

**HYOSUNG CORPORATION**

Non-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 non-consolidated balance sheets of Hyosung Corporation (the "Company") as of December 31, 2007 and 2006, and the related non-consolidated statements of income, appropriation of retained earnings, and cash flows for the years then ended and the non-consolidated statement of changes in equity for the year ended December 31, 2007. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hyosung Corporation as of December 31, 2007 and 2006, the results of its operations, the appropriation of its retained earnings, and its cash flows for the years then ended, and the changes in equity for the year ended December 31, 2007, 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 9 to the non-consolidated financial statements, the Company has significant transactions and account balances with related parties in the ordinary course of business. In addition, the Company has provided guarantees for its foreign subsidiaries.

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-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 non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the non-consolidated accompanying financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

Seoul, Korea  
February 20, 2008

<p>This report is effective as of February 20, 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 non-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.</p>
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**HYOSUNG CORPORATION**  
**Non-Consolidated Balance Sheets**

As of December 31, 2007 and 2006

*In millions of Won, except share data*

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>			
Cash and cash equivalents	2,18	₩ 31,416	64,253
Short-term financial instruments		-	84
Accounts and notes receivable - trade, less allowance for doubtful accounts of ₩ 17,880 millions in 2007 and ₩ 37,113 millions in 2006	2,4,9,18,20	439,420	356,771
Inventories - net of allowance for valuation loss of ₩13,289 million in 2007 and ₩8,930 million in 2006	2,5	443,211	496,928
Short-term loans		13,658	2,685
Accounts and notes receivable - other, less allowance for doubtful accounts of ₩ 999 millions in 2007 and ₩ 2,711 millions in 2006	2,9,18	17,925	21,640
Deferred tax assets - current	2,27	10,957	3,917
Other current assets	6	62,715	49,597
<b>Total current assets</b>		<u>1,019,302</u>	<u>995,875</u>
Available-for-sale securities	2,7,14	65,534	70,586
Equity method accounted investments	2,8	1,061,586	528,804
Property, plant and equipment, net	2,10,14,31	2,057,807	2,113,412
Intangible assets	2,11	9,601	12,167
Deferred tax assets - non-current	12,27	-	7,424
Other non-current assets	3,13,20	55,565	57,935
<b>Total non-current assets</b>		<u>3,250,093</u>	<u>2,790,328</u>
<b>Total assets</b>		<u>₩ 4,269,395</u>	<u>3,786,203</u>

**HYOSUNG CORPORATION**  
**Non-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	2,18 ₩	265,740	146,301
Accounts and notes payable - trade	2,9,18	548,765	587,712
Accounts and notes payable - other	2,9,18	136,340	106,704
Income taxes payable	2,27	26,555	4,857
Current portion of long-term borrowings, net	2,16,18	492,188	454,120
Other current liabilities	12,15,27	136,127	88,768
<b>Total current liabilities</b>		<u>1,605,715</u>	<u>1,388,462</u>
Debtures, net	2,16	598,180	788,349
Long-term debt	2,16,18	371,695	89,101
Allowance for warranty costs		8,780	7,166
Allowance for loss on valuation of equity method investments		79,653	99,563
Accrual for retirement and severance benefits	2,19	43,779	45,155
Deferred tax liabilities – non-current	2,27	24,543	-
Other long-term liabilities	2,12,17	5,160	6,280
<b>Total non-current liabilities</b>		<u>1,131,790</u>	<u>1,035,614</u>
<b>Total liabilities</b>		<u>2,737,505</u>	<u>2,424,076</u>
<b>Equity</b>			
Common stock of ₩ 5,000 won par value			
Authorized - 200,000,000 shares			
Issued and outstanding - 35,117,455 shares	1,22	175,587	174,029
Capital surplus	23	1,166,314	1,164,013
Capital adjustments	22,24	(34,204)	(34,204)
Accumulated other comprehensive income (loss)	7,8,21	14,629	(72)
Retained earnings	25	209,564	58,361
<b>Total equity</b>		<u>1,531,890</u>	<u>1,362,127</u>
<b>Total liabilities and equity</b>	₩	<u>4,269,395</u>	<u>3,786,203</u>

See accompanying notes to non-consolidated financial statements.

**HYOSUNG CORPORATION**  
**Non-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	2,9,34,35,37	₩ 5,425,100	4,784,272
Cost of sales	9	<u>4,735,950</u>	<u>4,272,276</u>
<b>Gross profit</b>		689,150	511,996
Selling, general and administrative expenses	26	<u>450,793</u>	<u>400,411</u>
<b>Operating income</b>		<u>238,357</u>	<u>111,585</u>
Interest income		5,050	4,282
Interest expense		(93,901)	(88,352)
Dividend income		1,205	4,024
Foreign currency transaction gain (loss), net		(1,789)	21,545
Foreign currency translation gain (loss), net	2,18	(4,085)	6,614
Gain (loss) on sale of available-for-sale securities, net		11,567	66,778
Gain (loss) on sale of property, plant and equipment, net		(2,248)	(188)
Reversal of impairment losses on investments	2,7	-	1,384
Impairment losses on investments	2	(8,736)	(1,082)
Equity in income of equity method accounted investees, net	2,8	123,296	8,115
Loss on transactions of derivatives, net		(555)	(841)
Unrealized gain (loss) on valuation of derivatives, net		(1,783)	878
Commissions		(36,733)	(35,748)
Other, net	2,21	<u>(15,405)</u>	<u>13,734</u>
<b>Other income</b>		<u>(24,117)</u>	<u>1,143</u>
<b>Income before income taxes</b>		214,240	112,728
Income taxes	2,27	<u>47,530</u>	<u>29,178</u>
<b>Net income</b>	30	<u>166,710</u>	<u>83,550</u>
<b>Earnings per share</b>			
Basic earnings per share	28	<u>5,011</u>	<u>2,535</u>
Diluted earnings per share	28	<u>₩ 5,011</u>	<u>2,521</u>

*See accompanying notes to non-consolidated financial statements.*

**HYOSUNG CORPORATION**  
**Non-Consolidated Statements of Appropriation of Retained Earnings**

For the years ended December 31, 2007 and 2006

Date of Appropriation for 2007: March 14, 2008

Date of Appropriation for 2006: March 17, 2007

*In millions of Won, except share data*

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Unappropriated retained earnings</b>			
Balance at beginning of year	₩	234	-
Changes in retained earnings of subsidiaries		6,355	2,644
Other changes in retained earnings		(5,383)	(27,833)
Net income		166,710	83,550
<b>Balance at end of year before appropriation</b>		<u>167,916</u>	<u>58,361</u>
<b>Transfer from voluntary reserves</b>			
Reserve for research and human resource development		20,000	-
<b>Unappropriated retained earnings available for appropriation</b>		<u>187,916</u>	<u>58,361</u>
<b>Appropriation of retained earnings</b>			
Legal reserve		2,495	1,648
Reserve for research and human resource development		-	40,000
Reserve for investment in equipment		160,000	-
Dividends - 15% on par value at ₩ 750 Won per share in 2007 and 10% on par value at ₩ 500 Won per share in 2006	29	<u>24,951</u>	<u>16,479</u>
		<u>187,446</u>	<u>58,127</u>
<b>Unappropriated retained earnings to be carried over to subsequent year</b>	₩	<u>470</u>	<u>234</u>

*See accompanying notes to non-consolidated financial statements.*

HYOSUNG CORPORATION  
**Non-consolidated Statement of Changes in Equity**

For the year ended December 31, 2007

<i>In millions of Won</i>	<u>Note</u>	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Capital adjust- ments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Total</u>
<b>Balance at January 1, 2007</b>	₩	174,029	1,164,013	(34,204)	(72)	58,361	1,362,127
Dividends		-	-	-	-	(16,478)	(16,478)
<b>Balance after appropriation</b>						41,883	1,345,649
Exercise of bonds with stock warranty		1,558	604	-	-	-	2,162
Changes in retained earnings of subsidiaries		-	-	-	-	6,354	6,354
Other changes in retained earnings		-	-	-	-	(5,383)	(5,383)
Net income		-	-	-	-	166,710	166,710
Change in fair value of available-for-sale securities, net of tax		-	-	-	(2,426)	-	(2,426)
Changes in unrealized gain on valuation of equity method investments, net		-	-	-	17,041	-	17,041
Foreign operation currency translation differences, net of tax		-	-	-	86	-	86
Merger with subsidiaries		-	526	-	-	-	526
Disposal of investments in subsidiaries		-	1,171	-	-	-	1,171
<b>Balance at December 31, 2007</b>	₩	<u>175,587</u>	<u>1,166,314</u>	<u>(34,204)</u>	<u>14,629</u>	<u>209,564</u>	<u>1,531,890</u>

See accompanying notes to non-consolidated financial statements.



**HYOSUNG CORPORATION**  
**Non-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	₩	166,710	83,550
Adjustments for:			
Depreciation		222,975	254,034
Amortization		4,329	7,952
Amortization of discounts on bonds issued		1,040	1,082
Provision for retirement and severance benefits		32,630	27,883
Loss on sale of other investment assets		21	2
Loss on sale of property, plant and equipment, net		2,248	187
Impairment losses on property, plant and equipment		3,457	-
Gain on valuation of equity method accounted investees, net		(123,296)	(8,116)
Impairment losses on investments, net		8,736	1,197
Foreign currency translation loss (gain), net		4,085	(6,614)
Unrealized loss (gain) on valuation of derivatives, net		1,783	(878)
		<u>324,718</u>	<u>360,279</u>
Change in accounts and notes receivable - trade		(82,009)	(52,718)
Change in accounts and notes receivable - other		350	11,720
Change in accounts and notes payables - trade		(46,130)	34,504
Change in accounts and notes payables - other		28,493	3,960
Change in inventories		55,111	46,789
Change in income taxes payable		21,699	1,830
Change in deferred tax assets		(6,863)	19,549
Change in deferred tax liabilities		28,547	-
Payment of retirement and severance benefits		(17,060)	(38,435)
Others, net		10,102	(49,165)
<b>Net cash provided by operating activities</b>		<u>316,958</u>	<u>338,313</u>

**HYOSUNG CORPORATION**  
**Non-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	₩	83	72,208
Proceeds from sale of equity method accounted investments		6,265	5,976
Proceeds from sale of property, plant and equipment		35,754	34,469
Proceeds from sale of investment securities		16,769	103,430
Acquisition of short-term financial instruments		-	(84)
Acquisition of property, plant and equipment		(205,540)	(178,454)
Acquisition of intangible assets		(1,735)	(1,366)
Acquisition of investment securities		(10,100)	(1,722)
Acquisition of equity method accounted investments		(410,235)	(275,083)
Other, net		(12,999)	(7,740)
<b>Net cash used in investing activities</b>		<u>(581,738)</u>	<u>(248,366)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short-term borrowings		4,360,700	2,311,424
Proceeds from issue of debentures		290,000	308,811
Proceeds from long-term borrowings		298,306	44,395
Proceeds from issuance of common stock		2,162	-
Repayment of short-term borrowings		(4,243,737)	(2,318,488)
Repayment of current portion of long-term borrowings		(455,329)	(400,294)
Repayment of long-term borrowings		(3,995)	-
Dividends paid		(16,478)	-
Other, net		314	-
<b>Net cash from used in financing activities</b>		<u>231,943</u>	<u>(54,152)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(32,837)	35,795
Cash and cash equivalents at beginning of year		64,253	28,458
<b>Cash and cash equivalents at end of year</b>	₩	<u>31,416</u>	<u>64,253</u>

*See accompanying notes to non-consolidated financial statements.*

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements**

December 31, 2007 and 2006

1 Organization and Description of Business

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 Co., 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 Stock 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, 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%).

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 non-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 non-consolidated financial statements are intended solely for use by only those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

Certain information included in the Korean language non-consolidated 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*). Certain accounts of the prior year's non-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*, a statement of changes in equity has been included in the financial statements and the capital adjustment account has been split into capital adjustments and accumulated other comprehensive income. Only the current year's statement of changes in equity is required to be presented in the financial statements in the year of adoption of the standard. 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 non-consolidated financial statements.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

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

(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.

(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.

HYOSUNG CORPORATION  
**Notes to Non-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

**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.

**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  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

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

(f) Investments in Associates and Subsidiaries, Continued

Prior to January 1, 2005, in accordance with generally accepted accounting principle in the Republic of Korea (Korean GAAP), the Company did not record its share of losses of investee when such losses would make the Company's investment in such entity less than zero. Effective January 1, 2005, the Company adopted SKAS No. 15, Investments in Associates. Under this standard, if the Company holds other investments such as preferred stock or loans issued by the investee, the Company's share in the loss of the investee continues to be recorded until such other investments are reduced to zero. As allowed by this standard, the Company did not restate the prior year financial statements.

In addition, prior to January 1, 2005, bad debt expense for receivables from subsidiaries was not eliminated in the financial statements. Effective January 1, 2005, according to SKAS No. 15, bad debt expense for receivables from subsidiaries is eliminated.

Also, prior to January 1, 2005, gains and losses arising from sales by the Company to its affiliates were eliminated entirely. Effective January 1, 2005, unrealized gains and losses are eliminated in proportion to the Company's ownership percentage accordance with SKAS No 15.

(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	40
Structures	40
Machinery and equipment	5 ~ 10
Tools, furniture and fixtures	5
Vehicles	5

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.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

(h) 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-five years, based on the nature of the assets.

(i) 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.

(j) 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.

(k) 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.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

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

(l) 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 US\$1, 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.

(m) 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  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

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

(m) 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.

(n) 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.

(o) Revenue Recognition

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

**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  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

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

(o) 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.

(p) 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.

(q) Prior Period Adjustments

Prior period adjustments resulting from other than fundamental errors are charged or credited to net income for the current period. Fundamental errors are defined as errors with such a significant effect on the financial statements for one or more prior periods that those financial statements can no longer be considered to have been reliable at the date of their issue. Prior period adjustments resulting from fundamental errors are charged or credited to the beginning balance of retained earnings, and the financial statements of the prior year are restated.

(r) 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.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

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

(s) Use of Estimates

The preparation of non-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 non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

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>
Long-term deposits	₩ 50	50

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</i>	<u>2007</u>	<u>2006</u>
Accounts receivable - trade	₩ 411,634	320,357
Notes receivable - trade	11,494	18,495
	<u>₩ 423,128</u>	<u>338,852</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	₩ 18,154	23,486
Finished goods	201,452	231,609
Work-in-process	18,107	20,539
Cosigned goods	5,019	5,948
Goods on consignment-in	409	577
Raw materials	70,674	66,478
Supplies	3,014	3,735
Goods-in-transit	14,931	13,749
Unfinished housing and office units	27,333	20,958
Temporary establishments for construction	48	67
Finished housing units	12,851	15,323
Building lots	<u>84,508</u>	<u>103,389</u>
	456,500	505,858
Less allowance for valuation loss	<u>(13,289)</u>	<u>(8,930)</u>
Balance	<u>₩ 443,211</u>	<u>496,928</u>

HYOSUNG CORPORATION  
**Notes to Non-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>
Accrued interest income	₩ 955	429
Advance payments	55,496	40,723
Prepaid expenses	5,822	3,605
Deposit for guarantees	367	3,962
Derivatives	75	878
	<u>₩ 62,715</u>	<u>49,597</u>

7 Available-for-sale securities

Available-for-sale 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 (non-current)</b>		
Marketable securities	₩ 41,002	46,340
Non-marketable securities	16,099	17,137
Debt securities	8,433	7,109
	<u>₩ 65,534</u>	<u>70,586</u>

(a) Available-for-sale securities (non-current)

As of December 31, 2007 and 2006, available-for-sale securities (non-current) 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:

<i>In millions of Won</i>	<u>2007</u>		<u>2006</u>
<u>Company</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
	<u>₩ 19,493</u>	<u>41,002</u>	<u>46,340</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

7 Investment Securities, Continued

(a) Available-for-sale securities (non-current), Continued

(ii) Non-marketable securities recorded at fair value (note1)

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

*In millions of Won*

Company	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	-	-
Enterprise Network (note 2)	2,406	-	-
Doosan Capital Co. (note 1)	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	-
Capital investments	6,774	5,679	6,119
	₩ <u>30,469</u>	<u>16,099</u>	<u>17,137</u>

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

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

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

7 Investment Securities, Continued

(a) Available-for-sale securities (non-current), Continued

(iii) Debt securities:

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

<i>In millions of Won</i>	<b>2007</b>		<b>2006</b>
	<b>Acquisition cost</b>	<b>Fair value</b>	<b>Fair value</b>
Government and municipal bonds	₩ 8,433	8,433	7,109

(iv) Changes in unrealized gains (losses):

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

<i>In millions of Won</i>	<b>2007</b>	<b>2006</b>
<b>Beginning balance</b>	₩ 18,019	45,292
Realized gains on disposition of securities	(5,639)	(29,055)
Changes in unrealized gain	2,293	1,781
Changes from tax effect	920	1
<b>Net balance at end of year</b>	₩ 15,593	18,019

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*

<b>Company</b>	<b>Percentage of ownership</b>	<b>Cost</b>	<b>Balance at December 31, 2007</b>
<b>Listed</b>			
Capro Corp.	21.04%	₩ 9,114	15,926
Hyosung ITX (ex. Teleservice Co., Ltd.)	30.10%	3,675	9,190
<b>Unlisted</b>			
Gumoknongsan Co., Ltd. (note1)	75%	225	225
Nautilus Hyosung Co., Ltd.	43.5%	1,737	46,302
The Class Hyosung	84.75%	5,200	5,266
StarLease Co.,Ltd.	94.90%	300,920	294,806
Epiplus Co., Ltd.	36.44%	6,019	3,604
Hongjin Data Service (note1)	65.52%	3,300	3,300
Hyosung Construction Co., Ltd. (note3)	50.09%	860	-
Hyosung Ebara Co., Ltd.	67.00%	12,060	27,795
Hyosung Ebara Engineering Co., Ltd.	81.33%	12,200	12,544
Gangreung Wind Power Co., Ltd. (note1)	100.00%	₩ 1,200	1,200

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

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

*In millions of Won, except percentage of ownership*

Company	Percentage of ownership	Cost	Balance at December 31, 2007
Hyosung Information System	50.00%	₩ 865	17,760
Hyosung CTX Co., Ltd. (note1)	44.44%	326	1,134
Hyosung Capital	100.00%	20,000	87,245
Hyosung Investment & Development Corp.	58.75%	470	24,852
Hyosung Trans World	100.00%	300	10,592
Baoding Hyosung Tianwei Transformer Co., Ltd.	80.00%	5,886	4,598
Beijing Hyosung Container Co., Ltd.	100.00%	5,574	14,630
Beijing Hyosung Hitech Co., Ltd. (note1)	70.00%	255	255
Beijing Hyosung Food & Beverage Co., Ltd. (note2)	95.00%	1,499	-
Hico America Sales & Tech. (note1)	100.00%	1,287	1,287
Hyosung America Inc. (note3)	100.00%	270,435	-
Hyosung Participacoes Brasil LTDA (note1)	100.00%	4,408	6,603
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	100.00%	83,291	86,178
Hyosung Deutschland GmbH (note2)	100.00%	74,014	-
Hyosung Europe S.R.L.	100.00%	4,642	2,878
Hyosung (H.K) LIMITED	100.00%	87,144	1,115
Hyosung International Trade (Jiaxing) Co., Ltd.	100.00%	929	1,053
Hyosung Istanbul TEKSTIL LTD. STI	99.99%	9,354	9,354
Hyosung Japan Co., Ltd.	100.00%	17,443	2,217
Hyosung Luxembourg S.A	100.00%	16,156	16,205
Hyosung Power Holdings Co., Ltd.	100.00%	31,914	29,964
Hyosung Resources (Australia) Pty, Ltd. (note1)	100.00%	1,562	1,562
Hyosung Singapore PTE Ltd. (note3)	100.00%	21,340	-
Hyosung Spandex (Guangdong) Co., Ltd.	100.00%	45,352	74,361
Hyosung Spandex (Jiaxing) Co., Ltd.	100.00%	52,658	92,053
Hyosung Spandex (Zhuhai) Co., Ltd.	75.00%	26,136	30,086
Hyosung Steelcord (Nanjing) Co., Ltd. (note1)	100.00%	6,223	6,223
Hyosung Steelcord (Qingdao) Co., Ltd.	100.00%	47,321	32,707
Hyosung USA inc.	100.00%	59,903	62,721
Hyosung Vietnam Co., Ltd.	82.32%	5,362	14,171
Lanka Synthetic Fibre Co., Ltd. (note2)	98.31%	22,447	-
OpCo GmbH	98.19%	10,177	2,346
Thai Hyosung Co., Ltd. (note2)	49.00%	35	-
Xepix Corp.	74.93%	29,506	2,755
Zhangjiagang Xiaosha Coil Service Co., Ltd.	39.00%	2,805	4,523
		<u>₩ 1,323,529</u>	<u>1,061,586</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 deficiency position.

(note 3) The equity method is no longer used as the investee is currently under negative capital position.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

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

*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 (ex. Teleservice Co., Ltd.) (note 3)	44.44%	3,675	5,338
<b>Unlisted</b>			
Gumoknongsan Co., Ltd. (note 1)	75.00%	225	225
Nautilus Hyosung Co., Ltd.	43.50%	1,737	27,394
The Class Hyosung	84.75%	5,200	4,492
Epiplus Co., Ltd.	33.64%	6,019	6,019
Hongjin Data Service (note 1)	65.52%	3,300	3,300
Hyosung Construction Co., Ltd.	50.59%	860	3,269
Hyosung Ebara	67.00%	12,060	23,147
Hyosung Ebara Engineering Co., Ltd.	81.33%	12,200	11,536
Gangreung Wind Power Co., Ltd. (note 1)	100.00%	1,200	1,200
Hyosung Innotech Inc.	100.00%	2,250	6,240
Hyosung Information System	50.00%	865	15,548
Hyosung CTX Co., Ltd. (note 3)	44.44%	326	1,134
Hyosung Capital	100.00%	20,000	68,492
Hyosung Investment & Development Corp.	58.75%	470	14,698
Hyosung Trans World	100.00%	300	9,152
Baoding Hyosung Tianwei Transformer Co., Ltd.	60.00%	2,088	915
Beijing Hyosung Computer Technologies Co., Ltd.(note 1,2)	100.00%	1,836	729
Beijing Hyosung Container Co., Ltd.	100.00%	5,574	12,715
Beijing Hyosung Hitech Co., Ltd. (note 1)	70.00%	255	255
Beijing Hyosung Food&Beverage Co., Ltd.(note2)	95.00%	1,499	-
Hico America Sales & Tech.(note1)	100.00%	1,287	1,287
Hyosung America Inc.	100.00%	270,344	-
Hyosung Participacoes Brasil LTDA (note1)	100.00%	4,408	4,408
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	100.00%	67,951	54,415
Hyosung Deutschland GmbH (note2)	100.00%	74,014	1,360
Hyosung Europe S.R.L.	100.00%	4,642	-
Hyosung Film (Jiaxing) Co., Ltd.	100.00%	14,593	2,496
Hyosung (H.K) LIMITED	100.00%	76,025	-
Hyosung Japan Co., Ltd.	100.00%	17,420	1,900
Hyosung Luxembourg S.A	100.00%	16,156	16,156
Hyosung Power Holdings Co., Ltd.	100.00%	31,914	31,293
Hyosung Resources (Australia) Pty, Ltd. (note1)	100.00%	1,548	1,548
Hyosung Singapore PTE Ltd.	100.00%	11,908	-
Hyosung Spandex (Guangdong) Co., Ltd.	100.00%	45,352	21,091
Hyosung Spandex (Jiaxing) Co., Ltd.	100.00%	52,658	54,862
Hyosung Steelcord (Nanjing) Co., Ltd. (note1)	100.00%	4,746	4,746
Hyosung Steelcord (Qingdao) Co., Ltd.	100.00%	₩ 47,321	29,165



HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

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

*In millions of Won, except percentage of ownership*

<u>Company</u>	<u>Percentage of ownership</u>	<u>Cost</u>	<u>Balance at December 31, 2007</u>
Hyosung USA inc.	100.00%	₩ 57,046	57,046
Lanka Synthetic Fibre Co., Ltd. (note2)	98.31%	22,447	-
OpCo GmbH (note 1)	90.74%	6,368	3,317
Thai Hyosung Co., Ltd. (note2)	49.00%	35	-
Xepix Corp.	74.93%	29,506	6,979
Zhangjiagang Xiaosha Coil Service Co., Ltd.	39.00%	2,805	4,164
		<u>₩ 951,547</u>	<u>528,804</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 deficiency position.

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

- (b) Changes in goodwill for equity method accounted investments 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>Increase</u>	<u>Amortized amount</u>	<u>Balance at December 31, 2007</u>
Nautilus Hyosung	₩ (3)	-	(3)	-
StarLease Co.,Ltd.	-	153,453	15,345	138,108
Epiplus Co., Ltd.	-	4,234	825	3,409
Capro Corp.	(374)	-	(149)	(225)
Hyosung ITX (ex. Teleservice Co., Ltd.)	(3,496)	-	(874)	(2,622)
Hyosung Ebara Engineering Co., Ltd.	266	-	133	133
Hyosung Power Holdings Co., Ltd	391	-	100	291
Hyosung Spandex (Zhuhai) Co.,Ltd	-	16,634	3,327	13,307
Hyosung USA Inc.	822	4,717	1,108	4,431
OpCo GmbH	-	714	162	552
Xepix Corp.	840	-	840	-
	<u>₩ (1,554)</u>	<u>179,752</u>	<u>20,814</u>	<u>157,384</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

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

*In millions of Won*

<u>Company</u>	<u>Balance at January 1, 2006</u>	<u>Increase</u>	<u>Amortized amount</u>	<u>Balance at December 31, 2006</u>
Nautilus Hyosung	₩ (5)	-	(2)	(3)
Capro Corp.	(524)	-	(150)	(374)
Hyosung ITX (ex. Teleservice Co., Ltd.)	-	(4,370)	(874)	(3,496)
Hyosung Ebara Engineering Co., Ltd.	398	-	132	266
Hyosung Power Holdings Co., Ltd	-	489	98	391
OpCo GmbH	-	1,028	206	822
Xepix Corp.	2,277	-	1,437	840
₩	<u>2,146</u>	<u>(2,853)</u>	<u>847</u>	<u>(1,554)</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*

<u>Company</u>	<u>2007</u>		
	<u>Current assets</u>	<u>Property, plant &amp; equipment</u>	<u>Total</u>
Capro Corp.	₩ (178)	-	(178)
Hyosung Construction Co.,Ltd	(2,610)	-	(2,610)
Hyosung Ebara	(388)	-	(388)
Hyosung Investment & Development Co.	(1,566)	-	(1,566)
Hyosung Chemical Fier (Jiaying) Co., Ltd.	16	-	16
Hyosung Europe SRL	145	-	145
Hyosung Japan Co., Ltd.	(966)	-	(966)
Hyosung Luxembourg S.A.	(476)	-	(476)
Hyosung Spandex (Guangdong) Co., Ltd.	-	(534)	(534)
Hyosung Steelcord (Qingdao) Co., Ltd.	(21)	(329)	(350)
Zhangjiagang Xiaosha Coil Service Co., Ltd.	(268)	-	(268)
₩	<u>(6,312)</u>	<u>(863)</u>	<u>(7,175)</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

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

*In millions of Won*

Company	2006		
	Current assets	Property, plant & equipment	Total
Capro Corp.	₩ (444)	-	(444)
Hyosung Ebara	(359)	-	(359)
Hyosung Innotech Inc.	(2)	-	(2)
Hyosung Investment & Development Co.	762	-	762
Hyosung Film (Jiaxing) Co., Ltd.	(21)	(98)	(119)
Hyosung Japan Co., Ltd.	111	-	111
Hyosung Spandex (Guangdong) Co., Ltd.	(7)	(66)	(73)
Hyosung Spandex (Jiaxing) Co., Ltd.	(5)	-	(5)
Hyosung Steelcord (Qingdao) Co., Ltd.	1,257	(41)	1,216
Zhangjiagang Xiaosha Coil Service Co., Ltd.	114	-	114
	₩ <u>1,406</u>	<u>(205)</u>	<u>1,201</u>

- (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*

Company	Balance at January 1, 2007	Net income	Accumulated other comprehensive income	Others	Balance at December 31, 2007
Nautilus Hyosung Co., Ltd. (note 1,3)	₩ 27,394	19,412	5	(509)	46,302
The Class Hyosung (note 1)	4,492	1,278	(504)	-	5,266
StarLease Co., Ltd. (note 2,3)	-	(5,492)	(623)	300,921	294,806
Epiplus Co., Ltd. (note 1,3)	6,019	(2,540)	-	125	3,604
Capro Corp. (note 1,3)	16,773	(2,294)	(5,044)	6,491	15,926
Hyosung ITX (ex. Teleservice Co., Ltd.) (note 1,3)	5,338	1,814	(54)	2,092	9,190
Hyosung Construction Co., Ltd. (note 1,7)	3,269	(3,269)	-	-	-
Hyosung Ebara (note 1,3)	23,147	6,457	-	(1,809)	27,795
Hyosung Ebara Engineering Co., Ltd. (note 1)	11,536	994	14	-	12,544
Hyosung Innotech Inc. (note 5)	6,240	(536)	(526)	(5,178)	-
Hyosung Information System (note 1,3)	15,549	3,076	-	(865)	17,760
Hyosung Capital (note 1,3)	68,491	20,754	-	(2,000)	87,245
Hyosung Investment & Development (note 1)	14,699	9,594	559	-	24,852
Hyosung Trans World (note 1)	₩ 9,152	1,437	3	-	10,592

HYOSUNG CORPORATION  
**Notes to Non-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, Continued:

*In millions of Won*

<u>Company</u>	<u>Balance at January 1, 2007</u>	<u>Net income</u>	<u>Accumu- lated other comprehe n-sive income</u>	<u>Others</u>	<u>Balance at December 31, 2007</u>
Baoding Hyosung Tianwei Transformer Co.,Ltd (note 1,3) ₩	916	(357)	242	3,797	4,598
Beijing Hyosung Containers Co., Ltd. (note 1)	12,715	857	1,058	-	14,630
Hyosung America Inc. (note 2,7)	-	-	-	-	-
Hyosung Participacoes Brasil LTDA (note 6)	4,408	1,090	1,105	-	6,603
Hyosung Chemical Fiber (Jiaxing) Co., Ltd. (note 5)	54,415	8,572	3,333	19,858	86,178
Hyosung Deutschland GmbH (note 6,7)	1,360	(680)	(680)	-	-
Hyosung Europe S.R.L. (note 1,3,6)	-	2,428	(360)	810	2,878
Hyosung Film (Jiaxing) Co., Ltd. (note 5)	2,496	-	2,023	(4,519)	-
Hyosung (H.K) LIMITED (note 1,3)	-	584	(193)	724	1,115
Hyosung International Trade (Jiaxing) Co., Ltd. (note1,3)	-	61	62	930	1,053
Hyosung Japan Co., Ltd. (note 1)	1,899	122	196	-	2,217
Hyosung Luxembourg S.A. (note 1,6)	16,156	(1,931)	1,980	-	16,205
Hyosung Power Holdings Co., Ltd. (note 1)	31,293	(3,627)	2,298	-	29,964
Hyosung Singapore PTE. Ltd (note 1,7)	-	-	-	-	-
Hyosung Spandex (GuangDong) Co., Ltd. (note 1,3)	21,091	45,761	5,376	2,133	74,361
Hyosung Spandex (Jiaxing) Co., Ltd. (note 1,3)	54,862	27,237	5,371	4,583	92,053
Hyosung Spandex (Zhuhai) Co., Ltd. (note 1,3)	-	2,873	1,078	26,135	30,086
Hyosung Spandex (Qingdao) Co., Ltd. (note 1,3)	29,165	(692)	2,386	1,848	32,707
Hyosung USA Inc. (note 1,3,6)	57,046	2,508	310	2,857	62,721
Hyosung Vietnam Co., Ltd (note 1,3)	-	(833)	256	14,748	14,171
OpCo GmbH (note 1,3)	3,317	(7,119)	(391)	6,539	2,346
Xepix Corp. (note 1) ₩	6,979	(4,248)	24	-	2,755

HYOSUNG CORPORATION  
**Notes to Non-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, Continued:

*In millions of Won*

<u>Company</u>	<u>Balance at January 1, 2007</u>	<u>Net income</u>	<u>Accumu- lated other comprehe n-sive income</u>	<u>Others</u>	<u>Balance at December 31, 2007</u>
Zhangjiagang Xiaosha Coil Service Co., Ltd. (note 1)	₩ 4,164	4	355	-	4,523
Investments under cost method (note 3,4)	14,423	-	-	10,117	24,540
	₩ <u>528,804</u>	<u>123,295</u>	<u>19,659</u>	<u>389,828</u>	<u>1,061,586</u>

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

(note 2) Reviewed financial statements were used in the valuation.

(note 3) Other increase (decrease) has resulted from the deduction due to receipt of dividend income, amount received as capital investments, proceeds from sale and changes in retained earnings.

(note 4) The equity method has not been used, for its effect on investment balances is immaterial.

(note 5) It disappeared in 2007 by internal merger.

(note 6) Unaudited financial statements were used in the valuation as audited (or reviewed) financial statements were unavailable. The Company has performed verification procedures on the reliability of the unaudited financial statements.

(note 7) The equity method is no longer used as investments in investees have decreased to null. The unrecognized changes in equity for 2007 and prior thereto are ₩ 80,285 and ₩ 99,563, respectively.

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*

<u>Company</u>	<u>Balance at January 1, 2006</u>	<u>Net income</u>	<u>Accumu- lated other comprehe n-sive income</u>	<u>Others</u>	<u>Balance at December 31, 2006</u>
Nautilus Hyosung Co., Ltd. (note 4)	₩ 11,591	15,804	-	-	27,395
The Class Hyosung (note 1)	3,363	1,129	38	(38)	4,492
Aegis Hyosung	263	-	-	(263)	-
Capro Corp. (note4)	29,874	(12,171)	(88)	(842)	16,773
Hyosung ITX (ex. Teleservice Co., Ltd.) (note4)	4,000	2,271	(603)	(330)	5,338
Hyosung Construction Co., Ltd. (note 1)	4,343	(1,075)	-	-	3,268
Hyosung Ebara (note 1)	19,711	4,400	-	(965)	23,146
Hyosung Ebara Engineering Co., Ltd. (note 1)	10,956	568	11	-	11,535
Hyosung Innotech Inc. (note 4) ₩	6,726	(486)	(3,182)	3,182	6,240

HYOSUNG CORPORATION  
**Notes to Non-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, Continued:

*In millions of Won*

Company	Balance at January 1, 2006	Net income	Accumu- lated other comprehe n-sive income	Others	Balance at December 31, 2006
Hyosung Information System (note 4) ₩	12,891	3,523	-	(865)	15,549
Hyosung Capital (note 1)	59,143	9,348	-	-	68,491
Hyosung Investment & Development (note 1)	6,371	8,328	-	-	14,699
Hyosung Trans World (note 4)	7,884	1,268	-	-	9,152
Baoding Hyosung Tianwei Transformer Co.,Ltd (note 1)	1,328	(267)	(145)	-	916
Beijing Hyosung Containers Co., Ltd. (note 1)	12,970	405	(660)	-	12,715
Hyosung America Inc. (note 5)	-	-	-	-	-
Hyosung Chemical Fiber (Jiaxing) Co., Ltd. (note 1)	56,113	1,790	(3,488)	-	54,415
Hyosung Deutschland GmbH (note 4)	1,360	-	-	-	1,360
Hyosung Europe S.R.L. (note5)	2,732	(4,642)	-	1,910	-
Hyosung Film (Jiaxing) Co., Ltd. (note1)	7,232	(4,336)	(400)	-	2,496
Hyosung (H.K) LIMITED (note 1,5)	-	-	-	-	-
Hyosung Japan Co., Ltd. (note 1)	3,853	(1,605)	(349)	-	1,899
Hyosung Power Holdings Co., Ltd. (note 1)	-	(1,300)	679	31,914	31,293
Hyosung Singapore Pte Ltd. (note 5)	-	-	-	-	-
Hyosung Spandex (Guangdong) Co., Ltd. (note 1)	23,031	82	(2,022)	-	21,091
Hyosung Spandex (Jiaxing) Co., Ltd. (note 1)	62,706	(4,676)	(3,168)	-	54,862
Hyosung Steelcord (Qingdao) Co., Ltd. (note 1)	26,726	(5,800)	(1,536)	9,775	29,165
OpCo GmbH (note 1)	-	(3,093)	41	6,368	3,316
Xepix Corp. (note 4)	8,886	(1,361)	(546)	-	6,979
Zhangjiagang Xiaosha Coil Service Co., Ltd. (note 1)	4,394	11	(241)	-	4,164
Investments under cost method (note 3)	7,848	-	808	89,399	98,055
₩	396,295	8,115	(14,851)	139,245	528,804

HYOSUNG CORPORATION  
**Notes to Non-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, Continued:

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

(note 2) Other increase (decrease) has resulted from the deduction due to 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. Meanwhile, the valuation and others about the investee whose date of deemed acquisition is on December 31, 2006, is included.

(note 4) Unaudited financial statements were used in the valuation as audited (or reviewed) financial statements were unavailable. The Company has performed verification procedures on the reliability of the unaudited financial statements.

(note 5) The equity method is no longer used as investments in investees have decreased to none. The unrecognized changes in equity for 2006 and prior thereto are ₩ 99,563 and ₩ 250,378, respectively.

(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*

<u>Company</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Sales</u>	<u>Net income</u>
Nautilus Hyosung Co., Ltd. ₩	202,838	96,399	350,313	44,620
The Class Hyosung	22,022	12,945	118,760	1,508
StarLease Co.,Ltd	465,595	300,483	76,901	17,482
Epiplus Co., Ltd.	12,855	12,321	7,271	(5,099)
Capro Corp.	450,833	373,242	669,277	(10,226)
Hyosung ITX (ex. Teleservice Co., Ltd.)	51,381	13,945	109,148	2,184
Hyosung Construction Co., Ltd.	74,962	71,052	15,587	(2,552)
Hyosung Ebara	89,400	47,336	129,464	9,656
Hyosung Ebara Engineering Co., Ltd.	25,920	10,661	74,234	1,385
Hyosung Information System	111,612	76,092	175,165	6,153
Hyosung Capital	897,064	809,818	105,947	20,754
Hyosung Investment & Development	64,830	19,864	75,566	17,923
Hyosung Trans World	27,259	16,667	117,011	1,438
Baoding Hyosung Tianwei Transformer Co., Ltd	28,074	18,887	17,674	(446)
Beijing Hyosung Container Co., Ltd.	19,599	4,969	12,682	857
Hyosung America Inc.	199,171	278,320	462,878	484
Hyosung Participacoes Brasil LTDA.	7,347	744	6,153	1,090
Hyosung Chemical Fiber (Jiaxing)Co., Ltd.	232,639	134,096	132,670	8,556
Hyosung Europe S.R.L.	16,041	13,309	34,363	2,282
Hyosung (H.K) LIMITED ₩	3,519	2,403	34,012	584

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

8 Equity Method Accounted Investments, Continued

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

*In millions of Won*

<u>Company</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Sales</u>	<u>Net income</u>
Hyosung International Trade (Jiaxing) Co., Ltd. ₩	9,768	8,715	85,133	61
Hyosung Japan Co., Ltd.	58,963	55,780	281,589	194
Hyosung Luxembourg S.A.	103,451	86,770	171,515	(1,456)
Hyosung Power Holdings Co., Ltd	41,682	12,009	53,491	(3,527)
Hyosung Singapore PTE Ltd.	5,149	5,653	62,423	148
Hyosung Spandex (GuangDong) Co., Ltd	180,572	89,803	136,086	45,755
Hyosung Spandex (Jiaxing) Co., Ltd.	147,999	54,501	112,247	27,237
Hyosung Spandex (Zhuhai) Co., Ltd.	44,820	22,447	43,957	8,268
Hyosung Steel Cord (Qingdao) Co., Ltd	118,121	85,064	57,106	(874)
Hyosung USA Inc.	153,065	94,776	209,580	3,616
Hyosung Vietnam Co., Ltd.	43,988	18,647	-	(1,012)
OpCo GmbH	9,289	7,462	1,135	(7,667)
Xepix Corp.	5,871	2,195	3,345	(4,547)
Zhangjiagang Xiaosha Coil Service Co., Ltd.	20,365	8,080	31,107	(167)
₩	<u>3,946,064</u>	<u>2,865,455</u>	<u>3,973,790</u>	<u>184,662</u>

9 Transactions and Balances with Related Companies

- (a) Details of subsidiary relationships as of December 31, 2007 were as follows:

<u>Controlled subsidiary (*)</u>	<u>Ownership</u>
Nautilus Hyosung Co., Ltd.	43.50%
The Class Hyosung	84.75%
Star Lease Co., Ltd.	94.90%
Epiplus Co., Ltd.	33.14%
Hyosung Construction Co., Ltd.	50.59%
Hyosung Ebara	67.00%
Hyosung Ebara Engineering Co., Ltd.	91.33%
Hyosung Capital	100.00%
Hyosung Investment & Development Corp.	58.75%
Hyosung Trans World	100.00%
Baoding Hyosung Tianwei Transformer Co., Ltd.	100.00%
Beijing Hyosung Container Co., Ltd.	80.00%
Hyosung America Inc.	100.00%
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	100.00%
Hyosung Europe S.R.L.	100.00%
Hyosung Istanbul Tekstil Ltd.STI	99.99%
Hyosung Japan Co.,Ltd.	100.00%



HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies

(a) Details of subsidiary relationships as of December 31, 2007 were as follows:

Controlled subsidiary (*)	Ownership
Hyosung Luxembourg S.A	100.00%
Hyosung Power Holdings Co.,Ltd	100.00%
Hyosung Singapore Pte Ltd.	100.00%
Hyosung Spandex (Guangdong) Co., Ltd.	100.00%
Hyosung Spandex (Jiaxing) Co., Ltd.	100.00%
Hyosung Spandex (Zhuhai) Co., Ltd.	75.00%
Hyosung Steel Cord (Qingdao) Co., Ltd.	100.00%
Hyosung USA inc.	100.00%
Hyosung Vietnam Co., Ltd.	82.32%
Nantong Hyosung Transformer Co., Ltd.	100.00%
Nantong Yaubong Transformer Co., Ltd.	100.00%
OpCo GmbH	98.19%
Xepix Corp.	74.93%
Zhangjiagang Xiaosha Coil Service Co., Ltd.	39.00%
NH Tech	100.00%

(\*) Controlled subsidiaries represent majority-owned entities by either the Company or a controlled subsidiary and other entities where the Company or its controlled subsidiary owns more than 30% of total outstanding common stock and is the largest shareholder.

(b) 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*

Related Company	2007		
	Sales	Purchases	Other
Nautilus Hyosung Co., Ltd.	₩ 1,374	13,235	480
The Class Hyosung	1,146	69	4
Star Lease Co., Ltd.	5	-	-
Epiplus Co., Ltd.	-	659	-
Aegis Hyosung	-	-	-
Hyosung Construction Co., Ltd.	20,656	9,577	807
Hyosung Ebara Engineering Co., Ltd.	821	5,899	57
Hyosung Ebara	19,442	1,089	383
Hyosung Innotech Inc.	-	-	-
Hyosung Capital	-	68	15
Hyosung Investment & Development Corp.	53,002	-	-
Hyosung Trans World	8	108,022	17
Baoding Hyosung Tianwei Transformer Co., Ltd.	49	-	19
Beijing Hyosung Container Co., Ltd.	-	-	6
Hyosung America Inc.	316,732	7,829	41
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	16,754	61,913	281
Hyosung Europe S.R.L.	17,930	5,524	-
Hyosung Film (Jiaxing) Co., Ltd.	6,538	2	90
Hyosung (H.K) LIMITED	23,398	4,800	-
Hyosung Istanbul Tekstil Ltd.STI	26,063	-	100
Hyosung Japan Co.,Ltd.	₩ 149,572	79,678	-

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies, Continued

(b) 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*

Related Company		2007		
		Sales	Purchases	Other
Hyosung Luxembourg S.A	₩	17,578	-	85
Hyosung Singapore Pte Ltd.		21,513	1,326	-
Hyosung Spandex (Zhuhai) Co., Ltd.		2,707	-	231
Hyosung Spandex (Guangdong) Co., Ltd.		28,397	3,051	66
Hyosung Spandex (Jiaxing) Co., Ltd.		13,036	4,583	912
Hyosung Steel Cord (Qingdao) Co., Ltd.		21,659	3,836	124
Hyosung USA inc.		1	4	90
Hyosung Vietnam Co., Ltd.		11,112	9,177	-
Nantong Hyosung Transformer Co., Ltd.		1,336	158	-
Nantong Yaubong Transformer Co., Ltd.		-	-	17
OpCo GmbH		-	4,367	13
Xepix Corp.		14	3,346	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.		9,640	-	-
Capro Corp.		2,026	347,853	-
Hongjin Data Service		-	-	-
Hyosung CTX Co., Ltd.		35	25	-
Hyosung ITX (ex. Teleservice Co., Ltd.)		68	178	1
Hyosung Information System		10	-	51
HICO America Sales & Tech.		83	158	-
Hyosung Participacoes Brasil LTDA		-	32	-
Hyosung Deutschland GmbH		-	-	-
Hyosung International Trade(Jiaxing) Co., Ltd.		11	170	-
Hyosung Steel Cord(Nanjing) Co.,Ltd.		5,169	-	4
NH Tech		15	-	-
Infobada Co., Ltd.		27	64	-
	₩	<u>787,927</u>	<u>676,692</u>	<u>3,894</u>

*In millions of Won*

Related Company		2006		
		Sales	Purchases	Other
Nautilus Hyosung Co., Ltd.	₩	1,242	16,072	279
The Class Hyosung		1,278	14	5
Star Lease Co., Ltd.		-	-	-
Epiplus Co., Ltd.		-	-	-
Aegis Hyosung		3	26	-
Hyosung Construction Co., Ltd.		3,967	12,830	568
Hyosung Ebara Engineering Co., Ltd.		1,799	7,120	62
Hyosung Ebara		17,356	533	339
Hyosung Innotech Inc.		-	509	9
Hyosung Capital		-	31	8
Hyosung Investment & Development Corp.		31,484	-	-
Hyosung Trans World	₩	-	87,274	25

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies, Continued

(b) 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*

Related Company	2006		
	Sales	Purchases	Other
Baoding Hyosung Tianwei Transformer Co., Ltd.	₩ -	-	10
Beijing Hyosung Container Co., Ltd.	-	-	7
Hyosung America Inc.	213,487	7,483	61
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	11,108	33,100	123
Hyosung Europe S.R.L.	36,349	5,444	-
Hyosung Film (Jiaxing) Co., Ltd.	7,948	803	-
Hyosung (H.K) LIMITED	25,855	17,424	-
Hyosung Istanbul Tekstil Ltd.STI	-	-	-
Hyosung Japan Co.,Ltd.	141,192	67,143	16
Hyosung Lux embourg S.A	-	-	-
Hyosung Singapore Pte Ltd.	51,241	414	-
Hyosung Spandex (Zhuhai) Co., Ltd.	-	-	-
Hyosung Spandex (Guangdong) Co., Ltd.	19	-	275
Hyosung Spandex (Jiaxing) Co., Ltd.	4,420	819	28
Hyosung Steel Cord (Qingdao) Co., Ltd.	43,331	8,448	179
Hyosung USA inc.	-	-	-
Hyosung Vietnam Co., Ltd.	-	-	-
Nantong Hyosung Transformer Co., Ltd.	-	-	12
Nantong Yaubong Transformer Co., Ltd.	-	-	-
OpCo GmbH	-	235	4
Xepix Corp.	-	2,863	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	13,087	10	-
Capro Corp.	858	249,947	-
Hongjin Data Service	-	47	-
Hyosung CTX Co., Ltd.	-	-	-
Hyosung ITX (ex. Teleservice Co., Ltd.)	28	1,532	1
Hyosung Information System	1	-	43
HICO America Sales & Tech.	862	862	-
Hyosung Participacoes Brasil LTDA	-	-	-
Hyosung Deutschland GmbH	2,778	187	-
Hyosung International Trade(Jiaxing) Co., Ltd.	-	-	-
Hyosung Steel Cord(Nanjing) Co.,Ltd.	-	-	-
NH Tech	25	-	-
Infobada Co., Ltd.	9	-	-
	₩ <u>609,727</u>	<u>521,170</u>	<u>2,054</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies, Continued

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

*In millions of Won*

Related Company	2007	
	Receivables	Payables
Nautilus Hyosung Co., Ltd.	₩ 63	1,446
Epiplus Co., Ltd.	-	86
Hyosung Construction Co., Ltd.	26,523	2,411
Hyosung Ebara Engineering Co., Ltd.	80	2,151
Hyosung Ebara	1,158	452
Hyosung Capital	86	-
Hyosung Trans World	4	16,674
Baoding Hyosung Tianwei Transformer Co., Ltd.	78	-
Beijing Hyosung Container Co., Ltd.	3	-
Hyosung America Inc.	97	1,362
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	2,929	389
Hyosung Europe S.R.L.	206	648
Hyosung (H.K) LIMITED	672	663
Hyosung Istanbul Tekstil Ltd.STI	165	-
Hyosung Japan Co.,Ltd.	766	45,017
Hyosung Lux embourg S.A	27	-
Hyosung Singapore Pte Ltd.	1,275	161
Hyosung Participacoes Brasil LTDA	-	32
Hyosung Spandex (Zhuhai) Co., Ltd.	3,045	-
Hyosung Spandex (Guangdong) Co., Ltd.	9,372	-
Hyosung Spandex (Jiaxing) Co., Ltd.	4,128	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	1,855	47
Hyosung USA inc.	90	-
Hyosung Vietnam Co., Ltd.	169	3
Nantong Hyosung Transformer Co., Ltd.	217	-
Nantong Yaubong Transformer Co., Ltd.	29	-
OpCo GmbH	5	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	19
NH Tech	2	-
Capro Corp.	308	59,812
Hyosung ITX (ex. Teleservice Co., Ltd.)	-	6
Hyosung CTX Co., Ltd.	-	28
Hyosung Information System	10	-
Hyosung Steel Cord(Nanjing) Co.,Ltd.	38	-
HICO America Sales & Tech.	-	230
Hyosung International Trade(Jiaxing) Co., Ltd.	48	7
	₩ <u>53,448</u>	<u>131,644</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies, Continued

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

*In millions of Won*

Related Company	2006	
	Receivables	Payables
Nautilus Hyosung Co., Ltd.	₩ 29	2,004
Hyosung Construction Co., Ltd.	4,242	2,435
Hyosung Ebara	1,965	141
Hyosung Ebara Engineering Co., Ltd.	783	2,302
Hyosung Innotech Inc.	2	61
Hyosung Capital	-	3
Hyosung Trans World	4	12,755
Baoding Hyosung Tianwei Transformer Co., Ltd.	10	-
Beijing Hyosung Container Co., Ltd.	3	-
Hyosung America Inc.	446	2,253
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	2,448	117
Hyosung Deutschland GMBH	4,452	55
Hyosung Europe S.R.L.	922	842
Hyosung (H.K) LIMITED	653	1,191
Hyosung Japan Co.,Ltd.	2,314	38,185
Hyosung Singapore Pte Ltd.	1,133	72
Hyosung Spandex (Guangdong) Co., Ltd.	529	-
Hyosung Spandex (Jiaxing) Co., Ltd.	4,379	-
Hyosung Spandex (Zhuhai) Co., Ltd.	2,493	717
Nantong Hyosung Transformer Co., Ltd.	12	-
Capro Corp.	17	49,328
Hongjin Data Service	-	47
Hyosung ITX (ex. Teleservice Co., Ltd.)	7	8
Hyosung Information System	7	-
Beijing Hyosung Computer Technologies Co.,Ltd.	627	-
HICO America Sales & Tech.	-	565
OpCo GmbH	2	-
Infobada Co., Ltd.	3	-
	₩ <u>27,482</u>	<u>113,081</u>

(d) 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

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies, Continued

(e) The Company had provided guarantees for related companies as of December 31, 2007 and December 31, 2006 as follows:

*In millions of Won*

Related company	2007		
	Guaranteed amount	Financial institution	Type of loan
Hyosung America Inc.	₩ 132,286	Woori Bank and other	Foreign currency loan and other
Hyosung H.K Ltd.	15,949	The Export-Import Bank of Korea and other	Foreign currency loan and other
Hyosung Japan Co.,Ltd.	87,163	Woori Bank and other	Foreign currency loan and other
Hyosung Singapore Pte Ltd.	14,073	Hana Bank and other	Foreign currency loan and other
Hyosung Europe S.R.L.	2,815	Korea Exchange Bank	Foreign currency loan and other
Hyosung Spandex (Jiaxing) Co., Ltd.	15,011	Bank of China	Facility loans and other
Hyosung Spandex (Guangdong) Co., Ltd.	56,292	The Export-Import Bank of Korea and other	Facility loans and other
Hyosung Spandex (Zhuhai) Co., Ltd.	22,704	Korea Development Bank	Operating loans
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	75,056	The Export-Import Bank of Korea and other	Facility loans and other
Hyosung Steelcord(Qingdao) Co., Ltd.	58,168	Woori Bank and other	Facility loans and other
Beijing Hyosung Container Co., Ltd	2,205	Woori Bank	Facility loans and other
Baoding Hyosung Tianwei Transformer Co., Ltd.	10,727	Woori Bank and other	Facility loans and other
Hyosung USA Inc.	136,039	Korea Exchange Bank and other	Operating loans
Hyosung Luxembourg SA	37,708	The Export-Import Bank of Korea and other	Operating loans
Hyosung Istanbul Tekstil Ltd.STI	42,219	The Export-Import Bank of Korea	Facility loans and other
Hyosung Steelcord (Nanjing) Co., Ltd.	14,198	Hana Bank and other	Facility loans and other
OpCo GmbH	6,267	Shinhan Bank and other	Operating loans
	<u>₩ 728,880</u>		

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

9 Transactions and Balances with Related Companies, Continued

(e) The Company had provided guarantees for related companies as of December 31, 2007 and December 31, 2006 as follows:

*In millions of Won*

Related company	2006		
	Guaranteed amount	Financial institution	Type of loan
Baoding Hyosung Tianwei Transformer Co., Ltd.	₩ 5,487	Woori Bank and other	Facility loans and other
Beijing Hyosung Container Co., Ltd.	2,417	Woori Bank	Facility loans and other
Hyosung America Inc.	177,554	Woori Bank and other	Foreign currency loan and other
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	55,776	The Export-Import Bank of Korea and other	Facility loans and other
Hyosung Europe S.R.L.	2,789	Korea Exchange Bank	Foreign currency loan and other
Hyosung H.K Ltd.	39,973	The Export-Import Bank of Korea and other	Foreign currency loan and other
Hyosung Japan Co.,Ltd.	92,731	Woori Bank and other	Foreign currency loan and other
Hyosung Singapore Pte Ltd.	13,944	Hana Bank and other	Foreign currency loan and other
Hyosung Spandex (Jiaxing) Co., Ltd.	92,960	The Export-Import Bank of Korea and other	Facility loans and other
Hyosung Spandex (Jiaxing) Co., Ltd.	41,855	Bank of China	Facility loans and other
Hyosung Steelcord(Qingdao) Co., Ltd.	57,635	Woori Bank and other	Facility loans and other
OpCo GmbH	5,844	Woori Bank	Foreign currency loan and other
Nantong Yaubong Transformer Co., Ltd.	11,079	Woori Bank and other	Facility loans and other
	₩ <u>600,044</u>		

10 Property, Plant and Equipment

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

*In millions of Won*

	2007	2006
Property, plant and equipment at cost	₩ 4,449,567	4,323,168
Accumulated depreciation	(2,385,462)	(2,206,598)
Accumulated impairment	(6,298)	(3,158)
<b>Property, plant and equipment, net</b>	₩ <u>2,057,807</u>	<u>2,113,412</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  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

10 Property, Plant and Equipment, Continued

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

*In millions of Won*

		<b>2007</b>					
		<b>Book value as of January 1, 2007</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Other</b>	<b>Book value as of December 31, 2007</b>
<b>Land</b>	₩	719,462	19,711	(11,106)	-	2,382	730,449
<b>Buildings</b>		498,968	5,187	(19,954)	(16,177)	40,910	508,934
<b>Structures</b>		91,522	1,748	(11)	(3,190)	1,259	91,328
<b>Machinery and equipment</b>		684,099	38,530	(6,811)	(190,309)	67,590	593,099
<b>Vehicles</b>		2,063	678	(20)	(998)	370	2,093
<b>Tools, furniture and fixtures</b>		28,394	8,887	(99)	(12,301)	1,962	26,843
<b>Others</b>		9,819	330	-	-	(393)	9,756
<b>Construction- in- progress</b>		74,409	101,853	-	-	(81,249)	95,013
<b>Machinery in transit</b>		4,676	28,616	-	-	(33,000)	292
	₩	<u>2,113,412</u>	<u>205,540</u>	<u>(38,001)</u>	<u>(222,975)</u>	<u>(169)</u>	<u>2,057,807</u>

*In millions of Won*

		<b>2006</b>					
		<b>Book value as of January 1, 2007</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Depreciation</b>	<b>Other</b>	<b>Book value as of December 31, 2007</b>
<b>Land</b>	₩	718,038	8,257	(24,825)	-	17,992	719,462
<b>Buildings</b>		462,114	13,492	(4,668)	(15,129)	43,159	498,968
<b>Structures</b>		92,917	1,449	-	(3,133)	289	91,522
<b>Machinery and equipment</b>		835,944	48,141	(5,054)	(219,639)	24,707	684,099
<b>Vehicles</b>		2,505	686	(22)	(1,116)	10	2,063
<b>Tools, furniture and fixtures</b>		32,263	9,268	(87)	(15,017)	1,967	28,394
<b>Others</b>						9,819	9,819
<b>Construction- in- progress</b>		51,548	87,920	-	-	(65,059)	74,409
<b>Machinery in transit</b>		394	9,241	-	-	(4,959)	4,676
	₩	<u>2,195,723</u>	<u>178,454</u>	<u>(34,656)</u>	<u>(254,034)</u>	<u>27,925</u>	<u>2,113,412</u>



HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

10 Property, Plant and Equipment, Continued

(c) Insurance

As of December 31, 2007, buildings, structures and machinery and others were insured against fire and other types of damage up to ₩ 3,808,044 million.

(d) The officially declared values of land at December 31, 2007, as announced by the Ministry of Land, Transport and Maritime Affairs, are as follows:

<i>In millions of Won</i>	<u>Book value</u>	<u>Declared value</u>
Land	₩ 730,449	1,132,281
	<u>₩ 730,449</u>	<u>1,132,281</u>

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

11 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>Right to utilization</u>	<u>Industrial property rights</u>	<u>Others</u>
<b>Net balance at beginning of year</b>	₩ 3,303	162	8,702
Increases	1,705	-	58
Amortization	(668)	(71)	(3,590)
<b>Net balance at end of year</b>	<u>₩ 4,340</u>	<u>91</u>	<u>5,170</u>

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

<i>In millions of Won</i>	<u>2006</u>		
	<u>Right to utilization</u>	<u>Industrial property rights</u>	<u>Others</u>
<b>Net balance at beginning of year</b>	₩ 2,625	275	15,853
Increases	1,334	-	32
Amortization	(656)	(113)	(7,183)
<b>Net balance at end of year</b>	<u>₩ 3,303</u>	<u>162</u>	<u>8,702</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

12 Government Subsidy

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

The Company received ₩12,085 millions government subsidies for these projects, and as of December 31, 2007, ₩ 9,174 millions is included in other current liabilities and ₩ 5,160 millions in long-term liabilities.

13 Other Non-current Assets

Other non-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>
Long-term financial instruments	₩ 50	50
Long-term loans	2,967	1,678
Development cost for natural resources	1,300	3,352
Guarantee deposits	50,862	48,902
Other investments	386	3,955
	<u>₩ 55,565</u>	<u>57,935</u>

14 Pledged Assets and Guarantees

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

<i>In millions of Won</i>			<u>Borrowing amount</u>	<u>Collateralized amount</u>
<u>Asset</u>	<u>Lender</u>	<u>Type of borrowings</u>		
Available-for-sale securities	Hana Bank and other	Bank overdraft and other	₩ 310,000	3,784
Property, plant and equipment	Korea Development Bank and other	General loans	176,329	1,695,439
			<u>₩ 486,329</u>	<u>1,699,223</u>

15 Other Current Liabilities

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

<i>In millions of Won</i>	<u>2007</u>	<u>2006</u>
Guarantee deposits received	₩ 29,420	25,940
Advances from customers	63,409	42,124
Withholdings	13,260	7,816
Accrued expenses	28,413	12,888
Derivative liabilities	1,625	-
	<u>₩ 136,127</u>	<u>88,768</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

16 Long-term debts and Debentures

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

*In millions of Won*

<u>Lender</u>	<u>Maturity</u>	<u>Annual interest rate</u>	<u>2007</u>	<u>2006</u>
<b>Local currency debts</b>				
Korea Development Bank		4.25-6.81% ₩	114,312	124,701
KDB Capital Co., Ltd.		3.00-4.25%	10,155	10,789
Korea Housing Guarantee Co., Ltd.		1.00%	4,400	4,400
Woori Bank		4.69-7.94%	80,000	50,000
Korea Exchange Bank		4.49-5.96%	-	20,000
Hana Bank		7.7%	30,000	-
KB Bank		5.86%	30,000	-
			<u>268,867</u>	<u>209,890</u>
<b>Foreign currency debts</b>				
Korea Development Bank		6.09-6.11%	27,489	21,980
Korea Exchange Bank		4.49-5.96%	50,000	-
Korea Export-Import Bank		6.77%	-	16,350
SMBC		5.95%	18,764	-
Shinhan Bank		6.20%	18,764	-
			<u>115,017</u>	<u>38,330</u>
Less current portion of long- term debt			<u>(12,189)</u>	<u>(159,119)</u>
			<u>₩ 371,695</u>	<u>89,101</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

16 Long-term debts, Continued

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

*In millions of Won*

Debentures	Maturity	Annual interest rate	2007	2006
215	2008	6.08%	₩ 100,000	100,000
216	2007	5.65%	-	55,000
217	2007	5.31%	-	70,000
218	2007	5.04%	-	100,000
219	2007	4.65%	-	30,000
220	2007	4.69%	-	20,000
221	2007	4.69%	-	20,000
222	2008	4.66%	100,000	100,000
223	2008	4.95%	100,000	100,000
224	2008	4.60%	30,000	30,000
225-1	2009	6.37%	150,000	150,000
225-2	2011	7.02%	30,000	30,000
226	2008	5.88%	50,000	50,000
227	2008	5.78%	70,000	70,000
228	2008	5.82%	30,000	30,000
229-1	2009	5.80%	70,000	70,000
229-2	2011	6.14%	30,000	30,000
230	2011	5.62%	30,000	30,000
231	2010	5.58%	10,000	-
232-1	2010	5.54%	50,000	-
232-2	2012	5.74%	50,000	-
233-1	2010	5.73%	150,000	-
233-2	2012	6.02%	30,000	-
			1,080,000	1,085,000
Less current portion of long-term debt (including current portion of discount of ₩1,820 million in 2007, ₩1,651 million in 2006)			(481,820)	(296,651)
			₩ 598,180	788,349
			₩ 969,875	877,450

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

16 Long-term debts, Continued

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

*In millions of Won*

<b>December 31, 2007</b>		<b>Local currency debt</b>	<b>Foreign currency debt</b>	<b>Debentures</b>	<b>Total</b>
2008	₩	12,189	-	480,000	492,189
2009		8,185	30,000	220,000	258,185
2010		210,014	85,017	210,000	505,031
2011		16,948	-	90,000	106,948
2012 and thereafter		21,531	-	80,000	101,531
	₩	<u>268,867</u>	<u>115,017</u>	<u>1,080,000</u>	<u>1,463,884</u>

17 Other Long-term Liabilities

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

*In millions of Won*

		<b>2007</b>	<b>2006</b>
Long term non-trade payables	₩	<u>5,160</u>	<u>6,280</u>

18 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:

	<b>2007</b>		<b>2006</b>	
	<b>Foreign currency (thousands)</b>	<b>Won equivalent (millions)</b>	<b>Foreign currency (thousands)</b>	<b>Won equivalent (millions)</b>
<b>Assets</b>				
Cash and cash equivalents	USD	10,317	USD	14,051
	EUR	2,486	EUR	4,289
	JPY	124,185	JPY	394,788
	MYR	1,623	MYR	-
	BDT	51,735	₩	14,608
Accounts and notes receivable - trade	USD	70,400	USD	54,070
	EUR	674	EUR	4,247
	JPY	103,133	JPY	328,015
	MYR	43,711	₩	80,199
Accounts and notes receivable – other	USD	28,304	USD	7,934
	EUR	6,249	EUR	1,536
	JPY	8,731	JPY	14,651
	MYR	4,090	₩	36,415
			₩	10,262

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

18 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 (thousands)	Won equivalent (millions)	Foreign currency (thousands)	Won equivalent (millions)	
USD	109,021		USD	76,055	
EUR	9,409		EUR	10,072	
JPY	236,049		JPY	737,454	
MYR	49,424		MYR	4,425	
BDT	51,735	₩ 131,222	BDT	-	₩ 89,941
<b>Liabilities</b>					
Accounts and notes payable - trade	USD 206,303		USD 218,329		
	EUR 2,887		EUR 2,233		
	JPY 3,113,120		JPY 882,203		
	CHF -		CHF 307		
	MYR 628		MYR 92		
	SEK 22		SEK -		
	GBP 120,300	₩ 223,781	GBP -	₩ 212,843	
Accounts and notes payable - other	USD 34,260		USD 31,862		
	EUR 3,641		EUR 2,477		
	JPY 524,624		JPY 84,894		
	DEM 22		DEM -		
	FRF 6		FRF -		
	GBP 3		GBP -		
	SEK 678		SEK -		
	CAD -		CAD -		
	CHF 8	₩ 41,671	CHF 3	₩ 33,326	
Short-term borrowings	USD 143,044		USD 133,751		
	EUR 7,770		EUR 8,936		
	CHF 666		CHF 713		
	JPY 373,289		JPY 64,258		
	CAD 146	₩ 148,740	CAD -	₩ 136,301	
Long-term debts	USD 123,413	₩ 115,017	USD 41,233	₩ 38,330	
	USD 507,020		USD 425,175		
	EUR 14,298		EUR 13,646		
	JPY 4,011,033		JPY 1,031,355		
	CHF 674		CHF 1,020		
	MYR 628		MYR 92		
	SEK 700		SEK -		
	FRF 6		FRF -		
	DEM 22		DEM -		
	CAD 146		CAD -		
	GBP 3	₩ 529,209	GBP -	₩ 420,800	

In connection with the above foreign currency translations, the ₩ 2,375 millions translation gains and ₩ 6,460 millions translation losses are included in other income (expense) in the accompanying non-consolidated statements of operations.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

19 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>	₩ 112,668	123,176
Provision for retirement and severance benefits	32,629	27,883
Transfer of severance accrual from an affiliate	572	44
Payments	<u>(17,060)</u>	<u>(38,435)</u>
<b>Estimated retirement and severance benefits at December 31, 2007</b>	128,809	112,668
Transfer to National Pension Fund	(1,540)	(1,758)
Deposit for severance benefit insurance	<u>(83,490)</u>	<u>(65,755)</u>
<b>Net balance at December 31, 2007</b>	<u>₩ 43,779</u>	<u>45,155</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 64.82% and 58.36% 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.

20 Commitments and Contingencies

- (a) As of December 31, 2007, notes discounted with banks in respect of which the Company remained contingently liable amounted to ₩ 326,188 millions, and the Company's remaining factoring payables amount to ₩ 14,474 millions.
- (b) As of December 31, 2007, six blank checks and fourteen blank notes have been provided to Kyungnam Bank, Samsung Corporation and others as collateral for borrowings and payment guarantees.
- (c) The Company has overdraft facilities arrangements (within the limits of ₩ 236,500 millions) with Woori Bank and others, and the Company also has trade bill discount and letter of credit payment guarantee agreements with The Korea Development Bank and other. Additionally, Korea Construction Financial Cooperative pledges its guarantee (within the limits of ₩ 606,097 millions) for the construction performance by the Company.
- (d) 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.
- (e) The Company is involved in various lawsuits and claims for alleged damages aggregating ₩12,046 millions as of December 31, 2007 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.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

21 Derivative Instruments

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

Description	2007	2006
Interest rate swap transaction (million Won)	3,218	-
Currency swap transaction (thousand USD)	54,113	-
Foreign currency forward (thousand USD)	50,000	5,775
Foreign currency forward (thousand EUR)	1,350	-
Insurance for variations in foreign exchange rates (thousand EUR)	60,967	14,582
Insurance for variations in foreign exchange rates (thousand USD)	5,934	5,934

(b) Fair value hedge

To hedge against foreign exchange risks, the Company entered into sixty-seven insurance contracts and sixteen 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.

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

*In millions of Won*

Description	2007	2006
Swap transaction	₩ -	-
Foreign currency forward	59	768
Insurance for variations in foreign exchange rates	(1,842)	110
	₩ (1,783)	878

22 Stockholders' Equity

(a) The Company has issued common stock due to exercising bonds with stock warrants(BW) as follows:

*In millions of Won, except number of shares*

	Common stock	
	Number of shares	Amount
<b>Balance at December 31, 2006</b>	34,805,821	₩ 174,029
Exercising BW	311,634	1,558
<b>Balance at December 31, 2007</b>	35,117,455	₩ 175,587

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

	Number of shares	Percentage of ownership
Treasury stock	1,848,851	5.26%

As of December 31, 2007, 1,848,851 shares out of 35,117,455 shares owned by Hyosung Corporation lost its voting rights due to the treasury stock restriction, as stated in clause 3 of Article 369 of the Korea Commercial Code.



HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

23 Capital Surplus

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

<i>In millions of Won</i>		<u>2007</u>	<u>2006</u>
Paid-in capital in excess of par value	₩	130,826	130,222
Asset revaluation surplus		738,300	738,300
Other		297,188	295,491
	₩	<u>1,166,314</u>	<u>1,164,013</u>

24 Capital Adjustments

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

<i>In millions of Won</i>		<u>2007</u>	<u>2006</u>
Treasury stock	₩	(34,204)	(34,204)
	₩	<u>(34,204)</u>	<u>(34,204)</u>

(b) Details of treasury stock as of December 31, 2007 and 2006 are as follows:

*In millions of Won, except number of shares*

	<u>2007</u>		<u>2006</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>
Treasury stock	1,848,851	₩ 34,204	1,848,851	₩ 34,204

25 Retained Earnings

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

<i>In millions of Won</i>		<u>2007</u>	<u>2006</u>
Legal reserve	₩	1,648	-
Reserve for research and human resource development		40,000	-
Unappropriated retained earning		167,916	58,361
	₩	<u>209,564</u>	<u>58,361</u>

(a) Legal reserve

The Korean Commercial Code requires the Company to appropriate as legal reserve an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

25 Retained Earnings, Continued

(b) Reserve for business rationalization

Until December 10, 2002 under the Special Tax Treatment Control Law, investment tax credits were allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits received and transfer such amount into a reserve for business rationalization.

Effective December 11, 2002, the Company was no longer required to establish a reserve for business rationalization despite tax benefits received for certain investments and, consequently, the existing balance is now regarded as a voluntary reserve.

26 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*

	<u>2007</u>	<u>2006</u>
Salaries	₩ 74,374	67,301
Provision for retirement and severance benefits	10,019	7,360
Other employee benefits	6,520	5,712
Travel	9,222	8,371
Communications	2,968	2,906
R&D expenses	60,752	49,638
export expenses	157,294	127,687
Bad debt expense	2,239	5,954
Taxes and dues	5,530	4,894
Rent	7,013	6,099
Commissions and fees	19,725	17,563
Training	1,903	1,733
Depreciation	8,997	12,394
Amortization	3,981	7,490
Transportation	28,806	25,907
Car allowance	1,937	1,817
Advertising	9,876	11,059
Insurance	1,513	1,125
Other	38,124	35,401
	₩ <u>450,793</u>	<u>400,411</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

27 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	₩ 29,854	5,947
Changes in deferred taxes	24,850	57,614
Carryover of deficit	-	(3,254)
Income taxes directly charged to equity	(7,174)	(31,129)
<b>Income tax charge</b>	<b>₩ 47,530</b>	<b>29,178</b>

- (c) The effective tax rates, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, were approximately 22.18% and 25.88% for the years ended December 31, 2007 and 2006.

- (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	₩ 4,322	-
Inventory valuation loss	3,654	2,456
Impairment loss on investments	5,150	4,661
Accumulated depreciation in excess of tax limit	951	5,712
Provision for equity in loss of affiliates	21,905	27,380
Other	33,854	26,601
<b>Total deferred tax assets</b>	<b>69,836</b>	<b>66,810</b>
<b>Deferred tax liabilities</b>		
Available-for-sale securities	5,915	6,835
Equity method accounted investments	43,742	17,549
Reserve for research and human resource development	23,004	18,083
Other, net	10,761	16,257
<b>Total deferred tax liabilities</b>	<b>83,422</b>	<b>58,724</b>
<b>Net deferred tax asset(liability)</b>	<b>₩ (13,586)</b>	<b>8,086</b>

- (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.

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

27 Income Taxes, Continued

- (f) The Company did not recognize deferred tax liabilities in the amounts of ₩ 9,554 million and ₩ 8,477 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	₩ 558,292	153,530
Provision for income taxes at normal tax rates	(359,147)	(98,765)
	<u>₩ 199,145</u>	<u>54,765</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>In millions of Won</i>	<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	₩ 11,323	60,666	71,989	4,276	65,788	70,064
Deferred tax liabilities	(366)	(85,209)	(85,575)	(359)	(58,365)	(58,724)
Income tax payable			29,854			5,947
Prepaid income tax	₩		3,298			1,090

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

28 Earnings Per Share

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

*In millions of Won, except share information*

	2007		2006	
	Basic earnings per share from continuing operations	Basic earnings per share	Basic earnings per share from continuing operations	Basic earnings per share
<b>Net income</b>	₩ 166,710	166,710	83,550	83,550
Weighted-average number of common shares outstanding (*)	33,268,604	33,268,604	32,956,970	32,956,970
<b>Earnings per share</b>	₩ <u>5,011</u>	<u>5,011</u>	<u>2,535</u>	<u>2,535</u>

(\*) Weighted average number of common shares outstanding:

	2007
<b>Issued common shares at January 1</b>	₩ 32,956,970
Exercising BW	311,634
<b>Weighted average number of common shares at December 31</b>	₩ <u>33,268,604</u>

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

*In millions of Won, except share information*

	2007		2006	
	Diluted earnings per share from continuing operations	Diluted earnings per share	Diluted earnings per share from continuing operations	Diluted earnings per share
<b>Net income</b>	₩ 166,710	166,710	83,550	83,550
Weighted-average number of common shares outstanding and common equivalent shares	33,268,604	33,268,604	33,147,038	33,147,038
<b>Diluted earnings (loss) per share</b>	₩ <u>5,011</u>	<u>5,011</u>	<u>2,521</u>	<u>2,521</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

29 Dividends

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

*In millions 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	166,710	83,550
Dividends as a percentage of income	14.97%	19.72%
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%

30 Comprehensive Income

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

*In millions of Won*

	<u>2007</u>	<u>2006</u>
<b>Net income</b>	₩ 166,710	83,550
Gain (loss) on valuation of available-for-sale securities	(2,426)	(27,273)
Change in capital surplus due to application of equity method	17,041	(14,851)
Overseas operations translation adjustments	86	(49)
<b>Comprehensive income</b>	<u>₩ 181,411</u>	<u>41,377</u>

31 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:

*In millions of Won*

	<u>2007</u>	<u>2006</u>
Construction-in-progress transferred to property, plant and equipment	₩ 81,770	70,776
Machinery-in-transit transferred to property, plant and equipment	33,000	4,959
Inventory transferred to property, plant and equipment	-	18,106
Gain (loss) on valuation of available-for-sale securities	2,293	(27,273)
Change in retained earnings due to application of equity method	6,355	(38)
Change in capital surplus due to application of equity method	17,041	(14,851)

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

32 Merged with Hyosung Innotech Inc.

On June 1, 2007, the Company purchased 100% of shares in Hyosung Innotech Inc. in exchange for cash and preferred shares of the Company and subsequently merged with Hyosung Innotech Inc.'s assets and liabilities to the Company. Purchased assets and liabilities and goodwill which resulted from the purchase were as follows:

<i>In millions of Won</i>	<u>2007</u>
<b>Assets</b>	
Current assets	₩ 7,671
Non-current assets	4,105
	<u>11,776</u>
<b>Liabilities</b>	
Current liabilities	5,746
Long-term liabilities	326
	<u>6,072</u>
<b>Net assets merged</b>	₩ 2,927

33 Date of Authorization for Issue

The 2007 financial statements are expected to be authorized for issue on February 20, 2008, at the Board of Directors Meeting.

34 Results of Operations for the Last Interim Period

<i>In millions of Won</i>	<u>2007</u> <u>4<sup>th</sup> Quarter</u>	<u>2006</u> <u>4<sup>th</sup> Quarter</u>
Revenue	₩ 1,443,016	1,242,807
Operating income	70,004	14,453
Net income for the period	₩ 36,883	45,104

35 Segment Information

(a) The Company has six reportable operating segments – Fabric Department, Industrial Materials Department, Chemical Department, Heavy Industries Department, Trading Department, and Other. The major products and services controlled by each Performance Group are as follows:

- a. Fabric PG: Nylon yarn fabric, spandex, pet yarn fabric, tire cord paper, technical yarn, bead wire, steel cord, medical/latticed fabrics, carpet, carmat and other
- b. Chemical PG: Poly-propylene, pet bottle, nylon(pet) film and terephthalene, nylon film
- c. Heavy Industries PG: Transformer, circuit breaker, power tower, motor, generator, decelerator and construction (housing and plant)
- d. Trading PG: Chemicals, machinery, steel, textile and lumber
- e. Other: Construction, leasing and other

HYOSUNG CORPORATION  
**Notes to Non-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 are as follows:

*In millions of Won*

Description	2007						Total
	Fabric PG	Industrial Materials PG	Chemical PG	Heavy Industries PG	Trading PG	Other	
Sales:							
Sales to outside party	₩ 850,262	710,160	802,674	1,201,095	1,807,312	53,597	5,425,100
Inter-company sales between PGs	232,039	41,829	140,383	15,270	4,015	-	433,536
<b>Total</b>	<b>1,082,301</b>	<b>751,989</b>	<b>943,057</b>	<b>1,216,365</b>	<b>1,811,327</b>	<b>53,597</b>	<b>5,858,636</b>
Operating income	47,685	15,925	58,662	104,376	11,901	(191)	238,358
Assets:	671,944	495,673	472,882	1,018,912	66,953	1,543,031	4,269,395
Current assets	150,992	103,589	75,330	584,698	55,205	49,488	1,019,302
Non-Current assets	520,952	392,084	397,552	434,214	11,748	1,493,543	3,250,093
Depreciation	₩ 87,433	72,666	37,248	13,537	688	15,741	227,303



HYOSUNG CORPORATION  
**Notes to Non-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 are as follows, Continued:

*In millions of Won*

Description	2006						Total
	Fabric PG	Industrial Materials PG	Chemical PG	Heavy Industries PG	Trading PG	Other	
Sales:							
Sales to outside party	₩ 776,354	663,761	795,296	1,079,188	1,433,525	36,148	4,784,272
Inter-company sales between PGs	224,719	45,195	129,481	25,052	12,203	-	456,650
Total	1,021,073	708,956	924,777	1,104,240	1,445,728	36,148	5,240,922
Operating income	(34,597)	13,079	49,294	92,426	(12,774)	4,157	111,585
Assets:	681,006	726,595	433,033	928,643	79,692	937,234	3,786,203
Current assets	189,666	141,409	82,294	482,996	66,057	33,453	995,875
Non-current assets	491,340	585,186	350,739	445,647	13,635	903,781	2,790,328
Depreciation	₩ 108,440	72,372	43,104	14,833	539	22,698	261,986

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

*In millions of Won*

Region	2007	2006
Northern and Central America	₩ 339,918	334,174
Asia	2,395,425	1,940,426
Europe	418,669	306,605
Other	163,362	114,385
Total	₩ 3,317,373	2,695,590

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

36 Summary of Major Construction Contracts

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

*In millions of Won*

Construction project	Total contract price	Total estimated construction costs	Accumulated construction revenue	Accumulated construction cost
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
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	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	1,024	1,009	778	767
Equipment of buff undercurrent Jinju sangpyung	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 residing and working 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 residing and working 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

HYOSUNG CORPORATION  
**Notes to Non-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
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
Gunjajae segment	17,154	16,016	14,523	13,586
	<u>₩ 846,293</u>	<u>755,065</u>	<u>407,116</u>	<u>356,061</u>

(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	₩	463,478	422,901
New contracts		231,842	268,623
Total		<u>695,320</u>	<u>691,524</u>
Revenues recognized in current year		(178,362)	(228,047)
Outstanding contracts at the end of year	₩	<u>516,958</u>	<u>463,478</u>

HYOSUNG CORPORATION  
**Notes to Non-consolidated Financial Statements, Continued**

December 31, 2007 and 2006

36 Summary of Major Construction Contracts, Continued

(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	₩ 1281	-	-
Construction of Umsung-Saengguk 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	-
Yangsan-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 Bumadong 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 Bumadong Samo APT	-	-	291
Gunjajae segment	213	-	213
	₩ <u>5,278</u>	<u>49,474</u>	<u>7,487</u>

37 Significant event after December 31, 2007

- (a) On January 28, 2008, the Company acquires 57.6% ownership of Chinhung International. Inc. at ₩ 93,065 millions.
- (b) On January 29, 2008, the Company decides to provide debt guarantee for Hyosung Vietnam Co., Ltd.'s debt amount of ₩ 80,361 millions, which is borrowed from Korea Development Bank and others. And, the Company issued unwarranted bonds amount of ₩ 200,000 millions on January 2, 2008.

## Independent Accountants' Review Report on Internal Accounting Control System

### English Translation of a Report Originally Issued in Korean

To the President of  
Hyosung Corporation:

We have reviewed the Report on the Operations of Internal Accounting Control System ("IACS") of Hyosung Corporation (the "Company") as of December 31, 2007. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2007, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2007 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2007. We did not review the Company's IACS subsequent to December 31, 2007. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

Seoul, Korea  
February 20, 2008

### Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2007 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.