

Hyundai Development Company

**Separate Financial Statements
December 31, 2016 and 2015**

(Attachment) Independent Auditor's Report

Hyundai Development Company

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December 31, 2016 and 2015

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hyundai Development Company

We have audited the accompanying separate financial statements of Hyundai Development Company (the Company), which comprise the separate statements of financial position as at December 31, 2016 and 2015, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the separate financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2016 and 2015, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean IFRS.

Emphasis Matters¹

Without qualifying our opinion, we draw attention to the following area of focus.

Area of focus on construction contracts in accordance with the Practical Guidance of Auditing Standard 2016-1 are those matters that, in the auditor's professional judgment and communication with those charged with governance, were of most significance in the audit of the separate financial statements of the current period. These matters were addressed in the context of the audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have addressed the output of the audit process for the area of focus as below in forming an audit opinion on the separate financial statements of Hyundai Development Company as a whole.

A. General Information

Common information applied to the area of focus on construction contract described in this audit report are as follows:

As explained in the Note 2 to the separate financial statements (Significant Accounting Policies), the Company recognizes contract revenue and contract costs associated with the construction contract as revenue and expense respectively based on the percentage of completion of the contract activity at the end of the reporting period when the outcome of a construction contract can be estimated reliably. The percentage of completion of the contract activity is the proportion that costs incurred to date, excluding any contract cost that does not reflect the work performed, bear to the estimated total costs of the contract. The Company presents the gross amount due from customer for contract work as an asset for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, and presents the gross amount due to customers for contract work as a liability for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

B. Uncertainty of estimated total contract costs (or estimated construction costs)

As explained in the Note 4 to the separate financial statements (Critical Accounting Estimates and Assumptions), total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others. When the estimated total contract costs increases by 5%, profit before income tax and net assets before income tax effects would decrease by ₩ 189,002 million.

The measurement of estimated contract costs is affected by variety of uncertainties such as changes in the specifications or design, changes in construction environment, the extension of construction period, fluctuation of material cost, and others. The impacts of changes in estimated total contract costs on the profit or loss for the current period (or for the succeeding year) are considered; therefore, we identified uncertainty of estimated total contract costs as a significant risk.

As at December 31, 2016, in respect of the Company's uncertainty of estimated total contract costs, we have performed the following audit procedures.

¹ This paragraph is being included in accordance with the Practical Guidance of Auditing Standard 2016-1, Practical Guidance for Special Consideration in Auditing Construction Contracts, prescribed by Korean Institute of Certified Public Accountants, and should not be considered as a communication of key audit matter described in the International Standards on Auditing 700 (Revised).

- We confirmed the final approval of the estimation of the total contract costs and compare them with the total contract cost of the Company's Construction Control System
- We validated the reliability of raw data used for the estimation of total contract costs
- We reviewed the rationality of the total contract costs through trend analysis

C. Measurement of the percentage of completion

The incurred construction costs of one site can be transferred to another site due to the variance in profit margins of sites and the identified factors causing the increase in the estimation of contract costs may not be reflected in the contract costs timely; therefore, we identified measurement of percentage of completion as a significant risk.

As at December 31, 2016, in respect of the Company's estimated total contract costs and aggregated cost incurred that have impacts on the measurement of percentage of completion, we have performed the following audit procedures.

- We tested the completeness and the accuracy of the accumulated incurred cost
- We reviewed the accounting slips regarding to the transfer of incurred expenses between construction sites
- We tested the occurrence of constructions cost and the appropriateness of construction sites by checking external evidences
- We recalculated the percentage of completion of the contract activities

D. Collectability of the gross amount due from customer for contract work

As explained in Note 8 to the separate financial statements (Trade and Other Receivables), as at December 31, 2016, the Company recognized provisions for impairment of trade and other receivables amounting to ₩ 280,135 million. As the collectability of the gross amount due from customer for contract work is in doubt in case of the increase of unsold housing due to the real estate market situation or the deterioration of the financial condition of customers, we identified collectability of the gross amount due from customer for contract work as a significant risk.

As at December 31, 2016, in respect of the contract that has a significant increase in the gross amount due from customer for contract work, we have performed the following audit procedures.

- We inquired about the reason of payment delays and check the financial condition of customer for the contracts with the significant amount due from customer for contract work
- We reviewed the progress of the contracts including the unsold housing for the contracts with the significant amount due from customer for contract work
- We performed impairment test for the contracts with the uncertain collectability

Other Matter

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.

Samuel PricewaterhouseCoopers

Seoul, Korea
March 16, 2017

This report is effective as of March 16, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

(Attachment) Separate Financial Statements

Hyundai Development Company

The 40th period

From January 1st, 2016 to December 31st, 2016

The 39th period

From January 1st, 2015 to December 31st, 2015

"The attached separate financial statements were completed by the Company."

CEO KIM Jae-Sik of Hyundai Development Company

The seat of	Road name address	55 hangang-daero 23 gil, Yongsan-Gu, Seoul, Korea.
headquarter :	Phone number	(02) 2008-9114

Hyundai Development Company
Separate Statements of Financial Position
December 31, 2016 and 2015

(in thousands of Korean won and US dollars) (Note 3)

(in thousands of Korean won and US dollars) (Note 3)	Notes	2016		2015	
Assets					
Current assets					
Cash and cash equivalents	5,7,8,16	₩ 1,067,055,818	\$ 882,959	₩ 427,807,595	\$ 353,999
Short-term financial instruments	5,7,8	160,500,000	132,809	168,500,000	139,429
Short-term investment securities	5,6,7,11,35	17,130,590	14,175	16,675,065	13,798
Trade receivables	5,7,9,35,36,39	608,312,849	503,362	663,330,369	548,887
Other receivables	5,7,9,35	188,807,404	156,233	238,109,824	197,029
Advance payments		144,609,333	119,660	138,346,474	114,478
Prepaid expenses		292,826,601	242,307	329,099,898	272,321
Inventories	10	615,490,126	509,301	808,627,844	669,117
		<u>3,094,732,721</u>	<u>2,560,806</u>	<u>2,790,497,069</u>	<u>2,309,058</u>
Non-current assets					
Long-term investment securities	5,6,7,11,16	438,536,706	362,877	423,987,913	350,838
Investments in subsidiaries, associates and joint ventures	12	156,065,399	129,140	177,614,918	146,971
Other receivables	5,7,9,35	405,693,331	335,700	398,178,912	329,482
Property, plant and equipment	13	333,284,876	275,784	342,176,106	283,141
Intangible assets	14	7,020,527	5,809	6,990,736	5,785
Investment property	15,16	252,516,713	208,951	250,078,091	206,933
Deferred income tax assets	31	101,157,105	83,705	95,164,158	78,746
Other non-current assets	5,7,8	19,500	16	20,000	16
		<u>1,694,294,157</u>	<u>1,401,982</u>	<u>1,694,210,834</u>	<u>1,401,912</u>
Total assets		<u>₩ 4,789,026,878</u>	<u>\$ 3,962,788</u>	<u>₩ 4,484,707,903</u>	<u>\$ 3,710,970</u>
Liabilities					
Current liabilities					
Trade payables	5,7,35	₩ 170,725,457	\$ 141,271	₩ 224,902,799	\$ 186,101
Short-term borrowings	5,7,18	297,285,000	245,995	327,285,000	270,819
Other payables	5,7,17	260,147,618	215,265	207,160,303	171,419
Advances from customers	36,39	503,839,999	416,914	369,694,653	305,912
Withholdings	5,7	128,705,343	106,500	121,657,051	100,668
Current income tax liabilities		81,511,003	67,448	37,373,191	30,925
Current portion of long-term liabilities	5,7,18	120,249,720	99,503	210,235,134	173,964
Other current liabilities	7,17,34	17,976,578	14,875	20,595,171	17,042
		<u>1,580,440,718</u>	<u>1,307,771</u>	<u>1,518,903,302</u>	<u>1,256,850</u>
Non-current liabilities					
Debentures	5,7,18	264,003,839	218,456	219,241,346	181,416
Long-term borrowings	5,7,18	5,025,373	4,158	5,085,678	4,208
Provisions	19	211,124,381	174,700	233,068,967	192,858
Defined benefit liabilities	20	14,719,726	12,180	18,456,772	15,272
Other payables	5,7,17,35	32,590,597	26,968	43,653,838	36,122
Other non-current liabilities	17	1,903,108	1,575	2,874,908	2,379
		<u>529,367,024</u>	<u>438,037</u>	<u>522,381,509</u>	<u>432,255</u>
Total liabilities		<u>2,109,807,742</u>	<u>1,745,808</u>	<u>2,041,284,811</u>	<u>1,689,105</u>
Equity					
Share capital	1,21	376,920,900	311,892	376,920,900	311,892
Share premium	21	178,853,983	147,997	178,853,983	147,997
Retained earnings	22	2,188,199,424	1,810,674	1,949,152,653	1,612,869
Accumulated other comprehensive income	23	19,075,278	15,784	22,326,005	18,474
Other components of equity	21,24	(83,830,449)	(69,367)	(83,830,449)	(69,367)
Total equity		<u>2,679,219,136</u>	<u>2,216,980</u>	<u>2,443,423,092</u>	<u>2,021,865</u>
Total liabilities and equity		<u>₩ 4,789,026,878</u>	<u>\$ 3,962,788</u>	<u>₩ 4,484,707,903</u>	<u>\$ 3,710,970</u>

The above separate statements of financial position should be read in conjunction with the accompanying notes.
The U.S. dollar amounts are provided for information use only and do not form part of the audited financial statements. Refer to Note 3.

Hyundai Development Company
Separate Statements of Profit or Loss
Years Ended December 31, 2016 and 2015

(in thousands of Korean won and US dollars,
except per share amounts) (Note 3)

	Notes	2016		2015	
Revenue	34,35,36,38				
Revenue-construction		₩ 2,124,707,412	\$ 1,758,136	₩ 1,858,411,177	\$ 1,537,783
Sales-real-estate		1,231,725,272	1,019,218	1,325,118,087	1,096,498
Sales-other		150,820,972	124,800	163,502,399	135,294
		<u>3,507,253,656</u>	<u>2,902,154</u>	<u>3,347,031,663</u>	<u>2,769,575</u>
Cost of sales	25,35,36				
Cost of construction		1,838,476,075	1,521,288	1,603,399,247	1,326,768
Cost of real-estate sales		893,993,787	739,755	1,062,467,170	879,162
Cost of other goods sold		140,977,652	116,655	132,866,088	109,943
		<u>2,873,447,514</u>	<u>2,377,698</u>	<u>2,798,732,505</u>	<u>2,315,873</u>
Gross profit		633,806,142	524,456	548,299,158	453,702
Selling and administrative expenses	25,26,35	<u>226,900,387</u>	<u>187,754</u>	<u>255,222,884</u>	<u>211,190</u>
Operating profit	38	406,905,755	336,702	293,076,274	242,512
Non-operating income	27,35	29,461,504	24,379	37,521,392	31,048
Non-operating expenses	28	72,396,632	59,906	96,683,461	80,003
Finance income	29,35	30,668,649	25,377	29,285,679	24,233
Finance costs	30	<u>18,625,348</u>	<u>15,412</u>	<u>32,217,029</u>	<u>26,659</u>
Profit before income tax		376,013,928	311,140	230,982,855	191,131
Income tax expense	31	<u>98,731,087</u>	<u>81,697</u>	<u>60,392,316</u>	<u>49,973</u>
Profit for the period		<u>₩ 277,282,841</u>	<u>\$ 229,443</u>	<u>₩ 170,590,539</u>	<u>\$ 141,158</u>
Earnings per share attributable to the equity holders of the company during the year	32				
Basic earnings per share		₩ 3,768	\$ 3.12	₩ 2,318	\$ 1.92
Diluted earnings per share		₩ 3,768	\$ 3.12	₩ 2,318	\$ 1.92

The above separate statements of profit or loss should be read in conjunction with the accompanying notes.
The U.S. dollar amounts are provided for information use only and do not form part of the audited financial statements. Refer to Note 3.

Hyundai Development Company
Separate Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015

(in thousands of Korean won and US dollars) (Note 3)

	Notes	2016		2015	
Profit for the period		₩ 277,282,841	\$ 229,443	₩ 170,590,539	\$ 141,158
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liability	20,31	(1,904,988)	(1,576)	(4,160,440)	(3,443)
Income tax relating to items that will not be reclassified	31	461,007	381	1,006,827	833
Items that may be subsequently reclassified to profit or loss					
Changes in the fair value of available-for-sale financial assets	7,11,23,31	(3,675,804)	(3,042)	(18,201,332)	(15,061)
Exchange differences	31	(464,468)	(384)	-	-
Income tax relating to items that may be reclassified		889,545	(4,621)	4,404,722	3,644
		(4,694,708)	(9,242)	(16,950,223)	(14,027)
Total comprehensive income for the period		₩ 272,588,133	\$ 220,201	₩ 153,640,316	\$ 127,131

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

The U.S. dollar amounts are provided for information use only and do not form part of the audited financial statements. Refer to Note 3.

Hyundai Development Company
Separate Statements of Changes in Equity
Years Ended December 31, 2016 and 2015

	Share Capital	Share Premium	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total	
(in thousands of Korean won and US dollars) (Note 3)							
Balance at January 1, 2015	₩ 376,920,900	₩ 178,853,983	₩ 1,803,790,982	₩ 36,122,614	₩ (83,830,449)	₩ 2,311,858,030	\$ 1,912,999
Other comprehensive income							
Profit for the period	-	-	170,590,539	-	-	170,590,539	141,159
Changes in the fair value of available-for-sale financial assets	-	-	-	(13,796,609)	-	(13,796,609)	(11,416)
Remeasurements of net defined benefit liability	-	-	(3,153,614)	-	-	(3,153,614)	(2,610)
Total comprehensive income for the period	-	-	167,436,925	(13,796,609)	-	153,640,316	127,133
Transactions with owners							
Dividends paid	-	-	(22,075,254)	-	-	(22,075,254)	(18,267)
	-	-	(22,075,254)	-	-	(22,075,254)	(18,267)
Balance at December 31, 2015	₩ 376,920,900	₩ 178,853,983	₩ 1,949,152,653	₩ 22,326,005	₩ (83,830,449)	₩ 2,443,423,092	\$ 2,021,865
Balance at January 1, 2016	₩ 376,920,900	₩ 178,853,983	₩ 1,949,152,653	₩ 22,326,005	₩ (83,830,449)	₩ 2,443,423,092	\$ 2,021,865
Other comprehensive income							
Profit for the period	-	-	277,282,841	-	-	277,282,841	229,444
Changes in the fair value of available-for-sale financial assets	-	-	-	(2,786,259)	-	(2,786,259)	(2,306)
Exchange differences	-	-	-	(464,468)	-	(464,468)	(384)
Remeasurements of net defined benefit liability	-	-	(1,443,980)	-	-	(1,443,980)	(1,195)
Total comprehensive income for the period	-	-	275,838,861	(3,250,727)	-	272,588,134	225,559
Transactions with owners							
Dividends paid	-	-	(36,792,090)	-	-	(36,792,090)	(30,444)
	-	-	(36,792,090)	-	-	(36,792,090)	(30,444)
Balance at December 31, 2016	₩ 376,920,900	₩ 178,853,983	₩ 2,188,199,424	₩ 19,075,278	₩ (83,830,449)	₩ 2,679,219,136	\$ 2,216,980

The above separate statements of changes in equity should be read in conjunction with the accompanying notes.
The U.S. dollar amounts are provided for information use only and do not form part of the audited financial statements. Refer to Note 3.

Hyundai Development Company
Separate Statements of Cash Flows
Years Ended December 31, 2016 and 2015

(in thousands of Korean won and US dollars) (Note 3)

(in thousands of Korean won and US dollars) (Note 3)	Notes	2016		2015					
Cash flows from operating activities									
Cash generated from operations	33	₩	847,703,632	\$	701,451	₩	956,465,196	\$	791,448
Interest received			21,093,695		17,454		18,229,606		15,084
Interest paid			(27,916,330)		(23,100)		(46,338,867)		(38,344)
Dividends received			9,300,667		7,696		5,473,538		4,529
Income taxes paid			(59,241,113)		(49,020)		(2,556,504)		(2,115)
Net cash inflow from operating activities			<u>790,940,551</u>		<u>654,481</u>		<u>931,272,969</u>		<u>770,602</u>
Cash flows from investing activities									
Proceeds from sale of short-term financial instruments			548,500,000		453,868		336,000,000		278,031
Proceeds from sale of long-term financial instruments			500		-		500		-
Proceeds from sale of short-term investment securities	11		4,864,606		4,025		619,045		512
Proceeds from sale of long-term investment securities			-		-		28,646,000		23,704
Proceeds from sale of investments in associates			666,707		552		-		-
Collection of short-term loans receivable			811,590		672		10,217,965		8,455
Collection of long-term loans receivable			3,781,000		3,129		3,003,467		2,485
Proceeds from sale of property, plant and equipment			150,413		124		61,744		51
Payment for acquisition of short-term financial instruments			(540,500,000)		(447,249)		(318,500,000)		(263,550)
Short-term loans receivable granted			(488,101)		(404)		(1,063,553)		(880)
Payment for acquisition of long-term investments securities	11		(46,235,098)		(38,258)		(30,303,600)		(25,075)
Payment for acquisition of investments in subsidiaries	12		(11,752)		(10)		(54,053,911)		(44,728)
Long-term loans receivable granted			(4,780,000)		(3,955)		-		-
Payment for acquisition of property, plant and equipment	13		(4,596,597)		(3,804)		(3,376,293)		(2,794)
Payment for acquisition of intangible assets	14		(874,977)		(724)		(514,105)		(425)
Payment for acquisition of investment properties	15		-		-		(27,303,241)		(22,593)
Net cash outflow from investing activities			<u>(38,711,709)</u>		<u>(32,034)</u>		<u>(56,565,982)</u>		<u>(46,807)</u>
Cash flows from financing activities									
Proceeds from short-term borrowings			727,285,000		601,808		1,160,000,000		959,868
Issuance of debentures			164,242,202		135,906		99,572,700		82,394
Repayments of short-term borrowings			(757,285,000)		(626,631)		(1,414,000,000)		(1,170,045)
Repayments of current portion of long-term borrowings			(210,433,659)		(174,128)		(445,433,658)		(368,584)
Repayments of long-term borrowings			-		-		(16,000,000)		(13,240)
Dividends paid			(36,789,162)		(30,442)		(22,073,326)		(18,265)
Net cash outflow from financing activities			<u>(112,980,619)</u>		<u>(93,487)</u>		<u>(637,934,284)</u>		<u>(527,872)</u>
Net increase in cash and cash equivalents			<u>639,248,223</u>		<u>528,960</u>		<u>236,772,703</u>		<u>195,923</u>
Cash and cash equivalents at the beginning of the year			<u>427,807,595</u>		<u>353,999</u>		<u>191,034,892</u>		<u>158,076</u>
Cash and cash equivalents at the end of the year		₩	1,067,055,818	\$	882,959	₩	427,807,595	\$	353,999

The above separate statements of cash flows should be read in conjunction with the accompanying notes.

The U.S. dollar amounts are provided for information use only and do not form part of the audited financial statements. Refer to Note 3.

Hyundai Development Company

Notes to the Separate Financial Statements

December 31, 2016 and 2015

1. General Information

The financial statements are the separate financial statements prepared in accordance with Korean-IFRS 1027, '*Separate Financial Statements*'.

Hyundai Development Company (the Company) was established on October 14, 1977, under the Commercial Law of the Republic of Korea, to engage in construction and related businesses. As approved by the shareholders on November 28, 1986, and November 29, 1986, the Company changed its name from Halla Construction Company Limited to Hyundai Development Company and merged with Korea Urban Development Company Limited, a construction company of residential building, respectively. The Company listed its shares on the Korea Stock Exchange on October 16, 1996. The Company's operations are headquartered in Seoul, Korea.

The Company became independent from the Hyundai Company on August 2, 1999, pursuant to relevant laws in Korea.

After several capital increases, the ordinary shares of the Company as at December 31, 2016, amounts to ₩ 376,921 million. The Company's initial ordinary shares amounted to ₩ 1,500 million.

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

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

The preparation of the separate financial statements requires the use of certain critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 4.

Hyundai Development Company

Notes to the Separate Financial Statements

December 31, 2016 and 2015

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing January 1, 2016. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- Disclosure Initiative – Amendments to Korean IFRS 1001 Presentation of Financial Statements

Korean IFRS 1001 *Presentation of Financial Statements* clarifies that materiality applies to the exclusion or inclusion or aggregation of the disclosures in the notes. And also, clarifies that the share of OCI arising from equity-accounted should be presented in total for items which will and will not be reclassified to profit or loss. Additional amendments are made in relation to a particular order of the notes and other.

- Agriculture: Bearer Plants – Amendments to Korean IFRS 1016 Property, Plant and Equipment, and Korean IFRS 1041 Agriculture

Korean IFRS 1041 *Agriculture* now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as Korean IFRS 1016 *Property, Plant and Equipment*.

- Clarification of Acceptable methods of Depreciation and Amortization – Amendments to Korean IFRS 1016 Property, Plant and Equipment, and Korean IFRS 1038 Intangible assets

Amendments to Korean IFRS 1016 *Property, Plant and Equipment* clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. Korean IFRS 1038 *Intangible assets* now includes a rebuttable presumption that the amortization of intangible assets based on revenue is inappropriate. This presumption can be overcome if either; the intangible asset is expressed as a measure of revenue, or it can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

- Investment entities: Applying the Consolidation Exception – Amendments to Korean IFRS 1110 Consolidated Financial Statements, Korean IFRS 1028 Investments in Associates and Joint Ventures, and Korean IFRS 1112 Disclosures of Interests in Other Entities

- Amendments made to Korean IFRS 1110 *Consolidated Financial Statements* clarify that the exception from preparing consolidated financial statement is also available to intermediate parent entities which are subsidiaries of investment entities. If an investment entity has a subsidiary that is an investment entity and whose activities are providing services that related to the investment entity's investment activities, the investment entity measures the subsidiary at fair value through profit or loss.
- Amendments made to Korean IFRS 1028 *Investments in Associates and Joint Ventures* clarify that entities which are not investment entities but have an interest in an associate which is an investment entity have a policy choice when applying the equity method of accounting.

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- Amendments made to Korean IFRS 1112 *Disclosures of Interests in Other Entities* clarify that an investment entity which does not prepare consolidated financial statements should present disclosures relating to investment entities required by Korean IFRS 1112.

- *Accounting for Acquisitions of Interests in Joint Operations* – Amendments to Korean IFRS 1111 *Joint Arrangements*

Amendments to Korean IFRS 1111 *Joint Arrangements* clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. An investor requires to apply the principles of business combination accounting when the investor acquires an interest in a joint operation that constitutes a business.

- Annual Improvements to Korean IFRS 2012-2014 *Cycle*

Annual Improvements to Korean IFRS 2012-2014 *Cycle* consist of the following amendments. The application does not have a material impact on the separate financial statements.

- Korean IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operation* – clarifies when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not have to be accounted for as such.
 - Korean IFRS 1107 *Financial Instruments: Disclosures* – clarifies the specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement', and also clarifies that the additional disclosures relating to the amendments in 2012 '*Offsetting of Financial Assets and Financial Liabilities*' only need to be included in interim reports if required by Korean IFRS 1034 *Interim Financial Reporting*.
 - Korean IFRS 1019 *Employee Benefits* clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency in which the liabilities are denominated that is important, and not the country where they arise.
 - Korean IFRS 1034 *Interim Financial Reporting* clarifies what is meant by the reference in the standard to '*information disclosed elsewhere in the interim financial report*'; and also amended requirements for a cross-reference from the interim financial statements to the location of that information.
- Korean IFRS 1011 *Construction Contract*, Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 2115 *Arrangements for Property Construction*

These standards and interpretation clarify the accounting information disclosure requirement for construction contracts. The accounting estimates and potential risk information of the construction contracts should be disclosed in detail by either individual construction or operating segment.

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(b) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations that have been published that are not mandatory for December 31, 2016 reporting periods and have not been early adopted by the Company are set out below.

- Amendments to Korean IFRS 1007 Statement of Cash Flows

Amendments to Korean IFRS 1007 *Statement of Cash flows* requires to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. The Company will apply this amendment for annual reporting periods beginning on or after January 1, 2017 with early application permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Amendments to Korean IFRS 1012 Income Tax

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. The Company will apply the amendments for annual periods beginning on or after January 1, 2017 with early application permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Amendments to Korean IFRS 1102 Share-based Payment

Amendments to IFRS 2 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. And also, clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The Company will apply the amendments for annual periods beginning on or after January 1, 2018 with early application permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Korean IFRS 1109 Financial Instruments

The new standard for financial instruments issued on September 25, 2015 are effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*. The Company will apply the standards for annual periods beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. For example, an entity is not required to restate prior period in relation to classification and measurement (including impairment) of financial instruments. The standard requires prospective application of its hedge accounting

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requirements for all hedging relationships except the accounting for time value of options and other exceptions.

Korean IFRS 1109 *Financial Instruments* requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

An effective implementation of Korea IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the Company's financial statements due to the application of the standard is dependent on judgements made in applying the standard, financial instruments held by the Company and macroeconomic variables.

With the implementation of Korean IFRS 1109, the Company is analyzing the financial effects of applying the standard.

1. Classification and Measurement of Financial Assets

When implementing Korean IFRS 1109, the classification of financial assets will be driven by the Company's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

<i>Business model for the contractual cash flows characteristics</i>	<i>Solely represent payments of principal and interest</i>	<i>All other</i>
<i>Hold the financial asset for the collection of the contractual cash flows</i>	Measured at amortized cost ¹	Recognized at fair value through profit or loss ²
<i>Hold the financial asset for the collection of the contractual cash flows and trading</i>	Recognized at fair value through other comprehensive income ¹	
<i>Hold for trading</i>	Recognized at fair value through profit or loss	

¹ A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

² Except for equity investments not held for trading can be recorded in other comprehensive income (irrevocable).

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With the implementation of Korean IFRS 1109, the criteria to classify the financial assets at amortized cost or at fair value through other comprehensive income are more strictly applied than the criteria applied with Korean IFRS 1039. Accordingly, the financial assets at fair value through profit or loss may increase by implementing Korean IFRS 1109 and may result an extended fluctuation in profit or loss.

As at December 31, 2016, the Company owns loan and receivables of ₩ 2,430,389 million, financial assets available-for-sales of ₩ 455,668 million.

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. As at December 31, 2016, the Company measured loan and receivables of ₩ 2,430,389 million at amortized costs.

According to Korean IFRS 1109, a debt instrument is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the contractual cash flows represents solely payments of principal and interest on a specific date under contract terms. As at December 31, 2016, the Company holds debt instruments of ₩ 33,637 million classified as financial assets available-for-sale in total.

According to Korean IFRS 1109, equity instruments that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments as assets measured at fair value through other comprehensive income, which all subsequent changes in fair value being recognized in other comprehensive income and not recycled to profit or loss. As at December 31, 2016, the Company holds equity instruments of ₩ 410,662 million classified as financial assets available-for-sale and recycled unrealized gain or loss of ₩ 1,481 million arose from the equity instruments to profit or loss.

2. Impairment: Financial Assets and Contract Assets

Korean IFRS 1109 sets out a new forward looking 'expected loss' impairment model which replaces the incurred loss model under Korean IFRS 1039 and applies to:

- Financial assets measured at amortized cost
- Debt investments measured at fair value through other comprehensive income, and
- Certain loan commitments and financial guaranteed contracts.

Under Korean IFRS 1109 'expected loss' model, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. The Company will always recognize (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

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Stage ¹	Loss allowance
1 No significant increase in credit risk after initial recognition ²	12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date)
2 Significant increase in credit risk after initial recognition	Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)
3 Objective evidence of impairment	

¹ A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to Korean IFRS 1115 *Revenue from Contracts with Customers*, considered to contain a significant financing component. Additionally, the Company can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or all trade receivables, including those that contain a significant financing component.

² If the financial instrument has low credit risk at the reporting date, the Company may assume that the credit risk has not increased significantly since initial recognition.

Under Korean IFRS 1109, the asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance with any changes recognized in profit or loss.

As at December 31, 2016, the Company owns debt investment carries at amortized cost of ₩ 2,430,389 million (loan and receivables), debt investments carried at fair value through other comprehensive income, which classified as financial assets available-for-sales, of ₩ 33,637million. And, the Company recognized loss allowance of ₩ 280,135 million for these assets.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Company will apply Korean IFRS 1115 *Revenue from Contracts with Customers* issued on November 6, 2015 for annual reporting periods beginning on or after January 1, 2018, and earlier application is permitted. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers*. The Company must apply Korean IFRS 1115 *Revenue from Contracts with Customers* within annual reporting periods beginning on or after January 1, 2018, and will apply the standard retrospectively to prior reporting period presented in accordance with Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* and apply simplified transition method with no restatement for completed contracts and other as at January 1, 2017.

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The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customer can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

With the implementation of Korea IFRS 1115, the Company is analyzing the financial effects of applying the standard as at December 31, 2016. The Company plans to analyze the financial effects of applying the standard and disclose the result of the analysis in the notes on the financial statement as at Dec 31, 2017. The Company identified the following areas are likely to be affected in general.

Division of Housing Contracts

The housing construction proceed over the long-term period more than 1 year after the acceptance of the housing contracts from customers. Revenue from the housing contracts, amounting to ₩ 1,231,725 million, is 35% of total revenue of the Company for the year ended December 31, 2016.

In accordance with Korean IFRS 1115, the revenue is recognized over time by measuring progress only if the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. The Company is analyzing the effects of applying the standard.

(c) Revenue recognition of Housing Contracts

The number of residential units the Company built and sold is the basis for the percentage of completion method as per the Korea Accounting Institute's Question and Answer, 2011-I-KQA, 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.

2.2.1 Construction Contracts

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable

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that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Contract costs are recognized as an expense in the period in which they are incurred.

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

On the statement of financial position, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work); a contract represents a liability where the opposite is the case (due to customers for contract work).

2.3 Subsidiaries, Associates, and Joint Ventures

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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2.5 Financial Assets

(a) Classification and measurement

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. And, loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss within other income or other expenses. Gains or losses arising from changes in the available-for-sale financial assets are recognized in other comprehensive income, and amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(b) Impairment

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

Impairment of loans and receivables is presented as a deduction in an allowance account, and that of other financial assets is directly deducted from their carrying amount. The Company writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments; or the disappearance of an active market for that financial asset because of financial difficulties. A significant or prolonged decline in its fair value of an available-for-sale equity instrument below its cost is objective evidence of impairment.

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(c) Derecognition

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

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate 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 Company or the counterparty.

2.6 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories are determined using the first-in, first-out (FIFO) method, except for land, finished housing units, housing construction-in-process, which use the specific identification method.

2.7 Property, Plant and Equipment

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

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

	Useful life
Buildings	40 - 50 years
Structures	40 years
Machinery and equipment	4 - 8 years
Ships	9 years
Other	4 - 5 years

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

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2.8 Borrowing Costs

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

2.9 Government Grants

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

2.10 Intangible Assets

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

Development costs that are directly attributable to internally generated by the Company are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Membership rights (condominium and golf membership) that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Company amortizes intangible assets with a limited useful life using the straight-line method over their estimated useful lives of five years.

2.11 Investment Property

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

2.12 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.13 Guarantee Deposits and Other

The Company grants loans to the members of the redevelopment and reconstruction association, and the loans receivable are recorded as guarantee deposits. If they are coverable within one year, they are classified as other current assets.

2.14 Financial Liabilities

(a) Classification and measurement

The Company'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 a designated as hedging instruments and an embedded derivative that is separated are also classified as held-for-trading.

The Company 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', and 'other payables' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished; for example, when the obligation specified in the contract is discharged or cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.15 Financial Guarantee Contract

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of the amount determined in accordance with Korean IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less cumulative amortization in accordance with Korean IFRS 1018 *Revenue*, and recognized in the statement of financial position within 'other current liabilities'.

2.16 Provisions

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

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2.17 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Company recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Company recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.18 Employee Benefits

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

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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.

2.19 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal course of the business. Amounts disclosed as revenue are net of value added taxes, returns, rebates and discounts and after elimination of inter-company transactions.

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

(a) Rendering of services

The Company recognizes revenues from rendering of services using the percentage-of-completion method to determine the amounts to be recognized as revenues in a given period. The stage of completion is measured using the percentage of the total contract costs incurred up to the date of statement of financial position over the total estimated costs for each contract.

(b) Construction contracts

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

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Contract

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costs are recognized as an expense in the period in which they are incurred.

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

On the statement of financial position, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work); a contract represents a liability where the opposite is the case (due to customers for contract work).

(c) Sales of goods

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

(d) Interest income

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

(e) Dividend income

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

2.20 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 38). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

2.21 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2016 financial statements of the Company was approved by the Board of Directors on February 1, 2017, which is subject to change with the approval of the shareholders at their annual shareholder's meeting.

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3. Presentation of US Dollar Conversion

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The U.S. dollars amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at US\$ 1: ₩1,208.5, the exchange rate in effect on December 31, 2016. 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 won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

The December 31, 2015, U.S. dollar amounts, which were previously expressed at US\$ 1: ₩ 1,172 the rate in effect on December 31, 2015, have been restated to reflect the exchange rate in effect on December 31, 2016.

4. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company 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) Revenue recognition

The Company recognizes revenues from construction contracts using the percentage-of-completion method to determine the amounts to be recognized as revenues in a given period. The stage of completion is measured using the percentage of the total contract costs incurred up to the date of statement of financial position over the total estimated costs for each contract. Current revenue may change due to changes in total contract costs, changes in construction period, and changes in customer plans.

(b) 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 Company'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 Company will be able to satisfy the performance requirements, and the amount can be estimated reliably.

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(c) Estimated total contract costs

Construction revenue is recognized according to the percentage of completion, which is measured on the basis of the gross amount incurred to date. Total contract costs are estimated based on future estimates of material costs, labor costs, construction period and others. When the estimated total contract costs increase by 5%, profit before income tax and net assets before income tax effects decrease by ₩189,002 million.

(d) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 6).

(e) Provisions for construction warranties

The Company records a provision for estimated warranty costs relating to construction defects. The estimated warranty cost is computed by multiplying a certain percentage of defects to related constructions. The estimated warranties cost is recognized as cost of construction based on the percentage-of-completion of construction, and are presented in the statement of financial position as provisions for construction warranty. The recognized provisions offset when the actual warranty cost incurs, and reversed if any residual balance exist at the end of the warranty period. If there is any additional warranty cost incurred exceeding the provision, it will be recognized as expense in incurred year. The provision is estimated based on historical data (Note 19).

(f) Provisions for loss on construction contracts

When a loss on construction is expected based on cost estimates, the expected loss is charged to current operations when first identified, and is included in the statement of financial position as a provision for foreseeable losses from construction contracts. The recognized provision offset when the actual loss occurs, and reverse if any residual balance exist at the end of fiscal year of the related construction is completed or no more loss is expected to be occur. Any additional warrant cost incurred exceeding the provision will be recognized as expense in incurred year. The provision is estimated based on historical data. The provision is presented as a deduction of billed construction and reversal on provision is presented as a deduction of cost of construction. The provision is estimated based on total expected loss that shall be occurred in future (Note 36).

(g) Net defined benefit liabilities

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 20).

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(h) Income taxes

The Company'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 (Note 31).

5. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programmed focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by a central treasury department ("Company treasury"). The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

(a) Market risk

i) Foreign exchange risk

The Company mostly operates domestically but is exposed to foreign exchange risk arising from some foreign assets and liabilities. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The objective of the Company's foreign exchange risk management is to maximize company value through minimizing uncertainty and impact on profit and loss from change in foreign exchange rate.

The table below summarizes the impact of weakened/strengthened Korean won on the Company's before income tax profit for the period. The analysis is based on the assumption that Korean won has weakened/strengthened by 10% with all other variables held constant.

(in millions of Korean won)	2016		2015	
	Strengthened (10%)	Weakened (10%)	Strengthened (10%)	Weakened (10%)
USD/KRW	1,812	(1,812)	1,757	(1,757)
SAR/KRW	204	(204)	255	(255)

ii) Price risk

The Company is exposed to listed or unlisted equity securities price risk because of direct or indirect investments held by the Company and classified on the separate statement of financial position as available-for-sale. As at December 31, 2016, market value of marketable equity securities from equity investment (except for investments in subsidiaries and associates) is ₩ 11,581 million (2015: ₩ 22,544 million).

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The Company's investments in equity of other entities that are publicly traded are in KOSPI equity index. As at December 31, 2016, if the price of listed share had increased/decreased by 10%, other comprehensive income for the year would have increased/decreased by ₩ 878 million (2015: ₩ 1,709 million).

iii) Interest rate risk

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

At the end of the reporting period, as the Company has more floating rate borrowings than floating rate deposits, and because of this, net interest expenses increase when interest rates increase. Therefore, the Company adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Company (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

As at December 31, 2016, the Company is partially exposed to the risk of an increase in interest expense from borrowings and debentures; the Company minimizes the risk of interest rate by operating internal short-term borrowings and bank deposit at floating rate appropriately.

The table below summarizes the impact of increases/decreases of interest rate on the Company's before income tax profit for the period. The analysis is based on the assumption that the interest rate has increased/decreased by 0.01% (100 basis points) with all other variables held constant.

(in millions of Korean won)	2016		2015	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
Interest expenses	2,800	(2,800)	3,100	(3,100)

(b) Credit risk

Credit risk arises when customer or counterparty cannot fulfill obligations of contract condition in the Company's ordinary course of trade and investment. The credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits in bank and financial institutions, as well as credit exposures to major customers, including outstanding receivables and committed transactions.

The Company manages the credit risk for purpose of loss minimization through efficient credit risk management, support of rapid decision-making, and preparation of receivable safety devices based

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on the Company's credit policy. Any credit limits were exceeded during the reporting period, and expected loss by management from nonperformance by these counterparties, the Company properly evaluates the risk and reflects in statement of financial position.

The aging analysis of financial assets associated with credit risk as at December 31, 2016 and 2015, is as follows:

(in millions of Korean won)

	2016			
	Financial assets not past due	Past due but not impaired	Impaired	Total
Cash and cash equivalents	1,067,056	-	-	1,067,056
Short-term financial instruments	160,500	-	-	160,500
Short-term investment securities ¹	5,762	-	-	5,762
Trade receivables ^{2, 3}	483,821	62,612	160,090	706,523
Other receivables(current) ³	188,438	-	125,102	313,540
Long-term investment securities ¹	27,875	-	-	27,875
Other receivables(non-current) ³	395,161	-	67,724	462,885
Other non-current assets	20	-	-	20
	<u>2,328,633</u>	<u>62,612</u>	<u>352,916</u>	<u>2,744,161</u>

(in millions of Korean won)

	2015			
	Financial assets not past due	Past due but not impaired	Impaired	Total
Cash and cash equivalents	427,808	-	-	427,808
Short-term financial instruments	168,500	-	-	168,500
Short-term investment securities ¹	1,660	-	-	1,660
Trade receivables ^{2, 3}	423,774	85,270	254,893	763,937
Other receivables(current) ³	252,610	-	104,735	357,345
Long-term investment securities ¹	30,069	-	-	30,069
Other receivables(non-current) ³	384,070	-	58,421	442,491
Other non-current assets	20	-	-	20
	<u>1,688,511</u>	<u>85,270</u>	<u>418,049</u>	<u>2,191,830</u>

¹ Only debt securities among investment securities classified as financial assets are included as subjects to credit risk management (Note 11).

² The above trade receivables include both billed amount and unbilled amount.

³ The above financial assets are based on the gross amount before allowance for doubtful accounts (Note 9).

The Company deposits cash and cash equivalents, and short and long-term financial instruments in Kookmin Bank and other financial institutions, which are independently rated parties with a minimum rating of AA+. Thus, the credit risk from financial institutions is limited.

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The aging analysis of financial assets that are past due but not impaired as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016			Total
	Less than 6 months	Between 6 months and 1 year	Over 1 year	
Trade receivables	20,578	5,742	36,292	62,612

(in millions of Korean won)

	2015			Total
	Less than 6 months	Between 6 months and 1 year	Over 1 year	
Trade receivables	7,205	74	77,991	85,270

The analysis of financial assets that are individually impaired as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016	
	Gross amount	Allowance for doubtful accounts
Trade receivables	160,090	(96,921)
Other receivables(current)	125,102	(122,711)
Other receivables(non-current)	67,724	(42,559)
	<u>352,916</u>	<u>(262,191)</u>

(in millions of Korean won)

	2015	
	Gross amount	Allowance for doubtful accounts
Trade receivables	254,893	(97,055)
Other receivables(current)	104,735	(89,857)
Other receivables(non-current)	58,421	(33,385)
	<u>418,049</u>	<u>(220,297)</u>

The maximum exposure of above financial assets to credit risk as at December 31, 2016 is the book amount of each class of financial assets mentioned above. The maximum exposure to credit risk of financial guarantee contracts amounts to ₩ 2,606,861 million (2015: ₩ 2,542,161 million) as at December 31, 2016 (Note 34).

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(c) Liquidity risk

The liquidity risk is a risk when the Company cannot pay off a short-term debt in a timely manner due to the Company's business environment or the deterioration in financial market. To manage the liquidity risk preemptively, the Company periodically forecasts cash flow and liquidity plan, and establishes countermeasures.

As at December 31, 2016, the Company held cash and cash equivalents, short-term financial instrument, and short-term investment securities in current assets that are expected to readily generate cash inflows for managing liquidity risk for 298.10% (2015: 114.04%) of total current borrowings.

Details of the Company's liquidity risk analysis as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Trade payables	170,725	-	-	-	170,725
Short-term borrowings	301,563	-	-	-	301,563
Other payables(current)	260,148	-	-	-	260,148
Withholdings	128,705	-	-	-	128,705
Current portion of long-term liabilities	125,167	-	-	-	125,167
Debentures	10,499	110,069	170,005	-	290,573
Long-term borrowings	-	434	1,301	9,974	11,709
Other payables(non-current)	-	8,357	5,347	18,887	32,591
Financial guarantee contracts ¹	1,214,301	784,470	557,924	50,166	2,606,861
	<u>2,211,108</u>	<u>903,330</u>	<u>734,577</u>	<u>79,027</u>	<u>3,928,042</u>

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<i>(in millions of Korean won)</i>	2015				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Trade payables	224,903	-	-	-	224,903
Short-term borrowings	332,836	-	-	-	332,836
Other payables(current)	207,160	-	-	-	207,160
Withholdings	121,657	-	-	-	121,657
Current portion of long-term liabilities	215,914	-	-	-	215,914
Debentures	9,737	129,224	104,059	-	243,020
Long-term borrowings	-	434	1,301	10,407	12,142
Other payables(non-current)	-	22,172	6,698	14,784	43,654
Financial guarantee contracts ¹	1,159,020	550,511	786,144	46,486	2,542,161
	<u>2,271,227</u>	<u>702,341</u>	<u>898,202</u>	<u>71,677</u>	<u>3,943,447</u>

¹ The maximum amount of the guarantee for financial guarantee contracts including payment guarantees (Note 34).

(d) Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. The Company uses debt-ratio as an indicator of major capital management. The debt-ratio is calculated as total debt divided by total capital as shown in the statement of financial position.

The debt-to-equity ratios and gearing ratios as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Total liabilities (A)	2,109,808	2,041,285
Total equity (B)	2,679,219	2,443,423
Cash and cash equivalents, short-term financial instruments and short-term investment securities (C)	1,244,686	612,983
Borrowings and debentures (D)	686,564	761,847
Debt-to-equity ratio (A/B)	78.75%	83.54%
Gearing ratio (D-C)/B	-20.83%	6.09%

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6. Fair Value

6.1 Fair Value of Financial Instruments by Category

The carrying amount of financial instruments approximates to their fair value except for short and long-term investment securities that are measured at cost as they do not have a quoted market price in an active market and their fair value cannot be measured reliably.

6.2 Financial Instruments Measured at Cost

Details of financial instruments measured at cost as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Long-term investment securities		
Unlisted securities		
Masan I Port Co., Ltd. ¹	-	14,707
BCTC Co., Ltd. ²	52,988	21,894
Others ²	23,999	11,967
	<u>76,987</u>	<u>48,568</u>

¹ Investments in Masan I Port Co., Ltd. are measured at fair value as the fair value can be measured reliably from 2016.

² Investments in BCTC Co., Ltd. and others are unlisted equities associated with SOC project, as at December 31, 2016, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore, these instruments are measured at cost.

The Company plans to measure above investment securities at fair value, when the fair value can be measured reliably by business progress after completion of the construction for SOC.

6.3 Fair Value Hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

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Fair value hierarchy classifications of the financial assets that are measured at fair value or its fair value is disclosed as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Equity securities	11,581	-	322,552	334,133
Beneficiary certificate	-	11,368	-	11,368
Debt securities	-	33,179	-	33,179
	<u>11,581</u>	<u>44,547</u>	<u>322,552</u>	<u>378,680</u>

(in millions of Korean won)

	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
Equity securities	22,544	-	322,807	345,351
Beneficiary certificate	-	15,015	-	15,015
Debt securities	-	31,728	-	31,728
	<u>22,544</u>	<u>46,743</u>	<u>322,807</u>	<u>392,094</u>

6.4 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

Details of changes in Level 3 of the fair value hierarchy for the recurring fair value measurements are as follows:

(in millions of Korean won)

	2016	2015
Beginning balance	322,807	307,933
Transfer into Level 3 ¹	14,706	47,086
Transfer out of Level 3	-	(26,176)
Amount recognized in other comprehensive income	(574)	(4,261)
Amount recognized in profit or loss (impairment loss) ²	<u>(14,387)</u>	<u>(1,775)</u>
Ending balance	<u>322,552</u>	<u>322,807</u>

¹ Investments in Masan I Port Co., Ltd. are measured at fair value as the fair value can be measured reliably.

² The Company recognized the difference of ₩ 14,387 million between the acquisition cost of ₩ 23,375 million and fair value of ₩ 8,988 million, resulting from the significant decline in the fair value of investment in Pyeongtaek I-Port Co., Ltd. as impairment loss in the statement of profit or loss for the year ended December 31, 2016.

The Company recognized the difference of ₩ 1,775 million between the acquisition cost of ₩ 3,442 million and fair value of ₩ 1,667 million, resulting from the significant decline in the fair value of investment in UNCT Co., Ltd. as impairment loss in the statement of profit or loss for the year ended December 31, 2015.

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6.5 Valuation Techniques

The fair value of beneficiary certificates categorized within Level 2 of the fair value hierarchy amounting to ₩ 11,368 million (2015: ₩ 15,015 million) is determined by standard market price and the fair value of government bonds and corporate bonds amounting to ₩ 33,179 million (2015: ₩ 31,728 million) is determined at present value.

Non-marketable securities classified as available-for-sale financial assets amounting to ₩ 322,552 million (2015: ₩ 322,807 million), categorized within Level 3, are valued by an independent appraiser using reasonable appraisal model and appropriate estimation. The independent appraiser used an appropriate income approach among discounted cash flow model, shareholder's discounted cash flow model or dividend discounted model by considering the subjects' characteristics.

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7. Financial Instruments by Category

7.1 Carrying Amounts of Financial Instrument by Category

Categorizations of financial assets as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016		
	Asset classified as available - for-sale	Loans and receivables	Total
Cash and cash equivalents	-	1,067,056	1,067,056
Short-term financial instruments	-	160,500	160,500
Short-term investment securities	17,131	-	17,131
Trade receivables ¹	-	608,313	608,313
Other receivables (current)	-	188,807	188,807
Long-term investment securities	438,537	-	438,537
Other receivables (non-current)	-	405,693	405,693
Other non-current assets	-	20	20
	<u>455,668</u>	<u>2,430,389</u>	<u>2,886,057</u>

(in millions of Korean won)

	2015		
	Asset classified as available - for-sale	Loans and receivables	Total
Cash and cash equivalents	-	427,808	427,808
Short-term financial instruments	-	168,500	168,500
Short-term investment securities	16,675	-	16,675
Trade receivables ¹	-	663,330	663,330
Other receivables (current)	-	238,110	238,110
Long-term investment securities	423,988	-	423,988
Other receivables (non-current)	-	398,179	398,179
Other non-current assets	-	20	20
	<u>440,663</u>	<u>1,895,947</u>	<u>2,336,610</u>

¹ The above trade receivables include both billed and unbilled amount.

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Categorizations of financial liabilities as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016		
	Other financial liabilities at amortized cost	Other financial liabilities	Total
Trade payables	170,725	-	170,725
Short-term borrowings	297,285	-	297,285
Other payables(current)	260,148	-	260,148
Withholdings	128,705	-	128,705
Current portion of long-term liabilities	120,250	-	120,250
Other current liabilities	-	17,977	17,977
Debentures	264,004	-	264,004
Long-term borrowings	5,025	-	5,025
Other payables(non-current)	32,591	-	32,591
	<u>1,278,733</u>	<u>17,977</u>	<u>1,296,710</u>

(in millions of Korean won)

	2015		
	Other financial liabilities at amortized cost	Other financial liabilities	Total
Trade payables	224,903	-	224,903
Short-term borrowings	327,285	-	327,285
Other payables(current)	207,160	-	207,160
Withholdings	121,657	-	121,657
Current portion of long-term liabilities	210,235	-	210,235
Other current liabilities	-	20,595	20,595
Debentures	219,241	-	219,241
Long-term borrowings	5,086	-	5,086
Other payables(non-current)	43,654	-	43,654
	<u>1,359,221</u>	<u>20,595</u>	<u>1,379,816</u>

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7.2 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Available-for-sale financial assets		
Interest income	657	1,345
Dividend income	4,594	1,077
Gain on disposal	1,672	18,840
Changes in the fair value	(3,676)	(18,201)
Impairment loss	27,424	29,825
Loans and receivables		
Interest income	28,638	25,208
Gain on disposal	-	150
Impairment loss	20,485	87,324
Exchange differences	1,371	2,729
Other financial liabilities at amortized cost		
Interest expense	18,623	32,212
Gain on disposal	-	2,483
Exchange differences	-	(1)

8. Restricted Financial Instruments

Restricted financial instruments as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015	Description
	3,964	3,639	Pledge for litigation
	742	738	Pledge for borrowings of Pyeongtaek I-Port
Cash and cash equivalents	-	423	Withdrawal restriction of ABL
	2,000	-	Pledge for borrowings of Bolivia Corporation
Other non-current assets (long-term financial instruments)	20	20	Bank overdraft deposit
	<u>6,726</u>	<u>4,820</u>	

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9. Trade and Other Receivables

Gross amount of trade and other receivables and provisions for impairment of trade and other receivables as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016			2015		
	Gross amount	Provisions for impairment	Book amount	Gross amount	Provisions for impairment	Book amount
Trade receivables	16,108	(66)	16,042	16,708	(69)	16,639
Construction receivables (billed construction)	276,435			517,216		
Construction receivables (unbilled construction)	260,897	(98,144)	439,188	97,379	(100,538)	514,057
Receivables from sale of real estate	153,083	-	153,083	132,634	-	132,634
	<u>706,523</u>	<u>(98,210)</u>	<u>608,313</u>	<u>763,937</u>	<u>(100,607)</u>	<u>663,330</u>
Non-trade receivables (current)	313,540	(124,733)	188,807	357,345	(119,235)	238,110
Non-trade receivables (non- current)	462,885	(57,192)	405,693	442,491	(44,312)	398,179
	<u>776,425</u>	<u>(181,925)</u>	<u>594,500</u>	<u>799,836</u>	<u>(163,547)</u>	<u>636,289</u>
	<u>1,482,948</u>	<u>(280,135)</u>	<u>1,202,813</u>	<u>1,563,773</u>	<u>(264,154)</u>	<u>1,299,619</u>

Details of other receivables as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016			2015		
	Gross amount	Provisions for impairment	Book amount	Gross amount	Provisions for impairment	Book amount
Current						
Non-trade receivables	117,710	(16,347)	101,363	146,193	(10,354)	135,839
Short-term loans	5,792	-	5,792	515	-	515
Accrued income	15,730	-	15,730	16,357	-	16,357
Other current assets	174,308	(108,386)	65,922	194,280	(108,881)	85,399
	<u>313,540</u>	<u>(124,733)</u>	<u>188,807</u>	<u>357,345</u>	<u>(119,235)</u>	<u>238,110</u>
Non-current						
Long-term loans	-	-	-	4,601	-	4,601
Guarantee deposits	435,121	(32,897)	402,224	410,783	(20,752)	390,031
Long-term non-trade receivables	27,764	(24,295)	3,469	27,107	(23,560)	3,547
	<u>462,885</u>	<u>(57,192)</u>	<u>405,693</u>	<u>442,491</u>	<u>(44,312)</u>	<u>398,179</u>
	<u>776,425</u>	<u>(181,925)</u>	<u>594,500</u>	<u>799,836</u>	<u>(163,547)</u>	<u>636,289</u>

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Movements on provisions for impairment of trade and other receivables for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Beginning balance	264,154	184,979
Provision for impaired receivables during the year	20,344	87,324
Receivables written off during the year and others	(4,363)	(8,149)
Ending balance	<u>280,135</u>	<u>264,154</u>

The creation and release of provision for impaired receivables have been included in 'selling and administrative expenses' in the statement of profit or loss (Note 26).

The maximum exposure of trade and other receivables to credit risk as at December 31, 2016 and 2015, is the book amount of each class of receivable mentioned above.

10. Inventories

Inventories as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016			2015		
	Prior to valuation	Valuation allowance	Book amount	Prior to valuation	Valuation allowance	Book amount
Land	200,063	-	200,063	216,424	-	216,424
Finished housing units	19,909	(999)	18,910	123,822	(997)	122,825
Housing construction in-process	393,120	-	393,120	468,374	(2,400)	465,974
Raw materials	1,139	-	1,139	1,410	-	1,410
Supplies	2,258	-	2,258	1,995	-	1,995
	<u>616,489</u>	<u>(999)</u>	<u>615,490</u>	<u>812,025</u>	<u>(3,397)</u>	<u>808,628</u>

The Company reversed ₩ 2,398 million of a previous inventory written-down in 2016 (2015: ₩ 8,335 million) as the 'finished housing units' and 'housing construction-in-progress', which had been recognized in the losses on valuation of inventories, were sold.

Related to the construction of house, capitalized borrowing costs for unfinished house which is qualifying asset is ₩ 8,077 million in 2016 (2015: ₩ 12,351 million). The weighted average interest rate to calculate eligible for capitalization borrowing costs in 2016 is 3.97% (2015: 4.14%).

The Company entered a lease agreement for its owned inventories; therefore, these inventories amounting to ₩ 6,837 million (2015: ₩ 13,366 million) were reclassified as investment property for the year ended December 31, 2016 (Note 15).

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11. Short-term and Long-term Investment Securities

Short-term and long-term investment securities, except for the investments in subsidiaries and associates, as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Short-term investment securities		
Available-for-sale financial assets		
Beneficiary certificates	11,369	15,015
Government and municipal bonds	5,762	1,660
	<u>17,131</u>	<u>16,675</u>
Long-term investment securities		
Available-for-sale financial assets		
Marketable equity securities ¹	11,581	22,544
Non-marketable equity securities ^{1,2,3,4,5}	399,081	371,375
Government and municipal bonds ⁴	27,417	30,069
Corporate bonds	458	-
	<u>438,537</u>	<u>423,988</u>

¹ For the year ended December 31, 2016, the Company recognized impairment loss for investments in Pyeongtaek I-Port Co., Ltd. (₩ 8,669 million), Hyundai Merchant Marine Co., Ltd.(₩ 6,445 million), Masan I-Port Co., Ltd.(₩ 5,718 million), Keangnam Enterprises Co., Ltd.(₩ 4,110 million), Hyundai CNF Co., Ltd.(₩ 1,232 million), Daewon Construction Development Co., Ltd.(₩ 1,105 million), and Dongbu Construction Co., Ltd.(₩ 146 million).

² Although the Company holds over than 20% of the equity shares of Seoul-Chuncheon Expressway Co., Ltd. and 11 other SOC companies (book value: ₩ 251,234 million), the Company cannot exercise significant influence and hence classified as available-for-sale securities.

³ Investments in Seoul-Chuncheon Expressway Co., Ltd. and 11 other SOC companies (book value: ₩ 246,649 million), are pledged as collateral for investees' borrowings from Korea Development Bank and others (Note 16).

⁴ Investments in Construction Guarantee Cooperative and Electronic Contractors' Financial Cooperative amounting to ₩ 21,723 million, Government and municipal bonds amounting to ₩ 24,533 million are provided as collateral in relation with construction performance guarantees (Note 16).

⁵ The fair values of Hyundai Oil Bank Co., Ltd. and 10 other non-marketable securities amounting to ₩ 322,552 million (2015: 10 securities of ₩ 322,807 million) are valued by an independent appraiser using reasonable appraisal model (Note 6).

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Changes in available-for-sale financial assets for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	440,663	483,314
Additions ¹	51,450	34,642
Disposals	(5,346)	(29,265)
Impairment	(27,424)	(29,825)
Reclassification	-	(2)
Net losses transfer from equity	(195)	(14,157)
Net losses transfer to equity	(3,481)	(4,044)
At December 31	455,667	440,663

¹ Securities amounting to ₩ 5,215 million, were acquired through debt-to-equity swap for the year ended December 31, 2016.

Changes in pre-tax unrealized gain and loss from available-for-sale financial assets for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		2015	
	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation
At January 1	44,947	(15,493)	67,169	(19,514)
Valuation	2,514	(5,995)	3,954	(7,998)
Disposals	(329)	-	(26,176)	-
Impairment	(1,362)	1,496	-	12,019
At December 31	45,770	(19,992)	44,947	(15,493)

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12. Investments in Subsidiaries, Associates and Joint Ventures

Details of investments in subsidiaries, associates and joint ventures as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	Investee	Location	2016			2015
			Number of shares	Ownership (%)	Book amount	Book amount
	Hyundai EP Co., Ltd. ¹	Korea	14,757,000	46.26	41,121	41,121
	Young Chang Co., Ltd. ⁴	Korea	196,623,710	87.87	24,247	45,142
	I-Service Co., Ltd.	Korea	799,700	56.56	16,394	16,394
	I & Cons Co., Ltd.	Korea	1,192,647	95.21	33,471	33,471
Investments in subsidiaries	Hyundai I-Park Mall Co., Ltd.	Korea	29,665,767	81.54	-	-
	Hotel I-Park Co., Ltd.	Korea	2,200,000	100.00	-	-
	I-Park Sports Co., Ltd.	Korea	300,000	100.00	-	-
	Hyundai PCE Co., Ltd.	Korea	100,000	100.00	500	500
	HDC INDIA	India	100	100.00	2	2
	HYUNDAI DVP S.R.L	Bolivia	2,350	100.00	12	-
Investments in associates	Hyundai Futures Co., Ltd. ²	Korea	400,000	8.70	3,749	3,749
	Samyang Foods Co., Ltd. ^{1,3}	Korea	1,279,980	16.99	16,569	17,236
Investments in joint ventures	HDC Shilla Duty Free Co., Ltd.	Korea	4,000,000	25.00	20,000	20,000
					<u>156,065</u>	<u>177,615</u>

¹ Market values of marketable equity interest of Hyundai EP Co., Ltd. and Samyang Foods Co., Ltd. are ₩ 138,126 million (2015: ₩ 162,327 million) and ₩ 51,900 million (2015: ₩ 36,746 million), respectively.

² The Company's equity interest combining I & Cons Co., Ltd.'s equity interest in Hyundai Futures Co., Ltd. exceeds 20%. Thus, the equity interest of Hyundai Futures Co., Ltd. is classified as investments in associates.

³ Although the Company holds less than 20% of the equity shares of Samyang Foods Co., Ltd., the Company exercises significant influence as an executive of the Company's subsidiary is also an executive of Samyang Foods Co., Ltd.

⁴ An impairment loss is recognized relating to Young Chang Co., Ltd., a subsidiary, in the statement of profit or loss for the year ended December 31, 2016, as the deterioration of its profitability is expected due to the continuing economic downturns and sales-slowdown in the industry of musical instruments. An impairment loss of ₩ 20,895 million is the difference between recoverable amount of ₩ 24,247 million and its book amount of ₩ 45,142 million. The recoverable amount of an investment in subsidiary is measured based on the fair value less costs of disposal which is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

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Summary of major financial information of subsidiaries, associates and joint ventures as at and for the year ended December 31, 2016, follows:

<i>(in millions of Korean won)</i>	Total assets	Total liabilities	Total equity	Profit (loss) for the period
Hyundai EP Co., Ltd.	577,185	312,136	265,049	51,138
Young Chang Co., Ltd.	53,061	45,243	7,818	(18,818)
I-Service Co., Ltd.	86,985	40,047	46,938	8,487
I & Cons Co., Ltd.	141,125	68,252	72,873	8,343
Hyundai I-Park Mall Co., Ltd.	443,460	522,392	(78,932)	3,513
Hotel I-Park Co., Ltd.	5,459	8,286	(2,827)	1,090
I-Park Sports Co., Ltd.	2,119	3,086	(967)	(107)
Hyundai PCE Co., Ltd.	5,376	2,460	2,916	1,284
Hyundai Futures Co., Ltd.	154,186	110,506	43,680	(711)
Samyang Foods Co., Ltd.	300,087	138,495	161,592	8,065
HDC Shilla Duty Free Co., Ltd.	241,904	184,222	57,682	(19,411)

13. Property, Plant and Equipment

Details of property, plant and equipment as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016			2015		
	Cost	Accumulated depreciation¹	Book amount	Cost	Accumulated depreciation¹	Book amount
Land	96,648	-	96,648	96,203	-	96,203
Buildings	285,724	(54,254)	231,470	284,408	(47,235)	237,173
Structures	125	(53)	72	124	(49)	75
Machinery	8,166	(7,270)	896	7,601	(7,115)	486
Ships	1,248	(1,196)	52	5,054	(4,927)	127
Vehicle	5,835	(4,800)	1,035	6,289	(5,710)	579
Others	76,094	(72,982)	3,112	74,549	(67,016)	7,533
	<u>473,840</u>	<u>(140,555)</u>	<u>333,285</u>	<u>474,228</u>	<u>(132,052)</u>	<u>342,176</u>

¹ Government grants are included.

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Changes in property, plant and equipment for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016				
	Opening net book amount	Acquisitions (including capital expenditure)	Disposals	Depreciation	Closing net book amount
Land	96,203	445	-	-	96,648
Buildings	237,173	1,316	-	(7,019)	231,470
Structures	75	-	-	(3)	72
Machinery	486	565	-	(155)	896
Ships	127	-	(3)	(72)	52
Vehicles	579	726	-	(270)	1,035
Others	7,533	1,454	-	(5,966)	3,112
	<u>342,176</u>	<u>4,597</u>	<u>(3)</u>	<u>(13,485)</u>	<u>333,285</u>

<i>(in millions of Korean won)</i>	2015					
	Opening net book amount	Acquisitions (including capital expenditure)	Disposals	Depreciation	Others	Closing net book amount
Land	96,203	-	-	-	-	96,203
Buildings	243,021	1,145	-	(6,993)	-	237,173
Structures	77	-	-	(2)	-	75
Machinery	343	255	(1)	(111)	-	486
Ships	200	-	-	(73)	-	127
Vehicles	154	620	-	(195)	-	579
Others	14,057	1,354	(10)	(7,868)	-	7,533
Construction-in-progress	2,368	-	-	-	(2,368)	-
	<u>356,423</u>	<u>3,374</u>	<u>(11)</u>	<u>(15,242)</u>	<u>(2,368)</u>	<u>342,176</u>

As at December 31, 2016 and 2015, there are no other payables in relation to the acquisition of property, plant and equipment.

Depreciation expense of ₩ 13,000 million (2015: ₩ 12,865 million) was charged to 'cost of sales', ₩ 485 million (2015: ₩ 2,377 million) to 'selling and administrative expenses' for the year ended December 31, 2016.

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14. Intangible Assets

Details of intangible assets as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016			2015		
	Cost	Accumulated amortization	Book amount	Cost	Accumulated amortization	Book amount
Development costs	2,239	(1,843)	396	1,936	(1,603)	333
Industrial property rights	181	(136)	45	160	(116)	44
Membership rights	5,508	-	5,508	5,508	-	5,508
Others	3,248	(2,176)	1,072	2,696	(1,591)	1,105
	<u>11,176</u>	<u>(4,155)</u>	<u>7,021</u>	<u>10,300</u>	<u>(3,310)</u>	<u>6,990</u>

Changes in intangible assets for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016				
	Development costs	Industrial property rights	Membership rights	Others	Total
At January 1	333	44	5,508	1,105	6,990
Acquisition	303	21	-	552	876
Amortization	(240)	(20)	-	(585)	(845)
At December 31	<u>396</u>	<u>45</u>	<u>5,508</u>	<u>1,072</u>	<u>7,021</u>

(in millions of Korean won)	2015				
	Development costs	Industrial property rights	Membership rights	Others	Total
At January 1	654	43	5,508	1,158	7,363
Acquisition	24	24	-	466	514
Amortization	(345)	(23)	-	(519)	(887)
At December 31	<u>333</u>	<u>44</u>	<u>5,508</u>	<u>1,105</u>	<u>6,990</u>

Amortization of ₩ 40 million (2015: ₩ 41 million) is included in the 'cost of sales', ₩ 805 million (2015: ₩ 846 million) in the 'selling and administrative expenses' for the year ended December 31, 2016.

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15. Investment Property

Details of investment property as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016			2015		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book Value
Land	106,932	-	106,932	106,361	-	106,361
Building	179,994	(34,409)	145,585	173,728	(30,011)	143,717
	<u>286,926</u>	<u>(34,409)</u>	<u>252,517</u>	<u>280,089</u>	<u>(30,011)</u>	<u>250,078</u>

Changes in investment property for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016		
	Land	Buildings	Total
At January 1	106,361	143,717	250,078
Reclassification from finished house	571	6,266	6,837
Depreciation	-	(4,398)	(4,398)
At December 31	<u>106,932</u>	<u>145,585</u>	<u>252,517</u>

<i>(in millions of Korean won)</i>	2015		
	Land	Buildings	Total
At January 1	74,692	136,584	211,276
Acquisition	21,944	5,359	27,303
Reclassification from finished house	9,433	3,933	13,366
Reclassification from property, plant and equipment	292	2,076	2,368
Depreciation	-	(4,235)	(4,235)
At December 31	<u>106,361</u>	<u>143,717</u>	<u>250,078</u>

Rent income from investment property is ₩ 25,803 million (2015: ₩ 27,347 million), and direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income are ₩ 13,875 million (2015: ₩ 12,411 million) for the year ended December 31, 2016.

Fair value of investment property is determined by the value under public announcement, as fair value of land is ₩ 162,795 million (2015: ₩ 152,487 million) and buildings are ₩ 141,416 million (2015: ₩ 140,048 million) as at December 31, 2016.

Leasehold rights for some of investment property are secured in relation to the received leasehold deposits (Note 16).

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16. Assets Provided as Collaterals

Details of assets provided as collaterals for rental business of the Company as at December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Assets provided as collaterals	Book amount	Secured amount	Related item	Related amount	Secured party
Investment property	Land and buildings	78,118	23,078	Leasehold deposits/ Secured receivables	15,785	SHINSEGAE Co., Ltd. and others

Details of assets provided as collaterals for a guarantee related with construction contracts of the Company as at December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Assets provided as collaterals	Book amount	Secured party
Long-term investment securities	Equity investments to Construction Guarantee Cooperative	21,673	Construction Guarantee Cooperative
	Equity investments to Electronic Contractors' Financial Cooperative	50	Electronic Contractors' Financial Cooperative
	Government and municipal bonds	24,533	Korea Housing & Urban Guarantee Co., Ltd.
		<u>46,256</u>	

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Details of assets provided as collaterals for others as at December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Beneficiary	Assets provided as collaterals	Amount	Date	Secured party
Cash and cash equivalents	Pyeongtaek I-Port Co., Ltd.	Deposits	742	2010.08.19	Korea Development Bank
	Bolivia Corporation (H-B RC)	Deposits	2,000	2016.01.11	Shinhan Bank
			<u>2,742</u>		
	UNCT Co., Ltd.	Stocks	2,477	2005.12.13	Kookmin Bank
	Seoul-Chuncheon Expressway Co., Ltd.	Stocks	79,380	2006.11.24	Kookmin Bank
Long-term investments securities	Pyeongtaek I-Port Co., Ltd.	Stocks	-	2006.11.24	Korea Development Bank
	Busan-Gimhae Light Rail Transit Operation Co., Ltd.	Stocks	30,255	2006.11.28	Kookmin Bank
	BNCT Co., Ltd.	Stocks	11,481	2008.02.21	Kookmin Bank
	Masan I Port Co., Ltd.	Stocks	8,989	2008.03.05	Korea Development Bank
	Masan Marine New Town Co., Ltd.	Stocks	295	2012.12.27	KEB Hana Bank.
	Daegu Museum Service. Co., Ltd.	Stocks	-	2008.07.14	Korea Development Bank
	Kangnam Beltway	Stocks	2,070	2008.10.28	Korea Development Bank
	Welcome Edu service Co., Ltd.	Stocks	598	2008.12.05	Korea Investment Trust Management
	Bukhang I'Bridge Co., Ltd.	Stocks	69,207	2011.06.24	Korea Development Bank and others
	Dongducheon Dream Power Co., Ltd.	Stocks	41,897	2013.06.28	Kookmin Bank and others
			<u>246,649</u>		

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17. Other Payables and Liabilities

Details of other payables and other liabilities as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Other payables (current)		
Non-trade payables	253,240	204,125
Accrued expenses	2,379	2,966
Accrued dividends	72	69
Leasehold deposits	4,457	-
	<u>206,148</u>	<u>207,160</u>
Other payables (non-current)		
Leasehold deposits Long-term	32,591	43,654
Other liabilities (current)		
Financial guarantee ¹	17,977	20,595
Other liabilities (non-current)		
Long-term advance from lease contracts	1,903	2,875

¹ It's the fair value of financial guarantee contracts including payment guarantee (Note 34).

18. Borrowings

Details of short-term borrowings as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	Annual interest rate(%)	2016	2015
Creditor	December 31, 2016		
Operating loans			
Construction Guarantee Cooperative	1.40	17,285	17,285
Kookmin Bank and others	2.80~3.35	280,000	310,000
		<u>297,285</u>	<u>327,285</u>

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Details of long-term borrowings as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

Creditor	Annual interest rate(%) December 31, 2016	2016	2015
Long-term loans			
Korea Housing & Urban Guarantee Co., Ltd.	-	12,142	12,576
IPARK Sam-song Securitization Specialty Co., Ltd.	-	-	30,000
Wolbae I'PARK 2nd Co., Ltd.	-	-	100,000
Less: Current portion		(434)	(130,434)
Less: Present value discounts (excluding current portion)		(6,683)	(7,057)
		<u>5,025</u>	<u>5,085</u>

Details of debentures as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	Maturity Date	Annual interest rate(%) December 31, 2016	2016	2015
141-2 nd unsecured debenture	2017.11.27	4.35	120,000	120,000
144-2 nd unsecured debenture	2016.11.06	-	-	80,000
145 th unsecured debenture	2018.11.26	4.49	100,000	100,000
146 th unsecured debenture	2019.10.31	3.64	165,000	-
			<u>385,000</u>	<u>300,000</u>
Less: Current portion			(120,000)	(80,000)
Less: Discount on debentures (excluding current portion)			(996)	(759)
			<u>264,004</u>	<u>219,241</u>

In case the Company fails to execute contractual obligations or when certain situations occur, the Company is required to pay the outstanding balance immediately.

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19. Provisions

Changes in provision for construction warrant reserve for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	233,069	222,728
Addition and reversal	17,797	42,898
Utilization	(39,743)	(32,557)
Exchange differences	1	-
At December 31	<u>211,124</u>	<u>233,069</u>

20. Post-employment Benefits

The Company operates defined benefit plan. Present value of a defined benefit obligation and plan assets are measured by independent actuary qualified. The level of benefits provided depends on employees' length of service and their salary in the final years leading up to retirement. The majority of benefit payments are from trustee administered funds.

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	2016	2015
Present value of funded defined benefit obligations	89,676	84,364
Fair value of plan assets ¹	<u>(74,956)</u>	<u>(65,907)</u>
Net defined benefit liabilities	<u>14,720</u>	<u>18,457</u>

¹ The contributions to the National Pension Fund of ₩ 371 million are included in the fair value of plan assets as at December 31, 2016 (2015: ₩ 407 million).

The amounts recognized in the statement of comprehensive income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Current service cost	9,717	8,897
Interest expenses, net	<u>612</u>	<u>573</u>
Total expenses	<u>10,329</u>	<u>9,470</u>

The ₩ 6,629 million (2015: ₩ 5,920 million) and ₩ 3,700 million (2015: ₩ 3,551 million) were included in 'cost of sales' and 'selling and administrative expenses' for the year ended December 31, 2016, respectively.

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Changes in the defined benefit obligations for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	84,364	74,257
Current service cost	9,717	8,897
Interest expenses	1,894	1,987
Benefit payment	(7,981)	(4,849)
Remeasurements:		
Actuarial loss from change in demographic assumptions	1,934	2
Actuarial gain (loss) from change in financial assumptions	(3,261)	1,638
Actuarial gain from experience adjustments	3,009	2,432
At December 31	89,676	84,364

Changes in the fair value of plan assets for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	65,907	60,910
Interest income	1,282	1,414
Contributions of employers	13,800	7,601
Benefit payment	(5,810)	(3,929)
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	(223)	(89)
At December 31	74,956	65,907

The principal actuarial assumptions as at December 31, 2016 and 2015, are as follows:

	2016	2015
Discount rate	2.17%	2.14%
Salary growth rate	2.00%	2.40%

Plan assets as at December 31, 2016 and 2015, consist of the equity instruments, debt instrument and deposits.

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The sensitivity of the defined benefit obligations as at December 31, 2016, to changes in the principal assumptions is as follows:

<i>(in millions of Korean won)</i>	Changes in discount rate		Changes in salary growth rate	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Defined benefit obligations	(5,254)	5,930	5,886	(5,316)
Current service cost	(655)	750	748	(665)

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligations is 5.6 years.

Expected maturity analysis of pension benefits as at December 31, 2016, is as follows:

<i>(in millions of Korean won)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Pension benefits	11,155	12,358	32,446	143,795	199,754

21. Share Capital and Share Premium

The Company's total number of authorized shares is 200 million shares. Total number of ordinary shares issued is 75,384,180 shares with the par value of ₩ 5,000 per share, which leads to the amount of share capital to be ₩ 376,921 million.

As at December 31, 2016, the restricted voting ordinary shares under the Article 369 of Commercial Law is 1,800,000 shares of treasury stock.

Share premium as at December 31, 2016 and 2015, consist of the additional paid in capital in excess of par value of ₩ 157,548 million and other share premium of ₩ 21,306 million.

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22. Retained Earnings

Retained earnings as at December 31, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016	2015
Legal reserve ¹	75,539	71,859
Discretionary reserve	86,497	86,497
Unappropriated retained earnings	2,026,163	1,790,797
	<u>2,188,199</u>	<u>1,949,153</u>

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

The appropriation of retained earnings for the year ended December 31, 2016, is expected to be appropriated at the shareholders' meeting on March 24, 2017. The appropriation date for the year ended December 31, 2015, was March 25, 2016.

The appropriation of retained earnings for the years ended December 31, 2016 and 2015, is as follows:

<i>(in millions of Korean won)</i>	2016	2015
Unappropriated retained earnings carried over from prior year	1,750,325	1,623,360
Remeasurements of net defined benefit liabilities	(1,445)	(3,154)
Profit for the period	277,283	170,591
Retained earnings available for appropriation	<u>2,026,163</u>	<u>1,790,797</u>
Appropriation of retained earnings		
Legal appropriation of retained earnings	5,151	3,680
Dividends ¹	51,509	36,792
Cash dividend (%): Ordinary share:		
₩ 700 (14%) in 2016		
₩ 500 (10%) in 2015		
Unappropriated retained earnings to be carried forward	<u>1,969,503</u>	<u>1,750,325</u>

¹ The dividends paid in 2016 and 2015 were ₩ 36,792 million (₩ 500 per share) and ₩ 22,075 million (₩ 300 per share), respectively. A dividend in respect of the year ended December 31, 2016, of ₩ 700 per share, amounting to total dividends of ₩ 51,509 million, is to be proposed at the annual general meeting on March 24, 2017. These financial statements do not reflect this dividend payable.

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23. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016			2015		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain on valuation of available-for-sale financial assets	45,770	(11,076)	34,694	44,947	(10,877)	34,070
Loss on valuation of available-for-sale financial assets	(19,992)	4,838	(15,154)	(15,493)	3,749	(11,744)
Exchange differences	(465)	-	(465)	-	-	-
	<u>25,313</u>	<u>(6,238)</u>	<u>19,075</u>	<u>29,454</u>	<u>(7,128)</u>	<u>22,326</u>

24. Other Components of Equity

The Company acquired 1,800,000 of treasury shares for ₩ 83,830 million at fair value to stabilize the market conditions and increase the shareholders' value. This is recorded as other components of equity.

25. Expenses by Nature

Expenses by nature for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Changes in inventories	193,138	460,791
Land, raw materials and consumables used	738,122	600,391
Employee benefit expenses ¹	150,668	140,568
Depreciation and amortization	18,728	20,364
Commission expenses	396,737	279,896
Advertising expenses	13,857	12,314
Outsourcing expenses	1,389,130	1,310,075
Taxes and dues	46,949	43,325
Impairment loss	20,485	87,331
Rental expense	22,988	22,987
Insurance	28,666	25,289
Other	80,880	50,624
	<u>3,100,348</u>	<u>3,053,955</u>

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¹ Employee benefit expenses for the years ended December 31, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016	2015
Wages and salaries	136,072	128,449
Post-employment benefits	14,596	12,119
	<u>150,668</u>	<u>140,568</u>

26. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Salaries	56,875	49,398
Post-employment benefits	8,649	6,198
Employee benefits	8,429	7,094
Taxes and dues	11,348	10,556
Commission expense	86,036	60,814
Rental expense	5,812	6,427
Depreciation	485	2,377
Insurance premium	2,629	2,353
Advertising expense	13,857	12,314
Impairment loss	20,485	87,331
Others	12,295	10,361
	<u>226,900</u>	<u>255,223</u>

27. Non-operating Income

Non-operating income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Dividend income	9,301	5,474
Rental income	532	310
Gain on disposal of investments	1,672	18,840
Gains from liabilities exempted	-	2,483
Others	17,957	10,414
	<u>29,462</u>	<u>37,521</u>

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28. Non-operating Expenses

Non-operating expenses for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Donations and contributions	4,770	23,925
Impairment loss on long-term investment securities	27,424	29,825
Impairment loss on investment in subsidiaries	20,895	24,860
Others	19,308	18,073
	<u>72,397</u>	<u>96,683</u>

29. Finance Income

Finance income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Interest income	29,295	26,553
Gain on foreign currency transactions	8	64
Gain on foreign currency translation	1,365	2,669
	<u>30,668</u>	<u>29,286</u>

30. Finance Costs

Finance costs for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Interest expense	18,623	32,212
Loss on foreign currency transactions	2	4
Loss on foreign currency translation	-	1
	<u>18,625</u>	<u>32,217</u>

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31. Income Taxes

Income tax expenses for the years ended December 31, 2016 and 2015, consist of:

<i>(in millions of Korean won)</i>	2016	2015
Current tax		
Current tax on profits for the year	103,373	42,147
Deferred tax		
Origination and reversal of temporary differences	(4,642)	18,245
Income tax expense	98,731	60,392

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits of the Company as follows:

<i>(in millions of Korean won)</i>	2016	2015
Profit before tax	376,014	230,983
Tax at domestic tax rates applicable to profits in the respective countries	90,533	55,435
Tax effects of:		
Income not subject to tax	(861)	(1,510)
Expenses not deductible for tax purposes	950	1,345
Effect from unrealized deferred income taxes	5,056	6,016
Others	3,053	(894)
Income tax expense	98,731	60,392

The analysis of deferred tax assets and deferred tax liabilities as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	116,190	112,300
Deferred tax asset to be recovered within 12 months	46,470	46,914
	162,660	159,214
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	(43,033)	(43,025)
Deferred tax liability to be recovered within 12 months	(18,470)	(21,025)
	(61,503)	(64,050)
Deferred tax assets, net	101,157	95,164

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The gross movement in deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Beginning balance	95,164	107,997
Tax charged to the statement of profit or loss	4,642	(18,245)
Tax charge relating to components of other comprehensive income	1,351	5,412
Ending balance	<u>101,157</u>	<u>95,164</u>

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The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(in millions of Korean won)

	2016			
	January 1,	Statement of	Other	December 31,
		profit or loss	comprehensive	
			income	
Deferred tax liabilities				
Plan assets	(15,851)	(225)	54	(16,022)
Gain on valuation of available-for-sale financial assets	(7,129)	-	890	(6,239)
Accrued interest income	(3,163)	240	-	(2,923)
Present value discount account	(1,711)	90	-	(1,621)
Guarantee deposits (prepaid expenses)	(14,948)	1,608	-	(13,340)
Investments in subsidiaries, associates and joint venture	(16,261)	78	-	(16,183)
Capitalization of inventory	(962)	(100)	-	(1,062)
Others	(4,026)	(87)	-	(4,113)
	<u>(64,051)</u>	<u>1,604</u>	<u>944</u>	<u>(61,503)</u>
Deferred tax assets				
Provision for impairment	48,538	4,024	-	52,562
Provision for construction warranty (reversal)	56,401	(5,311)	-	51,090
Losses on valuation of investment securities	19,442	6,636	-	26,078
Provision for post-employment obligations	16,972	892	407	18,271
Provision for construction loss (reversal)	2,101	(567)	-	1,534
Guarantee deposits (present value discount)	8,215	(1,767)	-	6,448
Inventory write-down	1,661	(580)	-	1,081
Others	5,885	(289)	-	5,596
	<u>159,215</u>	<u>3,038</u>	<u>407</u>	<u>162,660</u>
	<u>95,164</u>	<u>4,642</u>	<u>1,351</u>	<u>101,157</u>

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(in millions of Korean won)

	2015			
	January 1,	Statement of profit or loss	Other comprehensive income	December 31,
Deferred tax liabilities				
Plan assets	(13,965)	(1,908)	22	(15,851)
Gain on valuation of available- for-sale financial assets	(11,534)	-	4,405	(7,129)
Accrued interest income	(3,093)	(70)	-	(3,163)
Present value discount account	(4,125)	2,414	-	(1,711)
Guarantee deposits (prepaid expenses)	(13,331)	(1,617)	-	(14,948)
Investments in subsidiaries, associates and joint venture	(16,261)	-	-	(16,261)
Capitalization of inventory	(1,245)	283	-	(962)
Others	(3,905)	(121)	-	(4,026)
	<u>(67,459)</u>	<u>(1,019)</u>	<u>4,427</u>	<u>(64,051)</u>
Deferred tax assets				
Provision for impairment	29,316	19,222	-	48,538
Provision for construction warranty	53,899	2,502	-	56,401
Losses on valuation of investment securities	28,110	(8,668)	-	19,442
Provision for post-employment obligations	14,618	1,369	985	16,972
Provision for construction loss (reversal)	18,740	(16,639)	-	2,101
Guarantee deposits (present value discount)	7,575	640	-	8,215
Inventory write-down	2,840	(1,179)	-	1,661
Accumulated deficit	15,064	(15,064)	-	-
Others	5,294	591	-	5,885
	<u>175,456</u>	<u>(17,226)</u>	<u>985</u>	<u>159,215</u>
	<u>107,997</u>	<u>(18,245)</u>	<u>5,412</u>	<u>95,164</u>

Deferred tax expected to reverse after December 31, 2016, has been measured using the effective rate 24.2% that will apply for future periods.

Deferred tax assets amounting to ₩ 47,194 million were not recognized for the temporary differences resulting from investments in subsidiary, associates and joint ventures, since the disposal of equity and dividend distribution are uncertain.

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The tax effect relating to components of other comprehensive income (expenses) for the years December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016		
	Before tax	Tax effect	After tax
Gain on valuation of available-for-sale financial assets	(45,770)	11,076	(34,694)
Loss on valuation of available-for-sale financial assets	19,992	(4,838)	15,154
Actuarial loss (gain) on retirement benefit obligation	4,847	(1,173)	3,674
	<u>(20,931)</u>	<u>5,065</u>	<u>(15,866)</u>

(in millions of Korean won)

	2015		
	Before tax	Tax effect	After tax
Gain on valuation of available-for-sale financial assets	(44,947)	10,877	(34,070)
Loss on valuation of available-for-sale financial assets	15,493	(3,750)	11,743
Actuarial loss (gain) on retirement benefit obligation	2,942	(712)	2,230
	<u>(26,512)</u>	<u>6,415</u>	<u>(20,097)</u>

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32. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year excluding treasury shares (Note 24).

Basic earnings per ordinary share for the years ended December 31, 2016 and 2015, are as follows:

<i>(in Korean won, except share)</i>	2016	2015
Profit attributable to ordinary shareholders	277,282,840,946	170,590,538,790
Weighted average number of ordinary shares in issue ¹	73,584,180 shares	73,584,180 shares
Basic earnings per share	3,768	2,318

¹ Weighted average number of ordinary shares issued

There were no changes in the weighted average number of ordinary shares issued, 73,584,180 shares, for the years ended December 31, 2016 and 2015.

The Company did not issue potential ordinary shares. Therefore, basic earnings per share is identical to diluted earnings per share.

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33. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Profit before income tax	376,014	230,983
Adjustments for		
Interest expenses	18,623	32,212
Borrowing costs	9,614	14,362
Loss on foreign currency translation	-	1
Post-employment benefits	10,329	9,470
Inventories write-down	(2,398)	(8,335)
Depreciation	17,883	19,477
Amortization	845	887
Gain on disposal of investments	-	(18,840)
Impairment loss on long-term investment securities	27,424	29,825
Impairment loss on investments in subsidiaries	20,895	24,860
Impairment loss	20,485	87,331
Provision for construction warranty	17,797	42,898
Interest income	(29,295)	(26,553)
Dividends income	(9,301)	(5,474)
Gain on foreign currency translation	(1,365)	(2,669)
Gain on exemption of debts	-	(2,483)
Others	(820)	(51)
Change in operating assets and liabilities:		
Decrease in trade receivables	56,890	63,350
Decrease in other receivables(current)	51,718	188,678
Increase in advance payments	(142,166)	(142,716)
Decrease in prepaid expenses	35,664	33,550
Decrease in inventories	319,651	577,993
Increase in other receivables(non-current)	(27,968)	(142,384)
Increase (decrease) in trade payables	(54,177)	10,508
Increase (decrease) in other payables(current)	42,509	(32,402)
Increase in advances from customers	138,491	1,150
Increase in withholdings	7,048	10,468
Payment of defined benefit liability	(2,171)	(920)
Contribution to plan assets	(13,800)	(7,601)
Decrease in provision for construction warranty	(39,743)	(32,557)
Increase (decrease) in other payables(non-current)	(972)	1,447
Cash generated from operations	847,704	956,465

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Significant non-cash transactions for the years ended December 31, 2016 and 2015 are as follows:

<i>(in millions of Korean won)</i>	2016	2015
Transfer of inventory to investment property	6,837	13,366
Transfer of property, plant and equipment to investment property	-	2,368
Transfer of advance payments to land	135,761	116,485
Transfer of other current assets to guarantee deposits	-	4,400
Transfer of guarantee deposits to other receivables(current)	8,455	-
Transfer of long-term investment securities to current portion of long-term investment securities	5,762	1,660
Transfer of long-term borrowings to current portion of long-term borrowings	434	130,867
Transfer of debentures to current portion of long-term liabilities	120,000	80,000

34. Commitments and Contingencies

Six blank checks or notes receivable are pledged as collaterals in relation to the Company's agreements with Daegu Museum Service Co., Ltd. and Korea Development Bank.

	Provider	Numbers	Contents
Commercial note	Daegu Museum Service. Co., Ltd.	2	Blank notes
Check	Korea Development Bank	4	Blank checks

The Company obtained guarantees of performing construction contracts from Korea Housing & Urban Guarantee Co., Ltd. and others amounting to ₩ 6,371,549 million, and provides its investment securities of Construction Guarantee and Electric Contractors' Financial Cooperative as collateral (Note 16).

The Company provided distribution guarantees included performing construction contracts amounting to ₩ 2,213,601 million to Hana Asset Trust Co., Ltd. and others. Meanwhile, in relation to construction performance guarantees, the Company provided guarantees of up to ₩ 27,244 million for the joint projects with Lotte Construction Co., Ltd. and others.

Further, as at December 31, 2016, the Company provided payment guarantees to Project Financing (PF) loans of developers in relation to the construction agreements amounting to ₩ 330,460 million. The Company provided payment guarantees to PF loans of the urban renewal associations amounting to ₩ 802,190 million.

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Top ten largest outstanding balances of PF borrowings guaranteed by the Company as at December 31, 2016, are as follows:

(in millions of Korean won)

Geographical segments	Types of financial instruments	Total borrowings	Outstanding balances	Guarantee of	Periods	Type
Seoul	Bank	154,800	154,800	Debt	2015.09~2019.11	Other PF Loan
Kyeonggi	Bank	225,000	123,500	Debt	2015.04~2019.01	Other PF Loan
Seoul	Bank	96,700	96,700	Debt	2016.04~2019.03	Other PF Loan
Kyeonggi	Bank	142,000	94,600	Debt	2014.12~2018.08	Other PF Loan
Seoul	Bank	82,220	82,220	Debt	2015.12~2019.04	Other PF Loan
Seoul	Bank	71,500	71,500	Debt	2015.12~2018.12	Other PF Loan
Seoul	Bank	72,760	61,857	Debt	2015.04~2018.11	Other PF Loan
Changwon	Bank	53,395	53,395	Debt	2014.08~2017.08	Other PF Loan
Seoul	Bank	50,000	36,100	Debt	2015.08~2018.03	Other PF Loan
Busan	Bank	33,121	33,121	Debt	2015.09~2019.07	Other PF Loan

As at December 31, 2016, the Company has entered into fund supplemental commitments and conditional debt take-over commitments with Namyangju Jingeon I'Park 1st Co., Ltd. and others, for developers and SOC companies, to the limits of ₩ 841,066 million. The Company provided the purchasers with guarantees for financial institutions in relation with funds of purchasing houses for up to ₩ 890,419 million on basis of the loan balance.

The Company recognized fair value of above finance guarantee contracts amounting to ₩ 17,977 million (2015: ₩ 20,595 million) as at December 31, 2016, as other current liabilities (Note 17).

Commitments contracted with financial institutions as at December 31, 2016, are as follows:

(In millions of Korean won Thousands of US dollars)	Financial institutions	Credit limits	Outstanding balances
Operating capital loans ¹	Korea Development Bank, etc	KRW 496,427	KRW 309,427
B2B payment note	KEB Hana Bank Co., Ltd., etc	KRW 120,000	KRW 21,876
L/C(Sight,Usance) ¹	KEB Hana Bank Co., Ltd.	USD 22,500	USD -
L/C(Sight,Usance)	Woori Bank Co., Ltd.	USD 6,000	USD -
Foreign guarantee of Korean won ¹	KEB Hana Bank Co., Ltd., etc	KRW 55,000	KRW 33,679
Foreign guarantee of foreign currency ¹	KEB Hana Bank Co., Ltd., etc	KRW 31,094	KRW 17,197

¹ The Company entered into a comprehensive loan agreements with a limit of ₩ 50,000 million with KEB Hana Bank. Foreign guarantee of Korean won limit of ₩ 10,000 million, foreign guarantee of foreign currency limit of ₩ 15,106 million, L/C limit of \$ 22,500 thousand are included in the limit of comprehensive loan agreements.

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In connection with a project for A1 Jubail-Riyadh Line "C" in Saudi Arabia, the Company filed a suit with the Grievance Board in Saudi Arabia against Saline Water Conversion Corporation (S.W.C.C.) for indemnity of construction losses in the amount of USD 85,124,233, based on the assumption that the delays were caused by S.W.C.C. The final outcome of case cannot yet be determined as at December 31, 2016, but the Company recognized provision for impairment amount of ₩ 24,295 million on the assets amount to ₩ 45,061 million associated with the case.

As at December 31, 2016, the Company faces 56 legal cases including Munhwa Broadcasting Corporation as the plaintiff and 85 legal cases including Mandeok Reconstruction Combination as the defendant involving an aggregate amount of ₩ 332,036 million. The final outcome of these cases cannot yet be determined as at the reporting date. Accordingly, no provision for potential losses arising from the claims against the Company is reflected in the accompanying financial statements.

35. Related Party Transactions

Details of subsidiaries and associates are as follows:

Type of related parties	Name of entity
Subsidiaries	Hyundai EP Co., Ltd., I-Service Co., Ltd. I & Cons Co., Ltd., Hyundai I-Park Mall Co., Ltd. I-Park Sports Co., Ltd., Hotel I-Park Co., Ltd. Young Chang Co., Ltd., YoungChang Tianjin Inc. YoungChang Ganggeum Jugun Tianjin Inc. Hyundai Precast Concrete Engineering Co., Ltd. AND Music Crop. Hyundai(Sanhe) Engineering Plastics Co., Ltd.(HEP SANHE), Hyundai Engineering Plastics India Private Limited., Guangdong Hyundai Engineering Plastics Co., Ltd., Hyundai (Yangcheng) Engineering Plastics Co., Ltd., Hyundai (Chongqing) Engineering Plastics Co., Ltd., HYUNDAI-BYUKSAN JV, HDC INDIA PRIVATE Ltd., HYUNDAI DVP S.R.L.
Associates	Samyang Foods Co., Ltd., Hyundai Futures Co., Ltd., I-CIUS Co., Ltd.
Joint venture	HDC Shilla Duty Free Co., Ltd.
Others	HDC Asset Management Co., Ltd., Tong-Yeong ECO Power Co., Ltd., I-Controls Vietnam Co., Ltd., I-Controls Co., Ltd.

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Sales and purchases with related parties for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016				
	Sales and others			Purchase and others	
	Sales	Dividend income	Others	Purchase	Rental
Subsidiaries					
Hyundai EP Co., Ltd.	391	1,918	703	-	-
I-Service Co., Ltd.	513	1,000	149	55,876	-
I & Cons Co., Ltd.	40,906	1,789	347	60	-
Hyundai I-Park Mall Co., Ltd.	30,887	-	213	22,376	11,679
I-Park Sports Co., Ltd.	-	-	155	6,586	-
Hotel I-park Co., Ltd.	1,280	-	30	49,803	-
Young Chang Co., Ltd.	672	-	203	13,458	-
Hyundai Precast Concrete Engineering Co., Ltd.	-	-	15	23,129	-
HYUNDAI DVP S.R.L.	-	-	17	-	-
Hyundai (Chongqing) Engineering Plastics Co., Ltd.	-	-	32	-	-
Associates					
Samyang Foods Co., Ltd.	-	67	-	-	-
Joint venture					
HDC Shilla Duty Free Co., Ltd.	25,100	-	7	-	-
Others					
I-Controls Co., Ltd.	268	-	-	101,090	-
	<u>100,017</u>	<u>4,774</u>	<u>1,871</u>	<u>272,378</u>	<u>11,679</u>

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(in millions of Korean won)	2015					
	Sales and others			Purchase and others		
	Sales	Dividend income	Others	Purchase	Rental	Purchase of Property, plant and equipment
Subsidiaries						
Hyundai EP Co., Ltd.	366	1,476	634	-	-	-
I-Service Co., Ltd.	482	1,000	245	59,231	-	-
I & Cons Co., Ltd.	70,709	1,789	367	156	-	-
Hyundai I-Park Mall Co., Ltd.	6,202	-	289	19,036	11,487	-
I-Park Sports Co., Ltd.	-	-	200	6,001	-	-
Hotel I-park Co., Ltd.	1,262	-	32	49,189	-	-
Young Chang Co., Ltd.	416	-	1,228	632	8	24,739
Hyundai Precast Concrete Engineering Co., Ltd.	-	-	4	17,730	-	-
Associates						
Samyang Foods Co., Ltd.	-	133	-	-	-	-
Joint venture						
HDC Shilla Duty Free Co., Ltd.	22,553	-	-	-	-	-
Others						
I-Controls Co., Ltd.	201	-	86	113,151	-	-
	<u>102,191</u>	<u>4,398</u>	<u>3,085</u>	<u>265,126</u>	<u>11,495</u>	<u>24,739</u>

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Outstanding balances arising from sales/purchases of goods and services as at December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016				
	Receivables			Payables	
	Trade receivables	Short-term loans	Other receivables (deposits and others)	Trade payables	Other payables (withholdings)
Subsidiaries					
Hyundai EP Co., Ltd.	8	-	-	-	400
I-Service Co., Ltd.	1	-	-	15,213	587
I & Cons Co., Ltd.	5,601	-	-	5,634	100
Hyundai I-Park Mall Co., Ltd.	15,835	-	36,165	7,337	-
I-Park Sports Co., Ltd.	-	-	2,263	-	-
Hotel I-park Co., Ltd.	-	-	2,513	402	-
Young Chang Co., Ltd.	-	4,600	76	2,806	560
Hyundai Precast Concrete Engineering Co., Ltd.	-	-	-	2,300	-
HYUNDAI DVP S.R.L	-	1,000	17	-	-
Joint venture					
HDC Shilla Duty Free Co., Ltd.	1,176	-	-	-	-
Others					
I-Controls Co., Ltd.	1	-	-	21,234	-
	<u>22,622</u>	<u>5,600</u>	<u>41,034</u>	<u>54,926</u>	<u>1,647</u>

As at December 31, 2016, there is no outstanding balance of provision for impairment and impairment loss on receivables from related parties.

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(in millions of Korean won)	2015				
	Receivables			Payables	
	Trade receivables	Short-term loans	Other receivables (deposits and others)	Trade payables	Other payables (withholdings)
Subsidiaries					
Hyundai EP Co., Ltd.	-	-	-	-	400
I-Service Co., Ltd.	-	-	1	4,985	4,137
I & Cons Co., Ltd.	-	-	-	10,851	100
Hyundai I-Park Mall Co., Ltd.	-	-	36,127	4,692	2,365
I-Park Sports Co., Ltd.	-	-	2,849	15	27
Hotel I-park Co., Ltd.	-	-	2,655	291	267
Young Chang Co., Ltd.	-	4,600	72	414	587
Hyundai Precast Concrete Engineering Co., Ltd.	-	-	-	-	252
Joint venture					
HDC Shilla Duty Free Co., Ltd.	24,328	-	-	-	-
Others					
I-Controls Co., Ltd.	1	-	-	24,081	-
	<u>24,329</u>	<u>4,600</u>	<u>41,704</u>	<u>45,329</u>	<u>8,135</u>

As at December 31, 2015, there is no outstanding balance of provision for impairment and impairment loss on receivables from related parties.

Meanwhile, as at December 31, 2015, the Company accounted for ₩ 4,015 million in the beneficiary certificates as short-term investment securities.

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Fund transactions with related parties for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

Subsidiaries	Account	2016			
		Beginning balance	Increase	Decrease	Ending balance
Young Chang Co., Ltd.	Short-term loans	4,600	-	-	4,600
HYUNDAI DVP S.R.L.	Short-term loans	-	1,000	-	1,000

(in millions of Korean won)

Subsidiaries	Account	2015			
		Beginning balance	Increase	Decrease	Ending balance
Young Chang Co., Ltd.	Short-term loans	4,900	-	(4,900)	-
	Short-term loans	7,600	-	(3,000)	4,600
	Short-term and long-term investment securities	28,646	-	(28,646)	-
I & Cons Co., Ltd.	Short-term loans	4,500	-	(4,500)	-

The details of loans provided to management and employees as at December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

Details		2016	2015
Long-term loans	Financing and others	-	1
Receivables from real-estate sales	Other receivables of Seorak-Condominium membership	-	1
		<u>-</u>	<u>2</u>

Compensation for key management for the years ended December 31, 2016 and 2015 consists of:

(in millions of Korean won)

	2016	2015
Short-term salaries	2,626	1,945
Post-employment benefits	<u>1,230</u>	<u>1,124</u>
	<u>3,856</u>	<u>3,069</u>

Key management refers to the directors who have significant control and responsibilities on the Company's operations and business.

As at December 31, 2016, the Company provided guarantees for the construction in relation to I & Cons Co., Ltd., a subsidiary, amounting to ₩ 136,090 million. Further, as at December 31, 2016, the Company provided contract performance guarantees and advance payment guarantees for HYUNDAI-BYUKSAN JV, subsidiary of the Company, with limits of ₩ 3,621 million and ₩ 10,347 million, respectively.

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The details of fund supplemental commitments and conditional debt take-over commitments as at December 31, 2016, are as follows:

(in millions of Korean won)

Subsidiaries	Details	2016	Period
Hyundai I-Park Mall Co., Ltd.	Dream Park 1 st Securitization Specialty Co., Ltd.	40,000	
	Dream Park 2 nd Securitization Specialty Co., Ltd.	60,000	2012.10.29 ~ 2017.10.29
	MS 1 st Co., Ltd.	50,000	
	Malling Park 1 st Co., Ltd.	10,000	2016.07.20 ~ 2017.07.19
I & Cons Co., Ltd.	Namyangju Jingeon I'Park 1 st Co., Ltd.	50,000	2015.12.10 ~ 2018.03.15

As at December 31, 2016, the Company's subsidiaries and other related parties owns the debt securities amounting to ₩ 74,415 million which were issued by developers and the Company provides fund supplemental commitments and conditional debt take-over commitments for them.

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36. Details of Major Construction and Housing Contracts

Details of major construction as at and for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016				
	Contract revenue	Adjustment	Adjusted contract revenue	Cumulative construction revenue	Construction revenue in the period
Garaksiyoung Reconstruction Cooperative	575,615	-	575,615	116,091	98,862
Gwang-gyo IPARK-C3BL	348,693	17,434	366,127	85,957	76,153
New Busan Port 2-4 for Container	-	316,317	316,317	34,578	34,578
Ilsan District 3 IPARK	-	313,645	313,645	72,676	72,676
Mudeungsan IPARK	240,114	7,524	247,638	225,958	138,777
Masan Maritime New city	245,135	-	245,135	169,232	26,105
Nam-Gajwa 1 st Reconstruction Cooperative	-	237,555	237,555	27,890	27,890
Guri Galmae IPARK	236,594	-	236,594	81,703	76,360
Geoje Mundong IPARK	228,012	-	228,012	48,512	42,990
Sinsu 1 st Reconstruction Cooperative	-	221,933	221,933	25,111	25,111
	1,874,163	1,114,408	2,988,571	887,708	619,502

(in millions of Korean won)

	2016				
	Cumulative cash collections	Due from customers	Due to customers	Cumulative billings	Progress billings
Garaksiyoung Reconstruction Cooperative	217,959	-	101,868	217,959	120,677
Gwang-gyo IPARK-C3BL	113,511	-	27,554	113,511	61,614
New Busan Port 2-4 for Container	36,403	3,806	5,631	40,209	40,209
Ilsan District3 IPARK	73,150	-	474	73,150	73,150
Mudeungsan IPARK	170,556	55,402	-	170,556	72,215
Masan Maritime New city	146,813	22,419	-	146,813	15,250
Nam-Gajwa Reconstruction Cooperative	48,366	234	20,710	48,600	48,600
Guri Galmae IPARK	109,723	-	28,021	109,723	92,424
Geoje Mundong IPARK	23,863	24,649	-	23,863	21,137
Sinsu 1 st Reconstruction Cooperative	41,650	-	16,539	41,650	41,650
	981,994	106,510	200,797	986,034	586,926

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(in millions of Korean won)

			2015		
	Contract revenue	Adjustment	Adjusted contract revenue	Cumulative construction revenue	Construction revenue in the period
Garaksiyoung Reconstruction Cooperative	-	575,615	575,615	17,229	17,229
Dongducheon LNG Combined cycle unit 1and 2	407,154	-	407,154	407,154	10,217
Busan myeongnyun District 2	378,461	84	378,545	378,545	174,209
Gwang-gyo I'PARK-C3BL	-	348,693	348,693	9,805	9,805
Masan Maritime New city	237,091	8,044	245,135	143,127	22,977
Mudeungsan IPARK	240,114	-	240,114	87,181	71,938
Guri Galmae IPARK	-	236,594	236,594	5,343	5,343
Geoje Mundong IPARK	-	228,012	228,012	5,522	5,522
GaJaeWool District 4	222,950	900	223,850	223,850	96,042
Changwon Yongji IPARK	-	212,209	212,209	60,339	60,339
	<u>1,485,770</u>	<u>1,610,151</u>	<u>3,095,921</u>	<u>1,338,095</u>	<u>473,621</u>

(in millions of Korean won)

	2015				
	Cumulative cash collections	Due from customers	Due to customers	Cumulative billings	Progress billings
Garaksiyoung Reconstruction Cooperative	97,282	-	80,054	97,282	97,282
Dongducheon LNG Combined cycle unit 1and 2	407,154	-	-	407,154	24,882
Busan myeongnyun District 2	332,487	46,058	-	378,545	209,563
Gwang-gyo I'PARK-C3BL	51,897	-	42,092	51,897	51,897
Masan Maritime New city	124,576	18,551	-	131,563	15,904
Mudeungsan IPARK	98,341	-	11,160	98,341	42,340
Guri Galmae IPARK	17,299	-	11,956	17,299	17,299
Geoje Mundong IPARK	2,726	2,796	-	2,726	2,726
GaJaeWool District 4	223,768	82	-	223,768	42,946
Changwon Yongji IPARK	90,363	-	30,024	90,363	84,451
	<u>1,445,893</u>	<u>67,487</u>	<u>175,286</u>	<u>1,498,938</u>	<u>589,290</u>

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Details of housing contracts as at and for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016				
	Housing contract revenue	Cumulative housing revenue	Housing revenue in the period	Cumulative cash collections	Gross amount due from (to) customers for housing contract
Daegu Suseog IPARK	122,200	122,200	76,839	118,527	3,672
Daegu Wolbae 2 nd Block	530,025	530,025	167,324	529,684	341
Suwon IPARK CITY C 7th Block	520,088	520,088	233,240	516,148	3,941
Yongin Seoecheon 2 nd IPARK	89,241	89,241	9,834	89,241	-
Sejong Major City	225,762	189,460	117,259	132,856	56,603
Suwon IPARK CITY E1,E2 BL	215,100	101,498	68,935	99,436	2,063
Sokcho Chungho IPARK	171,226	61,097	55,161	69,113	(8,016)
Gimpo Hangang NewTown (Ab-03BL)	414,603	135,800	135,413	91,866	43,934
Gimpo Sawo	452,054	124,980	120,930	120,898	4,082
Pyeongtaek Vision IPARK	184,245	55,043	55,043	51,280	3,763
Cheounju Gakyeong IPARK	252,811	10,985	10,985	9,061	1,924
Suwon Youngtong IPARK Castle 1BL	442,477	12,602	12,602	10,832	1,770
	3,619,832	1,953,019	1,063,565	1,838,942	114,077

(in millions of Korean won)

	2015				
	Housing contract revenue	Cumulative housing revenue	Housing revenue in the period	Cumulative cash collections	Gross amount due from (to) customers for housing contract
Daegu Suseong IPARK	121,101	45,361	45,361	36,608	8,753
Daegu Wolbae 2 nd Block	518,222	362,701	203,090	321,659	41,042
Suwon IPARK CITY C 7th Block	516,647	286,848	219,665	273,757	13,091
Yongin Seoecheon 2 nd IPARK	89,241	79,406	58,574	56,634	22,773
Sejong Major City	219,356	72,200	72,200	65,309	6,892
Suwon IPARK CITY E1,E2 BL	215,100	32,563	32,563	30,163	2,400
Sokcho Chungho I'PARK	171,226	5,936	5,936	17,216	(11,280)
Gimpo Hangang NewTown (Ab-03BL)	414,603	389	389	1,453	(1,065)
Gimpo Sawo	452,054	4,050	4,050	15,244	(11,194)
Daegu Wolbae 1 st Block	299,058	299,058	25,330	298,599	459
Suwon IPark City C 5,6th Block	387,124	386,574	173,954	382,240	4,334
Goyang Samsung 2nd IPARK	412,917	412,917	174,677	411,536	1,380
	3,816,649	1,988,003	1,015,789	1,910,418	77,585

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37. Details of Joint Construction Contracts

Details of joint construction contracts as at and for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)

	2016			
	Total contract revenue ¹	Share of contract price ²	Percentage of share(%)	Lead contractor
New Busan Port 2-4 for Container	753,837	316,317	72.73%	The Company
Masan Maritime New city	337,060	245,135	80.00%	The Company
Incheon International Airport Terminal 2 connecting railway construction	363,333	174,130	47.00%	The Company
Gannam Beltway Zone No.7-1 , Nakseongdae-Sadang IC widening construction	1,190,574	124,947	11.50%	Doosan E&C
Highway Line Seongnam-Janghowon (Zone No. 1)	219,806	110,945	55.50%	The Company
Highway Line No.65, Samcheok-Donghae (Zone No. 2)	139,862	108,102	85.00%	The Company
Highway Line No.32, Asan-Cheonan (Zone No. 5)	147,787	107,482	80.00%	The Company
Ulsan-Pohang Double Track Rail Zone No. 3 Roadbed	178,616	105,546	65.00%	The Company
Metropolitan Railway No.4, Susoe - Pyeongtaek	187,205	103,951	61.08%	The Company
Highway Line No.32, Asan-Cheonan (Zone No. 4)	136,109	98,988	80.00%	The Company
Dodam-Youngcheon DoubleTrack Railway District 4 new roadbed Construction	4,261,342	1,554,098		
	<u>7,915,531</u>	<u>3,049,641</u>		

¹ Value-added-tax included

² Value-added-tax excluded

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(in millions of Korean won)

	2015			
	Total contract revenue ¹	Share of contract price ²	Percentage of share(%)	Lead contractor
Dongducheon LNG Combined cycle unit 1 and 2	1,444,740	407,154	31.00%	Samsung C&T
Masan Maritime New city	337,060	245,135	80.00%	The Company
Incheon International Airport Terminal 2 connecting railway construction	376,692	180,429	47.00%	The Company
Gannam Beltway Zone No.7-1 , Nakseongdae-Sadang IC widening construction	1,231,041	128,700	11.50%	Doosan E&C
Highway Line Seongnam-Janghowon (Zone No. 1)	219,600	110,945	55.50%	The Company
Highway Line No.65, Samcheok-Donghae (Zone No. 2)	137,798	106,480	85.00%	The Company
Ulsan-Pohang Double Track Rail Zone No. 3 Roadbed	177,398	104,826	65.00%	The Company
Metropolitan Railway No.4, Susoe - Pyeongtaek	187,155	103,915	61.08%	The Company
Dodam-Youngcheon DoubleTrack	135,410	98,507	80.00%	The Company
Seoul Metropolitan subway (Zone No.916 Line No. 9)	159,748	98,364	61.55%	The Company
Highway road Line 12 Damyang-Seongsan expansion construction(District 9) and others	4,314,247	1,625,123		
	<u>8,720,889</u>	<u>3,209,578</u>		

¹ Value-added-tax included

² Value-added-tax excluded

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38. Segment Information

Management has determined the operating segments based on the internal reporting provided to and reviewed by the chief operating decision-maker for the purposes of allocating resources and assessing performance. The management has determined the reporting segment by combining the operating segment that has similar economic nature.

The segment information for the years ended December 31, 2016 and 2015, are as follows:

(in millions of Korean won)	2016		
	Revenue ¹	Operating profit (loss)	Assets
General construction	232,448	(1,428)	287,500
Civil engineering	362,731	4,872	397,246
Construction contract	1,529,528	144,712	1,672,028
Housing contract	1,231,725	254,679	1,805,533
	3,356,432	402,835	4,162,307
Others ²	150,822	4,071	626,720
	3,507,254	406,906	4,789,027

(in millions of Korean won)	2015		
	Revenue ¹	Operating profit (loss)	Assets
General construction	297,139	5,792	244,543
Civil engineering	404,257	(13,966)	413,068
Construction contract	1,157,016	100,404	1,355,794
Housing contract	1,325,118	176,573	1,854,168
	3,183,530	268,803	3,867,573
Others ²	163,503	24,273	617,135
	3,347,033	293,076	4,484,708

¹ Most of revenue of each segment is incurred from domestic operating activities.

² Others include operating segments that do not satisfy the criteria of reporting segment and developments that support the operating segments.

There is no external customer who contributes more than 10% of the Company's revenue for the years ended December 31, 2016 and 2015.

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39. Construction Contracts

Changes in the remaining balance of construction contracts for the year ended December 31, 2016, are as follows

<i>(in millions of Korean won)</i>	Beginning balance	New contracts	Current revenue¹	Ending balance
Construction	14,382,371	2,478,504	2,124,750	14,736,125
Housing	2,103,048	1,020,110	1,265,899	1,857,259
	<u>16,485,419</u>	<u>3,498,614</u>	<u>3,390,649</u>	<u>16,593,384</u>

¹ Presented before deduction of discounts

Details of cumulative profits generated from the construction and housing contracts as at December 31, 2016, are as follows:

<i>(in millions of Korean won)</i>	Accumulated contract revenue	Accumulated contract cost	Accumulated profit or loss	Advance received
Construction	3,299,284	2,958,575	340,709	387,413
Housing Contracts	<u>691,465</u>	<u>493,326</u>	<u>198,139</u>	<u>8,016</u>
	<u>3,990,749</u>	<u>3,451,901</u>	<u>538,848</u>	<u>395,429</u>

Changes in provisions of loss on construction for the years ended December 31, 2016 and 2015, are as follows:

<i>(in millions of Korean won)</i>	2016	2015
At January 1	8,682	77,438
Addition	858	2,015
Reversal	<u>(3,196)</u>	<u>(70,771)</u>
At December 31	<u>6,344</u>	<u>8,682</u>

Provisions of loss on construction are included in unbilled or overbilled construction amount and recorded as trade receivables or advance payments in the statement of financial position.

Details of unbilled and overbilled amounts related to construction as at December 31, 2016 and 2015, are as follows:

<i>(In millions of Korean won)</i>	2016		2015	
	Due from customers¹	Due to customers	Due from customers¹	Due to customers
Construction contract	190,195	374,599	26,538	248,157
General construction	28,821	10,734	28,560	12,996
Civil engineering	<u>41,881</u>	<u>46,435</u>	<u>42,281</u>	<u>29,488</u>
	<u>260,897</u>	<u>431,768</u>	<u>97,379</u>	<u>290,641</u>

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¹ Presented before deduction of provisions for impairment.

Details of contract that uses percentage-of-completion measured by reference to the contract costs incurred up to date as a percentage of total estimated costs for each operating segments are as follows:

(in millions of Korean won)	Provisions for expected losses	Changes in construction profit or loss		Changes in estimated total contract costs		Due from customers	
		Changes in accounting estimate	Error correction	Changes in accounting estimate	Error correction	Gross amount	Accumulated impairment loss
Housing contract	-	19,442	-	(23,045)	-	-	-
Construction contract	-	21,844	-	3,144	-	190,195	-
General construction	1,653	(12,960)	-	25,394	-	28,821	-
Civil engineering	4,691	(11,997)	-	5,622	-	41,881	-
	<u>6,344</u>	<u>16,329</u>	<u>-</u>	<u>11,115</u>	<u>-</u>	<u>260,897</u>	<u>-</u>

Due to the factors causing the rise in costs in 2016, the estimated total revenue and estimated total costs for contracts in progress have changed. Details of changes in estimated total contract costs, profits or loss for the year and the succeeding year, and the impact on due from customers for contract work are as follows:

(in millions of Korean won)	2016				
	Changes in estimated total contract revenue	Changes in estimated total contract cost	Impact on profit (loss) for the period	Impact on profit (loss) for the succeeding year	Changes in unbilled amount
Housing contract	6,398	(23,045)	19,442	10,001	19,442
Construction contract	31,568	3,144	21,844	6,580	21,844
General construction	10,235	25,394	(12,960)	(2,199)	(12,960)
Civil engineering	<u>(5,164)</u>	<u>5,622</u>	<u>(11,997)</u>	<u>1,211</u>	<u>(11,997)</u>
	<u>43,037</u>	<u>11,115</u>	<u>16,329</u>	<u>15,593</u>	<u>16,329</u>

The impact on profit (loss) for the period and the succeeding year is determined based on total contract costs, which are estimated based on the circumstances present from the start of the contract to the end of current year, and the estimated contract revenue as at December 31, 2016. Estimated total contract costs and estimated total contract revenue may change in the future.

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Contractual information that contract revenue for the year ended December 31, 2016 is more than 5% of previous revenues, are as follows:

(in millions of Korean won)

	Contract date	Contractual completion date	Percentage -of- completion	Due from customers ¹		Trade receivables (receivables from construction contracts) ²	
				Gross amount	Accumulated impairment loss	Gross amount	Provision for impairment
Garaksiyoung Reconstruction Cooperative	2015-12-01	2018-12-31	20.17%	-	-	-	-
Gwang-gyo IPARK-C3BL	2015-07-01	2018-09-30	23.48%	-	-	-	-
New Busan Port 2-4 for Container	2016-02-17	2021-02-16	10.93%	-	-	3,806	35
Ilsan District 3 IPARK	2015-12-01	2018-05-31	23.17%	-	-	-	-
Mudeungsan IPARK	2014-08-01	2017-01-31	91.25%	55,402	-	55,402	-
Masan Maritime New city	2010-06-14	2018-08-14	69.04%	22,419	-	22,419	208
Nam-Gajwa 1 st Reconstruction Cooperative	2016-05-02	2018-10-31	11.74%	-	-	234	-
Guri Galmae IPARK	2015-08-28	2018-04-30	34.53%	-	-	-	-
Geoje Mundong IPARK	2015-06-01	2018-05-31	21.28%	24,649	-	24,649	-
Sinsu 1 st Reconstruction Cooperative	2016-09-13	2019-08-12	11.31%	-	-	-	-
Changwon Yongji IPARK	2014-11-01	2017-03-31	71.11%	-	-	-	-
Songdo Korean Town(M2-2BL)	2015-06-26	2018-10-26	17.33%	-	-	-	-
Hongje District 2 Reconstruction Cooperative	2016-04-01	2018-12-31	12.84%	-	-	-	-
Incheon International Airport Terminal 2 connecting railway construction	2013-08-02	2017-09-30	87.84%	-	-	-	-
Sejong Major City	2014-10-01	2017-04-30	83.92%	56,336	-	56,603	-
Suwon IPARK CITY E1, E2, BL	2015-04-04	2017-06-30	58.32%	1,291	-	2,063	-
Sokcho Chungho IPARK	2015-10-15	2018-01-31	36.13%	-	-	-	-
Gimpo Hangang NewTown(Ab-03BL)	2015-10-30	2018-02-28	32.82%	41,877	-	43,934	-
Gimpo Sawo	2015-11-01	2018-04-30	27.87%	3,259	-	4,082	-
Pyeongtaek Vision IPARK	2016-02-03	2018-02-28	29.98%	3,253	-	3,763	-
Cheounju Gakyeong IPARK	2016-11-23	2019-04-30	4.57%	1,924	-	1,924	-
Suwon Youngtong I'PARK Castle 1BL	2016-11-25	2019-03-29	2.90%	1,743	-	1,770	-
				212,153	-	220,649	243

¹ The above housing sale receivables include uncharged amount.

² The above trade receivables (receivables from construction contracts) include unbilled amount.

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³ Provision for impairment based on the collective assessment. There is no provision for impairment from individual assessment of the contracts listed above.

40. Events After the Reporting Period

The Company decided to acquire 2,000,000 shares of treasury stock for three months following the resolution of the Board of Directors on January 10, 2017, after the end of the reporting period, in order to stabilize the market conditions and increase the shareholder's value.

Report on Independent Accountants' Review of Internal Accounting Control System

To the President of
Hyundai Development Company

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hyundai Development Company (the "Company") as at December 31, 2016. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as at December 31, 2016, the Company's IACS has been designed and is operating effectively as at December 31, 2016, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as at December 31, 2016, and we did not review management's assessment of its IACS subsequent to December 31, 2016. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 15, 2017

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
Hyundai Development Company

I, as the Internal Accounting Control Officer ("IACO") of Hyundai Development Company (the "Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2016.

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

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as at December 31, 2016, in all material respects, in accordance with the IACS standards.

Feb 1, 2017

Keun Yang Yook, Internal Accounting Control Officer

Jae Sik Kim, Chief Executive Officer