

Hyosung Corporation

Financial Statements
December 31, 2009 and 2008

Samil PricewaterhouseCoopers

Hyosung Corporation
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December 31, 2009 and 2008

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Report of Independent Auditors

To the Shareholders and Board of Directors of
Hyosung Corporation

We have audited the accompanying statements of financial position of Hyosung Corporation (the "Company") as of December 31, 2009 and 2008, and the related statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years then ended, 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 audits. We did not audit the financial statements of investees accounted for using the equity method of accounting which represent 10.5% (2008: 9.4%) of the Company's total assets as of December 31, 2009. 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 on the reports of the other auditors.

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

In our opinion, based on our audits 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, 2009 and 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 years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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 11, 2010

This report is effective as of March 11, 2010, 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.

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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, 2009, the Company's major stockholders are Cho Seok Rae (10.21%), 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.

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.

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Revenue from the sale of goods is 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 date of statement of financial position 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.

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.

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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.

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.

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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.

Reserve for Loss from Equity Method Investments

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 reserve is recognized in the financial statements as a liability.

When an equity method investee's equity falls below zero and it is probable that the Company will incur losses from its guarantee of the investee's liabilities, the Company recognizes the amount of the Company's share of the investee's accumulated deficit as reserve for loss from equity method investments.

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 at least 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. An increase as a result of a revaluation is credited directly to equity under other accumulated comprehensive income and expense. However, the decrease as a result of a revaluation is deducted directly from equity under other accumulated other comprehensive income and expense to the extent of any balance existing in the revaluation surplus in respect of that asset and the residual is recognized as profit or loss.

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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 years	Straight-line method
Machinery	5 ~ 10 years	Straight-line method
Vehicles	5 years	Straight-line method
Tools	5 years	Straight-line method

Expenditures incurred after the acquisition or completion of assets are 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	Depreciation method
Industrial property	5 ~ 10 years	Straight-line method
Right to utilization	10 ~ 25 years	Straight-line method
Other intangible assets	5 years	Straight-line method

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.

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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 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 date of statement of financial position.

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.

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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 date of statement of financial position, and the resulting translation gains and losses are recognized in current operations.

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 date of statement of financial position, 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, 2009 financial statements of the Company were approved by the Board of Directors on February 11, 2010.

3. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008		Descriptions
Cash and cash equivalents	₩	18,930	₩	19,803	Government financial assistance fund
Short-term financial instruments		37,000		-	Pledged deposit
Long-term financial instruments		50		50	Deposits for checking account
	₩	<u>55,980</u>	₩	<u>19,853</u>	

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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 statements of financial position, as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008		Terms
Accounts receivable (export)	₩	524,549	₩	282,882	Secured
Accounts receivable (domestic)		25,090		26,195	Not secured
Notes receivable		-		6,217	Not secured
Electronic bills		59,474		82,758	Not secured
Factoring		9,800		13,411	Secured
	₩	<u>618,913</u>	₩	<u>411,463</u>	

5. Available-for-sale Securities

Available-for-sale securities as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
Equity securities	₩	58,935	₩	57,183
Investments in cooperative and associations		5,592		5,586
Debt securities		<u>46,123</u>		<u>46,139</u>
		110,650		108,908
Less: Current portion		<u>(4,365)</u>		<u>(2,490)</u>
	₩	<u>106,285</u>	₩	<u>106,418</u>

Equity securities as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value¹	Book value²
Marketable securities					
KTB Investment Securities Co., Ltd.	2,634	0.00%	13	11	11
KTIC Global	202,839	0.58%	815	183	183
Ultra Construction & Engineering Co., Ltd.	911	0.07%	5	3	3
KT Corp. ³	574,883	0.22%	7,942	22,478	22,478
Hanshin Construction Co., Ltd.	712	0.01%	1	13	13

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Savezone I&C Corp.	4,555	0.01%	30	10	10
Korea Environment Technology Co., Ltd.	814,280	1.63%	407	924	924
Kumho Tires Co., Inc. ⁴	1,000,000	1.43%	10,000	3,605	3,605
OnMedia Corp.	157,130	0.13%	280	597	597
Korea Express Corporation ⁵	33,204	0.15%	3,619	1,883	1,883
Hankook Tire Co., Ltd.	739,500	0.49%	10,000	18,857	18,857
			<u>33,112</u>	<u>48,564</u>	<u>48,564</u>
Non-marketable securities					
Kangwon Domin Newspaper	4,000	0.39%	20	16	20
Ninex Co., Ltd.	25,989	6.92%	3,000	455	1,500
GM Daewoo Auto & Technology Co.	-	-	27	-	-
Namwo Ad Co., Ltd.	33,851	10.19%	500	311	500
Bum Yang Air-Conditioner	8	0.00%	6	-	-
Sejong Telecom Co., Ltd.	156	0.00%	2,406	1	-
Doosan Capital Co., Ltd.	600,000	3%	3,000	3,036	3,000
KyungNam Newspaper	1,500	0.06%	30	4	15
Kihyup Finance Inc.	100,000	1.72%	500	645	500
Korea Housing Guarantee Co., Ltd.	343,380	0.05%	1,716	2,068	1,716
Hankook Economic Newspaper	124,308	0.66%	1,354	787	1,354
Korea Management Association Consulting	35,988	4.50%	180	666	180
ChemCross.Com	200,000	1.20%	222	283	222
Life Point Inc.	500,000	1.39%	1,148	-	-
Momus Venturesgroup	160,040	9.37%	3,242	409	-
InfoNet Korea Ltd.	1,500	1.25%	100	11	50
TransLink Capital Partners 1, L.P.	-	-	1,314	1,127	1,314
			<u>18,765</u>	<u>9,819</u>	<u>10,371</u>
Total			<u>₩ 51,877</u>	<u>₩ 58,383</u>	<u>₩ 58,935</u>

2008

<i>(in millions of Korean won)</i>	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

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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
Namwo 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%	3,000	6,137	3,000
KyungNam Newspaper	1,500	0.06%	30	4	15
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
			<u>20,953</u>	<u>12,998</u>	<u>9,743</u>
Total			<u>₩ 56,820</u>	<u>₩ 60,438</u>	<u>₩ 57,183</u>

¹ Fair value 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 KT Corp. merged with KT Freetel Co., Ltd. in 2009.

⁴ In 2009, an impairment loss of ₩6,395 million is recognized due to the decline in its fair value from the debt workout program of Kumho Tires Co., Inc.

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⁵ 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 stocks 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 stock to the third party and gives up the pre-emption rights, the Company can sell the stock without any limitation. In addition, the Company has put options on the stocks of Korea Express Inc to Kumho RAC Co., Ltd(formerly Kumho Rent-A-Car Co., Ltd.). The fair value of the put options as of December 31, 2009, amounts to ₩3,183 million (2008: ₩6,053 million) and is recorded as other investment assets.

Investments in cooperatives and associations as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		
	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	415	415	415
	<u>₩ 5,592</u>	<u>₩ 7,384</u>	<u>₩ 5,592</u>

<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>

¹ Net asset values of investments in cooperatives and associations are based on their recently issued financial statements.

² Investments in cooperatives and associations are recorded at acquisition cost if their fair value is not available or not readily determinable due to insufficient information.

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Debt securities as of December 31, 2009 and 2008, are as follows:

2009					
<i>(in millions of Korean won)</i>	Acquisition		Present		Book
	cost	Maturity	value		value¹
Government and municipal bonds	₩ 3,536	Within 1 year	₩ 3,536	₩	3,536
	7,969	Over 1 year and within 5 years	7,969		7,969
Certificate of deposit ²	829	2010	829		829
Convertible bonds ³	20,789	2018	20,789		20,789
Subordinated bonds ⁴	13,000	2014	13,000		13,000
	<u>₩ 46,123</u>		<u>₩ 46,123</u>	<u>₩</u>	<u>46,123</u>
2008					
<i>(in millions of Korean won)</i>	Acquisition		Present		Book
	cost	Maturity	value		value¹
Government and municipal bonds	₩ 2,490	Within 1 year	₩ 2,490	₩	2,490
	9,860	Over 1 year and within 5 years	9,860		9,860
Convertible bonds ³	20,789	2018	20,789		20,789
Subordinated bonds ⁴	13,000	2014	13,000		13,000
	<u>₩ 46,139</u>		<u>₩ 46,139</u>	<u>₩</u>	<u>46,139</u>

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

² In 2009, the Company acquired the certificate of deposit from M-Tech Co., Ltd.

³ In 2008, the Company acquired unsecured convertible bonds issued by Chin Hung International Inc.

⁴ In 2008, the Company acquired subordinated bonds from Kookmin Bank and Woori Bank.

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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, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009			
	Beginning balance	Increase (Decrease)	Tax effect	Ending balance
Unrealized losses				
KTIC Global	₩ (307)	₩ (202)	₩ 16	₩ (493)
Kumho Tires Co., Inc. ¹	(4,518)	5,510	(992)	-
KTB Investment Securities Co., Ltd.	(4)	2	-	(2)
Savezone I&C Corp.	(19)	6	(2)	(15)
Ultra Construction & Engineering Co., Ltd.	(2)	1	(1)	(2)
Korea Express Inc.	(912)	(567)	124	(1,355)
Total	<u>₩ (5,762)</u>	<u>₩ 4,750</u>	<u>₩ (855)</u>	<u>₩ (1,867)</u>
Unrealized gains				
KT Corp. ²	₩ 12,277	₩ (2,373)	₩ 1,434	₩ 11,338
OnMedia Corp.	(32)	300	(21)	247
Hanshin Construction Co., Ltd	6	4	-	10
Korea Environment Technology Co., Ltd	335	44	24	403
Hankook Tire Co., Ltd.	1,019	7,551	(1,661)	6,909
Total	<u>₩ 13,605</u>	<u>₩ 5,526</u>	<u>₩ (224)</u>	<u>₩ 18,907</u>

¹ In 2009, an impairment loss of ₩6,395 million is recognized due to plunge in fair value from the debt workout program of Kumho Tires Co., Inc.

² KT Corp. merged with KT Freetel Co., Ltd. in 2009.

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<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>

6. Equity-method Investments

Equity-method investments as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value
Galaxiaphotonics Co., Ltd.	26,385,766	53.94%	18,820	6,949	8,709
Gumoknongsan Co., Ltd. 1	45,000	75.00%	225	20	113
Nautilus Hyosung Inc.	362,241	43.50%	1,737	65,178	65,178
The Class Hyosung Co., Ltd.	769,230	58.02%	5,200	7,183	7,183
Beijing Hyosung Food & Beverage Co., Ltd. 2	-	95.00%	1,499	(363)	-
Soul Flora Inc.	1,551,000	47.00%	7,755	7,081	7,173
E-pia Tech.Co., Ltd.	245,343	21.30%	3,750	1,001	1,094
Capro Corp.	8,417,708	21.04%	9,114	22,789	22,672

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Chin Hung International Inc. (common shares) ⁴	68,398,858	23.95%	68,453	56,521	51,104
Chin Hung International Inc. (preferred shares 1)	1,427,820	14.28%	1,263	1,726	1,726
Chin Hung International Inc. (preferred shares 2)	1,251,920	29.81%	1,079	1,442	1,442
Chin Hung International Inc. (preferred shares 3)	30,998,003	100.00%	19,219	33,597	19,753
Taebaek Wind Power Co., Ltd.	703,500	35.00%	3,518	-	3,518
Taeon Solar Farm Co., Ltd.	420,000	100.00%	2,100	1,880	1,880
Hongjin Data Service ¹	660,000	65.52%	3,300	3,778	3,300
Hyosung Construction Co., Ltd. ²	172,000	50.59%	860	(5,720)	-
Hyosung Ebara Engineering Co., Ltd.	1,220,000	81.33%	12,200	17,407	17,435
Hyosung Ebara Co., Ltd.	1,206,000	67.00%	12,060	45,374	44,288
Hyosung Wind Power holdings Ltd. ¹	240,000	100.00%	1,200	1,399	1,200
Hyosung Information System Co., Ltd.	173,000	50.00%	865	24,860	24,860
Hyosung Capital Co., Ltd. ³	8,809,052	97.15%	295,260	285,036	361,762
Hyosung Toyota Corp. ¹	4,000	40.00%	20	-	20
Hyosung Investment & Development Corp.	94,000	58.75%	470	35,564	34,798
Hyosung Trans World Co., Ltd.	60,000	100.00%	300	4,698	4,698
Hyosung ITX Co., Ltd.	4,349,000	34.99%	3,675	7,836	6,961
Baoding Hyosung Tianwei Transformer Co., Ltd.	-	80.00%	5,886	8,145	4,683
Beijing Hyosung Container Co., Ltd.	-	100.00%	5,574	21,526	21,526
Hyosung (H.K) Ltd.	621,660	100.00%	87,160	829	829
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	-	100.00%	97,883	179,432	166,881
Hyosung Deutschland GmbH ²	490,000	100.00%	74,014	-	-
Hyosung Europe S.R.L.	-	100.00%	4,642	4,575	3,704
Hyosung Holdings USA	-	100.00%	83,429	20,236	89,589
Hyosung International Trade (Jiaxing) Co., Ltd.	-	100.00%	929	1,409	1,295
Hyosung Istanbul TEKSTIL LTD. STI	-	76.66%	9,354	17,248	12,621
Hyosung Japan Co., Ltd.	790,000	100.00%	17,746	7,634	6,899
Hyosung Luxembourg S.A	-	100.00%	16,156	20,166	18,535
Hyosung Brasil Industrial & Commercial Ltd.	-	100.00%	4,408	8,607	8,607
Hyosung Power Holdings Co., Ltd.	-	100.00%	64,944	46,597	45,941
Hyosung Chemicals (Jiaxing) Co., Ltd.	-	100.00%	6,454	4,940	4,848
Hyosung Resource(Australia)PTY Ltd. ¹	2,179,083	100.00%	1,700	1,854	1,700
Hyosung Singapore PTE Ltd. ²	96,800	100.00%	30,519	(156)	-

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Hyosung Spandex (Guang Dong) Co., Ltd.	45,305	100.00%	47,485	134,121	111,021
Hyosung Spandex(Jiaxing) Co., Ltd.	-	100.00%	57,241	132,995	131,591
Hyosung Spandex(Zhuhai) Co., Ltd.	-	75.00%	26,136	17,932	24,644
Hyosung Steel Cord (Nanjing) Co., Ltd.	-	100.00%	36,837	33,798	33,798
Hyosung Steel Cord (Qingdao) Co., Ltd.	-	100.00%	49,168	43,679	43,529
Hyosung Vietnam Co., Ltd.	-	88.21%	47,591	64,374	49,192
Lanka Synthetic Fibre Co.,Ltd. ²	148,930,000	98.31%	22,447	-	-
OpCo GmbH ²	9,470	98.85%	18,289	(641)	-
Xepix Corp.	2,391,667	74.93%	29,506	2,768	2,768
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	64.50%	4,781	10,438	10,404
Total	313,517,436		₩1,324,221	₩1,407,742	₩1,485,472

¹ The equity method was not applied because 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 capital deficiency.

³ During the first quarter of 2009, Hyosung Capital Co., Ltd. merged with StarLease Co., Ltd.

⁴ In 2009, the percentage of ownership on Chin Hung International Inc. (common shares) decreased from 43.81% to 23.95% due to subsidiary's unequivalent capital increase.

(in millions of Korean won)

Investee	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

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Chin Hung International Inc. (preferred shares)	30,998,003	100.00%	19,219	42,277	26,687
Taeon Solar Farm Co., Ltd. ¹	420,000	100.00%	2,100	2,196	2,100
Hongjin Data Service ¹	660,000	65.52%	3,300	5,766	3,300
Hyosung Construction Co., Ltd. ²	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 ⁴	-	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. ²	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 Fiber Co.,Ltd. ²	148,930,000	98.31%	-	-	-
OpCo GmbH ²	9,470	98.85%	18,289	-	-

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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	<u>291,239,008</u>		<u>₩1,261,696</u>	<u>₩1,368,642</u>	<u>₩1,468,462</u>

¹ The equity method was not applied because 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 capital deficiency.

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

⁴ In 2008, the Company established Hyosung Holdings USA by investing the equity securities of Hyosung America Inc., Hyosung USA Inc. and HICO America Sales & Tech.

Changes in goodwill for equity-method investments for the years ended December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

Investee	2009			
	Beginning balance	Increase (Decrease)	Amortization	Ending balance
Hyosung Capital Co., Ltd. ¹	₩ 107,417	₩ -	₩ (30,691)	₩ 76,726
Galaxiaphotonics Co., Ltd.	2,584	-	(825)	1,759
Capro Corp.	(75)	-	75	-
Hyosung ITX Co., Ltd.	(1,748)	-	874	(874)
Hyosung Power Holdings Co., Ltd.	191	-	(100)	91
Hyosung Spandex (Zhuhai) Co., Ltd.	9,980	-	(3,327)	6,653
Hyosung Holdings USA	3,323	-	(1,108)	2,215
Chin Hung International Inc.	(27,453)	5,020	3,172	(19,261)
E-pia Tech Co., Ltd.	129	-	(32)	97
Soul Flora Co., Ltd	-	115	(23)	92
Total	<u>₩ 94,348</u>	<u>₩ 5,135</u>	<u>₩ (31,985)</u>	<u>₩ 67,498</u>

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(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

¹ During the first quarter of 2009, Hyosung Capital Co., Ltd. merged with StarLease Co., Ltd.

Details of the elimination of unrealized gain or loss arising from intercompany transactions as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

Investee	2009			2008		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
E-pia Tech Co., Ltd.	₩ 4	₩ -	₩ 4	₩ -	₩ -	₩ -
Capro Corp.	81	-	81	(94)	-	(94)
Hyosung Ebara Co., Ltd.	675	-	675	69	-	69
Hyosung Ebara Engineering Co., Ltd.	12	-	12	3	-	3
Hyosung Investment & Development Corp.	(1,501)	-	(1,501)	701	-	701
Hyosung Holdings USA	4,841	-	4,841	4,499	-	4,499
Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	63	(98)	(35)	383	(98)	285
Hyosung Europe SRL	185	-	185	63	-	63

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Hyosung International Trade (Jiaxing) Co., Ltd.	10	-	10	105	-	105
Hyosung Japan Co., Ltd.	(2,200)	-	(2,200)	2,044	-	2,044
Hyosung Luxembourg S.A	980	-	980	175	-	175
Hyosung Power Holdings Co., Ltd.	(153)	-	(153)	906	-	906
Hyosung Spandex (GuangDong) Co., Ltd.	-	(66)	(66)	-	(66)	(66)
Hyosung Spandex (Zhuhai) Co., Ltd.	-	-	-	(2)	-	(2)
Hyosung Spandex (Jiaxing) Co., Ltd.	(6)	-	(6)	5	-	5
Hyosung Steel Cord (Qingdao)Co., Ltd.	-	(41)	(41)	(17)	(41)	(58)
Hyosung Vietnam Co., Ltd.	3,894	-	3,894	-	-	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	3	-	3	(237)	-	(237)
Total	₩ 6,888	₩ (205)	₩ 6,683	₩ 8,603	₩ (205)	₩ 8,398

Changes in investments in subsidiaries and associates accounted for using the equity method for the years ended December 31, 2009 and 2008 are as follows:

(in millions of Korean won)

Investee	2009				
	Beginning balance	Gain(loss) from equity method valuation	Changes in equity under the equity method	Others ¹	Ending balance
Nautilus Hyosung Inc.	₩ 56,074	₩ 9,534	₩ (430)	₩ -	₩ 65,178
The Class Hyosung Co., Ltd.	5,811	1,373	-	-	7,184
Soul Flora Co., Ltd	-	(466)	(117)	7,755	7,172
E-pia Tech Co., Ltd.	1,052	(195)	(1)	238	1,094
Epiplus Inc.	5,538	(2,288)	(531)	5,989	8,708
Capro Corp.	21,415	1,687	(430)	-	22,672
Chin Hung International Inc.	94,350	(27,557)	(3,572)	10,803	74,024
Taeon Solar Farm Co., Ltd	2,100	87	(307)	-	1,880
Hyosung Construction Co., Ltd. ³	-	-	-	-	-
Hyosung Ebara Engineering Co., Ltd.	14,594	3,761	(920)	-	17,435
Hyosung Ebara Co., Ltd.	33,954	12,143	-	(1,809)	44,288
Hyosung Information System Co., Ltd.	20,251	5,473	-	(865)	24,859
Hyosung Capital Co., Ltd.	371,984	(15,907)	5,685	-	361,762

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Hyosung Investment & Development Corp.	33,690	1,312	(204)	-	34,798
Hyosung Trans World Co., Ltd.	12,774	1,924	-	(10,000)	4,698
Hyosung ITX Co., Ltd.	7,740	1,019	(1,793)	(4)	6,962
Baoding Hyosung Tianwei Transformer Co., Ltd.	8,134	(2,144)	(1,307)	-	4,683
Beijing Hyosung Container Co., Ltd. ⁴	22,803	367	(1,645)	-	21,525
Hyosung (H.K) Ltd. ⁴	1,508	(623)	(55)	-	830
Hyosung Chemicals (Jiaxing) Co., Ltd.	-	(123)	(1,483)	6,454	4,848
Hyosung Chemical Fiber (Jiaxing) Co., Ltd. ⁴	150,631	30,365	(14,115)	-	166,881
Hyosung Europe SRL	3,381	600	(278)	-	3,703
Hyosung Holdings USA	88,731	8,519	(7,660)	-	89,590
Hyosung International Trade (Jiaxing) Co., Ltd.	1,455	(54)	(107)	-	1,294
Hyosung Istanbul TEKSTIL LTD.STI ⁴	7,746	5,816	(941)	-	12,621
Hyosung Japan Co., Ltd.	4,146	3,518	(764)	-	6,900
Hyosung Luxembourg S.A	20,527	(762)	(1,229)	-	18,536
Hyosung Brasil Industrial & Commercial Ltd.	6,462	545	1,600	-	8,607
Hyosung Power Holdings Co., Ltd.	64,205	(15,278)	(2,986)	-	45,941
Hyosung Singapore PTE Ltd. ³	-	-	-	-	-
Hyosung Spandex (GuangDong) Co., Ltd.	121,612	6,600	(17,191)	-	111,021
Hyosung Spandex (Jiaxing) Co., Ltd.	135,924	5,884	(10,217)	-	131,591
Hyosung Spandex (Zhuhai) Co., Ltd.	31,575	(5,549)	(1,382)	-	24,644
Hyosung Steel Cord (Nanjing) Co., Ltd.	8,773	(3,559)	(274)	28,859	33,799
Hyosung Steel Cord (Qingdao) Co., Ltd.	49,139	(2,319)	(3,291)	-	43,529
Hyosung Vietnam Co., Ltd.	43,398	15,044	(9,250)	-	49,192
OpCo GmbH ^{3&4}	-	-	-	-	-
Xepix Corp. ⁴	3,690	(580)	(342)	-	2,768
Zhangjiagang Xiaosha Coil Service Co., Ltd. ⁴	6,889	(218)	1,757	1,976	10,404
Securities under cost method ²	6,406	-	-	3,445	9,851
Total	₩1,468,462	₩ 37,949	₩ (73,780)	₩ 52,841	₩1,485,472

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¹ Other increase (decrease) represents 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 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 equity method was discontinued as the book value of equity-method investments has decreased to zero.

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.

(in millions of Korean won)

Investee	2008				
	Beginning balance	Gain(loss) from equity method valuation	Changes in equity under the 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

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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
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) represents 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.

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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 the book value of equity-method investments has decreased to zero.

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

<i>(in millions of Korean won)</i>	2009		2008	
Beginning	₩	82,796	₩	80,285
Increase (Decrease)		(10,361)		2,511
Ending	₩	<u>72,435</u>	₩	<u>82,796</u>

Summarized financial information of equity-method investees as of December 31, 2009 and 2008, follows:

(in millions of Korean won)

Investee	2009			
	Total assets	Total liabilities	Revenue	Net income (loss)
Galaxiaphotonics Co., Ltd.	₩ 25,662	₩ 12,778	₩ 13,343	₩ (2,700)
Nautilus Hyosung Inc.	249,683	99,851	327,308	22,459
The Class Hyosung Co., Ltd.	33,839	21,457	178,376	2,380
Soul Flora Co., Ltd.	55,111	40,046	-	(942)
E-pia Tech Co., Ltd.	7,713	3,015	2,468	(1,222)
Capro Corp.	410,089	301,800	685,450	8,442
Chin Hung International Inc.	972,891	686,370	614,205	(98,893)
Taeon Solar Farm Co., Ltd.	10,650	8,770	1,391	(11)
Hyosung Construction Co., Ltd.	115,034	126,342	34,569	(11,475)
Hyosung Ebara Engineering Co., Ltd.	82,243	60,841	150,074	4,586
Hyosung Ebara Co., Ltd.	143,950	76,228	218,639	19,063
Hyosung Information System Co., Ltd.	138,789	89,069	216,698	10,947
Hyosung Capital Co., Ltd.	1,428,455	1,135,065	166,176	15,875
Hyosung Investment & Development Corp.	56,625	1,410	598	(38)
Hyosung Trans World Co., Ltd.	25,442	20,744	163,346	1,924
Hyosung ITX Co., Ltd.	55,014	32,631	122,792	405
Baoding Hyosung Tianwei Transformer Co., Ltd.	40,937	30,756	28,140	(2,621)
Beijing Hyosung Container Co., Ltd.	21,954	429	8,479	367
Hyosung (H.K) Ltd.	2,787	1,958	16,132	(623)

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Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	298,400	118,968	259,688	30,266
Hyosung Chemicals (Jiaxing) Co., Ltd.	51,113	31,351	-	(123)
Hyosung Europe SRL	18,858	14,283	30,015	785
Hyosung Holdings USA	404,902	384,666	893,993	4,475
Hyosung International Trade (Jiaxing) Co., Ltd.	19,954	18,544	191,794	(44)
Hyosung Istanbul TEKSTIL LTD.STI	162,309	139,810	87,411	4,434
Hyosung Japan Co., Ltd.	87,470	79,836	453,687	1,242
Hyosung Luxembourg S.A	150,045	129,879	209,197	231
Hyosung Brasil Industrial & Commercial Ltd.	11,439	2,831	10,028	545
Hyosung Power Holdings Co., Ltd.	53,817	7,220	-	(15,336)
Hyosung Singapore PTE Ltd.	10,495	10,650	175,756	381
Hyosung Spandex (GuangDong) Co., Ltd.	189,270	55,149	141,329	6,479
Hyosung Spandex (Jiaxing) Co., Ltd.	170,051	37,056	113,882	5,839
Hyosung Spandex (Zhuhai) Co., Ltd.	49,828	25,919	34,856	(3,109)
Hyosung Steel Cord (Nanjing) Co., Ltd.	36,848	3,050	5,315	(3,559)
Hyosung Steel Cord (Qingdao) Co., Ltd.	161,933	118,254	117,443	(2,461)
Hyosung Vietnam Co., Ltd.	374,725	301,751	257,176	21,435
OpCo GmbH	8,299	8,948	-	-
Xepix Corp.	5,399	1,705	5,685	358
Zhangjiagang Xiaosha Coil Service Co., Ltd.	22,010	5,827	35,338	(333)
Total	₩6,164,033	₩4,245,257	₩ 5,970,777	₩ 19,428

(in millions of Korean won)

2008

Investee	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

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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, Inc.	463,780	446,395	768,538	(5,147)
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 LTDA	6,952	490	10,197	1,090
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	<u>₩6,071,009</u>	<u>₩4,301,512</u>	<u>₩ 5,528,624</u>	<u>₩ 27,923</u>

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Book and market values of marketable equity method investments as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
	Market value	Book value	Market value	Book value
Capro Corp.	₩ 79,968	₩ 22,672	₩ 35,859	₩ 21,415
Hyosung ITX Co., Ltd.	14,613	6,961	9,811	7,740
Chin Hung International Inc. (common shares)	62,585	51,104	90,285	67,663
Chin Hung International Inc. (preferred shares 1)	1,199	1,726	-	-
Chin Hung International Inc. (preferred shares 2)	1,089	1,442	-	-

7. Related Party Transactions

The ultimate parent individual of the Company as of December 31, 2009, is Cho Seok Rae.

Details of subsidiaries as of December 31, 2009, are as follows:

Related Party	Location	Industry	Fiscal year end
Subsidiaries			
Nautilus Hyosung Inc.	Korea	Computer system development	December 31
The Class Hyosung Co., Ltd.	Korea	Sale of new motor vehicles	December 31
Galaxiaphotonics Co., Ltd.	Korea	Manufacture and sale of wafer and LED chips	December 31
Chin Hung International Inc.	Korea	Construction	December 31
Taeon Solar Farm Co., Ltd.	Korea	Photovoltaic power generation	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
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	Manufacture and sale of transformers	December 31

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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 Chemicals (Jiaxing) Co., Ltd.	China	Manufacture of chemical products	December 31
Hyosung Europe SRL	Italy	General trading	December 31
Hyosung Holdings USA, Inc.	USA	Holding company	December 31
Hyosung International Trade (Jiaxing) Co., Ltd.	China	General trading	December 31
Hyosung Istanbul Tekstil Ltd. STI	Turkey	Manufacture and sale of spandex	December 31
Hyosung Japan Co., Ltd.	Japan	General trading	December 31
Hyosung Luxembourg S.A	Luxem-burg	Manufacture and sale of tire cords	December 31
Hyosung Power Holdings Co., Ltd.	Cayman Islands	Manufacture of transformers	December 31
Hyosung Singapore PTE Ltd.	Singapore	General trading	December 31
Hyosung Spandex (Guangdong) Co., Ltd.	China	Manufacture and sale of spandex	December 31
Hyosung Spandex (Jiaxing) Co., Ltd.	China	Manufacture and sale of spandex	December 31
Hyosung Spandex (Zhuhai) Co., Ltd.	China	Manufacture and sale of spandex	December 31
Hyosung Steel Cord (Nanjing) Co., Ltd.	China	Manufacture and sale of steel cords	December 31
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	Manufacture and sale of steel cords	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 sale of transformers	December 31
Nantong Yaubong Transformer Co., Ltd.	China	Manufacture and sale of transformers	December 31
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	Manufacture of steel products	December 31
Hyosung FMS Inc.	Korea	System and application software development and supply	December 31
Taeuk Construction Co., Ltd	Korea	Construction	December 31
Nautilus Hyosung America Inc.	USA	Service and sale of ATM, CD	December 31
Beijing Hyosung Computer Technologies Co., Ltd.	China	Manufacture and sale of computer components	December 31

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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
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
Hyosung Toyota Co., Ltd.	Korea	Sales of motor vehicles	December 31
Soul Flora Inc.	Korea	Real estate service	December 31
Beijing Hyosung Food& Beverage Co., Ltd.	China	Restaurant business	December 31
Hyosung Brasil Industrial & Commercial Ltd.	Brazil	Manufacture and sale of tire cords	December 31
OpCo GmbH	Germany	Manufacture of film	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
Lanka Synthetic Fibre Co., Ltd.	Srilanka	Manufacture of polyester	December 31
Taebaek Wind Power Co., Ltd.	Korea	Wind power generation	December 31
Xepix Corp.	USA	LED research	December 31

Others

Doomi development	Korea	Golf course management	December 31
Galaxia Media Co., Ltd.	Korea	Internet telecommunication network	December 31
Gangreng Wind Power	Korea	Development, construction and management of wind turbine plant	December 31
NH Technology	Korea	Management of computer facility	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
Galaxia Electronics	Korea	Wholesale of computers , peripheral equipment and software	December 31
Galaxia Communications	Korea	System software development and supply	December 31
Shin Dong Jin Co., Ltd	Korea	Sale of real estate and rental business	December 31
Dong Ryung Co., Ltd.		Real estate rental business	December 31

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Trinity Asset Managemet Inc.		Sale of real estate and rental business	December 31
Galaxia Display Corp.	Korea	Manufacture of electronic components	December 31
Galaxia Device Co., Ltd.	Korea	Manufacture of electronic components	December 31
Lux Max Networks	Korea	Manufacture of diode, transistor and semiconductor device	December 31
Lux Max	Korea	Lighting 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
Flower Entertainment	Korea	Talent management	December 31
Qiangdao Amyung Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Hanil Lease Finace (HK) Ltd.	Korea	Financial business	March 31
Hyosung International(HK) Ltd.	Korea	General trading	December 31
Tera China Co., Ltd.	China	Manufacture of electronic components	December 31
Qingdao Tiandi Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Qingdao Zhiyu Jingmi Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Qingdao Am Co., Ltd.	China	Manufacture of electronic components	December 31
Qiangdao Solim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Weihai Solim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Weihai New Solim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31

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Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	Related Party	2009		2008	
		Sales	Purchases	Sales	Purchases
Subsidiaries					
	Nautilus Hyosung Inc.	₩ 1,857	₩ 13,933	₩ 2,105	₩ 14,311
	The Class Hyosung Co.,Ltd.	1,155	211	1,153	47
	Galaxia Photonics Inc.	262	113	-	344
	Chin Hung International Inc.	350	-	1,972	-
	Taeam Solar Farm Co., Ltd.	-	-	10,281	-
	Hyosung Construction Co., Ltd.	32,827	3,036	50,558	21,070
	Hyosung Ebara Co., Ltd.	29,363	1,106	19,951	1,313
	Hyosung Ebara Engineering Co., Ltd.	9,624	3,106	1,168	1,479
	Hyosung Capital Co., Ltd.	12	131	45	101
	Hyosung Investment & Development Corp.	3,885	-	50,372	-
	Hyosung Trans World Co., Ltd.	16	157,408	14	155,731
	Baoding Hyosung	7,499	173	68	6,033
	Tianwei Transformer Co., Ltd.				
	Beijing Hyosung Container Co., Ltd.	1	-	5	-
	HICO America Sales & Tech.,Inc.	266,122	375	24,644	89
	Hyosung America Inc.	276,169	8,883	235,923	7,294
	Hyosung Chemical Fiber (Jiaying) Co., Ltd.	32,008	85,106	32,250	103,322
	Hyosung Chemicals (Jiaying) Co., Ltd.	6,379	-	-	-
	Hyosung Europe SRL	10,554	2,300	14,447	2,621
	Hyosung International Trade (Jiaying) Co.,Ltd.	855	553	832	232
	Hyosung Istanbul Tekstil Ltd.STI	41,757	899	24,985	1,137
	Hyosung Japan Co., Ltd.	186,854	98,139	205,354	141,500
	Hyosung Luxembourg S.A	55,631	208	29,848	290
	Hyosung Singapore PTE Ltd.	150,159	578	30,250	429
	Hyosung Spandex (Guangdong) Co., Ltd.	9,567	2,926	9,752	4,970
	Hyosung Spandex (Jiaying) Co., Ltd.	7,983	18	7,523	-
	Hyosung Spandex (Zhuhai) Co., Ltd.	2,247	-	3,069	-
	Hyosung Steel Cord (Nanjing) Co., Ltd.	52	-	1,762	-
	Hyosung Steel Cord (Qingdao) Co., Ltd.	24,447	140	30,223	115
	Hyosung USA Inc.	53,206	2,522	155,250	-
	Hyosung Vietnam Co., Ltd.	122,061	128,425	122,606	26,033
	Nantong Hyosung Transformer Co., Ltd.	17,506	2	18,925	-
	Nantong Yaubong Transformer Co., Ltd.	241	-	172	-

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Zhangjiagang Xiaosha Coil Service Co., Ltd.	3,146	295	6,678	136
Hyosung FMS Inc.	1	-	11	-
Equity-method investees				
E-pia Tech Co., Ltd.	56	-	81	-
Capro Corp.	1,001	342,236	1,581	420,504
Hyosung ITX Co., Ltd.	18	26	13	148
Hyosung Information System Co., Ltd.	48	-	72	-
Hyosung Brasil Industrial & Commercial Ltd.	686	-	-	-
OpCo GmbH	-	17	23	175
Hyosung (H.K) Ltd.	6,304	800	23,758	1,624
Xepix Corp.	98	4,472	11	4,024
Others				
Doomi Development	6,034	-	-	-
Info Bada	-	-	-	7
NH Techlogogy	15	63	15	96
Aegis Hyosung Co.	-	6	-	7
Galaxia Electronics	1	508	-	879
Galaxia Communications	-	2,183	-	719
Shin Dong Jin Co., Ltd	25,806	933	-	-
Trinity Asset Management Co., Ltd	-	1,266	-	-
Hyosung International(HK) Ltd.	15,434	-	-	-
	<u>₩1,409,297</u>	<u>₩ 863,096</u>	<u>₩1,117,750</u>	<u>₩ 916,780</u>

Balances of receivables and payables with related companies as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
	Receivables	Payables	Receivables	Payables
Related Party				
Subsidiaries				
Nautilus Hyosung Inc.	₩ 40	₩ 2,187	₩ 43	₩ 1,531
The Class Hyosung Co.,Ltd.	105	-	-	3
Galaxia Photonics Inc.	-	11	-	-
Chin Hung International Inc.	17,736	-	25,547	-
Hyosung Construction Co., Ltd.	102,704	467	77,370	2,874
Hyosung Ebara Co., Ltd.	4,623	335	6,675	522
Hyosung Ebara Engineering Co., Ltd.	4,311	3,852	156	1,079
Hyosung Capital Co., Ltd.	24	-	24	-
Hyosung Investment & Development Corp.	-	-	2,500	-

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Hyosung Trans World Co., Ltd.	2	21,557	2	24,478
Baoding Hyosung	156	158	146	-
Tianwei Transformer Co., Ltd.				
Beijing Hyosung Container Co., Ltd.	-	-	3	-
HICO America Sales & Tech., Inc.	12	332	-	306
Hyosung America Inc.	4,545	3,960	4,240	2,414
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	4,155	11,790	4,709	1,897
Hyosung Chemicals (Jiaxing) Co., Ltd.	29	24	-	-
Hyosung Europe SRL	66	368	14	380
Hyosung Holdings USA, Inc.	-	-	-	-
Hyosung International Trade (Jiaxing) Co., Ltd.	-	24	-	44
Hyosung Istanbul Tekstil Ltd. STI	9,833	101	4,055	94
Hyosung Japan Co., Ltd.	663	53,710	833	99,582
Hyosung Luxembourg S.A	39	116	55	-
Hyosung Singapore PTE Ltd.	1,489	361	1,456	183
Hyosung Spandex (Guangdong) Co., Ltd.	5,000	-	12,687	-
Hyosung Spandex (Jiaxing) Co., Ltd.	4,002	-	3,888	-
Hyosung Spandex (Zhuhai) Co., Ltd.	3,038	-	4,604	-
Hyosung Steel Cord (Nanjing) Co., Ltd.	93	-	53	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	3,995	-	5,292	-
Hyosung USA Inc.	373	-	93	-
Hyosung Vietnam Co., Ltd.	3,123	45	2,878	117
Nantong Hyosung Transformer Co., Ltd.	702	-	1,093	-
Nantong Yaobong Transformer Co., Ltd.	513	-	212	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	88	-	38
Hyosung FMS Inc.	-	-	1	-
Equity-method investees				
E-pia Tech Co., Ltd.	22	-	-	-
Capro Corp.	101	70,382	74	45,072
Hyosung Information System Co., Ltd.	17	-	15	-
OpCo GmbH	6	18	6	18
Hyosung (H.K) Ltd.	668	775	692	646
Others				
Doomi Development	6,815	-	-	-
Info Bada	-	-	-	3
NH Techlogogy	1	21	2	106
Aegis Hyosung Co.	-	-	-	1
Galaxia Electronics	-	92	-	138
Galaxia Communications	6	336	-	94

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Shin Dong Jin Co., Ltd.	31,539	-	14,137	-
Hyosung International(HK) Ltd.	92	49	-	-
	<u>₩ 210,638</u>	<u>₩ 171,159</u>	<u>₩ 173,555</u>	<u>₩ 181,620</u>

¹ The amount of allowance for doubtful accounts receivables from the related parties is ₩34,953 million (2008: ₩5,986 million) in 2009, and the ₩28,607 million of bad debts expense was recorded during 2009.

Short-term loans to related parties as of December 31, 2009 are as follows:

Company	Amounts	Exchange rate	Korean won equivalent
Subsidiary			<i>(in millions)</i>
Hyosung Power Holdings Co.,Ltd.	USD 6,141,298	1,167.60	7,171
OpCo GmbH	EUR 2,505,299	1,674.28	4,194
OpCo GmbH	USD 3,024,683	1,167.60	3,532

Key management compensation for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Short-term employee benefits	₩ 5,131	₩ 4,855

Details of pledges and guarantees provided to related parties by the Company as of December 31, 2009 and 2008, are as follows :

Related Party	2009			
	Guaranteed amount	Type of loan	Credit amount	Creditor
Subsidiaries				
Hyosung America Inc.	₩ 11,676	Foreign currency loans and others	₩ -	Shinhan Bank and others
HICO America Sales & Tech., Inc.	23,352	Foreign currency loans and others	5,838	Woori Bank and others
Hyosung Japan Co., Ltd.	136,194	Foreign currency loans and others	46,328	Woori Bank and others
Hyosung Europe SRL	701	Foreign currency loans and others	-	Korea Exchange Bank
Hyosung Spandex (Zhuhai) Co., Ltd.	19,849	Operating capital and others	19,849	Korea Development Bank and others

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Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	35,028	Facility loans and others	10,508	Korea Development Bank and others
Hyosung Steel Cord (QingDao) Co., Ltd.	95,743	Facility loans and others	94,576	Woori Bank and others
Baoding Hyosung Tianwei Transformer Co., Ltd.	14,867	Facility loans and others	14,301	Woori Bank and others
Nantong Hyosung Transformer Co., Ltd.	151,501	Facility loans and others	104,476	Hana Bank and others
Hyosung Steel Cord(Nanjing) Co., Ltd.	2,137	Facility loans and others	855	Hana Bank
Hyosung USA, Inc.	156,342	Operating capital and others	81,732	Korea Exchange Bank
Hyosung Holdings USA, Inc.	25,687	Operating capital and others	5,721	Kookmin Bank and others
Hyosung Luxembourg S.A.	65,460	Operating capital and others	52,904	The Export-Import Bank of Korea and others
Hyosung Vietnam Co., Ltd.	295,403	Facility loans and others	265,419	Woori Bank and others
Hyosung Istanbul Tekstil Ltd. STI	108,003	Facility loans and others	108,003	The Export-Import Bank of Korea and others
Hyosung Singapore Pte, Ltd.	11,676	Foreign currency loans and others	269	Hana Bank and others
Others				
Hyosung International(HK) Ltd.	20,550	Foreign currency loans and others	468	Shinhan Bank and others
	<u>₩1,174,169</u>		<u>₩ 811,247</u>	

(in millions of Korean won)

2008

Related Party	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

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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
Baoding Hyosung Tianwei Transformer Co., Ltd.	15,394	Facility loans and others	15,394	Woori Bank and others
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>	

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8. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009					
	Land	Buildings	Machinery	Construction in-progress	Others	Total
Beginning balances	₩ 1,593,718	₩ 520,189	₩ 565,868	₩ 158,740	₩ 137,223	₩ 2,975,738
Acquisition	15,730	20,240	43,007	202,076	26,230	307,283
Disposal	(5,210)	(1,339)	(472)	(1,108)	(273)	(8,402)
Depreciation	-	(17,710)	(148,078)	-	(16,552)	(182,340)
Impairment ¹	-	(4,977)	(4,891)	-	-	(9,868)
Transfer ²	-	17,018	67,580	(78,022)	(7,570)	(994)
Ending balance	<u>₩ 1,604,238</u>	<u>₩ 533,421</u>	<u>₩ 523,014</u>	<u>₩ 281,686</u>	<u>₩ 139,058</u>	<u>₩ 3,081,417</u>

¹ Due to the suspension of the spandex manufacturing operations in Anyang, the Company recognized ₩4,891 million as impairment loss, which is the difference between the book value and recoverable amount. The Company also recognized the impairment loss of ₩4,977 million for its building received as payment in kind. The recoverable amount is estimated based on net realizable value.

² Transfer includes supplies and loss on impairment of other tangible assets.

<i>(in millions of Korean won)</i>	2008					
	Land	Buildings	Machinery	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	29,705	278,513
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>₩ 137,223</u>	<u>₩ 2,975,738</u>

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

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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, 2009, is ₩739,000 million (2008 : ₩726,265 million).

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

As of December 31, 2009, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately ₩1,065,368 million (2008 : ₩1,065,855 million).

9. Intangible Assets

Changes in intangibles assets for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009			
	Industrial property	Right to utilization	Other intangible assets	Total
Beginning Balance	₩ 5,155	₩ 68	₩ 4,376	₩ 9,599
Acquisition	1,793	-	-	1,793
Transfer	-	-	86	86
Amortization	(869)	(13)	(768)	(1,650)
Ending Balance	<u>₩ 6,079</u>	<u>₩ 55</u>	<u>₩ 3,694</u>	<u>₩ 9,828</u>

<i>(in millions of Korean won)</i>	2008			
	Industrial property	Right to utilization	Other intangible assets	Total
Beginning Balance	₩ 4,340	₩ 91	₩ 5,171	₩ 9,602
Acquisition	1,582	-	15	1,597
Amortization	(767)	(23)	(810)	(1,600)
Ending Balance	<u>₩ 5,155</u>	<u>₩ 68</u>	<u>₩ 4,376</u>	<u>₩ 9,599</u>

Amortization of intangible assets is charged to the following accounts:

<i>(in millions of Korean won)</i>	2009	2008
Production costs	₩ 288	₩ 296
Selling and administrative expenses ¹	1,362	1,304
Total	<u>₩ 1,650</u>	<u>₩ 1,600</u>

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¹ Selling and administrative expenses include amortization and R&D expenses.

10. Insurance Coverage

As of December 31, 2009, 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	₩ 533,421	₩ 900,362	Samsung Fire and Marine Insurance Co. and others
	Structures	91,734	99,901	
	Machinery	523,013	2,723,154	
	Inventories	470,877	416,823	
	Vehicles and tools	34,863	45,382	
	Total	₩ 1,653,908	₩ 4,185,622	

11. Government Grants

Changes in government grants for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Beginning balance	₩ 22,272	₩ 14,334
Increase	11,582	13,901
Decrease	(6,158)	(5,963)
Ending balance	<u>₩ 27,696</u>	<u>₩ 22,272</u>

The Company entered into development agreements with Korea Electric Power Research Institute and other 19 parties for 33 national projects, including the electric power converter project for 250 KW fuel cells.

The Company received ₩11,582 million in government grants for these projects during the year ended December 31, 2009, and the balance of government grants as of December 31, 2009, is recorded as withholdings and long-term accounts payable of ₩17,725 million and ₩9,971 million, respectively.

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12. Debentures

Debentures as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate as of December 31, 2009	2009	2008
225-1 st Public subscription bond	2009.01.25	6.37%	₩ -	₩ 150,000
225-2 nd Public subscription bond	2011.01.25	7.02%	30,000	30,000
229-1 st Public subscription bond	2009.07.06	5.80%	-	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	50,000
235-2 nd Public subscription bond	2011.03.13	5.79%	70,000	70,000
235-3 rd Public subscription bond	2013.03.13	6.06%	30,000	30,000
236-1 st Public subscription bond	2010.07.24	6.78%	20,000	20,000
236-2 nd Public subscription bond	2011.07.24	6.87%	100,000	100,000
236-3 rd Public subscription bond	2013.07.24	7.00%	30,000	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	25,000
237-3 rd Public subscription bond	2011.12.31	8.85%	20,000	20,000
238-1 st Public subscription bond	2010.01.22	8.40%	20,000	-
238-2 nd Public subscription bond	2011.01.22	8.60%	60,000	-
238-3 rd Public subscription bond	2012.01.22	8.70%	70,000	-
239 th Private subscription bond	2010.02.02	6.75%	30,000	-
240 th Private subscription bond	2010.02.02	7.11%	30,000	-
241-1 st Public subscription bond	2011.03.19	6.00%	30,000	-
241-2 nd Public subscription bond	2012.03.19	6.60%	80,000	-
241-3 rd Public subscription bond	2013.03.19	6.90%	40,000	-
			<u>1,085,000</u>	<u>990,000</u>
Less : Current portion of debentures			(385,000)	(265,000)
Discounts on bond			<u>(1,863)</u>	<u>(2,140)</u>
			<u>₩ 698,137</u>	<u>₩ 722,860</u>

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13. Borrowings

Short-term borrowings as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>		Interest rate as of December 31, 2009	2009	2008
	Bank			
Local currency short-term borrowings				
General loans	National Agricultural Cooperative Foundation	6.93%	₩ 10,000	₩ 10,000
	Shinhan Bank	-	-	20,000
	Industrial Bank of Korea	-	-	10,000
	The Export-Import Bank of Korea	-	-	50,000
	Kyung Nam Bank	-	-	43,000
	SC First Bank	-	-	20,000
	Hana Bank	-	-	10,000
	Kookmin Bank	-	-	20,000
	National Federation of Fisheries Cooperative	-	-	20,000
	Woori Bank	6.76%	30,000	70,000
Trading loans	Woori Bank	-	-	20,000
	Korea Development Bank	-	-	50,000
Other loans	Hi Investment & Securities	6.05%	31,300	-
	Eugene Securities	5.79%	40,000	-
			<u>111,300</u>	<u>343,000</u>
Foreign currency short-term borrowings				
Usance	Woori Bank and other	LIBOR + 1.35~6.99%	<u>235,830</u>	<u>234,880</u>
			<u>₩ 347,130</u>	<u>₩ 577,880</u>

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Long-term borrowings as of December 31, 2009 and 2008, are as follows:

Local currency long-term borrowings

<i>(in millions of Korean won)</i>	Bank	Interest rate as of December 31, 2009	2009	2008
Facility loans	Korea Development Bank	3.25%~7.59%	₩ 156,747	₩ 104,279
Operating capital	Korea Development Bank	4.77%~7.82%	78,000	158,000
Facility loans	Korea Development Bank Capital	1.75%~3.25%	13,629	10,201
Facility loans	Korea Housing Guarantee Co., Ltd.	1.00%	4,400	4,400
Operating capital	Woori Bank	5.98%	30,000	60,000
Operating capital	Korea Exchange Bank	6.41%	20,000	50,000
Operating capital	Hana Bank	4.63%~6.35%	60,000	60,000
Facility loans	Kookmin Bank	5.86%~7.08%	50,000	50,000
Operating capital	Shinhan Bank	6.45%	30,000	30,000
			442,776	526,880
Less : Current portion of long-term borrowings			(180,197)	(117,842)
			₩ 262,579	₩ 409,038

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, 2009	2009	2008
Facility loans	The Korea Development Bank	1.05% ~ 1.24%	₩ 34,211	₩ 36,845
	Mitsui Sumimoto Bank	1.69%	23,352	25,150
	Shinhan Bank	1.69%	23,352	25,150
	Total		80,915	87,145
Less : Current portion of long-term borrowings			(80,915)	-
			₩ -	₩ 87,145

Long-term borrowings in foreign currency will be redeemed by installment or in a lump sum, and are secured 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	Debentures				Total
2010	₩ 385,000	₩	180,197	₩ 80,915	₩ 646,112
2011	370,000		112,690	-	482,690
2012	230,000		82,580	-	312,580
2013	100,000		57,652	-	157,652
2014	-		3,474	-	3,474
Thereafter	-		6,183	-	6,183
	<u>₩ 1,085,000</u>		<u>₩ 442,776</u>	<u>₩ 80,915</u>	<u>₩ 1,608,691</u>

14. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Beginning balance	₩ 142,712	₩ 128,809
Increase	35,262	36,415
Payment	<u>(19,680)</u>	<u>(22,512)</u>
Ending balance	158,294	142,712
Less :		
Severance benefit insurance	(111,777)	(97,456)
National pension plan deposits	<u>(802)</u>	<u>(1,304)</u>
	<u>₩ 45,715</u>	<u>₩ 43,952</u>

As of December 31, 2009, the Company estimates severance payable to all employees to be ₩158,294 million (2008: ₩142,712 million) and records the corresponding amount as accrued severance benefits. Also, accrued severance benefits are funded at approximately 70.61% as of December 31, 2009 (2008: 68.29%), through severance insurance deposits with Samsung Life Insurance Co. Ltd. and others.

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15. Provision for Construction Warranties

Changes in provision for construction warranties for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
Beginning balance	₩	8,686	₩	8,779
Payment		(1,337)		(2,029)
Increase		1,688		1,936
Ending balance	₩	9,037	₩	8,686

As of December 31, 2009, the Company accrued ₩9,037 million as provision for construction warranties still in effect and included ₩1,687 million of warranty expense in 2009 as cost of sales.

16. Monetary Assets and Liabilities denominated in Foreign Currencies

As of December 31, 2009 and 2008, monetary assets and liabilities denominated in foreign currencies are as follows:

	2009			2008		
	Foreign currencies	KRW equivalent <i>(in millions)</i>		Foreign currencies	KRW equivalent <i>(in millions)</i>	
Assets						
Cash	USD	4,634,151	₩ 10,897	USD	44,925,998	₩ 63,681
and cash	EUR	1,347,964		EUR	1,624,631	
equivalents	JPY	110,779,340		JPY	193,915,486	
	MYR	4,785,999		MYR	4,416,226	
	BDT	2,625,084		BDT	51,735	
	VND	2,443,001,778		VND	-	
Short-term loans receivables	USD	6,141,298	7,171	USD	12,800,000	16,096
Long-term loans receivables	EUR	2,505,299	7,726	EUR	-	-
	USD	3,024,683		USD	-	
Trade accounts receivable	EUR	17,701,805	123,797	EUR	225,593	118,930
	JPY	58,946,209		JPY	93,576,468	
	MYR	4,969,676		MYR	11,930,536	
	USD	78,555,519		USD	89,791,065	

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Other	EUR	1,079,955	8,916	EUR	1,084,325	8,157
accounts	JPY	2,287,850		JPY	2,189,985	
receivable	USD	6,062,518		USD	4,930,808	
Accrued	USD	42,091	49	USD	940,247	1,182
income						
Guarantee	EUR	3,230,934	28,568	EUR	5,530,235	31,603
deposits	JPY	9,259,225		JPY	9,029,225	
	MYR	5,358,724		MYR	7,183,097	
	USD	18,170,382		USD	15,154,651	
			<u>₩ 187,124</u>			<u>₩ 239,649</u>
Liabilities						
Trade	USD	234,576,067	₩ 310,097	USD	158,720,623	₩ 267,797
accounts	EUR	9,335,950		EUR	1,354,383	
payable	JPY	1,567,071,069		JPY	4,612,617,107	
	MYR	655,236		MYR	2,115,307	
	SEK	1,769,627		SEK	389,870	
	GBP	129,579		GBP	37,849	
	CHF	27,078		CHF	445,903	
	CAD	-		CAD	69,415	
Short-term	EUR	12,626,373	235,830	EUR	5,237,157	234,881
borrowings	JPY	2,146,887,243		JPY	877,913,844	
	USD	156,290,986		USD	169,654,182	
	SEK	1,092,050		SEK	-	
	CHF	4,363,783		CHF	-	
Other	CNY	180,184	39,847	CNY	10,552	41,343
accounts	EUR	2,323,904		EUR	1,471,079	
payable	JPY	24,485,114		JPY	178,252,332	
	SEK	390,650		SEK	440,500	
	USD	30,446,480		USD	28,755,950	
	GBP	13,176		GBP	6,000	
Advances	EUR	3,420,505	55,696	EUR	8,699,052	33,390
from	JPY	8,701,151		JPY	43,204,550	
customers	MYR	77,103		MYR	77,103	
	USD	42,679,705		USD	13,764,481	

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Accrued expenses	EUR	125,080	3,568	EUR	57,939	5,460
	JPY	34,033,697		JPY	4,937,897	
	USD	2,471,879		USD	4,205,031	
	CHF	36,771		CHF	-	
	SEK	4,395		SEK	-	
Long-term borrowings	USD	69,300,000	80,915	USD	69,300,000	87,145
			<u>₩ 725,953</u>			<u>₩ 670,016</u>

In connection with the above foreign currency translations, ₩66,390 million (2008: ₩47,495 million) in translation gains and ₩33,888 million (2008: ₩87,311 million) in 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 48 contracts and 87 forward exchange contracts for the fluctuation of foreign exchange rates, and the related valuation gain (loss) on derivatives is charged to current operations.

Details of derivative instruments for the years ended December 31, 2009 and 2008, are as follows:

	Weighted average exchange rate based on contracts (in Korean won)	Weighted average expiry date as of December 31, 2009	Contract price of outstanding derivatives ¹	
			2009	2008
Forward exchange contracts (USD)	₩ 1,211.59	2010/10/28	₩ 327,658	₩ 110,000
Forward exchange contracts (EUR)	1,750.43		9,640	-
Forward exchange contracts (CAD)	1,109.80		8,330	-
Forward exchange contracts (KRW)	-		-	1,129,761
Foreign exchange risk insurance (USD)	1,069.22	2010/05/25	68,029	136,940
Foreign exchange risk insurance (EUR)	-		-	11,944

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

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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 : 33,204)
Exercise period	(1) 3 years after from a 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

Valuation gain or loss

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

(in millions of Korean won)

	2009		2008	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Forward exchange contracts	₩ 12,551	₩ (1,916)	₩ 3,592	₩ (21,459)
Insurance contracts	4,398	-	-	(30,163)
Put options ¹	-	(254)	2,428	-
Total	₩ 16,949	₩ (2,170)	₩ 6,020	₩ (51,622)

¹ According to the agreement with Kumho RAC Co., Ltd. (formerly Kumho Rent-A-Car Co.,Ltd.), the Company has put options 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 ₩6,391 million and ₩21,469 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)

Long-term borrowings	USD	69,300
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And loss on foreign currency translation of ₩6,714 million, net of tax effect of ₩2,143 million, was recorded as accumulated other comprehensive income in 2009. And loss on derivative transactions of ₩47,760 million was offset against sales income by applying cash flow hedge accounting.

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, 2009, the Company has issued 35,117,455 shares of common stock. There were no changes in capital stock in 2009.

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, 2009, 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, 2009, 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 Operations

Loss on currency translation from foreign operations of ₩1,778 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)

	2009		2008	
Legal reserve ¹	₩	6,638	₩	4,143
Reserve for research and human resource development ²		6,667		20,000
Reserve for facility		253,000		160,000
	₩	<u>266,305</u>	₩	<u>184,143</u>

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¹ The Korean Commercial Code requires the Company to appropriate an amount equal to a minimum of 10% of cash dividends as a legal reserve until such reserve equals 50% 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.

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.

21. Cost of Sales

Details of cost of sales for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Cost of goods sold		
Inventory, beginning	₩ 17,753	₩ 18,153
Net purchase	2,281,833	2,337,184
Inventory, ending	(35,110)	(17,753)
	<u>2,264,476</u>	<u>2,337,584</u>
Cost to manufacture		
Inventory, beginning	205,448	146,031
Manufacturing cost for the year	3,708,669	3,971,152
Transfer from other accounts	(498,436)	(649,857)
Inventory, ending	(101,398)	(205,448)
	<u>3,314,283</u>	<u>3,261,878</u>
Construction cost		
Unfinished construction cost, beginning	15,751	31,405
Construction costs	302,335	341,618
Transfer from other accounts	(31,881)	(30,301)
Unfinished construction cost, ending	(12,809)	(15,751)
	<u>273,396</u>	<u>326,971</u>
Costs of others	34,463	36,083
Cost of sales	<u>₩ 5,886,618</u>	<u>₩ 5,962,516</u>

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22. Income Taxes

Income tax expense (benefit) consists of:

<i>(in millions of Korean won)</i>	2009		2008	
Current income taxes ¹	₩	29,559	₩	(15,124)
Deferred income tax due to temporary differences		30,029		202,227
Deferred income tax due to tax loss carry forwards		41,195		(53,892)
Deferred income tax charged to equity		1,989		(213,475)
Income tax expense (benefit)	₩	102,772	₩	(80,264)

¹ Additional payments of income taxes and income taxes receivable during the years are adjusted.

Deferred income taxes charged directly to equity are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
Gain on valuation of available-for-sale securities	₩	(1,077)	₩	2,184
Gain on valuation of derivative instruments		(8,369)		9,626
Changes in equity from equity-method		11,034		(32,997)
Earned surplus from equity-method		(86)		(1,449)
Surplus from revaluation of land		487		(190,839)
	₩	1,989	₩	(213,475)

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

<i>(in millions of Korean won)</i>	2009		2008	
Net income before tax	₩	441,691	₩	56,110
Income tax based on statutory rate	₩	106,865	₩	15,399
Adjustments				
Non-deductible expense		(6,284)		(76,098)
Effect of change in tax rate		-		(948)
Others		2,191		(18,617)
Income tax expense (benefit)	₩	102,772	₩	(80,264)
Effective tax rate		23.27%		-

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Changes in the temporary differences and related deferred tax assets and liabilities as of December 31, 2009 and 2008, are as follows:

2009 <i>(in millions of Korean won)</i>	Temporary differences ¹				Deferred tax assets (liabilities)	
	Beginning	Increase	Decrease	Ending	Beginning	Ending
Accrued severance benefits	₩ 93,992	₩ 27,152	₩ 11,141	₩ 110,003	₩ 20,678	₩ 24,201
Impairment loss on investments	18,298	115	1,043	17,370	4,026	3,821
Loss on valuation of inventories	13,173	828	-	14,001	3,188	3,388
Allowance for doubtful accounts in excess of tax limit	4,087	35,179	4,194	35,072	989	8,487
Accumulated depreciation in excess of tax limit	-	4,891	-	4,891	-	1,076
Government subsidy	21,102	6,593	-	27,695	5,107	6,702
Provision for equity in loss of associates	73,066	3,956	389	76,633	16,075	16,859
Short-term and long-term borrowings	-	48,709	40,102	8,607	-	1,894
Provision for construction losses	-	11,573	-	11,573	-	2,546
Others	186,308	12,335	155,727	42,916	60,289	19,108
	<u>410,026</u>	<u>151,331</u>	<u>212,596</u>	<u>348,761</u>	<u>110,352</u>	<u>88,082</u>
Reserve for research and human resource development	(6,667)	(40,000)	(6,667)	(40,000)	(1,467)	(8,800)
Accrued interest income	(1,187)	(2,495)	(1,187)	(2,495)	(287)	(604)
Available-for-sale securities	(11,572)	(3,880)	-	(15,452)	(2,546)	(3,399)
Reserve for severance benefits	(93,992)	(27,152)	(11,141)	(110,003)	(20,678)	(24,201)
Equity-method investments	(347,595)	(37,673)	(85,911)	(299,357)	(76,471)	(74,135)
Gain (loss) from fire insurance policy	(17,712)	-	(2,260)	(15,452)	(3,897)	(3,399)
Revaluation of land	(867,453)	-	(2,216)	(865,237)	(190,840)	(190,352)
Loss on valuation of derivatives	48,029	-	51,459	(3,430)	11,623	(830)
Loss on valuation of assets and liabilities in foreign currencies	83,574	(32,501)	83,574	(32,501)	20,225	(7,865)
Others	(20,249)	-	(1,325)	(18,924)	(4,455)	(4,163)
	<u>(1,234,824)</u>	<u>(143,701)</u>	<u>24,326</u>	<u>(1,402,851)</u>	<u>(268,793)</u>	<u>(317,748)</u>
Total	₩ <u>(824,798)</u>	₩ <u>7,630</u>	₩ <u>236,922</u>	₩ <u>(1,054,090)</u>	₩ <u>(158,441)</u>	₩ <u>(229,666)</u>

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2008 (in millions of Korean won)	Temporary differences ¹				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 and 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>

¹ Temporary differences include additional adjustments on the previous final income tax return.

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

(in millions of Korean won)	2009		2008	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current	₩ 31,275	₩ (9,299)	₩ 95,023	₩ (292)
Non - current	56,808	(308,450)	47,176	(300,349)

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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 ₩311,375 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 ₩96,199 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, 2009 and 2008, is computed as follows:

	2009	2008
Net income attributable to common stock ¹	₩ 338,919,858,031	₩ 136,373,550,376
Weighted average number of common stocks outstanding ²	33,268,604	33,268,604
Basic earnings per share	<u>₩ 10,187</u>	<u>₩ 4,099</u>

¹ 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, 2009 and 2008.

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24. Dividends

Details of dividends for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
Number of common stock eligible for dividends		33,268,604		33,268,604
Dividend rate		20%		15%
Dividend amount	₩	33,269	₩	24,951
Dividend payout ratio (Dividends/Net income)		9.82%		18.30%
Dividend yield ratio (Dividend per share/Market price)		1.17%		1.96%

25. Comprehensive Income

Comprehensive income for the years ended December 31, 2009 and 2008, consists of the following:

<i>(in millions of Korean won)</i>	2009		2008	
Net income	₩	338,919	₩	136,374
Other comprehensive income and expense				
Gain (loss) on valuation of available-for-sale securities, net of tax of (-)₩1,077 million (2008: ₩2,184 million)		9,197		(7,751)
Gain (loss) on valuation of equity-method investments, net of tax of (-)₩11,034 million (2008: ₩37,322 million)		(68,092)		195,492
Translation gain (loss) from overseas operation		(798)		603
Gain (loss) on valuation of derivatives, net of tax of (-)₩8,369 million (2008: ₩9,626 million)		27,417		(34,131)
Surplus from revaluation, net of tax of (-)₩487 million (2008: ₩190,839 million)		(1,728)		676,614
Comprehensive income	₩	304,915	₩	967,201

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26. Summary of Major Construction Contracts

The Company's contract balances and the related revenues recognized for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Beginning balance	₩ 610,773	₩ 516,958
Increase	206,194	366,492
	<u>816,967</u>	<u>883,450</u>
Revenue recognized	<u>(235,479)</u>	<u>(272,677)</u>
Ending balance	<u>₩ 581,488</u>	<u>₩ 610,773</u>

Details of the contracts on the ongoing projects as of December 31, 2009, 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	₩ 13,878	₩ 11,977	₩ 13,878	₩ 11,977
Biryong agricultural water development	5,175	4,912	2,362	2,242
Establishment of a road bypassing Kwang Reung Forest	10,855	10,039	10,854	10,038
Yangju Dukjung Section 1 KNHC Apt	9,998	9,976	9,880	9,859
Construction of North Injae-Yongdae road	9,239	9,240	6,581	6,582
Construction of Shinryunggono Road	6,741	6,202	3,962	3,645
Construction of Yongdu-Dongmyeon road	10,164	10,164	273	273
Construction of Daesan-Seokmun road	10,448	10,117	1,550	1,501
Gunpo-Bugok Section 2 KNHC Apt	5,761	5,666	5,708	5,614
Jibang road 357(The free road) 4	11,584	11,584	5,312	5,312
Gunsan-Mijang Section 2 KNHC Apt	24,871	24,671	6,687	6,633
Paju-Woonjung Section 8 KNHC Apt	31,812	35,602	24,268	28,058
Incheon-Sorae Section 1 KNHC Apt	35,390	35,390	8,761	8,761
Incheon-Boogae Section 1 KNHC Apt	82,642	74,455	6,513	5,947
HEEC Service Sales	5,545	5,545	5,545	5,545
Maintenance & management of the New Airport incineration facility	3,503	3,150	3,494	3,142
Kimhae hwamok sewage purification plant	6,220	5,964	6,020	5,772
Recirculation of SUDOCKWON Landfill Sites Sanitary	1,616	1,569	1,129	1,095
Daegu Hyosung residing and working complex	157,280	127,571	153,883	124,816

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Wonju-Hanggu Hyosung Apt	111,421	103,356	107,899	100,089
Construction of Changdong station	154,426	140,530	37,603	34,219
Chilgok Land	28,355	23,770	12,912	10,824
Construction of Banpo Building	48,542	47,126	36,086	35,033
Construction of Doomi Golf course(services)	7,933	7,770	5,810	5,690
Construction of Doomi Golf course(logging & Planting trees)	500	470	134	126
Construction of Doomi Golf course(approach road)	2,762	2,597	93	87
Construction of Gildong office	30,751	27,267	19,151	16,982
Bundang Imae-dong Townhouse	25,781	22,470	614	535
Construction of Sooseo office	61,694	52,440	888	755
Maintenance of the FED Osan non-commissioned officer's accommodations	10,094	9,084	513	462
Construction of Osan library	3,864	3,238	2,765	2,317
Daegu Bongduk Apt	73,177	80,960	13,740	21,524
Daegu Bumadong Hyosung Apt	26,952	25,925	490	472
Gunjajae segment	11,300	10,341	5,960	5,529
Total	<u>₩ 1,040,274</u>	<u>₩ 961,138</u>	<u>₩ 521,318</u>	<u>₩ 481,456</u>

The Company recorded ₩11,573 million as provision for construction losses as of December 31, 2009, for the Paju-Woonjung Section 8 KNHC Apt and Daegu Bumadong Hyosung Apt.

Details of advances, billed and unbilled amounts related to the construction projects as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	Advances	Billed amount	Unbilled amount
Biryong agricultural water development	₩ 483	₩ -	₩ -
Construction of North Injae-Yongdae highway	-	-	6
Construction of Shinryunggono Road	-	-	757
Construction of Daesan-Seokmun road	-	-	270
Gunpo-Bugok Section 2 KNHC Apt	53	-	-
Jibang road 357(The free road) 4	-	-	533
Gunsan-Mijang Section 2 KNHC Apt	-	-	517
Paju-Woonjung Section 8 KNHC Apt	-	-	4,806
Incheon-Boogae Section 1 KNHC Apt	4,343	-	-
Incheon-Sorae Section 1 KNHC Apt	-	-	173
HEEC Service Sales	-	59	-

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Yangju Dukjung Section 1 KNHC Apt	75	-	-
Gwangmyung Food Waste Treatment	-	255	-
Construction of Yongdu-Dongmyeon road	-	98	175
Construction of Doomi Golf course(services)	-	6,391	-
Construction of Doomi Golf course(logging & Planting trees)	-	145	1
Construction of Doomi Golf course(approach road)	-	80	19
Maintenance & management of the New Airport incineration facility 2	-	52	-
Kimhae hwamok sewage purification plant	-	-	245
Daegu Bumaudong Hyosung Apt	-	-	1,262
Daegu Hyosung residing and working complex	1,397	-	-
Mapo Ahyun Officetel	-	50	-
Chilgok (Namyul 2) Land	-	3,992	1,689
Construction of Chandong station	-	6,812	4,154
Wonju-Hanggu Hyosung Apt	-	102,660	4
Construction of Banpo building	-	19,062	12,477
Reconstruction of Daegu bongduk	-	12,925	1,823
Daegu Bumadong Hyosung Apt	-	-	491
Construction of Gildong office	-	-	3,839
Construction of Sooseo office	-	-	888
Bundang Imae-dong Townhouse	-	180	206
Recirculation of SUDOCKWON Landfill Sites Sanitary	162	-	-
Construction of Osan library	-	2,235	137
Maintenance of the FED Osan non-commissioned officer's accommodations	-	-	513
Gunjaje Segment	692	110	223
Total	₩ 7,205	₩ 155,106	₩ 35,208

The Company provides guarantees of ₩362,060 million for the assumed payables and joint liability on guarantees for the construction contracts (Note 31).

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27. Supplemental Cash Flow Information

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Construction-in-progress transferred to property, plant and equipment	₩ 86,724	₩ 81,001
Machinery-in-transit transferred to property, plant and equipment	12,064	10,142
Other investment assets transferred to inventories	-	649
Inventories transferred to available-for-sale securities	-	33,076
Gain (loss) on valuation of available-for-sale securities	(5,975)	11,601
Currency translation loss of borrowings transferred to valuation of derivatives	(35,150)	43,758
Change in retained earnings due to application of equity method	1,817	(23,165)
Change in accumulated comprehensive income due to application of equity method	(68,092)	195,492
Change in accumulated comprehensive income due to revaluation of land	2,216	676,614

28. Segment Information

Overview of the segment information follows:

Segment	Products or services
Fabric	Nylon yarn fabric, Spandex, Pet yarn fabric and others
Industrial Materials	Tire cord paper, Technical yarn, Bead wire, Steel cord, Carpet, Carnet and others
Chemical	Poly-propylene, Terephthalene, Pet bottle, Nylon(pet) film and others
Heavy Industries	Transformer, Circuit breaker, Power tower, Motor, Generator, Decelerator and Construction (housing and plant)
Trading	Chemicals, Machinery, Steel, Textile and Lumber
Others	Leasing and others

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Financial information by segments are as follows:

<i>(in millions of Korean won)</i>	2009						Total
	Fabric	Industrial Materials	Chemical	Heavy industrial	Trading	Others ¹	
Total revenue							
External revenue	₩ 903,689	₩ 1,039,590	₩ 1,022,634	₩ 1,835,573	₩ 2,194,778	₩ 43,467	₩ 7,039,731
Inter-segment revenue	280,591	41,043	162,143	21,005	6,514		511,296
	<u>₩ 1,184,280</u>	<u>₩ 1,080,633</u>	<u>₩ 1,184,777</u>	<u>₩ 1,856,578</u>	<u>₩ 2,201,292</u>	<u>₩ 43,467</u>	<u>₩ 7,551,027</u>
Operating income	₩ 87,123	₩ 129,478	₩ 127,797	₩ 208,089	₩ 22,039	₩ (42,120)	₩ 532,406
Assets	615,611	558,922	679,398	1,875,970	72,085	2,441,957	6,243,943
Current assets	126,767	120,751	91,654	972,621	58,648	95,932	1,466,373
Non-current assets	488,844	438,171	587,744	903,349	13,437	2,346,025	4,777,570
Depreciation expense, others	57,629	58,321	40,571	16,068	883	10,505	183,977

¹ Others include an loss on derivative transactions of ₩47,760 million which was offset against sales by applying cash flow hedge accounting (Note 17).

<i>(in millions of Korean won)</i>	2008						Total
	Fabric	Industrial Materials	Chemical	Heavy industrial	Trading	Others	
Total revenue							
External revenue	₩ 931,646	₩ 874,201	₩ 1,049,257	₩ 1,640,806	₩ 2,351,625	₩ 78,190	₩ 6,925,725
Inter-segment revenue	246,990	28,918	137,514	21,466	2,760	-	437,648
	<u>₩1,178,636</u>	<u>₩ 903,119</u>	<u>₩ 1,186,771</u>	<u>₩ 1,662,272</u>	<u>₩ 2,354,385</u>	<u>₩ 78,190</u>	<u>₩ 7,363,373</u>
Operating income	₩ 44,699	₩ 92,209	₩ 69,052	₩ 175,666	₩ 26,778	₩ 1,950	₩ 410,354
Assets	930,894	601,877	686,788	1,523,841	118,136	2,228,560	6,090,096
Current assets	205,612	179,679	153,467	675,124	111,631	113,274	1,438,787
Non-current assets	725,282	422,198	533,321	848,717	6,505	2,115,286	4,651,309
Depreciation expense, others	72,782	63,779	39,607	13,876	834	10,348	201,226

Hyosung Corporation
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Geographical segment information for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
North and Central America	₩ 587,465	₩ 470,220
Asia	3,189,243	3,020,328
Europe	481,291	551,134
Others	303,060	343,479
	₩ 4,561,059	₩ 4,385,161

29. Value Added Information

Value added information for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Salaries	₩ 350,819	₩ 308,256
Provision for severance benefits	35,123	36,349
Employee benefits	43,753	38,184
Rent	15,226	13,299
Depreciation	182,341	199,671
Amortization	1,650	1,600
Taxes and dues	23,153	22,801

30. Interim Results

Operating results for the three-month periods ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won, except per share amounts)</i>	Fourth quarter of 2009	Fourth quarter of 2008
Sales	₩ 1,908,817	₩ 1,883,993
Operating income	146,960	129,455
Net income	86,330	79,750
Earnings per share (in won)	2,595	2,397

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31. Commitments and Contingencies

Guarantees of notes and checks provided as collaterals

Details of commitments and contingencies provided by the Company regarding accounts payable and trade terms as of December 31, 2009, are as follows:

	Provider	Number	Type
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
	Samsung C & T Corporation	5	Total face value of ₩ 3,457 million

Loan agreement and others

The Company has overdraft facilities arrangements and trade bill discount with a maximum limit of ₩1,378,811 million and letter of credit payment guarantee agreements with a maximum limit of ₩756,846 million.

Guarantees provided to others

The Company provided guarantees amounting to ₩448,412 million to a related party, Hyosung Capital Co., Ltd., and also provided guarantees to overseas subsidiaries (Note 7).

Guarantees provided by others

Korea Construction Financial Cooperative provides guarantee for up to ₩161,832 million for the construction performance by the Company. Export-Import Bank of Korea and other banks also pledge guarantee for up to ₩283,196 million for the performance of contracts.

Assets pledged as collaterals

As of December 31, 2009, the Company provided following assets as collaterals:

	Maximum credit amount	Lender	Descriptions
<i>(in millions of Korean won)</i>			
Equity-method investments	₩ 32,823	Hana Bank and others	General loan
Property, plant and equipment	1,871,701	Korea Development Bank and others	General loan and others

Pending Lawsuits

The Company is involved in various lawsuits and claims for damages aggregating to ₩38,985 million as of December 31, 2009. Management believes that these lawsuits and claims will not have adverse effect on the Company's financial position, operating results or cash flows.

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32. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009		2008	
Export expenses	₩	217,755	₩	210,652
Salaries		100,759		82,432
R & D expenses		87,676		75,794
Commissions and fees		36,786		25,287
Transportation		31,188		32,702
Bad debts expense		22,893		7,876
Operating expenses for overseas branches		16,329		14,474
Travel		13,635		12,910
Advertising		12,058		9,815
Retirement and severance benefits		11,739		10,992
Rent		9,180		8,177
Employee benefits		8,815		7,518
Taxes and dues		6,771		6,370
Depreciation		5,780		5,643
Outsourcing		5,557		6,020
Warranty expense		5,377		6,270
Communications		3,427		3,380
Training		2,996		3,432
Vehicles maintenance		2,092		2,100
Insurance		1,986		1,991
Amortization		1,359		1,299
Others		16,548		17,721
	₩	620,706	₩	552,855

33. Subsequent events

On February 26, 2010, the Company sold its land, building and equipment in Gumi to Nautilus Hyosung Inc. for ₩17,809 million, ₩3,974 million, ₩88 million, respectively. The gain on disposal of ₩8,719 million and loss on disposal of ₩1,996 million will be recognized in 2010.

In addition, the Company issued unsecured deventures amounting to ₩150,000 million on March 5, 2010.

Hyosung Corporation

Notes to the Financial Statements

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34. Reclassifications of Prior Year Financial Statements

Certain accounts in the December 31, 2008 financial statements were reclassified to conform with the December 31, 2009 financial statement presentation. These reclassifications have no impact on the previously reported net income or shareholders' equity.

35. Preparation for IFRS Adoption

Under the IFRS roadmap released in March 2007, financial reporting using the K-IFRS is to become mandatory for the Company beginning 2011. The Company set up a team and appointed a consultant for the conversion of the Company's financial statements from K-GAAP to K-IFRS. During the first phase of the conversion, the Company completed employee training, analyses of major accounts and selection of major tasks to be worked on. During the second phase, the Company settled differences on the minor items and revised its accounting policies. The accounting system and the related processes are still being developed. On the third phase, the Company expects to prepare its financial statements under the K-IFRS after the conversion date.

**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, 2009. 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, 2009, the Company's IACS has been designed and is operating effectively as of December 31, 2009, 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, 2009, and we did not review management's assessment of its IACS subsequent to December 31, 2009. 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 11, 2010

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, 2009.

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, 2009, in all material respects, in accordance with the IACS standards.

January 29, 2010

Sang-Woon Lee, Chief Executive Officer

Yoon-Teck Jung, Internal Accounting Control Officer