

**HYOSUNG CORPORATION AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

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## **Independent Auditors' Report**

Based on a report originally issued in Korean

The Board of Directors and Stockholders  
Hyosung Corporation:

We have audited the accompanying consolidated balance sheets of Hyosung Corporation (the "Company") and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in equity and cash flows for the years then ended. 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 audits. We did not audit the financial statements of Hyosung Ebara Co., Ltd. and 27 other subsidiaries in 2007, and 21 other subsidiaries in 2006, which statements reflect aggregate total assets constituting approximately 37.61% and 34.45% as of December 31, 2007 and 2006, respectively, and aggregate net revenue constituting approximately 33.79% and 27.33% for the years then ended of the related consolidated totals, respectively. Those statements were audited by other auditors whose reports were furnished to us, and our opinion, in so far as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, 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, 2007 and 2006, and the results of their operations, the changes in their equity, and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

As discussed in note 2 (a) to the consolidated financial statements, 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 and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized 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 knowledgeable in Korean accounting principles and auditing standards and their application in practice.

Seoul, Korea  
March 21, 2008

This report is effective as March 21, 2008, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Consolidated Balance Sheets**

As of December 31, 2007 and 2006

*In millions of Won*

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>			
Cash and cash equivalents	3,23	₩ 201,489	247,745
Short-term financial instruments	3	64,445	32,374
Accounts and notes receivable - trade, less allowance for doubtful accounts of ₩ 19,572 in 2007 and ₩ 39,996 in 2006	4,9,10,22,25	806,722	561,445
Inventories	5	747,026	765,936
Accounts and notes receivable - other, less allowance for doubtful accounts of ₩ 1,769 in 2007 and ₩ 2,804 in 2006	9,23	27,870	32,762
Accrued interest income		12,328	5,164
Advance payments		100,817	63,199
Prepaid expenses	23	16,228	9,849
Deferred tax assets	30	15,481	5,132
Other current assets	6,26	33,848	14,381
<b>Total current assets</b>		<u>2,026,254</u>	<u>1,737,987</u>
Long-term financial instruments	3	54,041	49,366
Investment securities	7	102,612	115,968
Equity method accounted investments	8	77,566	63,277
Property, plant and equipment, net	11,18,34	2,848,476	2,667,921
Intangible assets	13,14	196,995	40,044
Guarantee deposits		81,904	73,182
Deferred tax assets	30	1,255	8,705
Other non-current assets	12,17	9,082	17,081
<b>Total non-current assets</b>	15	<u>3,371,931</u>	<u>3,035,544</u>
<b>Other financial business assets</b>		<u>1,285,790</u>	<u>668,901</u>
<b>Total assets</b>		<u>₩ 6,683,975</u>	<u>5,442,432</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Consolidated Balance Sheets, Continued**

As of December 31, 2007 and 2006

*In millions of Won, except share data*

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Short-term borrowings	17,20,23 ₩	1,115,235	660,448
Accounts and notes payable - trade, net	9,10,23	686,195	693,044
Accounts and notes payable - other	9,10,23	147,411	143,805
Advances from customers		125,395	105,555
Withholdings		23,485	28,472
Deposits received		150,150	48,864
Accrued expenses		51,331	22,385
Income taxes payable	30	57,929	24,623
Deferred tax liabilities - current	30	97	30
Current portion of long-term borrowings, net	20,23	503,849	586,793
Other current liabilities	19,26	3,210	10,980
<b>Total current liabilities</b>		<u>2,864,287</u>	<u>2,324,999</u>
Long-term borrowings, net	18,20,23	836,547	512,213
Debentures, net	20	1,128,286	1,020,192
Accrual for retirement and severance benefits	24	52,675	53,680
Long-term withholdings		92,101	70,912
Provision for construction warranty costs		10,288	7,953
Deferred tax liabilities	30	24,545	543
Other long-term liabilities	16,21	13,560	11,492
<b>Total non-current liabilities</b>		<u>2,158,002</u>	<u>1,676,985</u>
<b>Total liabilities</b>		<u>5,022,289</u>	<u>4,001,984</u>
<b>Equity</b>			
<b>Controlling equity</b>			
Common stock of ₩ 5,000 par value			
Authorized - 300,000,000 shares	27	175,587	174,029
Issued - 35,117,455 shares			
Capital surplus		1,174,078	1,170,306
Capital adjustments	28	(34,204)	(34,204)
Accumulated other comprehensive income	33	11,870	(9,903)
Retained earnings		208,738	61,267
Sub Total		<u>1,536,069</u>	<u>1,361,495</u>
<b>Minority equity</b>		<u>125,617</u>	<u>78,953</u>
<b>Total equity</b>		<u>1,661,686</u>	<u>1,440,448</u>
<b>Total liabilities and equity</b>	₩	<u>6,683,975</u>	<u>5,442,432</u>

See accompanying notes to consolidated financial statements.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Consolidated Statements of Income**

For the years ended December 31, 2007 and 2006

*In millions of Won, except earnings per share*

	<u>Note</u>	<u>2007</u>	<u>2006</u>
Sales	9,10,35	₩ 7,130,717	5,852,889
Cost of sales	9,10,35	6,019,742	5,080,645
<b>Gross profit</b>		<u>1,110,975</u>	<u>772,244</u>
Selling, general and administrative expenses	9,22,24,29,35	662,877	563,873
<b>Operating income</b>		<u>448,098</u>	<u>208,371</u>
Interest income		13,971	9,230
Interest expense		(126,516)	(126,804)
Foreign currency translation gain (loss), net	23	(3,860)	12,154
Foreign currency transaction gain(loss), net		9,399	29,648
Dividend income		1,229	4,093
Equity in income of equity method accounted investees, net	8	4,220	(8,947)
Loss on sale of accounts and notes receivable-trade		(3,654)	(2,966)
Gain on sale of investments, net		12,014	67,803
Gain (loss) on sale of property, plant and equipment, net		(2,149)	285
Gain (loss) on transactions of derivatives, net		440	415
Unrealized loss on valuation of derivatives. net	26	(1,160)	(1,153)
Impairment loss on investments		(8,951)	(1,124)
Impairment loss on property, plant and equipment		(3,457)	-
Donation		(1,293)	(1,566)
Other, net		(39,842)	(16,075)
<b>Other expense</b>		<u>(149,609)</u>	<u>(35,007)</u>
<b>Income before income taxes</b>		298,489	173,364
Income before the date of the acquisition of subsidiary		10,413	-
Income taxes	2,30	89,885	54,695
<b>Net income</b>	38	<u>198,191</u>	<u>118,669</u>
<b>Controlling interest</b>		166,175	90,416
<b>Minority interest</b>		32,016	28,253
<b>Earnings per share</b>			
Basic earnings per share	31	<u>4,995</u>	<u>2,743</u>
Diluted earnings per share	31	₩ <u>4,995</u>	<u>2,728</u>

See accompanying notes to consolidated financial statements.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2006 and 2007

<i>In millions of Won</i>	<b>Note</b>	<b>Capital stock</b>	<b>Capital surplus</b>	<b>Capital adjust- ments</b>	<b>Accumulated other comprehensive income</b>	<b>Retained earnings</b>	<b>Minority interests</b>	<b>Total equity</b>
<b>Balance at January 1, 2006</b>	₩	174,029	1,384,863	(34,204)	31,048	(210,209)	48,091	1,393,618
Deficit recovery		-	(210,462)	-	-	210,462	-	-
Change in consolidated capital surplus		-	(4,095)	-	-	-	-	(4,095)
Net income (controlling interest)		-	-	-	-	90,416	-	90,416
Other decrease in retained earnings		-	-	-	-	(32,046)	-	(32,046)
Change in gain or loss on valuation of available-for-sale securities, net		-	-	-	(27,261)	-	-	(27,261)
Change in unrealized gain on valuation of equity method investments		-	-	-	952	-	-	952
Change in gain or loss on valuation of equity method investments		-	-	-	-	2,644	-	2,644
Overseas operations translation adjustment		-	-	-	(14,642)	-	-	(14,642)
Increase in minority interests		-	-	-	-	-	30,862	30,862
<b>Balance at December 31, 2006</b>	₩	<u>174,029</u>	<u>1,170,306</u>	<u>(34,204)</u>	<u>(9,903)</u>	<u>61,267</u>	<u>78,953</u>	<u>1,440,448</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Consolidated Statements of Changes in Equity, Continued**

For the years ended December 31, 2006 and 2007

<i>In millions of Won</i>	<b>Note</b>	<b>Capital stock</b>	<b>Capital surplus</b>	<b>Capital adjust- ments</b>	<b>Accumulated other comprehensive income</b>	<b>Retained earnings</b>	<b>Minority interests</b>	<b>Total equity</b>
<b>Balance at January 1, 2007</b>	₩	174,029	1,170,306	(34,204)	(9,903)	61,267	78,953	1,440,448
Dividends		-	-	-	-	(16,478)	-	(16,478)
Exercise of stock warrants		1,558	604	-	-	-	-	2,162
Change in consolidated capital surplus		-	3,168	-	-	-	-	3,168
Net income (controlling interest)		-	-	-	-	166,175	-	166,175
Other decrease in retained earnings		-	-	-	-	(8,580)	-	(8,580)
Change in gain or loss on valuation of available-for-sale securities, net		-	-	-	(2,659)	-	-	(2,659)
Change in fair value of derivatives, net of tax		-	-	-	184	-	-	184
Unrealized gain on valuation of equity method accounted investments		-	-	-	(8,406)	-	-	(8,406)
Change in gain or loss on valuation of equity method investments		-	-	-	-	6,354	-	6,354
Overseas operations translation adjustment		-	-	-	32,654	-	-	32,654
Increase in minority interests		-	-	-	-	-	46,664	46,664
<b>Balance at December 31, 2007</b>	₩	<u>175,587</u>	<u>1,174,078</u>	<u>(34,204)</u>	<u>11,870</u>	<u>208,738</u>	<u>125,617</u>	<u>1,661,686</u>

See accompanying notes to consolidated financial statements.



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows**

For the years ended December 31, 2007 and 2006

*In millions of Won*

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities</b>			
Net income	₩	198,191	118,669
Adjustments for			
Depreciation		309,447	309,814
Amortization		30,286	13,123
Amortization of discounts on bonds issued		1,040	1,506
Construction warranty expense		3,247	-
Bad debt expense		7,824	661
Provision for retirement and severance benefits		44,883	34,509
Equity in net income of equity method accounted investees, net		(4,220)	8,948
Gain (loss) on sale of property, plant and equipment, net		2,149	(285)
Foreign currency translation loss (gain), net		3,861	(12,154)
Unrealized gain (loss) on valuation of derivatives, net		1,160	1,153
Impairment loss on property, plant and equipment		3,457	-
Gain on sale of investments, net		(12,014)	(67,803)
Impairment loss on investments		8,951	1,124
Loss on sale of accounts and note receivable-trade		3,654	2,966
		<u>601,915</u>	<u>412,230</u>
Change in inventories		21,534	12,301
Change in accounts and notes receivable - trade		(242,742)	(122,594)
Change in accounts and notes receivable -other		2,427	66,300
Change in accounts and notes payables - trade		(19,111)	(97,370)
Change in accounts and notes payables - other		3,454	(26,572)
Change in accrued expenses		23,652	7,019
Change in income taxes payable		33,068	16,587
Change in advances from customers		13,245	28,406
Change in withholdings		(5,228)	(740)
Change in deferred tax assets		(202)	60,148
Change in deferred tax liabilities		34,283	-
Payment of retirement and severance benefits		(26,843)	(41,802)
Others, net		(196,745)	(68,813)
<b>Net cash provided by operating activities</b>	<b>₩</b>	<b><u>242,707</u></b>	<b><u>245,100</u></b>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows, Continued**

For the years ended December 31, 2007 and 2006

*In millions of Won*

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of short-term financial instruments	₩	-	86,717
Proceeds from sale of property, plant and equipment		34,575	44,220
Proceeds from sale of investment securities		37,941	93,098
Acquisition of short-term financial instruments		(32,071)	(32,374)
Acquisition of property, plant and equipment		(351,701)	(261,044)
Acquisition of investment securities		(10,100)	(6,666)
Acquisition of equity method accounted investments		(13,532)	(10,203)
Other, net		(54,641)	(33,050)
<b>Net cash used in investing activities</b>		<u>(389,529)</u>	<u>(119,302)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings		5,024,763	2,978,936
Proceeds from issue of debentures		429,225	459,828
Proceeds from long-term borrowings		297,318	19,603
Repayment of short-term borrowings		(5,081,517)	(2,925,280)
Repayment of long-term borrowings		-	114,274
Repayment of current portion of long-term borrowings		(586,793)	(422,106)
Dividends paid		(16,478)	-
Other, net		2,161	(271,291)
<b>Net cash provided from (used in) financing activities</b>		<u>68,679</u>	<u>(46,036)</u>
<b>Net cash due to changes in subsidiaries</b>		31,887	34,391
<b>Net increase (decrease) in cash and cash equivalents</b>		(46,256)	114,153
Cash and cash equivalents at beginning of year		247,745	133,592
<b>Cash and cash equivalents at end of year</b>	₩	<u>201,489</u>	<u>247,745</u>

See accompanying notes to consolidated financial statements.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business

(1) Summary of General Condition for Consolidated Financial Statements

(a) Organization and Description of Parent Company

Hyosung Corporation (the "Company") was established on November 3, 1966 as Tongyang Nylon Co., Ltd. and began its main operations on July 16, 1968 with the opening of its Ulsan factory. The Company subsequently changed its name to Hyosung T&C., Ltd. in 1996 and again to Hyosung Corporation on September 15, 1998. The Company primarily manufactures and sells synthetic fiber products and electronic products, and is engaged in construction and other related business activities.

Since June 30, 1973, the Company has been listed on the Korea Exchange. On November 30, 1998, Hyosung Living Industry Co., Ltd., Hyosung Industries Co., Ltd. and Hyosung Corporation (trading) were merged into Hyosung Corporation for the purpose of gaining operational efficiencies and synergy effects and on February 7, 2001, the Company merged Hyosung Media and on June 1, 2007, the Company merged Hyosung Innotech Inc.

As of December 31, 2007, the Company's major stockholders consist of Cho Seok Rae (10.20%), Cho Hyun Joon (6.94%), Cho Hyun Moon (6.56%) and Cho Hyun Sang(6.55%).

(b) Consolidated Subsidiaries

(i) As of December 31, 2007, the consolidated subsidiaries consist of following:

*In millions of Won*

<u>Company</u>	<u>Location</u>	<u>Business</u>	<u>Capital</u>	<u>Equity ownership</u>
<b>&lt; Subsidiaries included in consolidation &gt;</b>				
Nautilus Hyosung Inc.	Korea	Sale of computer system & information management service	₩ 106,439	43.50%
The Class Hyosung	Korea	Sale of new automobiles	9,076	84.75%
Starlease Co.,Ltd.	Korea	Financial lease	165,111	94.90%
Epiplus Co., Ltd.	Korea	Manufacture & sale of Wafer and LED Chip	534	33.64%
NH Tech Inc.	Korea	Manufacture, setup & sale of ATM	2,147	43.50%
Hyosung Construction Co., Ltd.	Korea	Engineering & construction work	3,910	50.59%
Hyosung Ebara Co., Ltd.	Korea	Manufacture, setup & sale of pumps	42,085	67.00%
Hyosung Ebara Engineering Co., Ltd.	Korea	Facility construction for the prevention of environment pollution	15,260	81.33%
Hyosung Capital Co., Ltd.	Korea	Factoring financing	87,245	100.00%
Hyosung Investment & Development Corp.	Korea	Development & construction	44,966	58.75%
Hyosung Trans World Co., Ltd.	Korea	Multi-transportation agency	10,592	100.00%

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business, Continued

(1) Summary of General Condition for Consolidated Financial Statements, Continued

(b) Consolidated Subsidiaries, Continued

(i) As of December 31, 2007, the consolidated subsidiaries consist of following, Continued:

<u>Company</u>	<u>Location</u>	<u>Business</u>	<u>Capital</u>	<u>Equity ownership</u>
Baoding Hyosung Tianwei Transformer Co.,Ltd.	China	Manufacture & sale of transformers	₩ 9,187	60.00%
Beijing Hyosung Container Co., Ltd.	China	Manufacture & sale of PET bottles & plastic products	14,630	100.00%
Hyosung America Inc.	America	General trading business & import - export transactions	(104,457)	100.00%
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	Manufacture of raw polyester thread	98,543	100.00%
Hyosung Europe SRL	Italy	General trading business & import - export transactions	2,733	100.00%
Hyosung Istanbul Tekstil Ltd. STI	Terkey	Manufacture & sale of spandex	9,354	100.00%
Hyosung Japan Co., Ltd.	Japan	General trading business & import - export transactions	3,183	100.00%
Hyosung Luxembourg S.A.	Luxem-bourg	Manufacture & sale of tire-stiffeners	16,681	100.00%
Hyosung Power Holdings Co., Ltd.	Caymans Islands	Holding company	29,673	100.00%
Hyosung Singapore Pte. Ltd.	Singapore	General trading business & import - export transactions	9,813	100.00%
Hyosung Spandex (Guangdong) Co., Ltd.	China	Manufacture & sale of spandex	90,769	100.00%
Hyosung Spandex (Jiaxing) Co., Ltd.	China	Manufacture & sale of spandex	99,534	100.00%
Hyosung Spandex (Zhuhai) Co., Ltd.	China	Manufacture & sale of spandex	22,374	75.00%
Hyosung SteelCord (Qingdao) Co., Ltd.	China	Manufacture & sale of steelcord	33,057	100.00%
Hyosung USA Inc.	America	Manufacture & sale of tire-stiffeners	76,928	100.00%
Hyosung Vietnam Co., Ltd.	Vietnam	Manufacture & sale of tire-stiffeners	25,341	82.32%
Nantong Hyosung Transformer Co., Ltd.	China	Manufacture & sale of tire-stiffeners	24,192	100.00%
Nantong Yaubong Transformer Co., Ltd.	China	Manufacture & sale of tire-stiffeners	4,604	100.00%
OpCo GmbH	Germany	Manufacture of film	1,827	90.74%
Xepix Corp.	America	Research of LED	3,676	74.93%

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business, Continued

(1) Summary of General Condition for Consolidated Financial Statements, Continued

(b) Consolidated Subsidiaries, Continued

(i) As of December 31, 2007, the consolidated subsidiaries consist of following, Continued:

<u>Company</u>	<u>Location</u>	<u>Business</u>	<u>Capital</u>	<u>Equity ownership</u>
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	Manufacture of steel	₩ 12,285	39.00%
<b>&lt; Subsidiaries excluded from consolidation &gt;</b>				
Gumoknongsan Co., Ltd. (note 1)	Korea	Cultivations of farm crops	125	75.00%
Hongjin Data Service Co., Ltd. (note 1)	Korea	Consultation, development & supplies of software	5,125	65.52%
Gangreung Wind Power-Co., Ltd.(note 1)	Korea	Manufacture of wind power generators	1,325	100.00%
Beijing Hyosung Hitech Co., Ltd. (note 1)	China	Sale of electronic components	12	70.00%
Beijing Hyosung Food & Beverage Co., Ltd. (note 1)	China	Food & beverage business	-	95.00%
HICO America Sales & Tech. (note 1)	America	General trading business & import - export transactions	788	100.00%
Hyosung Deutschland GmbH (note 2)	Germany	General trading business & import & export transactions	-	100.00%
Hyosung (H.K) LIMITED (note 1)	China	General trading business & import & export transactions	1,115	100.00%
Hyosung International Trade(Jiaxing) Co., Ltd. (note 1)	China	General trading business & import & export transactions	1,053	100.00%
Hyosung Participacoes Brasil LTDA (note 1)	Brasil	Manufacture & sale of tire-stiffeners	6,603	100.00%
Hyosung Resource (Australia) PTY., Ltd. (note 1)	Australia	Development of resources	1,562	100.00%
Hyosung Steel Cord (Nanjing) Co., Ltd. (note 1)	China	Manufacture & sale of Steel cord	6,223	100.00%
Lanka Synthetic Fiber Co., Ltd. (note 2)	Sri Lanka	Manufacture & sale of Poliester	-	98.31%
Thai Hyosung Co., Ltd. (note 2)	Thailand	General trading business & import	-	49.00%

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business, Continued

(1) Summary of General Condition for Consolidated Financial Statements, Continued

(b) Consolidated Subsidiaries, Continued

(i) As of December 31, 2007, the consolidated subsidiaries consist of following, Continued:

(note 1) According to Paragraph 2-1, Article1-3 of the Act on External Audit of Corporations, the Company is excluded from consolidation in 2007 with its total assets being less than ₩7 billion at the end of prior fiscal year.

(note 2) According to Paragraph 2-2, Article1-3 of the Act on External Audit of Corporations, the company is excluded from consolidation in 2007 since it is in the process of liquidating its business or has not been in operation for a year and longer.

(ii) As of December 31, 2006, the consolidated subsidiaries consist of following:

*In millions of Won*

<u>Company</u>	<u>Location</u>	<u>Business</u>	<u>Capital</u>	<u>Equity ownership</u>
<b>&lt; Subsidiaries included in consolidation &gt;</b>				
Nautilus Hyosung Inc.	Korea	Sale of computer system & information management service	₩ 62,979	43.50%
The Class Hyosung	Korea	Sale of new automobiles	5,301	84.75%
Epiplus Co., Ltd.	Korea	Manufacture & sale of Wafer and LED Chip	5,633	33.64%
Hyosung Construction Co., Ltd.	Korea	Engineering & construction work	6,462	50.59%
Hyosung Ebara Co., Ltd.	Korea	Manufacture, setup & sale of pumps	35,108	67.00%
Hyosung Ebara Engineering Co., Ltd.	Korea	Facility construction for the prevention of environment pollution	13,858	81.33%
Hyosung Innotech Inc.	Korea	Manufacture & sale of insulating materials	6,240	100.00%
Hyosung Capital Co., Ltd.	Korea	Factoring financing	68,492	100.00%
Hyosung Investment & Development Corp.	Korea	Development & construction	26,090	58.75%
Hyosung Trans World Co., Ltd.	Korea	Multi-transportation agency	9,152	100.00%
Baoding Hyosung Tianwei Transformer Co.,Ltd.	China	Manufacture & sale of transformers	4,006	60.00%
Beijing Hyosung Container Co., Ltd.	China	Manufacture & sale of PET bottles & plastic products	12,715	100.00%
Hyosung America Inc.	America	General trading business & import - export transactions	(78,947)	100.00%

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business, Continued

(1) Summary of General Condition for Consolidated Financial Statements, Continued

(b) Consolidated Subsidiaries, Continued

(ii) As of December 31, 2006, the consolidated subsidiaries consist of following, Continued:

<u>Company</u>	<u>Location</u>	<u>Business</u>	<u>Capital</u>	<u>Equity ownership</u>
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	Manufacture of raw polyester thread	₩ 64,996	100.00%
Hyosung Europe SRL	Italy	General trading business & import - export transactions	225	100.00%
Hyosung Film (jiaxing) Co., Ltd.	China	Manufacture & sale of nylon film	3,413	100.00%
Hyosung (H.K) Limited.	Hong Kong	General trading business & import - export transactions	(10,672)	100.00%
Hyosung Japan Co., Ltd.	Japan	General trading business & import - export transactions	2,795	100.00%
Hyosung Luxembourg S.A.	Luxem-bourg	Manufacture & sale of tire-stiffeners	16,158	100.00%
Hyosung Power Holdings Co., Ltd.	Caymans Islands	Holding company	30,901	100.00%
Nantong Yaubong Transformer Co., Ltd.	China	Manufacture of transformers	(9,945)	100.00%
Nantong Hyosung Transformer Co., Ltd.	China	Manufacture of transformers	36,793	100.00%
Hyosung Singapore Pte. Ltd.	Singapore	General trading business & import - export transactions	56,306	100.00%
Hyosung Spandex (Guangdong) Co., Ltd.	China	Manufacture & sale of spandex	29,697	100.00%
Hyosung Spandex (Jiaxing) Co., Ltd.	China	Manufacture & sale of spandex	54,364	100.00%
Hyosung SteelCord (Qingdao) Co., Ltd.	China	Manufacture & sale of steelcord	24,904	100.00%
Hyosung USA Inc.	America	Manufacture & sale of tire-stiffeners	3,117	100.00%
Xepix Corp.	America	LED research	8,192	74.93%
Zhangjigang Xiaosha Coil Service Co., Ltd.	China	Processing steel products	11,541	39.00%

**<Subsidiaries excluded from consolidation>**

Gumoknongsan Co., Ltd. (note 1)	Korea	Cultivations of farm crops	253	75.00%
Hongjin Data Service Co., Ltd. (note 1)	Korea	Consultation, development & supplies of software	4,398	65.52%
Gangreung Wind Power Co., Ltd.(note 1)	Korea	Manufacture of wind power generators	1,235	100.00%

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business, Continued

(1) Summary of General Condition for Consolidated Financial Statements, Continued

(b) Consolidated Subsidiaries, Continued

(ii) As of December 31, 2006, the consolidated subsidiaries consist of following, Continued:

<u>Company</u>	<u>Location</u>	<u>Business</u>	<u>Capital</u>	<u>Equity ownership</u>
Beijing Hyosung Computer Technologies Co., Ltd. (note 1)	China	Manufacture & sale of Computer components	₩ 809	100.00%
Beijing Hyosung Hitech Co., Ltd. (note 1)	China	Sale of electronic components	47	70.00%
Beijing Hyosung Food & Beverage Co., Ltd. (note 1)	China	Food & beverage business	-	95.00%
HICO America Sales & Tech. (note 1)	America	General trading business & import - export transactions	193	100.00%
Hyosung Participacoes Brasil LTDA (note 1)	Brasil	Manufacture & sale of tire-stiffeners	4,408	100.00%
Hyosung Deutschland GmbH (note 2)	Germany	General trading business & import & export transactions	-	100.00%
Hyosung Resource (Australia) PTY., Ltd. (note 1)	Australia	Development of resources	1,548	100.00%
Hyosung Steel Cord (Nanjing) Co., Ltd. (note 1)	China	Manufacture & sale of Steel cord	4,746	100.00%
Lanka Synthetic Fiber Co., Ltd. (note 2)	Sri Lanka	Manufacture & sale of Poliester	-	98.31%
OpCo GmbH	Germany	Manufacture of film	2,869	90.74%
Thai Hyosung Co., Ltd. (note 2)	Thailand	General trading business & import	-	49.00%

(note 1) According to Paragraph 2-1, Article1-3 of the Act on External Audit of Corporations, the Company is excluded from consolidation in 2006 with its total assets being less than ₩7 billion at the end of prior fiscal year.

(note 2) According to Paragraph 2-2, Article1-3 of the Act on External Audit of Corporations, the company is excluded from consolidation in 2006 since it is in the process of liquidating its business or has not been in operation for a year and longer.



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business, Continued

(1) Summary of General Condition for Consolidated Financial Statements, Continued

(c) Changes in Consolidated Subsidiaries

- (i) The subsidiaries newly included in the scope of consolidation in 2007 and the reasons are as stated below:

<u>Company</u>	<u>Reason</u>
Starlease Co., Ltd.	A new acquisition in current year and total assets exceeding ₩ 7,000 million at the end of prior fiscal year
NH Tech Inc.	Total assets exceeding ₩ 7,000 million at the end of prior fiscal year
Hyosung Istanbul Tekstil Ltd. STI	Paid-in capital exceeding ₩ 7,000 million at the time of incorporation
Hyosung Spandex (Zhuhai) Co., Ltd.	A new acquisition in current year and total assets exceeding ₩ 7,000 million at the end of prior fiscal year
Hyosung Vietnam Co., Ltd.	Paid-in capital exceeding ₩ 7,000 million at the time of incorporation
OpCo GmbH	Total assets exceeding ₩ 7,000 million at the end of prior fiscal year

- (ii) The subsidiaries excluded from consolidation in 2007, although included in 2006, are as follows:

<u>Company</u>	<u>Reason</u>
Hyosung Innotech Inc.	Merged
Hyosung Film (Jiaxing) Co., Ltd.	Merged
Hyosung (H.K) Limited.	The amount of total assets was below ₩ 7,000 million at the end of prior fiscal year

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

(a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory consolidated financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended solely for use by only those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements.

Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

Effective January 1, 2007, the Company adopted Statements of Korea Accounting Standards ("SKAS"), No. 21 (*Preparation and Presentation of Financial Statements*), and No. 23 (*Earnings per Share*), No.24 (*Preparation and Presentation of Financial Statements II*) No.25 (*Consolidated Financial Statements*) Certain accounts of the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications have not resulted in any change to reported net income or stockholders' equity.

(b) Changes in Presentation of Financial Statements

According to SKAS No. 21, *Preparation and Presentation of Financial Statements*, and No. 25, *Consolidated Financial Statements*, the capital adjustment account has been split into capital adjustments and accumulated other comprehensive income. In addition, earnings per share data are now presented as a separate item in the statement of income. A statement of comprehensive income has been included in the notes to consolidated financial statements.

(c) Allowance for Doubtful Accounts and Restructured Accounts Receivable

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection and presented as a deduction from trade receivables.

When the terms of trade accounts and notes receivable (the principal, interest rate or term) are varied, either through a court order, such as a reorganization, or by mutual formal agreement, resulting in a reduction in the present value of the future cash flows due to the Company, the difference between the carrying value of the relevant accounts and notes receivable and the present value of the future cash flows is recognized as bad debt expense.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(d) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The cost of inventories is determined by the specific identification method for materials in transit and by the weighted-average method for all other inventories. Amounts of inventory written down to net realizable value due to losses occurring in the normal course of business are recognized as cost of goods sold and are deducted as an allowance from the carrying value of inventories.

(e) Investments in Securities (excluding investments in associates, subsidiaries and joint ventures)

**Classification**

Upon acquisition, the Company classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities. This classification is reassessed at each balance sheet date.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

**Initial recognition**

Investments in securities (excluding investments in subsidiaries, associates and joint ventures) are initially recognized at cost.

**Subsequent measurement and income recognition**

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the income statement using the effective interest method.

**Fair value information**

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the Company's credit rating as announced by accredited credit rating agencies in Korea. The fair value of investments in money market funds is determined by investment management companies.

**Presentation**

Trading securities are presented as current assets. Available-for-sale securities, which mature within one year from the balance sheet date or where the likelihood of disposal within one year from the balance sheet date is probable, are presented as current assets. Held-to-maturity securities, which mature within one year from the balance sheet date, are presented as current assets. All other available-for-sale securities and held-to-maturity securities are presented as long-term investments.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(e) Investments in Securities (excluding investments in associates, subsidiaries and joint ventures), Continued

***Impairment***

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

(f) Investments in Associates and Subsidiaries

Associates are all entities over which the Company has the ability to significantly influence the financial and operating policies and procedures, generally accompanying a shareholding of over 20 per cent of the voting rights. Subsidiaries are entities controlled by the Company.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on acquisition (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (losses).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the statement of income.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost, except in the case of revaluations made in accordance with the Asset Revaluation Law, which allowed for asset revaluation prior to the Law being revoked. Assets acquired through investment in kind or donation are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant additions or improvements extending useful lives of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful lives (years)</u>
Buildings	14 to 40 years
Structures	20 to 40 years
Machinery and equipment	3 to 10 years
Tools, furniture and fixtures	3 to 8 years
Vehicles	3 to 8 years

However, the declining balance method is used in the case of Hyosung Trans World and Hyosung Ebara Co., Ltd., except for the building which are depreciated using the straight-line method.

The Company capitalizes as part of the cost of qualifying assets interest costs on all borrowings incurred until the acquisition or construction of a qualifying asset is substantially complete and the asset is ready for its intended use.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

(h) Leases

A lease shall be classified as a capital lease if the lease transfers substantially all of the benefits and risks incidental to the ownership of the leased assets. Otherwise, it shall be an operating lease.

A capital lease is recorded as an asset and an obligation at an amount equal to the lower of the fair value or the present value which is computed with the interest rate implicit in the lease at the beginning of the lease term of minimum lease payments during the lease term. During the lease term, each minimum payment shall be allocated between a reduction of the obligation and interest expense so as to produce a constant periodic rate of interest on the remaining balance of the obligation. Rental on an operating lease shall be recognized on a straight-line basis over the lease term as it becomes payable.

Where the Company is a lessee under a capital lease, the present value of future minimum lease payments is capitalized and a corresponding liability is recognized. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(i) Goodwill and Negative Goodwill

Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable net assets acquired at the date of acquisition is recognized as goodwill and amortized on a straight-line basis over five years. However, if the book value exceed the recoverable amount and the difference is material, an impairment loss should be recognized.

Any excess, at the date of acquisition, of the acquirer's interest in the fair values of the identifiable net assets acquired over the cost of the acquisition is recognized as negative goodwill. Negative goodwill is presented as a reduction of intangible assets in the balance sheet. The amount of negative goodwill not exceeding the total fair value of acquired identifiable non-monetary assets should be recognized as income on a straight-line basis over the remaining weighted average useful life of the identifiable acquired depreciable assets and the amount of negative goodwill in excess of the total fair value of the acquired identifiable non-monetary assets should be recognized as extraordinary gain at the date of acquisition.

The negative goodwill related to future losses or expenses which are indicated in the acquisition contract should be recognized as income when the future losses or expenses actually occur.

(j) Intangible Assets

An intangible asset is an asset where: (1) it is probable that future economic benefits that are attributable to the asset will flow into the entity and (2) the cost of the asset can be measured reliably.

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Impairment losses are determined as the amount required to reduce the carrying amount of an intangible asset to its recoverable amount. Amortization on intangible assets is computed by the straight-line method over a reasonable period, generally five to twenty years, based on the nature of the assets.

The criteria for determining whether an incurred cost qualifies as an intangible asset and the periods of amortization for each classification of intangible asset are described below.

(i) Research and Development Costs

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the expense generation process into a research phase and a development phase. All costs incurred during the research phase are expensed as incurred. Costs incurred during the development phase are recognized as assets only if the following criteria are met for recognition in SKAS No. 3, *Intangible Assets*: (1) completion of the intangible asset is technically feasible so that it will be available for use or sale; (2) the Company has the intention and ability to complete the intangible asset and use or sell it; (3) there is evidence that the intangible asset will generate probable future economic benefit; (4) the Company has adequate technical, financial and other resources to complete the development of the intangible asset and the intangible asset will be available; and (5) the expenditures attributable to the intangible asset during its development can be reliably determined.

If the costs incurred fail to satisfy these criteria, they are recorded as expenses as incurred. Where development costs satisfy the criteria, they are capitalized and amortized on a straight-line basis. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(j) Intangible Assets, Continued

(ii) Other Intangible Assets

Other intangible assets, which consist of industrial property rights, rights to utilization, goodwill and others are amortized using the straight-line method over a reasonable period, generally five to twenty years, based on the nature of the asset.

(k) Contributions Received for Capital Expenditure

Contributions received from third parties for capital expenditure are presented as a reduction of the acquisition cost of the acquired assets and, accordingly, reduce depreciation expense related to the acquired assets over their useful lives.

Income from grants that do not require the Company to fulfill any subsequent obligations and which is directly related to the Company's operating activities is recognized as operating income, net of related costs. Other income from grants is recognized as other income.

(l) Discount on Debentures

Discount on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest method over the life of the debentures. The amount amortized is included in interest expense.

(m) Retirement and Severance Benefits

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on current salary rates and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying non-consolidated balance sheets. A portion of the liability is covered by an employees' severance benefits trust where the employees have a vested interest in the deposit with the insurance company in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated balance sheets as a reduction of the liability for retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying non-consolidated financial statements as a reduction of the retirement and severance benefits liability. However, due to a new regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

(n) Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term cash loans/borrowings and other similar transactions are stated at present value. The difference between the nominal value and present value of these receivables or payables is amortized using the effective interest method. The amount amortized is included in interest expense or interest income.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(o) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains or losses recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩ 938.2 to USD1, the rate of exchange on December 31, 2007 that is permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate on the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the balance sheet date. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net as accumulated other comprehensive income. These gains and losses are subsequently recognized as income in the year the foreign operations or the companies are liquidated or sold.

(p) Derivatives

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

***Hedge accounting***

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

***Fair value hedge***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(p) Derivatives, Continued

**Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

**Derivatives that do not qualify for hedge accounting**

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in the statement of income.

**Separable embedded derivatives**

Changes in the fair value of separable embedded derivatives are recognized immediately in the statement of income.

(q) Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense generated by the provision is presented net of the amount of expected reimbursement.

(r) Revenue Recognition

The Company's revenue categories consist of goods sold and services.

**Goods sold**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

**Construction contracts**

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in the statement of income in proportion to the percentage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(r) Revenue Recognition, Continued

The percentage of completion is assessed by reference to costs incurred for work performed to date to the estimated total contract costs or surveys of work performed. 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. An expected loss on a contract is recognized immediately in the statement of income.

(s) Income Taxes

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carryforwards and tax credit carryforwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

(t) Earnings Per Share

Earnings per share are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period.

Diluted earnings per share are determined by adjusting net income attributable to stockholders and the weighted-average number of shares outstanding for the effects of all potentially dilutive shares, which comprise convertible preferred stock and stock options granted to employees.

(u) Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to consolidated financial statements. Actual results could differ from those estimates.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

2 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(v) Elimination of Investments and Shareholders' Equity

The investment account of a controlling company and the corresponding shareholders' equity between subsidiaries have been eliminated as of control acquisition date and minority interest in the shareholders' equity of subsidiaries in eliminating investments and shareholders' has been presented in a separate equity account. If the acquisition date is not as of the fiscal year end of the subsidiaries, the nearest fiscal year end of such subsidiaries is considered as the acquisition date. In eliminating the investment of a controlling company and the shareholders' equity of a subsidiary, the choice of the purchase method has been made and the investment elimination difference should be accounted for as goodwill or negative goodwill.

The elimination entries of the controlling Company's investments against the subsidiary shareholders' equity as of December 31, 2007 are summarized as follows:

*In millions of Won*

Account	Amount	Account	Amount
Common stock	₩ 650,759	Equity method investments	₩ 1,054,410
Capital surplus	353,175	Minority interest	125,617
Retained earnings	130,668	Accumulated other comprehensive income	33,926
Provision for loss on valuation of equity method investments	79,653	Capital adjustment	302

(w) Use of Provisional Financial Statements

Provisional financial statements were used in the valuation as audited (or reviewed) financial statements were unavailable for Hyosung Europe SRL and Hyosung Istanbul Tekstil Ltd. STI in 2007, of which financial statements reflect 1.25 percent of total consolidated assets (before elimination of intercompany transactions) as of December 31, 2007 and 0.41 percent of total consolidated sales (before elimination of intercompany transactions) for the year then ended.

The subsidiaries whose provisional financial statements were used are summarized as follows:

*In millions of Won*

Company	Equity ownership	Assets	Liabilities	Sales
Hyosung Europe SRL	100.00%	₩ 16,041	13,309	34,363
Hyosung Istanbul Tekstil Ltd. STI	100.00%	80,849	55,351	-

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

3 Restricted Deposits

Deposits which are restricted in use as collateral for checking accounts as of December 31, 2007 and 2006 are as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	₩ 46	-
Short-term deposits	674	-
Long-term deposits	615	797
	<u>₩ 1,335</u>	<u>797</u>

4 Transfers of Accounts Receivable - Trade

Outstanding accounts and notes receivable - trade transferred to and discounted with third parties, and excluded from the accompanying balance sheets, as of December 31, 2007 and 2006 are summarized as follows:

<i>In millions of Won, thousands of USD</i>	<u>2007</u>	<u>2006</u>
Accounts receivable - trade	₩ 178,386	277,954
	USD 1,324	-
Notes receivable - trade	₩ 11,494	16,250
	₩ 189,880	294,204
	<u>USD 1,324</u>	<u>-</u>

5 Inventories

Inventories as of December 31, 2007 and 2006 are summarized as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
Merchandise	₩ 89,256	102,328
Finished goods	245,177	283,524
Work-in-progress	45,075	43,244
Cosigned goods	5,045	5,948
Goods on consignment-in	409	577
Raw materials	139,481	114,495
Supplies	15,350	7,185
Goods-in-transit	15,517	14,755
Unfinished housing and office units	67,268	31,354
Temporary establishments for construction	48	67
Building lots	115,922	150,757
Others	8,478	11,702
	<u>₩ 747,026</u>	<u>765,936</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

6 Other Current Assets

Other current assets as of December 31, 2007 and 2006 are summarized as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
Short-term loans	₩ 14,656	4,691
Deposit for guarantees	1,072	4,130
Others	18,120	5,560
	<u>₩ 33,848</u>	<u>14,381</u>

7 Investment Securities

Investment securities as of December 31, 2007 and 2006 are summarized as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
<b>Available-for-sale securities</b>		
Marketable securities	₩ 45,988	46,340
Non-marketable securities	35,079	25,249
Debt securities	21,545	44,379
	<u>₩ 102,612</u>	<u>115,968</u>

(a) Available-for-sale securities

As of December 31, 2007 and 2006, available-for-sale securities comprised marketable securities recorded at fair value, non-marketable securities recorded at fair value and non-marketable securities recorded at cost.

(i) Marketable securities recorded at fair value:

Marketable securities recorded at fair value as of December 31, 2007 and 2006 are summarized as follows:

*In millions of Won, except percentage of ownership*

	<u>2007</u>		<u>2006</u>
	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Fair value</u>
KTB Networks	₩ 13	31	14
Korea Foundation Investment Corp.	815	288	149
KT Freetel Co., Ltd.	5,775	22,565	29,750
Ultra Construction & Engineering Co., Ltd	5	3	2
KT Co., Ltd.	2,167	1,963	1,866
Hansin Construction Co., Ltd.	1	20	14
Savezone (formerly, Ures Co., Ltd.)	30	16	9
Co&Tech	407	1,018	684
Kumho Tire Co., Inc.	10,000	14,000	12,600
OnMedia Corporation	280	1,098	1,252
Saehan Co., Ltd.	263	298	-
KP Chemical	1,430	1,873	-
Byucksan engineering& construction Co., Ltd.	10	25	-
National Information&Credit evaluation, Inc.	1,837	2,790	-
	<u>₩ 23,033</u>	<u>45,988</u>	<u>46,340</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

7 Investment securities, Continued

Investment securities as of December 31, 2007 and 2006 are summarized as follows, Continued:

(ii) Non-marketable securities recorded at fair value (note 1):

Non-marketable securities recorded at fair value as of December 31, 2007 and 2006 are summarized as follows:

*In millions of Won*

	2007		2006
	Acquisition cost	Fair value	Fair value
Kangwon Ilbo	₩ 20	20	20
Ninex Co., Ltd. (note 2)	3,000	1,500	1,500
GM Daewoo Co., Ltd. (note 2)	8	3	8
Namwoo Ad.(formerly, MediaSpot Co., Ltd. (note 2)	500	250	250
Bum Yang Air-Conditioning Co., Ltd. (note 2)	6	-	-
Sejong Telecom (note 2)	2,406	-	-
Doosan Capital Co.	3,000	3,000	3,000
KyongNam Shinmun (note 2)	30	15	30
Kihyup Finance Corp.	500	500	500
Korea Housing Insurance Corp. (note 2)	3,511	1,373	1,373
Bangsol.Com (note 2)	232	116	116
Hankook Economic Newspaper (note 2)	1,354	677	677
Korea Management Association Consulting	180	180	180
ChemCross.Com (note 2)	222	-	-
Line Point Inc.(note 2)	1,148	-	-
MomusVenturesgroup (note 2)	3,242	-	1,621
POSCO Coil Center	518	518	518
Pos-Thai Steel Service	-	-	1,225
InfoNet Korea Ltd. (note 2)	100	50	-
TransLink Capital Partners 1, L.P	718	718	-
E-pia Ltd. (note 2)	3,000	1,500	-
Korea Money Brokerage Corp.	20	20	-
Samsung Life Insurance	12,264	12,264	-
Daewoo Electronics Corp.	153	49	-
Pyunghwa Plastic	6	6	-
Sammi Co., Ltd. (note 3)	-	-	-
SK Incheon Oil Refinery Co., Ltd.	422	422	-
Suhryung Corporation (note 3)	-	-	-
Hanil Synthetic Fiber Co., Ltd. (note 3)	-	-	-
Nasan Clef Co., Ltd. (note 3)	-	-	-
MJ Project Finance Investment Co., Ltd.	553	177	-
Elcanto Co., Ltd. (note 3)	-	-	-
Kunyoung Co., Ltd. (note 3)	-	-	-
Goldman Sachs Fund	1,184	1,184	-
HSC-2 Securitization Specialty Co., Ltd. (note 3)	-	-	-
HSC-3 Securitization Specialty Co., Ltd. (note 3)	-	-	-
Taesan Limited Company	833	833	-
Capital investments	9,522	8,558	6,118
Investment securities owned by foreign subsidiaries	1,146	1,146	8,113
	₩ <u>49,798</u>	<u>35,079</u>	<u>25,249</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

7 Investment securities, Continued

Investment securities as of December 31, 2007 and 2006 are summarized as follows, Continued:

(iii) Non-marketable securities recorded at fair value, Continued:

(note 1) These non-marketable securities are recorded at cost since their fair values are not available or readily determinable.

(note 2) Impairment losses were recognized as the recoverable amounts are less than the book value.

(note 3) These non-marketable securities have a book value of less than ₩ 1 million.

(iv) Debt securities:

Debt securities as of December 31, 2007 and 2006 are summarized as follows:

*In millions of Won*

	<b>2007</b>		<b>2006</b>
	<b>Acquisition cost</b>	<b>Fair value</b>	<b>Fair value</b>
Government and municipal bonds	₩ 10,282	10,282	8,190
Assets backed securities	11,230	11,230	10,189
Subordinated debentures	33	33	26,000
	₩ <u>21,545</u>	<u>21,545</u>	<u>44,379</u>

(v) Changes in unrealized gains (losses):

Changes in unrealized gains (losses) for the years ended December 31, 2007 and 2006 are summarized as follows:

*In millions of Won*

	<b>2007</b>	<b>2006</b>
<b>Beginning balance</b>	₩ 18,071	45,332
Realized gains on disposition of securities	(5,639)	(29,055)
Realized gains on impairment of securities	(141)	-
Changes in unrealized gain	2,207	1,793
Changes from tax effect	914	1
<b>Net balance at end of year</b>	₩ <u>15,412</u>	<u>18,071</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments

(a) Investments in companies accounted for using the equity method as of December 31, 2007 are as follows:

*In millions of Won, except percentage of ownership*

Company	Percentage of ownership	Cost	Balance at December 31, 2007
<b>Listed</b>			
Capro Corp.	21.04%	₩ 9,114	15,926
Hyosung ITX (formerly, Teleservice Co., Ltd.)	30.10%	3,675	9,190
<b>Unlisted</b>			
Gangreung Wind Power Co., Ltd. (note 1)	100.00%	1,200	1,200
Gumoknongsan Co., Ltd. (note 1)	75.00%	225	225
Kis-Bank Inc.	53.11%	2,063	1,930
Key2net Solution Inc.	10.94%	1,696	1,710
Hongjin Data Service	78.42%	3,950	3,957
Hyosung CTX Co., Ltd. (note 1)	44.44%	326	1,134
Hyosung Information System	50.00%	865	17,760
Hyosung Fms Inc.	100.00%	1,000	1,436
Beijing Hyosung Hitech Co., Ltd. (note 1)	70.00%	255	255
Beijing Hyosung Computer Technologies Co., Ltd. (note 1)	100.00%	1,900	941
Beijing Hyosung Food & Beverage Co., Ltd. (note 2)	95.00%	1,499	-
Hico America Sales & Tech.(note 1)	100.00%	1,287	1,287
Hyosung Deutschland GmbH (note 2)	100.00%	74,014	-
Hyosung (H.K) LIMITED	100.00%	87,144	1,115
Hyosung International Trade(Jiaxing) Co., Ltd.	100.00%	929	1,053
Hyosung Participacoes Brasil LTDA (note 1)	100.00%	4,408	6,603
Hyosung Resource (Australia) PTY Ltd. (note 1)	100.00%	1,562	1,562
Hyosung Steelcord (Nanjing) Co., Ltd. (note 1)	100.00%	6,223	6,223
Lanka Synthetic Fibre Co., Ltd. (note 2)	98.31%	22,447	-
Nantong Transformer Co., Ltd.	100.00%	3,891	4,058
Thai Hyosung Co., Ltd. (note 2)	49.00%	35	-
		₩ <u>229,708</u>	<u>77,566</u>

(note 1) Although the percentage of ownership exceeds 20%, the investments are recorded at cost as the effect of the application of the equity method is immaterial.

(note 2) The equity method is no longer used as the investee is currently under a liquidation process or in a significant net equity deficiency position.



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

Investments in companies accounted for using the equity method as of December 31, 2006 are as follows:

*In millions of Won, except percentage of ownership*

Company	Percentage of ownership	Cost	Balance at December 31, 2006
<b>Listed</b>			
Capro Corp.	21.04%	₩ 9,114	16,773
Hyosung ITX (formerly, Teleservice Co., Ltd.) (note 3)	44.44%	3,675	5,338
<b>Unlisted</b>			
Hyosung Wind Power-Holdings Co., Ltd. (note 1)	100.00%	1,200	1,200
Gumoknongsan Co., Ltd. (note 1)	75.00%	225	225
NH Tech Inc.	100.00%	650	1,540
Hongjin Data Service (note 1)	65.52%	3,869	3,869
Hyosung Information System	50.00%	865	15,548
Hyosung CTX Co., Ltd. (note 3)	44.44%	326	1,134
Beijing Hyosung Computer Technologies Co., Ltd. (note 1)	100.00%	1,836	729
Beijing Hyosung Hitech Co., Ltd. (note 1)	70.00%	255	255
Beijing Hyosung Food & Beverage Co., Ltd. (note 2)	95.00%	1,499	-
Hico America Sales & Tech.(note 1)	100.00%	1,287	1,287
Hyosung Brasil Industrial & Commercial LTDA (note 1)	100.00%	4,408	4,408
Hyosung Deutschland GmbH (note 2)	100.00%	74,014	1,360
Hyosung Resource (Australia) PTY Ltd. (note 1)	100.00%	1,548	1,548
Hyosung Steelcord (Nanjing) Co., Ltd. (note 1)	100.00%	4,746	4,746
Lanka Synthetic Fibre Co., Ltd. (note 2)	98.31%	22,447	-
OpCo GmbH	90.74%	6,368	3,317
Thai Hyosung Co., Ltd. (note 2)	49.00%	35	-
		₩ 138,367	63,277

(note 1) Although the percentage of ownership exceeds 20%, the investments are recorded at cost as the effect of the application of the equity method is immaterial.

(note 2) The equity method is no longer used as the investee is currently under a liquidation process or in a significant net equity deficiency position.

(note 3) The newly established company was split-up from Hyosung ITX (formerly, Teleservice Co., Ltd.) by a spin-off as of September 28, 2006.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

(b) Changes in goodwill for equity method accounted investments for the year ended December 31, 2007 are as follows:

*In millions of Won*

<b>Company</b>	<b>Balance at January 1, 2007</b>	<b>Increase</b>	<b>Amortized amount</b>	<b>Balance at December 31, 2007</b>
Capro Corp.	₩ (374)	-	(149)	(225)
Kis-Bank Inc.	-	(133)	2,063	1,930
Key2net Solution Inc.	-	14	1,696	1,710
Hongjin Data Service	568	89	-	657
Hyosung ITX	(3,496)	-	(874)	(2,622)
Hyosung FMS Inc.	-	436	1,000	1,436
Beijing Hyosung Computer Technologies Co., Ltd.	-	202	740	941
	₩ <u>(3,302)</u>	<u>608</u>	<u>4,476</u>	<u>3,827</u>

Changes in goodwill for equity method accounted investments for the year ended December 31, 2006 are as follows:

*In millions of Won*

<b>Company</b>	<b>Balance at January 1, 2006</b>	<b>Increase</b>	<b>Amortized amount</b>	<b>Balance at December 31, 2006</b>
Capro Corp.	₩ (524)	-	(150)	(374)
Hyosung ITX	-	(4,370)	(874)	(3,496)
	₩ <u>(524)</u>	<u>(4,370)</u>	<u>(1,024)</u>	<u>(3,870)</u>

(c) Details of eliminated unrealized losses from inter-company transactions for the years ended December 31, 2007 were as follows:

*In millions of Won*

<b>Affiliate</b>	<b>Current assets</b>	<b>Property, plant &amp; equipment</b>	<b>Total</b>
Capro Corp.	₩ <u>(178)</u>	<u>-</u>	<u>(178)</u>

Details of eliminated unrealized losses from inter-company transactions for the years ended December 31, 2006 were as follows:

*In millions of Won*

<b>Affiliate</b>	<b>Current assets</b>	<b>Property, plant &amp; equipment</b>	<b>Total</b>
Capro Corp.	₩ <u>(444)</u>	<u>-</u>	<u>(444)</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

(d) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2007 are as follows:

*In millions of Won*

<u>Company</u>	<u>Balance at January 1, 2007</u>	<u>Net income</u>	<u>Accumulated other comprehensive income</u>	<u>Others</u>	<u>Balance at December 31, 2007</u>
NH Tech Inc. (note 4)	₩ 1,540	-	-	(1,540)	-
Capro Corp. (note 1)	16,773	(2,294)	(5,044)	6,491	15,926
Kis-Bank Inc.	-	(133)	-	2,063	1,930
Key2net Solution Inc.	-	14	-	1,696	1,710
Hongjin Data Service	3,869	88	-	-	3,957
Hyosung ITX (note 1)	5,338	1,814	(54)	2,092	9,190
Hyosung Fms Inc.	-	436	-	1,000	1,436
Hyosung Information System (note 1)	15,548	3,076	-	(865)	17,759
Beijing Hyosung Computer Technologies Co., Ltd. (note 1)	-	202	-	740	942
Hyosung Deutschland GmbH	-	(680)	(680)	1,360	-
Hyosung (H.K) LIMITED (notes 1,3)	-	584	(193)	724	1,115
Hyosung International Trade (Jiaxing) Co., Ltd. (notes 1,3)	-	61	62	930	1,053
Hyosung Participacoes Brasil LTDA	-	1,090	1,105	4,408	6,603
Nantong Transformer Co.,Ltd.	-	(37)	(3,602)	7,697	4,058
OpCo GmbH (notes 1,4)	3,317	-	-	(3,317)	-
Investments under cost method (note 3)	16,892	-	-	(5,006)	11,886
	₩ <u>63,277</u>	<u>4,221</u>	<u>(8,406)</u>	<u>18,473</u>	<u>77,566</u>

(note 1) Audited financial statements were used in the valuation.

(note 2) Other increase (decrease) are from receipt of dividend income, amount received as capital investments, proceeds from sale, and changes in retained earnings.

(note 3) The equity method has not been used for its effect on investment balances is immaterial. In addition, the valuation and other figures on the investees whose date of deemed acquisition December 31, 2007, are included.

(note 4) The equity method has been used this year for its total assets exceeded ₩ 7,000 million at the end of the prior fiscal year.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2006 are as follows:

*In millions of Won*

<b>Company</b>	<b>Balance at January 1, 2006</b>	<b>Net income</b>	<b>Accumulated other comprehensive income</b>	<b>Others</b>	<b>Balance at December 31, 2006</b>
Capro Corp.	₩ 29,874	(12,171)	(88)	(842)	16,773
NH Tech Inc.	1,106	434	-	-	1,540
Hongjin Data Service	3,781	87	-	1	3,869
Hyosung ITX	4,000	2,271	(603)	(330)	5,338
Hyosung Information System	12,891	3,523	-	(865)	15,549
OpCo GmbH (note 1)	-	(3,093)	41	6,368	3,316
Investments under cost method (note 3)	7,543	-	808	8,541	16,892
	₩ <u>59,195</u>	<u>(8,949)</u>	<u>158</u>	<u>12,873</u>	<u>63,277</u>

(note 1) Audited financial statements were used in the valuation.

(note 2) Other increase (decrease) are from receipt of dividend income, amount received as capital investments, proceeds from sale, and changes in retained earnings.

(note 3) The equity method has not been used for its effect on investment balances is immaterial. Also, the valuation and other figures on the investees whose date of deemed acquisition is December 31, 2006, are included.

(e) Summarized financial information of equity method accounted investments, which represents 100% of the entities' balances, as of December 31, 2007 is as follows:

*In millions of Won*

<b>Company</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Sales</b>	<b>Net income</b>
Capro Corp.	₩ 450,833	373,242	669,277	(10,226)
Kis-Bank Inc.	2,892	2,631	5,150	124
Key2net Solution Inc.	8,526	2,078	16,515	964
Hongjin Data Service	5,955	866	4,823	691
Hyosung ITX (note 1)	51,381	13,945	109,148	2,184
Hyosung Fms Inc.	12,468	10,999	3,295	26,761
Hyosung Information System	111,612	76,092	175,165	6,153
Beijing Hyosung Computer Technologies Co., Ltd.	14,174	13,164	23,623	202
Hyosung International Trade (Jiaxing) Co., Ltd.	9,768	8,715	85,133	61
Hyosung Participacoes Brasil LTDA	7,347	744	6,153	1,090

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies

(a) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2007 and 2006 are summarized as follows:

*In millions of Won*

Consolidated company	Related company	Sales to		Purchases from		Other income	
		2007	2006	2007	2006	2007	2006
Hyosung Corporation	NH Tech Inc.	₩ -	25	-	-	-	-
	Infobada Co., Ltd.	27	9	64	-	-	-
	Capro Corp.	2,026	858	347,853	249,947	-	-
	Hongjin Data Service Co., Ltd.	-	-	-	47	-	-
	Hyosung CTX Co., Ltd.	35	-	25	-	-	-
	Hyosung ITX	68	28	178	1,532	1	1
	Hyosung Information System	10	1	-	-	51	43
	HICO America Sales & Tech.	83	862	158	862	-	-
	Hyosung Deutschland GmbH	-	2,778	-	187	-	-
	Hyosung International Trade (Jiaxing) Co., Ltd.	11	-	170	-	-	-
	Hyosung Participacoes Brasil LTDA	-	-	32	-	-	-
	Hyosung Steelcord (Nanjing) Co., Ltd.	5,169	-	-	-	4	-
	Nautilus Hyosung Co., Ltd.	Hongjin Data Service Co., Ltd.	34	86	20	20	-
Hyosung FMS Inc.		-	-	15	-	557	-
NH Tech Inc.		-	3,555	-	15,668	-	45
Kis-Bank Inc.		76	-	-	-	-	-
Hyosung Information System		289	125	619	1,362	11	-
Beijing Hyosung Computer Tech Co., Ltd.		19,580	4,951	-	-	-	-
Hitachi Corporation		8	34	-	-	-	-
The Class Hyosung Starlease Co., Ltd.	Aegis Hyosung	21	12	14	-	-	-
	Wall & Vision Co., Ltd.	-	-	-	13	-	-
	Athena ABS Specialty Company, L.L.C.	-	-	-	-	4	-
Hyosung ITX	Hudson Korea Management Service Inc.	-	-	-	-	16	-
	Hongjin Data Service Co., Ltd.	-	1	-	-	-	-
	Infobada Co., Ltd.	-	14	-	762	-	-
	Hyosung CTX Co., Ltd.	-	99	-	-	-	-
	Hyosung Information System	-	22	-	713	-	-

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balance with Related Companies, Continued

(a) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2007 and 2006 are summarized as follows, Continued:

*In millions of Won*

<b>Consolidated company</b>	<b>Related company</b>	<b>Sales to</b>		<b>Purchases from</b>		<b>Other income</b>	
		<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Hyosung Ebara Co., Ltd	Ebara Corp.	₩ 602	505	479	310	1,000	328
	Hyosung ITX	-	86	-	94	-	-
Hyosung Ebara Environment	Ebara Corp.	-	-	316	-	545	-
Hyosung Trans World Co., Ltd.	Capro Corp.	441	536	-	-	-	-
	Hyosung Information System	94	-	-	-	-	-
	Hyosung ITX	57	-	-	-	-	-
Hyosung Japan Co., Ltd.	Hyosung ITX	468	-	-	-	-	-
		₩ 29,099	14,587	349,943	271,517	2,189	417

(b) Account balances with related companies as of December 31, 2007 are as follows:

*In millions of Won*

<b>Consolidated company</b>	<b>Related company</b>	<b>2007</b>			
		<b>Receivables</b>		<b>Payables</b>	
		<b>Accounts receivable</b>	<b>Other receivables</b>	<b>Accounts payable</b>	<b>Other payables</b>
Hyosung Corporation	Capro Corp.	₩ -	308	59,812	-
	Hyosung ITX	-	-	-	6
	Hyosung Information Systems Co., Ltd.	-	10	-	-
	Hyosung CTX Co., Ltd	-	-	-	28
	HICO America Sales & Tech	-	-	-	230
	Hyosung International Trade (Jiaxing) Co., Ltd.	-	48	-	7
	Hyosung Steelcord (Nanjing) Co., Ltd.	-	38	-	-
	Aegis Hyosung	-	95	-	2
Nautilus Hyosung Co., Ltd.	Kis-Bank Inc.	33	-	-	-
	Hongjin Data Service	-	-	-	2
	Hyosung Fms Inc.	-	20	-	-
	Hyosung Information Systems Co., Ltd.	-	-	18	141
	Beijing Hyosung Computer Technologies Co., Ltd.	7,875	-	-	-

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balance with Related Companies, Continued

(b) Account balances with related companies as of December 31, 2007 are as follows, Continued:

*In millions of Won*

<u>Consolidated company</u>	<u>Related company</u>	2007			
		<u>Receivables</u>		<u>Payables</u>	
		<u>Accounts receivable</u>	<u>Other receivables</u>	<u>Accounts payable</u>	<u>Other payables</u>
Hyosung Ebara Co., Ltd	Ebara Corp.	₩ 86	-	39	701
Hyosung Ebara Engineering Co., Ltd.	Ebara Corp.	1	-	25	508
Hyosung Trans World Co., Ltd.	Capro Corp.	32	-	-	-
Hyosung Japan Co., Ltd.	Hyosung ITX	934	28	-	-
		₩ 8,961	547	59,894	1,625

Account balances with related companies as of December 31, 2006 are as follows:

*In millions of Won*

<u>Consolidated company</u>	<u>Related company</u>	2006			
		<u>Receivables</u>		<u>Payables</u>	
		<u>Accounts receivable</u>	<u>Other receivables</u>	<u>Accounts payable</u>	<u>Other payables</u>
Hyosung Corporation	Capro Corp.	₩ -	17	49,328	-
	Hyosung Information Systems Co., Ltd.	-	7	-	-
	Infobada Co., Ltd.	-	3	-	-
	Hongjin Data Service	-	-	47	-
	Beijing Hyosung Computer Technologies Co., Ltd.	627	-	-	-
	HICO America Sales & Tech	-	-	-	565
	Hyosung Deutschland GmbH	3,760	692	19	36
	Nautilus Hyosung Co., Ltd.	8	-	-	2
Hyosung Ebara Engineering Co., Ltd.	NH Tech Inc.	3,904	3	-	1,737
	Hyosung Information Systems Co., Ltd.	15	-	-	1,030
	Beijing Hyosung Computer Technologies Co., Ltd.	4,451	-	-	-
	Ebara Corp.	-	-	-	95

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balance with Related Companies, Continued

Account balances with related companies as of December 31, 2006 are as follows, Continued:

*In millions of Won*

Consolidated company	Related company	2006			
		Receivables		Payables	
		Accounts receivable	Other receivables	Accounts payable	Other payables
Hyosung Ebara Co., Ltd	Ebara Corp.	₩ 315	-	43	295
Hyosung Trans World Co., Ltd.	Capro Corp.	10	-	-	-
Hyosung ITX	Hyosung Information Systems Co., Ltd.	-	-	2,521	-
	Infobada Co., Ltd.	3	-	-	560
	Hyosung CTX Co., Ltd	85	-	-	-
		₩ 13,178	722	51,958	4,320

- (c) Key management personnel compensation in total and for each of the following categories for the year ended December 31, 2007 are as follows:

*In millions of Won*

Compensation details	Amount
Short-term employee benefits	₩ 3,707

- (d) The guarantees the Company has provided for related companies as of December 31, 2007 and 2006 are as follows:

*In millions of Won*

Guarantor	Guarantee	2007		
		Guaranteed amount	Financial institution	Object of guarantee
Hyosung Corporation	Hyosung H.K Ltd.	₩ 15,949	Shinhan Bank and other	Foreign currency loan and other
	Hyosung Steel Cord (Nanjing) Co., Ltd.	6,267	Hana Bank	Facility loan and other
		₩ 22,216		
Guarantor	Guarantee	2006		
		Guaranteed amount	Financial institution	Object of guarantee
Hyosung Construction Co., td.	Dongsung	₩ 206	-	Correction of deficiencies

- (e) No guarantees have been provided to the Company by related companies as of December 31, 2007 and 2006.



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

10 Transactions and Balances with Consolidated Companies

(a) Significant transactions which occurred in the normal course of business with consolidated companies for the years ended December 31, 2007 and 2006 are summarized as follows:

*In millions of Won*

<u>Selling company</u>	<u>Purchasing company</u>		<u>2007</u>	
			<u>Receivables and other</u>	<u>Sales and other</u>
Hyosung Corporation	Nautilus Hyosung Co.,Ltd.	₩	63	1,854
	The Class Hyosung		-	1,150
	Starlease Co.,Ltd.		-	5
	NH Tech Inc.		2	15
	Hyosung Construction Co., Ltd.		26,523	21,463
	Hyosung Ebara Co., Ltd.		1,158	19,825
	Hyosung Ebara Engineering Co., Ltd.		80	878
	Hyosung Capital Co., Ltd.		86	15
	Hyosung Investment & Development Corporation		-	53,002
	Hyosung Trans World Co., Ltd.		4	25
	Baoding Hyosung Tianwei Transformer Co.,Ltd.		78	68
	Beijing Hyosung Container Co., Ltd.		3	6
	Hyosung America Inc.		97	316,773
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.		2,929	17,035
	Hyosung Europe SRL		206	17,930
	Hyosung Film (jiaxing) Co., Ltd. (note 1)		-	6,628
	Hyosung Istanbul Tekstil Ltd. STI		165	26,163
	Hyosung Japan Co, Ltd.		766	149,572
	Hyosung Luxemburg SA		27	17,663
	Hyosung Singapore PTE, Ltd.		1,275	21,513
	Hyosung Spandex (Zhuhai) Co.,Ltd.		3,045	2,938
	Hyosung Spandex (Guangdong) Co.,Ltd.		9,372	28,463
	Hyosung Spandex (Jiaxing) Co., Ltd.		4,128	13,948
	Hyosung SteelCord (Qingdao) Co., Ltd.		1,855	21,783
	Hyosung USA Inc.		90	91
	Hyosung Vietnam Co., Ltd.		169	11,112
	Nantong Hyosung Transformer Co., Ltd.		217	1,336
	Nantong Yaubong Transformer Co., Ltd.		29	17
	OpCo GmbH		5	13
	Xepix Corp.		-	14
	Zhangjigang Coil Service Co., Ltd.		-	9,640

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

10 Transactions and Balances with Consolidated Companies, Continued

(a) Significant transactions which occurred in the normal course of business with consolidated companies for the years ended December 31, 2007 are summarized as follows, Continued:

*In millions of Won*

<u>Selling company</u>	<u>Purchasing company</u>	<u>2007</u>	
		<u>Receivables and other</u>	<u>Sales and other</u>
Nautilus Hyosung Co., Ltd.	Hyosung Corporation	₩ 1,446	13,235
The Class Hyosung Epiplus		- 86	69 659
Hyosung Construction Co., Ltd.		2,411	9,577
Hyosung Ebara Co., Ltd.		452	1,089
Hyosung Ebara Engineering Co., Ltd.		2,151	5,899
Hyosung Capital Co., Ltd.		-	68
Hyosung Trans World Co., Ltd.		16,674	108,022
Hyosung America Inc.		1,362	7,829
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.		389	61,913
Hyosung Europe SRL		648	5,524
Hyosung Film(Jiaxing) Co., Ltd.		-	2
Hyosung Japan Co, Ltd.		45,017	79,678
Hyosung Singapore Pte., Ltd.		161	1,326
Hyosung Participacoes Brasil LTDA		32	-
Hyosung Spandex (Guangdong) Co.,Ltd.		-	3,051
Hyosung Spandex (Jiaxing) Co., Ltd.		-	4,583
Hyosung SteelCord (Qingdao) Co., Ltd.		47	3,836
Hyosung USA Inc.		-	4
Hyosung Vietnam Co., Ltd.		3	9,177
Nantong Hyosung Transformer Co., Ltd.		-	158
OpCo GmbH		-	4,367
Xepix Corp.		-	3,346
Zhangjigang Coil Service Co., Ltd.		19	-
Receivables and sales between consolidated subsidiaries		80,815	200,283
		₩ <u>204,085</u>	<u>1,284,633</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

10 Transactions and Balances with Consolidated Companies, Continued

(a) Significant transactions which occurred in the normal course of business with consolidated companies for the years ended December 31, 2006 are summarized as follows, Continued:

*In millions of Won*

Selling company	Purchasing company	2006	
		Receivables and other	Sales and other
Hyosung Corporation	Nautilus Hyosung Co.,Ltd.	₩ 29	1,521
	Hyosung Construction Co., Ltd.	4,811	4,535
	Hyosung Ebara Co., Ltd.	1,965	17,695
	Hyosung Ebara Engineering Co., Ltd.	783	1,860
	Hyosung Innotech Inc.	2	9
	Hyosung Trans World Co., Ltd.	4	25
	Baoding Hyosung Tianwei Transformer Co.,Ltd.	10	10
	Beijing Hyosung Container Co., Ltd.	3	7
	Hyosung (H.K) Ltd.	653	25,855
	Hyosung America Inc.	446	213,547
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	2,449	11,231
	Hyosung Europe SRL	922	36,349
	Hyosung Japan Co,Ltd	4,353	141,208
	Hyosung Singapore PTE, Ltd.	1,133	51,241
	Hyosung Spandex (Guangdong) Co.,Ltd.	529	295
	Hyosung Spandex (Jiaxing) Co., Ltd.	4,379	4,448
	Hyosung SteelCord (Qingdao) Co., Ltd.	2,493	43,511
	Nantong Yaubong Transformer Co., Ltd.	-	12
	The Class Hyosung	-	1,282
	Hyosung Investment & Development Co	-	31,484
	Hyosung Film(Jiaxing) Co., Ltd.	-	7,948
	Zhangjigang Xiaosha Coil Service Co., Ltd.	-	13,087
	Hyosung Capital Co., Ltd.	-	8
Nautilus Hyosung Co., Ltd.	Hyosung Corporation	2,005	16,072
Hyosung Innotech Inc.		61	509
Hyosung Construction Co., Ltd.		2,435	12,830
Hyosung Ebara Engineering Co., Ltd.		2,302	7,120
Hyosung Ebara Co., Ltd.		141	533
Hyosung Trans World Co., Ltd.		12,755	87,274
Hyosung Capital Co., Ltd.		3	31

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

10 Transactions and Balances with Consolidated Companies, Continued

(a) Significant transactions which occurred in the normal course of business with consolidated companies for the years ended December 31, 2006 are summarized as follows, Continued:

*In millions of Won*

<u>Selling company</u>	<u>Purchasing company</u>	<b>2006</b>	
		<b>Receivables and other</b>	<b>Sales and other</b>
Hyosung (H.K) Ltd.	Hyosung Corporation	₩ 1,191	17,424
Hyosung America Inc.		2,253	7,483
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.		117	33,100
Hyosung Europe SRL		842	5,444
Hyosung Japan Co, Ltd.		38,266	67,143
Hyosung Singapore Pte., Ltd.		72	414
Hyosung SteelCord (Qingdao) Co., Ltd.		717	8,448
The Class Hyosung		-	14
Hyosung Film (Jiaxing) Co., Ltd.		-	803
Hyosung Spandex (Jiaxing) Co., Ltd.		-	819
Xepix Corp.		-	2,863
Zhangjigang Xiaosha Coil Service Co., Ltd.		-	10
Receivables and sales between consolidated subsidiaries		16,755	89,766
		<u>₩ 104,879</u>	<u>965,268</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

10 Transactions and Balances with Consolidated Companies, Continued

(b) The guarantees the Company has provided for subsidiaries as of December 31, 2007 are as follows:

*In millions of Won*

<u>Consolidated subsidiary</u>	<u>Guaranteed amount</u>	<u>Amount of borrowings</u>	<u>Type of borrowings</u>
Hyosung America Inc.	₩ 132,286	96,635	Foreign currency loan and other
Hyosung Japan Co., Ltd.	87,163	26,146	Foreign currency loan and other
Hyosung Singapore Pte., Ltd.	14,073	658	Foreign currency loan and other
Hyosung Europe SRL	2,815	-	Foreign currency loan and other
Hyosung Spandex (Jiaying) Co., Ltd	15,011	39,417	Facility loans and other
Hyosung Spandex (Guangdong) Co., Ltd	56,292	67,916	Facility loans and other
Hyosung Spandex (Zhuhai) Co., Ltd	22,704	16,935	Operating loans and other
Hyosung Chemical Fiber (Jiaying) Co., Ltd	75,056	123,208	Facility loans and other
Hyosung Steel Cord (Qingdao) Co., Ltd.	58,168	71,772	Facility loans and other
Beijing Hyosung Container Co., Ltd.	2,205	2,580	Facility loans and other
Boading Hyosung Tianwei Transformer Co., Ltd.	10,727	11,498	Facility loans and other
Hyosung USA, Inc.	136,039	65,674	Operating loans and other
Hyosung Luxembourg S.A.	37,708	42,542	Operating loans and other
Hyosung Istanbul Tekstil Ltd. STI OpCo GmbH	42,219	51,601	Facility loans and other
	6,267	6,268	Operating loans and other
	₩ <u>698,733</u>	<u>622,850</u>	

11 Property, Plant and Equipment

Property, plant and equipment at December 31, 2007 and 2006 are summarized as follows:

*In millions of Won*

	<u>2007</u>	<u>2006</u>
Property, plant and equipment at cost	₩ 5,544,179	5,089,231
Accumulated impairment	(5,742)	(2,750)
Accumulated depreciation	(2,689,961)	(2,418,560)
<b>Property, plant and equipment, net</b>	<u>₩ 2,848,476</u>	<u>2,667,921</u>

(a) The Company revalued its land and buildings in 1998 under the then Korean Assets Revaluation Law. As a result, the Company recorded a revaluation surplus of ₩ 681,290 million, net of revaluation tax of ₩ 567,966 million, as capital surplus.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

11 Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the years ended December 31, 2007 and 2006 are as follows:

		<b>2007</b>					<b>Book value as of December 31, 2007</b>
		<b>Book value as of January 1, 2007</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Other</b>	
	₩	732,725	19,760	(11,106)	-	3,039	744,418
Buildings		575,020	21,499	(20,162)	(31,813)	124,902	669,446
Structures		100,435	2,528	(11)	(4,361)	1,871	100,462
Machinery and equipment		1,107,564	125,202	(8,076)	(246,759)	44,813	1,022,744
Vehicles		5,276	3,038	(635)	(2,629)	667	5,717
Tools, furniture and fixtures		65,098	16,434	(192)	(23,885)	3,976	61,431
Construction-in-progress		77,127	134,624	-	-	32,215	243,966
Machinery in transit		4,676	28,616	-	-	(33,000)	292
	₩	<u>2,667,921</u>	<u>351,701</u>	<u>(40,182)</u>	<u>(309,447)</u>	<u>178,483</u>	<u>2,848,476</u>

		<b>2006</b>					<b>Book value as of December 31, 2006</b>
		<b>Book value as of January 1, 2006</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Other</b>	
	₩	730,054	8,563	(24,825)	-	18,933	732,725
Buildings		531,173	20,232	(4,882)	(18,529)	47,026	575,020
Structures		102,701	2,711	(1,968)	(3,793)	784	100,435
Machinery and equipment		1,278,572	74,601	(11,036)	(257,932)	23,359	1,107,564
Vehicles		5,179	2,380	(825)	(1,841)	383	5,276
Tools, furniture and fixtures		59,675	19,101	(397)	(27,719)	14,438	65,098
Construction-in-progress		95,361	124,212	-	-	(142,446)	77,127
Machinery in transit		394	9,241	-	-	(4,959)	4,676
	₩	<u>2,803,109</u>	<u>261,041</u>	<u>(43,933)</u>	<u>(309,814)</u>	<u>(42,482)</u>	<u>2,667,921</u>

(c) Insurance

As of December 31, 2007, buildings, structures and machinery were insured against fire and other types of damage up to ₩ 3,887,006 million.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

11 Property, Plant and Equipment, Continued

(d) The officially declared values of land at December 31, 2007, as announced by the Minister of Construction and Transportation, are as follows:

<i>In millions of Won</i>		<u>Book value</u>	<u>Declared value</u>
Tangible assets	₩	744,418	1,138,953
Investment properties		2,558	4,004
	₩	<u>746,976</u>	<u>1,142,957</u>

The officially declared values, which are used for government purposes, are not intended to represent fair values.

12 Investment Properties

Details of investment properties, which are included in other investment assets, as of December 31, 2007 and 2006 are as follows:

<i>In millions of Won</i>	<u>Description</u>	<u>Location</u>		<u>2007</u>	<u>2006</u>
Land	Non-business real estate	Daegu	₩	<u>2,558</u>	<u>2,580</u>

13 Goodwill

Changes in goodwill for the years ended December 31, 2007 and 2006 were as follows:

<i>In millions of Won</i>		<u>2007</u>	<u>2006</u>
<b>Net balance at beginning of year</b>	₩	4,305	3,180
Increases		25,961	3,113
Amortization		(21,840)	(1,988)
Other changes		151,967	-
<b>Net balance at end of year</b>	₩	<u>160,393</u>	<u>4,305</u>

14 Intangible Assets

(a) Changes in intangible assets for the year ended December 31, 2007 are as follows:

<i>In millions of Won</i>		<u>2007</u>		
		<u>Industrial property rights</u>	<u>Right to utilization</u>	<u>Others</u>
<b>Net balance at beginning of year</b>	₩	4,011	3,533	28,195
Increases		1,709	966	9,169
Amortization		(860)	(162)	(6,671)
Other		588	(3,613)	(263)
<b>Net balance at end of year</b>	₩	<u>5,448</u>	<u>724</u>	<u>30,430</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

14 Intangible Assets, Continued

Changes in intangible assets for the year ended December 31, 2006 were as follows:

		2006		
		Industrial property rights	Right to utilization	Others
<b>Net balance at beginning of year</b>	₩	2,841	7,293	20,937
Increases		1,334	-	3,186
Amortization		(681)	(176)	(9,419)
Other		517	(3,584)	13,491
<b>Net balance at end of year</b>	₩	<u>4,011</u>	<u>3,533</u>	<u>28,195</u>

15 Other Financial Business Assets

Other financial business assets as of December 31, 2007 and 2006 are summarized as follows:

		2007	2006
Loans	₩	410,466	349,279
Installment financial assets		59,845	11,932
Lease & rental assets		815,325	307,690
New technologies financial assets		154	-
	₩	<u>1,285,790</u>	<u>668,901</u>

16 Government Subsidy

The Company entered into development agreements with Korea Electric Power Research Institute and other thirty-three parties in regard to 41 national projects, including the electric power converter project for 250KW fuel cells.

The Company received ₩12,058 million government subsidies for these projects, and as of December 31, 2007, ₩ 9,174 million is included in other current liabilities and ₩ 5,160 million in long-term accounts payable-other.

17 Other Non-current Assets

Other non-current assets as of December 31, 2007 and 2006 are summarized as follows:

		2007	2006
Long-term loans	₩	3,222	2,131
Development cost for natural resources		1,300	3,351
Long-term trade receivables, less allowance for doubtful accounts of ₩ 2,146 in 2007 and ₩ 2,145 in 2006		171	208
Long-term other receivables		-	1,733
Long-term advance payments		-	442
Other investments		4,389	9,216
	₩	<u>9,082</u>	<u>17,081</u>



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

18 Pledged Assets and Guarantees

(a) The following assets were pledged as collateral for the Company's short-term borrowings and long-term debt as of December 31, 2007:

*In millions of Won and thousands of RMB*

	<u>Pledged assets</u>	<u>Lender</u>	<u>Type of borrowings</u>		<u>Borrowed amount</u>	<u>Book value</u>
Hyosung Corporation	Equity method accounted investments	Hana Bank and other	General loans	₩	3,784	310,000
	Land, building, machinery and equipment	Korea Development Bank and other	General loans and other		1,695,439	176,329
Epiplus Co.,Ltd.	Land	Kookmin Bank	General loans		955	295
	Building	Kookmin Bank	Privately placed bonds		781	750
	Machinery and equipment	Korea Development Bank	Facility loans and other		5,108	3,478
	Long-term investments	Woori Bank	General loans		21	290
Hyosung Spandex (Jiaxing) Co.,Ltd.	Property, plant and equipment	China Bank	Facility loans	RMB	627,737	153,499

(b) Guarantees provided and assets pledged as collateral for third parties as of December 31, 2007 are as follows:

*In millions of Won*

<u>Guarantor</u>	<u>Guarantee</u>		<u>Payment guarantee</u>
Hyosung Corporation	Hyosung (H.K) Limited.	₩	15,949
	Hyosung Steel Cord (Nanjing) Co., Ltd.		6,267
Hyosung Construction Co., Ltd.	Chunam University		291
	Kunsan Regional Maritime Affairs & Fisheries Office		74
		₩	<u>22,581</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

18 Pledged Assets and Guarantees

(c) The collaterals guarantees provided by a third party for the Company as of December 31, 2007 are as follows:

*In millions of Won, thousands of USD, MYR, RMB, EUR and INR*

<u>Guarantee</u>	<u>Guarantor</u>	<u>Collaterals and guarantees provided</u>		<u>Amount</u>
Epiplus Co., Ltd.	Kibo Technology Fund Korea Export Insurance Corporation	Credit guarantee	₩	1,360
		Credit guarantee		200
Hyosung Ebara Engineering Co., Ltd.	Hana Bank	Guarantee for bidding	USD	15,000
	Korea Exchange Bank	Payment guarantee	MYR	6,045
	Korea Specialty construction financial cooperative	Payment guarantee and other		22,163
	Seoul Guarantee Insurance Company	Payment guarantee and other		7,741
Hyosung Spandex (Jiaxing) Co., Ltd.	China Bank	Building & tools, furniture and fixtures	RMB	32,871
	China Agricultural Bank	Payment guarantee	RMB	43,828
	China Bank	Building & tools, furniture and fixtures	RMB	76,800
Hyosung Ebara Co., Ltd.	The Export-Import Bank of Korea	Payment guarantee	USD	137
	The Export-Import Bank of Korea	Payment guarantee	EUR	9
	The Export-Import Bank of Korea	Payment guarantee	EUR	210
	The Export-Import Bank of Korea	Guarantee for bidding	USD	200
	The Export-Import Bank of Korea	Payment guarantee	USD	389
	The Export-Import Bank of Korea	Payment guarantee	INR	7,821
	The Export-Import Bank of Korea	Payment guarantee	INR	8,549
	Shinhan Bank	Payment guarantee (L/G)	USD	237
Shinhan Bank	Other guarantee	USD	1,357	

19 Other Current Liabilities

Other current liabilities as of December 31, 2007 and 2006 were as follows:

*In millions of Won*

	<u>2007</u>	<u>2006</u>
Deferred Income	₩ 654	2,565
Other current liabilities	2,556	8,415
	₩ <u>3,210</u>	<u>10,980</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

20 Long-term Borrowings and Debentures

(a) Long-term borrowings as of December 31, 2007 and 2006 is summarized as follows:

*In millions of Won*

<u>Lender</u>	<u>Type of borrowings</u>	<u>Interest rate (%)</u>	<u>2007</u>	<u>2006</u>
<b>Local currency borrowings:</b>				
Korea Development Bank	Facility loans	4.25~6.81 ₩	116,506	127,491
Korea Housing Guarantee Co., Ltd.	Operating loan	1.00	4,400	4,400
KDB Capital Co., Ltd.	Facility loan	3.00~4.25	10,155	10,789
Woori Bank	Operating loan	4.69~7.94	80,000	50,000
Hana Bank	Operating loan	7.70	30,000	-
Kukmin Bank	Facility loan	5.86	30,000	-
Korea Exchange Bank	Operating loan	4.49	-	20,000
Others		-	505	700
			<u>271,566</u>	<u>213,380</u>
<b>Foreign currency borrowings:</b>				
Korea Development Bank	Facility loan	6.09~6.11	27,489	121,470
Korea Development Bank	Facility loan	LIBOR+2.4	287	-
Korea Development Bank	Facility loan	3.33	147	-
Korea Exchange Bank	Operating loan	4.49~5.96	50,000	-
SMBC	Facility loan	5.95	18,764	-
Shinhan Bank	Facility loan	6.20	18,764	-
Kookmin Bank	Facility loan	LIBOR+2.4	-	178
Woori Bank	Facility loan	Floating rate	-	1,250
The Export-Import Bank of Korea	Facility loan	6.78	-	16,350
Overseas affiliates' loans	Facility loan		471,529	321,878
			<u>586,980</u>	<u>461,126</u>
Less current portion of long-term borrowings			<u>(21,999)</u>	<u>(162,293)</u>
			<u>₩ 836,547</u>	<u>512,213</u>

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

20 Long-term Borrowings and Debentures, Continued

(a) Debentures as of December 31, 2007 and 2006 is summarized as follows, Continued:

*In millions of Won*

Description	Maturity date	Interest rate (%)		2007	2006
The 215th debentures	2008.12.26	6.08%	₩	100,000	100,000
The 216th debentures	2007.02.23	5.65%		-	55,000
The 217th debentures	2007.05.10	5.31%		-	70,000
The 218th debentures	2007.07.19	5.04%		-	100,000
The 219th debentures	2007.12.22	4.65%		-	30,000
The 220th debentures	2007.12.27	4.69%		-	20,000
The 221st debentures	2007.12.30	4.69%		-	20,000
The 222nd debentures	2008.04.29	4.66%		100,000	100,000
The 223rd debentures	2008.07.25	4.95%		100,000	100,000
The 224th debentures	2008.06.28	4.6%		30,000	30,000
The 225-1st debentures	2009.01.25	6.37%		150,000	150,000
The 225-2nd debentures	2011.01.25	7.02%		30,000	30,000
The 226th debentures	2008.10.24	5.88%		50,000	50,000
The 227th debentures	2008.10.25	5.78%		70,000	70,000
The 228th debentures	2008.04.30	5.82%		30,000	30,000
The 229-1st debentures	2009.07.06	5.8%		70,000	70,000
The 229-2nd debentures	2011.07.06	6.14%		30,000	30,000
The 230th debentures	2011.11.15	5.62%		30,000	30,000
The 231th debentures	2010.01.15	5.58%		10,000	-
The 232-1st debentures	2010.05.21	5.54%		50,000	-
The 232-2st debentures	2012.05.21	5.74%		50,000	-
The 233-1st debentures	2010.07.11	5.73%		150,000	-
The 233-2st debentures	2012.07.11	6.02%		30,000	-
(note 1)	2007.07.07	5.96%		-	3,000
(note 1)	2007.09.02	6.28%		-	5,000
(note 2)	2008.09.23	CD(3M)+1.33%		10,000	-
(note 2)	2008.12.30	CD(3M)+1.33%		15,000	-
(note 2)	2009.01.26	CD(3M)+1.2%		10,000	-
(note 2)	2009.01.26	CD(3M)+1.5%		20,000	-
(note 2)	2008.03.24	5.98%		20,000	-
(note 2)	2009.04.03	CD(3M)+1.2%		20,000	-
(note 2)	2008.06.22	5.56%		20,000	-
(note 2)	2009.09.25	CD(3M)+1.2%		5,000	-
(note 2)	2010.03.09	5.51%		30,000	-
(note 2)	2010.11.29	6.93%		10,000	-
(note 3)	2007.06.18	5.30%		-	50,000
(note 3)	2007.09.05	5.65%		-	20,000
(note 3)	2007.11.16	6.30%		-	20,000
(note 3)	2007.12.21	6.58%		-	30,000

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

20 Long-term Borrowings and Debentures, Continued

(a) Debentures as of December 31, 2007 and 2006 is summarized as follows, Continued:

*In millions of Won*

Description	Maturity date	Interest rate (%)	2007	2006
(note 3)	2008.05.22	6.45% ₩	20,000	20,000
(note 3)	2008.02.11	6.30%	30,000	30,000
(note 3)	2008.05.26	6.10%	30,000	30,000
(note 3)	2008.05.30	5.58%	50,000	50,000
(note 3)	2008.08.18	5.42%	20,000	20,000
(note 3)	2008.11.27	5.27%	30,000	20,000
(note 3)	2009.09.28	5.16%	20,000	30,000
(note 3)	2009.11.30	5.30%	30,000	30,000
(note 3)	2008.02.28	5.55%	20,000	-
(note 3)	2010.04.26	5.64%	50,000	-
(note 3)	2010.10.08	6.35%	30,000	-
(note 3)	2008.10.20	6.10%	20,000	-
(note 3)	2010.11.12	6.34%	20,000	-
(note 4)	2008.10.07	7.18%	1,100	1,250
(note 4)	2009.04.17	6.98%	750	1,000
(note 4)	2009.10.16	6.92%	1,000	1,500
			1,612,850	1,446,750
Less current portion of long-term borrowings (including current portion of discount of ₩2,714 in 2007, ₩2,058 in 2006)			(484,564)	(426,558)
			1,128,286	1,020,192
			₩ 1,964,833	1,532,405

(note 1) These debentures were issued by Nautilus Hyosung Co., Ltd., a domestic affiliate.

(note 2) These debentures were issued by Starlease Co., Ltd., a domestic affiliate.

(note 3) These debentures were issued by Hyosung Capital Co., Ltd., a domestic affiliate.

(note 4) These debentures were issued by Epiplus Co., Ltd. a domestic affiliate.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

20 Long-term Borrowings and Debentures, Continued

(b) Aggregate maturities of the Company's long-term borrowings as of December 31, 2007 are as follows:

*In millions of Won*

<u>Fiscal year</u>		<u>Local currency borrowings</u>	<u>Foreign currency borrowings</u>	<u>Debentures</u>	<u>Total</u>
2008	₩	12,633	9,366	481,850	503,849
2009		8,880	30,000	611,000	649,880
2010		210,490	85,017	350,000	645,507
2011		17,387	-	90,000	107,387
2012 and thereafter		22,176	462,597	80,000	564,773
	₩	<u>271,566</u>	<u>586,980</u>	<u>1,612,850</u>	<u>2,471,396</u>

21 Other Long-term Liabilities

Other long-term liabilities as of December 31, 2007 and 2006 are summarized as follows:

*In millions of Won*

		<u>2007</u>	<u>2006</u>
Long-term accounts and notes payables-trade	₩	-	100
Long-term accounts and notes payables-other		6,140	6,280
Allowance for contingent liabilities		271	510
Others		7,149	4,602
	₩	<u>13,560</u>	<u>11,492</u>

22 Operating Leases

As of December 31, 2007, the Company entered into operating lease contracts with Hyundai Capital Serviced Inc. and other financial institutions, under which the minimum lease payments total ₩767 million.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

23 Assets and Liabilities Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency as of December 31, 2007 and 2006 are summarized as follows:

	2007		2006	
	Foreign currency (thousand)	Won equivalent (million)	Foreign currency (thousand)	Won equivalent (million)
<b>Assets:</b>				
Cash and cash equivalents	USD 11,204	₩ 10,512	USD 27,362	₩ 25,436
	EUR 2,493	3,444	EUR 5,957	7,281
	JPY 129,128	1,076	JPY 640,045	5,004
	BDT 52	1	BDT -	-
	GBP 1	1	GBP -	-
	CNY -	-	CNY 219,166	26,074
	HKD -	-	HKD 4,303	515
	MYR 1,858	525	MYR -	-
	SGD -	-	SGD 2,567	1,555
	VND 298,000	17	VND 340,000	20
Accounts receivable - trade	USD 107,207	100,582	USD 125,700	116,851
	EUR 1,172	1,619	EUR 22,189	27,120
	JPY 112,639	938	JPY 3,641,526	28,471
	CNY -	-	CNY 509,268	60,588
	HKD -	-	HKD 14,966	1,790
	MYR 43,711	12,360	MYR 1,027	270
	SGD -	-	SGD 13,819	8,371
Short-term loans	USD 12,800	12,009	USD 696	647
Accounts receivable-other	USD 4,139	3,883	USD 7,292	6,778
	EUR 4,109	5,676	EUR 709	867
	JPY 2,057	17	JPY 366,002	2,862
	CNY -	-	CNY 41,930	4,988
	HKD -	-	HKD 1,559	186
Advance payment	MYR 3,610	1,021	MYR -	-
Long-term financial instruments	USD 138	129	USD 45	42
	JPY 500	4	JPY -	-
	AUD 43	35	AUD -	-
	EUR -	-	EUR 36	44
	CNY 475	61	CNY 375	45
	GBP 15	14	GBP -	-
	HKD -	-	HKD 39	5
	IDR 182,000	18	IDR 105,000	11
	MXN 256	23	MXN 324	28
	MYR 43	12	MYR -	-
	RUB 374	14	RUB -	-
	SGD 75	49	SGD -	-
	UAH 65	12	UAH -	-
	VND 42,000	3	VND -	-
Accrued income	CNY -	-	CNY 27	3
	USD 314	295	USD -	-
Guarantee deposits	USD 11,051	10,368	USD 4,759	4,424
	EUR 2,139	2,955	EUR 914	1,117
	JPY 6,674	56	JPY 96,663	756
	MYR 4,090	1,156	MYR 3,398	895
Long-term loans	JPY -	-	JPY 3,970	31
Long-term accounts receivable - trade	JPY -	-	JPY 27,124	212

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

23 Assets and Liabilities Denominated in Foreign Currency, Continued

Assets and liabilities denominated in foreign currency as of December 31, 2007 and 2006 are summarized as follows, Continued:

	2007		2006	
	Foreign currency (thousand)	Won equivalent (million)	Foreign currency (thousand)	Won equivalent (million)
<b>Total assets</b>				
	USD	146,854	₩	137,778
	EUR	9,915		13,694
	JPY	250,997		2,091
	AUD	43		35
	BDT	52		1
	CNY	475		61
	GBP	16		15
	HKD	-		-
	IDR	182,000		18
	MXN	256		23
	MYR	53,311		15,074
	RUB	374		14
	SGD	75		49
	UAH	65		12
	VND	340,000		20
<b>Liabilities</b>				
Short-term borrowings				
	USD	143,444		134,579
	EUR	7,770		10,732
	JPY	3,526,919		29,379
	CAD	146		139
	CHF	665		554
	CNY	-		-
	HKD	-		-
Long-term accounts payable – trade				
	USD	219,046		205,509
	EUR	3,514		4,854
	JPY	4,598,185		38,303
	CHF	-		-
	CNY	-		-
	GBP	120		115
	HKD	94		11
	MYR	628		178
	SEK	22		3
	SGD	-		-
Accounts payable - other				
	USD	20,173		18,926
	EUR	1,506		2,080
	JPY	197,681		1,647
	DEM	22		15
	FRF	6		1
	CNY	-		-
	GBP	3		2
	MYR	107		30
	HKD	-		-
	SEK	678		99
	SGD	-		-
	USD	165,854	₩	154,178
	EUR	29,804		36,428
	JPY	4,775,329		37,335
	AUD	-		-
	BDT	-		-
	CNY	770,765		91,698
	GBP	-		-
	HKD	20,867		2,495
	IDR	105,000		11
	MXN	324		28
	MYR	4,425		1,165
	RUB	-		-
	SGD	16,386		9,926
	UAH	-		-
	VND	340,000		20
	USD	155,614		144,659
	EUR	11,808		14,432
	JPY	9,436,211		73,775
	CAD	-		-
	CHF	-		-
	CNY	270,410		32,171
	HKD	66,300		7,929
	USD	335,751		312,114
	EUR	26,129		31,935
	JPY	2,875,177		22,479
	CHF	307		234
	CNY	285,066		33,914
	GBP	-		-
	HKD	45,791		5,476
	MYR	92		24
	SEK	-		-
	SGD	26,323		15,946
	USD	19,657		18,273
	EUR	1,277		1,561
	JPY	617,282		4,826
	DEM	-		-
	FRF	-		-
	CNY	50,756		6,038
	GBP	-		-
	MYR	-		-
	HKD	9,157		1,095
	SEK	-		-
	SGD	604		366



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

23 Assets and Liabilities Denominated in Foreign Currency, Continued

Assets and liabilities denominated in foreign currency as of December 31, 2007 and 2006 are summarized as follows, Continued:

	2007		2006	
	Foreign currency (thousand)	Won equivalent (million)	Foreign currency (thousand)	Won equivalent (million)
Advance receipts	USD	9,009	₩	8,452
	EUR	1,971		2,722
	JPY	347,868		2,898
	MYR	4,030		1,140
	CNY	-		-
	SGD	-		-
Long-term borrowings	USD	123,413		115,017
	JPY	52,057		434
	CNY	-		-
Long-term accounts payable - other	JPY	16,000		133
<b>Total liabilities</b>	USD	520,202	₩	488,053
	EUR	14,925		20,614
	JPY	8,739,793		72,802
	CAD	147		140
	CHF	674		561
	DEM	22		15
	FRF	6		1
	CNY	-		-
	GBP	123		117
	HKD	94		11
	MYR	4,765		1,348
	SEK	700		102
	SGD	-		-
	USD	674,205	₩	626,740
	EUR	41,194		50,349
	JPY	13,238,990		103,507
	CAD	-		-
	CHF	310		236
	DEM	-		-
	FRF	-		-
	CNY	3,360,030		399,742
	GBP	-		-
	HKD	121,249		14,500
	MYR	92		24
	SEK	-		-
	SGD	32,275		19,552

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

24 Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2007 and 2006 are summarized as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
<b>Estimated retirement and severance benefits at January 1, 2007</b>	₩ 131,688	138,981
Provision for retirement and severance benefits	44,883	34,509
Payments	(26,843)	(41,802)
Increase(decrease) due to change of subsidiaries	3,916	-
<b>Estimated retirement and severance benefits at December 31, 2007</b>	153,644	131,688
Transfer to National Pension Fund	1,804	2,058
Deposit for severance benefit insurance	99,165	75,950
<b>Net balance at December 31, 2007</b>	₩ <u>52,675</u>	<u>53,680</u>

The Company maintains an employees' severance benefit insurance arrangement with Samsung Life Insurance Co., Ltd. Under this arrangement, the Company has made a deposit in the amount equal to 64.54% and 57.67% of the reserve balances of retirement and severance benefits as of December 31, 2007 and 2006, respectively. This deposit is to be used to guarantee the required payments to the retirees and is accounted for as a reduction in the reserve balance.

25 Commitments and Contingencies

As of December 31, 2007, accounts and notes receivable – trade discounted with banks on which the Company remains contingently liable amounts to ₩ 236,500.

The Company pledged its checks and notes in the aggregate amount of ₩ 14,474 million and its 18 blank checks and 22 blank notes to Hana Bank and others as collateral for short and long-term borrowings and other agreements.

As of December 31, 2007, the details about three notes, issued by Woori Bank, have not been confirmed. Accordingly, the Company is scheduled for a judgment to nullify those three blank notes

The Company is involved as a defendant, in various lawsuits and claims for alleged damages aggregating up to ₩ 88,996 million and USD 16,000 thousand as of December 31, 2007, which arose in the ordinary course of business. Management is of the opinion that these lawsuits and claims will not have a material adverse effect on the Company's financial position, operating results or cash flows

There are no pledged collateral or guarantees provided for third parties other than those disclosed in note 9.

(a) Hyosung Corporation

Woori Bank and others have provided a credit limit on bank overdraft amounting to ₩ 236,500 million for Hyosung Corporation, and Korea Development Bank and others have provided discount on trade bill and guarantee on an import credit memorandum for Hyosung Corporation.

The Korea Specialty Construction Financial Cooperative has provided guarantees up to ₩ 606,097 million for Hyosung Corporation

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

25 Commitments and Contingencies, Continued

(b) Nautilus Hyosung Co., Ltd.

Details of the commitments that financial institutions have made to Nautilus Hyosung Co., Ltd as of December 31, 2007 are as follows:

*In millions of Won, thousands of USD*

<b>Commitment</b>		<b>Limit</b>	<b>Financial Institution</b>
Loan of import L/C	USD	2,000	Kookmin Bank
Bank overdraft	₩	2,000	
Loan of import L/C	USD	2,000	Shinhan Bank
Loan of import L/C	USD	13,000	
Loan of import L/C	USD	2,000	
E-biz		20,000	
Bank overdraft		6,000	
Bank overdraft		20,000	Woori Bank
Discount of bills		70,000	
Bank overdraft		2,000	
Usance	USD	25,000	Hana Bank
Usance	USD	8,000	
Guarantees		3,000	Citi Bank
Open L/C		-	
Bank overdraft		5,000	SC First Bank
Usance		29,000	

(c) Hyosung Ebara Engineering Co., Ltd.

Hyosung Ebara Engineering Co., Ltd. has given to a related company, Ebara Corporation, a share of the profits on sales according to a contract for the introduction of technology entered into on March 25, 1997. The advanced royalty, recognized as intangible assets, was amortized on a straight-line basis over the period of use and was fully amortized during prior period. The royalty paid for prior period is ₩78.

Details of the commitments that financial institutions have made to Hyosung Ebara Engineering Co., Ltd as of December 31, 2007 are as follows:

*In millions of Won, thousands of USD*

<b>Commitment</b>		<b>Limit</b>	<b>Financial Institution</b>
Bank overdraft	₩	1,500	Korea Exchange Bank
Purchase Loan		300	
Comprehensive Loan		300	
Usance	USD	600	Shinhan Bank
L/C	USD	1,800	
Bank overdraft		1,500	Hana Bank
Bank overdraft		3,500	

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

25 Commitments and Contingencies, Continued

(d) Starlease Co. Ltd.

Details of the commitments that financial institutions have made to Starlease Co. Ltd.. as of December 31, 2007 are as follows:

*In thousands of USD*

<u>Commitment</u>		<u>Limit</u>	<u>Financial Institution</u>
Open L/C	USD	2,000	Shinhan Bank
	USD	2,000	Korea Exchange Bank

(e) Hyosung Investment & Development Corp.

Hyosung Investment & Development Corporation has entered into a real estate trust contract concerning a lot-solid apartment with Korea Housing Guarantee Co., Ltd. The purpose of this trust contract is for Korea Housing Guarantee Co., Ltd. to control the real estate or, when necessary, dispose of it in order to fulfill its guarantee according to the Housing Law Enforcement Ordinance. Hyosung Investment & Development Corporation has been given guarantees by Seoul Guarantee Insurance Company.

(f) The Class Hyosung

Details of the commitments that financial institutions have made to The Class Hyosung Inc. as of December 31, 2007 are as follows:

*In millions of Won*

<u>Commitment</u>		<u>Limit</u>	<u>Financial Institution</u>
Discount of bills	₩	6,000	Woori Bank
Discount of bills		6,000	Shinhan Bank
Discount of bills		4,000	Hana Bank
Borrowing		6,000	Shinhan Bank

(g) Epiplus Co. Ltd..

Details of the commitments that financial institutions have made to EpiPlus Co. Ltd.. as of December 31, 2007 are as follows:

*In millions of Won, thousands of USD*

<u>Commitment</u>		<u>Limit</u>	<u>Financial Institution</u>
Loan of trade bill	₩	450	Korea Exchange Bank
Loan of E-receivable		100	Woori Bank.
Loan of trade bill		290	Shinhan Bank
Loan of E-receivable		300	Shinhan Bank
L/C	USD	1,000	Korea Development Bank
Purchase Loan		300	Kukmin Bank

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

25 Commitments and Contingencies, Continued

(h) Hyosung Ebara Co. Ltd.

Hyosung Ebara Inc has given to Ebara Corporation and Flow Serve a share of the profits on sales according to a contract for the introduction of technology on December 31, 2007. The advanced payment is ₩18 million, JPY 77,850 thousand, USD 550 thousand.

Details of the borrowing that financial institutions have provided to Hyosung Ebara Co. Ltd. as of December 31, 2007 are as follows:

*In millions of Won*

Commitment	Limit	Financial Institution
Borrowing	₩ 2,000	Misbich Tokyo UFJ Bank.
Bank overdraft	2,000	
Purchase Loan	20,000	Shinhan Bank
Other agreement	20,000	
E-payable	5,000	Hana Bank

26 Derivatives

(a) Details of foreign currency forwards outstanding as of December 31, 2007 and 2006 were as follows:

*In millions of Won, thousands of USD, EUR and JPY*

*In millions of Won, thousands of USD, EUR and JPY*

Transaction purpose	Description		2007	2006
Sale and purchase	Insurance for variations in foreign exchange rates	USD	-	5,775
	Interest swap	₩	3,218	-
Cash flow hedge	Foreign currency swap	USD	54,113	-
	Interest swap	₩	35,000	-
Fair value hedge	Foreign currency swap	USD	21,069	-
	Future	JPY	4,626,130	-
	Future	USD	50,000	14,582
	Future	EUR	1,350	-
	Insurance for variations in foreign exchange rates	USD	60,967	-
	Insurance for variations in foreign exchange rates	EUR	5,934	5,934
	Foreign currency forward	JPY	-	41,641,438
	Foreign currency forward	USD	-	37,207
	Foreign currency swap	USD	21,069	-

(b) Fair value hedge

To hedge against foreign exchange risks, the Company entered into insurance contracts and foreign currency forwards for changes in foreign exchange rates and the related gains (losses) from valuation of derivatives are charged or credited to current operations.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

26 Derivatives

(c) Details of gains from valuation of derivatives for the years ended December 31, 2007 and 2006 are as follows:

*In millions of Won*

<u>Transaction purpose</u>	<u>Description</u>	<u>2007</u>	<u>2006</u>
Fair value hedge	Future	₩ 59	768
	Insurance for variations in foreign exchange rates	(1,842)	110
	Foreign currency forward	623	(2,031)
	Foreign currency swap	60	-
Cash flow hedge	Interest swap	498	-
	Foreign currency swap	(336)	-

27 Stockholders' Equity

(a) The Company has issued global depository receipts ("GDRs"), representing common shares, on the Luxembourg Stock Exchange as follows:

<u>Date of issuance</u>	<u>Number of shares of stock</u>
July 3, 2002	16,787,540
July 24, 2002	5,036,262
October 15, 2003	16,918,669

(b) Common shares which are restricted with respect to voting rights as of December 31, 2007 are as follows:

	<u>Number of shares</u>	<u>Percentage of ownership</u>
Treasury stock(*1)	1,848,851	5.26%

(\*1) Treasury shares are restricted by the Commercial Code and the Securities and Exchange Act.

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

28 Capital Adjustments

Details of capital adjustments as of December 31, 2007 and 2006 are as follows:

*In millions of Won, except number of shares*

	2007		2006	
	Number of shares	Amount	Number of shares	Amount
Treasury stock	1,848,851	₩ 34,204	1,848,851	₩ 34,204

29 Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2007 and 2006 are as follows:

*In millions of Won*

	2007	2006
Salaries	₩ 126,715	103,324
Provision for retirement and severance benefits	13,227	9,926
Other employee benefits	12,579	11,310
Travel	14,822	11,435
Communications	4,632	4,309
Bad debt expenses	3,778	12,899
Taxes and dues	7,437	6,248
Rent	13,292	11,915
Commissions and fees	30,065	35,452
Training	2,968	2,212
Depreciation	12,700	44,028
Amortization	29,165	10,597
Car allowance	3,591	2,959
Advertising	16,816	15,872
Insurance	2,366	1,898
Overseas market development	162,172	130,387
Outsourcing	7,906	8,879
Research and development	75,211	62,185
Branch office expense	14,378	12,338
Other expense	109,057	65,700
	₩ 662,877	563,873

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

30 Income Taxes

- (a) The Company is subject to a number of income taxes on taxable income at the following normal tax rates:

<u>Taxable income</u>	<u>Tax rate</u>
Up to ₩100 million	14.3%
Over ₩100 million	27.5%

- (b) The components of income tax expense for the years ended December 31, 2007 and 2006 are summarized as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
Current income tax expense	₩ 75,896	25,669
Deferred income tax expense (benefit)	17,299	60,265
Deferred income tax for prior deficit	3,871	(115)
Deduct (add) direct charge (credit) to accumulated other comprehensive income	(7,181)	(31,124)
<b>Income tax charge</b>	<b>₩ 89,885</b>	<b>54,695</b>

- (c) The effective tax rates, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, were approximately 45.35% and 46.09% for the years ended December 31, 2007 and 2006, respectively.

- (d) The tax effects of temporary differences that resulted in significant portions of deferred tax assets and liabilities at December 31, 2007 and 2006 are presented below:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
<b>Deferred tax assets</b>		
Allowance for doubtful accounts in excess of tax limit	₩ 4,370	227
Inventory valuation loss	3,654	2,456
Accumulated depreciation in excess of tax limit	1,151	5,926
Provision for equity in losses of affiliates	21,905	27,380
Other	46,293	33,404
<b>Total deferred tax assets</b>	<b>77,373</b>	<b>69,393</b>
<b>Deferred tax liabilities</b>		
Accrued revenues	172	172
Reserve for research and human resources development	5,500	11,000
Other	79,681	48,902
<b>Total deferred tax liabilities</b>	<b>85,353</b>	<b>60,074</b>
<b>Net deferred tax liability</b>	<b>₩ (7,980)</b>	<b>9,319</b>



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

30 Income Taxes, Continued

- (e) Deferred tax assets have been recognized because it is probable that future profits will be available against which the Company can utilize the related benefit.
- (f) The Company did not recognize deferred tax liabilities in the amounts of ₩ 7,181 million and ₩ 31,124 million arising from the taxable temporary differences associated with equity method accounted investments as of December 31, 2007 and 2006, respectively, since non-taxable dividend income is excluded from equity in income of equity method accounted investments in calculation of deferred income tax liabilities resulting from equity in income of equity method accounted investments.
- (g) Deferred tax assets and liabilities that were directly charged or credited to accumulated other comprehensive income as of December 31, 2007 are as follows:

<i>In millions of Won</i>	<u>Temporary differences</u>	<u>Deferred tax assets (liabilities)</u>
Unrealized gain on valuation of available-for-sale securities	₩ 3,642	983
Retained earnings	(19,909)	(5,475)
Unrealized gain on valuation of derivatives	(254)	(70)
Changes in capital on valuation of equity method accounted	(12,949)	(3,561)
Cumulative effect of foreign currency translation	3,425	942
	<u>₩ (26,045)</u>	<u>(7,181)</u>

- (h) In accordance with SKAS No. 16, *Income Taxes*, deferred tax amounts should be presented as a net current asset or liability and a net non-current asset or liability. As of December 31, 2007 and 2006, aggregate deferred tax assets, liabilities and related accounts are as follows:

(i) Controlling company

*In millions of Won*

		<u>2007</u>			<u>2006</u>		
		<u>Current</u>	<u>Non- current</u>	<u>Total</u>	<u>Current</u>	<u>Non- current</u>	<u>Total</u>
Deferred tax assets	₩	10,957	-	10,957	3,917	7,424	11,341
Deferred tax liabilities		-	(24,542)	(24,542)	-	-	-

(ii) Subsidiaries

*In millions of Won*

		<u>2007</u>			<u>2006</u>		
		<u>Current</u>	<u>Non- current</u>	<u>Total</u>	<u>Current</u>	<u>Non- current</u>	<u>Total</u>
Deferred tax assets	₩	4,524	1,255	5,779	1,214	1,281	2,495
Deferred tax liabilities		(97)	(3)	(100)	(30)	(543)	(573)

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

31 Earnings Per Share

(a) Basic earnings per share for the years ended December 31, 2007 and 2006 are as follows:

*In millions Won, except share information and earnings per share*

	<u>2007</u>	<u>2006</u>
<b>Controlling interest</b>	₩ 166,175	90,416
Weighted-average number of common shares outstanding	33,268,604	32,956,970
<b>Earnings per share in Won</b>	₩ <u>4,995</u>	<u>2,743</u>

(b) Diluted earnings per share for the years ended December 31, 2007 and 2006 are as follows:

*In millions Won, except share information and diluted earnings per share*

	<u>2007</u>	<u>2006</u>
<b>Controlling interest</b>	₩ 166,175	90,416
Weighted-average number of common shares outstanding and common equivalent shares	33,268,604	33,147,308
<b>Diluted earnings per share in Won</b>	₩ <u>4,995</u>	<u>2,728</u>

32 Dividends

(a) Details of dividends for the years ended December 31, 2007 and 2006 are as follows:

*In millions of Won, except number of shares, dividend per share and par value per share*

	<u>2007</u>	<u>2006</u>
Total dividends	₩ 24,951	16,478
Number of shares	33,268,604	32,956,970
Dividend per share	750	500
Net income	166,175	90,416
Dividends as a percentage of income	15.02%	18.23%
Par value per share	5,000	5,000
Dividends as a percentage of par value	15%	10%

(b) Dividend yield ratio for the years ended December 31, 2007 and 2006 are as follows:

*In Won*

	<u>2007</u>	<u>2006</u>
Dividend per share	₩ 750	500
Market price as of year end	58,500	27,350
Dividend yield ratio	1.28%	1.83%

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

33 Comprehensive Income

Comprehensive income for the years ended December 31, 2007 and 2006 are as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
<b>Net income</b>	₩ 198,191	118,669
Change in fair value of available-for-sale securities	(2,659)	(27,261)
Unrealized gain (loss) on valuation of equity method accounted investments using equity method	(8,405)	952
Foreign operation currency translation adjustments	32,654	(14,641)
Unrealized gain (loss) on valuation of derivatives	184	-
<b>Comprehensive income</b>	<u>₩ 219,965</u>	<u>77,719</u>

34 Non-cash Investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2007 and 2006 are summarized as follows:

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
Construction-in-progress transferred to property, plant and equipment	₩ 67,357	151,529
Machinery-in-transit transferred to property, plant and equipment	33,000	5,421
Change in retained earnings due to application of equity method	12,423	2,644
Change in capital surplus due to application of equity method	2,590	952
Gain (loss) on valuation of available-for-sale securities	2,659	27,261

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

35 Segment Information

(a) Consolidated Balance Sheet by Business Category

The following table provides information of consolidated balance sheets by business category as of December 31, 2007 and 2006:

<i>In millions of Won</i>	<b>Non-financial</b>		<b>Financial</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Assets</b>				
Current assets:	₩ 1,982,318	1,726,515	43,936	11,472
Non-current assets:	3,338,998	2,996,284	32,933	39,260
Investment assets	295,314	288,918	31,145	38,661
Tangible assets	2,847,177	2,667,550	1,300	371
Intangible assets	196,507	39,816	488	228
Others	-	-	128,579	668,901
Total assets	₩ 5,321,316	4,722,799	1,362,659	719,633
<b>Liabilities</b>				
Current liabilities	₩ 2,375,736	1,975,204	488,551	349,795
Non-current liabilities	1,536,251	1,375,639	621,751	301,346
Total liabilities	3,911,987	3,350,843	1,110,302	651,141
<b>Shareholders' equity</b>				
Common stock	115,017	154,029	60,570	20,000
Capital surplus	1,131,718	1,170,306	42,360	-
Retained earnings	68,267	12,775	140,471	48,492
Capital adjustments	(34,204)	(34,204)	-	-
Accumulated other comprehensive income	11,328	(9,903)	542	-
Minority interests	117,203	78,953	8,414	-
Total shareholders' equity	1,409,329	1,371,956	252,357	68,492
Total liabilities and shareholders' equity	₩ 5,321,316	4,722,799	1,362,659	719,633

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

35 Segment Information, Continued

(a) Consolidated Balance Sheet by Business Category, Continued

The following table provides information of consolidated income statements by business category for the years ended December 31, 2007 and 2006:

		Non-financial		Financial	
		2007	2006	2007	2006
Sales	₩	6,921,269	5,770,616	209,448	82,273
Cost of sales		5,874,619	5,025,936	145,123	54,709
Selling and administrative expenses		647,273	549,274	15,604	14,599
Operating income		399,377	195,406	48,721	12,965
Other income		114,636	208,237	2,055	11
Other expenses		266,026	243,253	274	2
Income before income taxes and minority interests		247,987	160,390	50,502	12,974
Income taxes		81,626	51,069	8,259	3,626
Income (loss) before minority interests		(694)	-	11,107	-
Net income	₩	167,055	109,321	31,136	9,348

(b) The following table provides information of each operating segment as of and for the years ended December 31, 2007 and 2006:

*In millions of Won*

Description		2007						Consolidation adjustment	Total
		Fabric PG	Industrial materials PG	Chemical PG	Heavy Industries PG	Trading PG	Others		
Sales:									
External sales	₩	1,077,810	1,072,819	820,139	1,383,891	2,003,098	772,960	- 7,130,717	
Intercompany sales		197,273	75,729	10,907	22,949	645,467	329,394	- 1,281,719	
Total	₩	1,275,083	1,148,548	831,046	1,406,840	2,648,565	1,102,354	- 8,412,436	
Operating income	₩	139,143	21,201	50,749	113,682	25182	124,498	(26,357) 448,098	
Business category assets	₩	491,403	291,826	148,670	49,319	8,989	33,401	(864) 1,022,744	
Common assets		917,445	578,423	353,101	1,219,420	337,632	3,336,176	(1,080,966) 5,661,231	
Total assets	₩	1,408,848	870,249	501,771	1,268,739	346,621	3,369,577	(1,081,830) 6,683,975	

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

35 Segment Information, Continued

(b) The following table provides information of each operating segment as of and for the years ended December 31, 2007 and 2006, Continued:

*In millions of Won*

Description	2006							Total
	Fabric PG	Industrial materials PG	Chemical PG	Heavy Industries PG	Trading PG	Others	Consolidation adjustment	
Sales:								
External sales	₩ 964,567	637,685	807,720	1,209,054	1,698,831	535,033	-	5,852,889
Intercompany sales	49,779	58,043	8,752	18,222	632,035	196,430	-	963,261
Total	₩ 1,014,346	695,728	816,472	1,227,275	2,330,866	731,463	-	6,816,150
Operating income (loss)								
	₩ (33,648)	9,862	45,694	98,832	(66)	89,044	(1,346)	208,371
Business category assets								
	₩ 398,171	250,754	118,985	125,349	12,493	284,692	(1,888)	1,188,556
Common assets								
	713,234	669,280	359,988	984,774	320,872	1,830,431	(624,702)	4,253,877
Total assets	₩ 1,111,405	920,034	478,972	1,110,123	333,365	2,115,122	(626,589)	5,442,432

(c) The Company conducts business globally and is managed geographically. The following table provides information by geographical segment as of and for the years ended December 31, 2007 and 2006:

*In millions of Won*

	2007					Total
	Domestic	Northern and Central America	Asia	Europe	Consolidation Adjustment	
Sales:						
External sales	₩ 6,231,483	302,515	460,986	135,733	-	7,130,717
Intercompany sales	337,385	373,288	499,579	71,467	-	1,281,719
Total	₩ 6,568,868	675,803	960,565	207,200	-	8,412,436
Operating income (loss)						
	₩ 379,638	10,176	90,177	(5,536)	(26,357)	448,098
Business category assets						
	₩ 605,343	35,171	374,724	8,370	(864)	1,022,744
Common assets						
	5,553,761	323,365	663,957	201,114	(1,080,966)	5,661,231
Total assets	₩ 6,159,104	358,536	1,038,681	209,484	(1,081,830)	6,683,975

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

35 Segment Information, Continued

(c) The Company conducts business globally and is managed geographically. The following table provides information by geographical segment as of and for the years ended December 31, 2007 and 2006, Continued:

*In millions of Won*

		<b>2006</b>					
		<b>Domestic</b>	<b>Northern and Central America</b>	<b>Asia</b>	<b>Europe</b>	<b>Consolidation Adjustment</b>	<b>Total</b>
<b>Sales:</b>							
External sales	₩	4,822,243	331,943	632,337	66,367	-	5,852,889
Intercompany sales		759,872	11,945	185,656	5,788	-	963,261
<b>Total</b>	<b>₩</b>	<b>5,582,115</b>	<b>343,888</b>	<b>817,992</b>	<b>72,155</b>	<b>-</b>	<b>6,816,151</b>
<b>Operating income (loss)</b>							
	₩	203,717	10,128	(4,204)	77	(1,347)	208,371
Business category assets	₩	777,613	35,342	377,488	-	(1,888)	1,188,556
Common assets		4,254,993	212,148	365,878	45,560	(624,702)	4,253,877
<b>Total assets</b>	<b>₩</b>	<b>5,032,606</b>	<b>247,490</b>	<b>743,366</b>	<b>45,560</b>	<b>(626,589)</b>	<b>5,442,432</b>

36 Summary of Major Construction Contracts

(a) Major construction contracts as of December 31, 2007 are as follows:

*In millions of Won*

<b>Construction project</b>		<b>Total contract price</b>	<b>Total estimated construction costs</b>	<b>Accumulated construction revenue</b>	<b>Accumulated construction cost</b>
Construction of Waekwon-Daegu highway	₩	13,387	12,813	10,844	10,379
Construction of Umsung-Saengguk highway		17,302	16,682	17,302	16,682
Biryong agricultural water development		4,298	4,062	1,702	1,609
Establishment of a road bypassing KwangReung Forest		10,577	10,010	7,578	7,172
Construction of North Injae-Yongdae road		10,785	10,785	10,785	10,785
Yangju Dukjung Section 1 KNHC APT		9,881	9,875	9,556	9,551
Construction of North Injae-Yongdae highway		8,246	8,225	2,230	2,224
Yangju Dukjung Section 1 KNHC APT		138	131	138	131
Construction of Shinryunggono Road		5,762	5,380	895	836
Construction of Daesan-Seokmun road		9,420	8,837	31	29

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

36 Summary of Major Construction Contracts, Continued

(a) Major construction contracts as of December 31, 2007 are as follows, Continued:

*In millions of Won*

Construction project	Total contract price	Total estimated construction costs	Accumulated construction revenue	Accumulated construction cost
Gunpo-Bugok Section 2 KNHC APT ₩	5,205	5,101	-	-
Jibang road 357(The free road) 4	10,611	10,011	7	7
HEEC Service Sales	632	625	632	625
Yangsan-Mulkeum Water Treatment Facility	4,742	4,581	4,742	4,581
Treatment of food garbage of Gwang Myeong	2,227	2,191	2,227	2,191
Seoul S.W. Water Treatment Facility	1,024	1,009	778	767
Jinju Sangpyung Undercurrent Buffer Facility	1,571	1,397	1,571	1,397
Maintenance & management of the New Airport Incineration Facility 2	4,135	3,737	2,060	1,862
Kimhae Hwamok Sewage Purification Plant	5,600	5,075	2,637	2,389
Chunan Food Waste Treatment	1,935	1,873	1,935	1,873
Jecheon Sewage Steam Supply and Power Generation Facility	199	190	199	190
Jongro Iniedong Residential and Commercial Complex	96,574	79,215	96,574	79,216
Daegu Shinmaedong Hyosung APT	23,890	20,589	23,890	20,589
Daegu Bumaudong Hyosung APT	21,961	19,375	21,961	19,375
Daegu Hyosung Residential and Commercial Complex	154,509	129,569	99,626	83,545
Mapo Ahyun Officetel	30,678	26,171	30,678	26,171
Construction of Banpo Hyosung Villa	4,482	4,178	4,482	4,178
Construction of Wonju Hanggudong Hyosung APT	109,919	97,541	24,540	21,776
Construction of Chandong Station	126,176	114,767	1,317	1,198
Chilgok (Namyul 2) Land	28,200	25,597	155	141
Construction of Banpo Building	6,457	6,233	5,828	5,626
Reconstruction of Daegu Bongduk	71,664	67,741	5,402	5,106
Reconstruction of Daegu Bumaudong Samo APT	26,952	25,483	291	275
Gunjae Segment	17,154	16,016	14,523	13,586
Construction of Daegu APT and Shopping District	219,178	154,509	144,531	101,308
₩	1,065,471	909,574	551,647	457,369



HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

36 Summary of Major Construction Contracts, Continued

(b) Changes in the construction log for the years ended December 31, 2007 and 2006 are as follows:

*In millions of Won*

Description		2007	2006
Outstanding contracts at the beginning of year	₩	664,361	643,581
New contracts		231,842	349,777
Total		896,203	993,358
Revenues recognized in current year		(254,218)	(328,997)
Outstanding contracts at the end of year	₩	641,985	664,361

(c) Billings and collection of construction contract prices are summarized as follows:

*In millions of Won*

Construction project		Advance receipts	Accounts receivable-other	
			Billed	Unbilled
Construction of Waekwon-Daegu highway	₩	1,281	-	-
Construction of Umsung-Saengjuk highway		251	-	-
Biryong agricultural water development		278	-	-
Establishment of a road bypassing KwangReung Forest		456	-	-
Yangju Dukjung Section 1 KNHC APT		93	-	-
Construction of North Injae-Yongdae highway		445	-	-
Construction of Shinryunggono Road		-	-	578
Construction of Daesan-Seokmun road		-	7	22
Jibang road 357(The free road) 4		-	-	7
HEEC Service Sales		-	57	-
Yongsan-Mulkeum Water Treatment		-	-	5
Treatment of food garbage of Gwang Myeong		-	255	-
Seoul S.W. Water Treatment		-	-	26
Maintenance & management of the New Airport incineration facility 2		-	8	23
Kimhae hwamok sewage purification plant		-	-	300
Chunan Food Waste Treatment		-	163	-
Jongro Iniedong residing and working complex		-	7,561	-
Daegu Bumaudong Hyosung APT		-	4,108	-
Daegu Hyosung residing and working complex		2,261	-	-
Mapo Ahyun Officetel		-	595	(400)
Chilgok (Namyul 2) Land		-	-	155
Construction of Chandong station		-	-	1,317
Construction of Wonju Hanggudong Hyosung APT		-	26,452	-
Construction of Banpo building		-	10,268	(452)
Reconstruction of Daegu bongduk		-	-	5,402
Reconstruction of Daegu Bumaudong Samo APT		-	-	291
Gunjajae segment		213	-	213
Construction of Daegu APT and shopping district		14	-	-
	₩	5,292	49,474	7,487

HYOSUNG CORPORATION AND SUBSIDIARIES  
**Notes to Consolidated Financial Statements, Continued**

December 31, 2007 and 2006

37 Significant event after December 31, 2007

(a) On January 28, 2008, the Company acquired 57.6% ownership of Chinhung International. Inc. at ₩ 93,065 million.

(b) On January 29, 2008, the Company made a decision to provide debt guarantee for Hyosung Vietnam Co., Ltd.'s debt amount of ₩ 80,361 million borrowed from Korea Development Bank and others. The Company issued unwarranted bonds of ₩ 200,000 million on January 2, 2008.

38 Calculation of Net Income for Controlling Interest and Minority Interest

Description of net income for controlling interest and minority interest are as follows:

<i>In millions of Won</i>	<u>Amount</u>
<b>Net income for controlling interest</b>	₩ 166,175
<b>Net income for minority interest</b>	32,016
Nautilus Hyosung Inc.	25,210
The Class Hyosung	230
StarLease Co.,Ltd.	529
Epiplus Co., Ltd.	(3,384)
Hyosung Construction Co., Ltd.	(1,261)
Hyosung Ebara Co., Ltd.	3,193
Hyosung Ebara Engineering Co., Ltd.	258
Hyosung Investment & Development Corp.	7,393
Baoding Hyosung Tianwei Transformer Co., Ltd	(89)
Hyosung Spandex (Zhuhai) Co., Ltd	2,067
Hyosung Vietnam Co., Ltd.	(179)
OpCo GmbH	(710)
Xepix Corp.	(1,140)
Zhangjiagang Xiao Sha Coil Service Co., Ltd.	(101)
<b>Net income</b>	<u>₩ 198,191</u>