

2008
Hyosung
Financial Statements

Table of Contents

- 03 Report of Independent Auditors
- 04 Non - consolidated Balance Sheets
- 06 Non - consolidated Statements of Income
- 07 Non - consolidated Statements of Cash Flows
- 09 Consolidated Balance Sheets
- 11 Consolidated Statements of Income
- 12 Consolidated Statements of Cash Flows
- 14 Board of Directors
- 15 Corporate Management

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of Hyosung Corporation:

We have audited the accompanying consolidated balance sheet of Hyosung Corporation and subsidiaries as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended December 31, 2008, expressed in Korean won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements for the year ended December 31, 2007, were audited by other auditors whose report dated March 21, 2008, expressed an unqualified opinion in those statements. We did not audit the financial statements of Nautilus Hyosung Inc. and certain other consolidated subsidiaries, whose financial statements represent 25.2% of the Company's consolidated total assets, before elimination of intercompany transactions, as of December 31, 2008, and 15.99% of the Company's consolidated total sales, before elimination of intercompany transactions, for the year then ended. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for Nautilus Hyosung Inc. and certain other consolidated subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hyosung Corporation and subsidiaries as of December 31, 2008, and the results of their operations, the changes in its shareholders' equity, and their cash flows for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to the following matters:

As discussed in Note 1 to the consolidated financial statements, the subsidiaries newly included in the scope of consolidation in 2008 are Chin Hung International Inc. and eight other subsidiaries. NH Tech Inc. and two other subsidiaries are excluded from consolidation in 2008.

As discussed in Note 10 to the consolidated financial statements, the Company, in accordance with revised Statements of Korean Financial Accounting Standards No. 5, *Property, Plant and Equipment*, early adopted the new accounting policy and revalued its land. However, the prior year financial statements, presented herein for comparative purposes, have not been restated to reflect this change.

As discussed in Note 24 to the consolidated financial statements, the Company applied Financial Supervisory Service's Accounting Implementation Guide [2009-2], *Guidance criteria for designation of non-derivative instruments as foreign currency hedged item for cash flow hedge*.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

Seoul, Korea
March 30, 2009



This report is effective as March 30, 2009, 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 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.

NON-CONSOLIDATED BALANCE SHEETS

Year ended December 31, 2008

(In millions of Korean won)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	145,550	31,416
Short-term loans receivable	17,396	12,009
Trade accounts receivable, net	533,624	439,421
Other accounts receivable, net	39,869	17,925
Accrued income	2,367	955
Advance payments	83,787	55,496
Prepaid expenses	6,508	5,822
Derivatives	3,614	75
Current deferred income tax assets	94,732	10,957
Inventories, net	508,850	443,211
Total current assets	1,436,297	1,017,287
Long-term financial instruments	50	50
Available-for-sale securities	108,908	65,534
Equity-method investments	1,468,462	1,061,586
Long-term loans receivable	4,208	4,615
Investments in development	974	1,300
Property, plant and equipment, net	2,975,739	2,057,807
Intangible assets, net	9,599	9,601
Others	85,861	51,615
Total assets	6,090,096	4,269,395

NON-CONSOLIDATED BALANCE SHEETS, CONTINUED

Year ended December 31, 2008
(In millions of Korean won)

	2008	2007
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	653,091	548,765
Short-term borrowings	577,879	265,740
Current portion of long-term borrowings	382,841	492,189
Other accounts payable	160,653	136,340
Income taxes payable	138	26,555
Accrued expenses	32,319	28,413
Advance from customers	110,157	63,409
Withholdings	18,934	13,260
Deposits received	21,033	20,688
Derivatives payable	51,766	1,624
Total current liabilities	2,008,811	1,596,983
Debentures, net	722,860	598,180
Long-term borrowings, net	496,183	371,696
Long-term other accounts payable	8,018	5,160
Long-term guarantee deposits received	23,389	8,732
Accrued severance benefits, net	43,952	43,778
Provision for construction warranties	8,686	8,780
Reserve for loss from equity-method	73,066	79,653
Deferred income tax liabilities	253,173	24,543
Total liabilities	3,638,138	2,737,505
Shareholders' equity		
Capital stock		
Common stock	175,587	175,587
Capital surplus		
Paid-in capital in excess of par value	130,826	130,826
Assets revaluation reserve	738,300	738,300
Other capital surplus	296,276	296,007
Capital adjustments		
Treasury stock	(34,204)	(34,204)
Accumulated other comprehensive income and expense		
Gain on valuation of available-for-sale securities	14,142	16,136
Loss on valuation of available-for-sale securities	(6,299)	(543)
Change in equity from equity-method	203,781	8,289
Translation of foreign currency financial statements	(980)	(1,583)
Loss on valuation of derivatives	(34,131)	-
Surplus from revaluation	676,614	-
Retained earnings		
Legal reserve	4,143	1,648
Discretionary reserve	180,000	40,000
Unappropriated retained earnings	107,903	161,427
Total shareholders' equity	2,451,958	1,531,890
Total liabilities and shareholders' equity	6,090,096	4,269,395

NON-CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31, 2008

(In millions of Korean won, except per share amounts)

	2008	2007
Sales	6,925,725	5,425,100
Cost of sales	5,962,516	4,735,950
Gross profit	963,209	689,150
Selling and administrative expenses	552,855	450,793
Operating income	410,354	238,357
Non-operating income		
Interest income	9,403	5,050
Dividend income	596	1,205
Rental income	19	36
Gain on foreign currency transactions	89,473	21,723
Gain on foreign currency translation	47,495	2,375
Gain on disposal of investment assets	1	11,588
Gain on disposal of property, plant and equipment	2,794	3,743
Reversal of loss on available-for-sale-securities	565	-
Gain on valuation of equity-method investments	97,451	156,915
Gain on valuation of derivatives	597	262
Gain on derivative transactions	6,020	75
Others	56,324	24,820
	310,739	227,792
Non-operating expenses		
Interest expenses	118,795	93,901
Loss on disposal of trade accounts receivable	3,735	3,572
Loss on foreign currency transactions	183,620	23,512
Loss on foreign currency translation	87,311	6,460
Loss on disposal of investment assets	1,237	21
Loss on valuation of investment assets	514	8,736
Loss on disposal of property, plant and equipment	3,427	5,991
Impairment of property, plant and equipment	2,303	3,457
Donations	1,614	1,234
Commissions	42,352	36,733
Sales promotion	141	128
Loss on valuation of equity-method investments	86,926	33,619
Bad debt expense for other account receivable	195	4,044
Loss on valuation of derivatives	72,488	817
Loss on derivative transactions	51,622	1,858
Others	8,703	27,827
	664,983	251,910
Income before income tax expense(benefit)	56,110	214,239
Income tax expense(benefit)	(80,264)	47,530
Net income	136,374	166,709
Basic earnings per share	4,099	5,011
Diluted earnings per share	4,099	5,011

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, 2008

(In millions of Korean won)

	2008	2007
Cash flows from operating activities		
Net income	136,374	166,710
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for severance benefits	36,350	32,630
Depreciation	199,671	222,975
Amortization	1,600	4,329
Bad debts expenses	7,876	2,239
Loss on disposal of trade accounts receivable	3,735	3,572
Loss on foreign currency translation	87,311	6,460
Loss on disposal of investment assets	1,237	21
Impairment loss on investment assets	514	8,736
Loss on disposal of property, plant and equipment	3,427	5,991
Impairment loss on property, plant and equipment	2,303	3,457
Shrinkage loss on property, plant and equipment	2,526	393
Loss on valuation of equity-method investments	86,925	33,619
Bad debts expenses-others	195	4,044
Loss on valuation of derivatives	51,622	1,858
Amortization of discounts on issuance of debentures	1,140	1,040
Amortization of investments in development	327	753
Warranty expense for construction	1,936	3,247
Gain on foreign currency translation	(47,495)	(2,375)
Gain on disposal of investment assets	-	(11,588)
Gain on disposal of property, plant and equipment	(2,794)	(3,743)
Reversal of impairment loss on investment assets	(565)	-
Gain on valuation of equity-method investments	(97,451)	(156,915)
Gain on valuation of derivatives	(6,020)	(75)
	334,370	160,668
Changes in operating assets and liabilities		
Increase in trade accounts receivable	(94,153)	(82,009)
Increase (decrease) in other accounts receivable	(20,310)	350
Increase in accrued income	(1,215)	(518)
Increase in advance payments	(28,290)	(17,751)
Increase in prepaid expenses	(685)	(2,132)
Decrease in derivatives	53	878
Increase in current deferred income tax assets	(83,775)	(6,863)
Increase (decrease) in inventories	(99,364)	55,111
Decrease in translation of foreign currency financial statements	-	86
Decrease in non-current deferred income tax assets	-	1,978
Increase (decrease) in trade accounts payable	80,193	(46,130)
Increase in other accounts payable	22,859	28,493
Increase in advance from customers	41,642	21,077
Increase in withholdings	8,531	4,312
Increase in accrued expenses	3,290	15,460
Increase in deposits received	15,002	3,115
Decrease (increase) in income taxes payable	(26,417)	21,699
Decrease in derivatives payable	(1,480)	(234)
Payment of severance benefits	(22,512)	(17,060)
Severance benefits transferred	66	-
Decrease in severance insurance deposits	(13,966)	(17,502)
Decrease in contribution to National Pension Fund	236	230
Decrease in provision for construction warranties	(2,029)	(1,634)
Increase in translation loss of foreign currency financial statements	603	-
Increase in non-current deferred income tax liabilities	15,535	28,548
	(206,186)	(10,496)
Net cash provided by operating activities	264,558	316,882

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

Year ended December 31, 2008

(In millions of Korean won)

	2008	2007
Cash flows from investing activities		
Proceeds from disposal of short-term financial instruments	-	84
Proceeds from disposal of long-term financial instruments	-	9
Proceeds from disposal of available-for-sale securities	32,895	16,769
Proceeds from disposal of equity-method investments	6,352	6,265
Decrease in long-term loans receivable	760	11,083
Proceeds from disposal of land	10,398	11,800
Proceeds from disposal of buildings	9,201	19,997
Proceeds from disposal of structures	-	15
Proceeds from disposal of machinery	3,225	3,549
Proceeds from disposal of vehicles	89	89
Proceeds from disposal of tools	377	302
Increase in guarantee deposits	12,460	12,317
Proceeds from disposal of other investment assets	-	1,106
Increase in short-term loans receivable	(1,300)	(21,642)
Acquisition of available-for-sale securities	(55,205)	(10,100)
Acquisition of equity-method investments	(200,897)	(410,236)
Increase in long-term loans receivable	(352)	(1,526)
Acquisition of land	(6,377)	(19,711)
Acquisition of buildings	(31,418)	(5,187)
Acquisition of structures	(885)	(1,748)
Acquisition of machinery	(74,204)	(38,530)
Acquisition of vehicles	(1,299)	(678)
Acquisition of tools	(13,332)	(8,887)
Acquisition of other property, plant and equipment	(3,176)	(330)
Acquisition of construction in progress	(136,811)	(101,853)
Acquisition of machinery in transit	(11,013)	(28,616)
Acquisition of industrial property	(1,582)	(1,677)
Acquisition of other intangible assets	(15)	(58)
Increase in guarantee deposits	(35,967)	(14,270)
Increase in other investment assets	(3,656)	-
Net cash used in investing activities	(501,732)	(581,664)
Cash flows from financing activities		
Proceeds from short-term borrowings	3,995,938	4,360,700
Proceeds from issuance of debentures	408,539	290,000
Proceeds from long-term borrowings	240,201	298,306
Proceeds from issuance of common shares	-	2,162
Proceeds from merger	-	314
Repayment of short-term borrowings	(3,736,230)	(4,243,736)
Payment of cash dividends	(24,951)	(16,478)
Repayment of current portion of long-term loans	(492,189)	(455,328)
Repayment of debentures	(20,000)	-
Repayment of long-term borrowings	(20,000)	(3,995)
Net cash provided by financing activities	351,308	231,945
Net decrease (increase) in cash and cash equivalents	114,134	(32,837)
Cash and cash equivalents		
Beginning of the year	31,416	64,253
End of the year	145,550	31,416

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007
(In millions of Korean won)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	479,378	201,489
Short-term financial instruments	14,089	64,445
Short-term loans receivable	196,385	14,656
Trade accounts receivable, net	1,309,232	806,722
Other accounts receivable, net	152,434	27,870
Accrued income	21,464	12,328
Advance payments	135,491	100,817
Prepaid expenses	33,794	16,227
Derivatives	15,121	-
Current deferred income tax assets	101,171	15,481
Other current assets	55,236	18,120
Inventories, net	1,216,846	747,026
Total current assets	3,730,641	2,025,181
Long-term financial instruments	72,926	54,041
Available-for-sale securities	222,542	102,612
Equity-method investments	82,409	77,566
Long-term loans receivable	4,472	3,223
Investments in development	973	1,300
Property, plant and equipment, net	4,365,837	2,848,476
Intangible assets, net	167,899	196,995
Guarantee deposits	137,406	82,977
Deferred tax assets	9,846	1,255
Other non-current assets	12,305	4,559
Other financial business assets	1,271,182	1,285,790
Total assets	10,078,438	6,683,975

CONSOLIDATED BALANCE SHEETS, CONTINUED

December 31, 2008 and 2007

(In millions of Korean won)

	2008	2007
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable	1,230,689	686,195
Short-term borrowings	1,747,495	1,115,235
Current portion of long-term borrowings	902,191	503,849
Other accounts payable	224,431	147,411
Income taxes payable	18,518	57,929
Accrued expenses	86,887	51,331
Advance from customers	259,188	125,395
Withholdings	59,164	23,485
Deposits received	103,609	150,150
Derivatives payable	52,505	-
Current deferred tax liabilities	45	97
Other current liabilities	8,061	3,210
Total current liabilities	4,692,783	2,864,287
Debentures, net	1,086,466	1,128,286
Long-term borrowings, net	1,164,001	836,547
Long-term other accounts payable	8,331	6,140
Long-term guarantee deposits received	81,371	92,101
Accrued severance benefits, net	58,563	52,675
Provision for construction warranties	20,857	10,288
Reserve for loss from equity-method investments	545	-
Deferred tax liabilities	255,692	24,545
Other non-current liabilities	1,496	7,420
Total liabilities	7,370,105	5,022,289
Shareholders' equity		
Capital stock		
Common stock	175,587	175,587
Capital surplus	1,175,272	1,174,078
Capital adjustments		
Treasury stock	(34,204)	(34,204)
Accumulated other comprehensive income and expense		
Gain on valuation of available-for-sale securities	14,472	15,412
Loss on valuation of available-for-sale securities	(7,683)	-
Change in equity from equity-method	18,444	8,219
Translation of foreign currency financial statements	186,875	(11,945)
Loss (Gain) on valuation of derivatives	(34,895)	184
Surplus from revaluation	676,614	-
Retained earnings	269,368	208,738
Controlling interest in consolidated company	2,439,850	1,536,069
Minority interest in consolidated subsidiaries	268,483	125,617
Total shareholders' equity	2,708,333	1,661,686
Total liabilities and shareholders' equity	10,078,438	6,683,975

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2008 and 2007
(In millions of Korean won, except per share amounts)

	2008	2007
Sales	9,600,102	7,130,717
Cost of sales	8,231,321	6,019,742
Gross profit	1,368,781	1,110,975
Selling and administrative expenses	884,949	662,877
Operating income	483,832	448,098
Non-operating income		
Interest income	24,051	13,971
Dividend income	890	1,229
Rental income	616	275
Gain on foreign currency transactions	121,682	37,472
Gain on foreign currency translation	69,163	5,627
Gain on valuation of equity-method investments	4,339	7,365
Gain on disposal of investment assets	744	13,846
Gain on disposal of property, plant and equipment	3,285	3,877
Gain on derivative transactions	5,655	1,433
Gain on valuation of derivatives	11,507	713
Reversal of loss on investment assets	566	14
Reversal of allowance for doubtful accounts	15,613	-
Amortization of negative goodwill	6,459	-
Others	74,132	30,868
	338,702	116,691
Non-operating expenses		
Interest expenses	186,657	126,516
Loss on disposal of trade accounts receivable	4,268	3,654
Loss on valuation of inventories	127	42
Loss on foreign currency transactions	208,209	28,073
Loss on foreign currency translation	109,508	9,487
Loss on disposal of investment assets	1,339	22
Loss on valuation of investment assets	514	9,699
Loss on disposal of property, plant and equipment	3,921	6,027
Impairment of property, plant and equipment	2,303	3,457
Donations	1,836	1,293
Commissions	45,398	35,966
Sales promotion	141	128
Loss on valuation of equity-method investments	7,609	3,145
Bad debts expense for other accounts receivable	13,219	4,046
Loss on valuation of derivatives	51,760	1,873
Loss on derivative transactions	72,668	993
Loss on impairment of goodwill	552	-
Loss on retirement of bonds	898	-
Others	23,081	31,879
	734,008	266,300
Income before income tax (benefit)	88,526	298,489
Income before the date of the acquisition of subsidiary	-	10,413
Income tax expense(benefit)	(53,019)	89,885
Net income	141,545	198,191
Parent interest in net income	118,487	166,175
Minority interest in net income	23,058	32,016
Basic earnings per share	3,561	4,995
Diluted earnings per share	3,561	4,995

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

(In millions of Korean won)

	2008	2007
Cash flows from operating activities		
Net income	141,545	198,191
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for severance benefits	46,323	44,883
Depreciation	326,819	309,447
Amortization	43,839	29,533
Bad debts expense	12,424	3,778
Loss on disposal of trade accounts receivable	4,268	3,654
Loss on foreign currency translation	109,508	9,487
Loss on valuation of inventories	127	42
Loss on disposal of investment assets	1,339	22
Impairment loss on investment assets	514	9,699
Loss on disposal of property, plant and equipment	3,921	6,027
Impairment loss on property, plant and equipment	2,303	3,457
Loss on valuation of equity-method investments	7,609	3,145
Bad debts expense for other accounts receivable	13,219	4,046
Loss on valuation of derivatives	51,760	1,873
Amortization of discounts on issuance of debentures	1,140	1,040
Loss on retirement of bonds	898	-
Amortization of investments in development	327	753
Warranty expense for construction	9,436	3,247
Loss on impairment of goodwill	552	-
Gain on foreign currency translation	(69,163)	(5,627)
Gain on disposal of investment assets	(744)	(13,846)
Gain on disposal of property, plant and equipment	(3,285)	(3,877)
Reversal of impairment loss on investment assets	(566)	(14)
Gain on valuation of equity-method investments	(4,339)	(7,365)
Reversal of allowance for doubtful accounts	(15,613)	-
Amortization of negative goodwill	(6,459)	-
Gain on valuation of derivatives	(11,507)	(713)
	524,650	402,691
Changes in operating assets and liabilities		
Increase in trade accounts receivable	(29,304)	(242,705)
Increase (decrease) in other accounts receivable	(58,996)	4,160
Decrease (Increase) in accrued income	1,304	(832)
Increase in advance payments	(20,124)	(36,775)
Increase in prepaid expenses	(15,998)	(6,202)
Increase in other current assets	(42,869)	(13,129)
Increase (decrease) in inventories	(338,731)	21,534
Decrease in other financial business assets	14,608	(195,347)
Increase in deferred tax assets	(88,705)	(201)
Decrease in translation of foreign currency financial statements	195,758	31,711
Increase (decrease) in trade accounts payable	147,600	(19,211)
Increase in other accounts payable	161,978	3,313
Increase in advance from customers	86,532	13,245
Increase (Decrease) in withholdings	8,008	(5,228)
Increase in accrued expenses	22,551	23,652
Decrease (increase) in income taxes payable	(42,225)	33,068
Decrease (Increase) in deposits received	(59,427)	46,520
Increase (Decrease) in other current liabilities	2,516	(8,809)
Payment of severance benefits	(28,410)	(26,843)
Decrease in severance benefits deposits	(16,178)	(20,621)
Decrease in contribution to National Pension Fund	247	254
Decrease in provision for construction warranties	(9,504)	(912)
Increase in deferred tax liabilities	19,449	34,283
Decrease (Increase) in other non-current liabilities	(22,893)	3,251
	(112,813)	(361,824)
Net cash provided by operating activities	553,382	239,058

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

Years ended December 31, 2008 and 2007

(In millions of Korean won)

	2008	2007
Cash flows from investing activities		
Proceeds from disposal of short-term financial instruments	151,079	-
Decrease in short-term loans receivable	225,382	-
Proceeds from disposal of long-term financial instruments	540	-
Proceeds from disposal of available-for-sale securities	34,947	37,941
Proceeds from disposal of equity-method investments	1,057	-
Decrease in long-term loans receivable	1,456	435
Proceeds from disposal of land	10,740	10,375
Proceeds from disposal of buildings	9,530	15,553
Proceeds from disposal of structures	-	11
Proceeds from disposal of machinery	7,217	7,809
Proceeds from disposal of vehicles	1,105	635
Proceeds from disposal of tools	1,069	192
Decrease in guarantee deposits	15,886	23,520
Proceeds from disposal of other investment assets	902	6,678
Proceeds from disposal of short-term financial instruments	(96,455)	(32,071)
Increase in short-term loans receivable	(174,202)	(9,953)
Acquisition of long-term financial instruments	(18,663)	(4,684)
Acquisition of available-for-sale securities	(114,227)	(10,100)
Acquisition of equity-method investments	(7,703)	(13,532)
Increase in long-term loans receivable	(2,889)	(1,526)
Acquisition of land	(18,120)	(19,760)
Acquisition of buildings	(150,820)	(21,499)
Acquisition of structures	(9,371)	(2,528)
Acquisition of machinery	(284,350)	(125,202)
Acquisition of vehicles	(4,539)	(3,038)
Acquisition of tools	(37,142)	(16,434)
Acquisition of construction in progress	(376,674)	(134,624)
Acquisition of machinery in transit	(11,013)	(28,616)
Acquisition of industrial property	(2,712)	(1,709)
Increase in goodwill	-	(25,961)
Acquisition of other intangible assets	(14,268)	(10,135)
Acquisition of guarantee deposits	(61,408)	(27,657)
Acquisition of other investment assets	(5,577)	-
Net cash used in investing activities	(929,223)	(385,880)
Cash flows from financing activities		
Proceeds from short-term borrowings	8,383,343	5,024,763
Proceeds from issuance of debentures	821,335	429,225
Proceeds from long-term borrowings	512,025	297,318
Proceeds from issuance of common shares	-	2,162
Repayment of short-term borrowings	(8,279,983)	(5,081,517)
Payment of cash dividends	(24,951)	(16,478)
Repayment of current portion of long-term loans	(520,417)	(586,793)
Repayment of debentures	(278,947)	-
Repayment of long-term borrowings	(41,432)	-
Net cash provided by financing activities	570,973	68,680
Net increase in cash due to changes in subsidiaries	82,757	31,887
Net increase (decrease) in cash and cash equivalents	277,889	(46,255)
Cash and cash equivalents		
Beginning of the year	201,489	247,744
End of the year	479,378	201,489

BOARD OF DIRECTORS



S.R. Cho
Chairman of Hyosung Group
Chairman of FKI(Federation of Korean Industries)
Chairman of Korea-America Business Council



Sang-Woon Lee
Vice Chairman
Group Chief Operating Officer



Hyun-Joon Cho
President
President of Trading PG
President of Textile PG



Yoon-Taik Chung
Senior Executive Vice President
Chief Financial Officer



Christopher Hyun-Moon Cho
Senior Executive Vice President
President of Power & Industrial Systems PG



Ki-Eun Bae
Outside Director
Chairman of Hwajin Industry
Former President of Tongyang Nylon Co.



Sang-Hee Kim
Outside Director
Attorneys-at-Law of Kim Sang Hee Law Office
Vice-Minister, the Ministry of Justice



Tae-Ho Park
Outside Director
DEAN,
Graduate School of International Studies
Seoul National University



Min-Koo Han
Outside Director
Professor of Electrical Engineering
Seoul National University

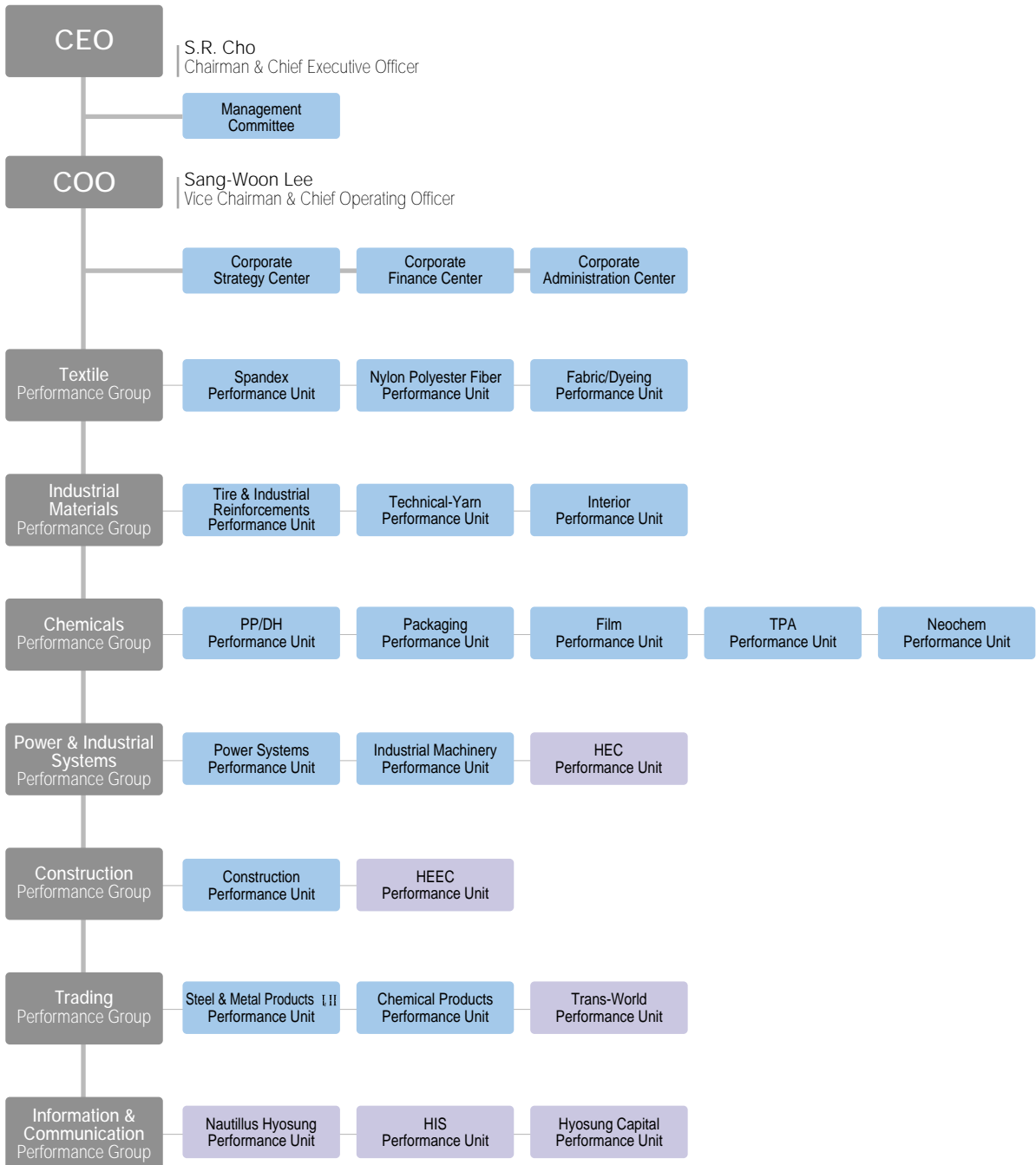


Young-Won Ha
Outside Director
Professor of Sogang Business School



Joong-Jin Park
Outside Director
Vice President of Tong Yang Life Insurance Co.

CORPORATE MANAGEMENT



※ are affiliates of Hyosung.



HYOSUNG

450, Gongdeok-dong, Mapo-gu, Seoul, Korea
TEL: +82-2-707-7000 FAX: +82-2-707-6498