-
Dymos Lear Automotive India Private Limited	9,572	-	27	-
HYUNDAI MOTOR EUROPE TECHNICAL CENTER GmbH	9,122	-	-	-
MOBIS INDIA LIMITED	8,656	-	22	-
KIA MOTORS MEXICO SA DE CV	8,637	-	-	-
HYUNDAI WIA MEXICO S DE RL DE CV	5,529	-	-	-
MOBIS MANUFACTURING MEXICO S DE RL	8,131	-	-	-

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD (Note 2))

	<b>2019</b>			
	<b>Sales and other income</b>	<b>Disposal of property, plant and equipment, etc.</b>	<b>Purchases and other expenses</b>	<b>Acquisition of property, plant and equipment, etc.</b>
Hyundai Kefico Corporation	7,895	-	-	-
Hyundai Capital Services, Inc.	7,666	-	2,951	6
Hyundai Motors Indonesia	6,999	-	21	-
Hyundai Translead, Inc.	3,805	-	-	-
Others	125,263	-	51,443	-
	<b>\$ 357,952</b>	<b>\$ -</b>	<b>\$ 55,978</b>	<b>\$ 6</b>
Affiliates by the Act <sup>2</sup> :				
Hyundai Steel Company	\$ 71,835	\$ -	\$ 373,361	\$ -
HYUNDAI TRANSYS INC.	30,390	-	11	-
Hyundai Special Steel	24,092	-	-	-
Hyundai Wia	16,055	-	3,172	-
Hyundai Glovis Co., Ltd.	8,634	104	115,796	-
HL green power Inc.	8,050	-	-	-
Hyundai Autoever Corp.	4,458	56	89,300	8,674
Others	1,089	-	518	-
	<b>\$ 164,604</b>	<b>\$ 160</b>	<b>\$ 582,159</b>	<b>\$ 8,674</b>

<sup>1</sup> Purchases and other expenses include depreciation of right-of-use assets and interest expenses.

<sup>2</sup> Entities belong to the Enterprise Group to which Hyundai Motor Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

(in millions of Korean won)

	<b>2018</b>			
	<b>Sales and other income</b>	<b>Disposal of property, plant and equipment, etc.</b>	<b>Purchases and other expenses</b>	<b>Acquisition of property, plant and equipment, etc.</b>
Entities with significant influence over the Group:				
Hyundai Motor Company	₩ 620,923	₩ -	₩ 22,535	₩ 415
Kia Motors Corporation	195,213	-	9,024	111
Hyundai Mobis Co., Ltd.	45,088	-	13,915	-
	<b>₩ 861,224</b>	<b>₩ -</b>	<b>₩ 45,474</b>	<b>₩ 526</b>
Associates:				
Sejong Mirae Industrial Complex Co., Ltd.	₩ 136	₩ -	₩ -	₩ -
Incheon Ganghwa Industrial Complex Co., Ltd.	-	-	19	-

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in millions of Korean won)

	2018			
	Sales and other income	Disposal of property, plant and equipment, etc.	Purchases and other expenses	Acquisition of property, plant and equipment, etc.
Haevichi Country Club., Ltd	-	-	656	-
Hillstate Homaesil Newstay REIT	79,964	-	-	-
	₩ 80,100	₩ -	₩ 675	₩ -
Other related parties:				
Hyundai Kefico Corporation	₩ 13,692	₩ -	₩ -	₩ -
Hyundai Rotem Company	9,367	-	29,115	-
Hyundai Capital Services, Inc.	8,814	-	3,428	-
KIA MOTORS INDIA, Pvt. Ltd.	6,866	-	-	-
Kia Motors India Private Limited	311,898	-	-	-
Hyundai PowerTech automatic transmission	25,102	-	-	-
HYUNDAI MOTOR INDIA LIMITED	28,131	-	13,937	-
HYUNDAI MOTOR EUROPE GmbH	21,271	-	-	-
MOBIS INDIA LIMITED	21,886	-	296	-
Automotive Steel Pipe India Private, Ltd.	18,850	-	1,667	-
Kia Motors Slovakia s.r.o.	15,553	-	5	-
HYUNDAI MOTOR MANUFACTURING RUS	14,652	-	1,425	-
HYUNDAI AUTOEVER AMERICA	11,898	-	-	-
Hyundai Motor Manufacturing Czech, s.r.o.	10,429	-	-	-
HYUNDAI MOTOR BRASIL MONTADORA DE AUTOMOVEIS LTDA	11,214	-	-	-
KIA MOTORS MEXICO SA DE CV	8,892	-	-	-
Hyundai Motor Technology & Engineering Center (China) Ltd.	8,095	-	-	-
MOBIS MANUFACTURING MEXICO S DE RL	8,089	-	-	-
HYUNDAI MOTOR AMERICA VIA AUTOMOTIVE ENGINE(SHANDONG) COMPANY	5,210	-	-	-
HYUNDAI MOTOR EUROPE TECHNICAL CENTER GmbH	5,849	-	-	-
Others	174,760	-	6,812	-
	₩ 748,088	₩ -	₩ 56,711	₩ -

Affiliates by the Act <sup>1</sup>:

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(in millions of Korean won)

	2018			
	Sales and other income	Disposal of property, plant and equipment, etc.	Purchases and other expenses	Acquisition of property, plant and equipment, etc.
Hyundai Steel Company	₩ 117,414	₩ -	₩ 359,713	₩ -
Hyundai Wia	24,838	-	86	-
HL green power Inc.	17,110	-	-	-
Hyundai Dymos Inc.	21,271	-	-	-
Hyundai-Autron Inc.	10,982	-	-	-
Hyundai Glovis Co., Ltd.	10,990	88	106,675	-
Hyundai PowerTech Co., Ltd.	12,964	-	14	-
Hyundai Autoever Corp.	3,849	-	131,385	5,892
INNOCEAN WORLDWIDE	3,049	-	323	-
Others	3,074	-	531	-
	<u>₩ 225,541</u>	<u>₩ 88</u>	<u>₩ 598,727</u>	<u>₩ 5,892</u>

(in thousands of USD (Note 2))

	2018			
	Sales and other income	Disposal of property, plant and equipment, etc.	Purchases and other expenses	Acquisition of property, plant and equipment, etc.
Entities with significant influence over the Group:				
Hyundai Motor Company	\$ 536,296	\$ -	\$ 19,464	\$ 358
Kia Motors Corporation	168,607	-	7,794	96
Hyundai Mobis Co., Ltd.	38,943	-	12,018	-
	<u>\$ 743,845</u>	<u>\$ -</u>	<u>\$ 39,276</u>	<u>\$ 454</u>
Associates:				
Sejong Mirae Industrial Complex Co., Ltd.	\$ 117	\$ -	\$ -	\$ -
Incheon Ganghwa Industrial Complex Co., Ltd.	-	-	16	-
Haevichi Country Club., Ltd	-	-	567	-
Hillstate Homaesil Newstay REIT	69,065	-	-	-
	<u>\$ 69,183</u>	<u>\$ -</u>	<u>\$ 583</u>	<u>\$ -</u>
Other related parties:				
Hyundai Kefico Corporation	\$ 11,826	\$ -	\$ -	\$ -
Hyundai Rotem Company	8,090	-	25,147	-
Hyundai Capital Services, Inc.	7,613	-	2,961	-
KIA MOTORS INDIA, Pvt. Ltd.	5,930	-	-	-
Kia Motors India Private Limited	269,388	-	-	-
Hyundai PowerTech automatic	21,681	-	-	-

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(in thousands of USD (Note 2))

	2018			
	Sales and other income	Disposal of property, plant and equipment, etc.	Purchases and other expenses	Acquisition of property, plant and equipment, etc.
transmission				
HYUNDAI MOTOR INDIA LIMITED	24,297	-	12,037	-
HYUNDAI MOTOR EUROPE GmbH	18,372	-	-	-
MOBIS INDIA LIMITED	18,903	-	256	-
Automotive Steel Pipe India Private, Ltd.	16,281	-	1,440	-
Kia Motors Slovakia s.r.o.	13,433	-	4	-
HYUNDAI MOTOR MANUFACTURING RUS	12,655	-	1,231	-
HYUNDAI AUTOEVER AMERICA	10,276	-	-	-
Hyundai Motor Manufacturing Czech, s.r.o.	9,008	-	-	-
HYUNDAI MOTOR BRASIL MONTADORA DE AUTOMOVEIS LTDA	9,686	-	-	-
KIA MOTORS MEXICO SA DE CV	7,680	-	-	-
Hyundai Motor Technology & Engineering Center (China) Ltd.	6,992	-	-	-
MOBIS MANUFACTURING MEXICO S DE RL	6,987	-	-	-
HYUNDAI MOTOR AMERICA WIA AUTOMOTIVE ENGINE(SHANDONG) COMPANY	4,500	-	-	-
HYUNDAI MOTOR EUROPE TECHNICAL CENTER GmbH	5,052	-	-	-
Others	150,941	-	5,884	-
	\$ 646,129	\$ -	\$ 48,982	\$ -
Affiliates by the Act <sup>1</sup> :				
Hyundai Steel Company	\$ 101,411	\$ -	\$ 310,687	\$ -
Hyundai Wia	21,453	-	74	-
HL green power Inc.	14,778	-	-	-
Hyundai Dymos Inc.	18,372	-	-	-
Hyundai-Autron Inc.	9,485	-	-	-
Hyundai Glovis Co., Ltd.	9,492	76	92,136	-
Hyundai PowerTech Co., Ltd.	11,197	-	12	-
Hyundai Autoever Corp.	3,324	-	113,478	5,089
INNOCEAN WORLDWIDE	2,633	-	279	-
Others	2,655	-	459	-
	\$ 194,801	\$ 76	\$ 517,125	\$ 5,089



# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

<sup>1</sup> Entities belong to the Enterprise Group to which Hyundai Motor Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

Significant financing and equity transactions for the years ended December 31, 2019 and 2018, between the Group and related parties or affiliates belong to the Large Enterprise Group are as follows:

	2019																	
	Loan transactions		Borrowing transactions		Financial instruments		Contributions	Dividend		Capital reduction with consideration								
	Loans	Collections	Borrowings	Repayments	Investments	Collection	in cash	Received	Paid									
<i>(in millions of Korean won)</i>																		
Associates:																		
Hilstate Bongdam Daehan New Stay REIT 6 Co., Ltd. <sup>2</sup>	₩	-	₩	-	₩	-	₩	-	₩	-	₩	13,920	₩	-	₩	-	₩	-
HYUNDAI ENGINEERING (CAMBODIA) CO., LTD.				9														
HYUNDAI ENGINEERING AND CONSTRUCTION RUS <sup>2</sup>												1						
Eumseong Yongin Industrial Complex Co., Ltd. <sup>2</sup>												100						
Dongbuk LRT <sup>2</sup>												10,593						
H Energy Co., Ltd. <sup>2</sup>												50						
PENTA-OCEAN / HYUNDAI / BOSKALIS JV PTE.LTD <sup>2</sup>												4,357						
SAEMANGEUM HUIMANG TAEYANGGWANG CO.,LTD. <sup>2</sup>												540						
LHT INTERNATIONAL ENGINEERING JOINT STOCK COMPANY														6				
Busan Finance Center PFV. Co., Ltd.														5,159				4,418
Entities with significant influence over the Company:																		
Hyundai Motor Company																	11,664	
Kia Motors Corporation																	11,436	
Hyundai Mobis Co., Ltd.																	13,380	
Affiliates by the Act <sup>1</sup> :																		
Hyundai Motor Securities Co., Ltd. <sup>3</sup>				65,000		90,000		11,500		12,474								
Hyundai Autoever Corp.															450			
Hyundai Glovis Co., Ltd.																	10,641	

	2019																	
	Loan transactions		Borrowing transactions		Financial instruments		Contributions	Dividend		Capital reduction with consideration								
	Loans	Collections	Borrowings	Repayments	Investments	Collection	in cash	Received	Paid									
<i>(in thousands of USD (Note 2))</i>																		
Associates:																		
Hilstate Bongdam Daehan New Stay REIT 6 Co., Ltd. <sup>2</sup>	\$	-	\$	-	\$	-	\$	-	\$	-	\$	12,023	\$	-	\$	-	\$	-
HYUNDAI ENGINEERING (CAMBODIA) CO., LTD.				8														
HYUNDAI ENGINEERING AND CONSTRUCTION RUS <sup>2</sup>												1						

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

(in thousands  
of USD (Note 2))

	2019									
	Loan transactions		Borrowing transactions		Financial instruments		Contributions	Dividend		Capital reduction with consideration
	Loans	Collections	Borrowings	Repayments	Investments	Collection	in cash	Received	Paid	
Eumseong Yongin Industrial Complex Co., Ltd. <sup>2</sup>	-	-	-	-	-	-	86	-	-	-
Dongbuk LRT <sup>2</sup>	-	-	-	-	-	-	9,149	-	-	-
H Energy Co., Ltd. <sup>2</sup>	-	-	-	-	-	-	43	-	-	-
PENTA-OCEAN / HYUNDAI / BOSKALIS JV PTE.LTD <sup>2</sup>	-	-	-	-	-	-	3,763	-	-	-
SAEMANGEUM HUIMANG TAEYANGGWANG CO.,LTD. <sup>2</sup>	-	-	-	-	-	-	466	-	-	-
LHT INTERNATIONAL ENGINEERING JOINT STOCK COMPANY	-	-	-	-	-	-	-	5	-	-
Busan Finance Center PFV. Co., Ltd.	-	-	-	-	-	-	-	4,456	-	3,816
Entities with significant influence over the Company:										
Hyundai Motor Company	-	-	-	-	-	-	-	-	10,074	-
Kia Motors Corporation	-	-	-	-	-	-	-	-	9,877	-
Hyundai Mobis Co., Ltd.	-	-	-	-	-	-	-	-	11,556	-
Affiliates by the Act <sup>1</sup> :										
Hyundai Motor Securities Co., Ltd. <sup>3</sup>	-	-	56,141	77,734	9,933	10,774	-	-	-	-
Hyundai Autoever Corp.	-	-	-	-	-	-	-	389	-	-
Hyundai Glovis Co., Ltd.	-	-	-	-	-	-	-	-	9,191	-

<sup>1</sup> Entities belong to the Enterprise Group to which Hyundai Motor Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

<sup>2</sup> These entities are included in associates as a newly established or participating in capital increase during the year ended December 31, 2019.

<sup>3</sup> With debentures issued by the Company, Hyundai Motor Securities Co., Ltd., an affiliate by the Act, acquired an amount of ₩ 65,000 million (\$ 56,141 thousand) during the year ended December 31, 2019.

During 2019, right-of-use assets of ₩ 13,358 million (\$ 11,537 thousand) and lease liabilities of ₩ 13,481 million (\$ 11,644 thousand) are recognized in respect to lease agreements which the Group has entered with related parties including Hyundai Motor Company. The repayment of lease liabilities during the year is ₩ 2,992 million (\$ 2,584 thousand) and interest expenses amount to ₩ 114 million (\$ 98 thousand).

The amount of plan assets contributed to Hyundai Motor Securities Co., Ltd. is ₩ 41,599 million (\$ 35,929 thousand) and the amount of benefit paid is ₩ 22,992 million (\$ 19,858 thousand) for the year ended December 31, 2019.

(in millions of Korean won)

	2018									
	Loan transactions		Borrowing transactions		Financial instruments		Contributions	Dividends		
	Loans	Collections	Borrowings	Repayments	Investments	Collection	in cash	Received	Paid	
Associates:										
Hyunson Engineering & Construction spa.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,672	₩ -	₩ -	-
Arboretum Construction, Inc	-	-	-	-	-	-	1,286	-	-	-

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

Entities with significant influence over the Company:									
Hyundai Motor Company	-	-	-	-	-	-	-	-	11,664
Kia Motors Corporation	-	-	-	-	-	-	-	-	11,436
Hyundai Mobis Co., Ltd.	-	-	-	-	-	-	-	-	13,380
Affiliates by the Act <sup>1</sup> :									
Hyundai Motor Investment & Securities	-	-	90,000	-	974	1,455	-	-	-
Hyundai Autoever Corp.	-	-	-	-	-	-	-	450	-
Hyundai Glovis Co., Ltd.	-	-	-	-	-	-	-	-	10,641

(in thousands of USD (Note 2))

	2018								
	Loan transactions		Borrowing transactions		Financial instruments		Contributions	Dividends	
	Loans	Collections	Borrowings	Repayments	Investments	Collection	in cash	Received	Paid
Associates:									
Hyunson Engineering & Construction spa.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,444	\$ -	\$ -
Arboretum Construction, Inc	-	-	-	-	-	-	1,111	-	-
Entities with significant influence over the Company:									
Hyundai Motor Company	-	-	-	-	-	-	-	-	10,074
Kia Motors Corporation	-	-	-	-	-	-	-	-	9,877
Hyundai Mobis Co., Ltd.	-	-	-	-	-	-	-	-	11,556
Affiliates by the Act <sup>1</sup> :									
Hyundai Motor Investment & Securities	-	-	77,734	-	841	1,257	-	-	-
Hyundai Autoever Corp.	-	-	-	-	-	-	-	389	-
Hyundai Glovis Co., Ltd.	-	-	-	-	-	-	-	-	9,191

<sup>1</sup> Entities belong to the Enterprise Group to which Hyundai Motor Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

The amount of plan assets contributed to Fubonhyundai Life Insurance Co., Ltd. and Hyundai Motor Securities Co., Ltd. is ₩ 41,054 million (\$ 35,459 thousand) and the amount of benefit paid is ₩ 23,832 million (\$ 20,584 thousand) for the year ended December 31, 2019.

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

Outstanding balances arising from sales/purchases of goods and services as at December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
Entities with significant influence over the Group:						
Hyundai Motor Company <sup>1</sup>	₩ 166,242	₩ -	₩ 12,103	₩ 1	₩ -	₩ 31,840
Kia Motors Corporation	45,254	-	272	-	-	3,518
Hyundai Mobis Co., Ltd. <sup>1</sup>	137,739	-	1,992	-	-	21,042
	₩ 349,235	₩ -	₩ 14,367	₩ 1	₩ -	₩ 56,400
Associates:						
Sejong Mirae Industrial Complex Co., Ltd.	₩ 5,104	₩ -	₩ -	₩ -	₩ -	₩ -
Smart Valley Co., Ltd.	2,437	-	-	-	-	1,995
Tina Hydropower Limited	1,458	-	793	-	-	4,475
The Gyeongnam Highway Co., Ltd.	213	-	-	-	-	-
HYUNDAI ENGINEERING (THAILAND) CO., LTD.	-	-	-	-	-	-
HYUNDAI ENGINEERING (CAMBODIA) CO., LTD.	-	1	-	-	-	-
Dongbuk LRT	-	-	-	-	-	7,149
Others <sup>1</sup>	26	-	400	33	-	1,657
	₩ 9,238	₩ 1	₩ 1,193	₩ 33	₩ -	₩ 15,276
Other related parties:						
Hyundai Motors Indonesia	₩ 8,104	₩ -	₩ -	₩ -	₩ -	₩ 28,757
Dymos Lear Automotive India Private Limited	7,926	-	-	-	-	-
Hyundai Motor Manufacturing Alabama, LLC	5,904	-	-	-	-	1,251
BEIJING HYUNDAI MOTOR COMPANY	3,846	-	-	-	-	-
Hyundai-Wia Rus	3,509	-	-	-	-	3,704
Kia Motors Slovakia s.r.o.	3,130	-	-	-	-	-
Hyundai Kefico Corporation	2,616	-	-	-	-	-
Hyundai Rotem Company	789	-	367	58	-	224
Hyundai Motor R & D Center (China) Co., Ltd.	2,518	-	-	-	-	1,861
HYUNDAI MOTOR INDIA LIMITED	2,530	-	-	-	-	-
Hyundai Motor Manufacturing Czech, s.r.o.	2,143	-	-	-	-	-
MOBIS MANUFACTURING MEXICO S DE RL	2,114	-	-	-	-	-
Glovis India, Pvt. Ltd.	1,842	-	-	-	-	-

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(in millions of Korean won)

	2019					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
KIA MOTORS MEXICO SA DE CV	1,707	-	-	-	-	-
HYUNDAI MOTOR INDIA FOUNDATION	1,368	-	332	-	-	112
Hyundai Steel Pipe India Private, Ltd.	1,256	-	-	-	-	-
Beijing Dymos Transmission Co., Ltd.	1,211	-	-	-	-	63
Kia Motors Manufacturing Georgia, Inc	1,203	-	-	-	-	-
Hyundai Motor De Mexico S DE RL DE CV	1,096	-	-	-	-	-
Others	11,631	17	52	137	-	10,997
	<u>₩ 66,443</u>	<u>₩ 17</u>	<u>₩ 751</u>	<u>₩ 195</u>	<u>₩ -</u>	<u>₩ 46,969</u>
Affiliates by the Act <sup>2</sup> :						
Hyundai Steel Company	₩ 36,842	₩ -	₩ 845	₩ 63,801	₩ -	₩ 2,781
Hyundai Special Steel	20,042	-	-	-	-	5,768
HYUNDAI TRANSYS INC.	12,571	-	-	-	-	-
HL Green power	7,229	-	-	-	-	-
Hyundai Glovis Co., Ltd.	3,232	-	343	5,340	-	3,950
Hyundai Wia	1,440	-	151	35	-	-
Hyundai Autoever Corp.	1,050	-	260	10,356	-	12,182
Others	110	-	54	2,485	-	846
	<u>₩ 82,516</u>	<u>₩ -</u>	<u>₩ 1,653</u>	<u>₩ 82,017</u>	<u>₩ -</u>	<u>₩ 25,527</u>

(in thousands of USD (Note 2))

	2019					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
Entities with significant influence over the Group:						
Hyundai Motor Company <sup>1</sup>	\$ 143,584	\$ -	\$ 10,453	\$ 1	\$ -	\$ 27,500
Kia Motors Corporation	39,086	-	235	-	-	3,039
Hyundai Mobis Co., Ltd. <sup>1</sup>	118,966	-	1,721	-	-	18,174
	<u>\$ 301,637</u>	<u>\$ -</u>	<u>\$ 12,409</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 48,713</u>
Associates:						
Sejong Mirae Industrial Complex Co., Ltd.	\$ 4,408	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Valley Co., Ltd.	2,105	-	-	-	-	1,723
Tina Hydropower Limited	1,259	-	685	-	-	3,865

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(in thousands of USD (Note 2))

	2019					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
The Gyeongnam Highway Co., Ltd.	184	-	-	-	-	-
HYUNDAI ENGINEERING (THAILAND) CO., LTD.	-	-	-	-	-	-
HYUNDAI ENGINEERING (CAMBODIA) CO., LTD.	-	1	-	-	-	-
Dongbuk LRT	-	-	-	-	-	6,175
Others <sup>1</sup>	22	-	345	29	-	1,431
	<u>\$ 7,979</u>	<u>\$ 1</u>	<u>\$ 1,030</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 13,194</u>
Other related parties:						
Hyundai Motors Indonesia	\$ 6,999	\$ -	\$ -	\$ -	\$ -	\$ 24,838
Dymos Lear Automotive India Private Limited	6,846	-	-	-	-	-
Hyundai Motor Manufacturing Alabama, LLC	5,099	-	-	-	-	1,080
BEIJING HYUNDAI MOTOR COMPANY	3,322	-	-	-	-	-
Hyundai-Wia Rus	3,031	-	-	-	-	3,199
Kia Motors Slovakia s.r.o.	2,703	-	-	-	-	-
Hyundai Kefico Corporation	2,259	-	-	-	-	-
Hyundai Rotem Company	681	-	317	50	-	193
Hyundai Motor R & D Center (China) Co., Ltd.	2,175	-	-	-	-	1,607
HYUNDAI MOTOR INDIA LIMITED	2,185	-	-	-	-	-
Hyundai Motor Manufacturing Czech, s.r.o.	1,851	-	-	-	-	-
MOBIS MANUFACTURING MEXICO S DE RL	1,826	-	-	-	-	-
Glovis India, Pvt. Ltd.	1,591	-	-	-	-	-
KIA MOTORS MEXICO SA DE CV	1,474	-	-	-	-	-
HYUNDAI MOTOR INDIA FOUNDATION	1,182	-	287	-	-	97
Hyundai Steel Pipe India Private, Ltd.	1,085	-	-	-	-	-
Beijing Dymos Transmission Co., Ltd.	1,046	-	-	-	-	54
Kia Motors Manufacturing Georgia, Inc	1,039	-	-	-	-	-
Hyundai Motor De Mexico S DE RL DE CV	947	-	-	-	-	-
Others	10,046	15	45	118	-	9,498
	<u>\$ 57,387</u>	<u>\$ 15</u>	<u>\$ 649</u>	<u>\$ 168</u>	<u>\$ -</u>	<u>\$ 40,567</u>
Affiliates by the Act <sup>2</sup> :						
Hyundai Steel Company	\$ 31,821	\$ -	\$ 730	\$ 55,105	\$ -	\$ 2,402

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2019 and 2018

(in thousands of USD (Note 2))

	2019					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
Hyundai Special Steel	17,310	-	-	-	-	4,982
HYUNDAI TRANSYS INC.	10,858	-	-	-	-	-
HL Green power	6,244	-	-	-	-	-
Hyundai Glovis Co., Ltd.	2,792	-	296	4,612	-	3,412
Hyundai Wia	1,244	-	130	30	-	-
Hyundai Autoever Corp.	907	-	225	8,945	-	10,522
Others	95	-	47	2,146	-	731
	<b>\$ 71,270</b>	<b>\$ -</b>	<b>\$ 1,428</b>	<b>\$ 70,839</b>	<b>\$ -</b>	<b>\$ 22,048</b>

<sup>1</sup> Other payables include lease liabilities.

<sup>2</sup> Entities belong to the Enterprise Group to which Hyundai Motor Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

(in millions of Korean won)

	2018					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
Entities with significant influence over the Group:						
Hyundai Motor Company	₩ 193,358	₩ -	₩ 10,538	₩ 5	₩ -	₩ 29,147
Kia Motors Corporation	86,365	-	997	-	-	4,316
Hyundai Mobis Co., Ltd.	7,140	-	1,878	-	-	541
	<b>₩ 286,863</b>	<b>₩ -</b>	<b>₩ 13,413</b>	<b>₩ 5</b>	<b>₩ -</b>	<b>₩ 34,004</b>
Associates:						
Sejong Mirae Industrial Complex Co., Ltd.	₩ 6,220	₩ -	₩ -	₩ -	₩ -	₩ -
Hillstate Homaesil Newstay REIT	4,709	-	-	-	-	-
KM Energy	26	-	-	-	-	-
Hyundai Engineering (Thailand) Co., Ltd.	-	19,049	5,194	-	-	-
LHT INTERNATIONAL ENGINEERING JOINT STOCK COMPANY	-	-	5	-	-	-
Busan Finance Center PFV. Co., Ltd.	-	-	5,159	-	-	251
Haevichi Country Club., Ltd.	-	-	-	33	-	45
HYUNDAI ENGINEERING(CAMBODIA) CO., LTD.	-	27	-	-	-	-

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(in millions of Korean won)

	2018					
	Receivables			Payables		
	Trade receivables and due from customers for contract work			Trade payables		
	Loans	Others		Borrowings	Others	
₩	₩	₩	₩	₩	₩	
	10,955	19,076	10,358	33	-	296
Other related parties:						
Hyundai Card Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 34
Hyundai Rotem Company	890	-	634	-	-	61
Hyundai Capital Services, Inc.	799	-	-	153	-	34
Hyundai Partecs Corporation	130	-	-	-	-	-
Hyundai Kefico Corporation	4,082	-	-	-	-	4,645
Dymos Lear Automotive India Private Limited	12,496	-	-	-	-	19
Hyundai PowerTech automatic transmission	7,751	-	-	-	-	12
Hyundai Motor Manufacturing Alabama, LLC	7,560	-	2,151	-	-	3,097
Automotive Steel Pipe India Private, Ltd.	2,962	-	-	-	-	-
ChongQing Hyundai Mobis Automotive Parts Co., Ltd.	5,463	-	-	-	-	-
Glovis India, Pvt. Ltd.	5,401	-	-	-	-	-
BEIJING HYUNDAI MOTOR COMPANY	3,138	-	-	-	-	-
Kia Motors Slovakia s.r.o.	2,850	-	-	-	-	1,085
Cangzhou Hyundai Mobis Automotive Parts Co., Ltd.	2,798	-	-	-	-	-
HYUNDAI MOTOR INDIA LIMITED	2,452	-	75	-	-	1,332
MOBIS INDIA LIMITED	1,899	-	-	-	-	28
Hyundai Motor Manufacturing Czech, s.r.o.	1,880	-	-	-	-	532
KIA MOTORS MEXICO SA DE CV	1,858	-	-	-	-	-
HYUNDAI MOTOR AMERICA HYUNDAI MOTORMANUFACTURING RUS	1,667	-	-	-	-	-
Hyundai Steel Chongqing Co., Ltd.	1,612	-	-	-	-	697
Hyundai Steel Chongqing Co., Ltd.	1,553	-	-	-	-	11
Others	8,674	-	6,737	-	-	9,240
	₩ 77,915	₩ -	₩ 9,597	₩ 153	₩ -	₩ 20,827
Affiliates by the Act 1:						
Hyundai Steel Company	₩ 45,712	₩ -	₩ 2,166	₩ 128,148	₩ -	₩ 2,345
Hyundai Wia	16,711	-	638	-	-	3,026
HL Green power	3,971	-	-	-	-	-
Hyundai Dymos Inc.	11,827	-	-	-	-	1,154
Hyundai PowerTech Co., Ltd.	9,690	-	1	-	-	1,906
Hyundai Glovis Co., Ltd.	535	-	342	10,526	-	4,997



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(in millions of Korean won)

	2018					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
Hyundai Autoever Corp.	1,042	-	776	22,013	-	6,975
INNOCEAN WORLDWIDE	36	-	-	4,232	-	1,213
Hyundai Special Steel	1,394	-	-	-	-	-
Others	250	-	38	-	-	67
	₩ 91,168	₩ -	₩ 3,961	₩ 164,919	₩ -	₩ 21,683

**Hyundai Engineering & Construction Co., Ltd. and Subsidiaries**  
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(in thousands of USD (Note 2))

	2018					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
Entities with significant influence over the Group:						
Hyundai Motor Company	\$ 167,005	\$ -	\$ 9,102	\$ 4	\$ -	\$ 25,174
Kia Motors Corporation	74,594	-	861	-	-	3,728
Hyundai Mobis Co., Ltd.	6,167	-	1,622	-	-	467
	<u>\$ 247,766</u>	<u>\$ -</u>	<u>\$ 11,585</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 29,369</u>
Associates:						
Sejong Mirae Industrial Complex Co., Ltd.	\$ 5,372	\$ -	\$ -	\$ -	\$ -	\$ -
Hillstate Homaesil Newstay REIT	4,067	-	-	-	-	-
KM Energy	22	-	-	-	-	-
Hyundai Engineering (Thailand) Co., Ltd.	-	16,453	4,486	-	-	-
LHT INTERNATIONAL ENGINEERING JOINT STOCK COMPANY	-	-	4	-	-	-
Busan Finance Center PFV. Co., Ltd.	-	-	4,456	-	-	217
Haevichi Country Club., Ltd.	-	-	-	29	-	39
HYUNDAI ENGINEERING(CAMBODIA) CO., LTD.	-	23	-	-	-	-
	<u>\$ 9,462</u>	<u>\$ 16,476</u>	<u>\$ 8,946</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 256</u>
Other related parties:						
Hyundai Card Co., Ltd.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29
Hyundai Rotem Company	769	-	548	-	-	53
Hyundai Capital Services, Inc.	690	-	-	132	-	29
Hyundai Partecs Corporation	112	-	-	-	-	-
Hyundai Kefico Corporation	3,526	-	-	-	-	4,012
Dymos Lear Automotive India Private Limited	10,793	-	-	-	-	16
Hyundai PowerTech automatic transmission	6,695	-	-	-	-	10
Hyundai Motor Manufacturing Alabama, LLC	6,530	-	1,858	-	-	2,675
Automotive Steel Pipe India Private, Ltd.	2,558	-	-	-	-	-
ChongQing Hyundai Mobis Automotive Parts Co., Ltd.	4,718	-	-	-	-	-
Glovis India, Pvt. Ltd.	4,665	-	-	-	-	-
BEIJING HYUNDAI MOTOR COMPANY	2,710	-	-	-	-	-
Kia Motors Slovakia s.r.o.	2,462	-	-	-	-	937
Cangzhou Hyundai Mobis Automotive Parts Co., Ltd.	2,417	-	-	-	-	-

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	2018					
	Receivables			Payables		
	Trade receivables and due from customers for contract work	Loans	Others	Trade payables	Borrowings	Others
HYUNDAI MOTOR INDIA LIMITED	2,118	-	65	-	-	1,150
MOBIS INDIA LIMITED	1,640	-	-	-	-	24
Hyundai Motor Manufacturing Czech, s.r.o.	1,624	-	-	-	-	459
KIA MOTORS MEXICO SA DE CV	1,605	-	-	-	-	-
HYUNDAI MOTOR AMERICA	1,440	-	-	-	-	-
HYUNDAI MOTOR MANUFACTURING RUS	1,392	-	-	-	-	602
Hyundai Steel Chongqing Co., Ltd.	1,341	-	-	-	-	10
Others	7,492	-	5,819	-	-	7,981
	<u>\$ 67,296</u>	<u>\$ -</u>	<u>\$ 8,289</u>	<u>\$ 132</u>	<u>\$ -</u>	<u>\$ 17,988</u>
Affiliates by the Act <sup>1</sup> :						
Hyundai Steel Company	\$ 39,482	\$ -	\$ 1,871	\$ 110,682	\$ -	\$ 2,025
Hyundai Wia	14,433	-	551	-	-	2,614
HL Green power	3,430	-	-	-	-	-
Hyundai Dymos Inc.	10,215	-	-	-	-	997
Hyundai PowerTech Co., Ltd.	8,369	-	1	-	-	1,646
Hyundai Glovis Co., Ltd.	462	-	295	9,091	-	4,316
Hyundai Autoever Corp.	900	-	670	19,013	-	6,024
INNOCEAN WORLDWIDE	31	-	-	3,655	-	1,048
Hyundai Special Steel	1,204	-	-	-	-	-
Others	216	-	33	-	-	58
	<u>\$ 78,742</u>	<u>\$ -</u>	<u>\$ 3,421</u>	<u>\$ 142,442</u>	<u>\$ -</u>	<u>\$ 18,728</u>

<sup>1</sup> Entities belong to the Enterprise Group to which Hyundai Motor Company also belongs in accordance with the Monopoly Regulation and Fair Trade Act.

Details of impairment loss and provision for impairment related to receivables with related parties as at and for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019		2018	
	Provision for impairment	Impairment loss	Provision for impairment	Impairment loss
Associates				
HYUNDAI ENGINEERING (THAILAND) CO., LTD.	₩ 24,102	₩ -	₩ 24,102	₩ -
HYUNDAI ENGINEERING (CAMBODIA) CO., LTD.	16	(9)	25	-
	<u>₩ 24,118</u>	<u>₩ (9)</u>	<u>₩ 24,127</u>	<u>₩ -</u>

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<i>(in thousands of USD (Note 2))</i>	2019		2018	
	Provision for impairment	Impairment loss	Provision for impairment	Impairment loss
Associates				
HYUNDAI ENGINEERING (THAILAND) CO., LTD.	\$ 20,817	\$ -	\$ 20,817	\$ -
HYUNDAI ENGINEERING (CAMBODIA) CO., LTD.	14	(8)	22	-
	<u>\$ 20,831</u>	<u>\$ (8)</u>	<u>\$ 20,839</u>	<u>\$ -</u>

Pledged assets provided as collateral for related parties as at December 31, 2019, are as follows:

<i>(in millions of Korean won and in thousands of USD (Note 2))</i>	Description of pledged assets	Book amount		Security holder	Remarks
		Korean won	US dollars		
Associates:					
The Gyeongnam Highway Co., Ltd.	Investment in associate	₩ -	\$ -	Kookmin Bank and others	Loan guarantee
The Ulsan Harbour Bridge Co., Ltd.	Investment in associate	-	-	Kookmin Bank and others	Loan guarantee
Hwaseong City Expressway Co., Ltd.	Investment in associate	3,984	3,441	NongHyup Bank and others	Loan guarantee
Sejong Mirae Industrial Complex Co., LTD. and others	Investment in associate	589	509	Woori Bank and others	Loan guarantee

Supplemental funding arrangements and others provided to related parties as at December 31, 2019, are as follows:

<i>(in millions of Korean won and in thousands of USD (Note 2))</i>		Amount used <sup>1</sup>		Remarks
		Korean won	US dollars	
Associates:				
Hwaseong City Expressway Co., Ltd.	₩ 3,513	\$ 3,034	Supplemental funding arrangements of borrowings	

<sup>1</sup> Limits on payment guarantee is equal to amount used.

The compensation paid or payable to key management (executive and non-executive directors) for employee services for the years ended December 31, 2019 and 2018, consists of the following:

<i>(in millions of Korean won)</i>	2019		2018	
Short-term employee benefits	₩	57,392	₩	58,360
Post-employment benefits		8,191		7,968
Long-term employee benefits		19		21
	<u>₩</u>	<u>65,602</u>	<u>₩</u>	<u>66,349</u>

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<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 49,570	\$ 50,406
Post-employment benefits	7,075	6,882
Long-term employee benefits	16	18
	<b>\$ 56,661</b>	<b>\$ 57,306</b>

**37. Pledged Assets**

Pledged assets provided as collaterals for the Group's borrowings and guarantees as at December 31, 2019, are as follows:

*(in millions of Korean won and in thousands of USD (Note 2))*

Description	Detailed title	Book amount		Security holder	Remarks
		Korean won	US dollars		
Cash and cash equivalents	Ordinary deposits	₩ 25,094	\$ 21,674	Industrial Bank Of Korea and others Korea	For borrowings
Short-term financial instruments	Financial deposits	14,915	12,882	Development Bank and others Seoul	For borrowings
Short-term financial instruments	Financial deposits	73	63	Guarantee Insurance Co., Ltd.	Deposit for license
Short-term financial instruments	Financial deposits	96	83	-	For seizure related to lawsuit
Long-term financial instruments	Financial deposits	258	223	KEB Hana Bank	Deposit for issuance of certificate for the supervision service contract
Long-term financial instruments	Financial deposits	41	35	KEB Hana Bank and others	Deposit for bank account
Long-term financial instruments	Financial deposits	3,344	2,888	Shinhan bank and others	Deposit guarantee
Long-term financial instruments	Financial deposits	893	771	First Gulf Bank	For construction payment guarantee
Long-term financial instruments	Financial deposits	658	568	ING Bank (Turkey)	Guarantee deposits provided
Other receivables	Court deposits	2,597	2,243	-	Court deposit
Financial assets at fair value through profit or loss	Investments in partnership	79,653	68,797	Construction Guarantee Cooperative	For construction payment guarantee and others
Financial assets at fair value through profit or loss	Investments in partnership	8,159	7,047	Engineering Financial Cooperative	Guarantee for contract and guarantee for advance payment and others
Financial assets at fair value through profit or loss	Investments in partnership	260	225	Information & Communication Financial Cooperative	Guarantee for contract
Financial assets at	Investments in	1,299	1,122	Korea Specialty	For collateral for

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(in millions of Korean won and in thousands of USD (Note 2))

Description	Detailed title	Book amount		Security holder	Remarks
		Korean won	US dollars		
fair value through profit or loss	partnership			Contractor Financial Cooperative	borrowings, construction payment guarantee and others
Financial assets at fair value through profit or loss	Investments in partnership	99	86	Electric Contractors Financial Cooperative	For collateral for guarantee for contract
Property, plant and equipment	Land/Buildings	23,253	20,084	POSCO International and others	For provisional attachment
Work in process	Work in process	83,968	72,524	NongHyup Bank	For borrowings (collateral security)
Inventories	Land for construction	161,834	139,777	DB Insurance Co., Ltd	For providing real estate trust to borrow land purchase funds
Investment property	Land	40,791	35,231	Hyundai The Links Co. Ltd	Guarantee for business performance <sup>1</sup>
		<u>₩ 447,285</u>	<u>\$ 386,323</u>		

In relation to its borrowings, Hyundai Energy Inc., one of the subsidiaries of the Group, established security rights for transfer of contractual status or rights and obligations. The subsidiary provided its ordinary shares as collateral and its shareholders provided right of pledge on shares. In addition, the comprehensive insurance program for the plants (coverage: ₩ 1,227,961 million (\$ 1,060,599 thousand)) is provided as collateral. Meanwhile, in accordance with the subsidiary's loan agreement with its creditors, the plant located in Yeosu is provided as collateral. Total carrying amount of property, plant and equipment that are provided as collateral as at December 31, 2019 amounts to ₩ 409,152 million (\$ 353,387 thousand), and related loan arrangements' limit amount to ₩ 196,800 million (\$ 169,978 thousand) with executed amount of ₩ 186,800 million (\$ 161,340 thousand).

In relation to its borrowings, Hyundai Eco Energy Co., Ltd., one of the subsidiaries of the Group, entered into agreements related to solar energy development business, such as construction contracts, Renewable Energy Certificate (REC) purchase agreement, and others. Among these agreements in which Hyundai Eco Energy Co., Ltd. will receive a cash or acquire property rights, Hyundai Eco Energy Co., Ltd. entered into security transfer agreement which transfers all the rights in the contract to the creditors as collateral.

In addition, ordinary shares issued by Hyundai Eco Energy Co., Ltd. are pledged as collateral and the right of pledge on shares are provided from its shareholders. Insurance for construction in relation to guarantee for property risk are pledged up to ₩ 202,302 million (\$ 174,730 thousand)).

Meanwhile, Hyundai Eco Energy Co., Ltd. pledged rights of claim receivables that it holds or will acquire in the future for the obligator for the sale of power as collateral. As at the end of the reporting date, a procedure for collateral security in factory foundation is in progress. The

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

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related loan arrangements' limit amount to ₩ 177,900 million (\$ 153,653 thousand) with executed amount of ₩ 177,900 million (\$ 153,653 thousand).

Pledged assets provided as collateral by the Group to other parties, excluding the Group's related parties, as at December 31, 2019, are as follows:

(in millions of Korean won and in thousands of USD (Note 2))

Company	Description of pledged assets	Detailed title	Book amount		Security holder	Remarks
			Korean won	US dollars		
Kaya Railroad Co., Ltd.	FVPL	Kaya Railroad Co., Ltd.	₩ -	\$ -	National Pension Service and others	For borrowings
Kwangkyo Baumteo Co., Ltd.	FVPL	Kwangkyo Baumteo Co., Ltd.	-	-	Korea BTL Infra Investment Co., Ltd. and others	For borrowings
Deajeon Clean Water Co., Ltd	FVPL	Deajeon Clean Water Co., Ltd	-	-	Samsung life insurance and others	For borrowings
Mileseum Co., Ltd.	FVPL	Mileseum Co., Ltd.	-	-	Korea BTL Infra Investment Co., Ltd.	For borrowings
Miraeseum 2nd Co., Ltd	FVPL	Miraeseum 2nd Co., Ltd	-	-	Hanwha General Insurance Co., Ltd. and others	For borrowings
Miraeseum 3rd Co., Ltd.	FVPL	Miraeseum 3rd Co., Ltd.	-	-	Kyongnam Bank and others	For borrowings
Miraeseum 4th Co., Ltd.	FVPL	Miraeseum 4th Co., Ltd.	-	-	Korea Development Bank and others	For borrowings
Sangju-Yeongcheon Expressway Co., Ltd.	FVPL	Sangju-Yeongcheon Expressway Co., Ltd.	3,988	3,444	Korea Development Bank and others	For borrowings
WESTERN Metro Co., Ltd	FVPL	WESTERN Metro Co., Ltd	-	-	Korea Development Bank and others	For borrowings
Seosan Chongchun Co., Ltd	FVPL	Seosan Chongchun Co., Ltd	-	-	Korea Development Bank and others	For borrowings
West Seoul urban expressway	FVPL	West Seoul urban expressway	66,131	57,118	NongHyup Bank	For borrowings
Seoul tunnel Co., Ltd.	FVPL	Seoul tunnel Co., Ltd.	13,824	11,940	Korea Development Bank and others	For borrowings
Capital Region Ring Expressway Co., Ltd.	FVPL	Capital Region Ring Expressway Co., Ltd.	2,849	2,461	Lotte Non-Life Insurance Co., Ltd. and others	For borrowings
Yeolin ChangJo Kyoyook Co., Ltd.	FVPL	Yeolin ChangJo Kyoyook Co., Ltd.	-	-	NongHyup Bank	For borrowings
Yongin Heemang Co., Ltd.	FVPL	Yongin Heemang Co., Ltd.	-	-	Heungkuk Life Insurance Co., Ltd. and others	For borrowings
Ulsan Chongchun Co., Ltd	FVPL	Ulsan Chongchun Co., Ltd	-	-	Industrial Bank of Korea and others	For borrowings
Ulju Chongchun Co., Ltd	FVPL	Ulju Chongchun Co., Ltd	-	-	Kyobo Life Insurance Co., Ltd. and others	For borrowings
ERail Co., Ltd.	FVPL	ERail Co., Ltd.	-	-	Korea Development Bank and others	For borrowings
Incheon-Gimpo Expressway Co., Ltd.	FVPL	Incheon-Gimpo Expressway Co.,Ltd.	397	343	Kookmin Bank and others	For borrowings
The 2nd Seoul-Incheon Linking Highway Co.,	FVPL	the 2nd Seoul-Incheon Linking	7,008	6,053	Kookmin Bank and others	For borrowings

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Company	Description of pledged assets	Detailed title	Book amount		Security holder	Remarks
			Korean won	US dollars		
Ltd.		Highway Co., Ltd.				
The 2nd Youngdong Highway Co., Ltd.	FVPL	the 2nd Youngdong Highway Co., Ltd.	1,488	1,285	Shinhan Bank and others	For borrowings
Jinju Chongchun Co., Ltd	FVPL	Jinju Chongchun Co., Ltd	-	-	Industrial Bank of Korea and others	For borrowings
Cham Daun Changjo Co., Ltd.	FVPL	Cham Daun Changjo Co., Ltd.	-	-	Kyobo Life Insurance Co., Ltd. and others	For borrowings
World Hansang Dreamisland Co., Ltd.	FVPL	World Hansang Dreamisland Co., Ltd.	10,721	9,260	Mirae Asset Daewoo.Co., Ltd.	For borrowings
Heemangsewoom Co., Ltd.	FVPL	Heemangsewoom Co., Ltd.	-	-	Korea Finance Corporation and others	For borrowings
Ilshin Leisure Co., Ltd	Investment properties	Land	24,246	20,941	KEB Hana Bank and others	For borrowings
Kyeongbuk Bio Industrial Complex Development Co., Ltd	FVOCI	Kyeongbuk Bio Industrial Complex Development Co., Ltd	100	86	Korea Development Bank and others	For borrowings
JINJU ROOT SANDAN DEVELOPMENT CO., LTD.	FVOCI	JINJU ROOT SANDAN DEVELOPMENT CO., LTD.	8	7	Kyongnam Bank and others	For borrowings
Pocheon Eco-Development Co., Ltd.	FVOCI	Pocheon Eco-Development Co., Ltd.	-	-	Trinity YongJung Co., Ltd.	For borrowings
			<u>₩ 130,760</u>	<u>\$ 112,938</u>		

As at December 31, 2019, the Group also provides a part of its land as collateral in relation to lessee's borrowings with respect to rental revenue, with the maximum credit amount of ₩ 1,495 million (\$ 1,291 thousand) (2018: nil (\$ nil)).



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**38. Contingencies and Commitments**

Guarantees provided by the Group to other parties, excluding the Group's related parties, as at December 31, 2019, are as follows:

*(in millions of Korean won)*

<b>Beneficiary</b>	<b>Amount used<sup>1</sup></b>	<b>Remarks</b>
Bangbae 5 sector residential redevelopment association etc	₩ 2,308,578	Business expense
Hillstate River city Vendee and others	1,824,125	Intermediate payment
ERail Co., Ltd. and others	743,826	Fund supplement agreements
HYUNDAI THE LINKS CO.LTD	58,800	General operating fund
POSCO Engineering & Construction Co., Ltd. and others	4,925	Defects Liability
	<u>₩ 4,940,254</u>	

*(in thousands of USD (Note 2))*

<b>Beneficiary</b>	<b>Amount used<sup>1</sup></b>	<b>Remarks</b>
Bangbae 5 sector residential redevelopment association etc	\$ 1,993,935	Business expense
Hillstate River city Vendee and others	1,575,510	Intermediate payment
ERail Co., Ltd. and others	642,448	Fund supplement agreements
HYUNDAI THE LINKS CO.LTD	50,786	General operating fund
POSCO Engineering & Construction Co., Ltd. and others	4,254	Defects Liability
	<u>\$ 4,266,932</u>	

<sup>1</sup> Limits on payment guarantee are ₩ 8,681,460 million (\$ 7,498,238 thousand).

In addition, the Group entered into an agreement for conditional takeover of debt for completion of the Teheran-ro 237 Development project and others. [Limit: ₩ 12,695,300 million (\$ 10,965,020 thousand), executed: ₩ 8,018,794 million (\$ 6,925,889 thousand)].

As a common practice in the Korean construction industry, construction companies exchange mutual guarantees for the performance of construction. As at December 31, 2019, the performance guarantees that the Group has provided to the other construction companies' projects amount to ₩ 1,144,740 million (\$ 988,720 thousand).

Other than the above guarantees provided, the Group agreed to provide a list of the following major payment guarantees in connection with the developers' project financing ("PF") borrowings:

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Area	Financial institution	Loan amount		Beginning date	Maturity	Description	Type
		Korean won	US dollars				
Seoul	Nonmonetary institutions	₩ 265,000	\$ 228,882	03/28/2019	02/19/2020	Joint guarantee	ABCP
Incheon	Nonmonetary institutions	263,500	227,587	03/13/2019	03/11/2020	Joint guarantee	ABCP
Daegu	Nonmonetary institutions	140,000	120,919	07/11/2019	01/10/2020	Joint guarantee	ABSTB
Seoul	Nonmonetary institutions	118,000	101,917	01/31/2019	01/30/2020	Joint guarantee	ABCP
Incheon	Nonmonetary institutions	116,500	100,622	11/28/2019	11/19/2020	Joint guarantee	ABCP
Daegu	Nonmonetary institutions	80,000	69,097	12/17/2018	06/17/2022	Joint guarantee	ABS
Gangwon	Nonmonetary institutions	75,500	65,210	10/04/2019	01/03/2020	Joint guarantee	ABSTB
Seoul	Nonmonetary institutions	70,000	60,459	03/28/2019	03/26/2020	Joint guarantee	ABCP
Gyeonggi	Nonmonetary institutions	70,000	60,459	09/14/2018	09/14/2021	Joint guarantee	ABS
Seoul	Nonmonetary institutions	70,000	60,459	05/23/2019	05/25/2020	Joint guarantee	ABCP

In addition, the outstanding borrowings from the project-administering companies amount to ₩ 1,837,100 million (\$ 1,586,716 thousand), consisting of Asset-Backed Commercial Paper (ABCP) and ABSTB type for ₩ 1,749,100 million (\$ 1,510,710 thousand) as well as other PF Loan type for ₩ 88,000 million (\$ 76,006 thousand). Moreover, in regards to the outstanding PF borrowings of ₩ 1,837,100 million (\$ 1,586,716 thousand), the Group provides payment guarantees up to ₩ 2,084,250 million (\$ 1,800,181 thousand). Further, the Group provides joint guarantees of ₩ 9,361,940 million (\$ 8,085,973 thousand) for the housing guarantee issued by the developer's Housing and Urban Guarantee Corporation and others.

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Guarantees provided to the Group by other parties, excluding the Group's related parties, as at December 31, 2019, are as follows:

Guarantee	in millions of Korean won		in thousands of USD		Remarks
Construction Guarantee Cooperative	KRW	4,409,923	USD	3,808,881	Performance guarantee for construction and others
Seoul Guarantee Insurance Co., Ltd.	KRW	1,040,515	USD	898,700	Performance guarantee for construction and others
Korea Housing & Urban Guarantee Co., Ltd.	KRW	8,575,737	USD	7,406,924	Guarantee for housing and others
KEB Hana Bank and others	USD	3,989,704	USD	3,989,704	Guarantee for overseas construction and others
Engineering Financial Cooperative and others	KRW	265,246	USD	229,095	Guarantee for contract and others
POSCO Engineering & Construction Co., Ltd.	KRW	344	USD	297	Defects Liability
KEB Hana Bank	KRW	374,982	USD	323,875	Guarantee for contract and others
The Export-Import Bank of Korea and others	USD	2,416,937	USD	2,416,937	Guarantee for contract and others
KEB Hana Bank and others	USD	51,240	USD	51,240	Guarantee for other foreign currency payment
Korea South-East Power Co., Ltd.	KRW	47,067	USD	40,652	Pledging of shares
NH Power the 2nd Co., Ltd.	KRW	14,402	USD	12,439	Pledging of shares
Boim Energy Co., Ltd.	KRW	2,903	USD	2,507	Pledging of shares
	KRW	<u>14,731,119</u>	USD	<u>12,723,371</u>	
	USD	<u>6,457,881</u>	USD	<u>6,457,881</u>	

As at December 31, 2019, the Group entered into agreements with several financial institutions for the trade financing such as Letter of Credit (comprehensive credit limit: USD 1,880 million). In addition, the Group has entered into overdraft agreements (limit: ₩ 352,400 million (\$ 304,370 thousand) & \$ 514 million) with 18 financial institutions including Shinhan Bank. Also, the Group has credit sales loan agreements with nine financial institutions including Kookmin Bank to borrow loans collateralized by accounts receivables (limit: ₩ 1,270,400 million (\$ 1,097,253 thousand)).

As at December 31, 2019, the Group has been named as a defendant in 202 lawsuits and claims pending for alleged damaged in aggregation of approximately ₩ 1,052,949 million (\$ 909,439 thousand). Beside such cases, five arbitrations are underway as at December 31, 2019. However, the Group believes that the final conclusion and the effects of such lawsuits cannot be reasonably estimated or the measurements or timing of outflows of resources are uncertain. The Group has recognized provisions for litigation amounting to ₩ 25,906 million (\$ 22,375 thousand) as at December 31, 2019.

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

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As at December 31, 2019, the Group has pledged 23 blank checks and 10 checks (₩ 51,025 million (\$ 44,071 thousand)) as collateral for borrowings, payment guarantees and others.

The bond issuance contracts of the Parent Company and its subsidiaries, Hyundai Engineering Co., Ltd. and Hyundai Engineering & Steel Industries Co., Ltd. provide for such terms and conditions that the debt-to-equity ratio has to be kept at less than 800%, 500%, 400% and 300%; collateral is not to exceed 200%, 300% and 500% of payment guarantees and equity; and disposal of assets should not exceed ₩ 5,000,000 million (\$ 4,318,535 thousand), ₩ 2,000,000 million (\$ 1,727,414 thousand), respectively, 50% or 100% of total assets a year. The Group has to follow this contract based on their own separate financial statements respectively. In case of failure to comply with these obligations, the Group's benefit of time may be forfeited. Such bonds applicable to these terms and conditions amount to ₩ 1,650,000 million (\$ 1,425,117 thousand).

Long-term contracts of the Group's subsidiary, Hyundai Energy Inc., are as follows:

Counterparty	Description of contract	Contract period
Korea South-East Power Co., Ltd.	Real estate lease	27 years from 04/01/2010
Boim Energy Co., Ltd.	Coal purchases	The operation period after 07/26/2019
Boim Energy Co., Ltd.	Coal unloading, storage and transit	The operation period after 07/26/2019
Korea Engineering & Power Services Co., Ltd.	Operation and maintenance	The operation period after 07/26/2019
Korea South-East Power Co., Ltd.	Alternative O&M and alternative fuel supply	Until repayment of the principal of loan from 07/26/2019
GS-Caltex Corporation	Steam supplies	4 years from starting of steam supply
LG CHEM LTD.	Steam supplies	10 years from starting of steam supply
KR Copolymer Co., Ltd.	Steam supplies	10 years from starting of steam supply
IC Chemical Co., Ltd.	Steam supplies	10 years from starting of steam supply
YLEM TECHNOLOGY Inc.	Steam supplies	10 years from starting of steam supply
Gudow Chemical Co., Ltd.	Steam supplies	10 years from starting of steam supply

In accordance with 'development agreement', 'business plan adjustment agreement', and 'business promotion adjustment and development profit sharing agreement' which were agreed with Incheon Free Economic Zone in relation to development of Songdo section 6 and 8, Songdo Landmark City, LLC, one of the subsidiaries of the Group, has agreed to pay 50% of the excess amount, whose internal rate of return(IRR) is over 12% among the Company's

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development revenue, to Incheon Free Economic Zone. Development profit is calculated per each block, and Songdo Landmark City, LLC paid the amount of ₩ 7,950,000 thousand (\$ 6,866,471), which is priority payment (50%) of development profit sharing for A11 block directly to Incheon Free Economic Zone for the year ended December 31, 2019. As at the end of the reporting period, the Group has accrued ₩ 7,950,000 thousand (\$ 6,866,471), the remaining amount (50%) of development profit sharing for A11 block, and ₩ 32,828,000 thousand (\$ 28,353,774), the estimated amount of development profit sharing for A13 block, as other provisions, respectively.

Hyundai Eco Energy Co., Ltd., one of the subsidiaries of the Group, has entered into a solar energy supply certificate fixed price purchase agreement with Korea South-East Power Co. in September 2018. The contract period is 20 years (15 years for ESS) from the date of commencement of commercial operation.

The Group requested for the injunction of suspension in relation to the confiscation of the cooperative of Eunpyeong Galhyun Section 1 bidding deposit ₩ 100,000 million (\$ 86,371 thousand) (₩ 60,000 million (\$ 51,822 thousand) in cash and ₩ 40,000 million (\$ 34,548 thousand) in certificate) and filed a lawsuit for invalidation of notification of invalid bidding and others during October 2019. In December 2019, request for the injunction of suspension was dismissed and the lawsuit for invalidation is in the process.

**39. Consolidated Statements of Cash Flows**

Cash generated from operations for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<b>2019</b>		<b>2018</b>	
	₩		₩	
Profit for the year	₩	573,331	₩	535,303
Adjustments:				
Transfer to provision for construction warranties		87,442		87,435
Transfer to provision for construction loss		30,979		18,049
Transfer to provision for litigation		21,715		40,760
Transfer to other provisions		44,990		2,650
Loss on valuation of inventories		569		549
Post-employment benefits		73,512		70,818
Depreciation		113,468		114,724
Depreciation of investment property		1,977		1,626
Depreciation on assets not in use		1,551		3,455
Amortization		19,543		55,768
Depreciation of right-of-use assets		49,266		-
Impairment loss		105,047		18,402
Other impairment loss		25,691		47,703
Other long-term employee benefits		8,793		4,151

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<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Loss on foreign currency transactions (finance costs)	-	555
Loss on foreign currency translation (finance costs)	8,423	6,737
Loss on foreign currency translation (other expenses)	29,059	30,228
Loss on derivative transactions	9	59
Loss on valuation of derivatives	-	16
Loss on foreign operations translation	2,948	476
Loss on disposal of property, plant and equipment	4,098	6,385
Loss on disposal of intangible assets	77	1
Impairment loss on intangible assets	160	2,170
Loss on disposal of investment property	-	1,254
Impairment loss on investment property	210	-
Loss on disposal of financial assets at fair value	81	28
Loss on valuation of financial assets at fair value	34,006	28,422
Loss on disposal of investments in associates	335	114
Impairment loss on investments in associates	-	11,618
Share of loss of joint ventures and associates	8,097	18,299
Interest expenses	84,754	91,114
Income tax expenses	225,601	362,559
Reversal of provision for construction warranties	(6,716)	(12,173)
Reversal of provision for construction loss	(16,343)	(1,253)
Reversal of provision for litigation	(8,262)	(3,547)
Reversal of provision for impairment	(52,606)	(22,857)
Gain on foreign currency transactions (finance income)	-	(59)
Gain on foreign currency translation (finance income)	(16,783)	(32,130)
Gain on foreign currency translation (other income)	(64,114)	(77,553)
Gain on derivative transactions	-	(819)
Gain on valuation of derivatives	-	(55)
Reversal of gain on foreign operations translation	-	(6,980)
Gain on disposal of investment property	(1,524)	(2,604)
Gain on disposal of property, plant and equipment	(2,100)	(7,190)
Gain on disposal of intangible assets	(11)	(66)
Gain on disposal of financial assets at fair value	(1,143)	-

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<i>(in millions of Korean won)</i>	<b>2019</b>	<b>2018</b>
Gain on valuation of financial assets at fair value	(2,164)	(98,824)
Gain on disposal of investments in associates	(2,529)	(679)
Share of profit of joint ventures and associates	(378)	(1,856)
Interest income	(108,610)	(110,298)
Dividend income	(2,376)	(2,362)
Miscellaneous income	(4,199)	(11,338)
Other sales	(6,389)	-
	<u>686,154</u>	<u>633,482</u>
Change in operating assets and liabilities:		
Trade receivables	78,834	(233,118)
Other receivables	(380,298)	208,253
Due from customers for contract work	(47,479)	(12,846)
Inventories	298,346	279,871
Other current assets	17,038	(111,598)
Long-term accounts receivable	11,131	-
Long-term other receivables	(154,808)	(133,546)
Other non-current assets	(2,657)	(188)
Trade payables	(532,230)	(88,884)
Other payables	(163,782)	222,865
Advances from contract work	(32,348)	(152,536)
Due to customers for contract work	423,193	(224,101)
Other current liabilities	(22,817)	(32,769)
Long-term other payables	(12,725)	50,654
Provisions	(79,389)	(97,622)
Post-employment benefits liabilities	(138,983)	(78,599)
Provision for long-term employee benefits	667	6,930
Other non-current liabilities	2,706	-
Other components of equity	83,572	(92,566)
	<u>(652,029)</u>	<u>(489,800)</u>
Cash generated from operations	<u>₩ 607,456</u>	<u>₩ 678,985</u>

<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Profit for the year	\$ 495,190	\$ 462,345
Adjustments:		
Transfer to provision for construction warranties	75,524	75,518
Transfer to provision for construction loss	26,757	15,589
Transfer to provision for litigation	18,755	35,205
Transfer to other provisions	38,858	2,289

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<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
Loss on valuation of inventories	491	474
Post-employment benefits	63,493	61,166
Depreciation	98,003	99,088
Depreciation of investment property	1,708	1,404
Depreciation on assets not in use	1,340	2,984
Amortization	16,879	48,167
Depreciation of right-of-use assets	42,551	-
Impairment loss	90,730	15,894
Other impairment loss	22,189	41,201
Other long-term employee benefits	7,595	3,585
Loss on foreign currency transactions (finance costs)	-	479
Loss on foreign currency translation (finance costs)	7,275	5,819
Loss on foreign currency translation (other expenses)	25,098	26,108
Loss on derivative transactions	8	51
Loss on valuation of derivatives	-	14
Loss on foreign operations translation	2,546	411
Loss on disposal of property, plant and equipment	3,539	5,515
Loss on disposal of intangible assets	67	1
Impairment loss on intangible assets	138	1,874
Loss on disposal of investment property	-	1,083
Impairment loss on investment property	181	-
Loss on disposal of financial assets at fair value	70	24
Loss on valuation of financial assets at fair value	29,371	24,548
Loss on disposal of investments in associates	289	98
Impairment loss on investments in associates	-	10,035
Share of loss of joint ventures and associates	6,993	15,805
Interest expenses	73,203	78,696
Income tax expenses	194,853	313,145
Reversal of provision for construction warranties	(5,801)	(10,514)
Reversal of provision for construction loss	(14,116)	(1,082)
Reversal of provision for litigation	(7,136)	(3,064)
Reversal of provision for impairment	(45,436)	(19,742)
Gain on foreign currency transactions (finance income)	-	(51)
Gain on foreign currency translation (finance income)	(14,496)	(27,751)
Gain on foreign currency translation (other	(55,376)	(66,983)



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<i>(in thousands of USD (Note 2))</i>	<b>2019</b>	<b>2018</b>
income)		
Gain on derivative transactions	-	(707)
Gain on valuation of derivatives	-	(48)
Reversal of gain on foreign operations translation	-	(6,029)
Gain on disposal of investment property	(1,316)	(2,249)
Gain on disposal of property, plant and equipment	(1,814)	(6,210)
Gain on disposal of intangible assets	(10)	(57)
Gain on disposal of financial assets at fair value	(987)	-
Gain on valuation of financial assets at fair value	(1,869)	(85,355)
Gain on disposal of investments in associates	(2,184)	(586)
Share of profit of joint ventures and associates	(326)	(1,603)
Interest income	(93,807)	(95,265)
Dividend income	(2,052)	(2,040)
Miscellaneous income	(3,627)	(9,793)
Other sales	(5,518)	-
	<u>592,636</u>	<u>547,143</u>
Change in operating assets and liabilities:		
Trade receivables	68,089	(201,346)
Other receivables	(328,466)	179,870
Due from customers for contract work	(41,008)	(11,095)
Inventories	257,684	241,727
Other current assets	14,716	(96,388)
Long-term accounts receivable	9,614	-
Long-term other receivables	(133,709)	(115,345)
Other non-current assets	(2,295)	(162)
Trade payables	(459,691)	(76,770)
Other payables	(141,460)	192,490
Advances from contract work	(27,939)	(131,746)
Due to customers for contract work	365,515	(193,558)
Other current liabilities	(19,707)	(28,303)
Long-term other payables	(10,991)	43,750
Provisions	(68,569)	(84,317)
Post-employment benefits liabilities	(120,041)	(67,887)
Provision for long-term employee benefits	576	5,985
Other non-current liabilities	2,337	-
Other components of equity	72,182	(79,950)
	<u>(563,162)</u>	<u>(423,044)</u>
Cash generated from operations	<u>\$ 524,664</u>	<u>\$ 586,444</u>

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Changes in liabilities arising from financing activities for the year ended December 31, 2019 are as follows:

(in millions of Korean won)

	2019				
	Short-term borrowings	Long-term borrowings	Debentures	Lease liabilities	Total
Beginning balance	₩ 272,242	₩ 487,061	₩ 1,647,353	₩ -	₩ 2,406,656
Changes in accounting policy	-	-	-	47,049	46,691
Cash flows	142,788	(260,918)	298,718	(48,285)	152,623
Exchange differences	84	-	-	572	391
Amortization of present value discounts	-	371	1,303	2,059	2,887
Others	-	-	-	72,231	30,211
Ending balance	₩ 415,114	₩ 226,514	₩ 1,947,374	₩ 73,626	₩ 2,639,459

(in thousands of USD (Note 2))

	2019				
	Short-term borrowings	Long-term borrowings	Debentures	Lease liabilities	Total
Beginning balance	\$ 235,137	\$ 420,678	\$ 1,422,830	\$ -	\$ 2,078,646
Changes in accounting policy	-	-	-	40,637	40,327
Cash flows	123,327	(225,357)	258,005	(41,704)	131,822
Exchange differences	73	-	-	494	338
Amortization of present value discounts	-	320	1,125	1,778	2,494
Others	-	-	-	62,386	26,093
Ending balance	\$ 358,537	\$ 195,642	\$ 1,681,961	\$ 63,591	\$ 2,279,719

Investing and financing activities of non-cash transactions for the years ended December 31, 2019 and 2018, are as follows:

(in millions of Korean won)

	2019	2018
Current portion of long-term loans	₩ 195,943	₩ 158,217
Current portion of long-term debentures issued	349,963	300,000
Transfer of advance payments to land for construction	13,431	21,832
Changes in non-trade payables related to land for construction	30,817	36,511
Transfer of non-current guarantee deposits provided to current portion	172,906	-

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<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Current portion of long-term loans	\$ 169,237	\$ 136,653
Current portion of long-term debentures issued	302,266	259,112
Transfer of advance payments to land for construction	11,600	18,856
Changes in non-trade payables related to land for construction	26,617	31,535
Transfer of non-current guarantee deposits provided to current portion	149,340	-

**40. Risk Management**

**40.1 Capital risk management**

The purpose of capital risk management is to protect its ability to continuously provide profits to shareholders and parties in interest and to maintain optimum capital structure to reduce capital expenses. To maintain or to adjust capital structure, the Group can adjust dividend, return capital to shareholders, issue new shares to reduce liabilities and dispose of assets.

The Group's capital structure consists of net liability, which is borrowings less cash and cash equivalents and equity; the overall capital risk management policy of the Group is unchanged from the prior period. Items managed as capital by the Group as at December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>	<u>2018</u>
Total borrowings	₩ 2,589,002	₩ 2,406,656
Less: Cash and cash equivalents	(2,586,007)	(2,241,188)
Net borrowings	2,995	165,468
Total liabilities	9,511,990	9,762,753
Total equity	8,714,982	8,291,856
The ratio of net borrowings compared to equity	0.03%	2.00%
Debt ratio	109.15%	117.74%

<i>(in thousands of USD (Note 2))</i>	<u>2019</u>	<u>2018</u>
Total borrowings	\$ 2,236,139	\$ 2,236,139
Less: Cash and cash equivalents	(2,233,552)	(2,233,552)
Net borrowings	2,587	2,587
Total liabilities	8,215,573	8,215,573
Total equity	7,527,191	7,527,191
The ratio of net borrowings compared to equity	0.03%	2.00%
Debt ratio	109.15%	117.74%

# Hyundai Engineering & Construction Co., Ltd. and Subsidiaries

## Notes to the Consolidated Financial Statements

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#### 40.2 Financial risk management

The Group is exposed to various financial risks, such as credit risk, liquidity risk and market risk (foreign exchange risk, interest rate risk and price risk) related to financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. The overall financial risk management policy of the Group is the same as the prior period.

##### *(a) Credit risk*

###### ① Management policy of credit risk

The Group makes transactions with reputable financial institutions to manage credit risk and operate with policy and procedures for credit enhancement of financial assets. The Group decides credit transaction limits based on evaluation of client's credit, through information obtained from the credit bureau and disclosed financial position at committing contracts. Also, the Group is provided collateral or payment guarantees. The Group continually reviews the credit and the limits of credit of clients to adjust necessary collateral. For delayed collection of financial assets, current state and collection measures are reported in each quarter and appropriate actions are taken in accordance with the reason for any delays.

The Group deposits cash and cash equivalents, long-term and short-term financial instruments in KEB Hana Bank and others. As these financial institutions the Group makes transactions with are reputable financial institutions, the credit risks from them are considered limited.

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② The maximum exposed amounts of credit risk

As at December 31, 2019, the maximum exposed amounts of credit risk for financial assets maintained by the Group are as follows:

<i>(in millions of Korean won)</i>		<u>Book amount</u>	<u>Exposed amount</u>
Loans and receivables	Cash and cash equivalents ₩	2,586,007	₩ 2,586,007
	Short-term financial instruments	1,711,216	1,711,216
	Trade receivables	1,984,170	1,984,170
	Other receivables	1,755,324	1,755,324
	Long-term accounts receivables	358,977	358,977
	Long-term other receivables	1,236,123	1,236,123
	Long-term financial instruments	22,304	22,304
	Financial assets at amortized cost	3,280	3,280
	Financial assets at amortized cost (non- current)	35,720	35,720
Financial guarantee	Other financial liabilities	138,260	10,866,951
		<u>₩ 9,831,381</u>	<u>₩ 20,560,072</u>

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<i>(in thousands of USD (Note 2))</i>		<u>Book amount</u>	<u>Exposed amount</u>
Loans and receivables	Cash and cash equivalents	\$ 2,233,552	\$ 2,233,552
	Short-term financial instruments	1,477,989	1,477,989
	Trade receivables	1,713,742	1,713,742
	Other receivables	1,516,086	1,516,086
	Long-term accounts receivables	310,051	310,051
	Long-term other receivables	1,067,648	1,067,648
	Long-term financial instruments	19,264	19,264
Financial assets at amortized cost	Financial assets at amortized cost (current)	2,833	2,833
	Financial assets at amortized cost (non-current)	30,852	30,852
Financial guarantee	Other financial liabilities	119,416	9,385,862
		<u>\$ 8,491,433</u>	<u>\$ 17,757,879</u>

*(b) Liquidity risk*

The Group establishes short-term and long-term fund management plans. The Group analyzes and reviews actual cash outflow and its budget to correspond the maturity of financial liabilities to that of financial assets. Management believes that with proper financial liabilities, it will be able to easily access cash when necessary for its operating activities and financial assets. The Group has overdraft agreements with its main banks to manage liquidity risk, which may temporarily increase.

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The maturity analysis of financial liabilities according to their remaining contract expiration as at December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>Remaining contractual undiscounted cash flows</b>			
	<b>Less than 1 year</b>	<b>1–5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade payables	₩ 1,696,586	₩ -	₩ -	₩ 1,696,586
Other payables	1,014,233	406,373	1,594	1,422,200
Borrowings and debentures	899,250	1,455,794	591,104	2,946,148
Lease liabilities	68,764	12,555	1,100	82,419
Financial guarantee contract	10,866,951	-	-	10,866,951

<i>(in thousands of USD (Note 2))</i>	<b>Remaining contractual undiscounted cash flows</b>			
	<b>Less than 1 year</b>	<b>1–5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade payables	\$ 1,465,353	\$ -	\$ -	\$ 1,465,353
Other payables	876,000	350,987	1,377	1,228,364
Borrowings and debentures	776,689	1,257,380	510,541	2,544,609
Lease liabilities	59,392	10,844	950	71,186
Financial guarantee contract	9,385,862	-	-	9,385,862

The above maturity analysis is based on the book amount and the earliest maturity date by which the payments should be made.

*(c) Market risk*

① Management policy of foreign currency risk

The Group is generally exposed to the risk of foreign currencies in USD, KWD, AED, QAR, SGD and others. The Group's sensitivity to a 10% increase and decrease in Korean won (functional currency of the Group) against the major foreign currencies as at December 31, 2019, is described in the below table. This 10% is a sensitivity of management's valuation on rational changes of foreign currency and it is applied when reporting internally the foreign currency risk to management.

The sensitivity analysis is conducted on monetary assets and liabilities denominated in foreign currencies other than functional currency as at December 31, 2019. It only includes unsettled monetary accounts denominated in foreign currencies and adjusts foreign currency translation expecting changes in foreign currency by 10% at the end of the fiscal year. Positive balance (+) represents increases of gains, losses and others in equity section due to appreciation of Korean won. When Korean won is depreciated by 10% to other currencies, gains, losses and other equity accounts are affected by the corresponding amount, which will lead to negative balance (-).

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Changes in net assets (before income tax) that are sensitive to changes in Korean won against the foreign currencies by 10% as at December 31, 2019, are as follows:

<i>(in millions of Korean won)</i>	<b>10% increase against foreign currency</b>		<b>10% decrease against foreign currency</b>	
USD	₩	25,032	₩	(25,032)
KWD		3,883		(3,883)
AED		2,533		(2,533)
QAR		644		(644)
SGD		6,099		(6,099)
Others		(14,441)		14,441

<i>(in thousands of USD (Note 2))</i>	<b>10% increase against foreign currency</b>		<b>10% decrease against foreign currency</b>	
USD	\$	21,620	\$	(21,620)
KWD		3,354		(3,354)
AED		2,188		(2,188)
QAR		556		(556)
SGD		5,268		(5,268)
Others		(12,473)		12,473

② Interest rate risk

The Group borrows funds with fixed and variable interest rates, and the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk and to avoid the future cash flow fluctuation risk, the Group mainly uses fixed interest rate; however, it uses variable interest rates on occasion.

The Group's sensitivity to a 1% change in interest rates on profit before income tax as at December 31, 2019, is as follows:

<i>(in millions of Korean won)</i>	<b>Increase by 1%</b>		<b>Decrease by 1%</b>	
Short-term borrowings	₩	(681)	₩	681
	₩	(681)	₩	681

<i>(in thousands of USD (Note 2))</i>	<b>Increase by 1%</b>		<b>Decrease by 1%</b>	
Short-term borrowings	\$	(588)	\$	588
	\$	(588)	\$	588



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③ Price risks

The Group is exposed to price fluctuation risk arising from equity investments. As at December 31, 2019 and 2018, the amount of marketable equity investments is as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>		<u>2018</u>	
Financial assets measured at fair value	₩	8,727	₩	9,240
<i>(in thousands of USD (Note 2))</i>	<u>2019</u>		<u>2018</u>	
Financial assets measured at fair value	\$	7,538	\$	7,981

When the price of marketable equity investments fluctuates by 1%, equity investments would increase/decrease by ₩ 66 million (\$ 57 thousand) (after income tax).

**41. Operating Segment Information**

Details of the Group's reportable segments are as follows:

<u>Description</u>	<u>Details</u>	<u>Clients</u>
Building/House	Buildings, structures and others	Public Procurement Service, CDPL and others
Infra/Environment	Roads, bridges, housing site development and others	Korea Expressway Corporation, MPW, JTC and others
Plant/Power	Power stations, gas facilities, electric work and others	Korea Hydro & Nuclear Power Co., Ltd., Korea Electric Power Corporation and others
Others	Real estate leasing and others	Korea Electric Power Corporation and others

Profit or loss by each segment for the years ended December 31, 2019 and 2018, are as follows:

<i>(in millions of Korean won)</i>	<u>2019</u>			
	<u>Total segment revenue</u>	<u>Gross profit</u>	<u>Property, plant and equipment</u>	<u>Depreciation</u>
Building/House	₩ 8,257,500	₩ 1,251,508	₩ 3,835	₩ 2,228
Infra/Environment	3,159,893	103,168	197,754	27,833
Plant/Power	5,086,123	268,646	33,792	8,791
Others	1,174,260	123,271	1,060,578	72,701
Consolidation adjustments	<u>(398,984)</u>	<u>(20,688)</u>	<u>123,790</u>	<u>3,466</u>
	<u>₩ 17,278,792</u>	<u>₩ 1,725,905</u>	<u>₩ 1,419,749</u>	<u>₩ 115,019</u>

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(in thousands of USD (Note 2))

	<b>2019</b>			
	<b>Total segment revenue</b>	<b>Gross profit</b>	<b>Property, plant and equipment</b>	<b>Depreciation</b>
Building/House	\$ 7,132,061	\$ 1,080,936	\$ 3,312	\$ 1,924
Infra/Environment	2,729,222	89,107	170,802	24,040
Plant/Power	4,392,920	232,031	29,186	7,593
Others	1,014,217	106,470	916,029	62,792
Consolidation adjustments	(344,605)	(17,868)	106,918	2,994
	<b>\$ 14,923,814</b>	<b>\$ 1,490,676</b>	<b>\$ 1,226,247</b>	<b>\$ 99,343</b>

(in millions of Korean won)

	<b>2018</b>			
	<b>Total segment revenue</b>	<b>Gross profit</b>	<b>Property, plant and equipment</b>	<b>Depreciation</b>
Building/House	₩ 8,073,550	₩ 1,198,617	₩ 4,848	₩ 2,164
Infra/Environment	2,570,689	24,449	220,014	29,268
Plant/Power	5,498,832	335,217	177,423	11,584
Others	1,166,583	108,836	903,784	71,358
Consolidation adjustments	(578,760)	(5,972)	130,505	797
	<b>₩ 16,730,894</b>	<b>₩ 1,661,147</b>	<b>₩ 1,436,574</b>	<b>₩ 115,171</b>

(in thousands of USD (Note 2))

	<b>2018</b>			
	<b>Total segment revenue</b>	<b>Gross profit</b>	<b>Property, plant and equipment</b>	<b>Depreciation</b>
Building/House	\$ 6,973,182	\$ 1,035,254	\$ 4,187	\$ 1,869
Infra/Environment	2,220,322	21,117	190,028	25,279
Plant/Power	4,749,380	289,529	153,241	10,005
Others	1,007,586	94,002	780,605	61,632
Consolidation adjustments	(499,879)	(5,158)	112,718	688
	<b>\$ 14,450,591</b>	<b>\$ 1,434,744</b>	<b>\$ 1,240,779</b>	<b>\$ 99,474</b>

Reportable segments' accounting method is applied by the same measured metrics that are applied to the Group.

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Profit or loss by geographical region for the years ended December 31, 2019 and 2018, are as follows:

*(in millions of Korean won)*

	<b>2019</b>		
	<b>Total segment revenue</b>	<b>Property, plant and equipment</b>	<b>Depreciation</b>
Domestic	₩ 10,368,917	₩ 1,088,127	₩ 46,456
Asia	3,283,568	91,074	27,812
Middle Asia/Africa	3,420,597	89,117	32,683
Others	604,694	27,641	4,602
Consolidation adjustments	(398,984)	123,790	3,466
	<u>₩ 17,278,792</u>	<u>₩ 1,419,749</u>	<u>₩ 115,019</u>

*(in thousands of USD (Note 2))*

	<b>2019</b>		
	<b>Total segment revenue</b>	<b>Property, plant and equipment</b>	<b>Depreciation</b>
Domestic	\$ 8,955,707	\$ 939,823	\$ 40,124
Asia	2,836,041	78,661	24,021
Middle Asia/Africa	2,954,394	76,971	28,229
Others	522,278	23,874	3,975
Consolidation adjustments	(344,605)	106,918	2,994
	<u>\$ 14,923,814</u>	<u>\$ 1,226,247</u>	<u>\$ 99,343</u>

*(in millions of Korean won)*

	<b>2018</b>		
	<b>Total segment revenue</b>	<b>Property, plant and equipment</b>	<b>Depreciation</b>
Domestic	₩ 10,022,578	₩ 1,053,410	₩ 41,549
Asia	3,458,450	107,140	27,984
Middle Asia/Africa	3,264,778	120,015	41,005
Others	563,848	25,504	3,836
Consolidation adjustments	(578,760)	130,505	797
	<u>₩ 16,730,894</u>	<u>₩ 1,436,574</u>	<u>₩ 115,171</u>

*(in thousands of USD (Note 2))*

	<b>2018</b>		
	<b>Total segment revenue</b>	<b>Property, plant and equipment</b>	<b>Depreciation</b>
Domestic	\$ 8,656,571	\$ 909,838	\$ 35,886
Asia	2,987,088	92,538	24,170
Middle Asia/Africa	2,819,812	103,658	35,416
Others	486,999	22,028	3,313
Consolidation adjustments	(499,879)	112,718	688
	<u>\$ 14,450,591</u>	<u>\$ 1,240,779</u>	<u>\$ 99,474</u>