

Hyosung Corporation and Subsidiaries
Consolidated Financial Statements
December 31, 2011

Hyosung Corporation and Subsidiaries
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December 31, 2011

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Report of Independent Auditors

To the Board of Directors and Shareholders of
Hyosung Corporation

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

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

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of Hyosung Corporation and its subsidiaries as of December 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Korean IFRS.

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

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

Samil PricewaterhouseCoopers

Seoul, Korea
March 8, 2012

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2011 and 2010, and January 1, 2010

<i>(in millions of Korean won)</i>	Notes	December 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash and cash equivalents	4, 6, 7, 8	₩ 526,593	₩ 622,635	₩ 421,209
Trade and other receivables	6, 9, 18	2,408,053	2,681,726	1,678,988
Gross amount due from customers for contract work	6, 28	102,790	151,873	70,080
Other financial assets	4, 6, 10	24,731	58,314	78,450
Other current assets	12	204,128	175,520	239,195
Inventories	13	1,835,809	1,421,626	929,918
Current tax assets	34	14,501	7,864	1,378
		<u>5,116,605</u>	<u>5,119,558</u>	<u>3,419,218</u>
Non-current assets				
Long-term trade and other receivables	6, 9, 18	210,528	163,321	107,753
Property, plant and equipment	14, 39	4,929,852	4,203,910	4,062,069
Investment property	15	386,851	344,490	295,764
Intangible assets	16	450,801	262,142	186,807
Investments in associates	17, 39	258,986	192,148	243,765
Other financial business assets	6, 11	2,090,060	1,768,505	1,481,393
Deferred tax assets	22, 34	34,142	22,362	37,780
Long-term other financial assets	4, 6, 8, 10, 17	116,673	221,783	174,618
Other non-current assets	12	28,692	11,795	5,826
		<u>8,506,585</u>	<u>7,190,456</u>	<u>6,595,775</u>
Total assets		<u>₩ 13,623,190</u>	<u>₩ 12,310,014</u>	<u>₩ 10,014,993</u>
Liabilities				
Current liabilities				
Trade and other payables	4, 6, 20	₩ 1,864,572	₩ 2,083,394	₩ 1,129,797
Gross amount due to customers for contract work	28	28,670	34,342	46,441
Borrowings	4, 6, 19	4,056,796	3,467,975	3,019,954
Other financial liabilities	4, 6, 10	21,486	7,334	13,521
Current tax liabilities	34	18,404	105,150	28,637
Other current liabilities	23	382,570	270,187	261,192
		<u>6,372,498</u>	<u>5,968,382</u>	<u>4,499,542</u>
Non-current liabilities				
Long-term trade and other payables	4, 6, 20	345,360	282,801	216,358
Long-term borrowings	4, 6, 19	3,505,107	2,505,010	2,140,447
Defined benefit liabilities	21	52,863	54,272	43,914
Deferred tax liabilities	22, 34	373,873	335,509	338,612
Other long-term financial liabilities	4, 6, 10	886	579	723
Other non-current liabilities	23	12,242	45,089	19,932
		<u>4,290,331</u>	<u>3,223,260</u>	<u>2,759,986</u>
Total liabilities		<u>10,662,829</u>	<u>9,191,642</u>	<u>7,259,528</u>
Equity attributable to owners of the Parent				
Capital stock	24	175,587	175,587	175,587
Capital surplus		130,826	130,826	130,826
Retained earnings	25	2,213,249	2,307,375	2,030,115
Other components of equity	10, 22, 26	349,180	353,117	320,126
		<u>2,868,842</u>	<u>2,966,905</u>	<u>2,656,654</u>
Non-controlling interest		<u>91,519</u>	<u>151,467</u>	<u>98,811</u>
Total equity		<u>2,960,361</u>	<u>3,118,372</u>	<u>2,755,465</u>
Total liabilities and equity		<u>₩ 13,623,190</u>	<u>₩ 12,310,014</u>	<u>₩ 10,014,993</u>

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2011 and 2010

<i>(in millions of Korean won, except per share amounts)</i>	Notes	2011		2010	
Continuing operations					
Revenue	27, 28	₩	11,342,141	₩	10,146,571
Cost of sales	28, 29		<u>(10,237,117)</u>		<u>(8,647,464)</u>
Gross profit			1,105,024		1,499,107
Selling and administrative expenses	29, 30, 31		(698,874)		(647,819)
Research and development expense	29		(131,429)		(112,671)
Other operating income	32		122,571		110,273
Other operating expenses	32		<u>(108,454)</u>		<u>(94,615)</u>
Operating profit	40		288,838		754,275
Finance income	33		269,240		191,946
Finance costs	33		<u>(616,209)</u>		<u>(401,675)</u>
Finance income/costs, net			(346,969)		(209,729)
Share of profit of associates	17		<u>48,189</u>		<u>20,785</u>
Income (Loss) before income tax			(9,942)		565,331
Income tax expense	34		<u>(44,699)</u>		<u>(161,595)</u>
Income (Loss) for the year from continuing operations			(54,641)		403,736
Discontinued operations					
Loss for the year from discontinued operations	35		<u>(39,154)</u>		<u>(166,652)</u>
Profit (Loss) for the year		₩	<u>(93,795)</u>	₩	<u>237,084</u>
Profit (Loss) attributable to:					
Owners of the parent					
Profit (Loss) for the year from continuing operations			(46,807)		400,211
Profit (Loss) for the year from discontinued operations			1,820		(94,493)
Profit (Loss) for the year attributable to owners of controlling company		₩	<u>(44,987)</u>	₩	<u>305,718</u>
Non-controlling interests					
Profit (Loss) for the year from continuing operations			(7,835)		3,525
Loss for the year from discontinued operations			(40,973)		(72,159)
Loss for the year attributable to non-controlling interests		₩	<u>(48,808)</u>	₩	<u>(68,634)</u>
Earnings per share from continuing and discontinued operations					
attributable to the equity holders of the Company during the year					
Basic earnings per share	36				
From continuing operations		₩	(1,407)	₩	12,030
From discontinued operations		₩	55	₩	(2,840)

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2011 and 2010

<i>(in millions of Korean won)</i>	Notes	2011	2010
Profit (Loss) for the year		₩ (93,795)	₩ 237,084
Other comprehensive income			
Actuarial loss on post employment benefit obligations	21	(14,721)	(16,293)
Share of actuarial gain (loss) on post employment benefit obligations of associates		358	(1,355)
Gain (loss) on valuation of available-for-sale financial assets	10, 26	(22,867)	13,996
Gain (loss) on valuation of investments in associates	17, 26	(2,915)	2,429
Gain (loss) on valuation of derivatives	26	175	6,760
Translation of foreign currency financial statements	26	26,733	11,723
Other comprehensive income (loss) for the year, net of tax		(13,237)	17,260
Total comprehensive income (loss) for the year		₩ (107,032)	₩ 254,344
Attributable to:			
Equity holders of the Parent Company		₩ (59,446)	₩ 323,764
Non-controlling interest		(47,585)	(69,420)
Total comprehensive income (loss) for the year		₩ (107,031)	₩ 254,344

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2011 and 2010

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

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

Hyosung Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2011 and 2010

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

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

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2011 and 2010, and January 1, 2010

1. General Information

Hyosung Corporation (“the Company”) and its subsidiaries (collectively referred to as ‘the Group’) primarily manufactures and sells synthetic fiber products and electronic products, and is engaged in construction and other related business activities.

As of December 31, 2011, the Group has plants in Ulsan, Anyang, Yongyeon, Icheon, Jincheon, Gumi, Daegu, Changwon, and Daejeon. In addition, the Group has subsidiaries and branches all over the world.

As of December 31, 2011, the Company’s major stockholders are Cho Seok Rae (10.32%), Cho Hyun Joon (7.01%), Cho Hyun Moon (7.18%) and Cho Hyun Sang (7.77%).

The subsidiaries as of December 31, 2011, are as follows:

Subsidiaries	Percentage of Ownership	Location	Reporting month	Main business
Gangnung Wind Power Ltd.	100.00%	Korea	December	Manufacture of wind generator
Galaxia Photonics Co. ,Ltd.	81.67%	Korea	December	Manufacture and sale of wafer and LED chips
Gumoknongsan Co. ,Ltd.	90.00%	Korea	December	Growing of other crops
The Class Hyosung	58.02%	Korea	December	Sale of new motor vehicles
Asia Lnghub Co. ,Ltd.	65.22%	Korea	December	Manufacture of gas and pipe supply
Flossom Corporation	57.83%	Korea	December	Service of real estate
Taeansolarfarm Corp.	100.00%	Korea	December	Solar power generation
Hongjin Data Service Co., Ltd.	65.52%	Korea	December	Software development and supply
Hyosung Goodsprings, Inc.	100.00%	Korea	December	Manufacture of liquid pump
Hyosung Ebara Engineering Co. ,Ltd.	81.33%	Korea	December	Installation of environmental hygiene treatment Appliances
Hyosung Wind Power Holdings Ltd.	100.00%	Korea	December	Manufacture of wind generator
Hyosung Capital Co., Ltd.	97.15%	Korea	December	Finance factoring
Hyosung Investment & Development Corporation	58.75%	Korea	December	Development of real estate
Hyosung Trans World Co., Ltd.	100.00%	Korea	December	Logistics
Baoding Hyosung Tianwei Transformer Co., Ltd.	80.00%	China	December	Logistics
Beijing Hyosung Container Co., Ltd.	100.00%	China	December	Manufacture and sales of other plastic products
GST Global GmbH	100.00%	Germany	December	Germany holding company
Global Safety Textiles Acquisition GmbH	100.00%	Germany	December	Germany holding company
Global Safety Textiles GmbH	100.00%	Germany	December	Manufacture and Sale of Air-bag cushion and Fabric
Global Safety Textiles HoldCo Two GmbH	100.00%	Germany	December	Germany holding company
Global Safety Textiles HoldCo Three GmbH	100.00%	Germany	December	Germany holding company
Global Safety Textiles LLC	100.00%	USA	December	Manufacture and sale of air-bag cushion and fabric
Global Safety Textiles U.S. Holdings, Inc.	100.00%	USA	December	U.S.A holding company
Global Safety Textiles U.S. Holdings One, Inc.	100.00%	USA	December	U.S.A holding company
GST Automotive Safety Components International LLC	100.00%	USA	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Components International LLC S.A.de C.V.	100.00%	Mexico	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Czech s.r.o.	100.00%	Czech	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety Poland Sp.z.oo	100.00%	Poland	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety RO S.R.L.	100.00%	Rumania	December	Manufacture and sale of air-bag cushion and fabric

Hyosung Corporation and Subsidiaries

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December 31, 2011 and 2010, and January 1, 2010

Subsidiaries	Percentage of Ownership	Location	Reporting month	Main business
GST Automotive Safety South Africa (Proprietary) Limited	75.00%	South Africa	December	Manufacture and sale of air-bag cushion and fabric
GST Automotive Safety UK Limited	100.00%	UK	December	England holding company
GST Automotive Safety (Changshu) Co. Ltd	65.00%	China	December	Manufacture and sale of air-bag cushion and fabric
GST Wiefabric International GmbH	100.00%	Germany	December	Germany holding company
GST-KOH China Investment Limited	65.00%	Hong Kong	December	Hongkong holding company
HICO America Sales & Tech.	100.00%	USA	December	General trading
Hyosung (H.K) LIMITED	100.00%	China	December	General trading
Hyosung Brasil industria e comercio de fibras LTDA	100.00%	Brazil	December	Manufacture of spandex
Hyosung Brasil industrial & commercial LTDA	100.00%	Brazil	December	Manufacture and sale of tire cords
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	100.00%	China	December	Manufacture of polyesters thread and T/C
Hyosung Chemicals (Jiaxing) Co., Ltd.	100.00%	China	December	Manufacture of chemical product
Hyosung Europe SRL	100.00%	Italy	December	General trading
Hyosung Global Taiwan Co., Ltd.	100.00%	Taiwan	December	General trading
Hyosung Holdings USA	100.00%	USA	December	U.S.A holding company
Hyosung International Trade (Jiaxing) Co., Ltd.	100.00%	China	December	General trading
Hyosung International (HK) Ltd.	100.00%	China	December	General trading
Hyosung Istanbul TEKSTIL LTD.STI	76.66%	Turkey	December	Manufacture and sales of spandex
Hyosung Japan Co., Ltd.	100.00%	Japan	December	General trading
Hyosung Luxembourg S.A	100.00%	Luxembourg	December	Manufacture and sale of tire cords
Hyosung Power Holdings Co., Ltd.	100.00%	Cayman Islands	December	Manufacture of transformer
Hyosung Resource (Australia) PTY Ltd.	100.00%	Australia	December	Resources development
Hyosung Singapore PTE Ltd.	100.00%	Singapore	December	General Trading
Hyosung Spandex (GuangDong) Co., Ltd.	100.00%	China	December	Manufacture and sales of spandex
Hyosung Spandex (Jiaxing) Co., Ltd.	100.00%	China	December	Manufacture and sales of spandex
Hyosung Spandex (Zhuhai) Co., Ltd.	75.00%	China	December	Manufacture and sales of spandex
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd. (former. Hyosung Steel Cord (Nanjing) Co., Ltd.)	70.00%	China	December	Manufacture and sales of steel Cord
Hyosung Steel Cord (Qingdao) Co., Ltd.	100.00%	China	December	Manufacture and sales of steel Cord
Hyosung USA Inc.	100.00%	USA	December	Manufacture and sale of tire cords
Hyosung Vietnam Co., Ltd.	88.21%	Vietnam	December	Manufacture of tire cord, Manufacture and sales of spandex
Hyosung Wire Luxembourg S.A	100.00%	Luxembourg	December	Manufacture of chemical fiber
Nantong Hyosung Transformer Co., Ltd.	100.00%	China	December	Manufacture and sales of transformer
Nantong Transformer Co., Ltd.	100.00%	China	December	Manufacture and sales of transformer
Nantong Yaubong Transformer Co., Ltd.	100.00%	China	December	Manufacture and sales of transformer
Powertech Corporation	100.00%	USA	December	General trading
Xepix Corp.	74.93%	USA	December	LED research
Zhangjiagang Xiaosha Coil Service Co., Ltd.	64.50%	China	December	Steel manufactures processing industry

¹ Percentage of ownership is the effective percentage of ownership considering percentage of ownership of subsidiaries.

² The Group owns 98.5% of OpCo GmbH, which is under control by legal administrator as a liquidated company. Thus, the subsidiary is excluded from the scope of consolidation.

³ Although the Group has more than 50% of Chin Hung International Inc. and Taeuk Construction Co., Ltd., the Group cannot exercise control due to the special agreement to fulfill plan for normalization of management of Chin Hung International Inc., and thus both subsidiaries are excluded from the scope of consolidation (Note 35).

Hyosung Corporation and Subsidiaries

Notes to Consolidated Financial Statements

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Summary of financial information of subsidiaries as of and for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)

	2011					
	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Gangnung Wind Power Ltd.	₩ 774	₩ -	₩ 774	₩ -	₩ (25)	₩ (25)
Galaxia Photonics Co., Ltd.	35,723	26,170	9,554	12,002	(18,412)	(18,488)
Gumoknongsan Co., Ltd.	2,319	-	2,319	-	(16)	(16)
The Class Hyosung	81,937	66,581	15,356	307,222	887	1,020
Asia LngHub Co., Ltd	393	13	380	-	(852)	(852)
Flossom Corporation	120,198	99,154	21,043	41,776	(10,204)	(10,133)
Taeansolarfarm Corp.	9,586	8,028	1,558	1,344	(53)	122
Hongjin Data Service Co., Ltd.	9,027	822	8,205	5,466	1,085	1,041
Hyosung Goodsprings, Inc.	164,060	118,292	45,769	181,668	(22,634)	(23,012)
Hyosung Ebara Engineering Co., Ltd	104,272	82,807	21,465	225,135	844	973
Hyosung Wind Power Holdings Ltd.	1,583	-	1,583	-	24	24
Hyosung Capital Co., Ltd.	2,272,500	1,941,598	330,902	296,983	24,809	14,483
Hyosung Investment & Development Corporation	60,920	2,606	58,314	588	(851)	(1,329)
Hyosung Trans World co., Ltd.	40,553	31,645	8,908	211,473	3,698	3,569
Baoding Hyosung Tianwei Transformer Co., Ltd.	37,163	33,339	3,824	22,460	(3,689)	(3,502)
Beijing Hyosung Container Co., Ltd.	13,589	2,321	11,268	6,057	(804)	(183)
GST Global GmbH ¹	410,574	230,840	179,734	-	-	2,439
HICO America Sales & Tech.	225,286	194,696	30,590	245,430	(6,271)	(6,057)
Hyosung (H.K) LIMITED	2,310	1,501	809	-	(4)	7
Hyosung Brasil industria e comercio de fibras LTDA	135,966	123,303	12,663	10,180	(16,651)	(18,835)
Hyosung Brasil industrial & commercial LTDA	9,929	3,491	6,438	22,644	(68)	(856)
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	386,687	208,821	177,866	312,809	12,727	22,153
Hyosung Chemicals (Jiaxing) Co., Ltd.	130,013	111,200	18,814	163,467	(1,351)	(327)
Hyosung Europe SRL	18,920	14,139	4,781	37,588	2	(63)
Hyosung Global Taiwan Co., Ltd.	572	-	572	-	-	13
Hyosung Holdings USA	59,953	38,803	21,150	22,066	(179)	80
Hyosung International Trade (Jiaxing) Co., Ltd.	48,367	46,928	1,439	217,081	(21)	58
Hyosung International (HK) Ltd.	8,746	6,840	1,906	66,744	161	192
Hyosung Istanbul TEKSTIL LTD.STI	152,253	137,824	14,429	129,308	(6,581)	(10,391)
Hyosung Japan Co., Ltd.	125,074	113,081	11,994	498,200	1,172	1,889
Hyosung Luxembourg S.A	113,297	93,029	20,268	231,016	480	207
Hyosung Power Holdings Co., Ltd.	53,094	7,645	45,450	-	(279)	302
Hyosung Resource (Australia) PTY Ltd.	15,856	10,789	5,067	-	(7)	272
Hyosung Singapore PTE Ltd.	22,635	23,198	(563)	138,553	(444)	(447)
Hyosung Spandex (GuangDong) Co., Ltd.	239,390	149,874	89,516	130,524	(33,673)	(29,547)
Hyosung Spandex (Jiaxing) Co., Ltd.	247,023	123,224	123,798	104,938	2,119	9,169
Hyosung Spandex (Zhuhai) Co., Ltd.	71,757	36,440	35,317	59,367	658	2,587
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd. (former. Hyosung Steel Cord (Nanjing) Co., Ltd.)	₩ 107,261	₩ 78,925	₩ 28,336	₩ 42,273	₩ (3,129)	₩ (1,591)

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2011

	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Hyosung Steel Cord (Qingdao) Co., Ltd.	263,242	189,417	73,825	126,963	(2,228)	1,916
Hyosung USA Inc.	365,895	291,313	74,583	578,435	3,565	4,600
Hyosung Vietnam Co., Ltd.	763,638	649,536	114,102	587,300	16,733	21,094
Hyosung Wire Luxembourg S.A	51,681	35,003	16,678	38,224	(1,051)	(1,700)
Nantong Hyosung Transformer Co., Ltd.	299,065	311,053	(11,988)	129,329	(32,449)	(33,305)
Nantong Transformer Co., Ltd.	1,811	(3,991)	5,802	-	-	318
Nantong Yaubong Transformer Co., Ltd.	7,736	1,640	6,097	-	-	333
Powertech Corporation	76	(1)	77	582	141	146
Xepix Corp.	4,264	42	4,222	3,324	(410)	(369)
Zhangjiagang Xiaosha Coil Service Co., Ltd.	21,679	3,099	18,579	30,511	610	1,633

¹ Consolidated financial information of GST Global GmbH, which has 17 subsidiaries.

(in millions of Korean won)

2010

	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Gangnung Wind Power Ltd.	₩ 50	₩ 11	₩ 39	₩ -	₩ -	₩ -
Galaxia Photonics Co., Ltd.	36,116	28,173	7,942	10,789	(19,748)	(19,748)
Gumoknongsan Co., Ltd.	2,296	2,741	(445)	-	(372)	(372)
The Class Hyosung	49,776	34,534	15,243	300,106	5,620	5,497
Asia LngHub Co., Ltd.	1,235	3	1,232	-	(130)	(130)
Flossom Corporation	89,065	83,878	5,187	21,104	(4,268)	(4,268)
Taeansolarfarm Corp.	10,478	9,042	1,436	1,309	(172)	(441)
Hongjin Data Service Co., Ltd.	7,810	646	7,164	5,385	1,067	1,100
Hyosung Goodsprings, Inc.	157,311	70,531	86,780	262,101	24,564	24,336
Hyosung Ebara Engineering Co., Ltd	91,928	71,437	20,491	183,609	(15)	(692)
Hyosung Wind Power Holdings Ltd.	1,613	53	1,559	-	81	81
Hyosung Capital Co., Ltd.	1,918,625	1,593,210	325,415	243,545	54,978	58,425
Hyosung Investment & Development Corporation	61,402	1,760	59,642	633	(375)	578
Hyosung Trans World co., Ltd.	40,879	32,829	8,051	224,893	3,437	3,396
Baoding Hyosung Tianwei Transformer Co., Ltd.	39,638	32,312	7,326	20,010	(2,912)	(2,854)
Beijing Hyosung Container Co., Ltd.	13,743	532	13,211	4,908	1,544	1,688
HICO America Sales & Tech.	165,941	129,917	36,024	282,011	7,087	6,248
Hyosung (H.K) LIMITED	2,254	1,452	802	-	(4)	(27)
Hyosung Brasil industria e comercio de fibras LTDA	15,191	1,493	13,698	4	(1,980)	(1,824)
Hyosung Brasil industrial & commercial LTDA	16,639	8,031	8,608	24,651	1,410	1,625
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	289,758	113,753	176,005	264,173	15,684	17,018
Hyosung Chemicals (Jiaxing) Co., Ltd.	91,684	72,543	19,141	66,580	(778)	(619)
Hyosung Europe SRL	22,872	18,027	4,845	35,167	466	(5)
Hyosung Holdings USA	43,184	22,114	21,070	743	(120)	(652)
Hyosung International Trade (Jiaxing) Co., Ltd.	₩ 18,449	₩ 17,067	₩ 1,382	₩ 214,476	₩ (25)	₩ (13)

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2010

	Asset	Liability	Equity	Sales	Net income(loss)	Total comprehensive income(loss)
Hyosung International (HK) Ltd.	6,981	5,266	1,715	42,259	278	232
Hyosung Istanbul TEKSTIL LTD.STI	159,057	131,765	27,292	122,150	3,237	1,929
Hyosung Japan Co., Ltd.	88,356	78,251	10,105	437,162	1,787	2,680
Hyosung Luxembourg S.A	108,816	88,754	20,062	213,519	1,154	(869)
Hyosung Power Holdings Co., Ltd.	52,463	7,294	45,169	-	(287)	(1,470)
Hyosung Resource (Australia) PTY Ltd.	2,685	28	2,657	-	(17)	84
Hyosung Singapore PTE Ltd.	14,102	14,218	(116)	143,709	48	40
Hyosung Spandex (GuangDong) Co., Ltd.	227,962	86,656	141,305	183,594	28,726	30,268
Hyosung Spandex (Jiaxing) Co., Ltd.	181,509	56,225	125,284	108,915	20,558	18,883
Hyosung Spandex (Zhuhai) Co., Ltd.	71,136	38,416	32,720	58,961	8,541	8,825
Hyosung Sumiden Steel Cord (Nanjing) Co., Ltd. (former. Hyosung Steel Cord (Nanjing) Co., Ltd.)	76,738	46,830	29,908	7,840	(4,124)	(3,829)
Hyosung Steel Cord (Qingdao) Co., Ltd.	156,910	111,541	45,369	116,718	1,548	1,900
Hyosung USA Inc.	266,216	196,392	69,824	493,853	4,706	2,992
Hyosung Vietnam Co., Ltd.	647,139	553,144	93,994	374,969	24,159	17,902
Hyosung Wire Luxembourg S.A	61	-	61	-	-	-
Nantong Hyosung Transformer Co., Ltd.	238,925	217,610	21,314	114,166	(24,381)	(24,020)
Nantong Transformer Co., Ltd.	1,712	(3,772)	5,484	-	-	46
Nantong Yaubong Transformer Co., Ltd.	7,781	1,765	6,017	-	-	50
Powertech Corporation	-	-	-	-	-	-
Xepix Corp.	5,102	511	4,591	4,163	1,163	1,059
Zhangjiagang Xiaosha Coil Service Co., Ltd.	20,966	4,020	16,946	26,220	627	775
Chin Hung International Inc.	866,196	668,121	198,076	305,575	(157,440)	(157,431)
Taeuk Construction Co., Ltd.	16,695	20,194	(3,499)	20,652	(3,606)	(3,606)
Beijing Hyosung Food & Beverage	1,455	-	1,455	-	855	868
Hanil Leasing & Finance (H.K)	315	165,235	(164,921)	1	(13)	4,013
Hyosung America Inc.	93,674	171,227	(77,553)	49,978	(3,001)	(1,076)

New subsidiaries included in the consolidation for the year ended December 31, 2011, are as follows:

Subsidiary	Description
GST Global GmbH	Newly acquired
Global Safety Textiles Acquisition GmbH	Subsidiaries of GST Global GmbH
Global Safety Textiles GmbH	"
Global Safety Textiles HoldCo Two GmbH	"
Global Safety Textiles HoldCo Three GmbH	"
Global Safety Textiles LLC	"
Global Safety Textiles U.S. Holdings, Inc.	"
Global Safety Textiles U.S. Holdings One, Inc.	"
GST Automotive Safety Components International LLC	"
GST Automotive Safety Components International LLC S.A. de C.V.	"

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GST Automotive Safety Czech s.r.o.	"
GST Automotive Safety Poland Sp.z.oo	"
GST Automotive Safety RO S.R.L.	"
GST Automotive Safety South Africa (Proprietary) Limited	"
GST Automotive Safety UK Limited	"
GST Automotive Safety (Changshu) Co. Ltd	"
GST Widefabric International GmbH	"
GST-KOH China Investment Limited	"
Hyosung Global Taiwan Co., Ltd	Newly acquired

Subsidiaries excluded from the consolidation for the year ended December 31, 2011, are as follows:

Subsidiary	Description
Chin Hung International Inc.	No control due to the special agreement (Note 35)
Taeuk Construction Co., Ltd.	Liquidated
Beijing Hyosung Food & Beverage	Liquidated
Hanil Leasing & Finance (H.K)	Liquidated
Hyosung America Inc.	Liquidated

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The Group's financial statements for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The consolidated financial statements of the Group were prepared in accordance with Korean IFRS and are subject to Korean IFRS1101, 'First-time Adoption of Korean IFRS'. The transition date, according to Korean IFRS1101, from the previous accounting principles generally accepted in the Republic of Korea ("Previous K-GAAP") to Korean IFRS is January 1, 2010. Reconciliations and descriptions of the effect of the transition from previous K-GAAP to Korean IFRS on the Group's equity, comprehensive income and cash flows are described in Note 42.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where

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assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2011, and not early adopted by the Group are as follows:

- Amendments to Korean IFRS1101, *Hyperinflation and Removal of Fixed Dates for first-time adopters*

As an exception to retrospective application requirements, this amendment to Korean IFRS1101 allows a prospective application of derecognition of financial assets for transactions occurring on or after the date of transition to Korean IFRS, instead of fixed date (January 1, 2004). Accordingly, the Group is not required to restate and recognize those assets or liabilities that were derecognized as a result of a transaction that occurred before the dated of transition to Korean IFRS. This amendment will be effective for the Group as of January 1, 2012.

- Amendments to Korean IFRS1012, *Income Taxes*

According to the amendments to Korean IFRS1012, Income Taxes, for the investment property that is measured using the fair value model, the measurement of deferred tax liability and deferred tax asset should reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless evidences support otherwise. This amendment will be effective for the Group as of January 1, 2012.

- Amendments to Korean IFRS1019, *Employee Benefits*

According to the amendments to Korean IFRS1019, Employee Benefits, use of a 'corridor' approach is no longer permitted, and therefore all actuarial gains and losses incurred are immediately recognized in other comprehensive income. All past service costs incurred from changes in pension plan are immediately recognized, and expected returns on interest costs and plan assets that used to be separately calculated are now changed to calculating net interest expense(income) by applying discount rate used in measuring defined benefit obligation in net defined benefit liabilities(assets). This amendment will be effective for the Group as of January 1, 2013.

- Amendments to Korean IFRS1107, *Financial Instruments: Disclosures*

According to the amendment, an entity should provide the required disclosures of nature, carrying amount, risk and rewards associated with all transferred financial instruments that are not derecognized from an entity's financial statements. In addition, an entity is required to disclose additional information related to transferred and derecognized financial instruments for any continuing involvement in transferred assets. This amendment will be effective for the Group as of January 1, 2012.

- Enactment of Korean IFRS1113, *Fair value measurement*

Korean IFRS1113, Fair value measurement, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Korean IFRSs. Korean IFRS1101 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within Korean IFRSs. This amendment will be effective for the Group as of January 1, 2013.

The Group expects that the application of this amendment except for Korean IFRS1019, *Employee Benefits*, would not have material impact on its consolidated financial statements.

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2.2 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS1027, Consolidated and Separate Financial Statements.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with Korean IFRS1039, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between the Group companies are eliminated. Unrealized losses are also eliminated after recognizing impairment of transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions; that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in

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associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount as 'impairment loss on investment in an associate' in the income statement.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the income statement.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5).

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Korean won, which is the controlling entity's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'financial income or costs'.

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(c) Translation to presentation currency

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the translation of borrowings designated for hedging the investment and other currency instruments are recognized in other comprehensive income. When foreign operations are wholly or partially sold, exchange differences recognized in equity are transferred to profit or loss in the income statement. When the Group ceases to control the subsidiary, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.6 Financial Assets

2.6.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale, and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives or embedded derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as 'other financial assets' and 'long-term other financial assets' in the statement of financial position.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'trade and other receivables', 'long-term trade and other receivables' and 'gross amount due from customers for contract work' in the statement of financial position.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity and are classified as 'other financial assets' and 'long-term other financial assets' in the statements of

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financial position. If the Group were to sell other than an insignificant amounts of held-to-maturity investments, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity investments are included in non-current assets, except for those with maturities of less than 12 months after the end of the reporting period, which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as 'other financial assets' and 'long-term other financial assets'. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the end of the reporting period.

2.6.2 Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are presented in the income statement within 'other operating income or other operating expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of 'other operating income' when the Group's right to receive dividend payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'other operating income or other operating expenses'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of 'financial income'. Dividends on available-for-sale equity instruments are recognized in the income statement as part of 'other operating income' when the Group's right to receive dividend payments is established.

2.6.3 Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all risks and rewards of ownership. If the risk and rewards of ownership of transferred assets have not been substantially transferred, the Group reviews the level of control retained over that asset and the extent of its continuing involvement to determine if transfers do not qualify for derecognition.

Collaterals (trade receivables and other) provided in transactions of discount and factoring of trade receivables do not meet the requirements for asset derecognition if risks and rewards do not substantially transfer in the event the debtor defaults. Financial liabilities recognized in relation to these transactions are included as borrowings in the Group's statement of financial position.

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2.7 Impairment of Financial Assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- Delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data suggesting that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, even though the decrease cannot be identified with respect to individual financial assets in the portfolio, such as:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the initial effective interest rate. The carrying amount of the asset is reduced by the impairment loss amount and the amount of the loss is recognized in the income statement. In practice, the Group may measure impairment loss based on the fair value of financial asset using an observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost, for example decrease in fair value of the investments below its cost intentionally and consistently, is also evidence that the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

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2.8 Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The resulting gain or loss is recognized in ' other operating income or other operating expenses ' according to the nature of transactions.

The Group designates certain derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge);

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.9 Trade Receivables

Trade receivables are amounts due from customers for merchandises and finished goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving-weighted average method (the gross-weighted average method or the first-in, first-out (FIFO) method in some subsidiaries) except for in-transit inventories which are determined using the specific identification method. The cost of finished goods and work in progress consists of the raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attribute to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

	Estimated Useful Lives
Buildings	20 - 60 years
Structures	5 - 40 years
Machinery	3 - 25 years
Vehicles	3 - 10 years
Tools and equipment	3 - 15 years
Others	2 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income or other operating expenses' in the income statement.

2.12 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.13 Government Grants

Grants from a government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.14 Intangible Assets

(a) Industrial property

Acquired industrial property is shown at historical cost. Industrial property has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of industrial property over their estimated useful lives of five to ten years.

(b) Other intangible assets

Other intangible assets which meet the definition of an intangible asset are amortized using the straight-line method over their estimated useful lives of 5~25 years when the asset is available for use. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. All membership rights are tested annually for impairment and stated at cost less accumulated impairment. Impairment losses are not reversed.

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(c) Research and development costs

Development costs are recognized as expenses when they are incurred. Development costs which are individually identifiable and directly related to a new technology or to new products which carry probable future benefits are capitalized as intangible assets.

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Amortization of capitalized development costs is computed using the straight-line method over useful lives from the commencement of the commercial production of the related products or use of the related technology. Such costs are subject to periodic review of their recoverability.

There is no development costs capitalized as assets as of December 31, 2011.

2.15 Investment Property

Investment property is held to earn rentals or for capital appreciation or both. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost including transaction costs incurred in acquiring the asset. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to The Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land held for investment is not depreciated. Investment property, except for land, is depreciated using straight-line method over their useful lives for 40 years.

The depreciation method, the residual value and the useful life of an asset are reviewed at the end of each financial year and, if management judges that previous estimates should be adjusted, the change is accounted for as a change in an accounting estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income or other operating expenses' in the income statements.

2.16 Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

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recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.17 Financial Liabilities

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified as financial liabilities at fair value through profit or loss when incurred principally for the purpose of repurchasing it in the near term. Derivatives or embedded derivatives are also categorized as this category unless they are designated as hedges.

(b) Financial liabilities carried at amortized cost

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, as financial liabilities carried at amortized cost and as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position. In case when a transfer of a financial asset does not qualify for derecognition, the transferred asset is continuously recognized as asset and the consideration received is recognized as financial liabilities. Financial liabilities carried at amortized cost are included in non-current liabilities, except for liabilities with maturities less than 12 months after the end of the reporting period, which are classified as current liabilities.

2.18 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Financial Guarantee Contract

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the amounts below. Any increase in the liability relating to guarantees is reported as other financial liabilities.

- amount calculated in accordance with Korean IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets; or
- the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, Revenue.

2.20 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the

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borrowings using the effective interest method. The Group recognizes borrowings as current assets unless it has an unconditional right to delay the settlement of the borrowing. The condition for liability which can be paid by issuing equity depending on the choice of other party of contract does not affect the classification of current liability.

2.21 Provisions

Provisions are recognized when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.22 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2.23 Employee Benefits

(a) Defined benefit liability

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income, while costs are amortized over the vesting period.

2.24 Share Capital

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received is included in equity attributable to the Company's equity holders.

2.25 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes, after elimination of intra-company transactions.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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(a) Sales of goods

Sales of goods are recognized when products are delivered to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Provisions for product discount and returns are made based on historic trends and specific knowledge of any customer's intent to return products.

(b) Rendering of services

Normally, if the contract is based on time and materials related to rendering services, revenue is recognized according to the percentage of completion and a fixed ratio in the terms of the contract is used. If the contract is based on time, the percentage of completion is measured as the time provided over the total estimated time to be provided, and if the contract is based on materials, the percentage of completion is measured as the costs to date over the total estimated costs.

(c) Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

(d) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

(e) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.26 Construction Contracts

Construction contract is defined in Korean IFRS 1011, Construction contracts, as a contract specifically negotiated for the construction of an asset.

Contract costs are recognized as expenses. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These amounts are recognized as inventory, advance payments or other assets.

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In cases where the aggregate amount of costs incurred and recognized profits (less recognized losses) exceeds progress billings, the total cost incurred plus recognized profits (less recognized losses and progress billings), represents an asset (unbilled amount). The progress billed amounts are included in 'Trade and other receivables'.

In cases where progress billing exceeds the aggregate amount of costs incurred and recognized profits (less recognized losses), the aggregate amount of recognized losses plus progress billing (less cost incurred and recognized profits) represents a liability (overbilled amount).

The Group applies the percentage of completion method on recognition of sales-real estate based on the Korea Accounting Institute Opinion "2011 - I - KQA". This application is effective pursuant to the Acts on Article 13.1.1 Korean International Financial Reporting Standards (K-IFRS) on External Audit for Stock Companies in Korea

2.27 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

2.28 Approval of Issuance of the Financial Statement

The issuance of the December 31, 2011 consolidated financial statements of the Group was approved by the Board of Directors on February 17, 2012.

3. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimations and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recorded, based on its best estimate, current taxes and deferred taxes that The Group will be liable in the future for the operating results as of the financial year end. However, the final tax outcome in the future may be different from the amounts that were initially recorded. Such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Provisions

As described in Note 23, the Group recognizes provisions for warranties, repairs and estimated returns as of the reporting date. The amounts are estimated based on historical data.

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(d) Defined benefit liability

The present value of the defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the defined benefit liability. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit liability. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the pension benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Other key assumptions for defined benefit liability are based in part on current market conditions.

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, Chinese Yuan and other currencies; such as, the Japanese yen, Turkish lira and Singapore dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group's financial instruments denominated in major foreign currencies as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Assets denominated in foreign currencies			
CNY	₩ 550,787	₩ 356,175	₩ 352,739
USD	458,575	345,970	277,484
EUR	131,372	96,164	97,708
YTL	35,138	34,781	29,553
Others	53,524	102,572	122,021
Liabilities denominated in foreign currencies			
CNY	1,118,038	684,977	530,907
USD	1,051,089	444,205	593,454
YTL	127,549	125,719	124,112
EUR	118,513	107,718	82,779
Others	213,229	572,335	438,546

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As of December 31, 2011 and 2010, if the foreign exchange rate of the Korean won fluctuated by 10%, the effects on net income (loss) would be as follows:

(in millions of Korean won)

	2011		2010	
	10% Increase	10% Decrease	10% Increase	10% Decrease
CNY	₩ (56,725)	₩ 56,725	₩ (32,880)	₩ 32,880
USD	(59,251)	59,251	(9,824)	9,824
EUR	1,286	(1,286)	(1,155)	1,155
YTL	(9,241)	9,241	(9,094)	9,094

ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss.

The Group's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: KOSPI equity index and KOSDAQ equity index.

The table below summarizes the impact of increases/decreases of the two equity indexes and increases/decreases of prices of unlisted stocks on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 30% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index, and on the assumption that the unlisted stock prices had uniformly increased/decreased by 30%:

(in millions of Korean won)	Impact on post-tax profit		Impact on other components of equity	
	2011	2010	2011	2010
KOSPI	₩ -	₩ -	₩ 21,785	₩ 19,813
KOSDAQ	-	-	1,472	1,820
Unlisted	-	-	2,379	1,183

Other components of equity would increase/ decrease as a result of gains/losses on equity securities classified as available for sale.

iii) Cash flow and fair value interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Also, fixed rate financial assets classified as available for sale expose the Group to fair value interest rate risk. Group policy is to review on interest rate fluctuation periodically so that they can manage whether to repay or renew the borrowings.

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The book value of borrowings exposed to cash flow interest rate risk as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(In millions of Korean won)</i>		December 31, 2011		December 31, 2010		January 1, 2010
Borrowings	₩	4,765,853	₩	4,002,122	₩	2,828,269

At December 31, 2011, if interest rates on borrowings at that date had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been ₩ 47,659 million (2010: ₩ 40,021 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings

(b) Credit Risk

If wholesale customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets and liabilities excluding equity investments.

(c) Liquidity Risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. The Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements.

The analyses the Group's liquidity risk for the financial liabilities as of December 31, 2011, and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>		Book value		Contractual Cash flow		Up to 1 year		Between 1 and 5 years		Over 5 years
December 31, 2011										
Trade and other payables	₩	2,209,932	₩	2,214,717	₩	1,864,594	₩	350,123	₩	-
Borrowings		7,561,903		7,901,804		3,846,463		3,899,541		155,800
Derivative liabilities ¹		22,372		1,194,023		286,940		907,083		-
Financial guarantee payment ²		39,450		39,450		39,450		-		-
PF guarantee payment ²		268,000		268,000		268,000		-		-
	₩	<u>10,101,657</u>	₩	<u>11,617,994</u>	₩	<u>6,305,447</u>	₩	<u>5,156,747</u>	₩	<u>155,800</u>
December 31, 2010										
Trade and other payables	₩	2,366,195	₩	2,371,712	₩	2,083,475	₩	288,237	₩	-
Borrowings		5,972,985		6,267,571		3,637,085		2,533,086		97,400
Derivative liabilities ¹		7,913		950,231		171,376		778,855		-
Financial guarantee payment ²		39,277		39,277		39,277		-		-
PF guarantee payment ²		290,880		290,880		290,880		-		-
	₩	<u>8,677,250</u>	₩	<u>9,919,671</u>	₩	<u>6,222,093</u>	₩	<u>3,600,178</u>	₩	<u>97,400</u>

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January 1, 2010										
Trade and other payables	₩	6,964,899	₩	1,352,585	₩	1,129,841	₩	222,744	₩	-
Borrowings		5,160,400		5,414,163		3,077,377		2,321,501		15,285
Derivative liabilities ¹		14,244		549,597		164,353		385,244		-
Financial guarantee payment ²		39,364		39,364		39,364		-		-
PF guarantee payment ²		444,100		444,100		444,100		-		-
	₩	12,623,007	₩	7,799,809	₩	4,855,035	₩	2,929,489	₩	15,285

¹ Contractual cash flow of derivative liabilities is the contractual amount based on the requirement of gross settlement. The fair value of derivative liabilities is same as the book value.

² The amount of above financing guarantee contract is the maximum contractual payment that the Group is obliged to pay if the principal debtor claims the whole amount of guarantees. The possibility of not paying the guarantee is higher than that of paying the guarantee according to the financing guarantee contract based on the estimation as of year end. Yet, the possibility of principal debtor in claiming payment to the Company can change based on the change in financial condition of the principal debtor.

4.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the Group monitors financial ratios, such as debt ratio, net borrowing ratio and gearing ratio periodically. If necessary, the Group seeks ways to improve the capital structure.

The debt ratio, net borrowing ratio and gearing ratios as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 01, 2010
Debt (A)	₩ 10,662,828	₩ 9,191,642	₩ 7,259,528
Equity (B)	2,960,361	3,118,372	2,755,465
Total borrowings (C)	7,561,903	5,972,985	5,160,400
Cash and cash equivalent (D)	526,593	622,635	421,209
Debt ratio (A/B)	360.19%	294.76%	263.46%
Net borrowing ratio ((C-D)/B)	237.65%	171.58%	171.99%
Gearing ratio ((C-D)/(B+C-D))	70.38%	63.18%	63.23%

4.3 Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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The following table presents the Group's financial assets and financial liabilities that are measured at fair value as of December 31, 2011 and 2010, and January 1, 2010:

		December 31, 2011			
<i>(In millions of Korean won)</i>		Level 1	Level 2	Level 3	Total
Assets					
Financial assets at fair value through profit or loss	₩	-	₩ 13,542	₩ -	₩ 13,542
Available-for-sale financial assets		31,893	-	44,994	76,887
Derivative assets		-	9,223	-	9,223
	₩	<u>31,893</u>	<u>22,765</u>	<u>44,994</u>	<u>99,652</u>
Liabilities					
Derivative liabilities	₩	-	₩ 22,372	₩ -	₩ 22,372
	₩	<u>-</u>	<u>22,372</u>	<u>-</u>	<u>22,372</u>
		December 31, 2010			
<i>(in millions of Korean won)</i>		Level 1	Level 2	Level 3	Total
Assets					
Financial assets at fair value through profit or loss	₩	-	₩ 3,487	₩ -	₩ 3,487
Available-for-sale financial assets		97,503	-	49,839	147,342
Derivative assets		-	19,012	-	19,012
	₩	<u>97,503</u>	<u>22,499</u>	<u>49,839</u>	<u>169,841</u>
Liabilities					
Derivative liabilities	₩	-	₩ 7,913	₩ -	₩ 7,913
	₩	<u>-</u>	<u>7,913</u>	<u>-</u>	<u>7,913</u>
		January 1, 2010			
<i>(In millions of Korean won)</i>		Level 1	Level 2	Level 3	Total
Assets					
Financial assets at fair value through profit or loss	₩	-	₩ 23,972	₩ -	₩ 23,972
Available-for-sale financial assets		75,655	-	36,897	112,552
Derivative assets		-	16,964	-	16,964
	₩	<u>75,655</u>	<u>40,936</u>	<u>36,897</u>	<u>153,488</u>
Liabilities					
Derivative liabilities	₩	-	₩ 14,244	₩ -	₩ 14,244
	₩	<u>-</u>	<u>14,244</u>	<u>-</u>	<u>14,244</u>

The following table presents available-for-sale financial assets that are valued at historical cost as of December 31, 2011 and 2010, and January 1, 2010.

<i>(in millions of Korean won)</i>		December 31, 2011	December 31, 2010	January 1, 2010
Available-for-sale financial assets (unlisted)	Category	₩	₩	₩
	Maeil Business TV News	2,000	-	-
	Channel A Corporation	2,000	-	-
	Korea Housing Guarantee Co.,	1,717	1,717	1,717

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	Ltd.			
	TransLink Capital Partners 1, L.P.	1,689	1,584	1,313
	The Korea Economic Daily	1,354	1,354	1,354
	Samsung Life Insurance	-	-	12,264
	AJU RENTAL CO.,LTD	-	4,968	4,968
	DOOSAN CAPITAL CO.,LTD. ¹	-	-	3,000
	Others	1,532	16,481	1,560
Available-for-sale financial assets (Investment in Capital)	Machinery financial Cooperative	3,300	3,300	3,300
	No.1 E-revolution Private Equity Fund	2,000	-	-
	No.1 Conexs new development power Private Equity Fund	2,000	-	-
	Construction Guarantee Cooperative	1,217	1,217	1,504
	Hyundai Financing joim a Limited Company	-	9,824	5,645
	No.1 Conexs Resource Development Private Equity Fund ¹	-	5,000	-
	Went End company Restructuring Cooperative	-	3,259	3,500
	Others	4,086	21,829	2,869

¹ Excluded as the fair value is reliably measurable in current and prior period.

Because above investments are unlisted equities, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed and therefore these instruments are measured at cost. The Group does not have any plans to dispose of the above-mentioned equities and derivative instruments in the near future. These instruments will be measured at fair value when the Group can develop a reliable estimate of the fair value.

5. Segment information

The Group's reportable segments and details are as follows:

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance. Product separation units in terms of type of goods, were separated as fabric, industrial materials, chemicals, heavy industrial, construction, trading, and others.

The following table presents segment information for the years ended December 31, 2011 and 2010:

(in millions of Korean won)	2011								Total
	Fabric	Industrial Materials	Chemical	Heavy industrial	Construction	Trading	Others	Adjustment	
Total revenue	₩ 2,366,093	₩ 3,232,260	₩ 1,820,808	₩ 2,325,205	₩ 592,015	₩ 3,803,252	₩ 382,701	₩ -	₩ 14,522,334
Inter-segment revenue	(460,007)	(1,249,553)	(282,613)	(301,929)	(113,170)	(749,921)	(23,000)	-	(3,180,193)
	1,906,086	1,982,707	1,538,195	2,023,276	478,845	3,053,331	359,701	-	11,342,141
Operating income	106,221	180,318	107,561	(176,282)	13,749	44,152	109,560	(96,441)	288,838
Depreciation and	132,681	142,158	69,215	38,956	1,396	5,386	22,985	-	412,777

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amortization									
Assets									
Current assets	715,667	1,551,307	288,219	1,576,419	732,315	627,561	276,036	(650,919)	5,116,605
Non-current assets	1,331,078	1,569,826	854,324	1,114,811	210,028	190,960	4,787,219	(1,551,661)	8,506,585
Investments in associates	-	12,307	106,232	6,029	2,081	-	132,337	-	258,986
Acquisition of non-current assets	384,259	271,956	249,407	105,964	14,896	52,710	396,549	(109,753)	1,365,988
Liabilities									
Current liabilities	958,945	1,342,404	581,863	1,334,840	157,570	709,880	1,919,236	(632,240)	6,372,498
Non-current liabilities	365,411	626,866	20,849	74,058	21,680	92,010	3,065,809	23,648	4,290,331

2010

<i>(in millions of Korean won)</i>	2010								Total
	Fabric	Industrial Materials	Chemical	Heavy industrial	Construction	Trading	Others¹	Adjustment	
Total revenue	₩2,162,975	₩2,556,228	₩1,391,792	₩2,411,453	₩ 468,456	₩ 3,599,852	₩ 307,203	₩ -	₩12,897,959
Inter-segment revenue	(402,141)	(847,475)	(189,545)	(286,296)	(127,108)	(880,359)	(18,464)	-	(2,751,388)
	1,760,834	1,708,753	1,202,247	2,125,157	341,348	2,719,493	288,739	-	10,146,571
Operating income	281,825	186,614	132,319	168,761	(32,514)	40,858	120,041	(143,629)	754,275
Depreciation and amortization	117,777	115,202	57,023	34,413	1,254	4,435	67,684	-	397,788
Assets									
Current assets	614,497	1,161,354	286,329	1,278,811	1,476,714	543,738	158,398	(400,283)	5,119,558
Non-current assets	1,113,923	1,083,202	673,079	1,062,570	276,756	127,539	4,305,849	(1,452,462)	7,190,456
Investments in associates	-	78,206	-	3,460	-	-	110,482	-	192,148
Acquisition of non-current assets	179,701	252,184	63,810	128,931	25,157	32,126	333,242	(189,164)	825,987
Liabilities									
Current liabilities	748,441	1,061,225	391,957	974,589	773,724	648,321	1,926,969	(556,844)	5,968,382
Non-current liabilities	231,164	408,067	38,311	58,672	77,393	89,529	2,396,237	(76,113)	3,223,260

¹ Others include an loss on derivative transactions of ₩9,076 million which was offset against sales by applying cash flow hedge accounting.

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Geographical segment information for the years ended December 31, 2011 and 2010, are as follows:

		2011				
<i>(in millions of Korean won)</i>	Domestic	North and Central America	Asia	Europe	Total	
Revenue						
External revenue	₩ 10,566,962	₩ 882,660	₩ 2,636,574	₩ 436,136	₩ 14,522,332	
Inter-segment revenue	(1,220,408)	(294,953)	(1,642,880)	(21,952)	(3,180,193)	
	<u>₩ 9,346,554</u>	<u>₩ 587,707</u>	<u>₩ 993,694</u>	<u>₩ 414,184</u>	<u>₩ 11,342,139</u>	
Non-current assets ¹	₩ 3,723,196	₩ 166,479	₩ 1,524,068	₩ 353,759	₩ 5,767,502	
		2010				
<i>(in millions of Korean won)</i>	Domestic	North and Central America	Asia	Europe	Total	
Revenue						
External revenue	₩ 9,537,035	₩ 805,426	₩ 2,184,661	₩ 370,835	₩ 12,897,957	
Inter-segment revenue	(1,253,026)	(257,603)	(1,221,300)	(19,458)	(2,751,387)	
	<u>₩ 8,284,009</u>	<u>₩ 547,823</u>	<u>₩ 963,361</u>	<u>₩ 351,377</u>	<u>₩ 10,146,570</u>	
Non-current assets ¹	₩ 3,375,828	₩ 48,915	₩ 1,273,864	₩ 111,936	₩ 4,810,541	

¹ Includes all property, plant and equipment, intangible assets, and investment properties.

6. Financial Instruments by Category

Categorizations of financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

		December 31, 2011					
<i>(in millions of Korean won)</i>	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held to maturity financial assets	Derivative assets	Total	
Cash and cash equivalents	₩ -	₩ 526,593	₩ -	₩ -	₩ -	₩ 526,593	
Trade and other receivables	-	2,408,053	-	-	-	2,408,053	
Unbilled construction	-	102,790	-	-	-	102,790	
Other financial assets	-	14,293	806	877	8,755	24,731	
Long-term trade and other receivables	-	210,527	-	-	-	210,527	
Other financial business assets	-	2,090,060	-	-	-	2,090,060	
Long-term other financial assets	13,542	2,111	98,976	1,576	468	116,673	
	<u>₩ 13,542</u>	<u>₩ 5,354,427</u>	<u>₩ 99,782</u>	<u>₩ 2,453</u>	<u>₩ 9,223</u>	<u>₩ 5,479,427</u>	

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<i>(in millions of Korean won)</i>	December 31, 2010					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held to maturity financial assets	Derivative assets	Total
Cash and cash equivalents	₩ -	₩ 622,635	₩ -	₩ -	₩ -	₩ 622,635
Trade and other receivables	-	2,681,726	-	-	-	2,681,726
Unbilled construction	-	151,873	-	-	-	151,873
Other financial assets	3,486	35,375	265	275	18,913	58,314
Long-term trade and other receivables	-	163,321	-	-	-	163,321
Other financial business assets	-	1,768,505	-	-	-	1,768,505
Long-term other financial assets	-	1,828	217,610	2,245	100	221,783
	₩ 3,486	₩ 5,425,263	₩ 217,875	₩ 2,520	₩ 19,013	₩ 5,668,157

<i>(in millions of Korean won)</i>	January 1, 2010					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held to maturity financial assets	Derivative assets	Total
Cash and cash equivalents	₩ -	₩ 421,209	₩ -	₩ -	₩ -	₩ 421,209
Trade and other receivable	-	1,678,988	-	-	-	1,678,988
Unbilled construction	-	70,080	-	-	-	70,080
Other financial assets	3,183	53,869	4,365	69	16,964	78,450
Long-term trade and other receivables	-	107,753	-	-	-	107,753
Long-term Other financial business assets	-	1,481,393	-	-	-	1,481,393
Long-term other financial assets	20,789	450	151,181	2,198	-	174,618
	₩ 23,972	₩ 3,813,742	₩ 155,546	₩ 2,267	₩ 16,964	₩ 4,012,491

Categorizations of financial liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011			
	Financial liabilities at amortized cost	Financial guarantee liability	Derivative liabilities	Total
Trade and other payables	₩ 1,850,044	₩ 14,528	₩ -	₩ 1,864,572
Borrowings	4,056,796	-	-	4,056,796
Other financial liabilities	-	-	21,486	21,486
Long-term trade and other payables	345,360	-	-	345,360
Long-term borrowings	3,505,107	-	-	3,505,107
Long-term other financial liabilities	-	-	886	886
	₩ 9,757,307	₩ 14,528	₩ 22,372	₩ 9,794,207

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<i>(in millions of Korean won)</i>	December 31, 2010			
	Financial liabilities at amortized cost	Financial guarantee liability	Derivative liabilities	Total
Trade and other payables	₩ 2,076,331	₩ 7,063	₩ -	₩ 2,083,394
Borrowings	3,467,975	-	-	3,467,975
Other financial liabilities	-	-	7,334	7,334
Long-term trade and other payables	282,801	-	-	282,801
Long-term borrowings	2,505,010	-	-	2,505,010
Long-term other financial liabilities	-	-	579	579
	<u>₩ 8,332,117</u>	<u>₩ 7,063</u>	<u>₩ 7,913</u>	<u>₩ 8,347,093</u>

<i>(in millions of Korean won)</i>	January 1, 2010			
	Financial liabilities at amortized cost	Financial guarantee liability	Derivative liabilities	Total
Trade and other payables	₩ 1,125,382	₩ 4,415	₩ -	₩ 1,129,797
Borrowings	3,019,954	-	-	3,019,954
Other financial liabilities	-	-	13,521	13,521
Long-term trade and other payables	216,358	-	-	216,358
Long-term borrowings	2,140,447	-	-	2,140,447
Long-term other financial liabilities	-	-	723	723
	<u>₩ 6,502,141</u>	<u>₩ 4,415</u>	<u>₩ 14,244</u>	<u>₩ 6,520,800</u>

Income and loss of financial instruments by category for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Financial assets at fair value through profit or loss		
Gain (Loss) on valuation (Other comprehensive income(loss))	₩ (183)	₩ 183
Gain (Loss) on valuation (Profit or loss)	(7,247)	-
Interest income	865	-
Loans and receivables		
Gain (Loss) on disposal (Profit or loss)	(2,315)	(2,801)
Interest income	16,840	5,393
Gain on foreign currency translation	20,231	9,463
Loss on foreign currency translation	(39,362)	(31,912)
Bad debts expense	(249)	(16,632)
Reversal of allowance for bad debt	3,295	278
Held-to-maturity financial assets		
Interest income	67	114
Available-for-sale financial assets		
Gain (Loss) on valuation (Other comprehensive income(loss))	(9,138)	19,976
Gain (Loss) on disposal (Profit or loss)	22,483	65

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Impairment loss (net income)	(138,885)	(2)
Interest income	1,387	1,453
Dividends	1,786	1,585
Financial liabilities at amortized cost		
Interest expenses	(210,174)	(192,502)
Gain on foreign currency translation	58,170	73,986
Loss on foreign currency translation	(105,701)	(51,576)
Derivative assets and liabilities		
Gain (Loss) on valuation (Other comprehensive income(loss))	224	8,655
Gain (Loss) on valuation (Profit or loss)	(14,234)	12,488
Gain (Loss) on transactions (Profit or loss)	15,961	10,565

7. Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position as of December 31, 2011 and 2010, and January 1, 2010, are the same as the cash and cash equivalents in the statements of cash flows.

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 01, 2010	
Cash on hand	₩	71,584	₩	6,587	₩	6,175
Bank deposit		455,009		616,048		415,034
	₩	<u>526,593</u>	₩	<u>622,635</u>	₩	<u>421,209</u>

8. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Description	December 31,		December 31,		January 01,	
		2011		2010		2010	
Cash and cash equivalents	Advances from real-estate sales	₩	-	₩	3,282	₩	-
	Pledge for borrowings		5,870		11,586		-
	Others		297		410		66
Other financial assets	Pledge for borrowings		-		19,338		-
	Pledge		-		-		37,000
	LC deposit		-		1,055		-
	others		-		185		412
Long-term other financial assets	Deposits for checking account		93		115		93
	Pledge for borrowings		1,681		1,652		-
		₩	<u>7,941</u>	₩	<u>37,623</u>	₩	<u>37,571</u>

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9. Trade and other receivables

Details of trade and other receivables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

		December 31, 2011		
<i>(in millions of Korean won)</i>	Receivable amounts	Provision for impairment	Net book value	
Trade receivables	₩ 2,148,937	₩ (20,707)	₩	2,128,230
Other receivables	306,550	(26,727)		279,823
Long-term trade receivables	6,291	-		6,291
Long-term other receivables	211,468	(7,232)		204,236
	<u>₩ 2,673,246</u>	<u>₩ (54,666)</u>	<u>₩</u>	<u>2,618,580</u>
December 31, 2010				
<i>(in millions of Korean won)</i>	Receivable amounts	Provision for impairment	Net book value	
Trade receivables	₩ 2,374,519	₩ (187,521)	₩	2,186,998
Other receivables	651,084	(156,356)		494,728
Long-term trade receivables	9,528	(872)		8,656
Long-term other receivables	161,902	(7,237)		154,665
	<u>₩ 3,197,033</u>	<u>₩ (351,986)</u>	<u>₩</u>	<u>2,845,047</u>
January 1, 2010				
<i>(in millions of Korean won)</i>	Receivable amounts	Provision for impairment	Net book value	
Trade receivables	₩ 1,569,008	₩ (37,536)	₩	1,531,472
Other receivables	148,860	(1,344)		147,516
Long-term trade receivables	14,344	-		14,344
Long-term other receivables	100,660	(7,251)		93,409
	<u>₩ 1,832,872</u>	<u>₩ (46,131)</u>	<u>₩</u>	<u>1,786,741</u>

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Details of other receivables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Other receivables						
Non-trade receivables	₩	132,009	₩	145,727	₩	110,224
Short-term loans		114,510		284,563		16,098
Accrued income		30,006		61,906		19,338
Deposits		3,298		2,532		1,856
		<u>279,823</u>		<u>494,728</u>		<u>147,516</u>
Long-term other receivables						
Long-term non-trade receivables		-		922		-
Long-term loans		12,976		262		5,504
Deposits		191,260		153,481		87,905
		<u>204,236</u>		<u>154,665</u>		<u>93,409</u>
	₩	<u>484,059</u>	₩	<u>649,393</u>	₩	<u>240,925</u>

The fair value of long-term trade and other receivables is calculated by discounting nominal value of expected future cash inflow at discount rate which reflects credit risk.

	2011	2010
Discount rate	3.7% ~ 4.3%	3.4% ~ 4.3%

Meanwhile, the fair value of trade and other receivables as of December 31, 2011 and 2010, and January 1, 2010, are the same as book value.

The aging analysis of trade and other receivables as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2011						
	Receivables not past due	Past due but not impaired				Impaired	Total
	Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months			
Trade receivables	₩ 1,810,914	₩ 154,750	₩ 78,723	₩ 37,320	₩ 63,418	₩ 3,812	₩ 2,148,937
Other receivables	280,498	5,349	1,112	558	3,367	15,666	306,550
Long-term trade receivables	3,298	-	-	13	2,974	6	6,291
Long-term other receivables	203,913	8	-	-	293	7,254	211,468
	<u>₩ 2,298,623</u>	<u>₩ 160,107</u>	<u>₩ 79,835</u>	<u>₩ 37,891</u>	<u>₩ 70,052</u>	<u>₩ 26,738</u>	<u>₩ 2,673,246</u>

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		December 31, 2010						
		Receivables not past due	Past due but not impaired				Impaired	Total
			Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 2,210,134	₩ 72,622	₩ 31,057	₩ 18,391	₩ 30,965	₩ 11,350	₩2,374,519	
Other receivables	646,206	1,349	91	13	221	3,204	651,084	
Long-term trade receivables	6,693	-	-	-	2,835	-	9,528	
Long-term other receivables	65,134	44,698	-	-	92	51,978	161,902	
	<u>₩ 2,928,167</u>	<u>₩ 118,669</u>	<u>₩ 31,148</u>	<u>₩ 18,404</u>	<u>₩ 34,113</u>	<u>₩ 66,532</u>	<u>₩ 3,197,033</u>	

(in millions of
Korean won)

		January 1, 2010						
		Receivables not past due	Past due but not impaired				Impaired	Total
			Up to 3 months	4 to 6 months	7 to 12 months	Over 12 months		
Trade receivables	₩ 1,441,551	₩ 20,133	₩ 56,765	₩ 38,938	₩ 9,253	₩ 2,368	₩ 1,569,008	
Other receivables	136,750	3,222	1,109	263	5,281	2,235	148,860	
Long-term trade receivables	9,102	1	4	250	4,987	-	14,344	
Long-term other receivables	92,934	-	-	-	-	7,726	100,660	
	<u>₩ 1,680,337</u>	<u>₩ 23,356</u>	<u>₩ 57,878</u>	<u>₩ 39,451</u>	<u>₩ 19,521</u>	<u>₩ 12,329</u>	<u>₩1,832,872</u>	

The Group performs individual impairment review on the relevant items by determining whether the individually significant bonds have the symptom of impairment. The collective impairment review is performed for other bonds on which no impairment loss was recognized as a result of individual impairment review.

The Group classifies bonds, whose collection is uncertain due to debtor's bankruptcy or insolvency, as accidental bond. The accidental bond is categorized as composition bond or other accidental bonds. The composition bond is valued by performing impairment valuation by considering estimated repayment amount and other accidental bond is valued by recognizing impairment loss by considering the type and amount of collaterals.

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Changes in provision for impairment of trade and other receivables for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011					
	Beginning	Provision for impairment	Reversal	Changes in scope of consolidation	Others	Ending
Trade and other receivables	₩ 351,986	₩ 249	₩ (4,283)	₩ (302,824)	₩ 9,538	₩ 54,666

<i>(in millions of Korean won)</i>	2010					
	Beginning	Provision for impairment	Reversal	Changes in scope of consolidation	Others	Ending
Trade and other receivables	₩ 46,131	₩ 16,632	₩ (278)	₩ 302,597	₩ (13,096)	₩ 351,986

The maximum exposure of trade and other receivables to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The creation and release of provision for impaired trade receivables and other receivables have been included in 'selling and administrative expenses' and 'other operating expenses' in the statements of income, respectively. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

10. Other financial assets and liabilities

Other financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Financial assets at fair value through profit or loss	₩ 13,542	₩ 3,487	₩ 23,972
Loans and receivables	16,404	37,203	54,319
Available-for-sale financial assets	99,782	217,875	155,546
Derivative assets	9,223	19,012	16,964
Held-to-maturity financial assets	2,453	2,520	2,267
	141,404	280,097	253,068
Less: Current portion	(24,731)	(58,314)	(78,450)
	₩ 116,673	₩ 221,783	₩ 174,618

Other financial liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Financial liabilities at fair value through profit or loss	₩ -	₩ -	₩ -

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Derivative liabilities	22,372	7,913	14,244
	22,372	7,913	14,244
Less: Current portion	(21,486)	(7,334)	(13,521)
	₩ 886	₩ 579	₩ 723

Financial assets at fair value through profit or loss of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Convertible bond investment ¹	₩ 13,542	₩ -	₩ 20,789
Put option ²	-	3,487	3,183
	₩ 13,542	₩ 3,487	₩ 23,972

¹ Designated as financial assets at fair value through profit or loss. The convertible bond, maturing in 2018, was issued by Chin Hung International Inc. The Company recognized loss on valuation amounting to ₩ 7,430 million by using binomial tree option pricing model for the year ended December 31, 2011.

² The details of put option as of December 31, 2010 and January 1, 2010, are as follows. The Group sold all shares of Korea Express Co., Ltd. during the year ended December 31, 2011. Thus, there was no outstanding put option as of December 31, 2011.

Details

Acquisition date	March 14, 2008
Shares to be issued	33,204 shares of common stock of Korea Express Co., Ltd.
Exercise period	(1) after three years of next date of payment (2) extendable for one year under mutual agreement with investor
Exercise price	Exercise price = (1) + (2) (1) takeover price on consortium contract for stock subject to buy-back (2) annual interest rate of 6.5% during the period until the completion date of sales since the acquisition date of stock subject to buy-back

Loans and receivables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Short-term financial instruments	₩ 14,293	₩ 35,375	₩ 53,869
Long-term financial instruments	2,111	1,828	450
	₩ 16,404	₩ 37,203	₩ 54,319

Changes in available-for-sale financial assets for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Beginning balance	₩ 217,875	₩ 155,546
Acquisition	38,138	61,723

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Reclassification ¹		138,885		-
Disposals		(95,369)		(20,008)
Gain (Loss) on valuation of available-for-sale financial assets ¹		(29,539)		17,283
Impairment loss of available-for-sale financial assets		(138,885)		-
Changes in scope of consolidation		(34,487)		1,043
Others		3,164		2,288
Ending balance	₩	<u>99,782</u>	₩	<u>217,875</u>
Short-term available-for-sale financial assets	₩	806	₩	265
Long-term available-for-sale financial assets		98,976		217,610

¹ The Group cannot exercise control due to the special agreement to fulfill plan for normalization of management of Chin Hung International Inc. during the year ended December 31, 2011. The investment in subsidiary, amounting to ₩ 138,885 million, was replaced to available-for-sale financial assets. But the impairment loss of available-for-sale financial assets was recognized as Chin Hung International Inc. decided capital reduction without refund for all shares that the Group owned on December 31, 2011.

Short-term available-for-sale financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>		December 31, 2011		December 31, 2010		January 1, 2010
Government bond	₩	806	₩	265	₩	4,365

Long-term available-for-sale financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

		December 31, 2011			December 31, 2010	January 1, 2010
		Acquisition cost	Fair value / Net asset value	Book value ²	Book value	Book value
<i>(in millions of Korean won)</i>						
Listed stock (except for investment in associates)	₩	135,717	₩ 31,892	₩ 31,892	₩ 97,503	₩ 75,655
Unlisted stock ¹ (except for investment in associates)		44,524	27,914	21,731	54,062	27,697
Equity investments		43,932	45,015	45,015	41,391	21,295
Debt securities		-	-	338	24,654	26,534
	₩	<u>224,173</u>	₩ <u>104,821</u>	₩ <u>98,976</u>	₩ <u>217,610</u>	₩ <u>151,181</u>

¹ Net asset value of unlisted stock is calculated based on their recent financial statements.

² Available-for-sale financial assets are calculated by using the fair value. However, unlisted stock is recorded at cost if the fair value is not available or does not have market value available in a market.

Details of listed stock ,excluding investments in associates, as of December 31, 2011 and 2010, January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>		December 31, 2011				December 31, 2010	January 1, 2010
		Number of share	Percentage of ownership (%)	Acquisition cost	Fair value	Book value	Book value
Investee							

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KT CORP.	574,883	0.22%	₩ 7,942	₩ 20,495	₩ 20,495	₩ 26,588	₩ 22,478
SBI Global Investment Co., Ltd.	202,839	0.44%	815	69	69	93	183
KTB Investment Securities Co., Ltd.	2,634	-	13	5	5	14	11
Savezone I&C Corp.	4,555	0.01%	30	10	10	11	10
Ultra Construction & Engineering Co., Ltd. (preferred share)	911	0.07%	5	2	2	4	3
Korea Environment Technology Co., Ltd.	814,280	1.63%	407	2,797	2,797	1,576	924
Hanshin Construction Co., Ltd.	712	0.01%	1	6	6	7	13
CJ E&M Corporation (formerly OnMedia Corp.)	19,055	0.05%	280	577	577	628	597
Kumho Tires Co., Inc	333,333	0.31%	3,333	3,467	3,467	4,617	3,605
Chin Hung International Inc. ¹	330,116,817	-	117,522	-	-	-	-
Chin Hung International Inc. (Preferred stock B) ¹	1,427,820	-	788	-	-	-	-
Chin Hung International Inc. (Preferred stock 2B) ¹	1,251,920	-	799	-	-	-	-
FineTec Co., Ltd.	307,657	2.70%	1,145	1,134	1,134	3,304	-
Hwashin Precision Co., LTD.	200,000	3.40%	400	314	314	462	-
Kiwoom No 1. SPAC	150,000	1.50%	300	275	275	301	-
LS Networks Co., Ltd.	45,666	-	228	200	200	255	-
Hankook Tire Co., Ltd.	-	-	-	-	-	47,657	38,275
KOREA EXPRESS CO.,LTD	-	-	-	-	-	3,128	1,883
Alti-electronics Co., Ltd.	-	-	-	-	-	-	5,655
Others	-	-	1,709	2,541	2,541	8,858	2,018
			<u>₩ 135,717</u>	<u>₩ 31,892</u>	<u>₩ 31,892</u>	<u>₩ 97,503</u>	<u>₩ 75,655</u>

¹ The Group cannot exercise control due to the special agreement to fulfill plan for normalization of management of Chin Hung International Inc. for the year end December 31, 2011. The investments in subsidiaries were replaced to available-for-sale financial assets. But the impairment loss of available-for-sale financial assets was fully recognized, as Chin Hung International Inc. decided on a capital reduction without refund for all shares that the Company owned as of December 31, 2011 (Note 35).

Details of unlisted stock, excluding investments in associates, as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011				December 31, 2010	January 1, 2010	
	Number of share	Percentage of ownership (%)	Acquisition cost	Fair value / Net asset value	Book value	Book value	
NINEX Co., Ltd	-	-	₩ -	₩ -	₩ -	₩ 1,500	₩ 1,500
Doosan Capital Co., Ltd.	600,000	3.00%	3,000	6,860	6,860	6,860	3,000
Sejong Telecom Co., Ltd.	263	-	2,406	1	-	-	-
Korea Housing Guarantee Co., Ltd.	343,380	0.05%	1,717	1,954	1,717	1,717	1,717
Hankook Economic Newspaper	124,308	0.66%	1,354	910	1,354	1,354	1,354
Life Point Inc.	500,000	1.39%	1,148	-	-	-	-
MomusVenturesgroup	160,040	9.37%	3,242	371	-	-	-
TransLink Capital Partners 1, L.P.	-	-	1,584	1,342	1,690	1,584	1,314

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Chin Hung International Inc. (Preferred stock 3B) ¹	30,998,003	-	19,777	10,167	-	-	-
Maeil Business TV News (mbn)	266,667	0.48%	2,000	-	2,000	-	-
Channel A Co., LTD.	400,000	0.49%	2,000	-	2,000	-	-
Woori Housing Operation Management Co., LTD.	800	0.01%	27	40	40	41	27
Samsung Life Insurance	-	-	-	-	-	-	12,264
AJU RENTAL CO., LTD	-	-	-	-	-	4,968	4,968
Others	-	-	6,269	6,269	6,070	36,038	1,553
			<u>₩ 44,524</u>	<u>₩ 27,914</u>	<u>₩ 21,731</u>	<u>₩ 54,062</u>	<u>₩ 27,697</u>

¹ The Company cannot exercise control due to the special agreement to fulfill plan for normalization of management of Chin Hung International Inc. for the year end December 31, 2011. The investments in subsidiaries were reclassified as available-for-sale financial assets. But the impairment loss of available-for-sale financial assets was recognized as Chin Hung International Inc. decided on a capital reduction without refund for fully all shares that the Company owned as of December 31, 2011 (Note 35).

Details of equity investments as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Investee	December 31, 2011			December 31, 2010	January 1, 2010	
		Percentage of ownership (%)	Acquisition cost	Fair value / Net asset value	Book value	Book value	
	Hyundai Financial Leasing Co., Ltd.	11.98%	₩ 16,512	₩ 17,249	₩ 17,249	₩ 9,824	₩ 5,645
	Fund of Goldman Sachs Group	0.13%	3,688	3,394	3,394	3,643	3,261
	NH-Bennex Private Equity Fund	14.92%	3,000	3,457	3,457	-	-
	Osan landmark Project Corporation ¹	19.00%	950	950	950	950	-
	Conexs resource development No.1 Private Equity Fund	9.43%	5,000	5,044	5,044	5,000	-
	Koston No.1 Private Equity Fund	18.20%	2,000	2,007	2,007	-	-
	E-revolution No.1 Private Equity Fund	4.88%	2,000	2,000	2,000	-	-
	Conexs new development power No.1 Private Equity Fund ¹	6.67%	2,000	2,000	2,000	-	-
	Medici No.2 Investment Cooperative	13.33%	800	800	800	-	-
	West End company Restructuring Cooperative ¹	-	-	-	-	3,259	3,500
	NH-Bennex Private Equity Fund ¹	-	-	-	-	3,000	-
	No.4 KD-IBKD (CRC) ¹	-	-	-	-	123	250
	Machinery financial Cooperative ¹	-	3,300	3,300	3,300	3,300	3,300
	Construction Guarantee Cooperative ¹	-	2,038	2,138	2,138	2,134	1,769
	Machinery financial Cooperative ¹	-	1,180	1,212	1,212	1,209	976
	Electronic industry investment cooperative ¹	-	700	700	700	1,000	1,000
	Others	-	764	764	764	7,949	1,594
			<u>₩ 43,932</u>	<u>₩ 45,015</u>	<u>₩ 45,015</u>	<u>₩ 41,391</u>	<u>₩ 21,295</u>

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¹ Measured at acquisition cost since the fair value is not readily available and cannot be reliably estimable.

Fair value of derivatives assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	December 31, 2011		December 31, 2010		January 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current						
Forward exchange contracts	₩ 8,719	₩ 21,377	₩ 18,608	₩ 6,548	₩ 12,566	₩ 1,916
Foreign exchange risk insurance	36	109	304	786	4,398	11,605
	<u>8,755</u>	<u>21,486</u>	<u>18,912</u>	<u>7,334</u>	<u>16,964</u>	<u>13,521</u>
Non-current						
Forward exchange contracts	468	886	100	579	-	723
Foreign exchange risk insurance	-	-	-	-	-	-
	<u>468</u>	<u>886</u>	<u>100</u>	<u>579</u>	<u>-</u>	<u>723</u>
	<u>₩ 9,223</u>	<u>₩ 22,372</u>	<u>₩ 19,012</u>	<u>₩ 7,913</u>	<u>₩ 16,964</u>	<u>₩ 14,244</u>

The maximum exposure to credit risk at the reporting date is the carrying value of the derivatives. Details of derivative assets and liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

		Weighted average exchange rate based on contracts (in Korean won)	Weighted average expiry date as of December 31, 2011	Contract price of outstanding derivatives (in thousands)					
				December 31, 2011	December 31, 2010	January 1, 2010			
Forward exchange contracts	Buy	1,243.51	2012-05-21	USD 42,095	USD -	USD -			
Forward exchange contracts	Buy	1,531.60	2012-03-20	EUR 1,499	EUR -	EUR -			
Forward exchange contracts	Buy	14.67	2012-04-07	JPY 166,714	JPY -	JPY -			
Forward exchange contracts	Sell	1,145.94	2012-10-04	USD 804,875	USD 717,010	USD 327,658			
Forward exchange contracts	Sell	1,560.46	2012-08-03	EUR 62,301	EUR 79,647	EUR 9,640			
Forward exchange contracts	Sell	1,126.36	2012-08-19	CAD 21,256	CAD 22,588	CAD 8,330			
Forward exchange contracts	Sell	996.72	2012-08-15	AUD 8,196	AUD 14,763	AUD -			
Forward exchange contracts	Sell	14.78	2012-08-22	JPY1,680,217	JPY5,040,000	JPY -			
Forward exchange contracts	Sell	1,774.11	2012-11-25	GBP 996	GBP 437	GBP -			
Forward exchange contracts	Sell	149.4	2013-08-30	HKD 3,562	HKD 3,562	HKD -			
Foreign exchange risk insurance	Sell	928.9	2012-03-01	USD 318	USD 5,480	USD 68,029			
Forward currency contracts	Sell	1,541.52	2012-04-14	EUR 17,301	EUR -	EUR -			

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Forward currency contracts	Sell	1,153.42	2012-04-30	USD	65,879	USD	-	USD	3,300
Forward currency contracts	Buy	1,075.75	2012-03-13	USD	2,668	USD	-	USD	-
Forward currency contracts	Buy	1,114.91	2012-01-30	AUD	5,528	AUD	-	AUD	-
Currency Swaps	-	1,160.00	2013-09-30	USD	2,090	USD	-	USD	-
Currency Swaps - Risk Aversion	-	13.97	2012-02-10	JPY	429,283	JPY	-	JPY	-
Interest rate swap	-	-	2016-05-30	KRW	7,560	KRW	8,400	KRW	58,400

¹ Since the Group 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.

Details of held-to-maturity financial assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Current portion of held-to-maturity financial assets	₩ 877	₩ 275	₩ 69
Held-to-maturity financial assets	<u>1,576</u>	<u>2,245</u>	<u>2,198</u>
	<u>₩ 2,453</u>	<u>₩ 2,520</u>	<u>₩ 2,267</u>

Held-to-maturity financial assets owned by the Group consist of government bonds and others.

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11. Other financial business asset

Details of other financial business asset as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Loans and receivables	₩ 1,877,899	₩ 1,603,503	₩ 1,391,313
Operating lease assets	212,161	165,002	90,080
	<u>₩ 2,090,060</u>	<u>₩ 1,768,505</u>	<u>₩ 1,481,393</u>

Details of loans and receivables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Loans and receivables	₩ 1,950,870	₩ 1,642,420	₩ 1,431,973
Provision for impairment	(72,971)	(38,917)	(40,660)
	<u>₩ 1,877,899</u>	<u>₩ 1,603,503</u>	<u>₩ 1,391,313</u>

The aging analysis of loans and receivables as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Up to 1 year	₩ 373,750	₩ 328,034	₩ 285,677
1 to 5 years	1,577,120	1,314,386	1,146,296
	<u>₩ 1,950,870</u>	<u>₩ 1,642,420</u>	<u>₩ 1,431,973</u>

Movements on the provision for impairment of trade receivables for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Beginning	₩ 38,918	₩ 40,660
Provision for receivables impairment	51,133	14,041
Write-off	(17,080)	(15,783)
Ending	<u>₩ 72,971</u>	<u>₩ 38,918</u>

The future minimum lease receipts under non-cancellable operating lease agreements as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Up to 1 year	₩ 80,720	₩ 44,271	₩ 38,338
1 to 5 years	86,998	45,097	22,816
	<u>₩ 167,718</u>	<u>₩ 89,368</u>	<u>₩ 61,154</u>

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12. Other assets

Details of other assets as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Current			
Advance payments	₩ 158,662	₩ 154,329	₩ 223,156
Provision for impairment	(3,846)	(11,141)	(3,300)
Prepaid expenses	49,312	32,332	19,339
	<u>204,128</u>	<u>175,520</u>	<u>239,195</u>
Non-current			
Long-term prepaid expenses	14,962	9,399	5,795
Other investments	13,730	2,396	31
	<u>28,692</u>	<u>11,795</u>	<u>5,826</u>
	<u>₩ 232,820</u>	<u>₩ 187,315</u>	<u>₩ 245,021</u>

13. Inventories

Inventories as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		
	Acquisition cost	Valuation Allowance	Net book value
Merchandise	₩ 247,154	₩ -	₩ 247,154
Finished goods	541,756	(10,586)	531,170
Semi-finished goods	231,603	(112)	231,491
Work-in-process	107,533	-	107,533
Processing materials on consignment	4,164	-	4,164
Processing materials on trust	640	-	640
Raw materials	274,975	(1,951)	273,024
Sub-materials	28,133	-	28,133
Supplies	14,752	-	14,752
Packaging	3,623	-	3,623
Goods in transit	65,967	-	65,967
Cost accrued on construction contract	94,483	-	94,483
Temporary installations	20	-	20
Finished housing	35,299	(53)	35,246
Sites	214,555	(16,945)	197,610
Others	798	-	798
	<u>₩ 1,865,455</u>	<u>₩ (29,647)</u>	<u>₩ 1,835,808</u>

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<i>(in millions of Korean won)</i>	December 31, 2010		
	Acquisition cost	Inventory valuation Reserve	Net book value
Merchandise	₩ 136,740	₩ -	₩ 136,740
Finished goods	296,284	(4,780)	291,504
Semi-finished goods	138,495	-	138,495
Work-in-process	67,490	-	67,490
Processing materials on consignment	5,698	-	5,698
Processing materials on trust	428	-	428
Raw materials	216,611	(1,400)	215,211
Sub-materials	18,538	-	18,538
Supplies	7,901	-	7,901
Packaging	1,876	-	1,876
Goods in transit	55,530	-	55,530
Cost accrued on construction contract	33,210	-	33,210
Temporary installations	146	-	146
Finished housing	99,804	(12)	99,792
Sites	326,066	(16,945)	309,121
Others	39,946	-	39,946
	₩ 1,444,763	₩ (23,137)	₩ 1,421,626

<i>(in millions of Korean won)</i>	January 1, 2010		
	Acquisition cost	Inventory valuation Reserve	Net book value
Merchandise	₩ 88,031	₩ -	₩ 88,031
Finished goods	242,755	(4,836)	237,919
Semi-finished goods	98,367	(261)	98,106
Work-in-process	50,934	-	50,934
Processing materials on consignment	5,363	-	5,363
Processing materials on trust	586	-	586
Raw materials	203,931	(593)	203,338
Sub-materials	15,037	-	15,037
Supplies	7,103	-	7,103
Packaging	1,702	-	1,702
Goods in transit	38,797	-	38,797
Cost accrued on construction contract	15,606	-	15,606
Temporary installations	31	-	31
Finished housing	103,399	(8,802)	94,597
Sites	82,764	(10,112)	72,652
Others	116	-	116
	₩ 954,522	₩ (24,604)	₩ 929,918

The cost of inventories recognized as expense and included in 'cost of sales' amounted to ₩ 8,255,816 million (2010: ₩ 6,973,066 million) for the year ended December 31, 2011.

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14. Property, plant and equipment

Details of property, plant and equipment as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Land	Building	Structure	Machinery	Vehicle	Tool and equipment	Others	Construction in progress	Machinery in transit	Total
December 31, 2011										
Acquisition cost	₩ 1,446,159	₩ 1,105,523	₩ 207,828	₩ 5,179,391	₩ 42,417	₩ 307,150	₩ 85,252	₩ 420,852	₩ 4,968	₩ 8,799,540
Accumulated depreciation	-	(251,933)	(62,954)	(3,298,204)	(25,952)	(207,431)	(13,569)	-	-	(3,860,043)
Accumulated impairment loss	(5)	(14)	-	(1,911)	-	-	-	-	-	(1,930)
Accumulated shrinkage loss	-	-	-	-	-	-	(1,485)	-	-	(1,485)
Government grants	-	-	-	(5,571)	-	(659)	-	-	-	(6,230)
Net amount	₩ 1,446,154	₩ 853,576	₩ 144,874	₩ 1,873,705	₩ 16,465	₩ 99,060	₩ 70,198	₩ 420,852	₩ 4,968	₩ 4,929,852
December 31, 2010										
Acquisition cost	₩ 1,427,364	₩ 982,243	₩ 191,406	₩ 4,619,450	₩ 35,657	₩ 257,460	₩ 45,487	₩ 156,355	₩ 519	₩ 7,715,941
Accumulated depreciation	-	(219,414)	(57,370)	(3,003,918)	(24,017)	(189,149)	(7,122)	-	-	(3,500,990)
Accumulated impairment loss	(5)	(14)	-	(3,593)	-	-	-	-	-	(3,612)
Accumulated shrinkage loss	-	-	-	-	-	-	(1,207)	-	-	(1,207)
Government grants	-	-	-	(5,981)	-	(241)	-	-	-	(6,222)
Net amount	₩ 1,427,359	₩ 762,815	₩ 134,036	₩ 1,605,958	₩ 11,640	₩ 68,070	₩ 37,158	₩ 156,355	₩ 519	₩ 4,203,910
January 1, 2010										
Acquisition cost	₩ 1,461,452	₩ 874,019	₩ 176,247	₩ 4,143,424	₩ 30,703	₩ 228,770	₩ 32,139	₩ 347,163	₩ 835	₩ 7,294,752
Accumulated depreciation	-	(182,884)	(50,097)	(2,789,083)	(22,416)	(173,850)	(4,415)	-	-	(3,222,745)
Accumulated impairment loss	(5)	(14)	-	(7,142)	-	-	-	-	-	(7,161)
Accumulated shrinkage loss	-	-	-	-	-	-	(946)	-	-	(946)
Government grants	-	-	-	(882)	-	(354)	-	(595)	-	(1,831)
Net amount	₩ 1,461,447	₩ 691,121	₩ 126,150	₩ 1,346,317	₩ 8,287	₩ 54,566	₩ 26,778	₩ 346,568	₩ 835	₩ 4,062,069

Changes in property, plant and equipment for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011									
	Land	Building	Structure	Machinery	Vehicle	Tool and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning	₩ 1,427,359	₩ 762,815	₩ 134,036	₩ 1,605,958	₩ 11,640	₩ 68,070	₩ 37,158	₩ 156,355	₩ 519	₩ 4,203,910
Acquisition	14,785	19,758	15,755	144,118	13,825	27,665	27,336	771,574	31,711	1,066,527
Disposal	(4,038)	(4,682)	(2,447)	(3,460)	(6,774)	(270)	(857)	-	-	(22,528)
Depreciation and others	-	(33,862)	(8,719)	(323,142)	(3,931)	(23,575)	(4,960)	-	-	(398,189)
Impairment loss ¹	-	-	-	(28,724)	-	-	-	-	-	(28,724)
Transfer ²	(3,787)	75,754	5,488	376,212	1,520	29,641	10,473	(517,838)	(27,262)	(49,799)
Government grants	-	-	-	(648)	-	(554)	-	-	-	(1,202)
Others (changes in exchange rate)	15,308	35,051	830	102,196	193	(494)	1,048	10,834	-	164,966
Changes in scope of consolidation	(3,473)	(1,258)	(69)	1,195	(8)	(1,423)	-	(73)	-	(5,109)
Ending	₩ 1,446,154	₩ 853,576	₩ 144,874	₩ 1,873,705	₩ 16,465	₩ 99,060	₩ 70,198	₩ 420,852	₩ 4,968	₩ 4,929,852

¹ Impairment loss is recognized due to a fire at a plant of Hyosung Spandex (GuangDong) Co., Ltd., a subsidiary.

² Transfer includes the transfer from construction in process and machinery in transit and investment property.

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<i>(in millions of Korean won)</i>	2010									
	Land	Building	Structure	Machinery	Vehicle	Tool and equipment	Others	Construction in progress	Machinery in transit	Total
Beginning	₩ 1,461,447	₩ 691,121	₩ 126,150	₩ 1,346,317	₩ 8,287	₩ 54,567	₩ 26,778	₩ 346,567	₩ 835	₩ 4,062,069
Acquisition	18,839	23,584	7,309	87,665	7,395	22,076	1,538	435,196	3,555	607,157
Disposal	(2,077)	(8,660)	(3,660)	(18,180)	(2,598)	(1,027)	(335)	-	-	(36,537)
Depreciation and others	-	(30,590)	(10,487)	(264,974)	(2,912)	(19,632)	(54,711)	-	-	(383,306)
Impairment loss	-	-	-	(4,513)	-	-	-	-	-	(4,513)
Transfer ¹	-	-	-	6,071	-	-	-	-	-	6,071
Government grants	(35,433)	93,984	10,172	473,492	1,608	11,909	13,042	(623,304)	(3,871)	(58,401)
Others (changes in exchange rate)	(19,787)	(9,504)	4,462	(19,928)	(154)	(85)	50,846	(2,177)	-	3,673
Changes in scope of consolidation	4,370	2,880	90	8	14	262	-	73	-	7,697
Ending	₩ 1,427,359	₩ 762,815	₩ 134,036	₩ 1,605,958	₩ 11,640	₩ 68,070	₩ 37,158	₩ 156,355	₩ 519	₩ 4,203,910

¹ Transfer includes the transfer from construction in process and machinery in transit and to investment property.

Depreciation expense of ₩ 386,517 million (2010: ₩ 373,026 million) has been charged to 'cost of goods sold', and ₩ 11,672 million (2010: ₩ 10,280 million) to 'selling administrative expenses' for the year ended December 31, 2011.

The Group has capitalized borrowing costs amounting to ₩ 3,991 million (2010: ₩ 324 million) on qualifying assets for the year ended December 31, 2011. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 5.57% (2010: 5.97%) for the year ended December 31, 2011.

Bank borrowings are secured on land, buildings and machinery (Notes 19 and 39).

15. Investment property

Changes in investment property for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		
	Land	Building	Total
Beginning	₩ 210,492	₩ 133,998	₩ 344,490
Acquisition and transfer	38,690	24,443	63,133
Disposal	(20)	-	(20)
Depreciation	-	(4,334)	(4,334)
Transfer of accumulated impairment loss	(3,521)	3,521	-
Changes in scope of consolidation	(3,853)	(12,565)	(16,418)
Ending	₩ 241,788	₩ 145,063	₩ 386,851

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<i>(in millions of Korean won)</i>	2010					
	Land		Building		Total	
Beginning	₩	175,618	₩	120,146	₩	295,764
Acquisition and transfer		40,026		(19,658)		20,368
Disposal		(27,833)		(18,597)		(46,430)
Depreciation		-		(3,996)		(3,996)
Impairment loss		-		(34)		(34)
Changes in scope of consolidation		22,681		56,137		78,818
Ending	₩	210,492	₩	133,998	₩	344,490

Rent income from investment property amounted to ₩ 19,749 million (2010: ₩ 18,233 million), and operating expenses (including repairs and maintenance) directly related to those investment property amounted to ₩ 13,719 million (2010: ₩ 10,056 million) for the year ended December 31, 2011.

16. Intangible assets

Changes in intangible assets for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011									
	Goodwill	Industrial property	Others	Memberships	Total					
Beginning	₩	90,900	₩	7,129	₩	133,114	₩	30,999	₩	262,142
Acquisition		-		13,754		40,236		408		54,398
Transfer		-		-		18,133		-		18,133
Disposal		-		-		(3,107)		(1,950)		(5,057)
Amortization		-		(1,901)		(8,698)		(2)		(10,601)
Impairment loss		-		-		(388)		-		(388)
Reversal of impairment loss		-		-		-		19		19
Others		58		592		3,029		(335)		3,344
Changes in scope of consolidation ¹		53,878		(94)		76,575		(1,548)		128,811
Ending	₩	144,836	₩	19,480	₩	258,894	₩	27,591	₩	450,801

¹ Includes net of an increase of ₩ 57,201 million and a decrease of ₩ 3,323 million.

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<i>(in millions of Korean won)</i>	2010				
	Goodwill	Industrial property	Others	Memberships	Total
Beginning	₩ 87,602	₩ 7,142	₩ 67,537	₩ 24,526	₩ 186,807
Acquisition	-	1,273	32,341	5,029	38,643
Disposal	-	(12)	(2,230)	(167)	(2,409)
Amortization	-	(1,508)	(8,977)	-	(10,485)
Impairment loss	-	-	(56)	-	(56)
Others	(25)	-	37	140	152
Changes in scope of consolidation	3,323	234	44,462	1,471	49,490
Ending	₩ 90,900	₩ 7,129	₩ 133,114	₩ 30,999	₩ 262,142

Amortization of ₩ 5,782 million (2010: ₩ 6,900 million) was included in the 'cost of goods sold', and ₩ 4,819 million (2010: ₩ 3,585 million) in the 'selling and administrative expenses' in the statements of income for the year ended December 31, 2011.

Impairment tests for goodwill

Goodwill is monitored by the management at the operating segment level. The following is a summary of goodwill allocation for each operating segment:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Fabric	₩ 6,654	₩ 6,654	₩ 6,654
Industrial Materials ¹	57,201	-	-
Chemical	-	-	-
Heavy Industrial	129	129	129
Construction	-	3,323	-
Trading	2,274	2,307	2,332
Others ²	78,578	78,487	78,487
	₩ 144,836	₩ 90,900	₩ 87,602

¹ The Group acquired Global Safety Textile Holdco II GmbH in 2011 and accounted ₩ 57,201 million, which is difference between acquisition cost and identifiable net asset value, as goodwill (Note 41).

² The goodwill under others is allocated to each individual company and ₩ 76,727 million is allocated to Hyosung Capital Co.

Goodwill impairment reviews are undertaken annually. Impairment test suggests that the carrying value of cash generating units does not exceed the recoverable amount. The recoverable amounts have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. In addition, a constant growth rate assumption is used for perpetual cash flow calculation. The key assumptions used for value-in-use calculations in 2011 are as follows:

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	Fabric	Industrial Materials	Chemical	Heavy industrial	Construction	Trading	Others
Gross margin	14.5%	19.8%	16.2%	21.8%	1.0%	5.2%	25.3%
Growth rate ¹	11.9%	16.7%	12.2%	7.8%	17.5%	8.2%	30.8%
Perpetual growth rate ²	2.0%	3.0%	2.0%	2.0%	0.0%	0.0%	2.0%
Pre-tax discount rate ³	10.0%	14.6%	10.0%	10.0%	10.0%	10.0%	10.0%

¹ Average revenue growth rate used to extrapolate cash flows for five-year period is measured based on the historical growth rate.

² Projected growth rate over five years.

³ Pre-tax discount rate applied to the cash flow projections

17. Associates

Details of investments in associates as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)	Location	Percentage of ownership	December 31, 2011		
			Acquisition cost	Net asset value	Book value
Capro Corp.	Korea	21.04%	₩ 58,232	₩ 513,071	₩ 106,173
Nautilus Hyosung Inc.	Korea	43.50%	65,671	199,314	83,343
E-pia Tech Co., Ltd.	Korea	21.30%	1,088	(184)	59
Taebaek Wind Power Co., Ltd.	Korea	35.00%	5,301	14,720	5,152
Pyeongchang Wind Power Co., Ltd.	Korea	35.00%	893	2,507	877
Hyosung Information System Co., Ltd.	Korea	50.00%	24,754	70,509	35,254
Hyosung Toyota Corp.	Korea	40.00%	800	(4,154)	-
Hyosung ITX Co., Ltd.	Korea	34.99%	6,897	21,561	7,989
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	Thailand	30.00%	12,146	41,025	12,307
Soonchon Eco Green Corporation	Korea	27.11%	2,103	5,954	2,081
No.2 Koston Private Equity Fund	Korea	24.77%	2,800	10,804	2,751
Taiko Private Equity Fund	Korea	20.21%	3,000	14,400	3,000
Chin Hung International Inc. ¹	Korea	-	-	-	-
Flossom Co., Ltd. ²	Korea	-	-	-	-
			₩ 183,685	₩ 889,527	₩ 258,986

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<i>(in millions of Korean won)</i>	December 31, 2010		
	Acquisition cost	Net asset value	Book value
Capro Corp.	₩ 58,232	₩ 371,310	₩ 77,786
Nautilus Hyosung Inc.	65,671	177,998	74,643
E-pia Tech Co., Ltd.	1,088	1,606	420
Taebaek Wind Power Co., Ltd.	3,484	9,845	3,446
Pyeongchang Wind Power Co., Ltd.	18	43	15
Hyosung Information System Co., Ltd.	24,754	58,791	29,395
Hyosung Toyota Corp.	20	(2,681)	-
Hyosung ITX Co., Ltd.	6,897	17,877	6,443
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	-	-	-
Soonchon Eco Green Corporation	-	-	-
No.2 Koston Private Equity Fund	-	-	-
Taiko Private Equity Fund	-	-	-
Chin Hung International Inc. ¹	-	-	-
Flossom Co., Ltd. ²	-	-	-
	₩ 160,164	₩ 634,789	₩ 192,148

<i>(in millions of Korean won)</i>	January 1, 2010		
	Acquisition cost	Net asset value	Book value
Capro Corp.	₩ 58,232	₩ 277,263	₩ 58,232
Nautilus Hyosung Inc.	65,671	150,176	65,671
E-pia Tech. Co., Ltd.	1,088	4,698	1,088
Taebaek Wind Power Co., Ltd.	3,484	9,956	3,484
Pyeongchang Wind Power Co., Ltd.	-	-	-
Hyosung Information System Co., Ltd.	24,754	50,571	24,754
Hyosung Toyota Corp.	20	(179)	-
Hyosung ITX Co., Ltd.	6,897	20,049	6,897
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	-	-	-
Soonchon Eco Green Corporation	-	-	-
No.2 Koston Private Equity Fund	-	-	-
Taiko Private Equity Fund	-	-	-
Chin Hung International Inc. ¹	77,201	-	77,201
Flossom Co., Ltd. ²	6,439	-	6,439
	₩ 243,786	₩ 512,534	₩ 243,766

¹ Included in the consolidation as the ownership was over 50% due to increase in capital for the year ended December 31, 2010.

² Chin Hung International Inc. was included in the consolidation for the year ended December 31, 2010.

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Changes in investments in associates for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Beginning	₩	192,148	₩	243,766
Acquisition		23,521		18
Transfer ¹		-		(70,499)
Share of associates' profit(loss)		48,189		20,785
Other movement ²		(636)		(1,053)
Dividends		(4,236)		(869)
Ending	₩	258,986	₩	192,148

¹ Chin Hung International Inc. was newly included in the consolidation as the ownership was over 50% due to participation in its capital increase during the year ended December 31, 2010.

² Includes the share of other comprehensive income of associates.

Details of investments in associates as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Location	Percentage of ownership	Book value		
			December 31, 2011	December 31, 2010	January 1, 2010
Capro Corp.	Korea	21.04%	₩ 106,173	₩ 77,786	₩ 58,232
Nautilus Hyosung Inc.	Korea	43.50%	83,344	74,884	65,671
E-pia Tech. Co., Ltd.	Korea	21.30%	59	420	1,088
Taebaek Wind Power Co., Ltd.	Korea	35.00%	5,152	3,445	3,484
Pyeongchang Wind Power Co., Ltd.	Korea	35.00%	877	15	-
Hyosung Information System Co., Ltd.	Korea	50.00%	35,254	29,396	24,754
Hyosung Toyota Corp. ¹	Korea	40.00%	-	-	-
Hyosung ITX Co., Ltd.	Korea	34.99%	7,988	6,202	6,897
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	Thailand	30.00%	12,307	-	-
Soonchon Eco Green Corporation ²	Korea	27.11%	2,081	-	-
No.2 Koston Private Equity Fund ²	Korea	24.77%	2,751	-	-
Taiko Private Equity Fund ²	Korea	20.21%	3,000	-	-
Chin Hung International Inc.	Korea	55.90%	-	-	77,201
Flossom Co., Ltd.	Korea	57.83%	-	-	6,439
			₩ 258,986	₩ 192,148	₩ 243,766

¹ When the Group's share of losses of Hyosung Toyota Co. exceeds its interest in the associate, the Group discontinues recognizing its share of further losses. Unrecognized accumulated loss is ₩ 2,102 million.

² Percentage of ownership presents the combined effective percentage of interest of subsidiaries.

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Fair value of marketable shares among associates as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2011			
	Number of shares	Market price per share <i>(in Korean won)</i>	Market value	Book value
Capro Corp.	8,417,708	₩ 20,950	₩ 176,351	₩ 22,672
Hyosung ITX Co., Ltd.	4,349,000	3,020	10,507	6,961

<i>(in millions of Korean won)</i>	December 31, 2010			
	Number of shares	Market price per share <i>(in Korean won)</i>	Market value	Book value
Capro Corp.	₩ 8,417,708	₩ 20,450	₩ 172,142	₩ 22,672
Hyosung ITX Co., Ltd.	4,349,000	5,450	18,962	6,961

<i>(in millions of Korean won)</i>	January 1, 2010			
	Number of shares	Market price per share <i>(in Korean won)</i>	Market value	Book value
Capro Corp.	8,417,708	₩ 9,500	₩ 79,968	₩ 22,672
Hyosung ITX Co., Ltd.	4,349,000	4,200	14,613	6,961
Chin Hung International Inc. (Ordinary Share)	68,398,858	915	62,585	46,073
Chin Hung International Inc. (preferred shares B)	1,427,820	840	1,199	1,530
Chin Hung International Inc. (preferred shares 2B)	1,251,920	870	1,089	1,270

Summary of financial information as of and for the years ended December 31, 2011 and 2010, and as of January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Capro Corp.	₩ 887,539	₩ 374,468	₩ 675,508	₩ 304,198	₩ 607,079	₩ 329,816
Nautilus Hyosung Inc.	670,357	471,043	576,668	398,670	334,812	184,636
E-pia Tech. Co., Ltd.	475	659	5,727	4,121	7,582	2,884
Taebaek Wind Power Co., Ltd.	38,452	23,732	9,858	13	9,956	-
Pyeongchang Wind Power Co., Ltd.	2,922	415	43	-	-	-
Hyosung Information System Co., Ltd.	184,396	113,887	158,261	99,470	140,089	89,518
Hyosung Toyota Corp.	17,571	21,725	5,907	8,652	3,780	3,969
Hyosung ITX Co., Ltd.	61,726	40,165	58,569	40,692	54,295	34,246
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	41,770	745	-	-	-	-
Soonchon Eco Green Corporation	6,429	475	-	-	-	-
No.2 Koston Private Equity Fund	10,849	45	-	-	-	-
Taiko Private Equity Fund	14,400	-	-	-	-	-

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(in millions of Korean won)

	2011		2010	
	Sales	Net income (loss)	Sales	Net income (loss)
Capro Corp.	₩ 1,172,755	₩ 156,956	₩ 930,748	₩ 92,279
Nautilus Hyosung Inc.	617,790	21,794	504,985	29,093
E-pia Tech.Co., Ltd.	-	(1,790)	830	(2,355)
Taebaek Wind Power Co., Ltd.	-	(315)	-	(111)
Pyeongchang Wind Power Co., Ltd.	-	(36)	-	(7)
Hyosung Information System Co., Ltd.	251,432	12,612	230,288	11,211
Hyosung Toyota Corp.	40,756	(4,317)	47,705	(2,583)
Hyosung ITX Co., Ltd.	197,872	5,775	168,391	(580)
Sumiden Hyosung Steel Cord (THAILAND) Co., Ltd.	-	(18)	-	-
Soonchon Eco Green Corporation	4,672	(47)	-	-
No.2 Koston Private Equity Fund	84	(198)	-	-
Taiko Private Equity Fund	-	-	-	-

18. Related parties

Sales and purchases of goods and services

Sales and purchase of goods and services with related parties for the years ended December 31, 2011 and 2010, are as follows:

(in millions of Korean won)

	2011		2010	
	Sale	Purchase	Sale	Purchase
Associates	₩ 61,142	₩ 635,910	₩ 34,764	₩ 485,572
Other related parties	55,746	32,369	29,850	20,008
	<u>₩ 116,888</u>	<u>₩ 668,279</u>	<u>₩ 64,614</u>	<u>₩ 505,580</u>

Year-end balances arising from sales/purchases of goods/services

Year-end balances arising from sales/purchases of goods/services with related parties as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

(in millions of Korean won)

	December 31, 2011		December 31, 2010		January 1, 2010	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Associates	₩ 24,766	₩ 155,578	₩ 1,770	₩ 134,779	₩ 18,586	₩ 73,037
Other related parties	190,788	17,065	51,107	1,221	41,922	474
	<u>₩ 215,554</u>	<u>₩ 172,643</u>	<u>₩ 52,877</u>	<u>₩ 136,000</u>	<u>₩ 60,508</u>	<u>₩ 73,511</u>

Financial agreements with the related parties as of December 31, 2011, are as follows:

(In millions of Korean won, in thousands of US dollars)

	Related party	Details	Foreign currency	Won equivalent
Other related parties	Chin Hung International Inc.	Convertible bond investment	- ₩	13,542
		Short-term borrowings ¹	-	72,500

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OpCo GmbH	Long-term borrowings ²	EUR	2,505	3,743
		USD	3,025	3,488

¹ The Group provided short-term loans at annual interest of 6% during the year.

² There is no changes other than fluctuation in exchange rate during the year, and the Group accounted for the above whole amounts as bad debts.

The compensation paid or payable to key management for employee services as of December 31, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011		2010	
Short-term salaries	₩	5,891	₩	5,564
Severance pension benefits		1,523		1,378
	₩	<u>7,414</u>	₩	<u>6,942</u>

19. Borrowings

Details of borrowings as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Current						
Short-term borrowings	₩	3,113,623	₩	2,146,354	₩	1,662,595
Current portion of long-term borrowings		943,173		1,321,621		1,357,358
		<u>4,056,796</u>		<u>3,467,975</u>		<u>3,019,953</u>
Non-current						
Long-term borrowings		1,887,770		1,187,594		996,585
Debentures		1,614,752		1,314,627		1,141,272
Redeemable preference shares		2,585		2,789		2,590
		<u>3,505,107</u>		<u>2,505,010</u>		<u>2,140,447</u>
	₩	<u>7,561,903</u>	₩	<u>5,972,985</u>	₩	<u>5,160,400</u>

Details of short-term borrowings as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Financial institutions	Interest rate	December 31, 2011		December 31, 2010		January 1, 2010	
Bank overdrafts	Woori Bank and others	6.33%~6.64%	₩	8,918	₩	4,490	₩	-
General loan	Woori Bank and others	5.45%~6.27%		1,545,089		870,384		388,673
Collateralized borrowings ¹	Woori Bank and others	2.16%~2.60%		982,316		921,556		910,039
Other bill discount and others	TongYang securities Inc. and others	1.07%~5.08%		577,300		349,924		363,883
			₩	<u>3,113,623</u>	₩	<u>2,146,354</u>	₩	<u>1,662,595</u>

¹ The Group sold foreign accounts receivable to financial institutions and these transactions are accounted for as secured borrowing.

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Details of long-term borrowings as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Bank	Interest rate	December 31, 2011	December 31, 2010	January 1, 2010
Hyosung Corp.					
Local currency long-term borrowings	Korea Development Bank	2.25%~5.25%	₩ 285,077	₩ 228,659	₩ 156,747
	Kwangju Bank	5.28%	10,000	-	-
	Jeon Buk Bank	5.09%	10,000	-	-
	Hana Bank	5.00%	20,000	-	-
	Kookmin Bank	5.17%~7.08%	70,000	46,667	50,000
	KDB Capital	1.5%~3.00%	15,776	12,854	13,629
	Korea Housing Guarantee Co., Ltd.	1.00%	4,400	4,400	4,400
	Korea Development Bank	5.01%~5.69%	110,000	80,000	78,000
	Woori Bank	5.60%~5.76%	70,000	30,000	30,000
	Korea exchange Bank	5.94%	20,000	20,000	20,000
	Hana Bank	5.43%~5.71%	60,000	60,000	60,000
	Shinhan Bank	5.19%~5.68%	80,000	30,000	30,000
Foreign currency long-term borrowings	KDB Capital	3.00~4.00%	4,388	6,675	9,800
	The Export-Import Bank of Korea	2.59%~3.00%	192,103	22,778	34,211
	Hana Bank	3.52%	11,533	-	-
	Kookmin Bank	3.31%	6,343	-	-
	Korea Finance Corporation	2.98%	20,759	-	-
	SMBC	-	-	-	23,352
	Shinhan Bank	-	-	-	23,352
Subsidiaries					
Local currency long-term borrowings	CCB (Pyungsia)	6.32%	13,688	12,938	-
	CCB (Pyungho)	-	-	-	12,830
	ICBC	-	-	-	10,264
	Kwangju Bank	5.60%~7.48%	30,000	30,000	30,000
	Kookmin Bank	6.43%~9.19%	2,554	4,911	32,930
	TongYang Securities Inc.	-	-	-	30,888
	Samsung Securities	-	-	-	10,000
	The Export-Import Bank of Korea	-	-	-	31,576
	Suhyup Bank	7.46%~7.48%	20,000	20,000	-
	Korea exchange Bank	6.45%~7.88%	27,917	28,792	8,892
	Woori Bank	5.94%~6.45%	31,186	2,225	104,586
	Jeon Buk Bank	7.46%~7.48%	10,000	10,000	-
	Korea finance corporation	3.62%	92,264	-	-
	Chin Heung Humansia Private company	-	-	16,987	-
	Kiwoom Securities	-	-	-	32,000

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	Korea Development Bank	5.25%~9.05%	20,595	30,935	1,523
	Hanyang Securities	-	-	-	40,000
	Hyosung Capital	-	-	-	22,157
	The Korea Development Bank	7.50%	20,000	20,000	-
	Life Insurance				
	Others	3.65%~9.86%	28,752	371,056	67,962
Foreign currency					
long-term borrowings	CCB (Pyungsia)	-	-	13,709	-
	CCB (Pyungho)	-	-	-	14,016
	ICBC	-	-	-	10,264
	Industrial Bank of Korea	2.70%	34,599	-	-
	SMBC sui branch	1.78%	23,000	-	-
	The Export-Import Bank of Korea	2.55%~2.60%	99,001	-	75,139
	Woori Bank	3.00%~3.35%	23,731	455,803	40,881
	Korea finance corporation	2.30%	80,731	-	-
	Bank of China(Zhuhai)	2.65%	25,299	24,543	17,529
	Bank of China (Jiaying)	3.61%	1,495	50,609	-
	Korea Development Bank	1.20%~2.40%	276,792	22,848	17,520
	Bank of America	1.62%	45,999	-	-
	Mizuho Corporate Bank	2.65%~2.86%	97,748	45,697	-
	Standard Chartered (Zhuhai)	3.91%	11,500	11,424	-
	SMBC	0.90%	59,410	-	-
	Others	-	159,459	178,322	391,958
			<u>2,226,099</u>	<u>1,892,832</u>	<u>1,536,406</u>
Less: Current portion			(338,173)	(704,621)	(539,358)
Present value discounts			(156)	(617)	(463)
			<u>₩ 1,887,770</u>	<u>₩ 1,187,594</u>	<u>₩ 996,585</u>

Above long-term borrowings are subject to installment repayment or lump-sum repayment at maturity date. Borrowings are collateralized with the Group's investment in associates and property, plant and equipment (Notes 14, 17 and 39).

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Details of debentures as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate	December 31, 2011	December 31, 2010	January 1, 2010
Hyosung Corp.					
225-2 nd Public subscription bond	2011.01.25	- ₩	- ₩	30,000 ₩	30,000 ₩
229-2 nd Public subscription bond	2011.07.06	-	-	30,000	30,000
230 th Private subscription bond	2011.11.15	-	-	30,000	30,000
231 st Private subscription bond	2010.01.31	-	-	-	10,000
232-1 st Public subscription bond	2010.05.21	-	-	-	50,000
232-2 nd Public subscription bond	2012.05.21	5.74%	50,000	50,000	50,000
233-1 st Public subscription bond	2010.07.11	-	-	-	150,000
233-2 nd Public subscription bond	2012.07.11	6.02%	30,000	30,000	30,000
235-1 st Public subscription bond	2010.03.13	-	-	-	50,000
235-2 nd Public subscription bond	2011.03.13	-	-	70,000	70,000
235-3 rd Public subscription bond	2013.03.13	6.06%	30,000	30,000	30,000
236-1 st Public subscription bond	2010.07.24	-	-	-	20,000
236-2 nd Public subscription bond	2011.07.24	-	-	100,000	100,000
236-3 rd Public subscription bond	2013.07.24	7.00%	30,000	30,000	30,000
237-2 nd Public subscription bond	2010.12.31	-	-	-	25,000
237-3 rd Public subscription bond	2011.12.31	-	-	20,000	20,000
238-1 st Public subscription bond	2010.01.22	-	-	-	20,000
238-2 nd Public subscription bond	2011.01.22	-	-	60,000	60,000
238-3 rd Public subscription bond	2012.01.22	8.70%	70,000	70,000	70,000
239 th Private subscription bond	2010.02.02	-	-	-	30,000
240 th Private subscription bond	2010.02.02	-	-	-	30,000
241-1 st Public subscription bond	2011.03.19	-	-	30,000	30,000
241-2 nd Public subscription bond	2012.03.19	6.60%	80,000	80,000	80,000
241-3 rd Public subscription bond	2013.03.19	6.90%	40,000	40,000	40,000
242-1 st Public subscription bond	2013.03.05	5.18%	80,000	80,000	-
242-2 nd Public subscription bond	2015.03.05	5.79%	70,000	70,000	-
243-1 st Public subscription bond	2013.07.12	4.93%	70,000	70,000	-
243-2 nd Public subscription bond	2015.07.12	5.75%	30,000	30,000	-

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<i>(in millions of Korean won)</i>	Maturity date	Interest rate	December 31, 2011	December 31, 2010	January 1, 2010
244-1 st Public subscription bond	2013.12.21	4.10%	30,000	30,000	-
244-2 nd Public subscription bond	2014.12.21	4.60%	30,000	30,000	-
244-3 rd Public subscription bond	2015.12.21	4.99%	40,000	40,000	-
245-1 st Public subscription bond	2014.01.17	4.25%	90,000	-	-
245-2 nd Public subscription bond	2016.01.17	5.25%	60,000	-	-
246-1 st Public subscription bond	2014.06.24	4.33%	70,000	-	-
246-2 nd Public subscription bond	2016.06.24	4.94%	60,000	-	-
248 th Private bond	2014.09.30	5.32%	20,000	-	-
248-1 st Public subscription bond	2014.10.12	4.49%	40,000	-	-
248-2 nd Public subscription bond	2016.10.12	5.03%	50,000	-	-
249 th Private bond	2014.11.14	5.23%	40,000	-	-
Hyosung Capital Co., Ltd.					
23 rd Debenture	2010.04.26	-	-	-	50,000
24 th Debenture	2010.10.08	-	-	-	30,000
26 th Debenture	2010.11.12	-	-	-	20,000
28-1 st Debenture	2011.04.16	-	-	40,000	40,000
29-2 nd Debenture	2011.05.30	-	-	35,000	35,000
29-3 rd Debenture	2011.05.30	-	-	20,000	20,000
30-1 st Debenture	2010.06.27	-	-	-	20,000
30-2 nd Debenture	2011.06.27	-	-	10,000	10,000
32 nd Debenture	2010.12.16	-	-	-	30,000
33 rd Debenture	2012.01.30	8.56%	30,000	30,000	30,000
34 th Debenture	2010.02.18	-	-	-	20,000
35 th Debenture	2010.03.09	-	-	-	30,000
36 th Debenture	2010.11.29	-	-	-	10,000
37 th Debenture	2010.03.17	-	-	-	40,000
317 th Private placement bond	2010.06.01	-	-	-	20,000
321 st Private placement bond	2010.01.20	-	-	-	10,000
38-2 nd Debenture	2011.07.14	-	-	10,000	10,000
39 th Private placement bond	2012.03.04	8.73%	30,000	30,000	30,000
41 st Debenture	2010.06.16	-	-	-	30,000
42 nd Debenture	2011.06.26	-	-	10,000	10,000
43-1 st	2011.08.31	-	-	70,000	70,000
43-2 nd	2012.08.31	6.75%	40,000	40,000	40,000
44 th Private placement bond	2010.09.25	-	-	-	10,000
45 th Debenture	2012.04.28	6.40%	30,000	30,000	30,000
46 th Private placement bond	2010.10.27	-	-	-	15,000
47 th Private placement bond	2010.12.30	-	-	-	12,000
48 th Debenture	2013.02.25	6.40%	100,000	100,000	-
49 th Debenture	2013.03.26	5.87%	40,000	40,000	-

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<i>(in millions of Korean won)</i>	Maturity date	Interest rate	December 31, 2011	December 31, 2010	January 1, 2010
50-1 st Debenture	2013.04.23	5.60%	20,000	20,000	-
50-2 nd Debenture	2015.04.23	6.50%	20,000	20,000	-
51 st Debenture	2015.05.10	6.40%	20,000	20,000	-
52 nd Debenture	2012.05.27	5.30%	20,000	20,000	-
53 rd Debenture	2013.06.22	5.90%	30,000	30,000	-
54 th Private placement bond	2011.06.16	-	-	30,000	-
55 th Debenture	2013.06.30	5.90%	20,000	20,000	-
56-1 st Debenture	2012.07.14	5.50%	10,000	10,000	-
56-2 nd Debenture	2013.07.14	5.95%	20,000	20,000	-
57 th Debenture	2013.09.27	5.75%	30,000	30,000	-
58-1 st Debenture	2013.10.08	5.50%	40,000	40,000	-
58-2 nd Debenture	2015.10.08	6.10%	10,000	10,000	-
59-1 st Debenture	2013.10.28	5.30%	20,000	20,000	-
59-2 nd Debenture	2015.10.28	5.80%	10,000	10,000	-
60-1 st Debenture	2012.11.23	5.10%	20,000	20,000	-
60-2 nd Debenture	2013.11.23	5.50%	30,000	30,000	-
61-1 st Debenture	2011.12.09	4.20%	-	10,000	-
61-2 nd Debenture	2013.12.09	5.15%	20,000	20,000	-
62 nd Debenture	2013.12.30	5.20%	30,000	30,000	-
63 rd Private placement bond	2011.12.30	5.40%	-	12,000	-
64 th Debenture	2014.01.12	5.20%	40,000	-	-
65 th Debenture	2014.02.09	5.60%	20,000	-	-
66 th Debenture	2014.04.04	5.28%	20,000	-	-
67 th Debenture	2014.04.18	5.29%	20,000	-	-
68 th Debenture	2012.05.25	4.70%	30,000	-	-
69-1 st Debenture	2012.05.30	4.70%	20,000	-	-
69-2 nd Debenture	2014.05.30	5.24%	30,000	-	-
70 th Private placement bond	2012.06.16	5.86%	30,000	-	-
71-1 st Debenture	2012.06.21	4.70%	10,000	-	-
71-2 nd Debenture	2014.06.21	5.25%	10,000	-	-
72 nd Debenture	2014.07.13	5.32%	30,000	-	-
73 rd Debenture	2012.07.25	4.80%	10,000	-	-
74 th Debenture	2012.07.29	4.80%	30,000	-	-
75 th Debenture	2012.08.02	4.85%	10,000	-	-
76 th Debenture	2014.08.11	5.30%	10,000	-	-
77 th Debenture	2012.08.18	4.70%	15,000	-	-
78 th Debenture	2014.09.15	5.30%	20,000	-	-
79 th Debenture	2014.09.26	5.40%	25,000	-	-
80 th Debenture	2014.09.29	5.40%	10,000	-	-
81 st Debenture	2012.10.14	4.90%	10,000	-	-
82 nd Debenture	2012.10.14	4.90%	10,000	-	-
83 rd Private placement bond	2012.11.19	5.77%	20,000	-	-
84 th Debenture	2014.11.28	5.25%	40,000	-	-

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<i>(in millions of Korean won)</i>	Maturity date	Interest rate	December 31, 2011	December 31, 2010	January 1, 2010
The Class Hyosung Co., Ltd.					
Private placement bond	2010.04.16	6.65%	-	-	5,000
Private placement bond	2014.09.30	5.54%	5,000	-	-
No.4 Hyosung Capital Special purpose company					
Unsubordinated asset-backed debenture1-15	2010.01.27	8.83%	-	-	10,000
Unsubordinated asset-backed debenture1-16	2010.02.26	8.88%	-	-	5,000
Unsubordinated asset-backed debenture1-17	2010.03.26	8.89%	-	-	5,000
Unsubordinated asset-backed debenture1-18	2010.04.27	8.89%	-	-	5,000
Unsubordinated asset-backed debenture1-19	2010.07.27	9.03%	-	-	10,000
Unsubordinated asset-backed debenture1-20	2010.10.27	9.13%	-	-	10,000
Subordinated asset-backed debenture1-21	2011.10.27	40.00%	-	-	50,269
No.5 Hyosung Capital Special purpose company					
Unsubordinated asset-backed debenture1-10	2010.01.19	5.40%	-	-	4,000
Unsubordinated asset-backed debenture1-11	2010.02.19	5.45%	-	-	4,000
Unsubordinated asset-backed debenture1-12	2010.03.19	5.65%	-	-	4,000
Unsubordinated asset-backed debenture1-13	2010.04.19	6.00%	-	-	4,000
Unsubordinated asset-backed debenture1-14	2010.05.19	6.10%	-	-	4,000
Unsubordinated asset-backed debenture1-15	2010.06.18	6.20%	-	-	4,000
Unsubordinated asset-backed debenture1-16	2010.07.19	6.30%	-	-	4,000
Unsubordinated asset-backed debenture1-17	2010.08.19	6.40%	-	-	4,000
Unsubordinated asset-backed debenture1-18	2010.09.17	6.50%	-	-	4,000
Unsubordinated asset-backed debenture1-19	2011.03.18	7.00%	-	-	5,000
Unsubordinated asset-backed debenture1-20	2011.08.19	7.20%	-	-	10,000
Unsubordinated asset-backed debenture1-21	2012.03.19	7.40%	-	-	10,000
Subordinated asset-backed debenture1-22	2012.06.19	12.00%	-	-	44,674
			2,225,000	1,937,000	1,962,943
Less: Current portion			(605,000)	(617,000)	(818,000)
Discount on bonds payable			(5,248)	(5,373)	(3,671)
			<u>₩ 1,614,752</u>	<u>₩ 1,314,627</u>	<u>₩ 1,141,272</u>

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The Class Hyosung Co., Ltd., a subsidiary, issued 418,182 shares of non-cumulative and participating convertible preferred stock at ₩ 5,500 per share on December 28, 2007. The Group recognized ₩ 2,585 million as a liability as of December 31, 2011.

The requirement for repayment or conversion of non-cumulative and participating convertible preferred stock is as follows:

- Issue price: ₩ 5,500 per share
- Dividend rate: 5%
- Conversion period: from the next day of first issuing date of convertible preferred stock to December 31, 2014
- Conversion rate: one share of common stock per one preferred stock. If the stock of The Class Hyosung Co., Ltd is split or merged, the conversion rate is adjusted based on the ratio of stock split or merges.
- Repayment method: repay cash within two months since the guarantor requests for repayment within The Class Hyosung Co., Ltd.'s profit available for dividend.
- Maturity value: the principal including interest which is calculated at the interest rate of 9% from the issue date to repayment date. Dividend paid, if applicable, is subtracted from the maturity value. If there is no profit available for dividend or repayment is doubtful due to financial condition, interested parties (shareholders) should purchase the stock that The Class Hyosung Co., Ltd is obliged to repay under the given condition.

Details of the Group's maturity analysis the year ended December 31, 2011 and 2010, and January 1, 2010, are as follows:

		December 31, 2011				
<i>(in millions of Korean won)</i>	Total	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years	
Borrowings	₩ 5,339,722	₩ 3,451,796	₩ 577,685	₩ 1,161,021	₩ 149,220	
Debentures	2,225,000	605,000	680,000	940,000	-	
	<u>₩ 7,564,722</u>	<u>₩ 4,056,796</u>	<u>₩ 1,257,685</u>	<u>₩ 2,101,021</u>	<u>₩ 149,220</u>	
		December 31, 2010				
<i>(in millions of Korean won)</i>	Total	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years	
Borrowings	₩ 4,039,187	₩ 2,850,975	₩ 266,688	₩ 828,594	₩ 92,930	
Debentures	1,937,000	617,000	410,000	910,000	-	
	<u>₩ 5,976,187</u>	<u>₩ 3,467,975</u>	<u>₩ 676,688</u>	<u>₩ 1,738,594</u>	<u>₩ 92,930</u>	
		January 1, 2010				
<i>(in millions of Korean won)</i>	Total	Up to 1 year	Up to 2 years	Up to 5 years	Over 5 years	
Borrowings	₩ 3,199,001	₩ 2,201,953	₩ 418,838	₩ 563,627	₩ 14,583	
Debentures	1,962,943	818,000	630,269	514,674	-	
	<u>₩ 5,161,944</u>	<u>₩ 3,019,953</u>	<u>₩ 1,049,107</u>	<u>₩ 1,078,301</u>	<u>₩ 14,583</u>	

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20. Trade and other payables

Details of trade and other payables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Trade payables	₩	1,347,773	₩	1,669,514	₩	795,109
Other payables		516,799		413,880		334,688
Long-term other payables		345,360		282,801		216,358
	₩	<u>2,209,932</u>	₩	<u>2,366,195</u>	₩	<u>1,346,155</u>

Details of other payables as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Other payables						
Non-trade payables	₩	349,047	₩	257,696	₩	181,269
Accrued expenses		98,272		100,184		105,542
Withholdings		43,645		34,646		29,973
Deposits received		25,835		21,354		17,904
		<u>516,799</u>		<u>413,880</u>		<u>334,688</u>
Long-term other payables						
Non-trade payables		15,011		10,222		10,938
Deposits received		330,349		272,579		205,420
		<u>345,360</u>		<u>282,801</u>		<u>216,358</u>
	₩	<u>862,159</u>	₩	<u>696,681</u>	₩	<u>551,046</u>

The fair value of long-term other payables was calculated by discounting nominal value of expected future cash inflow at discount rate which reflects credit risk .

	2011	2010
Discount rate	3.4% ~ 5%	3.4% ~ 4.3%

21. Defined benefit liability

Defined benefit liabilities recognized on the statements of financial position as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Present value of defined benefit payables	₩	196,245	₩	160,022	₩	164,559
Fair value of plan assets ¹		<u>(143,382)</u>		<u>(105,751)</u>		<u>(120,645)</u>
	₩	<u>52,863</u>	₩	<u>54,271</u>	₩	<u>43,914</u>

¹ The fair value of plan asset includes ₩ 655 million of deposits made to the National Pension Fund. (December 31, 2010: ₩ 714 million; January 1, 2010: ₩ 1,234 million)

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The amounts recognized on the income statements for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Current service cost	₩	39,751	₩	33,522
Interest expenses		7,789		9,870
Expected income of plan assets		(5,400)		(6,840)
	₩	<u>42,140</u>	₩	<u>36,552</u>

The expenses by nature for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Cost of goods sold	₩	23,193	₩	20,410
Administrative expenses		16,693		14,161
Research and development costs		2,254		1,981
	₩	<u>42,140</u>	₩	<u>36,552</u>

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Beginning	₩	160,022	₩	164,559
Current service cost		39,751		33,522
Interest expenses		7,789		9,870
Payment		(15,814)		(18,933)
Actuarial gains and losses		14,587		18,350
Effect of pension system reduction/ settlement		(1,078)		(58,115)
Changes in scope of consolidation		(11,700)		10,044
Others (changes in exchange rate and others)		2,688		725
	₩	<u>196,245</u>	₩	<u>160,022</u>

The movements in the fair value of plan assets for the years ended December 31, 2011 and 2010, is as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Beginning	₩	105,751	₩	120,645
Expected income of plan assets		5,400		6,840
Employer contribution		42,024		14,605
Benefits paid		(6,520)		(7,261)
Effect of pension system reduction/ settlement		(656)		(30,080)
Actuarial gains and losses		(834)		(1,008)
Changes in scope of consolidation		(3,256)		3,706
Others(changes in exchange rate and others)		1,473		(1,696)
	₩	<u>143,382</u>	₩	<u>105,751</u>

¹ Plan assets consist of short-term financial instruments.

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Actual return of plan assets amounted to ₩ 4,566 million (2010: ₩ 5,832 million) for the year ended December 31, 2011.

Actuarial gains and losses recognized as other comprehensive income for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Actuarial gains and losses before income tax	₩	(15,421)	₩	(19,358)
Income tax effects		700		3,065
Actuarial gains and losses after income tax	₩	(14,721)	₩	(16,293)

As of December 31, 2011, accumulated actuarial gains and losses recognized as other comprehensive income and expenses amounts to ₩ 31,014 million (2010: ₩ 16,293 million).

The principal actuarial assumptions as of December 31, 2011 and 2010, and January 1, 2010, were as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Discount rate	4.08%~5.46%	4.07%~5.46%	4.07%~6.27%
Inflation rate	2.33%~5.00%	3.00%~5.00%	3.00%~5.00%
Expected return on plan assets ¹	3.00%~5.50%	3.00%~5.64%	3.00%~5.50%
Future salary increases	2.78%~5.00%	2.71%~4.80%	3.30%~5.00%

¹ Expected return of plan asset is calculated by considering weighted average of actual ratio of return for the last five years. If the provided period of earnings is less than five years, the weighted average for the given period is used.

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Changes in principal assumption	Impact on overall liability
Discount rate	1.0% increase/decrease	6.1% decrease/7.1% increase
Inflation rate	1.0% increase/decrease	7.1% increase/6.3% decrease
Salary growth rate	1.0% increase/decrease	7.2 % increase/6.3% decrease

Adjustments for the differences between initial assumptions and actual figures as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Present value of defined benefit liability	₩ 196,245	₩ 160,022	₩ 164,559
Fair value of plan assets	(143,382)	(105,751)	(120,644)
Deficit(Surplus) of the funded plans	52,863	54,271	43,915
Defined benefit liability adjustments	4,289	5,666	-
Plan asset adjustments	834	1,008	-

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22. Deferred Income Tax

The analyses of deferred tax assets and deferred tax liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets			
Deferred tax asset to be recovered after more than 12 months	₩ 79,650	₩ 75,759	₩ 72,692
Deferred tax asset to be recovered within 12 months	96,102	32,938	26,993
Deferred tax liabilities			
Deferred tax liability to be recovered after more than 12 months	(512,363)	(415,193)	(386,204)
Deferred tax liability to be recovered within 12 months	(3,120)	(6,652)	(14,312)
Deferred tax assets(liabilities), net	₩ (339,731)	₩ (313,148)	₩ (300,831)

The movements in the deferred income tax account for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Beginning balance	₩ (313,148)	₩ (300,832)
Income statement charge (Note 34)	3,239	(7,709)
Current income taxes charged to equity (Note 34)	1,525	(4,607)
Changes in scope of consolidation	(31,347)	-
Ending balance	₩ (339,731)	₩ (313,148)

The movements in deferred income tax assets and liabilities for the years ended December 31, 2011 and 2010, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<i>(in millions of Korean won)</i>	2011				
	Beginning	Income statement	Equity	Changes in scope of consolidation	Ending
Deferred tax liabilities					
Reserve for research and human resource development	₩ (19,690)	₩ (11,440)	₩ -	₩ -	₩ (31,130)
Accrued income	(264)	133	-	-	(131)
Available-for-sale financial assets	(13,176)	-	9,458	-	(3,718)
Defined benefit pension plan assets	(22,093)	(11,939)	-	-	(34,032)
Investments in subsidiaries and associates	(74,362)	44,898	-	-	(29,464)
Gain (loss) from fire insurance policy	(2,913)	244	-	-	(2,669)

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Revaluation of land	(266,919)	(26,481)	305	-	(293,095)
Losses on valuation of derivatives	(2,736)	-	(56)	-	(2,792)
Loss on valuation of assets and liabilities in foreign currencies	(1,436)	(164)	-	-	(1,600)
Trade accounts receivable	(933)	(361)	-	-	(1,294)
Valuation on present value	(5,937)	(1,084)	-	-	(7,021)
Guarantee payment	(282)	(15)	-	-	(297)
Manufacturing cost	-	(1,818)	-	-	(1,818)
Others	(19,503)	(4,195)	(8,882)	(31,347)	(63,927)
	<u>(430,244)</u>	<u>(12,222)</u>	<u>825</u>	<u>(31,347)</u>	<u>(472,988)</u>
Deferred tax assets					
Defined benefit obligations	27,441	6,929	700	-	35,070
Construction contracts	89	3,597	-	-	3,686
Accrued compensated absences	3,701	458	-	-	4,159
Capitalized of financial cost	2,098	(71)	-	-	2,027
Impairment loss of available-for-sale financial assets	5,649	1,272	-	-	6,921
Loss on valuation of inventories	4,072	880	-	-	4,952
Accumulated impairment loss	290	29	-	-	319
Provision for impairment in excess of tax limit	13,586	6,228	-	-	19,814
Impairment loss on sites	1,654	-	-	-	1,654
Provision for construction warranties	2,552	(120)	-	-	2,432
Government grants	7,905	3,129	-	-	11,034
Provision for construction losses	4,041	314	-	-	4,355
Impairment loss of property, plant and equipment	2,898	353	-	-	3,251
Depreciation	1,789	162	-	-	1,951
Others	39,331	(7,699)	-	-	31,632
	<u>117,096</u>	<u>15,461</u>	<u>700</u>	<u>-</u>	<u>133,257</u>
	<u>₩ (313,148)</u>	<u>₩ 3,239</u>	<u>₩ 1,525</u>	<u>₩ (31,347)</u>	<u>₩ (339,731)</u>

2010

<i>(in millions of Korean won)</i>	2010				
	Beginning	Income statement	Equity	Changes in scope of consolidation	Ending
Deferred tax liabilities					
Reserve for research and human resource development	₩ (9,856)	₩ (9,834)	₩ -	₩ -	₩ (19,690)
Accrued income	(629)	365	-	-	(264)
Available-for-sale financial assets	(5,872)	-	(7,304)	-	(13,176)
Defined benefit pension plan assets	(25,834)	3,741	-	-	(22,093)

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Investments in subsidiaries and associates	(74,135)	(227)	-	-	(74,362)
Gain (loss) from fire insurance policy	(3,399)	486	-	-	(2,913)
Revaluation of land	(269,364)	-	2,445	-	(266,919)
Losses on valuation of derivatives	(830)	-	(1,906)	-	(2,736)
Loss on valuation of assets and liabilities in foreign currencies	(7,865)	6,429	-	-	(1,436)
Trade accounts receivable	(1,932)	999	-	-	(933)
Valuation on present value	(4,655)	(1,282)	-	-	(5,937)
Guarantee payment	(289)	7	-	-	(282)
Others	(8,525)	(10,071)	(907)	-	(19,503)
	<u>(413,185)</u>	<u>(9,387)</u>	<u>(7,672)</u>	<u>-</u>	<u>(430,244)</u>
Deferred tax assets					
Defined benefit obligations	24,108	268	3,065	-	27,441
Construction contracts	(407)	496	-	-	89
Accrued compensated absences	2,128	1,573	-	-	3,701
Capitalized of financial cost	-	2,098	-	-	2,098
Impairment loss of available-for-sale financial assets	5,758	(109)	-	-	5,649
Loss on valuation of inventories	3,388	684	-	-	4,072
Accumulated impairment loss	290	-	-	-	290
Provision for impairment in excess of tax limit	8,864	4,722	-	-	13,586
Impairment loss on sites	-	1,654	-	-	1,654
Provision for construction warranties	2,688	(136)	-	-	2,552
Government grants	8,702	(797)	-	-	7,905
Long-term borrowings	1,894	(1,894)	-	-	-
Provision for construction losses	2,742	1,299	-	-	4,041
Impairment loss of property, plant and equipment	-	2,898	-	-	2,898
Depreciation	1,734	55	-	-	1,789
Tax credit carryforwards	12,697	(12,666)	-	-	31
Others	37,767	1,533	-	-	39,300
	<u>112,353</u>	<u>1,678</u>	<u>3,065</u>	<u>-</u>	<u>117,096</u>
	<u>₩ (300,832)</u>	<u>₩ (7,709)</u>	<u>₩ (4,607)</u>	<u>₩ -</u>	<u>₩ (313,148)</u>

Deferred income tax liabilities of ₩ 482,039 million have not been recognized for temporary differences investments in associates.

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of ₩ 55,449 million (2010: ₩ 40,850 million) in respect of losses that can be carried forward against future taxable income. Loss carryforwards amounting to ₩ 55,449 million expire in 2021.

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23. Other liabilities

Details of other liabilities as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Other current liabilities						
Advances	₩	347,796	₩	238,882	₩	232,602
Unearned revenues		33,490		30,037		27,290
Provision ¹		1,284		1,268		1,300
		<u>382,570</u>		<u>270,187</u>		<u>261,192</u>
Other non-current liabilities						
Long-term advances		-		-		-
Long-term unearned revenues		-		-		53
Government grants	₩	1,584	₩	1,753	₩	6,460
Provision ¹		10,657		43,336		13,418
		<u>12,241</u>		<u>45,089</u>		<u>19,931</u>
	₩	<u>394,811</u>	₩	<u>315,276</u>	₩	<u>281,123</u>

¹The Group establishes expenses, which are expected to be spent in the future such as repairs in relation to contract of construction work, as a provision based on the past experience rate.

Changes in the Group's provision for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011				
	Provision for warranties	Provision for sales return	Provision for guarantee	Others	Total
Beginning	₩ 42,517	₩ 293	₩ 277	₩ 1,517	₩ 44,604
Increase	8,492	142	-	159	8,793
Decrease	(11,243)	(45)	(277)	(25)	(11,590)
Changes in scope of consolidation	(29,866)	-	-	-	(29,866)
Ending	<u>₩ 9,900</u>	<u>₩ 390</u>	<u>₩ -</u>	<u>₩ 1,651</u>	<u>₩ 11,941</u>
<i>(in millions of Korean won)</i>	2010				
	Provision for warranties	Provision for sales return	Provision for guarantee	Others	Total
Beginning	₩ 12,437	₩ 275	₩ -	₩ 2,006	₩ 14,718
Increase	13,971	60	277	-	14,308
Decrease	(3,874)	(42)	-	(489)	(4,405)
Changes in scope of consolidation	19,983	-	-	-	19,983
Ending	<u>₩ 42,517</u>	<u>₩ 293</u>	<u>₩ 277</u>	<u>₩ 1,517</u>	<u>₩ 44,604</u>

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24. Capital stock

The Company is authorized to issue 200,000,000 shares with the par value per share of ₩ 5,000. As of December 31, 2011, the Company has issued 35,117,455 shares of common stock. There is no change of capital stock for the year ended December 31, 2011.

25. Retained Earnings

Details retained earnings as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Legal reserve ¹	₩	14,124	₩	9,965	₩	6,638
Discretionary reserve						
Reserve for research and human resource development ²		80,000		40,000		6,667
Reserve for facility		699,000		524,000		253,000
Unappropriated retained earnings		1,420,125		1,733,410		1,763,810
	₩	<u>2,213,249</u>	₩	<u>2,307,375</u>	₩	<u>2,030,115</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification of the Company's 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.

Changes in retained earnings for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Beginning	₩	2,307,374	₩	2,030,115
Net income		(44,987)		305,718
Actuarial gains and losses		(14,675)		(16,142)
Actuarial gains and losses of associates		358		(1,355)
Dividends		(41,586)		(33,269)
Others		6,765		22,307
Endings	₩	<u>2,213,249</u>	₩	<u>2,307,374</u>

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26. Other Components of Equity

Other components of equity as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Other additional capital	₩	324,406	₩	327,521	₩	330,211
Treasury stock ¹		(34,204)		(34,204)		(34,204)
Gain (loss) on valuation of available-for-sale financial assets		8,131		30,521		17,040
Gain (loss) on valuation of derivatives		212		38		(6,714)
Change in equity from applying equity-method		13,309		16,223		13,793
Cumulative effect of foreign currency translation		37,800		12,812		-
Other capital adjustments		(474)		206		-
	₩	<u>349,180</u>	₩	<u>353,117</u>	₩	<u>320,126</u>

¹ The treasury stock (1,848,851 shares) were acquired through a merger in 1998 and are expected to be sold in the future.

27. Sales

Details of sales for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Sales-Merchandise	₩	4,279,614	₩	3,616,665
Sales-Finished goods		6,000,373		5,773,148
Sales-Construction		513,619		426,727
Sales-Real estate		152,752		23,496
Sales-Others		395,783		306,535
Sales-Continuing operations		11,342,141		10,146,571
Sales-Discontinued operations		101,036		363,449
	₩	<u>11,443,177</u>	₩	<u>10,510,020</u>

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28. Construction contracts

Details of revenue and cost of construction for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Revenues of construction	₩	780,515	₩	450,223
Costs of construction		(727,302)		(501,345)
Gains and losses from continuing operations		53,213		(51,122)
Gains and losses from discontinued operations		(2,279)		(4,319)
	₩	<u>50,934</u>	₩	<u>(55,441)</u>

The following table presents book value of gross amount due from and to customers for contract work related to construction as of December 31, 2011 and 2010, and January 1, 2010:

<i>(in millions of Korean won)</i>	December 31, 2011 ¹		December 31, 2010		January 1, 2010	
Gross amount due from customers	₩	102,790	₩	151,873	₩	70,080
Gross amount due to customers		28,671		34,343		46,442

¹ The provisions for construction loss amounting to ₩ 17,695 million are included by estimating future construction loss in relation to the construction-in-progress of the Group.

Details of construction receivables and advance payments as of December 31, 2011 and 2010 and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Construction receivables	₩	248,094	₩	373,270	₩	204,869
Advance payments		641		70,545		3,917
Amounts of deferred collection		-		-		-

Details of construction contracts as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Amounts after added(deducted) recognized profits(losses) on accumulated costs	₩	1,178,731	₩	3,713,410	₩	742,081
Less: Progress billing		(1,104,612)		(3,595,880)		(718,443)
Net amounts of construction contracts	₩	<u>74,119</u>	₩	<u>117,530</u>	₩	<u>23,638</u>

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29. Expenses by Nature

Cost of sales and selling and administrative expenses by nature for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011			2010		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Changes in product and work in process	₩ (1,454,419)	₩ 24,127	₩ (1,430,292)	₩ (788,041)	₩ 77,936	₩ (710,105)
Changes in merchandise	4,386,260	2,083	4,388,343	4,063,114	46,003	4,109,117
Usage of raw material and supplies	5,003,553	15,225	5,018,778	3,580,444	20,471	3,600,915
Salaries(Note 30)	744,011	9,132	753,143	633,038	20,379	653,417
Depreciation and amortization	412,777	598	413,375	397,788	1,735	399,523
Utility	199,127	-	199,127	168,369	-	168,369
Export expenses	94,080	-	94,080	87,938	-	87,938
Utilities	125,746	-	125,746	110,440	-	110,440
Service	108,045	1	108,046	103,713	-	103,713
Outsourcing	585,983	47,393	633,376	312,822	192,422	505,244
Others	862,257	43,486	905,743	738,329	171,999	910,328
Total ¹	₩ 11,067,420	₩ 142,045	₩ 11,209,465	₩ 9,407,954	₩ 530,945	₩ 9,938,899

¹Included in the cost of goods sold, selling and administrative expense, and research and development costs in the statements of income.

30. Employee Benefit Expense

Details of employee benefit expense for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Salaries	₩	616,568	₩	534,447
Employee benefits		83,810		62,039
Pension costs - defined contribution plans		1,493		-
Pension costs - defined benefit plans (Note 21)		42,140		36,552
Employee benefit expense - continuing operations		744,011		633,038
Employee benefit expense - discontinued operations		9,132		20,379
	₩	753,143	₩	653,417

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31. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Salaries	₩	213,522	₩	193,816
Export expenses		94,080		87,938
Commissions and fees		66,183		71,140
Transportation		52,687		47,589
Travel		28,413		25,126
Employee benefits		27,693		20,034
Rent		23,633		19,660
Advertising		21,205		19,738
Operating expenses for overseas branches		20,282		17,083
Severance pension benefits		17,757		14,161
Taxes and dues		17,610		14,673
Entertainment		12,480		11,554
Depreciation		11,672		10,280
Communications		7,721		6,356
Amortization		4,819		3,585
Training		4,260		5,375
Others		74,857		79,711
Selling and administrative expenses from continuing operations		698,874		647,819
Selling and administrative expenses from discontinued operations		39,172		3,220
	₩	738,046	₩	651,039

32. Other Operation Income and Expenses

Other operating income and expenses for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Other operating income				
Miscellaneous revenue	₩	68,040	₩	51,055
Gain on derivative transactions		35,015		17,049
Gain on valuation of derivatives		5,981		17,765
Gain on disposal of property, plant and equipment		3,392		9,622
Reversal of allowance for bad debts		2,851		278
Government grants		2,681		811
Dividends		1,786		1,584
Reversal of other assets allowance for bad debts		1,431		-
Rental income		1,248		1,268
Gains on disposal of investment properties		113		1,721
Reversal of impairment loss on intangible assets		19		-

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Gain on disposal of intangible assets	14	-
Reversal of impairment loss on property, plant and equipment	-	6,071
Gain on disposal of other assets	-	278
Gain on bargain purchase	-	2,772
	<u>122,571</u>	<u>110,274</u>
Other operating expenses		
Impairment loss of property, plant and equipment	28,724	4,513
Miscellaneous losses	24,496	33,041
Loss on valuation of derivatives	20,215	5,277
Loss on derivative transactions	19,055	6,483
Commissions	5,989	5,082
Donations	3,205	3,441
Loss on disposal of property, plant and equipment	2,446	10,299
Loss on disposal of trade receivables	2,315	2,801
Loss on valuation of inventories	708	230
Impairment loss of other assets	438	18,481
Impairment loss of intangible assets	388	56
Loss on scrap of inventories	233	-
Sales promotion	148	68
Loss on disposal of intangible assets	88	-
Loss on disposal of investment property	5	4,796
Loss on disposal of other assets	1	13
Impairment loss of investment property	-	34
	<u>108,454</u>	<u>94,615</u>
	<u>₩ 14,117</u>	<u>₩ 15,659</u>

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33. Financial Income and Expenses

Details of financial income and expenses for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Financial income:		
Interest income		
Cash and cash equivalents	₩ 3,424	₩ 2,517
Loans and receivables	11,410	2,073
Financial assets at fair value through profit or loss	67	114
Available-for-sale financial assets	865	1,247
Held-to-maturity financial assets	1,387	205
Other financial instruments	2,006	804
Gain on foreign currency transactions	148,056	101,472
Gain on foreign currency translation	78,401	83,449
Gain on disposal of financial assets		
Available-for-sale financial assets	23,624	65
	<u>269,240</u>	<u>191,946</u>
Financial expenses:		
Interest expenses		
Financial liabilities at amortized cost	210,174	192,502
Loss on foreign currency transactions	113,699	125,684
Loss on foreign currency translation	145,063	83,487
Loss on disposal of financial assets		-
Financial assets at fair value through profit or loss	1,141	-
Loss on valuation of financial assets		
Financial assets at fair value through profit or loss	7,247	-
Impairment loss of financial assets		
Available-for-sale financial assets	138,885	2
	<u>616,209</u>	<u>401,675</u>
	<u>₩ (346,969)</u>	<u>₩ (209,729)</u>

The Group recognizes income and expense relating to exchange difference as financial income and expenses.

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34. Income Tax Expense

Income tax expense for the years ended December 31, 2011 and 2010, consists of:

<i>(in millions of Korean won)</i>	2011		2010	
Current tax:				
Current tax on profits for the year	₩	46,939	₩	138,949
Adjustments in respect of prior years		998		14,937
Total current tax		<u>47,937</u>		<u>153,886</u>
Deferred tax (Note 22):				
Origination and reversal of temporary differences		(26,122)		7,709
Impact of change in Korean tax rate		22,884		-
Total deferred tax		<u>(3,238)</u>		<u>7,709</u>
Income tax expense from continuing operations	₩	<u>44,699</u>	₩	<u>161,595</u>
Income tax expense from discontinued operations	₩	27,082	₩	(1,539)

The income tax (charged)/credited directly to equity as of December 31, 2011 and 2010, and January 1, 2010, is as follows:

<i>(in millions of Korean won)</i>	December 31, 2011			December 31, 2010			January 1, 2010		
	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax	Before tax	Tax (charge) credit	After tax
Gain (loss) on valuation of available-for-sale financial assets	₩11,782	₩ (3,380)	₩8,466	₩44,171	₩ (12,838)	₩31,334	₩22,871	₩ (5,534)	₩17,337
Actuarial gains and losses	(34,780)	3,765	(31,015)	(19,359)	3,065	(16,293)	-	-	-
Gain (loss) on valuation of derivatives	280	(68)	222	59	(12)	47	(8,607)	1,894	(6,713)
Revaluation of land	852,863	(206,638)	646,225	854,125	(206,943)	647,182	865,238	(209,388)	655,850
Change in equity from applying equity method	16,024	(2,715)	13,309	18,690	(2,467)	16,223	18,724	(4,930)	13,793
Cumulative effect of foreign currency translation	50,460	(12,004)	38,456	15,093	(3,370)	11,723	-	-	-
	<u>₩896,629</u>	<u>₩ (221,040)</u>	<u>₩675,663</u>	<u>₩912,779</u>	<u>₩ (222,565)</u>	<u>₩690,216</u>	<u>₩898,226</u>	<u>₩ (217,958)</u>	<u>₩680,267</u>

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Profit(Loss) before tax	₩	(9,942)	₩	565,331
Tax calculated at domestic tax rates applicable to profits in the respective countries	₩	27,553	₩	139,338
Tax effects of:				
Income not subject to tax		(37,625)		(6,933)
Expenses not deductible for tax purposes		62,398		19,274
Tax credits		(13,215)		(15,274)
Others		(18,294)		10,253
Re-measurement of deferred tax - change in the Korean tax rate		22,884		-
Adjustment in respect of prior years		998		14,937
Tax charge from continuing operations	₩	44,699	₩	161,595
Tax charge from discontinued operations	₩	27,082	₩	(1,538)

The weighted average applicable tax rate was -% (2010: 28.6%) for the year ended December 31, 2011.

During the year, as a result of the change in the Korean corporation tax rate from 22.0% to 24.2% that was enacted on December 31, 2011, and that will be effective from January 1, 2012, the relevant deferred tax balances have been re-measured. As of December 31, 2011, deferred tax, which is expected to be reversed, was measured using the effective rate of 24.2% that will apply for the given period.

35. Discontinued Operations

The Group lost control and significant influence over Chin Hung International Inc. through a special agreement on a management normalization plan of Chin Hung International Inc. on May 19, 2011 (Note 39). Thus, Chin Hung International Inc. was de-consolidated, and the investment was reclassified as available-for-sale financial asset. Income on the related operations is presented income from discontinued operations.

Also, the management and shareholder of the Group determined that it is not necessary to maintain Hyosung America Inc. due to reduction in its role, and liquidated it on June 30, 2011. Relevant income is presented as income from discontinued operations based on the Article 1105, "Non-current Assets Held for Sale and Discontinued Operations" of Korean IFRS.

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Profit for the year from discontinued operations for the years ended December 31, 2011 and 2010, is as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Revenue	₩	103,634	₩	391,748
Costs		197,761		559,938
Profit for the year from discontinued operations before taxes		(94,127)		(168,190)
Income tax expenses		7,225		(1,538)
Profit for the year from discontinued operations after taxes		(101,352)		(166,652)
Gain on disposal of discontinued operation before taxes		82,055		-
Income tax expenses		19,857		-
Gain on disposal of discontinued operation after taxes		62,198		-
Loss for the year from discontinued operations	₩	(39,154)	₩	(166,652)

36. Earnings per Share

Basic earnings per ordinary share for the years ended December 31, 2011 and 2010, is as follows:

<i>(in millions of Korean won, except per share amount)</i>	2011		2010	
Profit attributable to equity holders of the Group	₩	(46,806)	₩	400,211
Profit from discontinued operation attributable to equity holders of the Group		1,819		(94,493)
	₩	(44,987)	₩	305,718
Weighted average number of ordinary shares in issue ¹		33,268,604		33,268,604
Basic earnings per share				
Basic earnings(loss) per share from continuing operations <i>(in Korean won)</i>	₩	(1,407)	₩	12,030
Basic earnings per share from discontinued operations <i>(in Korean won)</i>	₩	55	₩	(2,840)

¹ The number of weighted average number of ordinary shares for the years ended December 31, 2011 and 2010, is 33,268,604 and there has been no change.

37. Dividends

The dividends paid in 2011 and 2010 were ₩ 41,586 million (₩ 1,250 per share) and ₩ 33,269 million (₩ 1,000 per share), respectively. A dividend in respect of the year ended December 31, 2011, of ₩ 1,000 per share, amounting to total dividends of ₩ 33,269 million, is to be proposed at the annual general meeting on March 16, 2012. These financial statements do not reflect this dividend payable.

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38. Cash generated from operations

Cash generated from operations for the years ended December 31, 2011 and 2010, are as follows:

<i>(in millions of Korean won)</i>	2011	2010
Profit(Loss) before income tax	₩ (9,942)	₩ 565,331
Adjustments for:		
Interest income and expenses	108,665	104,342
Gain (loss) on foreign currency translation	66,662	196
Gain (loss) on derivatives	14,234	(12,488)
Depreciation and amortization	412,777	397,788
Loss on disposal of property, plant, equipment, intangible assets and investment property	2,539	15,096
Gain on disposal of property, plant, equipment, intangible assets, and investment property	(3,519)	(11,343)
Impairment loss on property, plant, equipment, intangible assets, and investment property	29,112	4,603
Reversal of impairment loss on property, plant, equipment, and investment property	(19)	(6,071)
Bad debts expense	249	16,632
Reversal of allowance for bad debts	(4,283)	(278)
Loss on disposal of financial assets	1,141	-
Gain on disposal of financial assets	(23,624)	(65)
Impairment loss on financial assets	138,885	2
Loss on valuation of financial assets	7,247	-
Dividends	(1,786)	(1,585)
Severance pension benefits	43,633	36,552
Additional provisions adjustment	6,022	3,339
Loss on disposal of trade receivables	2,315	2,801
Gain (loss) on investments in associates	(48,189)	(20,785)
Others	2,014	16,021
Changes in assets and liabilities from operations:		
Increase in trade receivables	(444,532)	(467,286)
Increase in inventories	(446,268)	(282,546)
Increase (decrease) in other receivables	(35,836)	34,194
Increase (decrease) in unbilled amount	(2,852)	4,344
Decrease in other financial assets	19,651	15,596
Increase (decrease) in other assets	(44,990)	70,362
Increase (decrease) in cumulative effect of foreign currency translation	(404)	60
Increase in other financial business assets	(341,244)	(618,222)
Increase in trade payables	16,380	622,827
Increase in other payables	421,635	20,501
Decrease in other financial liabilities	(6,089)	(11,464)
Payment of warranty expenses	(8,025)	(3,873)
Payment of severance pension benefits	(10,787)	(11,672)
Payment into plan assets	(42,024)	(14,605)
Curtailed of severance pension benefits	(422)	(28,035)
Others	(59,979)	(3,456)
Cash generated from operations	₩ (241,653)	₩ 436,813

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Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Reclassification of the current portion of debentures	₩	565,000	₩	617,000
Construction-in-progress transferred to property, plant and equipment		519,885		624,298
Reclassification of the current portion of long-term borrowings		3,365,346		2,897,719
Machinery-in-transit transferred to property, plant and equipment		27,262		3,871
Gain (loss) on valuation of available-for-sale financial assets		31,675		20,619
Reclassification of the current portion of long-term trade receivables		2,909		4,352

39. Contingencies and Commitments

Guarantees of notes and checks provided as collaterals

Details of commitments and contingencies provided by the Group regarding accounts payable and trade terms as of December 31, 2011, are as follows:

	Provider	Number	Type
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
Check	Hanjin Shipping Co., Ltd.	1	Blank

Loan agreement and others

The Group has general loans and open local L/C with a maximum limit of ₩ 2,881,881 million, including bank overdraft and trade bill discount. Also, the Group has accounts receivable discounting agreements with a maximum limit of ₩ 1,077,899 million with financial institutions as of December 31, 2011.

Guarantees provided to others

The Group provided guarantees for others, amounting to ₩ 32,400 million and USD 6,038 thousand as of December 31, 2011.

Guarantees provided to others in relation to Project Financing

Details of guarantees provided by the Group to developers as of December 31, 2011 and 2010, and January 1, 2010, are as follows:

<i>(in millions of Korean won)</i>	December 31, 2011		December 31, 2010		January 1, 2010	
Acceptances for debt	₩	210,000	₩	215,000	₩	390,100
Joint and several guarantees		58,000		75,880		54,000
	₩	268,000	₩	290,880	₩	444,100

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As of December 31, 2011, the Group provided guarantees in relation to Project Financing:

(in millions of Korean won)

Name	Bond entity	Guarantees limit	Borrowings balance	Guarantee detail	Period
Changdong station	Capital	₩ 28,000	₩ 28,000	Joint and several guarantees	2007.10~2012.06
Guangjoo Taejeondong APT	Bank and insurance	90,000	90,000	Acceptances for Debt	2010.04~2013.01
Construction of Sooseo office	Bank	120,000	120,000	Acceptances for Debt	2008.04~2012.07
Reconstruction of Daegu bongduk	Capital	30,000	26,656	Joint and several guarantees	2006.07~ Day of paying the balance
		<u>₩ 268,000</u>	<u>₩ 264,656</u>		

The Group recognized ₩ 6,249 million as guarantee liability in relation to PF guarantee as of December 31, 2011.

Guarantees provided by others

Guarantees provided by others as of December 31, 2011, are as follows:

(in millions of Korean won,
in US dollars and others)

Guarantor	Collaterals and guarantees provided	Currency	Amount
Kookmin Bank, Shinhan Bank, The Export-Import Bank of Korea, Korea exchange Bank, Hana Bank and others	Payment guarantee and others	KRW	2,381
		USD	335,290,557
		EUR	2,922,972
		DZD	201,124,798
		INR	7,820,844
		MYR	2,015,000
		USD	247,253
		KRW	6,000
		USD	68,001,000
		EUR	377,879
Korea Construction Financial Cooperative and others	Construction performance and others	KRW	428,540
		EUR	928,674
		EUR	307,376
		EUR	307,376
		KRW	70,800
		KRW	-
		KRW	7,920
		KRW	-
		KRW	-
		KRW	-
Seoul Guarantee Insurance Company	Payment guarantee and others	KRW	70,800
Bank Mellat	Payment guarantee and others	EUR	307,376
Machinery Financial Cooperative	Payment guarantee and others	KRW	-
SH Corporation and others	Provide pledge of stock, others	KRW	7,920

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Assets pledged as collaterals

As of December 31, 2011, the Group provided following assets as collaterals:

*(in millions of Korean won,
in EUR and SGD)*

Collateral	Lender	Descriptions	Maximum credit amount	
Cash, cash equivalents and long-term other financial assets	Korea Exchange Bank and others	General loans	₩	79,900
Investments in associates	Woori Bank and others	General loans		91,457
Long-term other financial assets	Mellat Bank	Foreign-currency payment guarantee	EUR	30,737.62
Property, plant, equipment and inventories	The Korea Development Bank and others	General loans and others		191,239
			SGD	335,176.30

Special agreement for plan of management normalization of Chin Hung International Inc.

On May 19, 2011, the Group entered into a special agreement with Chin Hung International Inc.'s (Chin Hung) creditor bank, wherein the Group retains its shareholdings in Chin Hung but transfers its shareholder rights to the creditor banks. The Group's shareholdings, representing 55.9% ownership in Chin Hung, consist of 330,116,817 common shares and 33,677,743 preferred shares.

The agreement includes:

- The Group disclaims all rights as a shareholder until shares subject to disposal, are sold.
- The creditor banks can exercise shareholder rights.
- The current management of Chin Hung continues to its managerial functions until a decision of the creditor banks to change is conveyed.
- The Group shall not object to the decisions made by the creditor banks.

Pending Lawsuits

The Group is involved in various lawsuits and claims for damages aggregating to ₩ 83,415 million as of December 31, 2011. Management believes that these lawsuits and claims will not have a significant adverse effect on the Group's financial position, operating results or cash flows.

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40. Operating Income and Expenses

The lists included in the calculation of operating income in accordance with K-IFRS are as follows:

<i>(in millions of Korean won)</i>	2011		2010	
Reported amount under previous K-GAAP	₩	274,720	₩	738,617
Rental income		1,248		1,268
Gain on disposal of property, plant and equipment		3,392		9,622
Reversal of impairment loss on property, plant and equipment		-		6,071
Gain on disposal of intangible assets		14		-
Reversal of impairment loss on intangible assets		19		-
Gain on disposal of investment property		113		1,721
Gain on disposal of other assets		-		278
Miscellaneous revenue		68,040		51,055
Gain on bargain purchase		-		2,772
Gain on derivative transactions		35,015		17,049
Gain on valuation of derivatives		5,981		17,765
Reversal of allowance for bad debt		2,851		278
Reversal of allowance for other bad debt		1,431		-
Government grants		2,681		811
Dividends		1,786		1,584
Loss on valuation of inventories		(708)		(230)
Loss on disposal of property, plant and equipment		(2,446)		(10,299)
Impairment loss of property, plant and equipment		(28,724)		(4,513)
Loss on disposal of intangible assets		(88)		-
Impairment loss of intangible assets		(388)		(56)
Loss on disposal of investment property		(5)		(4,796)
Impairment loss of investment property		-		(34)
Loss on disposal of other assets		(1)		(13)
Impairment loss of other assets		(438)		(18,482)
Miscellaneous losses		(24,495)		(33,041)
Loss on derivative transactions		(19,055)		(6,483)
Loss on valuation of derivatives		(20,215)		(5,277)
Loss on disposal of inventories		(233)		-
Donations		(3,205)		(3,441)
Commissions		(5,989)		(5,082)
Loss on disposal of trade receivables		(2,315)		(2,801)
Sales promotion		(148)		(68)
Operating income under K-IFRS	₩	288,838	₩	754,275

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41. Business Combinations

GST GmbH, a subsidiary, acquired 100% interest in Global Safety Textile Holdco II GmbH(GST Holdco II GmbH) for ₩ 170,682 million on November 22, 2011, who engages in the textile business of airbags, to create synergy effect with the existing business.

The goodwill of ₩ 57,201 million arising from the acquisition is attributable to economies of scale expected from combining the operations of the Group and GST Holdco II GmbH. The following table summarizes the consideration paid for GST Holdco II GmbH Group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

(in millions of Korean won)

Consideration transferred		
Cash	₩	170,682
<hr/>		
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents		60,716
Property, plant and equipment		117,718
Intangible assets		77,929
Inventories		48,081
Trade and other receivables		42,187
Other assets		918
Trade and other payables		(42,462)
Defined benefit liabilities		(1,776)
Borrowings		(149,760)
Income taxes payable		(1,201)
Deferred tax liabilities		(30,920)
		<hr/>
		121,430
Non-controlling interest		(7,178)
Goodwill		56,430
	<hr/>	<hr/>
	₩	170,682

42. Transition to Korean IFRS

42.1 First-time Adoption of Korean IFRS

The Group's transition date to Korean IFRS is January 1, 2010, and adoption date is January 1, 2011.

In preparing consolidated financial statements in accordance with Korean IFRS 1101(First-time Adoption of Korean International Financial Reporting Standards), the Group has applied the mandatory exceptions and certain optional exemptions allowed by Korean IFRS.

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42.2 Changes in Scope of Consolidation

The scope of consolidation as of January 1, 2010, has changed as follows:

Remarks	Subsidiary
Included as the major shareholder who exceeds 30% of interest in accordance with past accounting standards, yet excluded from the scope of consolidation as it is considered having no control in accordance with K-IFRS.	Chin Hung International Inc ¹ , Taek Construction Co., Ltd ¹ , Nautilus Hyosung Inc., Nautilus Hyosung America Inc., Beijing Hyosung Computer Technologies Co., Ltd., Hyosung FMS Corporation
Excluded from consolidation in accordance with past accounting standards, yet included in consolidation in review of consolidation of special purpose business in accordance with K-IFRS.	No.2 Hyosung Capital Special purpose company ² No.4 Hyosung Capital Special purpose company ² No.5 Hyosung Capital Special purpose company ²
Excluded from consolidation due to the total asset value of less than KRW 10,000 million as of prior year ended in accordance with past accounting standards, yet included in consolidation in accordance with K-IFRS.	Gumoknongsan Co., Ltd, Hongjin Data Service , Hyosung Wind Power holdings Ltd., Beijing Hyosung Food & Beverage Co., Ltd, Hyosung (H.K) LIMITED, Hyosung (H.K) INTERNATIONAL CO.,LTD, Hyosung Resource (Australia) PTY., Ltd., Xepix Corp., Hyosung Brasil industrial & commercial LTDA, Nantong Transformer Co., Ltd., Powertech Corporation, KangLung Wind Power Corporation, Hanil Leasing&Finance(H.K)

¹ Consolidated as the voting power increased due to paid-in-capital increase of Chin Hung International Inc. during 2010.

² De-consolidated as liquidation was completed in 2010.

42.3 Exemption Options under Korean IFRS 1101

The Group elected to apply the following optional exemptions from full retrospective application.

(1) Business combinations

The Group elected to apply the exemption for business combinations allowed under Korean IFRS 1101 and has not retrospectively applied Korean IFRS 1103 to past business combinations that occurred before the transition date.

(2) Cumulative translation differences

The Group elected to deem the cumulative translation differences for all foreign operations to be zero at January 1, 2010, in accordance with Korean IFRS 1101.

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(3) Deemed cost

The Group used revaluation amount on the land as of January 1, 2010 (transition date) as deemed cost of transition date in accordance with the past accounting standards. The fair value, which was calculated based on revaluation amount according to the Assets Revaluation Law of October 1, 1998, for machinery, other than land, was recognized as deemed cost. The fair value of transition date was recognized as deemed cost for some machinery that the associate owns.

(4) Capitalization of borrowing costs

The Group elected to capitalize borrowing costs for the construction of qualifying assets that are incurred after the transition date to Korean IFRS.

42.4 Mandatory Exceptions to Retroactive Application of Other Korean IFRS

Exceptions to other Korean IFRS applied by the Group are as follows:

(1) Derecognition of financial assets

The Group applied the derecognition requirements in Korean IFRS 1039, Financial Instruments: Recognition and Measurement, prospectively for transfers of financial assets occurring on or after the transition date. Where the Group had derecognized financial assets before the transition date in accordance with previous K-GAAP, the Group did not recognize these assets even when the transfers did not meet the derecognition criteria under Korean IFRS.

(2) Exception for estimates

The Group's Korean IFRS estimates at the transition date are consistent with the estimates as at the same date made in conformity with the previous K-GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

42.5 Reconciliation between Previous K-GAAP and Korean IFRS

(1) Effects on the financial position and financial performance

Effects of Korean IFRS adoption on the Group's total assets, liabilities and equity as of January 1, 2010, the date of Korean IFRS transition, are as follows:

<i>(in millions of Korean won)</i>	January 1, 2010					
	Total assets		Total liabilities		Total equity	
Reported amount under previous K-GAAP	₩	10,280,914	₩	7,241,026	₩	3,039,888
Adjustments for:						
Financial guarantee liabilities ¹		6,044		4,904		1,140
Provision for impairment ²		(4,854)		-		(4,854)
Net carrying amount of the financial asset or financial liability ³		-		(876)		876
Transfer of receivables ⁴		1,065,450		1,077,028		(11,578)
Construction contracts ⁵		15,455		14,875		580
Unused annual leave ⁶		-		10,516		(10,516)
Retirement benefit obligations ⁷		-		(9,159)		9,159
Deferred income tax of revaluation		-		79,012		(79,012)

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reserve ⁸				
Deferred income tax ⁹	3,029	12,575	(9,546)	
Subsidiary's corrections of errors ¹⁰	(3,715)	-	(3,715)	
Negative goodwill ¹¹	17,186	-	17,186	
Adjustment of investment in associates ¹²	35,823	-	35,823	
Changes in scope of consolidation and others ¹³	(1,400,339)	(1,170,373)	(229,966)	
	(265,921)	18,502	(284,423)	
Adjusted amount under Korean IFRS	₩ 10,014,993	₩ 7,259,528	₩ 2,755,465	

Effects of Korean IFRS adoption on the Group's total assets, liabilities and equity, profit and comprehensive income as of and for the year ended December 31, 2010, are as follows:

(in millions of Korean won)	December 31, 2010				
	Total assets	Total liabilities	Total equity	Profit	Comprehensive income
Reported amount under previous K-GAAP	₩ 11,699,888	₩ 8,473,146	₩ 3,226,742	₩ 191,844	₩ 213,830
Adjustments for:					
Financial guarantee liabilities ¹	29,320	12,292	17,028	1,748	1,748
Provision for impairment ²	(2,807)	-	(2,807)	5,572	5,572
Net carrying amount of the financial asset or financial liability ³	(29)	(12,007)	11,978	4,837	4,837
Transfer of receivables ⁴	928,422	929,020	(598)	(1,063)	(1,063)
Construction contracts ⁵	22,461	36,765	(14,304)	(1,201)	(1,201)
Unused annual leaves ⁶	(948)	18,439	(19,387)	(6,716)	(6,716)
Retirement benefit obligations ⁷	(96)	4,957	(5,053)	7,993	(10,750)
Deferred income tax of revaluation reserve ⁸	-	77,261	(77,261)	1,752	1,752
Deferred income tax ⁹	(15,053)	(11,174)	(3,879)	14,949	12,504
Subsidiary's corrections of errors ¹⁰	(5,351)	-	(5,351)	(5,351)	(5,351)
Negative goodwill ¹¹	16,507	-	16,507	(680)	(680)
Adjustment of investment in associates ¹²	35,690	-	35,690	-	-
Changes in scope of consolidation and others ¹³	(430,409)	(337,057)	(93,352)	2,093	7,443
Cancellation of amortization of goodwill ¹⁴	32,419	-	32,419	32,419	32,419
Revaluation surplus ¹⁵	-	-	-	(11,112)	-
	610,126	718,496	(108,370)	45,240	40,514
Adjusted amount under Korean IFRS	₩ 12,310,014	₩ 9,191,642	₩ 3,118,372	₩ 237,084	₩ 254,344

¹ Recognized as a liability measuring fair value of financial guarantee contract.

² Calculated provision for impairment based on historical experience rate for accrued incidents of individual and collective impairment losses

³ Assessed present value of financial asset or liability.

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⁴Recognized as a financial liability, instead of eliminating financial asset, if the Group continues to retain a majority of risk and rewards of financial asset even after transferring financial asset to a financial institution.

⁵Presented as total amount of accounts receivable and advances received on unbilled construction and overbilled construction on the identical customers related to percentage-of completion of sales.

⁶Recognized expenses at the point of providing work, regardless of whether it is paid or not.

⁷Accounted present value of estimated pension as defined benefit liability by actuarial assumptions and discount rates according to the projected unit credit method

⁸Recognize a liability of deferred corporate tax which was excluded based on the past accounting standards.

⁹Reflected the effect of corporate tax differences and deferred corporate tax on the above adjustment.

¹⁰Adjusted financial statement as the audit report of Chin Hung International Inc., a subsidiary of the Company, is reissued based on the past accounting standards of transition date and 2010.

¹¹Adjusted through reversal of negative goodwill.

¹²Adjusted through the effect of transition to IFRS, such as application of deemed cost of property, plant and equipment of associates.

¹³Effect from changes in the scope of consolidation and other adjustments.

¹⁴Cancelled amortization of goodwill.

¹⁵Adjusted income from disposition due to application of deemed cost on property, plant and equipment, which was recognized in other comprehensive income at the point of revaluation based on prior accounting standards.

(2) Effects on the cash flows

On adoption of Korean IFRS, cash flows from interest received, interest paid, dividends received, and income taxes paid, which had not been separately presented, are presented separately on the face of the statement of cash flows. In order to accommodate the change, cash flows related to relevant income/expenses, assets/liabilities have been adjusted. The effects of the change in exchange rate on cash and cash equivalents in a foreign currency are presented separately from cash flows from operating, investing and financing activities.

Cash flows from operating and financing activities are adjusted due to certain transfers of trade receivables that were derecognized under the previous K-GAAP but are treated as collateralized borrowings under Korean IFRS. Also, other Korean IFRS transition effects are reflected on cash flows where they have an effect on cash flows.