



2011
Hyosung
Financial Statements

Report of independent auditors

To the Board of Directors and Shareholders of Hyosung Corporation

We have audited the accompanying consolidated statement of financial position of Hyosung Corporation and its subsidiaries (the "Group") as of December 31, 2011, and the related consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Hyosung Capital and certain other consolidated subsidiaries, whose financial statements represent 47.04% of the Group's consolidated total assets as of December 31, 2011, and 40.70% of the Group's consolidated total sales 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 Hyosung Capital and certain other consolidated subsidiaries, is based solely on the reports of the other auditors. The financial statements of the Group as of and for the year ended December 31, 2010, were audited by us as per our audit report dated March 10, 2011, where we expressed an unqualified opinion on those statements. The financial statements on which we expressed an unqualified opinion do not reflect the adjustments as described in Note 42 as required by the International Financial Reporting Standards adopted by the Republic of Korea ("Korean IFRS"). However, the financial statements, presented herein for comparative purposes, reflect such adjustments in accordance with Korean IFRS.

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 provides 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 its subsidiaries as of December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Korean IFRS.

As discussed in Note 35 and 39 to the consolidated financial statements, the Group has excluded Chin Hung International Inc. from the scope of consolidation based on the special agreement for the fulfillment of management normalization plans of Chin Hung International Inc. as of May 19, 2011. Also, earnings from discontinued operations are classified as loss from discontinued operations in the statement of income based on Korean IFRS 1105, 'Non-current assets held for sale and discontinued operations'.

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



Seoul, Korea
March 8, 2012

This report is effective as of March 8, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, of any.

Hyosung corporation

Non-consolidated statements of financial position

December 31, 2011 and 2010, and January 1, 2010
(In millions of Korean won, except per share amounts)

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Assets			
Current assets			
Cash and cash equivalents	133,339	245,401	30,919
Trade and other receivables	1,745,738	1,504,388	1,459,789
Gross amount due from customers for contract work	54,555	30,506	29,586
Other financial assets	8,332	22,933	61,497
Other current assets	106,094	99,671	206,393
Inventories	1,093,395	884,901	473,674
Current tax asset	5,989	-	-
	3,147,442	2,787,800	2,261,858
Non-current assets			
Long-term trade and other receivables	176,061	133,258	86,632
Property, plant and equipment	2,959,265	2,684,451	2,716,843
Investment property	436,515	378,616	365,099
Intangible assets	28,117	31,543	27,823
Investments in subsidiaries and associates	1,699,633	1,519,895	1,481,756
Long-term other financial assets	60,056	126,275	106,604
Other non-current assets	31	31	31
	5,359,678	4,874,069	4,784,788
Total assets	8,507,120	7,661,869	7,046,646
Liabilities			
Current liabilities			
Trade and other payables	1,502,431	1,278,194	958,407
Gross amount due to customers for contract work	10,643	18,292	13,171
Borrowings	1,805,589	1,767,963	1,806,921
Other financial liabilities	20,677	7,290	13,521
Current tax liabilities	-	78,187	17,652
Other current liabilities	193,640	115,556	140,616
	3,532,980	3,265,482	2,950,288
Non-current liabilities			
Long-term trade and other payables	38,904	33,368	33,891
Long-term borrowings	1,693,502	1,083,566	966,928
Defined benefit liabilities	38,527	37,195	35,542
Deferred tax liabilities	311,966	312,753	311,483
Other non-current liabilities	10,466	86,458	86,024
	2,093,365	1,553,340	1,433,868
Total liabilities	5,626,345	4,818,822	4,384,156
Equity			
Capital stock	175,587	175,587	175,587
Capital surplus	130,826	130,826	130,826
Retained earnings	2,264,088	2,211,341	2,049,744
Other components of equity	310,274	325,293	306,333
	2,880,775	2,843,047	2,662,490
Total equity	2,880,775	2,843,047	2,662,490
Total liabilities and equity	8,507,120	7,661,869	7,046,646

Hyosung corporation

Non-consolidated statements of income

Years ended December 31, 2011 and 2010
(In millions of Korean won, except per share amounts)

	2011	2010
Revenue	9,283,305	8,198,966
Cost of sales	(8,255,816)	(6,973,066)
Gross profit	1,027,489	1,225,900
	0	0
Selling and administrative expenses	(624,789)	(618,601)
Research and development expense	(119,413)	(104,019)
Other operating income	179,699	192,678
Other operating expenses	(69,963)	(70,992)
Operating profit	393,023	624,966
Finance income	200,985	156,449
Finance costs	(420,486)	(286,392)
Finance income/costs, net	(219,501)	(129,943)
Impairment losses of subsidiaries and investment in associates	(17,525)	(169,692)
Income before income tax	155,997	325,331
Income tax expense	(47,952)	(114,789)
Profit for the year	108,045	210,542
Earnings per share from operations attributable to the equity holders of the company during the year		
Basic earnings per share	3,248	6,328

Hyosung corporation

Non-consolidated statements of comprehensive income

Years ended December 31, 2011 and 2010
(In millions of Korean won, except per share amounts)

	2011	2010
Profit for the year	108,045	210,542
Other comprehensive income		
Gain (Loss) on valuation of available-for-sale financial assets	(14,615)	12,186
Actuarial loss on post employment benefit obligations	(13,713)	(15,677)
Gain (Loss) on valuation of derivatives	-	6,714
Translation gain (loss) from overseas operations	(403)	61
Other comprehensive income (loss) for the year, net of tax	(28,731)	3,284
Total comprehensive income for the year	79,314	213,826

Hyosung corporation

Non-consolidated statements of changes in equity

Years ended December 31, 2011 and 2010
(In millions of Korean won, except per share amounts)

	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total
Balance at January 1, 2010	175,587	130,826	2,049,744	306,333	2,662,490
Comprehensive income :					
Profit for the year	-	-	210,542	-	210,542
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	12,186	12,186
Actuarial loss on post employment benefit obligations	-	-	(15,676)	-	(15,676)
Gain (loss) on valuation of derivatives	-	-	-	6,714	6,714
Translation gain (loss) from overseas operations	-	-	-	60	60
Transactions with equity holders of the Company : Dividends	-	-	(33,269)	-	(33,269)
Balance at December 31, 2010	175,587	130,826	2,211,341	325,293	2,843,047
Balance at January 1, 2011	175,587	130,826	2,211,341	325,293	2,843,047
Comprehensive income :					
Profit for the year	-	-	108,045	-	108,045
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	(14,615)	(14,615)
Actuarial loss on post employment benefit obligations	-	-	(13,712)	-	(13,712)
Translation of foreign currency financial statements	-	-	-	(404)	(404)
Transactions with equity holders of the Company : Dividends	-	-	(41,586)	-	(41,586)
Balance at December 31, 2011	175,587	130,826	2,264,088	310,274	2,880,775

Hyosung corporation

Non-consolidated statements of cash flows

Years ended December 31, 2011 and 2010

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

	2011	2010
Cash flows from operating activities		
Cash generated from operations	321,791	683,180
Income tax paid	(128,249)	(53,893)
Interest paid	(139,527)	(132,705)
Interest received	11,611	6,093
Dividends received	85,713	102,557
Net cash provided by operating activities	151,339	605,232
Cash flows from investing activities		
Decrease in short-term loan receivables	-	1,058
Proceeds from disposal of short-term financial Instruments	269	37,000
Proceeds from disposal of available-for-sale financial assets	62,529	4,801
Decrease in long-term loan receivables	417	1,651
Decrease in long-term deposits	20,643	67,939
Proceeds from disposal of property and equipment	9,475	16,953
Proceeds from disposal of investment property	-	35,892
Proceeds from disposal of intangible assets	4,407	164
Proceeds from disposal of investments in subsidiaries and associates	10,796	-
Increase in short-term loans	(80,411)	(9,393)
Acquisition of short-term financial Instruments	(1)	-
Acquisition of available-for-sale financial assets	(262)	(4,240)
Increase in long-term loans	(6,236)	(3,973)
Increase in deposits received	(58,483)	(118,072)
Purchases of property, plant and equipment	(532,904)	(210,686)
Purchases of investment property	(2,370)	(8,131)
Purchases of intangible assets	(1,902)	(5,272)
Acquisition of investments in subsidiaries and associates	(291,501)	(207,830)
Decrease in leasehold deposits received	98	-
Net cash used in investing activities	(865,436)	(402,139)
Cash flows from financing activities		
Proceeds from issuance of debentures	428,882	347,550
Proceeds from short-term borrowings	3,642,747	3,510,148
Proceeds from long-term borrowings	587,554	282,390
Repayment of current portion of long-term borrowings	(515,188)	(647,739)
Repayment of short-term borrowings	(3,500,374)	(3,447,691)
Payment of cash dividends	(41,586)	(33,269)
Net cash provided by financing activities	602,035	11,389
Net decrease (increase) in cash and cash equivalents	(112,062)	214,482
Cash and cash equivalents		
Beginning of the year	245,401	30,919
End of the year	133,339	245,401

Hyosung corporation and subsidiaries

Consolidated statements of financial position

December 31, 2011 and 2010, and January 1, 2010
(In millions of Korean won, except per share amounts)

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Assets			
Current assets			
Cash and cash equivalents	526,593	622,635	421,209
Trade and other receivables	2,408,053	2,681,726	1,678,988
Gross amount due from customers for contract work	102,790	151,873	70,080
Other financial assets	24,731	58,314	78,450
Other current assets	204,128	175,520	239,195
Inventories	1,835,809	1,421,626	929,918
Current tax assets	14,501	7,864	1,378
	5,116,605	5,119,558	3,419,218
Non-current assets			
Long-term trade and other receivables	210,528	163,321	107,753
Property, plant and equipment	4,929,852	4,203,910	4,062,069
Investment property	386,851	344,490	295,764
Intangible assets	450,801	262,142	186,807
Investments in associates	258,986	192,148	243,765
Other financial business assets	2,090,060	1,768,505	1,481,393
Deferred tax assets	34,142	22,362	37,780
Long-term other financial assets	116,673	221,783	174,618
Other non-current assets	28,692	11,795	5,826
	8,506,585	7,190,456	6,595,775
Total assets	13,623,190	12,310,014	10,014,993
Liabilities			
Current liabilities			
Trade and other payables	1,864,572	2,083,394	1,129,797
Gross amount due to customers for contract work	28,670	34,342	46,441
Borrowings	4,056,796	3,467,975	3,019,954
Other financial liabilities	21,486	7,334	13,521
Current tax liabilities	18,404	105,150	28,637
Other current liabilities	382,570	270,187	261,192
	6,372,498	5,968,382	4,499,542
Non-current liabilities			
Long-term trade and other payables	345,360	282,801	216,358
Long-term borrowings	3,505,107	2,505,010	2,140,447
Defined benefit liabilities	52,863	54,272	43,914
Deferred tax liabilities	373,873	335,509	338,612
Other long-term financial liabilities	886	579	723
Other non-current liabilities	12,242	45,089	19,932
	4,290,331	3,223,260	2,759,986
Total liabilities	10,662,829	9,191,642	7,259,528
Equity attributable to owners of the Parent			
Capital stock	175,587	175,587	175,587
Capital surplus	130,826	130,826	130,826
Retained earnings	2,213,249	2,307,375	2,030,115
Other components of equity	349,180	353,117	320,126
	2,868,842	2,966,905	2,656,654
Non-controlling interest	91,519	151,467	98,811
Total equity	2,960,361	3,118,372	2,755,465
Total liabilities and equity	13,623,190	12,310,014	10,014,993

Hyosung corporation and subsidiaries

Consolidated statements of income

Years ended December 31, 2011 and 2010

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

	2011	2010
Continuing operations		
Revenue	11,342,141	10,146,571
Cost of sales	(10,237,117)	(8,647,464)
Gross profit	1,105,024	1,499,107
Selling and administrative expenses	(698,874)	(647,819)
Research and development expense	(131,429)	(112,671)
Other operating income	122,571	110,273
Other operating expenses	(108,454)	(94,615)
Operating profit	288,838	754,275
Finance income	269,240	191,946
Finance costs	(616,209)	(401,675)
Finance income/costs, net	(346,969)	(209,729)
Share of profit of associates	48,189	20,785
Income (Loss) before income tax	(9,942)	565,331
Income tax expense	(44,699)	(161,595)
Income (Loss) for the year from continuing operations	(54,641)	403,736
Discontinued operations		
Loss for the year from discontinued operations	(39,154)	(166,652)
Profit (Loss) for the year	(93,795)	237,084
Profit (Loss) attributable to:		
Owners of the parent		
Profit (Loss) for the year from continuing operations	(46,807)	400,211
Profit (Loss) for the year from discontinued operations	1,820	(94,493)
Profit (Loss) for the year attributable to owners of controlling company	(44,987)	305,718
Non-controlling interests		
Profit (Loss) for the year from continuing operations	(7,835)	3,525
Loss for the year from discontinued operations	(40,973)	(72,159)
Loss for the year attributable to non-controlling interests	(48,808)	(68,634)
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year		
Basic earnings per share		
From continuing operations	(1,407)	12,030
From discontinued operations	55	(2,840)

Hyosung corporation and subsidiaries

Consolidated statements of comprehensive income

Years ended December 31, 2011 and 2010
(In millions of Korean won, except per share amounts)

	2011	2010
Profit (Loss) for the year	(93,795)	237,084
Other comprehensive income		
Actuarial loss on post employment benefit obligations	(14,721)	(16,293)
Share of actuarial gain (loss) on post employment benefit obligations of associates	358	(1,355)
Gain (loss) on valuation of available-for-sale financial assets	(22,867)	13,996
Gain (loss) on valuation of investments in associates	(2,915)	2,429
Gain (loss) on valuation of derivatives	175	6,760
Translation of foreign currency financial statements	26,733	11,723
Other comprehensive income (loss) for the year, net of tax	(13,237)	17,260
Total comprehensive income (loss) for the year	(107,032)	254,344
Attributable to:		
Equity holders of the Parent Company	(59,446)	323,764
Non-controlling interest	(47,585)	(69,420)
Total comprehensive income (loss) for the year	(107,031)	254,344

Hyosung corporation and subsidiaries

Consolidated statements of changes in equity

Years ended December 31, 2011 and 2010

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

	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total	Non- controlling Interest	Total Equity
Balance at January 1, 2010	175,587	130,826	2,030,115	320,126	2,656,654	98,811	2,755,465
Comprehensive income :							
Net income (loss)	-	-	305,718	-	305,718	(68,634)	237,084
Actuarial loss on post employment benefit obligations	-	-	(16,142)	-	(16,142)	(151)	(16,293)
Share of actuarial gain (loss) on post employment benefit obligations of associates	-	-	(1,355)	-	(1,355)	-	(1,355)
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	13,481	13,481	515	13,996
Gain (loss) on valuation of investments in associates	-	-	-	2,430	2,430	-	2,430
Gain (loss) on valuation of derivatives	-	-	-	6,751	6,751	9	6,760
Translation of foreign currency financial statements	-	-	-	12,882	12,882	(1,159)	11,723
Transactions with equity holders of the Company :							
Dividends	-	-	(33,269)	-	(33,269)	(1,020)	(34,289)
Changes in other additional capital	-	-	-	(2,758)	(2,758)	-	(2,758)
Changes in other capital adjustments	-	-	-	205	205	-	205
Others	-	-	22,308	-	22,308	(65)	22,243
Changes in share ratio of controlling company and others	-	-	-	-	-	(25,135)	(25,135)
Changes in scope of consolidation	-	-	-	-	-	148,296	148,296
Balance at December 31, 2010	175,587	130,826	2,307,375	353,117	2,966,905	151,467	3,118,372
Balance at January 1, 2011	175,587	130,826	2,307,375	353,117	2,966,905	151,467	3,118,372
Comprehensive income							
Net loss	-	-	(44,987)	-	(44,987)	(48,808)	(93,795)
Actuarial loss on post employment benefit obligations	-	-	(14,675)	-	(14,675)	(46)	(14,721)
Share of actuarial gain (loss) on post employment benefit obligations of associates	-	-	358	-	358	-	358
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	(22,391)	(22,391)	(477)	(22,868)
Gain (loss) on valuation of investments in associates	-	-	-	(2,914)	(2,914)	-	(2,914)
Gain (loss) on valuation of derivatives	-	-	-	175	175	-	175
Translation of foreign currency financial statements	-	-	-	24,988	24,988	1,745	26,733
Transactions with equity holders of the Company :							
Dividends	-	-	(41,586)	-	(41,586)	(815)	(42,401)
Changes in other additional capital	-	-	-	(230)	(230)	-	(230)
Changes in other capital adjustments	-	-	-	(679)	(679)	-	(679)
Others	-	-	6,764	-	6,764	58	6,822
Changes in share ratio of controlling company and others	-	-	-	(2,886)	(2,886)	23,492	20,606
Changes in scope of consolidation	-	-	-	-	-	(35,097)	(35,097)
Balance at December 31, 2011	175,587	130,826	2,213,249	349,180	2,868,842	91,519	2,960,361

Hyosung corporation and subsidiaries

Consolidated statements of cash flows

Years ended December 31, 2011 and 2010
(In millions of Korean won, except per share amounts)

	2011	2010
Cash flows from operating activities		
Continuing operations		
Cash generated from operations	(241,653)	436,813
Income tax paid	(162,515)	(88,865)
Interest paid	(255,262)	(250,418)
Interest received	174,635	147,664
Dividends received	1,786	1,585
Discontinued operations	(64,225)	(137,663)
Net cash generated from operating activities	(547,234)	109,116
Cash flows from investing activities		
Continuing operations		
Proceeds from disposal of other receivables	377	1,648
Proceeds from disposal of other financial assets	155,616	112,734
Proceeds from disposal of long-term other financial assets	59	5
Proceeds from disposal of long-term other receivables	28,978	232,897
Proceeds from disposal of property, plant and equipment	23,474	35,859
Proceeds from disposal of investment properties	128	43,354
Proceeds from disposal of intangible assets	4,982	2,409
Proceeds from disposal of investments in associates	2,476	878
Acquisition of other receivables	(92,236)	(54,494)
Acquisition of other financial assets	(91,861)	(65,454)
Acquisition of long-term other financial assets	(20,038)	(40,303)
Acquisition of long-term other receivables	(79,912)	(127,365)
Purchases of property, plant and equipment	(1,066,527)	(607,158)
Purchases of investment properties	(2,370)	(8,132)
Purchases of intangible assets	(54,398)	(38,643)
Acquisition of investments in associates	(133,487)	2,535
Acquisition of other non-current assets	(10,865)	(2,514)
Others	(4,751)	77,027
Discontinued operations	13,357	61,782
Net cash used in investing activities	(1,326,998)	(372,935)
Cash flows from financing activities		
Continuing operations		
Proceeds from short-term borrowings	5,311,246	4,895,356
Proceeds from long-term borrowings and issuance of debentures	2,030,882	1,481,689
Paid-in capital increases	9,083	462
Proceeds from disposal of investments in subsidiaries	10,796	-
Repayment of short-term borrowings	(5,198,335)	(4,940,667)
Repayment of long-term borrowings and debentures	(462,793)	(857,610)
Payment of cash dividends	(42,329)	(34,289)
Others	80,218	(31,890)
Discontinued operations	53,912	(46,652)
Net cash provided by financing activities	1,792,680	466,399
Effect of cash and cash equivalent from exchange rate fluctuation	(35)	(1,155)
Decrease cash from discontinued operations	(14,455)	-
Net decrease (increase) in cash and cash equivalents	(96,042)	201,425
Cash and cash equivalents		
Beginning of the year	622,635	421,210
End of the year	526,593	622,635

Board of directors



S.R. Cho
Chairman of Hyosung Group



Sang-Woon Lee
Vice Chairman



Hyun-Joon Cho
President
President of Textile PG
President of Information & Communication PG
Chief Strategy Officer



Yoon-Taik Chung
President
Chief Financial Officer



Christopher Hyun-Moon Cho
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



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



Young-Won Ha
Outside Director
Professor of Business Administration,
Sogang University

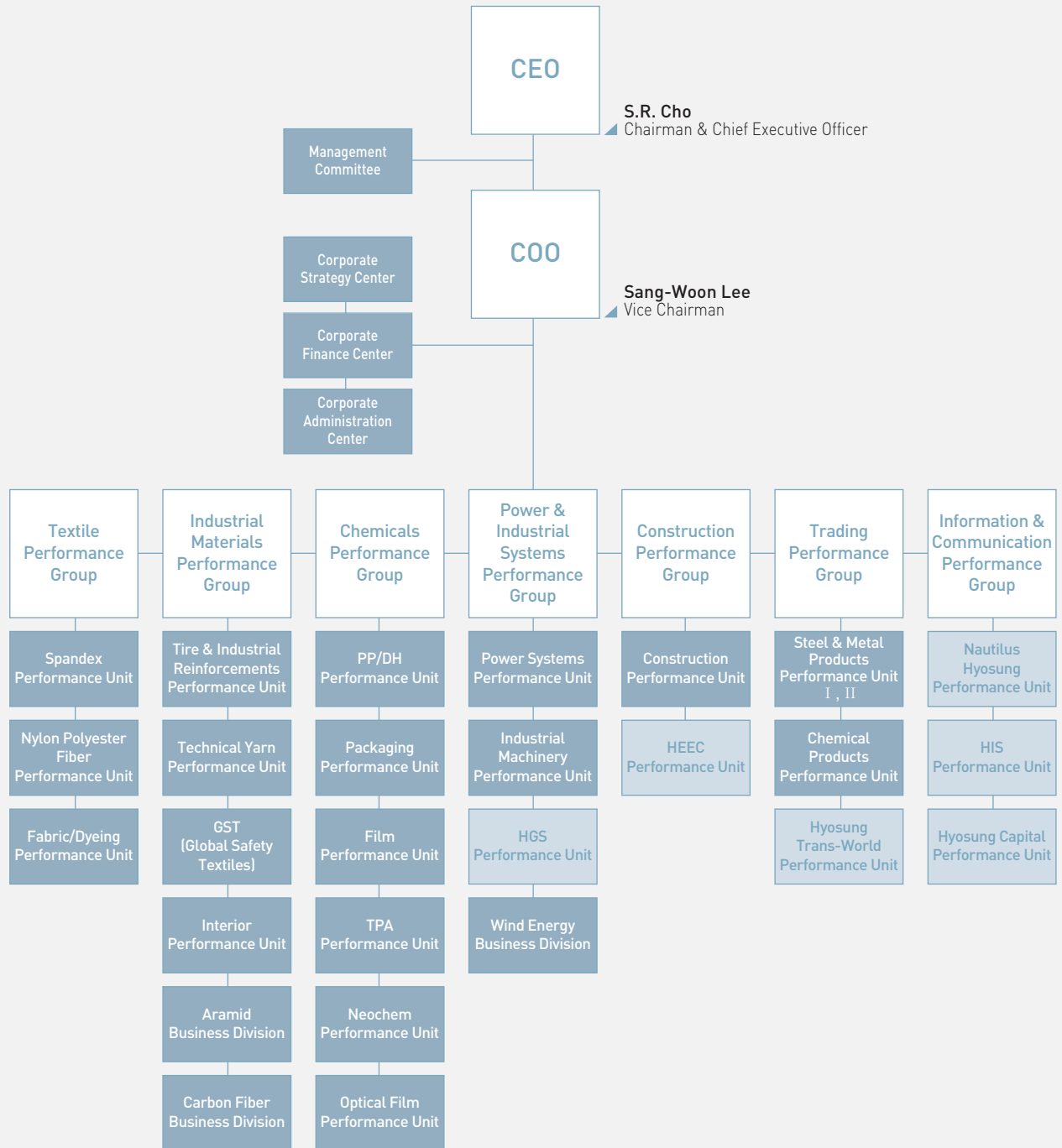



Joong-Jin Park
Outside Director
Vice Chairman of Tong Yang Life Insurance



O-Kyu Kwon
Outside Director
Visiting Professor at KAIST College of Business
Graduate School of Finance & Accounting

Corporate management



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