

Hyosung Corporation

Financial Statements
December 31, 2008

Samil PricewaterhouseCoopers

Hyosung Corporation
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December 31, 2008

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Report of Independent Auditors

To the Shareholders and Board of Directors of
Hyosung Corporation

We have audited the accompanying balance sheet of Hyosung Corporation (the "Company") as of December 31, 2008, and the related statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year ended December 31, 2008, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year financial statements for the year ended December 31, 2007, were audited by other auditors whose report dated February 20, 2008, expressed an unqualified opinion in those financial statements. We did not audit the financial statements of investees accounted for using the equity method of accounting which represent 9.4% of the Company's total assets as of December 31, 2008, and the equity in their net gains representing 35.2% of the Company's net income before income taxes for the year then ended. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the reports of the other auditors.

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

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

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

As discussed in Note 7 to the financial statements, the Company is providing payment guarantees for its related parties engaged in overseas operations.

As discussed in Note 8 to the financial statements, the Company, in accordance with revised Statement of Korean Financial Accounting Standards No. 5, *Property, Plant and Equipment*, early adopted the new accounting policy and revalued its land. However, the prior year financial statements, presented herein for comparative purposes, have not been restated to reflect this change.

As discussed in Note 17 to the financial statements, the Company applied the Financial Supervisory Service's Accounting Implementation Guide [2009-2], *Guidance criteria for designation of non-derivative instruments* as foreign currency hedged item for cash flow hedge.

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

Seoul, Korea

March 9, 2009

<p>This report is effective as of March 9, 2009, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>

Hyosung Corporation
Balance Sheets
Year ended December 31, 2008

(in millions of Korean won)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 16)	₩ 145,550	₩ 31,416
Short-term loans receivable (Notes 7 and 16)	17,396	12,009
Trade accounts receivable, net (Notes 4, 7, 16, 26 and 31)	533,624	439,421
Other accounts receivable, net (Notes 7 and 16)	39,869	17,925
Accrued income (Note 16)	2,367	955
Advance payments	83,787	55,496
Prepaid expenses	6,508	5,822
Derivatives (Note 17)	3,614	75
Current deferred income tax assets (Note 22)	94,732	10,957
Inventories, net (Notes 10, 21 and 26)	508,850	443,211
Total current assets	1,436,297	1,017,287
Long-term financial instruments (Note 3)	50	50
Available-for-sale securities (Note 5)	108,908	65,534
Equity-method investments (Notes 6, 7 and 31)	1,468,462	1,061,586
Long-term loans receivable	4,208	4,615
Investments in development	974	1,300
Property, plant and equipment, net (Notes 8, 10, 13, 25 and 31)	2,975,739	2,057,807
Intangible assets, net (Note 9)	9,599	9,601
Others (Notes 5, 16 and 17)	85,861	51,615
Total assets	₩ 6,090,096	₩ 4,269,395
Liabilities and Shareholders' Equity		
Current liabilities		
Trade accounts payable (Notes 7, 16 and 31)	₩ 653,091	₩ 548,765
Short-term borrowings (Notes 13, 16 and 17)	577,879	265,740
Current portion of long-term borrowings (Notes 12, 13 and 31)	382,841	492,189
Other accounts payable (Notes 7 and 16)	160,653	136,340
Income taxes payable (Note 22)	138	26,555
Accrued expenses (Note 16)	32,319	28,413
Advance from customers (Notes 16 and 26)	110,157	63,409
Withholdings (Note 11)	18,934	13,260
Deposits received	21,033	20,688
Derivatives payable (Note 17)	51,766	1,624
Total current liabilities	2,008,811	1,596,983
Debentures, net (Notes 12 and 13)	722,860	598,180
Long-term borrowings, net (Notes 13, 16, 17 and 31)	496,183	371,696
Long-term other accounts payable (Note 11)	8,018	5,160
Long-term guarantee deposits received	23,389	8,732
Accrued severance benefits, net (Note 14)	43,952	43,778
Provision for construction warranties (Note 15)	8,686	8,780
Reserve for loss from equity-method	73,066	79,653
Deferred income tax liabilities (Note 22)	253,173	24,543
Total liabilities	3,638,138	2,737,505
Commitments and contingencies (Note 31)		

Hyosung Corporation
Balance Sheets
Year ended December 31, 2008

<i>(in millions of Korean won)</i>	2008	2007
Shareholders' equity		
Capital stock (Note 18)		
Common stock	₩ 175,587	₩ 175,587
Capital surplus		
Paid-in capital in excess of par value	130,826	130,826
Assets revaluation reserve (Note 18)	738,300	738,300
Other capital surplus (Note 20)	296,276	296,007
Capital adjustments		
Treasury stock (Note 18)	(34,204)	(34,204)
Accumulated other comprehensive income and expense (Note 25)		
Gain on valuation of available-for-sale securities (Note 5)	14,142	16,136
Loss on valuation of available-for-sale securities (Note 5)	(6,299)	(543)
Change in equity from equity-method (Note 6)	203,781	8,289
Translation of foreign currency financial statements (Note 19)	(980)	(1,583)
Loss on valuation of derivatives (Note 17)	(34,131)	-
Surplus from revaluation (Note 8)	676,614	-
Retained earnings (Note 20)		
Legal reserve	4,143	1,648
Discretionary reserve	180,000	40,000
Unappropriated retained earnings	107,903	161,427
Total shareholders' equity	<u>2,451,958</u>	<u>1,531,890</u>
Total liabilities and shareholders' equity	<u>₩ 6,090,096</u>	<u>₩ 4,269,395</u>

The accompanying notes are an integral part of these financial statements.

Hyosung Corporation
Statements of Income
Year ended December 31, 2008

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

	2008		2007	
Sales (Notes 7, 26 and 28)	₩	6,925,725	₩	5,425,100
Cost of sales (Notes 7 and 21)		5,962,516		4,735,950
Gross profit		963,209		689,150
Selling and administrative expenses (Note 7, 8 and 9)		552,855		450,793
Operating income		410,354		238,357
Non-operating income				
Interest income		9,403		5,050
Dividend income		596		1,205
Rental income		19		36
Gain on foreign currency transactions		89,473		21,723
Gain on foreign currency translation (Note 16)		47,495		2,375
Gain on disposal of investment assets		1		11,588
Gain on disposal of property, plant and equipment		2,794		3,743
Reversal of loss on available-for-sale-securities		565		0
Gain on valuation of equity-method investments (Note 6)		97,451		156,915
Gain on valuation of derivatives (Note 17)		597		262
Gain on derivative transactions (Note 17)		6,020		75
Others		56,324		24,820
		310,739		227,792
Non-operating expenses				
Interest expenses		118,795		93,901
Loss on disposal of trade accounts receivable		3,735		3,572
Loss on foreign currency transactions		183,620		23,512
Loss on foreign currency translation (Note 16)		87,311		6,460
Loss on disposal of investment assets		1,237		21
Loss on valuation of investment assets		514		8,736
Loss on disposal of property, plant and equipment		3,427		5,991
Impairment of property, plant and equipment		2,303		3,457
Donations		1,614		1,234
Commissions		42,352		36,733
Sales promotion		141		128
Loss on valuation of equity-method investments (Note 6)		86,926		33,619
Bad debt expense for other account receivable		195		4,044
Loss on valuation of derivatives (Note 17)		72,488		817
Loss on derivative transactions (Note 17)		51,622		1,858
Others		8,703		27,827
		664,983		251,910
Income before income tax expense(benefit)		56,110		214,239
Income tax expense(benefit) (Note 22)		(80,264)		47,530
Net income	₩	136,374	₩	166,709
Basic earnings per share (Note 23)	₩	4,099	₩	5,011
Diluted earnings per share (Note 23)	₩	4,099	₩	5,011

The accompanying notes are an integral part of these financial statements.

Hyosung Corporation

Statements of Appropriations of Retained Earnings

Year Ended December 31, 2008

(Dates of Appropriations : March 20, 2009 and March 14, 2008
for the year ended December 31, 2008 respectively)

(in millions of Korean won)

	2008	2007
Retained earnings before appropriations		
Unappropriated retained earnings(undisposed accumulated deficit)		
carried over from prior year	₩ (6,020)	₩ 234
Cumulative effect of accounting changes	2,163	-
Changes in retained earnings from equity-method	(23,165)	(135)
Other retained earnings	(1,449)	(5,383)
Net income	<u>136,373</u>	<u>166,710</u>
	<u>107,902</u>	<u>161,426</u>
Transfer from discretionary reserve		
Appropriations of retained earnings for research and development	<u>13,333</u>	<u>20,000</u>
Appropriations of retained earnings		
Earned surplus reserve	2,495	2,495
Appropriated retained earnings for facility	93,000	160,000
Dividends (Note 24)	<u>24,951</u>	<u>24,951</u>
	<u>120,446</u>	<u>187,446</u>
Unappropriated retained earnings (undisposed accumulated deficit)		
carried forward to subsequent year	<u>₩ 789</u>	<u>₩ (6,020)</u>

The accompanying notes are an integral part of these financial statements.

Hyosung Corporation
Statement of Changes in Shareholders' Equity
Year ended December 31, 2008

(Dates of Appropriations : March 20, 2009 and March 14, 2008, for the year ended December 31, 2008 respectively)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income and expense	Retained earnings	Total
<i>(in millions of Korean won)</i>						
Balances as of January 1, 2007	₩ 174,029	₩ 1,164,013	₩ (34,204)	₩ (72)	₩ 58,361	₩ 1,362,127
Adjusted retained earnings						
Cash dividends	-	-	-	-	(16,478)	(16,478)
Retained earnings after appropriation	174,029	1,164,013	(34,204)	(72)	41,883	1,345,649
Exercise of stock warrants	1,558	604	-	-	-	2,162
Change in retained earnings from equity-method	-	-	-	-	(135)	(135)
Change in retained earnings - others	-	-	-	-	(5,383)	(5,383)
Net Income	-	-	-	-	166,710	166,710
Gain on valuation of available-for-sale securities	-	-	-	(2,426)	-	(2,426)
Gain on valuation of equity-method	-	-	-	1,420	-	1,420
Loss on valuation of equity-method	-	-	-	23,291	-	23,291
Other capital surplus	-	(1,181)	-	-	-	(1,181)
Translation of foreign currency financial statements	-	-	-	86	-	86
Merger with subsidiary	-	526	-	-	-	526
Disposal of subsidiaries' stocks	-	1,171	-	-	-	1,171
Balances as of December 31, 2007	₩ 175,587	₩ 1,165,133	₩ (34,204)	₩ 22,299	₩ 203,075	₩ 1,531,890
Balances as of January 1, 2008	₩ 175,587	₩ 1,165,133	₩ (34,204)	₩ 22,299	₩ 203,075	₩ 1,531,890
Cumulative effect in accounting change (Note 36)	-	-	-	-	2,163	2,163
Adjusted retained earnings	175,587	1,165,133	(34,204)	22,299	205,238	1,534,053
Cash dividends (Note 32)	-	-	-	-	(24,951)	(24,951)
Retained earnings after appropriation	175,587	1,165,133	(34,204)	22,299	180,287	1,509,102
Change in capital surplus from equity-method	-	269	-	-	-	269
Change in retained earnings from equity-method	-	-	-	-	(23,165)	(23,165)
Change in retained earnings - others	-	-	-	-	(1,449)	(1,449)
Net income	-	-	-	-	136,374	136,374
Gain on valuation of available-for-sale securities	-	-	-	(7,751)	-	(7,751)
Gain on valuation of equity-method	-	-	-	179,035	-	179,035
Loss on valuation of equity-method	-	-	-	16,457	-	16,457
Translation of foreign currency financial statements	-	-	-	603	-	603
Loss on valuation of derivatives	-	-	-	(34,131)	-	(34,131)
Reserve for revaluation	-	-	-	676,614	-	676,614
Balances as of December 31, 2008	₩ 175,587	₩ 1,165,402	₩ (34,204)	₩ 853,126	₩ 292,047	₩ 2,451,958

The accompanying notes are an integral part of these financial statements.

Hyosung Corporation
Statements of Cash Flows
Year ended December 31, 2008

(in millions of Korean won)

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

Hyosung Corporation
Non-consolidated Statements of Cash Flows
Year ended December 31, 2008

(in millions of Korean won)

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

The accompanying notes are an integral part of these financial statements.

Hyosung Corporation

Notes to the Financial Statements

December 31, 2008

1. Organization

Hyosung Corporation (the "Company") was established on November 3, 1966, as Tongyang Nylon Co., Ltd. and began its main operations on July 16, 1968. The Company subsequently changed its name to Hyosung T&C Co., Ltd. in 1996 and 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.

The Company has been listed on the Korea Stock Exchange since June 30, 1973. 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 with Hyosung Media and on June 1, 2007, the Company merged with Hyosung Innotech Inc.

As of December 31, 2008, the Company's major stockholders are Cho Seok Rae (10.20%), Cho Hyun Joon (6.94%), Cho Hyun Moon (6.99%) and Cho Hyun Sang (6.73%).

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in Korean language (Hangul) in conformity with the 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 financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

In 2008, the Company adopted the following new Statements of Korean Financial Accounting Standards (SKFAS) issued by the Korea Accounting Standards Board:

- SKFAS No. 5, *Property, Plant and Equipment (As Revised)*
- SKFAS No. 15, *Equity Method (As Revised)*
- SKFAS No. 20, *Related Party Disclosures (As Revised)*
- Korea Accounting Institute Opinion 06-2, *Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Venture (As Revised)*

Hyosung Corporation

Notes to the Financial Statements

December 31, 2008

- Financial Supervisory Service's Accounting Implementation Guide [2009-2], *Guidance criteria for designation of non-derivative instruments as foreign currency hedged item for cash flow hedge*

In accordance with Korea Accounting Institute Opinion 06-2, *Deferred Income Taxes on Investments in Subsidiaries, Associates and Interests in Joint Ventures*, the Company changed the recognition method for deferred income taxes on the related investments. However, the prior year financial statements, presented herein for comparative purposes, have not been restated to reflect this change. Instead, the opening balance of retained earnings has been changed, reflecting an increase by ₩2,163 million as a result of the accounting change.

On March 28, 2008, in accordance with SKFAS No.15, the gain from change in equity-method resulting from acquisition of subsidiaries' stocks has been reclassified as capital surplus. The prior year financial statements, presented herein for comparative purposes, have been restated to reflect this change. However, the changes in accounting policies do not affect the previously reported net income or net assets.

Revenue Recognition

Revenue is the gross inflow of economic benefits arising in the ordinary course of the Company's activities and is measured as the fair value of the consideration received or receivable for the sale of goods and services in the said ordinary course of the Company's activities. Revenue is shown as net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

Revenue from the sale of goods are recognized when the significant risks and rewards of ownership of goods are transferred to the buyer. Revenue from the rendering of services is recognized under the percentage-of-completion method, under which revenue is generally recognized based on the costs incurred to date as a percentage of the total estimated costs to be incurred.

Interest income is recognized using the effective interest method. Dividend income is recognized when the rights to receive such dividends and amounts thereof are determined. Royalty income is recognized on an accrual basis in accordance with the substance of relevant contracts.

Revenues from Construction Contracts

The Company recognizes revenues from construction contracts using the percentage-of-completion method to determine the amounts to be recognized as revenues in a given period. The stage of completion is measured using the percentage of the total contract costs incurred up to the balance sheet date over the total estimated costs for each contract. When the outcome of a construction contract cannot be estimated reliably, the contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable, and contract costs incurred for the period is recognized that are likely to be recoverable, and contract costs incurred for the period is recognized as an expense.

Hyosung Corporation

Notes to the Financial Statements

December 31, 2008

Costs incurred for prospective construction projects are accounted for as prepaid construction expense, provided that they are identifiable and can be measured reliably, and when it is probable that the contract for such project will be finalized. These prepaid construction expenses are reclassified to contract costs after construction starts.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the moving-weighted average method. 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 applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is deducted from cost of sales.

Investments in Securities

Costs of securities are determined using the moving-weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses on available-for-sale securities are recognized in the income statement.

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Equity-Method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

The Company's share of its post-acquisition profits or losses in equity-method investments 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 equity-method investments are recognized when subsidiaries declare the dividend. When the Company's share of losses in equity-method investments equals or exceeds its interest in the investments, including preferred stock or other long term loans and receivables issued by the equity-method investments, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the investments. Unrealized gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in each investment.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Land is revalued at fair value every three years or on a periodic basis by an independent appraiser. Property, plant and equipment other than land are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Incremental gain after revaluation of land is recognized in accumulated other comprehensive income. In contrast, the decrease in value of land after revaluation is deducted from accumulated other comprehensive income, then recognized in the current operations.

Property, plant and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives.

	Estimated useful lives	Depreciation method
Buildings	40 years	Straight-line method
Structures	40 "	"
Machinery	5 ~ 10 "	"
Vehicles	5 "	"
Tools	5 "	"

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Expenditures incurred after the acquisition or completion of assets is capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on using the following depreciation method and estimated useful lives:

Estimated Useful Lives

Industrial property	5 ~ 10 years
Right to utilization	10 ~ 25 "
Other intangible assets	5 "

Capitalization of Interest Expense

The Company expenses the interest it incurs on borrowings used to finance the cost of manufacturing, acquisition, and construction of inventory and property, plant and equipment that require more than one year to complete from the initial date of manufacture, acquisition, and construction.

Government Grants

Government grants received, which are to be repaid, are recorded as liability, while grants without obligation to be repaid are offset against cost of assets purchased with such grants. Grants received for a specific purpose are offset against the specific expense for which it was granted, and other grants are recorded as a gain for the period.

Impairment of Assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is

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attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized as accumulated other comprehensive income and expense under the shareholder's equity.

Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

Discounts on Debentures

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has partially funded the accrued severance benefits through severance insurance deposits with an insurance company. Deposits made by the Company are recorded as deductions from accrued severance benefits. The excess portion of deposits over accrued severance benefits is recorded as other investments.

The Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as a deduction from accrued severance benefits.

Provisions and Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Translation of Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the balance sheet date, and the resulting translation gains and losses are recognized in current operations.

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Currency Translation for Foreign Operations

Assets and liabilities of a foreign branch or company subject to the equity method of accounting for investments are translated into Korean won at the rates of exchange in effect at the balance sheet date, while their equity is translated at the exchange rate at the time of transaction, and income statement accounts at the average rate over the period. Resulting translation gains and losses are recorded as accumulated other comprehensive income and expense. Corresponding gains and losses are recognized as gain or loss when the foreign branch or company is liquidated or sold.

Approval of financial statements

The December 31, 2008 financial statements of the Company were approved by the Board of Directors on February 18, 2009.

3. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007		Descriptions
Cash and cash equivalents	₩	19,803	₩	10,060	Government financial assistance fund
Long-term financial instruments		50		50	Deposits for checking account
	₩	<u>19,853</u>	₩	<u>10,110</u>	

4. Transfers of Trade Accounts and Notes Receivables

Trade accounts and notes receivables transferred to and discounted with third parties, and excluded from the accompanying balance sheets, as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007		Terms
Accounts receivable (export)	₩	282,882	₩	326,188	Secured
Accounts receivable (domestic)		26,195		34,189	Not secured
Notes receivable		6,217		11,494	Not secured
Electronic bills		82,758		36,783	Not secured
Factoring		13,411		14,474	Secured
	₩	<u>411,463</u>	₩	<u>423,128</u>	

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5. Available-for-sale Securities

Available-for-sale securities as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Equity securities	₩	57,183	₩	51,422
Investments in corporative and association		5,586		5,679
Debt securities		46,139		8,433
	₩	<u>108,908</u>	₩	<u>65,534</u>

Equity securities as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value¹	Book value²
Marketable securities					
KTB Investment Securities Co., Ltd.	2,634	0.00%	13	8	8
KTIC Global	202,839	1.29%	815	385	385
KT Freetel Co., Ltd.	743,500	0.39%	5,775	23,346	23,346
Ultra Construction & Engineering Co., Ltd.	911	0.07%	5	3	3
KT Corp.	40,134	0.01%	2,167	1,505	1,505
Hanshin Construction Co., Ltd.	712	0.01%	1	10	10
Savezone I&C Corp.	4,555	0.01%	30	5	5
Korea Environment Technology Co., Ltd.	814,280	1.63%	407	879	879
Kumho Tires Co., Inc.	1,000,000	1.43%	10,000	4,490	4,490
OnMedia Corp.	157,130	0.13%	280	297	297
Korea Express Corporation ³	58,479	0.15%	6,374	5,205	5,205
Hankook Tire Co., Ltd.	739,000	0.49%	10,000	11,307	11,307
			<u>35,867</u>	<u>47,440</u>	<u>47,440</u>
Non-marketable securities					
Kangwon Domin Newspaper	4,000	0.39%	20	16	20
Ninex Co., Ltd.	25,989	8.96%	3,000	280	1,500
GM Daewoo Auto & Technology Co.	-	-	8	-	3
Namwoo Ad Co., Ltd.	33,851	10.19%	500	287	250
Bum Yang Air-Conditioner	8	0.00%	6	-	-
Sejong Telecom Co., Ltd.	156	0.00%	2,406	2	-
Doosan Capital Co., Ltd.	600,000	3.00%	3,000	6,137	3,000
KyungNam Newspaper	1,500	0.06%	30	4	15

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Kihyup Finance Inc.	100,000	1.72%	500	651	500
Korea Housing Guarantee Co., Ltd.	343,380	0.05%	3,511	1,864	1,716
Bangsol Inc	17,226	19.14%	232	129	116
Hankook Economic Newspaper	124,308	0.66%	1,354	768	677
Korea Management Association Consulting	35,988	4.50%	180	584	180
ChemCross.Com	200,000	1.20%	222	211	222
Life Point Inc.	500,000	1.39%	1,148	-	-
Momus Venturesgroup	160,040	9.37%	3,242	306	-
POSCO Coil Center	-	8.00%	518	799	518
InfoNet Korea Ltd.	1,500	3.75%	100	25	50
TransLink Capital Partners 1, L.P.	-	-	976	935	976
			20,953	12,998	9,743
Total			₩ 56,820	₩60,438	₩ 57,183

2007

<i>(in millions of Korean won)</i>	Percentage				
	Number of shares	of ownership	Acquisition cost	Fair value ¹	Book value ²
Marketable securities					
KTB Investment Securities Co., Ltd.	2,634	0.00%	13	31	31
KTIC Global	202,839	1.29%	815	288	288
KT Freetel Co., Ltd.	743,500	0.39%	5,775	22,565	22,565
Ultra Construction & Engineering Co., Ltd.	911	0.07%	5	3	3
KT Corp.	40,134	0.01%	2,167	1,963	1,963
Hanshin Construction Co., Ltd	712	0.01%	1	20	20
Savezone I&C Corp.	4,555	0.01%	30	16	16
Korea Environment Technology Co., Ltd	814,280	1.63%	407	1,018	1,018
Kumho Tires Co., Inc.	1,000,000	1.43%	10,000	14,000	14,000
OnMedia Corp.	157,130	0.13%	280	1,098	1,098
			19,493	41,002	41,002
Non-marketable securities					
Kangwon Domin Newspaper	4,000	0.39%	20	16	20
Ninex Co., Ltd.	25,989	8.96%	3,000	636	1,500
GM Daewoo Auto & Technology Co.	-	-	8	-	3
Namwoo Ad Co., Ltd.	33,851	10.19%	500	287	250
Bum Yang Air-Conditioner	8	0.00%	6	-	-
Sejong Telecom Co., Ltd.	156	0.00%	2,406	2	-
Doosan Capital Co., Ltd.	600,000	3.00%	3,000	5,989	3,000
KyungNam Newspaper	1,500	0.06%	30	4	15
Kihyup Finance Inc.	100,000	1.72%	500	651	500

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Korea Housing Guarantee Co., Ltd.	343,380	0.05%	3,511	1,980	1,373
Bangsol Inc	17,226	19.14%	232	129	116
Hankook Economic Newspaper	124,308	0.66%	1,354	774	677
Korea Management Association Consulting	35,988	4.50%	180	584	180
ChemCross.Com	200,000	1.20%	222	211	-
Life Point Inc.	500,000	1.39%	1,148	-	-
Momus Venturesgroup	160,040	9.37%	3,242	306	-
POSCO Coil Center	-	8.00%	518	799	518
InfoNet Korea Ltd.	1,500	5.00%	100	19	50
TransLink Capital Partners 1, L.P.	-	-	718	677	718
E-pia Tech Co., Ltd.	135,343	18.00%	3,270	796	1,500
			<u>23,965</u>	<u>13,860</u>	<u>10,420</u>
Total			<u>₩43,458</u>	<u>₩54,862</u>	<u>₩ 51,422</u>

¹ Fair values of non-marketable equity securities are based on the net asset value of their recently issued financial statements.

² Non-marketable equity securities are recorded at acquisition cost if fair value is not available or not readily determinable due to insufficient information.

³ Marketable securities of Korea Express Inc. were acquired through the participation in the Kumho Asiana Consortium. According to the agreement with Asiana Airlines Inc., the Company cannot sell, transfer and pledge the securities within two years from the acquisition date without authorization from Asiana Airlines Inc. After the first two years, Asiana Airlines Inc. becomes the holder of pre-emption rights. Nevertheless, if Asiana Airlines Inc. transfers securities to the third party and gives up the pre-emption rights, the Company can sell the securities within the first two years.

According to the agreement with Kumho Rent-A-Car Co., Ltd, the Company has put option on the stocks of Korea Express Inc. The fair value of the put option as of December 31, 2008, amounts to ₩ 6,053 million and is recorded as other investment assets.

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Investments in cooperatives and associations as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		
	Acquisition cost	Net asset value¹	Book value²
Machinery financial cooperative	₩ 3,300	₩ 4,447	₩ 3,300
Electronic power industry investment association	1,000	1,019	1,000
Construction guarantee	877	1,503	877
Korea electronic engineering cooperative	409	409	409
	<u>₩ 5,586</u>	<u>₩ 7,378</u>	<u>₩ 5,586</u>

<i>(in millions of Korean won)</i>	2007		
	Acquisition cost	Net asset value¹	Book value²
Machinery financial cooperative	₩ 3,300	₩ 3,300	₩ 3,300
Electronic power industry investment association	1,000	1,000	1,000
Construction guarantee	877	877	877
Korea electronic engineering cooperative	597	502	502
	<u>₩ 5,774</u>	<u>₩ 5,679</u>	<u>₩ 5,679</u>

¹ Net asset values of investments in corporative and association are based on recently issued financial statements.

² Investments in corporative and association are recorded at acquisition cost if fair value is not available or not readily determinable.

Debt securities as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008			
	Acquisition cost	Maturity	Present value	Book value¹
Government and municipal bonds	₩ 12,350	Within 1~5 years	₩ 12,350	₩ 12,350
Convertible bonds ²	20,789	Year 2018	20,789	20,789
Subordinated bonds ³	13,000	Year 2014	13,000	13,000
	<u>₩ 46,139</u>		<u>₩ 46,139</u>	<u>₩ 46,139</u>

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<i>(in millions of Korean won)</i>	2007			
	Acquisition cost	Maturity	Present value	Ending balance¹
Government and municipal bonds	₩ 8,433	Within 1~5 years	₩ 8,433	₩ 8,433

¹ Due to insufficient financial information required to estimate present value, debt securities are stated at cost.

² In 2008, the Company acquired unsecured convertible bonds issued by Chin Hung International Inc.

³ In 2008, the Company acquired subordinated bonds from Kookmin Bank and Woori Bank.

Changes in unrealized gain and loss from available-for-sale securities recorded as accumulated other comprehensive income and expense for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008			
	Beginning balance	Increase (Decrease)	Tax effect	Ending balance
Unrealized losses				
KTIC Global	₩ (384)	₩ 98	₩ (21)	₩ (307)
Kumho Tires Co., Inc.	2,900	(9,510)	2,092	(4,518)
KT Corp.	(148)	(458)	101	(505)
Savezone I&C Corp.	(10)	(11)	2	(19)
Ultra Construction & Engineering Co., Ltd.	(1)	(1)	-	(2)
Korea Express Inc.	-	(1,169)	257	(912)
KTB Investment Securities Co., Ltd.	13	(22)	5	(4)
OnMedia Corp.	593	(801)	176	(32)
Total	<u>₩ 2,963</u>	<u>₩ (11,874)</u>	<u>₩ 2,612</u>	<u>₩ (6,299)</u>
Unrealized gains				
KT Freetel Co., Ltd.	₩ 12,173	₩ 781	₩ (172)	₩ 12,782
Hanshin Construction Co., Ltd	14	(10)	2	6
Korea Environment Technology Co., Ltd	443	(138)	30	335
Hankook Tire Co., Ltd.	-	1,307	(288)	1,019
Total	<u>₩ 12,630</u>	<u>₩ 1,940</u>	<u>₩ (428)</u>	<u>₩ 14,142</u>

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<i>(in millions of Korean won)</i>	2007			
	Beginning balance	Increase (Decrease)	Tax effect	Ending balance
Unrealized losses				
KTIC Global	₩ (484)	₩ 138	₩ (38)	₩ (384)
Ultra Construction & Engineering Co., Ltd.	(2)	1	-	(1)
KT Corp.	(218)	96	(26)	(148)
Savezone I&C Corp.	(15)	7	(2)	(10)
Total	<u>₩ (719)</u>	<u>₩ 242</u>	<u>₩ (66)</u>	<u>₩ (543)</u>
Unrealized gains				
KTB Investment Securities Co., Ltd.	₩ -	₩ 17	₩ (4)	₩ 13
KT Freetel Co., Ltd.	15,938	(3,642)	(123)	12,173
Hanshin Construction Co., Ltd	9	7	(2)	14
Korea Environment Technology Co., Ltd	201	334	(92)	443
Kumho Tires Co., Inc.	1,885	1,400	(385)	2,900
OnMedia Corp.	705	(154)	42	593
Total	<u>₩ 18,738</u>	<u>₩ (2,038)</u>	<u>₩ (564)</u>	<u>₩ 16,136</u>

6. Equity-method investments

Equity-method investments as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value
Gumoknongsan Co., Ltd. ¹	45,000	75.00%	₩ 225	₩ 125	₩ 225
Nautilus Hyosung Inc.	362,241	43.50%	1,737	56,074	56,074
The Class Hyosung Co., Ltd.	769,230	58.02%	5,200	5,811	5,811
Beijing Hyosung Food & Beverage Co., Ltd. ²	-	95.00%	1,499	-	-
StarLease Co., Ltd.	7,700,496	94.90%	300,920	166,892	274,309
E-pia Tech.Co., Ltd. ³	245,343	23.32%	3,750	923	1,052
Epiplus Inc.	15,155,000	52.41%	12,829	2,953	5,538
Capro Corp.	8,417,708	21.04%	9,114	21,574	21,415
Chin Hung International Inc. (common shares)	59,398,004	43.81%	59,992	79,527	67,663
Chin Hung International Inc. (preferred shares)	30,998,003	100.00%	19,219	42,277	26,687
Taeam Solar Farm Co., Ltd. ¹	420,000	100.00%	2,100	2,196	2,100

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Hongjin Data Service ¹	660,000	65.52%	3,300	5,766	3,300
Hyosung Construction Co., Ltd. ⁴	172,000	50.59%	860	85	-
Hyosung Ebara Engineering Co., Ltd.	1,220,000	81.33%	12,200	14,597	14,594
Hyosung Ebara Co., Ltd.	1,206,000	67.00%	12,060	34,411	33,954
Hyosung Wind Power holdings Ltd. ¹	239,998	100.00%	1,200	1,399	1,200
Hyosung Information System Co., Ltd.	173,000	50.00%	865	20,251	20,251
Hyosung Capital Co., Ltd.	4,000,000	100.00%	20,000	97,675	97,675
Hyosung Investment & Development Corp.	94,000	58.75%	470	35,957	33,690
Hyosung Trans World Co., Ltd.	60,000	100.00%	300	12,774	12,774
Hyosung ITX Co., Ltd.	4,349,000	34.99%	3,675	9,488	7,740
Baoding Hyosung Tianwei Transformer Co., Ltd.	-	80.00%	5,887	10,886	8,134
Beijing Hyosung Container Co., Ltd.	-	100.00%	5,575	22,803	22,803
Hyosung (H.K) LIMITED	621,660	100.00%	87,144	1,508	1,508
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	-	100.00%	97,883	163,281	150,631
Hyosung Deutschland GmbH ²	490,000	100.00%	74,015	-	-
Hyosung Europe S.R.L.	-	100.00%	4,642	4,068	3,381
Hyosung Holdings USA ⁵	-	100.00%	83,429	17,385	88,731
Hyosung International Trade (Jiaxing) Co., Ltd.	-	100.00%	929	1,560	1,455
Hyosung Istanbul TEKSTIL LTD.STI	-	76.66%	9,354	14,909	7,746
Hyosung Japan Co., Ltd.	790,000	100.00%	17,420	7,156	4,146
Hyosung Luxembourg S.A	-	100.00%	16,156	21,177	20,527
Hyosung Participacoes Brasil	-	100.00%	4,409	6,462	6,462
Hyosung Power Holdings Co., Ltd.	-	100.00%	64,944	64,920	64,205
Hyosung Resource(Australia)PTY Ltd. ¹	2,179,083	100.00%	1,681	1,865	1,681
Hyosung Singapore PTE Ltd. ⁴	96,800	100.00%	30,512	(545)	-
Hyosung Spandex (Guang Dong) Co., Ltd.	45,305	100.00%	47,485	137,953	121,612
Hyosung Spandex(Jiaxing) Co., Ltd.	-	100.00%	57,241	137,374	135,924
Hyosung Spandex(Zhuhai) Co., Ltd.	-	75.00%	26,136	21,595	31,575
Hyosung Steel Cord (Nanjing) Co., Ltd.	-	100.00%	7,979	8,773	8,773
Hyosung Steel Cord (Qingdao) Co., Ltd.	-	100.00%	49,168	49,431	49,139
Hyosung Vietnam Co., Ltd.	-	88.21%	47,592	54,716	43,398
Lanka Synthetic Fibre Co.,Ltd. ²	148,930,000	98.31%	-	-	-
OpCo GmbH ²	9,470	98.85%	18,289	-	-
Thai Hyosung Co., Ltd. ²	-	49.00%	-	-	-
Xepix Corp.	2,391,667	74.93%	29,506	3,690	3,690
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	39.00%	2,805	6,920	6,889
Total	291,239,008		W1,261,696	W1,368,642	W1,468,462

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¹ The equity method was not applied because total assets of investees are below ₩ 7 billion and the effect from change in equity is not material to the Company's financial statements even though the Company's percentage of ownership exceeds 20%.

² The equity method was discontinued as the investee is currently under liquidation or has accumulated deficit.

³ The equity method was applied as the Company has a significant influence on the investee.

⁴ The equity method was discontinued as the investee has deficiency capital.

⁵ The Company established Hyosung Holdings USA by investing the equity securities of Hyosung America Inc., Hyosung USA Inc. and HICO America Sales & Tech.

(in millions of Korean won)

Investee	2007				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value
Gumoknongsan Co., Ltd. ¹	45,000	75.00%	₩ 225	₩ 94	₩ 225
Nautilus Hyosung Inc.	362,241	43.50%	1,737	46,302	46,302
The Class Hyosung Co., Ltd.	769,230	58.02%	5,200	7,692	5,266
Beijing Hyosung Food & Beverage Co., Ltd. ²	-	95.00%	1,499	(118)	-
StarLease Co., Ltd.	7,700,496	94.90%	300,920	156,690	294,806
Epiplus Inc.	3,250,000	36.44%	6,019	195	3,604
Capro Corp.	8,417,708	21.04%	9,114	16,325	15,926
Hyosung ITX Co., Ltd.	3,479,200	30.10%	3,675	11,268	9,190
Hongjin Data Service ¹	660,000	65.52%	3,300	3,358	3,300
Hyosung Construction Co., Ltd. ³	172,000	50.59%	860	1,978	-
Hyosung Ebara Co., Ltd.	1,206,000	67.00%	12,060	28,183	27,795
Hyosung Ebara Engineering Co., Ltd.	1,220,000	81.33%	12,200	12,411	12,544
Hyosung Wind Power Holdings Ltd. ¹	239,998	100.00%	1,200	1,315	1,200
Hyosung Information System Co., Ltd.	173,000	50.00%	865	17,760	17,760
Hyosung CTX ¹	65,100	44.44%	326	583	1,134
Hyosung Capital Co., Ltd.	4,000,000	100.00%	20,000	87,245	87,245
Hyosung Investment & Development Corp.	94,000	58.75%	470	26,418	24,852
Hyosung Trans World Co., Ltd.	60,000	100.00%	300	10,592	10,592
Baoding Hyosung Tianwei Transformer Co., Ltd.	-	80.00%	5,886	7,350	4,598
Beijing Hyosung Container Co., Ltd.	-	100.00%	5,574	14,630	14,630
Beijing Hyosung Hitech Co., Ltd. ¹	-	70.00%	255	144	255
HICO America Sales & Tech. ¹	20,000	100.00%	1,287	1,287	1,287

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Hyosung America Inc ³	250,000	100.00%	270,435	(79,149)	-	
Hyosung Participacoes Brasil LTDA ¹	-	100.00%	4,408	6,603	6,603	
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	-	100.00%	83,291	98,543	86,178	
Hyosung Deutschland GmbH ²	490,000	100.00%	74,014	1,360	-	
Hyosung Europe SRL	-	100.00%	4,642	2,733	2,878	
Hyosung (H.K) LIMITED	621,660	100.00%	87,144	1,115	1,115	
Hyosung International Trade (Jiaxing) Co., Ltd.	-	100.00%	929	1,053	1,053	
Hyosung Istanbul TEKSTIL LTD.STI	-	99.99%	9,354	9,354	9,354	
Hyosung Japan Co., Ltd.	790,000	100.00%	17,443	3,183	2,217	
Hyosung Luxembourg S.A	-	100.00%	16,156	16,681	16,205	
Hyosung Power Holdings Co., Ltd.	-	100.00%	31,914	29,673	29,964	
Hyosung Resource (Australia) PTY Ltd. ¹	2,179,083	100.00%	1,562	1,655	1,562	
Hyosung Singapore PTE Ltd. ³	96,800	100.00%	21,340	(504)	-	
Hyosung Spandex (GuangDong) Co., Ltd.	45,305	100.00%	45,352	90,769	74,361	
Hyosung Spandex(Jiaxing) Co., Ltd.	-	100.00%	52,658	93,498	92,053	
Hyosung Spandex(Zhuhai) Co., Ltd.	-	75.00%	26,136	16,780	30,086	
Hyosung Steel Cord (Nanjing) Co., Ltd. ¹	-	100.00%	6,223	6,223	6,223	
Hyosung Steel Cord (Qingdao) Co., Ltd.	-	100.00%	47,321	33,057	32,707	
Hyosung USA Inc.	-	100.00%	59,903	58,290	62,721	
Hyosung Vietnam Co., Ltd.	-	82.32%	5,362	20,861	14,171	
Lanka Synthetic Fibre Co., Ltd ² .	148,930,000	98.31%	22,447	-	-	
OpCo GmbH	980	98.19%	10,177	1,794	2,346	
Thai Hyosung Co., Ltd. ²	-	49.00%	35	-	-	
Xepix Corp.	2,391,667	74.93%	29,506	2,755	2,755	
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	39.00%	2,805	4,791	4,523	
Total			187,729,468	₩1,323,529	₩ 872,820	₩1,061,586

¹ The equity method was not applied since total assets of investees are below ₩ 7 billion and the effect from change in equity is not material to the Company's financial statements even though the Company's percentage of ownership exceeds 20%.

² The equity method was discontinued as the investee is currently under liquidation or has accumulated deficit.

³ The equity method was discontinued as the investee has capital deficiency.

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Changes in goodwill for equity-method investments for the years ended December 31, 2008 and 2007, are as follows:

(in millions of Korean won)

Investee	2008			
	Beginning balance	Increase (Decrease)	Amortization	Ending balance
Star Lease Co., Ltd.	₩ 138,108	₩ -	₩ (30,691)	₩ 107,417
Epiplus Inc.	3,409	-	(825)	2,584
Capro Corp.	(225)	-	150	(75)
Hyosung ITX Co., Ltd.	(2,622)	-	874	(1,748)
Hyosung Ebara Engineering Co., Ltd.	133	-	(133)	-
Hyosung Power Holdings Co., Ltd.	291	-	(100)	191
Hyosung Spandex (Zhuhai) Co., Ltd.	13,307	-	(3,327)	9,980
Hyosung Holdings USA	4,431	-	(1,108)	3,323
OpCo GmbH	552	-	(552)	-
Chin Hung International Inc.	-	(41,670)	14,217	(27,453)
E-pia Tech Co., Ltd.	-	161	(32)	129
Total	₩ 157,384	₩ (41,509)	₩ (21,527)	₩ 94,348

Investee	2007			
	Beginning balance	Increase (Decrease)	Amortization	Ending balance
Nautilus Hyosung Inc.	₩ (3)	₩ -	₩ 3	₩ -
StarLease Co., Ltd.	-	153,453	(15,345)	138,108
Epiplus Inc.	-	4,234	(825)	3,409
Capro Corp.	(374)	-	149	(225)
Hyosung ITX 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)	-
Total	₩ (1,554)	₩ 179,752	₩ (20,814)	₩ 157,384

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Details of eliminated unrealized losses from inter-company transactions as of December 31, 2008 and 2007, are as follows:

*(in millions of
Korean won)*

Investee	2008			2007		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
E-pia Tech Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Capro Corp.	(94)	-	(94)	292	-	292
Hyosung Construction Co., Ltd.	-	-	-	2,610	-	2,610
Hyosung Ebara Co., Ltd.	69	-	69	12	-	12
Hyosung Ebara Engineering Co., Ltd.	3	-	3	-	-	-
Hyosung Investment & Development Corp.	701	-	701	935	-	935
Hyosung Holdings USA	4,499	-	4,499	-	-	-
Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	383	(98)	285	(16)	(98)	(114)
Hyosung Europe SRL	63	-	63	(145)	-	(145)
Hyosung International Trade (Jiaxing) Co., Ltd.	105	-	105	-	-	-
Hyosung Japan Co., Ltd.	2,044	-	2,044	71	-	71
Hyosung Luxembourg S.A	175	-	175	475	-	475
Hyosung Power Holdings Co., Ltd.	906	-	906	-	-	-
Hyosung Spandex (GuangDong) Co., Ltd.	-	(66)	(66)	60	(66)	(6)
Hyosung Spandex (Zhuhai) Co., Ltd.	(2)	-	(2)	2	-	2
Hyosung Spandex (Jiaxing) Co., Ltd.	5	-	5	-	-	-
Hyosung Steel Cord (Qingdao)Co., Ltd.	(17)	(41)	(58)	(141)	(41)	(182)
Zhangjiagang Xiaosha Coil Service Co., Ltd.	(237)	-	(237)	(69)	-	(69)
Total	₩ 8,603	₩ (205)	₩ 8,398	₩ 4,086	₩ (205)	₩ 3,881

Hyosung Corporation
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Changes in the opening and closing balances of investments in subsidiaries under equity-method as of December 31, 2008 and 2007 are as follows:

(in millions of Korean won)

Investee	2008				
	Beginning balance	Gains/ losses from equity method	Changes in equity from equity-method	Others ¹	Ending balance
Nautilus Hyosung Inc.	₩ 46,302	₩ 9,090	₩ 683	₩ -	₩ 56,075
The Class Hyosung Co., Ltd.	5,266	545	-	-	5,811
StarLease Co., Ltd.	294,806	(20,168)	(330)	-	274,308
E-pia Tech Co., Ltd. ⁴	-	(1,082)	-	2,134	1,052
Epiplus Inc.	3,604	(3,362)	(30)	5,326	5,538
Capro Corp.	15,926	(3,479)	8,969	-	21,416
Chin Hung International Inc.	-	14,855	285	79,210	94,350
Hyosung Construction Co., Ltd. ⁵	-	-	-	-	-
Hyosung Ebara Engineering Co., Ltd.	12,544	1,786	264	-	14,594
Hyosung Ebara Co., Ltd.	27,795	7,968	-	(1,809)	33,954
Hyosung Information System Co., Ltd.	17,760	3,356	-	(865)	20,251
Hyosung Capital Co., Ltd.	87,245	12,270	159	(1,999)	97,675
Hyosung Investment & Development Corp.	24,852	9,086	(248)	-	33,690
Hyosung Trans World Co., Ltd.	10,592	2,185	(3)	-	12,774
Hyosung CTX ³	1,134	-	-	(1,134)	-
Hyosung ITX Co., Ltd.	9,190	(1,207)	(674)	431	7,740
Baoding Hyosung Tianwei Transformer Co., Ltd.	4,598	358	3,178	-	8,134
Beijing Hyosung Container Co., Ltd.	14,630	1,586	6,587	-	22,803
Hyosung (H.K) LIMITED	1,115	3	390	-	1,508
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	86,178	18,768	45,684	-	150,630
Hyosung Europe SRL	2,878	(49)	553	-	3,382
Hyosung Holdings USA	64,008	(4,178)	20,087	8,814	88,731
Hyosung International Trade (Jiaxing) Co., Ltd.	1,053	(60)	463	-	1,456
Hyosung Istanbul TEKSTIL LTD.STI ⁴	9,354	(5,041)	3,433	-	7,746
Hyosung Japan Co., Ltd.	2,217	(629)	2,558	-	4,146
Hyosung Luxembourg S.A	16,205	(386)	4,707	-	20,526
Hyosung Participacoes Brasil	6,603	1,090	213	(1,444)	6,462

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Hyosung Power Holdings Co., Ltd.	29,964	(13,998)	15,208	33,031	64,205
Hyosung Singapore PTE Ltd. ⁵	-	-	-	-	-
Hyosung Spandex (GuangDong) Co., Ltd.	74,361	6,863	40,387	-	121,611
Hyosung Spandex (Jiaxing) Co., Ltd.	92,053	2,912	40,958	-	135,923
Hyosung Spandex (Zhuhai) Co., Ltd.	30,086	(5,458)	6,947	-	31,575
Hyosung Steel Cord (Nanjing) Co., Ltd.	6,223	(2,511)	3,305	1,756	8,773
Hyosung Steel Cord (Qingdao) Co., Ltd.	32,707	1,833	14,599	-	49,139
Hyosung Vietnam Co., Ltd.	14,171	(14,668)	11,109	32,786	43,398
OpCo GmbH ^{4 & 5}	2,346	(8,028)	347	5,335	-
Xepix Corp. ⁴	2,755	(7)	943	-	3,691
Zhangjiagang Xiaosha Coil Service Co., Ltd.	4,523	283	2,083	-	6,889
Securities under cost method ²	6,542	-	-	1,964	8,506
Total	₩1,061,586	₩ 10,526	₩232,814	₩163,536	₩1,468,462

¹ Other increase (decrease) resulted from the deduction due to receipt of dividend income, amount received as capital investments, proceeds from sale and changes in retained earnings.

² The equity method was not applied since total assets of investees are below ₩ 7 billion or the effect from change in equity is not material to the Company's financial statements even though the Company's percentage of ownership exceeds 20%.

³ The Company disposed of these securities in 2008.

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

⁵ The equity method was discontinued as book value of equity-method investments has decreased to zero.

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(in millions of Korean won)	2007					Ending balance
	Beginning balance	Gains/ losses from equity method	Changes in equity from equity-method	Others ¹		
Nautilus Hyosung Inc.	₩ 27,394	₩ 19,412	₩ 5	₩ (509)	₩ 46,302	
The Class Hyosung Co., Ltd.	4,492	1,278	(504)	-	5,266	
StarLease Co., Ltd.	-	(5,492)	(623)	300,921	294,806	
Epiplus Inc.	6,019	(2,540)	-	125	3,604	
Capro Corp.	16,773	(2,294)	(5,044)	6,491	15,926	
Hyosung ITX Co., Ltd.	5,338	1,814	(54)	2,092	9,190	
Hyosung Construction Co., Ltd. ⁵	3,269	(3,269)	-	-	-	
Hyosung Ebara Co., Ltd.	23,147	6,457	-	(1,809)	27,795	
Hyosung Ebara Engineering Co., Ltd.	11,536	994	14	-	12,544	
Hyosung Ino Tech Co., Ltd. ³	6,240	(536)	(526)	(5,178)	-	
Hyosung Information System Co., Ltd.	15,549	3,076	-	(865)	17,760	
Hyosung Capital Co., Ltd.	68,491	20,754	-	(2,000)	87,245	
Hyosung Investment & Development Corp.	14,699	9,594	559	-	24,852	
Hyosung Trans World Co., Ltd.	9,152	1,437	3	-	10,592	
Baoding Hyosung Tianwei Transformer Co., Ltd.	916	(357)	242	3,797	4,598	
Beijing Hyosung Container Co., Ltd.	12,715	857	1,058	-	14,630	
Hyosung America Inc. ⁵	-	-	-	-	-	
Hyosung Participacoes Brasil ⁴	4,408	1,090	1,105	-	6,603	
Hyosung Chemical Fiber (Jiaying) Co., Ltd.	54,415	8,572	3,333	19,858	86,178	
Hyosung Deutschland GmbH ^{4&5}	1,360	(680)	(680)	-	-	
Hyosung Europe SRL ⁴	-	2,428	(360)	810	2,878	
Hyosung Film (Jiaying) Co., Ltd. ³	2,496	-	2,023	(4,519)	-	
Hyosung (H.K) LIMITED	-	584	(193)	724	1,115	
Hyosung International Trade (Jiaying) Co., Ltd.	-	61	62	930	1,053	
Hyosung Japan Co., Ltd.	1,899	122	196	-	2,217	
Hyosung Luxembourg S.A. ⁴	16,156	(1,931)	1,980	-	16,205	
Hyosung Power Holdings Co., Ltd.	31,293	(3,627)	2,298	-	29,964	
Hyosung Singapore PTE. Ltd ⁵	-	-	-	-	-	

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Hyosung Spandex (GuangDong) Co., Ltd.	21,091	45,761	5,376	2,133	74,361
Hyosung Spandex (Jiaxing) Co., Ltd.	54,862	27,237	5,371	4,583	92,053
Hyosung Spandex (Zhuhai) Co., Ltd.	-	2,873	1,078	26,135	30,086
Hyosung Steel Cord (Qingdao) Co., Ltd.	29,165	(692)	2,386	1,848	32,707
Hyosung USA Inc. ⁴	57,046	2,508	310	2,857	62,721
Hyosung Vietnam Co., Ltd.	-	(833)	256	14,748	14,171
OpCo GmbH	3,317	(7,119)	(391)	6,539	2,346
Xepix Corp.	6,979	(4,248)	24	-	2,755
Zhangjiagang Xiaosha Coil Service Co., Ltd.	4,164	4	355	-	4,523
Securities under cost-method ²	14,423	-	-	10,117	24,540
Total	₩ 528,804	₩ 123,295	₩ 19,659	₩ 389,828	₩1,061,586

¹ Other increase (decrease) resulted from the deduction due to receipt of dividend income, amount received as capital investments, proceeds from sale and changes in retained earnings.

² The equity method was not applied because total assets of investees are below ₩7 billion and the change in equity is not material to the Company's financial statements even though the Company's percentage of ownership exceeds 20%.

³ The investee merged in 2007.

⁴ Unaudited financial statements were used in the valuation since audited financial statements were unavailable. The Company has performed verification procedures on the reliability of the unaudited financial statements.

⁵ The equity method was discontinued as book value of equity-method investments decreased to zero.

Changes in unrealized equity resulting from discontinued equity-method are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Beginning	₩	80,285	₩	99,563
Increase (Decrease)		2,511		(19,278)
Ending	₩	<u>82,796</u>	₩	<u>80,285</u>

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Summarized financial information of equity-method investees as of December 31, 2008 and 2007, follows:

<i>(in millions of Korean won)</i>	2008			
	Total assets	Total liabilities	Revenue	Net income (loss)
Nautilus Hyosung Inc.	₩ 209,479	₩ 80,576	₩ 286,854	₩ 20,895
The Class Hyosung Co., Ltd.	33,372	23,357	134,142	939
Star Lease Co., Ltd.	548,679	372,827	98,942	11,087
E-pia Tech Co., Ltd.	7,111	3,156	1,538	(2,107)
Epiplus Inc.	17,178	11,542	8,256	(4,841)
Capro Corp.	431,256	328,737	846,844	(17,691)
Chin Hung International Inc.	819,349	574,624	600,164	856
Hyosung Construction Co., Ltd.	116,208	116,041	38,632	(3,742)
Hyosung Ebara Engineering Co., Ltd.	47,818	29,871	92,314	2,364
Hyosung Ebara Co., Ltd.	108,690	57,331	165,562	11,975
Hyosung Information System Co., Ltd.	111,551	71,048	201,539	6,713
Hyosung Capital Co., Ltd.	899,654	801,980	123,745	12,270
Hyosung Investment & Development Corp.	64,004	2,801	80,239	16,658
Hyosung Trans World Co., Ltd.	35,689	22,915	164,636	2,185
Hyosung ITX Co., Ltd.	61,850	34,745	129,945	(10,584)
Baoding Hyosung Tianwei Transformer Co., Ltd.	50,074	36,467	32,058	448
Beijing Hyosung Container Co., Ltd.	26,408	3,605	16,960	1,586
Hyosung (H.K) LIMITED	7,924	6,416	58,074	3
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	353,324	190,043	228,019	19,053
Hyosung Europe SRL	17,230	13,162	31,320	783
Hyosung Holdings USA	463,780	446,395	-	219
Hyosung International Trade(Jiaxing) Co., Ltd.	20,894	19,334	158,332	44
Hyosung Istanbul TEKSTIL LTD.STI	178,760	159,312	49,783	(6,575)
Hyosung Japan Co., Ltd.	95,992	88,836	480,389	1,415
Hyosung Luxembourg S.A	158,727	137,550	212,896	(77)
Hyosung Participacoes Brasil	6,952	490	10,197	1,090

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Hyosung Power Holdings Co., Ltd.	82,196	17,277	-	(12,992)
Hyosung Singapore PTE Ltd.	12,323	12,868	50,038	120
Hyosung Spandex (GuangDong) Co., Ltd.	248,177	110,224	139,693	6,797
Hyosung Spandex (Jiaxing) Co., Ltd.	195,901	58,527	105,594	2,917
Hyosung Spandex (Zhuhai) Co., Ltd.	57,458	28,665	35,351	(2,895)
Hyosung Steel Cord (Nanjing) Co., Ltd.	25,793	17,020	3,057	(2,511)
Hyosung Steel Cord (Qingdao) Co., Ltd.	173,614	124,183	80,421	1,776
Hyosung Vietnam Co., Ltd.	336,783	274,757	51,672	(16,628)
OpCo GmbH	8,804	9,493	2,746	(8,372)
Xepix Corp.	7,894	2,969	-	(9)
Zhangjiagang Xiaosha Coil Service Co., Ltd.	30,113	12,368	40,134	120
Total	₩6,071,009	₩4,301,512	₩ 4,760,086	₩ 33,289

2007

<i>(in millions of Korean won)</i>	Total assets	Total liabilities	Revenue	Net income (loss)
Nautilus Hyosung Inc.	₩ 202,838	₩ 96,399	₩ 350,313	₩ 44,620
The Class Hyosung Co., Ltd.	22,022	12,945	118,760	1,508
Star Lease Co., Ltd.	465,595	300,483	76,901	17,482
Epiplus Inc.	12,855	12,321	7,271	(5,099)
Capro Corp.	450,833	373,242	669,277	(10,226)
Hyosung ITX Co., Ltd.	51,381	13,945	109,148	2,184
Hyosung Construction Co., Ltd.	74,962	71,052	15,587	(2,552)
Hyosung Ebara Co., Ltd.	89,400	47,336	129,464	9,656
Hyosung Ebara Engineering Co., Ltd.	25,920	10,661	74,234	1,385
Hyosung Information System Co., Ltd.	111,612	76,092	175,165	6,153
Hyosung Capital Co., Ltd.	897,064	809,818	105,947	20,754
Hyosung Investment & Development Corp.	64,830	19,864	75,566	17,923
Hyosung Trans World Co., Ltd.	27,259	16,667	117,011	1,438

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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	7,347	744	6,153	1,090
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	232,639	134,096	132,670	8,556
Hyosung Europe SRL	16,041	13,309	34,363	2,282
Hyosung (H.K) LIMITED	3,519	2,403	34,012	584
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)
Total	₩3,946,064	₩2,865,455	₩3,973,790	₩ 184,662

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Market values of marketable equity securities classified as equity-method investments as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
	Market value	Book value	Market value	Book value
Capro Corp.	₩ 35,859	₩ 21,415	₩ 66,427	₩ 15,926
Hyosung ITX Co., Ltd.	9,811	7,740	34,583	9,190
Chin Hung International Inc. (common shares)	90,285	67,663	-	-

7. Related Party Transactions

The ultimate parent individual of the Company as of December 31, 2008, is Cho Seok Rae.

Details of subsidiaries as of December 31, 2008, are as follows:

	Company	Location	Industry	Fiscal year end
Subsidiaries	Nautilus Hyosung Inc.	Korea	Computer system development	December 31
	The Class Hyosung Co., Ltd.	Korea	Sales of new motor vehicles	December 31
	StarLease Co., Ltd.	Korea	Financial Leasing	December 31
	Epiplus Inc.	Korea	Manufacture and sales of wafer and LED chip	December 31
	Chin Hung International Inc.	Korea	Construction	December 31
	Hyosung Construction Co., Ltd.	Korea	Construction	December 31
	Hyosung Ebara Co., Ltd.	Korea	Manufacture of liquid pump	December 31
	Hyosung Ebara Engineering Co., Ltd.	Korea	Installation of environmental hygiene treatment Appliances	December 31
	Hyosung Capital Co., Ltd.	Korea	Finance factoring	December 31
	Hyosung Investment & Development Corp.	Korea	Development of real estate	December 31
	Hyosung Trans World Co., Ltd.	Korea	Transportation	December 31

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Baoding Hyosung Tianwei Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31
Beijing Hyosung Container Co., Ltd.	China	Manufacture and sales of other plastic products	December 31
HICO America Sales & Tech.	USA	General trading	December 31
Hyosung America Inc.	USA	General trading	December 31
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	Manufacture of polyester	December 31
Hyosung Europe SRL	Italy	General trading	December 31
Hyosung International Trade (Jiaxing) Co., Ltd.	China	General trading	December 31
Hyosung Istanbul Tekstil Ltd. STI	Turkey	Manufacture and sales of spandex	December 31
Hyosung Japan Co., Ltd.	Japan	General trading	December 31
Hyosung Luxembourg S.A	Luxem- burg	Manufacture and sales of tire cord	December 31
Hyosung Participacoes Brasil	Brazil	Manufacture and sales of tire cord	December 31
Hyosung Power Holdings Co., Ltd.	Cayman Islands	Manufacture of transformers	December 31
Hyosung Spandex (Guangdong) Co., Ltd.	China	Manufacture and sales of spandex	December 31
Hyosung Spandex (Jiaxing) Co., Ltd.	China	Manufacture and sales of spandex	December 31
Hyosung Spandex (Zhuhai) Co., Ltd.	China	Manufacture and sales of spandex	December 31
Hyosung Steel Cord (Nanjing) Co., Ltd.	China	Manufacture and sales of steel cord	December 31
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	Manufacture and sales of steel cord	December 31
Hyosung USA Inc.	USA	Manufacture and sales of tire cord	December 31
Hyosung Vietnam Co., Ltd.	Vietnam	Manufacture and sales of tire cord	December 31
Nantong Hyosung Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31
Nantong Yaubong Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31
OpCo GmbH	Germany	Manufacture of film	December 31
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	Manufacture of steel products	December 31

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	Hyosung FMS Inc.	Korea	System and application software development and supply	December 31
	Taeuk Construction Co., Ltd	Korea	Construction	December 31
	Beijing Hyosung Computer Technologies Co., Ltd.	China	Manufacture and sales of computer components	December 31
	Hyosung Holdings USA, Inc.	USA	Holding company	December 31
Equity – method investees	Gumoknongsan Co., Ltd.	Korea	Growing of other crops	December 31
	E-pia Tech Co., Ltd.	Korea	Manufacture of foamed plastic products	December 31
	Capro Corp	Korea	Manufacture of organic compounds	December 31
	Taeon Solar Farm Co., Ltd.	Korea	Photovoltaic power generation	December 31
	Hong Jin Data service Co.	Korea	Software development and supply	December 31
	Hyosung ITX Co., Ltd.	Korea	Provision of human resources	December 31
	Hyosung Wind Power Holdings Ltd.	Korea	Wind power generation	December 31
	Hyosung Information system Co., Ltd.	Korea	Wholesale of computer and package software	December 31
	Beijing Hyosung Hitech Co.	China	Manufacture of electronic components	December 31
	Beijing Hyosung Food& Beverage Co., Ltd.	China	Restaurant business	December 31
	Hyosung Deutschland GmbH	Germany	General trading	December 31
	Hyosung (H.K) LIMITED	China	General trading	December 31
	Hyosung Resource (Australia) PTY Ltd.	Australia	Resources development	December 31
	Hyosung Singapore PTE Ltd.	Singapore	General trading	December 31
	Lanka Synthetic Fibre Co., Ltd.	Srilanka	Manufacture of polyester	December 31
	Thai Hyosung Co., Ltd.	Thailand	General trading	December 31
	Xepix Corp.	USA	LED research	December 31
Others	Doomi development	Korea	Golf course management	December 31
	Info Bada Co., Ltd.	Korea	Internet telecommunication network	December 31

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Gangreng Wind Power	Korea	Development, construction and management of wind turbine plant	December 31
Kis-Bank Inc.	Korea	System software development and supply	December 31
Aegis Hyosung Co.	Korea	Provider of database and online information	December 31
Hanil Rental	Korea	Rental business	March 31
Galaxia Electronics	Korea	Wholesale of computers , peripheral equipments and software	December 31
Galaxia Communications	Korea	System software development and supply	December 31
Nautilus Hyosung America Inc.	USA	Sales of automated teller machines	December 31
NH Technology	Korea	Management of computer facility	December 31
Solim Co., Ltd.	Korea	Manufacture of electric components	December 31
Baro Vision	Korea	System software development and supply	December 31
Lux Max Networks	Korea	Manufacture of diode, transistor and semiconductor device	December 31
Lux Max	Korea	Lightning productions for display and advertisement	December 31
Jason Golf	Korea	Sports/Entertainment business	December 31
Infohub Corp.	Korea	System software development and supply	December 31
Namoo Actors Co., Ltd.	Korea	Talent management	December 31
Flower Entertainment	Korea	Talent management	December 31
Tera Display Corp.	Korea	Manufacture of electronic components	December 31
Qiangdao Amyung Electronics Co., Ltd.	China	Manufacture of electronic components	December 31

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Qiandao Jiwoo Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Qiangdao Chunji Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Qiandao Sungrim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Qiangdao Sorim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Zhuhai Sorim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Zhuhai New Sorim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31

Significant transactions which occurred in the normal course of business with related companies as of December 31, 2008 and 2007, are as follows:

(in millions of Korean won)

	Company	2008		2007	
		Sales	Purchases	Sales	Purchases
Subsidiaries	Nautilus Hyosung Inc.	₩ 2,105	₩ 14,311	₩ 1,854	₩ 13,235
	The Class Hyosung Co., Ltd.	1,153	47	1,150	69
	StarLease Co., Ltd.	14	-	5	-
	Epiplus Inc.	-	344	-	659
	Chin Hung International Inc.	1,972	-	-	-
	Hyosung Construction Co., Ltd.	50,558	21,070	21,463	9,577
	Hyosung Ebara Co., Ltd.	19,951	1,313	19,825	1,089
	Hyosung Ebara Engineering Co., Ltd.	1,168	1,479	878	5,899
	Hyosung Capital Co., Ltd.	31	101	15	68
	Hyosung Investment & Development Corp.	50,372	-	53,002	-
	Hyosung Trans World Co., Ltd.	14	155,731	25	108,022
	Baoding Hyosung Tianwei Transformer Co., Ltd.	68	6,033	68	-
	Beijing Hyosung Container Co., Ltd.	5	-	6	-
	HICO America Sales & Tech	24,644	89	83	158
	Hyosung America Inc.	235,923	7,294	316,773	7,829
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	32,250	103,322	17,035	61,913
	Hyosung Europe SRL	14,447	2,621	17,930	5,524

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	Hyosung International Trade (Jiaxing) Co., Ltd.	832	232	11	170
	Hyosung Istanbul Tekstil Ltd. STI	24,985	1,137	26,163	-
	Hyosung Japan Co., Ltd.	205,354	141,500	149,572	79,678
	Hyosung Luxembourg S.A	29,848	290	17,663	-
	Hyosung Participacoes Brasil	-	-	-	32
	Hyosung Spandex (Guangdong) Co., Ltd.	9,752	4,970	28,463	3,051
	Hyosung Spandex (Jiaxing) Co., Ltd.	7,523	-	13,948	4,583
	Hyosung Spandex (Zhuhai) Co., Ltd.	3,069	-	2,938	-
	Hyosung Steel Cord (Nanjing) Co., Ltd.	1,762	-	5,173	-
	Hyosung Steel Cord (Qingdao) Co., Ltd.	30,223	115	21,783	3,836
	Hyosung USA Inc.	155,250	-	91	4
	Hyosung Vietnam Co., Ltd.	122,606	26,033	11,112	9,177
	Nantong Hyosung Transformer Co., Ltd.	18,925	-	1,336	158
	Nantong Yaubong Transformer Co., Ltd.	172	-	17	-
	OpCo GmbH	23	175	13	4,367
	Zhangjiagang Xiaosha Coil Service Co., Ltd.	6,678	136	9,640	-
	Hyosung FMS Inc.	11	-	-	-
Equity	E-pia Tech Co., Ltd.	81	-	-	-
-method	Capro Corp.	1,581	420,504	2,026	347,853
investees	Taeon Solar Farm Co., Ltd.	10,281	-	-	-
	Hyosung ITX Co., Ltd.	13	148	69	178
	Hyosung Information System Co., Ltd. .	72	-	61	-
	Hyosung (H.K) LIMITED	23,758	1,624	23,398	4,800
	Hyosung Singapore PTE Ltd.	30,250	429	21,513	1,326
	Xepix Corp.	11	4,024	14	3,346
Others	Info Bada	-	7	27	64
	Aegis Hyosung Co.	-	7	-	-
	Galaxia Electronics	-	879	-	-
	Galaxia Communications	-	719	-	-
	NH Techlogogy	15	96	15	-
		<u>₩1,117,750</u>	<u>₩ 916,780</u>	<u>₩785,158</u>	<u>₩ 676,665</u>

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Details of receivables and payables with related companies as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>		2008		2007	
		Receivables	Payables	Receivables	Payables
Subsidiaries	Company				
	Nautilus Hyosung Inc.	₩ 43	₩ 1,531	₩ 63	₩ 1,446
	The Class Hyosung Co.,Ltd.	-	3	-	-
	Chin Hung International Inc.	25,547	-	-	-
	Epiplus Inc.	-	-	-	86
	Hyosung Construction Co., Ltd.	77,370	2,874	26,523	2,411
	Hyosung Ebara Co., Ltd.	6,675	522	1,158	452
	Hyosung Ebara Engineering Co., Ltd.	156	1,079	80	2,151
	Hyosung Capital Co., Ltd.	24	-	86	-
	Hyosung Investment & Development Corp.	2,500	-	-	-
	Hyosung Trans World Co., Ltd.	2	24,478	4	16,674
	Baoding Hyosung Tianwei Transformer Co., Ltd.	146	-	78	-
	Beijing Hyosung Container Co., Ltd.	3	294	3	-
	HICO America Sales & Tech.	-	12	-	230
	Hyosung America Inc.	4,240	2,414	97	1,362
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	4,709	1,897	2,929	389
	Hyosung Europe SRL	14	380	206	648
	Hyosung International Trade (Jiaxing) Co., Ltd.	-	44	48	7
	Hyosung Istanbul Tekstil Ltd. STI	4,055	94	165	-
	Hyosung Japan Co., Ltd.	833	99,582	766	45,017
	Hyosung Luxembourg S.A	55	-	27	-
	Hyosung Spandex (Guangdong) Co., Ltd.	12,687	-	9,372	-
	Hyosung Spandex (Jiaxing) Co., Ltd.	3,888	-	4,128	-
	Hyosung Participacoes Brasil	-	-	-	32

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	Hyosung Spandex (Zhuhai) Co., Ltd.	4,604	-	3,045	-
	Hyosung Steel Cord (Nanjing) Co., Ltd.	53	-	38	-
	Hyosung Steel Cord (Qingdao) Co., Ltd.	5,292	-	1,855	47
	Hyosung USA Inc.	93	-	90	-
	Hyosung Vietnam Co., Ltd.	2,878	117	169	3
	Nantong Hyosung Transformer Co., Ltd.	1,093	-	217	-
	Nantong Yaubong Transformer Co., Ltd.	212	-	29	-
	OpCo GmbH	6	18	5	-
	Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	38	-	19
	Hyosung FMS Inc.	1	-	-	-
Equity-method investees	Capro Corp.	74	45,072	308	59,812
	Hyosung ITX Co., Ltd.	-	-	-	6
	Hyosung CTX	-	-	-	28
	Hyosung Information System Co., Ltd.	15	-	10	-
	Hyosung (H.K) LIMITED	692	646	672	663
	Hyosung Singapore PTE Ltd.	1,456	183	1,275	161
Others	Info Bada Co. Ltd	-	3	-	-
	Aegis Hyosung Co	-	1	-	-
	Galaxia Electronics	-	138	-	-
	Galaxia Communications	-	94	-	-
	NH Technology	2	-	2	-
		<u>₩ 159,418</u>	<u>₩ 181,514</u>	<u>₩ 53,448</u>	<u>₩ 131,644</u>

Short-term loans to related parties is as follows:

		Amounts	Exchange rate	Korean won equivalent
				<i>(in millions)</i>
Subsidiary	Hyosung Power Holdings Co.,Ltd.	USD 12,800,000	1,257.50	16,096

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Key management compensation for the years ended December 31, 2008 and 2007, consist of:

<i>(in millions of Korean won)</i>	2008	2007
Short-term employee benefits	₩ 3,833	₩ 3,707
Long-term employee benefits	826	1,197

Details of pledges and guarantees provided by the Company as of December 31, 2008 and 2007, are as follows :

<i>(in millions of Korean won)</i>	2008				
	Related company	Guaranteed amount	Type of loan	Credit amount	Creditor
Subsidiaries	Hyosung America Inc.	₩ 31,438	Foreign currency loans and others	₩ 28,570	Shinhan Bank and others
	HICO America Sales & Tech., Inc.	12,575	Foreign currency loans and others	11,318	Woori Bank and others
	Hyosung Japan Co., Ltd.	125,253	Foreign currency loans and others	59,321	Woori Bank and others
	Hyosung Europe SRL	755	Foreign currency loans and others	-	Korea Exchange Bank
	Hyosung Spandex (Jiaxing) Co., Ltd.	10,060	Facility loans and others	10,060	Woori Bank and others
	Hyosung Spandex (GuangDong) Co., Ltd.	75,450	Facility loans and others	75,450	Woori Bank and others
	Hyosung Spandex (Zhuhai) Co., Ltd.	22,887	Operating capital and others	22,698	Korea Development bank and others
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	137,068	Facility loans and others	137,068	Korea Development bank and others
	Hyosung Steel Cord(QingDao) Co., Ltd.	72,306	Facility loans and others	72,306	Woori Bank and others
	Beijing Hyosung Container Co., Ltd.	1,320	Facility loans and others	1,320	Woori Bank
	Boading Hyosung Tianwei Transformer Co., Ltd.	15,394	Facility loans and others	15,394	Woori Bank and others

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	Nantong Hyosung Transformer Co., Ltd.	114,808	Facility loans and others	101,377	Hana Bank and others
	Hyosung Steel Cord (Nanjing) Co., Ltd.	16,519	Facility loans and others	16,519	Hana Bank
	Hyosung USA, Inc	159,577	Operating capital and others	94,313	Kookmin Bank and others
	Hyosung Holdings USA, Inc.	37,725	Operating capital and others	37,725	Korea Exchange Bank and others
	Hyosung Luxembourg S.A.	60,923	Operating capital and others	59,408	The Export-Import Bank of Korea and others
	Hyosung Vietnam Co., Ltd.	243,955	Facility loans and others	208,378	Woori Bank and others
	Hyosung Istanbul Tekstil Ltd. STI	125,750	Facility loans and others	125,750	The Export-Import Bank of Korea and others
	Opco, GmbH	8,213	Operating capital and others	8,213	Shinhan Bank and others
Equity-method investees	Hyosung H.K. Ltd.	21,378	Foreign currency loans and others	3,942	Shinhan Bank and others
	Hyosung Singapore Pte, Ltd.	18,863	Foreign currency loans and others	314	Hana Bank and others
		<u>₩ 1,312,217</u>		<u>₩ 1,089,444</u>	

2007

<i>(in millions of Korean won)</i>	Related company	Guaranteed amount	Type of loan	Credit amount	Creditor
Subsidiaries	Hyosung America Inc.	₩ 132,286	Foreign currency loans and others	₩ 96,635	Woori Bank and others
	Hyosung H.K Ltd.	15,949	Foreign currency loans and others	602	Shinhan Bank and others
	Hyosung Japan Co., Ltd.	87,163	Foreign currency loans and others	24,503	Woori Bank and others
	Hyosung Singapore PTE Ltd.	14,073	Foreign currency loans and others	658	Hana Bank and others

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Hyosung Europe SRL	2,815	Foreign currency loans and others	-	Korea Exchange Bank
Hyosung Spandex (Jiaxing) Co., Ltd.	15,011	Facility loans and others	15,011	Woori Bank
Hyosung Spandex (GuangDong) Co., Ltd.	56,292	Facility loans and others	56,292	Woori Bank and others
Hyosung Spandex (Zhuhai) Co., Ltd.	22,704	Operating capital and others	16,935	Korea Development Bank
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	75,056	Facility loans and others	70,365	The Export-Import Bank of Korea and others
Hyosung Steel Cord (QingDao) Co., Ltd.	58,168	Facility loans and others	55,354	Woori Bank and others
Beijing Hyosung Container Co., Ltd.	2,205	Facility loans and others	1,642	Woori Bank
Boading Hyosung Tianwei Transformer Co., Ltd.	10,727	Facility loans and others	10,727	Woori Bank and others
Hyosung USA Inc.	136,039	Operating capital and others	65,674	Korea Exchange Bank and others
Hyosung Luxembourg S.A.	37,708	Operating capital and others	37,708	The Export-Import Bank of Korea and others
Hyosung Istanbul Tekstil Ltd. STI	42,219	Facility loans and other	42,219	The Export-Import Bank of Korea
Hyosung Steel Cord (Nanjing) Co., Ltd.	14,198	Facility loans and others	9,107	Hana Bank
OpCo GmbH	6,267	Operating capital and others	6,267	Shinhan Bank and others
	<u>₩ 728,880</u>		<u>₩ 509,699</u>	

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8. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008					
	Land	Buildings	Equipment	Construction in-progress	Others	Total
Beginning balances	₩ 730,449	₩ 508,935	₩ 593,099	₩ 95,013	₩130,312	₩ 2,057,808
Revaluation gain	867,453	-	-	-	-	867,453
Acquisition	6,376	31,418	74,204	136,810	29,706	278,514
Disposal	(10,694)	(7,852)	(5,172)	-	(204)	(23,922)
Depreciation	-	(16,867)	(166,967)	-	(15,837)	(199,671)
Impairment	-	(52)	(2,251)	-	-	(2,303)
Transfer ¹	134	4,607	72,955	(73,083)	(6,753)	(2,140)
Ending balance	<u>₩ 1,593,718</u>	<u>₩ 520,189</u>	<u>₩ 565,868</u>	<u>₩ 158,740</u>	<u>₩ 137,224</u>	<u>₩2,975,739</u>

¹ Transfer includes supplies and loss on impairment of other tangible assets.

<i>(in millions of Korean won)</i>	2007					
	Land	Buildings	Equipment	Construction -in- progress	Others	Total
Beginning balances	₩ 719,462	₩ 498,968	₩ 684,099	₩ 74,409	₩136,474	₩ 2,113,412
Acquisition	19,711	5,187	38,530	101,853	40,258	205,539
Disposal	(11,106)	(19,953)	(6,811)	-	(130)	(38,000)
Depreciation	-	(16,177)	(190,309)	-	(16,489)	(222,975)
Impairment	-	(3,457)	-	-	-	(3,457)
Transfer ¹	2,382	44,367	67,590	(81,249)	(29,802)	3,288
Ending balances	<u>₩ 730,449</u>	<u>₩ 508,935</u>	<u>₩ 593,099</u>	<u>₩ 95,013</u>	<u>₩130,311</u>	<u>₩ 2,057,807</u>

¹ Reclassification includes supplies expense and loss on impairment of other tangible assets as well as succession resulted from merger with Hyosung Ino Tech.

Land was revalued on December 31, 2008, by an independent appraiser. The valuation was based on the recent market transactions under terms with third parties. Incremental gain after revaluation, net of tax effect, is recognized as accumulated other comprehensive income (Note 25).

If land is stated at acquisition cost, the book value as of December 31, 2008, is ₩ 726,265 million (2007 : ₩ 730,449 million).

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Land, buildings and equipment have been pledged as collaterals for borrowing (Notes 13 and 31).

As of December 31, 2008, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately ₩ 1,065,855 million (2007 : ₩ 1,132,281 million).

9. Intangible Assets

Changes in intangibles assets for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008			Total
	Industrial property	Right to utilization	Other intangible assets	
Beginning Balance	₩ 4,340	₩ 91	₩ 5,170	₩ 9,601
Acquisition	1,582	-	16	1,598
Amortization	(767)	(23)	(810)	(1,600)
Ending Balance	<u>₩ 5,155</u>	<u>₩ 68</u>	<u>₩ 4,376</u>	<u>₩ 9,599</u>

<i>(in millions of Korean won)</i>	2007			Total
	Industrial property	Right to utilization	Other intangible assets	
Beginning Balance	₩ 3,303	₩ 162	₩ 8,702	₩ 12,167
Acquisition	1,705	-	58	1,763
Amortization	(668)	(71)	(3,590)	(4,329)
Ending Balance	<u>₩ 4,340</u>	<u>₩ 91</u>	<u>₩ 5,170</u>	<u>₩ 9,601</u>

Amortization of intangible assets is charged to the following accounts:

<i>(in millions of Korean won)</i>	2008	2007
Production costs	₩ 296	₩ 343
Selling and administrative expenses	1,304	3,986
	<u>₩ 1,600</u>	<u>₩ 4,329</u>

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10. Insurance Coverage

As of December 31, 2008, assets covered by insurance policies are as follows:

<i>(in millions of Korean won)</i>	Assets	Book value	Insurance coverage	Insured by
Property insurance	Buildings	₩ 520,189	₩ 673,588	Samsung Fire and Marine Insurance Co. and others
	Structures	92,880	129,707	
	Equipment	565,868	2,743,173	
	Inventories	508,850	397,404	
	Vehicles and tools	32,774	28,936	
	Total	<u>₩ 1,720,561</u>	<u>₩ 3,972,808</u>	

11. Government Grants

Changes in government grants for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Beginning balance	₩ 14,334	₩ 10,851
Increase	13,901	12,058
Decrease	<u>(5,963)</u>	<u>(8,575)</u>
Ending balance	<u>₩ 22,272</u>	<u>₩ 14,334</u>

The Company entered into development agreements with Korea Electric Power Research Institute and other 28 parties for 32 national projects, including the electric power converter project for 250 KW fuel cells.

The Company received ₩ 13,901 million in government grants for these projects, and as of December 31, 2008, ₩ 14,254 million is recorded as withholdings and ₩ 8,018 million is recorded as long-term accounts payable.

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12. Debentures

Debentures as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate as of December 31, 2008	2008	2007
215 th Public subscription bond	2008.12.26	6.08%	₩ -	₩ 100,000
222 nd Public subscription bond	2008.04.29	4.66%	-	100,000
223 rd Public subscription bond	2008.07.25	4.95%	-	100,000
224 th Public subscription bond	2008. 06.28	4.60%	-	30,000
225-1 st Public subscription bond	2009.01.25	6.37%	150,000	150,000
225-2 nd Public subscription bond	2011.01.25	7.02%	30,000	30,000
226 th Public subscription bond	2008.10.24	5.88%	-	50,000
227 th Public subscription bond	2008.10.25	5.78%	-	70,000
228 th Public subscription bond	2008.04.30	5.82%	-	30,000
229-1 st Public subscription bond	2009.07.06	5.80%	70,000	70,000
229-2 nd Public subscription bond	2011.07.06	6.14%	30,000	30,000
230 th Private subscription bond	2011.11.15	5.62%	30,000	30,000
231 st Private subscription bond	2010.01.31	5.58%	10,000	10,000
232-1 st Public subscription bond	2010.05.21	5.54%	50,000	50,000
232-2 nd Public subscription bond	2012.05.21	5.74%	50,000	50,000
233-1 st Public subscription bond	2010.07.11	5.73%	150,000	150,000
233-2 nd Public subscription bond	2012.07.11	6.02%	30,000	30,000
235-1 st Public subscription bond	2010.03.13	5.66%	50,000	-
235-2 nd Public subscription bond	2011.03.13	5.79%	70,000	-
235-3 rd Public subscription bond	2011.03.13	6.06%	30,000	-
236-1 st Public subscription bond	2010.07.24	6.78%	20,000	-
236-2 nd Public subscription bond	2011.07.24	6.87%	100,000	-
236-3 rd Public subscription bond	2013.07.24	7.00%	30,000	-
237-1 st Public subscription bond	2009.12.31	8.55%	45,000	-
237-2 nd Public subscription bond	2010.12.31	8.70%	25,000	-
237-3 rd Public subscription bond	2011.12.31	8.85%	20,000	-
			<u>990,000</u>	<u>1,080,000</u>
Less : Current portion of debentures			(265,000)	(480,000)
Discounts on bond			(2,140)	(1,820)
			<u>₩ 722,860</u>	<u>₩ 598,180</u>

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13. Borrowings

Short-term borrowings as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>		Interest rate as of December		
	Bank	31, 2008	2008	2007
Local currency short-term borrowings				
General loans	National Agricultural Cooperative Foundation	8.47%	₩ 10,000	₩ 10,000
	Korea Development Bank	-	-	10,000
	Shinhan Bank	7.49%	20,000	20,000
	Industrial Bank of Korea	8.85%	10,000	-
	The Export-Import Bank of Korea	7.40%	50,000	-
	Kyung Nam Bank	7.00~8.00%	43,000	10,000
	SC First Bank	9.13%	20,000	10,000
	Korea Exchange Bank	-	-	20,000
	Hana Bank	7.12%	10,000	12,000
	Kookmin Bank	7.95%	20,000	-
	National Federation of Fisheries Cooperative	8.00%	20,000	-
	Woori Bank	8.69%	70,000	-
Trading loans	Woori Bank	7.50%	20,000	-
	Korea Development Bank	7.89%	50,000	-
Other loans	Kookmin Bank	-	-	10,000
	Woori Bank	-	-	15,000
	Sub- total		343,000	117,000
Foreign currency short-term borrowings				
Usance	Woori bank and other	LIBOR + 1.45~8.55%	234,880	148,740
	Total		₩ 577,880	₩ 265,740

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Long-term borrowings as of December 31, 2008 and 2007, are as follows:

Local currency long-term borrowings

<i>(in millions of Korean won)</i>	Bank	Interest rate as of December 31, 2008	2008	2007
Facility and operating capital	Korea Development Bank	4.50~8.29%	₩262,279	₩114,312
Facility loans	Korea Development Bank Capital	3.00~4.5%	10,201	10,155
Operating capital	Korea Housing Guarantee Co., Ltd.	1.00%	4,400	4,400
Operating capital	Woori Bank	5.98~7.94%	60,000	80,000
Operating capital	Korea Exchange Bank	5.47~5.96%	50,000	50,000
Operating capital	Hana Bank	5.95~6.35%	60,000	30,000
Facility loans	Kookmin Bank	5.86~7.08%	50,000	30,000
Operating capital	Shinhan Bank	6.45%	30,000	-
			<u>₩526,880</u>	<u>₩318,867</u>
Less : Current portion of long-term borrowings			<u>(117,842)</u>	<u>(12,189)</u>
			<u>₩409,038</u>	<u>₩306,678</u>

The long-term borrowings in Korean won will be redeemed by installment or in a lump sum, and are secured by equity-method investments and property, plant and equipment (Notes 8 and 31).

Foreign currency long-term borrowings

<i>(in millions of Korean won)</i>	Bank	Interest rate as of December 31,2008	2008	2007
Facility loans	The Korea Development Bank	2.85% ~ 5.23%	₩ 36,845	₩ 27,489
	Mitui Sumimoto Bank	3.69%	25,150	18,764
	Shinhan Bank	3.89%	25,150	18,764
	Total		<u>₩ 87,145</u>	<u>₩ 65,017</u>
Less : Current portion of long-term borrowings			<u>-</u>	<u>-</u>
			<u>₩ 87,145</u>	<u>₩ 65,017</u>

Long-term borrowings in foreign currency will be redeemed by installment or in a lump sum, and are secured as by equity-method investments (Note 6).

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The payment schedules of debentures and long-term borrowings are as follows:

<i>(in millions of Korean won)</i>			Local currency long-term borrowings	Foreign currency long-term borrowings	
Year	Debtentures				Total
2009	₩ 265,000	₩	117,842	₩ -	₩ 382,842
2010	305,000		204,597	87,145	596,742
2011	310,000		118,690	-	428,690
2012	80,000		22,393	-	102,393
2013	30,000		56,904	-	86,904
Thereafter	-		6,453	-	6,453
	₩ 990,000	₩	526,879	₩ 87,145	₩ 1,604,024

14. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>		2008		2007
Beginning balance	₩	128,809	₩	112,668
Increase		36,415		33,201
Payment		(22,512)		(17,060)
Ending balance	₩	142,712	₩	128,809
Less :				
Severance benefit insurance		(97,456)		(83,490)
National pension service		(1,304)		(1,540)
	₩	43,952	₩	43,779

As of December 31, 2008, the Company estimates severance payable to all employees to be ₩142,712 million (2007: ₩128,809 million) and records the corresponding amount as accrued severance benefits. Also, Accrued severance benefits are funded at approximately 68.29% as of December 31, 2008 (2007: 64.82%) through severance insurance deposits with Samsung Life Insurance Co. Ltd.

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15. Provision for Construction Warranties

Changes in provision for construction warranties for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Beginning balance	₩	8,780	₩	7,166
Payment		(2,029)		(1,633)
Increase		1,935		3,247
Ending balance	₩	8,686	₩	8,780

As of December 31, 2008, the Company accrued ₩ 8,686 million as provision for construction warranties still in effect and included ₩ 1,936 million of warranty expense in 2008 as cost of sales.

16. Monetary Assets and Liabilities denominated in Foreign Currencies

As of December 31, 2008 and 2007, monetary assets and liabilities denominated in foreign currencies are as follows:

	2008			2007		
	Foreign currencies	KRW equivalent <i>(in millions)</i>		Foreign currencies	KRW equivalent <i>(in millions)</i>	
Assets						
Cash	USD	44,925,998	₩ 63,681	USD	10,316,895	₩ 14,608
and cash	EUR	1,624,631		EUR	2,486,338	
equivalents	JPY	193,915,486		JPY	124,185,512	
	MYR	4,416,226		MYR	1,623,458	
	BDT	51,735		BDT	51,735	
Short-term loans receivables	USD	12,800,000	16,096	USD	12,800,000	12,009
Trade	USD	89,791,065	118,930	USD	70,399,771	80,199
accounts	EUR	225,593		EUR	673,874	
receivable	JPY	93,576,468		JPY	103,132,720	
	MYR	11,930,536		MYR	43,710,641	
Other	USD	4,930,808	8,157	USD	4,138,905	9,576
accounts	EUR	1,084,325		EUR	4,109,375	
receivable	JPY	2,189,985		JPY	2,056,605	
Accrued income	USD	940,247	1,182	USD	314,420	295

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Guarantee	USD	15,154,651	31,603	USD	11,051,210	14,535
deposits	EUR	5,530,235		EUR	2,139,444	
	JPY	9,029,225		JPY	6,674,000	
	MYR	7,183,097		MYR	4,089,722	
			<u>₩ 239,649</u>			<u>₩ 131,222</u>
Liabilities						
Trade	USD	158,720,623	₩ 267,797	USD	206,303,492	₩ 223,770
accounts	EUR	1,354,383		EUR	2,887,408	
payable	JPY	4,612,617,107		JPY	3,113,120,208	
	MYR	2,115,307		MYR	628,346	
	SEK	389,870		SEK	21,690	
	CAD	69,415		CAD	120,300	
	CHF	445,902		CHF	-	
	GBP	37,849		GBP	-	
Short-term	USD	169,654,182	234,881	USD	143,044,136	148,739
borrowings	EUR	5,237,157		EUR	7,769,679	
	JPY	877,913,844		JPY	373,288,540	
	CHF	-		CHF	665,480	
	CAD	-		CAD	145,710	
Other	USD	28,755,950	41,343	USD	20,133,314	22,554
accounts	EUR	1,471,079		EUR	1,506,023	
payable	JPY	178,252,332		JPY	175,672,623	
	SEK	440,500		DEM	21,803	
	CNY	10,552		FRF	6,086	
	GBP	6,000		GBP	2,550	
	SEK	-		SEK	678,000	
Advance	USD	13,764,481	33,390	USD	9,008,572	14,072
receipts	EUR	8,699,052		EUR	1,970,819	
	JPY	43,204,550		JPY	347,868,372	
	MYR	77,103		MYR	-	
Accrued	USD	4,205,031	5,460	USD	5,117,244	5,044
expenses	EUR	57,939		EUR	163,980	
	JPY	4,937,897		JPY	1,083,020	
	CAD	-		CAD	883	
	CHF	-		CHF	8,238	
Long-term	USD	69,300,000	87,145	USD	69,300,000	65,017
borrowings			<u>₩ 670,016</u>			<u>₩ 479,196</u>

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In connection with the above foreign currency translations, ₩47,495 million (2007: ₩ 2,375 million) translation gains and ₩ 87,311 million (2007:₩ 6,460 million) translation losses are recorded as non-operating income and expenses, respectively.

17. Derivatives

Forward exchange contract

To hedge against foreign exchange risks, the Company entered into 127 contracts and 14 forward exchange contracts for fluctuation of foreign exchange rates, and the related valuation gain (loss) on derivatives are charged to current operations.

Details of derivative instruments for the years ended December 31, 2008 and 2007, are as follows:

<i>(in thousands)</i>	Weighted average exchange rate based on contracts	Weighted average expiry date as of December 31, 2008	Contract price of outstanding derivatives ¹			
			2008		2007	
Forward exchange contracts	1,088.90	2009-04-15	USD	110,000	USD	50,000
Forward exchange contracts	-		EUR	-	EUR	1,350
Forward exchange contracts	1,310.55		KRW	1,129,761	KRW	-
Foreign exchange risk insurance	1,037.82	2009-10-26	USD	136,940	USD	60,967
Foreign exchange risk insurance	1,594.34		EUR	11,944	EUR	5,934

¹ Since the Company has entered into numerous derivative contracts, classification per each contract is not presented. Instead, the contracts are grouped into similar types as changes in gain/loss are predictable by fluctuation of exchange rate.

Put option

Details of the put option owned by the Company are as follows:

(in millions of Korean won)

Purchase date	March 14, 2008
Related stock	Common shares of Korea Express Inc. (Number of shares : 58,479)
Exercise period	(1) 3 year after from the next day from payment date (2) One year can be extended under agreement with investors
Exercise price	Exercise price = (1) + (2) (1) Contract price of corresponding stock based on the contract with consortium (2) 6.5% of the exercise price between the purchase date and the completion date

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Valuation gain or loss

Details of the changes in valuation gain or loss on derivatives are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Forward exchange contracts	₩ 3,592	₩ (21,459)	₩ 75	₩ (15)
Insurance contracts	-	(30,163)	-	(1,843)
Put option ¹	2,428	-	-	-
Total	₩ 6,020	₩ (51,622)	₩ 75	₩ (1,858)

¹ According to the agreement with Kumho Rent-A-Car Co., Ltd, the Company has put option on securities of Korea Express Inc.

The realized gain and loss on derivative transactions recognized upon the expiration of contracts during the year amounted to ₩ 597 million and ₩ 72,488 million, respectively.

Hedge accounting by borrowings in foreign currency

In accordance with the Financial Supervisory Service's Accounting Implementation Guide [2009-2], the Company designated borrowings in foreign currency as hedging the forecasted sales by applying cash-flow hedging accounting. In addition, based on paragraph 16-3 in No. 53-70 of the Statements of Korean Financial Accounting Standards, the Company retroactively applied and documented the newly adopted policy as of July 1, 2008.

(in thousands of USD/EUR/JPY)

Short-term borrowings (USANCE)	USD	169,654
	EUR	5,237
	JPY	877,914
Long-term borrowings	USD	69,300

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18. Capital Stock and Capital Surplus

The Company is authorized to issue 200 million shares with the par value per share of ₩5,000. As of December 31, 2008, the Company has issued 35,117,455 shares of common stock. There were no changes in capital stock in 2008.

In accordance with Asset Revaluation Law, the Company has revalued its property, plant and equipment on October 1, 1998. Details of asset revaluation as of December 31, 2008, are as follows:

(in millions of Korean won)

Revaluation gain	₩	681,290
Foreign currency adjustment & revaluation tax		(113,324)
Asset revaluation surplus carried over from prior years		170,334
Revaluation surplus	₩	<u>738,300</u>

As of December 31, 2008, 1,848,851 treasury shares have no voting rights pursuant to the Commercial Law. The treasury shares were acquired through a merger in 1998 and are expected to be sold in the future.

19. Foreign Currency Translation Loss from Overseas Operation

Loss on currency translation from foreign operations of ₩980 million from the Malaysian and Bangladeshi branches, whose sales and financing activities are independent, is recorded as accumulated other comprehensive income.

20. Retained Earnings

(in millions of Korean won)

	2008		2007	
Legal reserve ¹	₩	4,143	₩	1,648
Reserve for research and human resource development ²		20,000		40,000
Other reserve		160,000		-
	₩	<u>184,143</u>	₩	<u>41,648</u>

¹ The Korean Commercial Code requires the Company to appropriate an amount equal to a minimum of 10 percent of cash dividends as a legal reserve until such reserve equals 50 percent of its paid-in capital. This reserve is not available for cash dividends but may be transferred to capital stock or may be used to reduce accumulated deficit, if any, with the ratification of majority shareholders.

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² The Company appropriates a certain portion of its retained earnings as a reserve for research and human resource development under the Special Tax Treatment Control Law. This reserve may be transferred to discretionary reserve and distributed as dividends.

Details of appropriated retained earnings offset against accumulated deficit in 2006 are as follows:

<i>(in millions of Korean won)</i>	Amount	Approval date
Reserve for facility	₩ 210,000	March 17, 2006
Reserve for research and human resource development	76,667	
Legal reserve	9,099	
Other capital surplus	210,462	
	<u>₩ 506,228</u>	

21. Cost of Sales

Details of cost of sales as of December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Cost of goods sold		
Inventory, beginning	₩ 18,153	₩ 23,486
Net purchase	2,337,184	1,803,996
Inventory, ending	(17,753)	(18,153)
	<u>2,337,584</u>	<u>1,809,329</u>
Cost of manufacture		
Inventory, beginning	146,031	161,759
Production costs	3,971,152	3,246,711
Transfer from other accounts	(649,857)	(587,961)
Inventory, ending	(205,448)	(146,031)
	<u>3,261,878</u>	<u>2,674,478</u>
Construction costs		
Unfinished construction costs, beginning	31,405	20,958
Construction costs	341,618	258,183
Transfer from other accounts	(30,301)	(19,044)
Unfinished construction costs, ending	(15,751)	(31,405)
	<u>326,971</u>	<u>228,692</u>
Costs of others	<u>36,083</u>	<u>23,451</u>
Cost of sales	<u>₩ 5,962,516</u>	<u>₩ 4,735,950</u>

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22. Income Taxes

Income tax expense (benefit) consists of:

<i>(in millions of Korean won)</i>	2008		2007	
Current income taxes ¹	₩	(15,124)	₩	30,143
Deferred income tax due to temporary differences		202,227		24,850
Deferred income tax due to tax loss carryforwards		(53,892)		-
Deferred income tax charged to equity		(213,475)		(7,463)
Income tax expense (benefit)	₩	<u>(80,264)</u>	₩	<u>47,530</u>

Deferred income taxes charged directly to equity are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Loss on valuation of available-for-sale securities	₩	2,184	₩	631
Gain on valuation of derivative instruments		9,626		-
Changes in equity from equity-method		(32,997)		(2,619)
Earned surplus from equity-method		(1,449)		(5,475)
Loss on revaluation of land		(190,839)		-
	₩	<u>(213,475)</u>	₩	<u>(7,463)</u>

Reconciliation of net income before tax and income tax expense is as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Net income before tax	₩	<u>56,109</u>	₩	<u>212,241</u>
Income tax based on statutory rate	₩	<u>15,399</u>	₩	<u>58,335</u>
Adjustments				
Non-deductible expense		(76,098)		(10,805)
Effect of change in tax rate		(948)		-
Others		(18,617)		-
Income tax expense (benefit)	₩	<u>(80,264)</u>	₩	<u>47,530</u>
Effective tax rate		-		22.39%

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Changes in the temporary differences and related deferred tax assets and liabilities as of December 31, 2008 and 2007, are as follows:

2008 (in millions of Korean won)	Temporary differences				Deferred tax assets (liabilities)	
	Beginning	Increase	Decrease	Ending	Beginning	Ending
Accrued severance benefits	₩ 81,951	₩ 31,042	₩ 19,001	₩ 93,992	₩ 22,537	₩ 20,678
Impairment loss on investments	18,728	135	565	18,298	5,150	4,026
Loss on valuation of inventories	13,288	6,249	6,364	13,173	3,654	3,188
Allowance for doubtful accounts in excess of tax limit	15,717	4,060	15,690	4,087	4,322	989
Accumulated depreciation in excess of tax limit	3,457	-	3,457	-	951	-
Government subsidy	12,171	8,931	-	21,102	3,347	5,107
Provision for equity in loss of associates	79,653	-	6,587	73,066	21,905	16,075
Loss on valuation of derivatives	-	48,029	-	48,029	-	11,623
Loss on valuation of assets/liabilities in foreign currencies	-	83,574	-	83,574	-	20,225
Others	28,981	162,150	4,824	186,308	7,971	60,289
	<u>253,946</u>	<u>344,170</u>	<u>56,488</u>	<u>541,629</u>	<u>69,837</u>	<u>142,200</u>
Reserve for research and human resource development	(20,000)	-	(13,333)	(6,667)	(5,500)	(1,467)
Accrued interest income	(599)	(1,248)	(660)	(1,187)	(165)	(287)
Available-for-sale securities	(21,509)	-	(9,937)	(11,572)	(5,915)	(2,546)
Reserve for severance benefits	(83,649)	(19,000)	(8,657)	(93,992)	(23,003)	(20,678)
Equity-method investments	(159,062)	(188,533)	-	(347,595)	(43,742)	(76,471)
Gain/loss from fire insurance policy	-	(18,079)	(367)	(17,712)	-	(3,897)
Revaluation of land	-	(867,453)	-	(867,453)	-	(190,840)
Others	(18,534)	(2,427)	(712)	(20,249)	(5,097)	(4,455)
	<u>(303,353)</u>	<u>(1,096,740)</u>	<u>(33,666)</u>	<u>(1,366,427)</u>	<u>(83,422)</u>	<u>(300,641)</u>
Total	₩ <u>(49,407)</u>	₩ <u>(752,570)</u>	₩ <u>22,822</u>	₩ <u>(824,798)</u>	₩ <u>(13,585)</u>	₩ <u>(158,441)</u>

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2007 (in millions of Korean won)	Temporary differences				Deferred tax assets (liabilities)	
	Beginning	Increase	Decrease	Ending	Beginning	Ending
Accrued severance benefits	₩ 65,843	₩ 16,108	₩ -	₩ 81,951	₩ 18,107	₩ 22,537
Impairment loss on investments	16,949	3,421	1,642	18,728	4,661	5,150
Loss on valuation of inventories	8,930	5,002	644	13,288	2,456	3,654
Allowance for doubtful accounts in excess of tax limit	-	15,717	-	15,717	-	4,322
Accumulated depreciation in excess of tax limit	20,770	5,972	23,285	3,457	5,712	951
Government subsidy	6,620	5,551	-	12,171	1,821	3,347
Provision for equity in loss of affiliates	99,563	-	19,910	79,653	27,380	21,905
Others	24,270	5,786	1,074	28,982	6,675	7,970
	<u>242,945</u>	<u>57,557</u>	<u>46,555</u>	<u>253,947</u>	<u>66,812</u>	<u>69,836</u>
Reserve for research and human resource development	(40,000)	-	(20,000)	(20,000)	(11,000)	(5,500)
Accrued interest income	(429)	(599)	(429)	(599)	(118)	(165)
Available-for-sale securities	(24,855)	(2,293)	(5,639)	(21,509)	(6,835)	(5,915)
Reserve for severance benefits	(65,755)	(17,894)	-	(83,649)	(18,082)	(23,004)
Equity-method investments	(63,815)	(101,409)	(6,162)	(159,062)	(17,549)	(43,742)
Others	(18,689)	-	(155)	(18,534)	(5,142)	(5,096)
	<u>(213,543)</u>	<u>(122,195)</u>	<u>(32,385)</u>	<u>(303,353)</u>	<u>(58,726)</u>	<u>(83,422)</u>
Tax credit carryforwards	3,254	8,433	11,687	-	3,254	-
Total	<u>₩ 32,656</u>	<u>₩ (56,205)</u>	<u>₩ 25,857</u>	<u>₩ (49,406)</u>	<u>₩ 11,340</u>	<u>₩ (13,586)</u>

The gross balances of deferred tax assets and liabilities are as follows:

(in millions of Korean won)	2008		2007	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current	₩ 95,023	₩ (292)	₩ 11,323	₩ (367)
Non-current	47,176	(300,349)	60,666	(85,209)

Tax effect of accumulated temporary difference

During the year, as a result of the change in the statutory tax rate from 27.5% to 24.2% in 2009 and to 22 % thereafter, the balances of the deferred tax assets and liabilities have been recalculated. As a result, current deferred tax assets were lower by ₩10,068 million while non-current deferred tax liabilities were lower by ₩53,900 million.

Hyosung Corporation
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Recognition of deferred income tax assets based on (future) realizability

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax assets, excluding temporary differences ₩300,044 million arising from equity-method investments.

Temporary Difference not recognized as deferred tax liabilities

Deferred tax liabilities were not recognized for the temporary differences of ₩139,015 million resulting from equity-method investments and the temporary difference of ₩359,146 million resulting from allowance for advanced depreciation.

23. Earnings Per Share

Basic earnings per share as of December 31, 2008 and 2007, is as follows:

	2008	2007
Net income attributable to common stocks ¹	₩ 136,373,550,376	₩ 166,710,499,142
Weighted average number of common stocks outstanding ²	33,268,604	33,268,604
Basic earnings per share	<u>₩ 4,099</u>	<u>₩ 5,011</u>

¹ For 2008, net income attributable to common stocks is equal to net income.

² There are no changes in the weighted average number of common shares during the years ended December 31, 2008 and 2007.

24. Dividends

Details of dividends for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Number of common stock eligible for dividends	33,268,604	33,268,604
Dividend rate	15%	15%
Dividend amount	₩ 24,951	₩ 24,951
Dividend payout ratio (Dividends/Net income)	18.30%	14.97%
Dividend yield ratio (Dividend per share/Market price)	1.96%	1.28%

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25. Comprehensive Income

Comprehensive income for the years ended December 31, 2008 and 2007, consists of:

<i>(in millions of Korean won)</i>	2008	2007
Net income	₩ 136,374	₩ 166,710
Other comprehensive income and expense	830,827	22,370
Gain on valuation of available-for-sale securities, net of tax of ₩2,184 million (2007: (-) ₩ 631 million)	(7,751)	(2,426)
Loss on valuation of equity-method investments, net of tax of ₩ 37,322 million (2007: (-) ₩ 5,051 million)	195,492	24,710
Translation gain from overseas operation	603	86
Loss on valuation of derivatives, net of tax of ₩ 9,626 million (2007: ₩ -)	(34,131)	-
Gain on revaluation, net of tax of ₩ 190,839 million (2007: ₩ -)	676,614	-
Comprehensive income	₩ 967,201	₩ 189,080

26. Summary of Major Construction Contracts

The Company's contract balances and the related revenues recognized for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Beginning balance	₩ 516,958	₩ 463,478
Increase	366,492	231,842
	883,450	695,320
Revenue recognized	(272,677)	(178,362)
Ending balance	₩ 610,773	₩ 516,958

Hyosung Corporation
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Details of the contracts on the ongoing projects as of December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	Total contract price	Total estimated construction costs	Cumulative construction revenue	Cumulative construction cost
Construction of Waekwon-Daegu highway	₩ 13,821	₩ 13,226	₩ 11,871	₩ 11,361
Biryong agricultural water development	4,939	4,682	2,069	1,961
Establishment of a road bypassing Kwang Reung Forest	10,999	10,372	10,027	9,456
Yangju Dukjung Section 1 KNHC Apt	9,881	9,860	9,880	9,859
Construction of North Injae-Yongdae road	9,116	9,104	4,324	4,318
Construction of Shinryunggono Road	5,938	5,458	2,301	2,115
Construction of Daesan-Seokmun road	10,013	9,502	728	691
Gunpo-Bugok Section 2 KNHC Apt	5,208	5,124	2,208	2,171
Jibang road 357(The free road) 4	11,649	11,323	248	241
Gunsan-Mijang Section 2 KNHC Apt	22,790	22,750	32	32
Paju-Woonjung Section 8 KNHC Apt	29,839	29,846	10,445	10,448
Incheon-Boogae Section 2 KNHC Apt	82,642	78,314	81	77
HEEC Service Sales	4,936	4,936	4,936	4,936
Seoul S.W. Water Treatment	819	819	819	819
Maintenance & management of the New Airport incineration facility ²	4,127	3,615	2,857	2,504
Kimhae hwamok sewage purification plant	6,675	6,249	3,878	3,630
Daegu Hyosung residing and working complex	157,280	130,314	149,998	124,284
Wonju-Hanggu Hyosung Apt	109,919	100,884	75,097	68,924
Construction of Changdong station	126,176	114,821	22,585	20,556
Chilgok Land	28,355	23,784	12,260	10,283
Construction of Banpo Building	48,542	46,805	10,280	9,913
Construction of Gildong office	29,848	28,833	4,261	4,114
Construction of Sooseo office	61,694	52,380	833	706
Daegu Bongduk Apt	71,664	68,675	8,251	7,907
Daegu Bumaudong Hyosung Apt	26,952	25,813	476	457
Gunjajae segment	14,238	13,377	2,806	2,526
Total	₩908,060	₩ 830,866	₩ 353,551	₩ 314,289

Hyosung Corporation
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Details of advances, billed and unbilled amounts related to the construction as of December 31, 2008, are as follows:

<i>(in millions of Korean won)</i>	Advances	Billed amount	Unbilled amount
Construction of Waekwon-Daegu highway	₩ 1,661	₩ -	₩ -
Biryong agricultural water development	250	-	-
Establishment of a road bypassing KwangReung Forest	207	-	-
Construction of North Injae-Yongdae highway	5	-	-
Construction of Shinryunggono Road	-	-	962
Construction of Daesan-Seokmun road	-	27	291
Gunpo-Bugok Section 2 KNHC Apt	-	-	491
Jibang road 357(The free road) 4	-	-	248
Gunsan-Mijang Section 2 KNHC Apt	-	-	32
Paju-Woonjung Section 8 KNHC Apt	-	-	4,101
Incheon-Boogae Section 2 KNHC Apt	-	-	81
HEEC Service Sales	-	51	-
Gwangmyung Food Waste Treatment	-	255	-
Maintenance & management of the New Airport incineration facility 2	-	62	30
Kimhae hwamok sewage purification plant	-	-	274
Daegu Bumaudong Hyosung Apt	-	-	3,418
Daegu Hyosung residing and working complex	2,782	-	-
Mapo Ahyun Officetel	-	50	-
Chilgok (Namyul 2) Land	-	-	4,761
Construction of Chandong station	-	4,718	2,060
Wonju-Hangu Hyosung Apt	-	77,250	-
Construction of Banpo building	-	10,137	4,000
Reconstruction of Daegu bongduk	-	-	8,251
Daegu Bumadong Hyosung Apt	-	-	476
Construction of Gildong office	-	1,038	1,648
Construction of Sooseo office	-	-	833
Gunjaje Segment	657	108	435
Total	<u>₩ 5,562</u>	<u>₩ 93,696</u>	<u>₩ 32,392</u>

The Company provides guarantees of ₩ 404,222 million for the assumed payables and joint liability on guarantees for the construction contracts. In addition, the Company provides payment guarantees for overseas related parties (Note 7).

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Notes to the Financial Statements
December 31, 2008

27. Significant Non-Cash Transactions

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2008	2007
Construction-in-progress transferred to property, plant and equipment	₩ 81,001	₩ 81,770
Machinery-in-transit transferred to property, plant and equipment	10,142	33,000
Other investment assets transferred to inventories	649	-
Inventory transferred to available-for-sale securities	33,076	-
Gain(loss) on valuation of available-for-sale securities	11,601	2,293
Currency translation loss of borrowings transferred to valuation of derivatives	43,758	-
Change in retained earnings due to application of equity method	(23,165)	6,355
Change in accumulated comprehensive income due to application of equity method	195,492	17,041
Change in accumulated comprehensive income due to revaluation of land	676,614	-

28. Segment Information

Overview of the segment information is as follow:

Segment	Products or services
Fabric	Nylon yarn fabric, spandex, pet yarn fabric, tire cord paper, technical yarn, bead wire, steel cord, medical/latticed fabrics, carpet, carmat and other
Chemical	Poly-propylene, pet bottle, nylon(pet) film and terephthalene, nylon film
Heavy Industries	Transformer, circuit breaker, power tower, motor, generator, decelerator and construction (housing and plant)
Trading	Chemicals, machinery, steel, textile and lumber
Others	Construction, leasing and other

Hyosung Corporation
Notes to the Financial Statements
December 31, 2008

Financial information by segments are as follows:

		2008					
<i>(in millions of Korean won)</i>		Fabric	Chemical	Heavy industrial	Trading	Others	Total
Total segment revenue							
External revenue	₩	931,646	₩ 1,049,257	₩ 1,640,806	₩ 2,351,625	₩ 952,391	₩ 6,925,725
Inter-segment revenue		246,990	137,514	21,466	2,760	28,918	437,648
		<u>₩ 1,178,636</u>	<u>₩ 1,186,771</u>	<u>₩ 1,662,272</u>	<u>₩ 2,354,385</u>	<u>₩ 981,309</u>	<u>₩ 7,363,373</u>
Operating income	₩	44,699	₩ 69,052	₩ 175,666	₩ 26,778	₩ 94,159	₩ 410,354
Assets		930,894	686,788	1,523,841	118,136	2,830,437	6,090,096
Current assets		205,612	153,467	675,124	111,631	290,463	1,436,297
Non-current assets		725,282	533,321	848,717	6,505	2,539,974	4,653,799
Depreciation expense, others		72,782	39,607	13,876	834	74,127	201,226
		2007					
<i>(in millions of Korean won)</i>		Fabric	Chemical	Heavy industrial	Trading	Others	Total
Total segment revenue							
External revenue	₩	850,262	₩ 802,674	₩ 1,201,095	₩ 1,807,312	₩ 763,757	₩ 5,425,100
Inter-segment revenue		232,039	140,383	15,270	4,015	41,829	433,536
Subtotal		<u>₩1,082,301</u>	<u>₩ 943,057</u>	<u>₩ 1,216,365</u>	<u>₩ 1,811,327</u>	<u>₩ 805,586</u>	<u>₩ 5,858,636</u>
Operating income	₩	47,685	₩ 58,662	₩ 104,376	₩ 11,901	₩ 15,734	₩ 238,358
Assets		671,944	472,882	1,018,912	66,953	2,038,704	4,269,395
Current assets		150,992	75,330	584,698	55,205	151,062	1,017,287
Non-current assets		520,952	397,552	434,214	11,748	1,887,642	3,252,108
Depreciation expense, others		87,433	37,248	13,527	688	88,407	227,303

Hyosung Corporation
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Geographical segment information as of December 31, 2008 and 2007, follows:

<i>(in millions of Korean won)</i>	2008	2007
North and Central America	₩ 470,220	₩ 339,918
Asia	3,020,328	2,395,425
Europe	551,134	418,669
Others	343,479	163,361
	<u>₩ 4,385,161</u>	<u>₩ 3,317,373</u>

29. Value Added Information

Value added information as of December 31, 2008 and 2007, follows:

<i>(in millions of Korean won)</i>	2008	2007
Salaries	₩ 308,256	₩ 274,649
Provision for severance benefits	36,349	32,629
Employee benefits	38,184	31,728
Rent	13,299	11,166
Depreciation	199,671	222,975
Amortization	1,600	4,329
Taxes and dues	22,801	22,137

30. Interim Results

Operating results for the recent three-month periods ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won, except per share amounts)</i>	4th quarter of 2008	4th quarter of 2007
Sales	₩ 1,883,993	₩ 1,443,016
Operating income	129,455	70,004
Net income	79,750	36,883
Earnings per share (in won)	2,397	1,109

Hyosung Corporation
Notes to the Financial Statements
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31. Commitments and Contingencies

Details of commitments and contingencies provided by the Company regarding accounts payable and trade terms as of December 31, 2008, are as follows:

	Provider	Number	Type
Check	Korea Housing Guarantee Co., Ltd.	1	Blank
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
	Samsung C & T Corporation	6	Total face value of ₩ 5,757 million

The Company has overdraft facilities arrangements and trade bill discount with a maximum limit of ₩1,407,853 million and letter of credit payment guarantee agreements with a maximum limit of ₩962,780 million.

The Company provided guarantees amounting to ₩436,622 million to a related party, Hyosung Capital Co., Ltd. and also provided guarantees to overseas subsidiaries (Note 7).

Additionally, Korea Construction Financial Cooperative provides guarantee for up to ₩139,577 million for the construction performance by the Company. Export-Import Bank of Korea and other banks also pledge guarantee for up to ₩128,749 million for the performance of contracts.

The Company provided following assets as collaterals:

	Maximum credit amount	Book Value	Lender
Equity-method investments	₩ 12,780	₩ 12,780	Hana Bank and others
Property, plant and equipment	1,749,508	1,648,468	Korea Development Bank and others

The Company is involved in various lawsuits and claims for damages aggregating to ₩11,910 million as of December 31, 2008. Management is of the opinion that these lawsuits and claims will not have adverse effect on the Company's financial position, operating results or cash flows.

Hyosung Corporation
Notes to the Financial Statements
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32. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2008 and 2007, are as follows:

<i>(in millions of Korean won)</i>	2008		2007	
Export expenses	₩	210,652	₩	157,294
R & D expenses		75,794		60,752
Salaries		82,432		74,375
Transportation		32,702		28,806
Commissions and fees		25,287		19,725
Others		17,721		15,841
Operating expense for overseas branch		14,474		11,743
Travel		12,910		9,222
Retirement and severance benefits		10,992		10,019
Advertising		9,815		9,876
Rent		8,177		7,013
Bad debt expenses		7,876		2,239
Employee benefits		7,518		6,520
Taxes and dues		6,370		5,530
Warranty expenses		6,270		4,885
Outsourcing		6,020		5,654
Depreciation		5,643		8,997
Training		3,432		1,903
Communications		3,380		2,968
Vehicles maintenance		2,100		1,937
Insurance		1,991		1,513
Amortization		1,299		3,981
	₩	552,855	₩	450,793

33. Subsequent event

The Company issued unsecured debenture of ₩ 150,000 million in January 2009 for the purpose of bond refunding.

34. Reclassifications of Prior Year Financial Statements

Certain accounts of the December 31, 2007 non-consolidated financial statements have been reclassified to conform to the December 31, 2008 financial statements. These reclassifications have not resulted in any change in the previously reported net income or shareholders' equity.

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
Hyosung Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hyosung Corporation. (the "Company") as of December 31, 2008. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2008, the Company's IACS has been designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2008, and we did not review management's assessment of its IACS subsequent to December 31, 2008. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 9, 2009

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of
Hyosung Corporation

I, as the Internal Accounting Control Officer (“IACO”) of Hyosung Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2008.

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

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2008, in all material respects, in accordance with the IACS standards.

January 30, 2009

Sang-Woon Lee, Chief Executive Officer

Yoon-Teck Jung, Internal Accounting Control Officer