

## **Hyosung Corporation and Subsidiaries**

**Consolidated Financial Statements  
December 31, 2009 and 2008**

**Samil PricewaterhouseCoopers**

**Hyosung Corporation and Subsidiaries**  
**Index**  
**December 31, 2009 and 2008**

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	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1 ~ 2
<b>Consolidated Financial Statements</b>	
Statements of Financial Position .....	3 ~ 4
Statements of Income .....	5
Statements of Changes in Shareholders' Equity .....	6
Statements of Cash Flows .....	7 ~ 8
Notes to the Consolidated Financial Statements .....	9 ~ 74

## Report of Independent Auditors

To the Shareholders and Board of Directors of  
Hyosung Corporation

We have audited the accompanying consolidated statements of financial position of Hyosung Corporation and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Nautilus Hyosung Inc. and certain other consolidated subsidiaries, whose financial statements represent 26.53% and 25.20% of the Company's consolidated total assets, before elimination of intercompany transactions, as of December 31, 2009 and 2008, and 13.28% and 15.99% of the Company's consolidated total sales, before elimination of intercompany transactions, for the years 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 Nautilus Hyosung Inc. and certain other consolidated subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hyosung Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of their operations, the changes in its shareholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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

Samil Przewataharselcoopers

Seoul, Korea

March 31, 2010

This report is effective as of March 31, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2009 and 2008**

(in millions of Korean won)

	2009	2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Notes 3, 23, 24 and 34)	₩ 448,494	₩ 479,378
Short-term financial instruments (Notes 3 and 23)	56,479	14,089
Short-term loans receivable (Note 23)	233,328	196,385
Short-term available-for-sale securities	4,365	2,490
Trade accounts receivable, net (Notes 4, 9, 10, 23 and 36)	1,646,969	1,309,232
Other accounts receivable, net (Notes 9, 10 and 23)	104,162	152,434
Accrued income (Note 23)	24,948	21,464
Advance payments	239,524	135,491
Prepaid expenses	28,421	31,067
Derivatives (Note 25)	16,977	15,121
Current deferred income tax assets (Note 29)	24,347	101,171
Other current assets	18,506	55,236
Inventories, net (Notes 5, 9, 10, 15 and 24)	1,070,290	1,158,556
Total current assets	3,916,810	3,672,114
Long-term financial instruments (Notes 3, 15 and 23)	76,689	72,926
Available-for-sale securities (Notes 6 and 23)	179,491	158,233
Held-to-maturity securities (Note 7)	5,237	11,550
Equity-method investments (Notes 8, 18 and 24)	99,571	82,409
Long-term loans receivable (Note 23)	4,824	4,472
Investments in development	925	973
Property, plant and equipment, net (Notes 11, 15, 16, 18, 24 and 34)	4,381,133	4,365,837
Intangible assets, net (Notes 12 and 13)	137,126	167,899
Guarantee deposits (Note 23)	129,298	137,406
Deferred tax assets (Note 29)	10,507	9,846
Other non-current assets (Notes 23 and 25)	56,246	70,595
Other financial business assets (Notes 14 and 23)	1,283,057	1,324,178
Total assets	₩ 10,280,914	₩ 10,078,438
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Trade accounts payable (Notes 9, 10 and 23)	₩ 1,366,189	₩ 1,230,689
Short-term borrowings (Notes 10, 18 and 23)	1,613,430	1,747,495
Other accounts payable (Notes 9, 10 and 23)	266,781	224,431
Advance from customers (Notes 23 and 36)	276,821	259,188
Withholdings (Note 16)	65,382	59,164
Accrued expenses (Note 23)	81,921	86,887
Current portion of long-term borrowings (Notes 10, 17, 18 and 23)	1,123,607	902,191
Deposits received	162,779	103,609
Income taxes payable (Notes 23 and 29)	30,365	18,518
Derivatives payable (Note 25)	15,199	52,505
Current deferred tax liabilities (Note 29)	12	45
Other current liabilities (Note 16)	8,056	8,061
Total current liabilities	5,010,542	4,692,783
Debentures, net (Notes 17 and 18)	1,021,922	1,086,466
Long-term borrowings, net (Notes 18, 23, 24 and 25)	812,197	1,164,001
Long-term other accounts payable (Note 16)	10,938	8,331
Long-term guarantee deposits received	26,362	81,371
Accrued severance benefits, net (Note 19)	61,515	58,563
Reserve for loss from equity-method investments	-	545
Provision for construction warranties (Note 20)	26,164	20,857
Provision for construction losses (Note 21)	15,442	-
Deferred tax liabilities (Note 29)	252,871	255,692
Other non-current liabilities	3,073	1,496
Total liabilities	7,241,026	7,370,105
Commitments and contingencies (Note 24)		

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2009 and 2008**

<i>(in millions of Korean won)</i>	2009	2008
Shareholders' equity		
Capital stock		
Common stock (Note 26)	₩ 175,587	₩ 175,587
Capital surplus (Note 26)	1,169,217	1,175,272
Capital adjustments		
Treasury stock (Note 27)	(34,204)	(34,204)
Other capital adjustments	(1,726)	-
Accumulated other comprehensive income and expense (Note 33)		
Gain on valuation of available-for-sale securities (Notes 6 and 29)	26,539	14,472
Loss on valuation of available-for-sale securities (Notes 6 and 29)	(1,175)	(7,683)
Loss on valuation of derivatives (Notes 25 and 29)	(7,327)	(34,895)
Change in equity from equity-method (Notes 8 and 29)	18,186	18,444
Surplus from revaluation (Note 29)	674,886	676,614
Translation of foreign currency financial statements	104,611	186,875
Retained earnings	593,318	269,368
Controlling interest in consolidated company	2,717,912	2,439,850
Minority interest in consolidated subsidiaries	321,976	268,483
Total shareholders' equity	<u>3,039,888</u>	<u>2,708,333</u>
Total liabilities and shareholders' equity	<u>₩ 10,280,914</u>	<u>₩ 10,078,438</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, 2009 and 2008**

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

	2009	2008
<b>Sales</b> (Notes 9, 10, 36 and 37)	₩ 10,009,193	₩ 9,600,102
<b>Cost of sales</b> (Notes 9, 10, 36 and 37)	8,343,011	8,231,321
Gross profit	1,666,182	1,368,781
<b>Selling and administrative expenses</b> (Notes 9, 11, 13, 19, 22, 32 and 35)	1,032,345	884,949
Operating income	633,837	483,832
<b>Non-operating income</b>		
Interest income	32,573	24,051
Dividend income	300	890
Rental income	940	616
Gain on foreign currency transactions	133,566	121,682
Gain on foreign currency translation (Note 23)	74,086	69,163
Gain on valuation of equity-method investments (Note 8)	9,217	4,339
Gain on disposal of investment assets	1,419	744
Gain on disposal of property, plant and equipment	5,710	3,285
Gain on derivative transactions (Note 25)	15,946	5,655
Gain on valuation of derivatives (Note 25)	16,977	11,507
Reversal of loss on investment assets	927	566
Reversal of allowance for doubtful accounts	-	15,613
Amortization of negative goodwill (Note 12)	1,568	6,459
Others	59,907	74,132
	353,136	338,702
<b>Non-operating expenses</b>		
Interest expenses	220,520	186,657
Loss on disposal of trade accounts receivable	2,935	4,268
Loss on valuation of inventories	150	127
Loss on foreign currency transactions	127,203	208,209
Loss on foreign currency translation (Note 23)	52,955	109,508
Loss on disposal of investment assets	22,783	1,339
Loss on valuation of investment assets	6,510	514
Loss on disposal of property, plant and equipment	2,563	3,921
Impairment of property, plant and equipment	9,868	2,303
Donations	2,807	1,836
Commissions	38,299	45,398
Sales promotion	106	141
Loss on valuation of equity-method investments (Note 8)	2,305	7,609
Bad debts expense for other accounts receivable	55,519	13,219
Loss on derivative transactions (Note 25)	22,217	72,668
Loss on valuation of derivatives (Note 25)	3,125	51,760
Loss on impairment of goodwill (Note 12)	-	552
Loss on retirement of bonds	214	898
Others	55,264	23,081
	625,343	734,008
Income before income tax (benefit)	361,630	88,526
Income tax expense (benefit) (Note 29)	122,881	(53,019)
Net income	₩ 238,749	₩ 141,545
Parent interest in net income	₩ 323,430	₩ 118,487
Minority interest in net income	(84,681)	23,058
Basic earnings per share (Note 30)	₩ 9,722	₩ 3,561
Diluted earnings per share (Note 30)	₩ 9,722	₩ 3,561

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

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**Years ended December 31, 2009 and 2008**

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income and expense	Retained earnings	Minority interest	Total
<i>(in millions of Korean won)</i>							
<b>Balances as of January 1, 2008</b>	₩ 175,587	₩ 1,174,078	₩ (34,204)	₩ 11,870	₩ 208,738	₩ 125,617	₩ 1,661,686
Cumulative effect in accounting change	-	-	-	-	2,163	-	2,163
<b>Adjusted retained earnings</b>					210,901	125,617	1,663,849
Cash dividends	-	-	-	-	(24,951)	(891)	(25,842)
<b>Retained earnings after appropriation</b>					185,950	124,726	1,638,007
Change in capital surplus from equity-method	-	925	-	-	-	-	925
Change in retained earnings from equity-method	-	-	-	-	(36,675)	-	(36,675)
Change in retained earnings - others	-	-	-	-	1,606	-	1,606
Net income	-	-	-	-	118,487	-	118,487
Gain on valuation of available-for-sale securities	-	-	-	(8,623)	-	-	(8,623)
Loss on valuation of derivatives	-	-	-	(35,080)	-	-	(35,080)
Gain on valuation of equity-method	-	269	-	10,980	-	-	11,249
Loss on valuation of equity-method	-	-	-	(755)	-	-	(755)
Reserve for revaluation	-	-	-	676,614	-	-	676,614
Translation of foreign currency financial statements	-	-	-	198,821	-	-	198,821
Increase in minority interest	-	-	-	-	-	143,757	143,757
<b>Balances as of December 31, 2008</b>	₩ 175,587	₩ 1,175,272	₩ (34,204)	₩ 853,827	₩ 269,368	₩ 268,483	₩ 2,708,333
<b>Balances as of January 1, 2009</b>	₩ 175,587	₩ 1,175,272	₩ (34,204)	₩ 853,827	₩ 269,368	₩ 268,483	₩ 2,708,333
Cash dividends	-	-	-	-	(24,951)	(891)	(25,842)
<b>Retained earnings after appropriation</b>					244,416	267,592	2,682,490
Change in capital surplus from equity-method	-	(6,055)	-	-	-	-	(6,055)
Net income	-	-	-	-	323,430	-	323,430
Change in retained earnings - others	-	-	-	-	25,471	-	25,471
Change in other capital adjustments	-	-	(1,726)	-	-	-	(1,726)
Gain on valuation of available-for-sale securities	-	-	-	18,575	-	-	18,575
Gain on valuation of derivatives	-	-	-	27,569	-	-	27,569
Gain on valuation of equity-method	-	-	-	2,089	-	-	2,089
Loss on valuation of equity-method	-	-	-	(2,347)	-	-	(2,347)
Reserve for revaluation	-	-	-	(1,728)	-	-	(1,728)
Translation of foreign currency financial statements	-	-	-	(82,264)	-	-	(82,264)
Increase in minority interest	-	-	-	-	-	54,384	54,384
<b>Balances as of December 31, 2009</b>	₩ 175,587	₩ 1,169,217	₩ (35,930)	₩ 815,721	₩ 837,733	₩ 321,976	₩ 3,039,888

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, 2009 and 2008**

(in millions of Korean won)

	2009		2008	
<b>Cash flows from operating activities</b>				
Net income	₩	238,749	₩	141,545
Adjustments to reconcile net income				
to net cash provided by operating activities				
Provision for severance benefits		46,122		46,323
Depreciation		343,858		326,819
Amortization		47,542		43,839
Bad debts expense		50,142		12,424
Loss on disposal of trade accounts receivable		2,935		4,268
Loss on foreign currency translation		52,955		109,508
Loss on valuation of inventories		150		127
Loss on disposal of investment assets		22,782		1,339
Impairment loss on investment assets		6,510		514
Loss on disposal of property, plant and equipment		2,563		3,921
Impairment loss on property, plant and equipment		9,868		2,303
Loss on valuation of equity-method investments		2,305		7,609
Bad debts expense for other accounts receivable		55,519		13,219
Loss on valuation of derivatives		3,125		51,760
Amortization of discounts on issuance of debentures		4,611		1,140
Loss on retirement of bonds		214		898
Contribution to provision for construction losses		15,442		-
Amortization of investments in development		49		327
Warranty expense for construction		12,054		9,436
Loss on impairment of goodwill		-		552
Gain on foreign currency translation		(74,086)		(69,163)
Gain on disposal of investment assets		(1,419)		(744)
Gain on disposal of property, plant and equipment		(5,710)		(3,285)
Reversal of impairment loss on investment assets		(927)		(566)
Gain on valuation of equity-method investments		(9,217)		(4,339)
Reversal of allowance for doubtful accounts		-		(15,613)
Amortization of negative goodwill		(1,568)		(6,459)
Gain on valuation of derivatives		(16,977)		(11,507)
		<u>568,842</u>		<u>524,650</u>
<b>Changes in operating assets and liabilities</b>				
Increase in trade accounts receivable		(404,722)		(28,413)
Decrease (increase) in other accounts receivable		47,957		(58,996)
Increase (decrease) in accrued income		(15,020)		1,304
Increase in advance payments		(103,117)		(20,124)
Increase in prepaid expenses		(27,966)		(15,998)
Decrease (increase) in other current assets		36,730		(42,869)
Decrease (increase) in inventories		93,890		(338,731)
Decrease in derivatives		15,299		-
Decrease in other financial business assets		50,543		14,608
Decrease (increase) in deferred tax assets		76,162		(88,705)
Decrease (increase) in translation of foreign currency financial statements		(64,633)		195,758
Increase in trade accounts payable		123,552		147,600
Increase in other accounts payable		41,194		161,978
Increase in advance from customers		25,362		86,532
Increase in withholdings		12,527		8,008
Decrease (increase) in accrued expenses		(4,723)		22,551
Increase (decrease) in income taxes payable		11,847		(42,225)
Increase (decrease) in deposits received		4,160		(59,427)
Decrease (increase) in other current liabilities		(375)		2,516
Payment of severance benefits		(26,991)		(28,410)
Severance benefits transferred		139		-
Increase in severance benefits deposits		(16,577)		(16,178)
Decrease in contribution to National Pension Fund		533		247
Decrease in provision for construction warranties		(6,747)		(9,504)
Decrease in derivatives payable		(40,332)		-
Decrease (increase) in deferred tax liabilities		(19,914)		19,449
Increase (decrease) in other non-current liabilities		1,438		(22,893)
		<u>(189,784)</u>		<u>(111,922)</u>
Net cash provided by operating activities		<u>617,807</u>		<u>554,273</u>

**Hyosung Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2009 and 2008**

(in millions of Korean won)

	2009		2008	
<b>Cash flows from investing activities</b>				
Proceeds from disposal of short-term financial instruments	₩	164,762	₩	151,079
Decrease in short-term loans receivable		156,269		225,382
Proceeds from disposal of long-term financial instruments		12,613		540
Proceeds from disposal of available-for-sale securities		7,201		34,900
Proceeds from disposal of held-to-maturity securities		7,206		48
Proceeds from disposal of equity-method investments		869		1,057
Decrease in long-term loans receivable		686		1,456
Proceeds from disposal of land		8,346		10,740
Proceeds from disposal of buildings		7,727		9,530
Proceeds from disposal of structures		949		-
Proceeds from disposal of machinery		10,227		7,217
Proceeds from disposal of vehicles		1,537		1,105
Proceeds from disposal of tools		3,241		1,069
Proceeds from disposal of construction in progress		1,011		-
Decrease in guarantee deposits		58,413		15,886
Proceeds from disposal of other investment assets		46,928		902
Proceeds from disposal of short-term financial instruments		(207,657)		(96,455)
Increase in short-term loans receivable		(230,492)		(174,202)
Acquisition of long-term financial instruments		(16,834)		(18,663)
Acquisition of available-for-sale securities		(22,153)		(67,023)
Acquisition of held-to-maturity securities		(8)		(47,205)
Acquisition of equity-method investments		(13,209)		(7,703)
Increase in long-term loans receivable		(9,983)		(2,889)
Acquisition of land		(16,116)		(18,120)
Acquisition of buildings		(46,058)		(150,820)
Acquisition of structures		(5,582)		(9,371)
Acquisition of machinery		(145,157)		(284,350)
Acquisition of vehicles		(4,061)		(4,539)
Acquisition of tools		(40,726)		(37,142)
Acquisition of construction in progress		(222,868)		(376,674)
Acquisition of machinery in transit		(11,736)		(11,013)
Acquisition of industrial property		(1,846)		(2,712)
Acquisition of other intangible assets		(15,317)		(14,268)
Acquisition of guarantee deposits		(52,965)		(61,408)
Acquisition of other investment assets		-		(5,577)
Net cash used in investing activities		<u>(574,783)</u>		<u>(929,223)</u>
<b>Cash flows from financing activities</b>				
Proceeds from short-term borrowings		6,516,480		8,383,343
Proceeds from current portion of long-term borrowings		5,000		-
Proceeds from issuance of debentures		672,866		821,335
Proceeds from long-term borrowings		214,805		512,025
Proceeds from issuance of common shares		135,124		-
Repayment of short-term borrowings		(6,623,238)		(8,279,983)
Repayment of current portion of long-term loans		(880,034)		(520,417)
Repayment of debentures		(10,020)		(278,947)
Repayment of long-term borrowings		(172,412)		(41,432)
Payment of cash dividends		(25,842)		(25,842)
Net cash used in (provided by) financing activities		<u>(167,271)</u>		<u>570,082</u>
Net increase in cash due to changes in subsidiaries		<u>93,363</u>		<u>82,757</u>
Net decrease (increase) in cash and cash equivalents		<u>(30,884)</u>		<u>277,889</u>
<b>Cash and cash equivalents</b>				
Beginning of the year		<u>479,378</u>		<u>201,489</u>
End of the year	₩	<u>448,494</u>	₩	<u>479,378</u>

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

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

#### 1. The Consolidated Company

##### The Controlling Company

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

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

As of December 31, 2009, the Controlling Company's major stockholders are Cho Seok Rae (10.21%), Cho Hyun Joon (6.94%), Cho Hyun Moon (6.99%) and Cho Hyun Sang (6.73%).

##### Consolidated Subsidiaries

The consolidated financial statements include the accounts of Hyosung Corporation and its controlled subsidiaries (collectively the "Company").

The following table sets forth certain investment information with regard to consolidated subsidiaries as of December 31, 2009:

<i>(in millions of Korean won)</i>	Location	Industry	Closing date	Capital	Percentage of ownership
<b>Subsidiaries included in consolidation</b>					
Nautilus Hyosung Inc.	Korea	Computer system development	December 31	₩149,882	43.50%
The Class Hyosung Co., Ltd.	Korea	Sales of new motor vehicles	December 31	12,382	58.02%
Galaxiaphotonics Co., Ltd. (formerly Epiplus Inc.)	Korea	Manufacture and sales of wafer and LED chip	December 31	12,883	53.94%
Chin Hung International Inc.	Korea	Construction	December 31	235,906	30.86%
Taeam Solar Farm Co., Ltd	Korea	Photovoltaic power generation	December 31	1,876	100.00%
Hyosung Construction Co., Ltd.	Korea	Construction	December 31	(11,307)	50.59%
Hyosung Ebara Co., Ltd.	Korea	Manufacture of liquid pumps	December 31	65,985	67.00%
Hyosung Ebara Engineering Co., Ltd.	Korea	Installation of environmental hygiene treatment appliances	December 31	21,402	81.33%

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Hyosung Capital Co., Ltd.	Korea	Factoring finance	December 31	293,391	97.15%
Hyosung Investment & Development Corp.	Korea	Development of real estate	December 31	59,066	58.75%
Hyosung Trans World Co., Ltd.	Korea	Transportation	December 31	4,698	100.00%
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31	10,181	80.00%
Beijing Hyosung Container Co., Ltd.	China	Manufacture and sales of other plastic products	December 31	19,851	100.00%
HICO America Sales & Tech.	USA	General trading	December 31	29,776	100.00%
Hyosung America Inc.	USA	General trading	December 31	(76,477)	100.00%
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	Manufacture of polyester	December 31	179,432	100.00%
Hyosung Chemicals (Jiaxing) Co., Ltd.	China	Manufacture of chemical products	December 31	19,761	100.00%
Hyosung Europe SRL	Italy	General trading	December 31	4,575	100.00%
Hyosung Holdings USA, Inc.	USA	Holding company	December 31	21,722	100.00%
Hyosung International Trade (Jiaxing) Co., Ltd.	China	General trading	December 31	1,409	100.00%
Hyosung Istanbul Tekstil Ltd.STI	Turkey	Manufacture and sales of spandex	December 31	22,468	76.66%
Hyosung Japan Co., Ltd.	Japan	General trading	December 31	7,634	100.00%
Hyosung Luxembourg S.A	Luxemburg	Manufacture and sales of tire cords	December 31	20,380	100.00%
Hyosung Power Holdings Co., Ltd.	Cayman Islands	Holding Company	December 31	46,597	100.00%
Hyosung Singapore Pte Ltd. <sup>1</sup>	Singapore	General trading	December 31	(156)	100.00%
Hyosung Spandex (Guangdong) Co., Ltd.	China	Manufacture and sales of spandex	December 31	134,121	100.00%
Hyosung Spandex (Jiaxing) Co., Ltd.	China	Manufacture and sales of spandex	December 31	143,992	100.00%
Hyosung Spandex (Zhuhai) Co., Ltd.	China	Manufacture and sales of spandex	December 31	23,909	75.00%
Hyosung Steel Cord (Nanjing) Co., Ltd.	China	Manufacture and sales of steel cords	December 31	33,798	100.00%
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	Manufacture and sales of steel cords	December 31	43,679	100.00%
Hyosung USA Inc.	USA	Manufacture and sales of tire cords	December 31	66,832	100.00%
Hyosung Vietnam Co., Ltd.	Vietnam	Manufacture and sales of tire cords	December 31	72,974	88.21%
Nantong Hyosung Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31	45,931	100.00%
Nantong Yaubong Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31	5,966	100.00%
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	Manufacture of steel products	December 31	16,183	64.50%
Hyosung FMS Inc.	Korea	System and application software	December 31	4,721	100.00%

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

Taeuk Construction Co., Ltd	Korea	development and supply Construction	December 31	(1,286)	100.00%
Nautilus Hyosung America Inc. <sup>1</sup>	USA	Sales of automated teller machines	December 31	5,156	100.00%
Beijing Hyosung Computer Technologies Co., Ltd.	China	Manufacture and sales of computer components	December 31	3,476	100.00%
<b>Subsidiaries excluded from consolidation</b>					
Gumoknongsan Co., Ltd. <sup>1</sup>	Korea	Growing of other Crops	December 31	27	75.00%
Hong Jin Data service Co. <sup>1</sup>	Korea	Software development and supply	December 31	6,598	78.42%
Hyosung Wind Power Holdings Ltd. <sup>1</sup>	Korea	Wind power generation	December 31	1,399	100.00%
Beijing Hyosung Food & Beverage Co., Ltd. <sup>1</sup>	China	Restaurant business	December 31	(382)	95.00%
Soul Flora Inc <sup>1</sup>	Korea	Real estate service	December 31	15,066	58.55%
Hyosung Toyota Co., Ltd <sup>1</sup>	Korea	Sales of motor vehicles	December 31	(142)	40.00%
Hyosung Deutschland GmbH <sup>2</sup>	Germany	General trading	December 31	-	100.00%
Hyosung (H.K) Ltd. <sup>1</sup>	China	General trading	December 31	829	100.00%
Hyosung Resource (Australia) Pty Ltd. <sup>1</sup>	Australia	Resources development	December 31	1,854	100.00%
Lanka Synthetic Fibre Co., Ltd. <sup>2</sup>	Srilanka	Manufacture of polyester	December 31	-	98.31%
OpCo GmbH	Germany	Manufacture of film	December 31	-	98.85%
Xepix Corp. <sup>1</sup>	USA	LED research	December 31	3,694	74.93%
NH Tech Inc. <sup>1</sup>	Korea	Management of computer facility	December 31	3,135	100.00%
KIS-BANK Inc. <sup>1</sup>	Korea	System software development and supply	December 31	1,089	53.10%
Hyosung Brasil Industrial & Commercial Ltd (formerly Hyosung Participacoes Brasil Ltd.)	Brazil	Manufacture and sales of tire cords	December 31	8,607	100.00%
Nantong Hyosung Transformer Co., Ltd. <sup>1</sup>	China	Manufacture and sales of transformers	December 31	5,438	100.00%
Powertech Corporation <sup>1</sup>	USA	Design service	December 31	(19)	100.00%
Gangreng Wind Power <sup>1</sup>	Korea	Development, construction and management of wind turbine plant	December 31	39	100.00%

<sup>1</sup> According to Paragraph 2-1, Article 1-3 of the Act on External Audit of Corporations, the subsidiary is excluded from consolidation in 2009 if its total assets are less than ₩ 10 billion at the end of prior fiscal year.

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

<sup>2</sup> According to Paragraph 2-2, Article 1-3 of the Act on External Audit of Corporations, the subsidiary is excluded from consolidation in 2009 if it is under liquidation or has not been in operation for a year and longer.

The following table sets forth certain investment information with regard to consolidated subsidiaries as of December 31, 2008:

<i>(in millions of Korean won)</i>	Location	Industry	Closing date	Capital	Percentage of ownership
<b>Subsidiaries included in consolidation</b>					
Nautilus Hyosung Inc.	Korea	Computer system development	December 31	₩ 128,004	43.50%
The Class Hyosung Co., Ltd.	Korea	Sales of new motor vehicles	December 31	10,001	58.02%
Star Lease Co., Ltd.	Korea	Financial Leasing	December 31	175,853	94.90%
Epiplus Inc.	Korea	Manufacture and sales of wafer and LED chip	December 31	5,636	52.41%
Chin Hung International Inc.	Korea	Construction	December 31	244,459	50.00%
Hyosung Construction Co., Ltd.	Korea	Construction	December 31	167	50.59%
Hyosung Ebara Co., Ltd.	Korea	Manufacture of liquid pumps	December 31	51,360	67.00%
Hyosung Ebara Engineering Co., Ltd.	Korea	Installation of environmental hygiene treatment appliances	December 31	17,947	81.33%
Hyosung Capital Co., Ltd.	Korea	Factoring finance	December 31	97,675	100.00%
Hyosung Investment & Development Corp.	Korea	Development of real estate	December 31	55,483	58.75%
Hyosung Trans World Co., Ltd.	Korea	Transportation	December 31	12,774	100.00%
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31	13,539	80.00%
Beijing Hyosung Container Co., Ltd.	China	Manufacture and sales of other plastic products	December 31	22,803	100.00%
Hyosung Holdings USA, Inc.	USA	Holding company	December 31	17,385	100.00%
Hyosung USA Inc.	USA	Manufacture and sales of tire cords	December 31	70,018	100.00%
HICO America Sales & Tech.	USA	General trading	December 31	19,639	100.00%
Hyosung America Inc.	USA	General trading	December 31	(72,521)	100.00%
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	Manufacture of polyester	December 31	163,281	100.00%
Hyosung Europe SRL	Italy	General trading	December 31	4,068	100.00%
Hyosung International Trade (Jiaxing) Co., Ltd.	China	General trading	December 31	1,560	100.00%
Hyosung Istanbul Tekstil Ltd.STI	Turkey	Manufacture and sales of spandex	December 31	19,300	100.00%
Hyosung Japan Co., Ltd.	Japan	General trading	December 31	7,156	100.00%

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

Hyosung Luxembourg S.A	Luxemburg	Manufacture and sales of tire cords	December 31	21,163	100.00%
Hyosung Participacoes Brasil Ltd.	Brazil	Manufacture and sales of tire cords	December 31	6,462	100.00%
Hyosung Power Holdings Co., Ltd.	Cayman Islands	Holding Company	December 31	64,920	100.00%
Hyosung Spandex (Guangdong) Co., Ltd.	China	Manufacture and sales of spandex	December 31	137,953	100.00%
Hyosung Spandex (Jiaxing) Co., Ltd.	China	Manufacture and sales of spandex	December 31	148,104	100.00%
Hyosung Spandex (Zhuhai) Co., Ltd.	China	Manufacture and sales of spandex	December 31	28,793	75.00%
Hyosung Steel Cord (Qingdao) Co., Ltd.	China	Manufacture and sales of steel cords	December 31	49,431	100.00%
Hyosung Vietnam Co., Ltd.	Vietnam	Manufacture and sales of tire cords	December 31	62,026	100.00%
Nantong Hyosung Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31	57,866	100.00%
Nantong Yaubong Transformer Co., Ltd.	China	Manufacture and sales of transformers	December 31	3,764	100.00%
Hyosung Steel Cord (Nanjing) Co., Ltd.	China	Manufacture and sales of steel cords	December 31	8,773	100.00%
OpCo GmbH	Germany	Manufacture of film	December 31	(688)	98.85%
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	Manufacture of steel products	December 31	17,744	39.00%
Hyosung FMS Inc.	Korea	System and application software development and supply	December 31	2,819	100.00%
Beijing Hyosung Computer Technologies Co., Ltd.	China	Manufacture and sales of computer components	December 31	3,715	100.00%
Taeuk Construction Co., Ltd.	Korea	Construction	December 31	9,787	100.00%
<b>Subsidiaries excluded from consolidation</b>					
Gumoknongsan Co., Ltd. <sup>1</sup>	Korea	Growing of other Crops	December 31	27	75.00%
Taeon Solar Farm Co., Ltd. <sup>1</sup>	Korea	Photovoltaic power generation	December 31	2,196	100.00%
Hong Jin Data service Co. <sup>1</sup>	Korea	Software development and supply	December 31	5,766	78.42%
Hyosung Wind Power Holdings Ltd. <sup>1</sup>	Korea	Wind power generation	December 31	1,399	100.00%
Beijing Hyosung Food & Beverage Co., Ltd. <sup>1</sup>	China	Restaurant business	December 31	(382)	95.00%
Hyosung Deutschland GmbH <sup>2</sup>	Germany	General trading	December 31	-	100.00%
Hyosung (H.K) Ltd. <sup>1</sup>	China	General trading	December 31	1,508	100.00%
Hyosung Resource (Australia) Pty Ltd. <sup>1</sup>	Australia	Resources development	December 31	1,841	100.00%
Hyosung Singapore Pte Ltd. <sup>1</sup>	Singapore	General trading	December 31	(545)	100.00%

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

Lanka Synthetic Fibre Co., Ltd. <sup>2</sup>	Srilanka	Manufacture of polyester	December 31	-	98.31%
Thai Hyosung Co., Ltd. <sup>2</sup>	Thailand	General trading	December 31	-	49.00%
Xepix Corp. <sup>1</sup>	USA	LED research	December 31	4,925	74.93%
NH Tech Inc. <sup>1</sup>	Korea	Management of computer facility	December 31	2,873	100.00%
KIS-BANK Inc. <sup>1</sup>	Korea	System software development and supply	December 31	850	53.11%
Nautilus Hyosung America Inc. <sup>1</sup>	USA	Sales of automated teller machines	December 31	4,620	100.00%

<sup>1</sup> According to Paragraph 2-1, Article 1-3 of the Act on External Audit of Corporations, the subsidiary is excluded from consolidation in 2008 if its total assets are less than ₩ 7 billion at the end of prior fiscal year.

<sup>2</sup> According to Paragraph 2-2, Article 1-3 of the Act on External Audit of Corporations, the subsidiary is excluded from consolidation in 2008 if it is under liquidation or has not been in operation for a year and longer.

Summarized financial information of subsidiaries included in consolidation as of and for the year ended December 31, 2009, is as follows:

(in millions of Korean won)

Investee	2009			
	Total assets	Total liabilities	Revenue	Net income (loss)
Galaxiaphotonics Co., Ltd. (formerly Epiplus Inc.)	₩ 25,662	₩ 12,778	₩ 13,343	₩ (2,700)
Nautilus Hyosung Inc.	249,719	99,838	327,308	22,343
The Class Hyosung Co., Ltd.	33,839	21,457	177,207	2,380
Chin Hung International Inc.	922,277	686,370	614,205	(149,507)
Taeon Solar Farm Co., Ltd.	10,650	8,774	1,391	(14)
Hyosung Construction Co., Ltd.	115,034	126,342	34,526	(11,475)
Hyosung Ebara Engineering Co., Ltd.	82,243	60,841	150,074	4,586
Hyosung Ebara Co., Ltd.	142,746	76,761	217,149	17,325
Hyosung Capital Co., Ltd.	1,428,455	1,135,065	166,176	15,875
Hyosung Investment & Development Corp.	60,577	1,511	598	6,694
Hyosung Trans World Co., Ltd.	25,442	20,744	163,346	1,924
Baoding Hyosung Tianwei Transformer Co., Ltd.	40,937	30,756	28,140	(2,621)
Beijing Hyosung Container Co., Ltd.	20,280	429	8,479	367
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	298,400	118,968	259,688	30,266
Hyosung Chemicals (Jiaxing) Co., Ltd.	51,113	31,351	-	(123)

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Hyosung Europe SRL	18,858	14,283	30,015	785
Hyosung Holdings USA, Inc.	273,982	223,625	159,052	(15,732)
Hyosung International Trade (Jiaxing) Co., Ltd.	19,954	18,544	191,794	(44)
Hyosung Istanbul Tekstil LTD.STI	161,203	138,734	85,473	4,402
Hyosung Japan Co., Ltd.	87,470	79,836	453,687	1,242
Hyosung Luxembourg S.A	117,781	97,400	210,643	458
Hyosung Power Holdings Co., Ltd.	273,982	223,625	159,052	(15,732)
Hyosung Singapore PTE Ltd.	10,495	10,650	175,756	381
Hyosung Spandex (GuangDong) Co., Ltd.	189,270	55,149	141,329	6,479
Hyosung Spandex (Jiaxing) Co., Ltd.	181,048	37,056	113,882	6,958
Hyosung Spandex (Zhuhai) Co., Ltd.	49,828	25,919	34,856	(3,047)
Hyosung Steel Cord (Nanjing) Co., Ltd.	36,848	3,050	5,315	(3,559)
Hyosung Steel Cord (Qingdao) Co., Ltd.	161,933	118,254	117,443	(2,281)
Hyosung Vietnam Co., Ltd.	374,725	301,751	257,176	21,435
Zhangjiagang Xiaosha Coil Service Co., Ltd.	22,237	6,053	35,338	(333)
Others	307,857	325,916	905,408	11,358
	<u>5,794,845</u>	<u>4,111,830</u>	<u>5,237,849</u>	<u>(51,910)</u>

**Changes in Consolidated Subsidiaries**

The subsidiaries newly included in the scope of consolidation in 2009 and the respective reasons for inclusion are as stated below:

<b>Subsidiary</b>	<b>Reason</b>
Taeon Solar Farm Co., Ltd.	Increase in total assets at the end of prior fiscal year
Hyosung Chemicals (Jiaxing) Co., Ltd.	Newly acquired in the current year
Hyosung Singapore PTE Ltd.	Increase in total assets at the end of prior fiscal year
Nautilus Hyosung America Inc.	Increase in total assets at the end of prior fiscal year

The subsidiaries excluded from consolidation in 2009, although included in 2008, are as follows:

<b>Subsidiary</b>	<b>Reason</b>
Hyosung Brasil Industrial & Commercial Ltda.	Decrease in total assets at the end of prior fiscal year
OpCo GmbH	Decrease in total assets at the end of prior fiscal year

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

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#### 2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the presentation of its consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of Presentation**

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

##### **Reclassifications of Prior Year Financial Statements**

Certain accounts of the December 31, 2008 consolidated financial statements have been reclassified to conform to the December 31, 2009 consolidated financial statement presentation. These reclassifications have not resulted in any change in the previously reported net income or shareholders' equity.

##### **Revenue Recognition**

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

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

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

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

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#### **Revenues from Construction Contracts**

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

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

#### **Cash and Cash Equivalents**

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

#### **Allowance for Doubtful Accounts**

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

#### **Inventories**

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the moving-weighted average method. Certain subsidiaries use the first-in, first-out method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is deducted from cost of sales.

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

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#### **Investments in Securities**

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

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

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

#### **Equity-Method Investments**

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

#### **Property, Plant and Equipment**

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

Land is revalued at fair value at least every three years or on a periodic basis by an independent appraiser. Property, plant and equipment other than land are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. An increase as a result of a revaluation is credited directly to equity under other accumulated comprehensive income and expense. However, the decrease as a result of a revaluation is deducted directly from equity under other accumulated other comprehensive income and expense to the extent of any balance existing in the revaluation surplus in respect of that asset and the residual is recognized as profit or loss.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

	<b>Estimated useful lives</b>	<b>Depreciation method</b> <sup>1</sup>
Buildings	14 ~ 40 years	Straight-line method <sup>1</sup>
Structures	20 ~ 40 years	Straight-line method <sup>1</sup>
Machinery	3 ~ 10 years	Straight-line method <sup>1</sup>
Vehicles	3 ~ 8 years	Straight-line method <sup>1</sup>
Tools	3 ~ 8 years	Straight-line method <sup>1</sup>

<sup>1</sup> Certain subsidiaries use the declining balance method.

Differences in evaluation method between subsidiaries are not material to the consolidated financial statements. Expenditures incurred after the acquisition or completion of assets is capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

**Intangible Assets**

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

	<b>Estimated Useful Lives</b>
Industrial property	5 ~ 10 years
Right to utilization	10 ~ 25 years
Other intangible assets	5 years

**Capitalization of Interest Expense**

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

**Government Grants**

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

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

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#### **Impairment of Assets**

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

#### **Derivatives**

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

#### **Income Tax and Deferred Income Tax**

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

#### **Discounts on Debentures**

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

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

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#### **Accrued Severance Benefits**

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

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

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

#### **Provisions and Contingent Liabilities**

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

#### **Translation of Assets and Liabilities Denominated in Foreign Currencies**

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

#### **Currency Translation for Foreign Operations**

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

# Hyosung Corporation and Subsidiaries

## Notes to the Consolidated Financial Statements

### December 31, 2009 and 2008

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#### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Controlling Company and its subsidiaries. All significant intercompany transactions and balances with consolidated subsidiaries have been eliminated during consolidation.

To eliminate the investment account of the controlling company and corresponding capital accounts of subsidiaries, the purchase method or the pooling of interest method is applied depending on the nature of the transaction. In using the purchase method, when the Company has control over a subsidiary, the Company records differences between the initial investment accounts and corresponding capital accounts of subsidiaries as goodwill or negative goodwill, which is amortized over a period not more than 20 years using the straight-line method.

Unrealized profit included in inventories, property, plant and equipment and other assets, as a result of intercompany transactions, is eliminated. Unrealized profit, arising from sales by the controlling company to consolidated subsidiaries, or equity-method investees, is fully eliminated and charged to the equity of the controlling company. Unrealized profit, arising from sales by the consolidated subsidiaries, or equity-method investees, to the controlling company, or sales between consolidated subsidiaries, or equity-method investees, is fully eliminated, and charged to the equity of the controlling company and minority interest, based on the percentage of ownership.

The Company records the equity of the consolidated subsidiaries, which is not included in the equity of the controlling company, as a minority interest in consolidated subsidiaries. In addition, if losses of the consolidated subsidiaries, included in minority interest, are in excess of minority interest, the deficit in excess of minority interest is charged to the equity of the controlling company. Until losses charged to the equity of the controlling company are recovered, all gains on related consolidated subsidiaries are recognized in equity of the controlling company.

#### **Elimination of Investments and Shareholders' Equity**

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

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

The eliminating entries of the Controlling Company's investments against the subsidiary shareholders' equity as of December 31, 2009 and 2008, are as follows:

2009	Amount	Account	Amount
<i>(in millions of Korean won)</i>			
Capital stock	₩ 907,285	Equity method investments	₩ 1,511,979
Capital surplus	267,422	Minority interest	322,293
Retained earnings	452,267	Capital adjustment	3,724
Accumulated other comprehensive income	134,389		
Provision for loss on valuation of equity method investments	76,633		

2008	Amount	Account	Amount
<i>(in millions of Korean won)</i>			
Capital stock	₩ 763,144	Equity method investments	₩ 1,497,140
Capital surplus	184,035	Minority interest	268,483
Retained earnings	550,345	Capital adjustment	1,410
Accumulated other comprehensive income	196,988		
Provision for loss on valuation of equity method investments	72,521		

**Use of Provisional Financial Statements**

Provisional 2009 financial statements were used in the valuation as neither the audited or reviewed financial statements were available for Hyosung Istanbul Tekstil Ltd. STI and Beijing Hyosung Computer Technologies Co., Ltd. Their financial statements reflect 1.71 % of total consolidated assets, before elimination of intercompany transactions, as of December 31, 2009, and 1.05 % of total consolidated sales, before elimination of intercompany transactions, for the year then ended.

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

Subsidiary	Equity ownership	Assets	Liabilities	Sales
<i>(in millions of Korean won)</i>				
Hyosung Istanbul Tekstil Ltd. STI	76.66%	₩ 161,203	₩ 138,734	₩ 85,473
Beijing Hyosung Computer Technologies Co., Ltd.	100.00%	44,512	41,037	43,773

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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**3. Restricted Financial Instruments**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>		<b>Descriptions</b>
Cash and cash equivalents	₩	18,930	₩	19,803	Government financial assistance fund
		4,174		7,726	Others
Short-term financial instruments		37,000		-	Pledged deposit
		32		1,106	Collateral for subcontracting payments
		811		1,656	Others
Long-term financial instruments		936		892	Deposits for checking account
		-		458	Government financial assistance fund
	₩	<u>61,883</u>	₩	<u>31,641</u>	

**4. Transfers of Trade Accounts and Notes Receivables**

Trade accounts and notes receivables transferred to and discounted with third parties as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>		<b>Terms</b>
Accounts receivable (export)	₩	524,549	₩	159,923	Secured
Accounts receivable (domestic)		25,090		26,195	Not secured
Notes receivable		-		6,217	Not secured
Electronic bills		100,814		107,205	Not secured
Factoring		9,800		13,411	Secured
	₩	<u>660,253</u>	₩	<u>312,951</u>	

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**5. Inventories**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Merchandise	₩	107,726	₩	84,155
Finished goods		324,967		487,072
Work-in-progress		58,522		38,346
Consigned goods		4,257		37,617
Goods on consignment		493		347
Raw materials		250,155		212,267
Supplies		3,529		6,912
Goods-in-transit		49,813		17,877
Unfinished housing and office units		12,930		88,023
Temporary structures for construction		228		550
Building lots		106,355		129,859
Others		151,315		55,531
	₩	<u>1,070,290</u>	₩	<u>1,158,556</u>

**6. Available-for-sale Securities**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Equity securities	₩	157,269	₩	135,092
Debt securities		26,587		25,631
		<u>183,856</u>		<u>160,723</u>
Less: Current portion		(4,365)		(2,490)
	₩	<u>179,491</u>	₩	<u>158,233</u>

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

<i>(in millions of Korean won)</i>	<b>2009</b>		
	<b>Acquisition cost</b>	<b>Fair value <sup>1</sup></b>	<b>Book value <sup>2</sup></b>
<b>Marketable securities</b>			
KT Corp. <sup>3</sup>	₩ 7,942	₩ 22,478	₩ 22,478
Hankook Tire Co., Ltd.	20,681	38,275	38,275
Alti-Electronics Co., Ltd.	5,000	5,655	5,655
Kumho Tires Co., Inc. <sup>4</sup>	10,000	3,605	3,605

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Korea Express Corporation <sup>5</sup>	3,619	1,883	1,883
National Information & Credit Evaluation, Inc.	1,394	1,630	1,630
Koentec Co., Ltd.	407	924	924
OnMedia Corp.	280	597	597
SK Energy Co., Ltd.	385	378	378
KTIC Global	815	183	183
Hanshin Construction Co., Ltd	1	13	13
KTB Investment Securities Co., Ltd.	13	11	11
Byuck San Engineering	10	10	10
Savezone I&C Corp.	30	10	10
Ultra Construction & Engineering Co., Ltd.	5	3	3
	<u>50,582</u>	<u>75,655</u>	<u>75,655</u>

**Non-marketable securities**

Samsung Life Insurance Co.	12,264	22,979	12,264
Myoungji Bridge Co., Ltd.	5,260	5,037	5,260
Aju Rental Co., Ltd.	4,968	2,319	4,968
Seoul Litetower Co. Ltd	3,080	3,080	3,080
Korea Housing Guarantee Co., Ltd.	4,807	2,847	3,261
Doosan Capital Co., Ltd.	3,000	3,036	3,000
Ninex Co., Ltd.	3,000	455	1,500
Hankook Economic Newspaper	1,394	799	1,394
TransLink Capital Partners 1, L.P.	1,314	1,127	1,314
Doowoel Investment Co., Ltd.	1,000	675	1,000
Korea Software Financial Cooperative	600	-	600
Hyundai Home Shopping Network Corp.	550	2,880	550
Inchon edudevelopment Co.	520	503	520
Hope Dream Tree Co. Ltd	516	516	516
Kihyup Finance Inc.	500	645	500
Namwoo Ad Co., Ltd.	500	311	500
Gimpo Hakyo Gwanri Co. Ltd	414	414	414
Incheon South SMC Co. Ltd	248	248	248
Inchoeon Eduma Co., Ltd.	232	229	232
ChemCross.Com	222	283	222
Inchon edulove Co.	220	209	220
Wavecity Development	200	182	200
Korea Management Association	180	666	180
Emsung Sewage pipe Co., Ltd.	144	140	144
Gyeonggi Hwaseong Hakdang Co. Ltd	118	118	118
InfoNet Korea Ltd.	100	11	50
Kyoungbuk Education Management Co. Ltd	40	40	40
Information & Communication Financial Cooperative	33	-	33
Kangwon Domin Ilbo	20	16	20

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Korea Money Brokerage Corp.	20	-	20
Daewoo Electronics Corp.	153	-	19
KyungNam Newspaper	30	4	15
Pyunghwa Plastic	6	-	6
GM Daewoo Auto & Technology Co.	27	-	-
Bum Yang Air-Conditioner	6	-	-
Life Point Inc.	1,148	-	-
MomusVenturesgroup	3,242	409	-
Sejong Telecom Co., Ltd.	2,406	1	-
Securities of overseas	1,423	1,423	1,423
	<u>53,905</u>	<u>51,602</u>	<u>43,831</u>
Investments in cooperatives and associations	36,936	28,422	37,783
Total	<u>₩ 141,423</u>	<u>₩ 155,679</u>	<u>₩ 157,269</u>

	<b>2008</b>		
	<b>Acquisition cost</b>	<b>Fair value <sup>1</sup></b>	<b>Book value <sup>2</sup></b>

*(in millions of Korean won)*

**Marketable securities**

KTB Investment Securities Co., Ltd.	₩ 13	₩ 8	₩ 8
KTIC Global	815	385	385
KT Freetel Co., Ltd.	5,775	23,346	23,346
Ultra Construction & Engineering Co., Ltd.	5	3	3
KT Corp.	2,167	1,505	1,505
Hanshin Construction Co., Ltd	1	10	10
Savezone I&C Corp.	30	5	5
Korea Environment Technology Co., Ltd.	407	879	879
Kumho Tires Co., Inc.	10,000	4,490	4,490
OnMedia Corp.	280	297	297
Korea Express Corporation <sup>4</sup>	6,374	5,205	5,205
Hankook Tire Co., Ltd.	20,680	22,958	22,958
Ehwa Technologies Information Co., Ltd.	2,467	704	704
KP Chemical Corp.	1,430	1,284	1,284
Byuck San Engineering & Construction Co., Ltd.	10	8	8
SK Energy Co., Ltd.	385	242	242
National Information & Credit Evaluation, Inc.	1,394	1,926	1,926
	<u>52,233</u>	<u>63,255</u>	<u>63,255</u>

**Non-marketable securities<sup>1</sup>**

Kangwon Domin Ilbo	20	20	20
Ninex Co., Ltd. <sup>2</sup>	3,000	1,500	1,500
GM Daewoo Auto & Technology Co. <sup>2</sup>	8	3	3
Namwoo Ad Co., Ltd. <sup>2</sup>	500	250	250

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Bum Yang Air-Conditioner <sup>2</sup>	6	-	-
Sejong Telecom Co., Ltd. <sup>2</sup>	2,406	-	-
Doosan Capital Co., Ltd.	3,000	3,000	3,000
KyungNam Newspaper <sup>2</sup>	30	15	15
Kihyup Finance Inc.	500	500	500
Korea Housing Guarantee Co., Ltd. <sup>2</sup>	3,511	1,716	1,716
Bangsol Inc. <sup>2</sup>	232	116	116
Hankook Economic Newspaper <sup>2</sup>	1,394	717	717
Korea Management Association Consulting	180	180	180
ChemCross.Com	222	222	222
Life Point Inc. <sup>2</sup>	1,148	-	-
Momus Venturesgroup <sup>2</sup>	3,242	-	-
POSCO Coil Center	518	518	518
InfoNet Korea Ltd. <sup>2</sup>	100	50	50
TransLink Capital Partners 1, L.P <sup>2</sup> .	976	976	976
Hyundai Home Shopping Network Corp.	550	550	550
Doowoel Investment Co., Ltd.	1,000	1,000	1,000
Korea Housing Guarantee Co., Ltd. <sup>2</sup>	3,091	1,545	1,545
Myoungji Bridge Co., Ltd.	5,260	5,260	5,260
Inchon edudevelopment Co.	520	520	520
Inchon edulove Co.	220	220	220
Inchoeon Eduma Co., Ltd.	232	232	232
Emsung Sewage pipe Co., Ltd.	144	144	144
Wavacity Development	200	200	200
SoulFlora/SPC	200	200	200
Korea Money Brokerage Corp.	20	20	20
Samsung Life Insurance Co.	12,264	12,264	12,264
Daewoo Electronics Corp. <sup>2</sup>	153	19	19
Aju Rental Co., Ltd.	4,968	4,968	4,968
MJ Project Finance Investment Co., Ltd.	553	177	177
Pyunghwa Plastic	6	6	6
Securities of overseas	279	279	279
	<u>50,653</u>	<u>37,387</u>	<u>37,387</u>
Investments in cooperatives and associations	<u>33,582</u>	<u>39,326</u>	<u>34,450</u>
Total	<u>₩ 136,468</u>	<u>₩ 139,968</u>	<u>₩ 135,092</u>

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

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

<sup>3</sup> KT Corp. merged with KT Freetel Co., Ltd. in 2009.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

<sup>5</sup> Marketable securities of Korea Express Inc. were acquired through participation in the Kumho Asiana Consortium. According to the agreement with Asiana Airlines Inc., the Company cannot sell, transfer and pledge the securities within two years from the acquisition date without authorization from Asiana Airlines Inc. After the first two years, Asiana Airlines Inc. becomes the holder of pre-emption rights. Nevertheless, if Asiana Airlines Inc. transfers securities to a third party and gives up the pre-emption rights, the Company can sell the securities within the first two years.

According to the agreement with Kumho Rent-A-Car Co., Ltd., the Company has put options on stocks of Korea Express Inc. The fair value of the put options as of December 31, 2009 and 2008, amounts to ₩ 3,183 and ₩ 6,053 million, respectively, and is recorded as other investment assets (Note 25).

**Debt securities**

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

		<b>2009</b>		
<i>(in millions of Korean won)</i>	<b>Maturity</b>	<b>Acquisition cost</b>	<b>Fair value</b>	<b>Book value</b>
Government and public bonds	Within 1 year	₩ 3,536	₩ 3,536	₩ 3,536
	Within 1 ~ 5 years	8,779	8,699	8,699
	Within 5 ~ 10 years	23	23	23
Certificate of deposit	Within 1 year	829	829	829
Subordinated bonds	Within 5 ~ 10 years	13,000	13,000	13,000
Other debt securities	Within 1 ~ 5 years	200	200	200
	Within 1 ~ 5 years	300	300	300
Total		<u>₩ 26,667</u>	<u>₩ 26,587</u>	<u>₩ 26,587</u>

		<b>2008</b>		
<i>(in millions of Korean won)</i>	<b>Maturity</b>	<b>Acquisition cost</b>	<b>Fair value</b>	<b>Book value</b>
Government and public bonds	Within 1 year	₩ 2,490	₩ 2,490	₩ 2,490
	Within 1 ~ 5 years	10,163	10,163	10,163
	Within 5 ~ 10 years	18	18	18
Subordinated bonds	Within 5 ~ 10 years	13,000	13,000	13,000
Total		<u>₩ 25,671</u>	<u>₩ 25,671</u>	<u>₩ 25,671</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**Changes in unrealized gains (losses)**

Changes in unrealized gains (losses) for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Beginning balance	₩	6,788	₩	15,412
Increase (decrease)		23,815		(11,346)
Changes from tax effect		(5,239)		2,722
Ending balance	₩	<u>25,364</u>	₩	<u>6,788</u>

**7. Held-to-maturity Securities**

Held-to-maturity Securities as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Government and public bonds	₩	2,537	₩	2,134
Corporate-issued debt securities		2,700		-
Other debt securities		-		9,416
	₩	<u>5,237</u>	₩	<u>11,550</u>

**8. Equity-method investments**

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

<i>(in millions of Korean won)</i>	<b>2009</b>				
	<b>Number of shares</b>	<b>Percentage of ownership</b>	<b>Acquisition cost</b>	<b>Fair value</b>	<b>Book value</b>
<b>Investee</b>					
Gumoknongsan Co., Ltd. <sup>1</sup>	45,000	75.00%	₩ 225	₩ 20	₩ 113
Beijing Hyosung Food & Beverage Co., Ltd. <sup>2</sup>	-	95.00%	1,499	(363)	-
Soul Flora Inc.	1,930,500	58.50%	9,653	7,616	8,937
E-pia Tech.Co., Ltd.	245,343	21.30%	3,750	1,001	1,094
Capro Corp.	8,417,708	21.04%	9,114	22,789	22,672
Taebaek Wind Power Co., Ltd. <sup>1</sup>	703,500	35.00%	3,518	-	3,518
Hongjin Data Service	790,000	78.42%	3,950	4,102	4,152
Hyosung Wind Power holdings <sup>1</sup>	240,000	100.00%	1,200	1,399	1,200
Hyosung Information System Co., Ltd.	173,000	50.00%	865	24,859	24,859
Hyosung Toyota Corp. <sup>1</sup>	4,000	40.00%	20	-	20

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Hyosung ITX Co., Ltd.	4,349,000	34.99%	3,675	7,836	6,962
Hyosung (H.K) Limited	621,660	100.00%	87,160	830	830
Hyosung Deutschland GmbH <sup>2</sup>	490,000	100.00%	74,014	-	-
Hyosung Brasil industrial & commercial Ltda(Hyosung Participacoes Brasil Ltda)	-	100.00%	4,408	8,607	8,607
Hyosung Resource (Australia) PTY Ltd. <sup>1</sup>	2,179,083	100.00%	1,700	1,854	1,700
Lanka Synthetic Fibre Co., Ltd. <sup>2</sup>	148,930,000	98.31%	22,447	-	-
OpCo GmbH <sup>2</sup>	9,470	98.85%	18,289	(641)	-
Xepix Corp.	2,391,667	74.93%	29,506	2,768	2,768
NH Tech Inc.	130,000	100.00%	650	3,135	3,135
Kis-Bank Inc.	150,000	53.10%	2,063	578	1,971
Galaxia Communications	33,328	2.31%	1,696	1,558	1,559
Nantong Hyosung Transformer Co., Ltd.	-	100%	4,842	5,438	5,453
Powertech Corporation	-	60%	74	21	21
			<u>₩ 284,318</u>	<u>₩ 93,407</u>	<u>₩ 99,571</u>

<sup>1</sup> The equity method was not applied because total assets of investees are below ₩ 10 billion and the effect from change in equity is not material to the Company's financial statements even though the Company's percentage of ownership exceeds 20%.

<sup>2</sup> The equity method was discontinued as the investee is currently under liquidation or has capital deficiency.

<i>(in millions of Korean won)</i>	2008				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value
<b>Investee</b>					
Gumoknongsan Co., Ltd. <sup>1</sup>	45,000	75.00%	₩ 225	₩ 20	₩ 225
Beijing Hyosung Food & Beverage Co., Ltd. <sup>3</sup>	-	95.00%	1,499	(363)	-
E-pia Tech.Co., Ltd. <sup>3</sup>	245,343	23.32%	3,750	923	1,052
Capro Corp.	8,417,708	21.04%	9,114	21,574	21,415
Taeon Solar Farm Co., Ltd. <sup>1</sup>	420,000	100%	2,100	2,196	2,100
Hongjin Data Service <sup>1</sup>	790,000	78.42%	3,950	6,510	4,044
Hyosung Wind Power holdings Ltd. <sup>1</sup>	240,000	100.00%	1,200	1,399	1,200
Hyosung Information System Co., Ltd.	173,000	50.00%	865	20,251	20,251
Hyosung ITX Co., Ltd.	4,349,000	34.99%	3,675	9,488	7,740
Hyosung (H.K) Ltd.	621,660	100.00%	87,144	1,508	1,508
Hyosung Deutschland GmbH <sup>2</sup>	490,000	100.00%	74,015	-	-
Hyosung Resource (Australia) Pty Ltd. <sup>1</sup>	2,179,083	100.00%	1,681	1,865	1,681

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Hyosung Singapore Pte Ltd. <sup>3</sup>	96,800	100.00%	30,512	(545)	-
Lanka Synthetic Fibre Co., Ltd. <sup>2</sup>	148,930,000	98.31%	-	-	-
Thai Hyosung Co., Ltd. <sup>2</sup>	-	49.00%	-	-	-
Xepix Corp.	2,391,667	75.00%	29,506	3,690	3,690
NH Tech Inc.	130,000	100.00%	650	2,873	2,873
Kis-Bank Inc.	150,000	53.11%	2,063	451	2,044
Galaxia Communications	33,328	4.52%	1,696	452	452
Nautilus Hyosung America Inc.	-	100.00%	4,734	6,392	6,174
Nantong Transformer Co., Ltd.	-	100.00%	5,215	5,117	5,886
Powertech Corporation <sup>1</sup>	-	100.00%	74	74	74
			<u>₩ 263,668</u>	<u>₩ 83,875</u>	<u>₩ 82,409</u>

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

<sup>2</sup> The equity method was discontinued as the investee is currently under liquidation or in a significant deficit position.

<sup>3</sup> The equity method was discontinued as the investee has capital deficiency.

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

(in millions of Korean won)

Investee	2009			
	Beginning balance	Increase (Decrease)	Amortization	Ending balance
Hyosung ITX Co., Ltd.	₩ (1,748)	₩ -	₩ 874	₩ (874)
Kis-Bank Inc.	1,592	-	(199)	1,393
E-pia Tech Co., Ltd.	129	-	(32)	97
Capro Corp.	(75)	-	75	-
Nantong Transformer Co., Ltd.	31	-	(17)	14
	<u>₩ (71)</u>	<u>₩ -</u>	<u>₩ 701</u>	<u>₩ 630</u>

(in millions of Korean won)

Investee	2008			
	Beginning balance	Increase (Decrease)	Amortization	Ending balance
Hyosung ITX Co., Ltd.	₩ (2,622)	₩ -	₩ 874	₩ (1,748)
Kis-Bank Inc.	1,791	-	(199)	1,592
E-pia Tech Co., Ltd.	-	161	(32)	129
Capro Corp.	(225)	-	150	(75)

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Nantong Transformer Co., Ltd.	35	-	(4)	31
Galaxia Communications	823	-	(823)	-
	<u>₩ (198)</u>	<u>₩ 161</u>	<u>₩ (34)</u>	<u>₩ (71)</u>

Details of eliminated unrealized losses from intercompany transactions as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>		<b>2009</b>		<b>2008</b>
E-pia Tech Co., Ltd.	₩	4	₩	-
Capro Corp.		81		(94)
Nautilus Hyosung America, Inc.		-		(217)
	<u>₩</u>	<u>85</u>	<u>₩</u>	<u>(311)</u>

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

<i>(in millions of Korean won)</i>		<b>2009</b>				
		<b>Beginning balance</b>	<b>Gains(loss) from equity-method valuation</b>	<b>Changes in equity under the equity method</b>	<b>Others <sup>1</sup></b>	<b>Ending balance</b>
<b>Investee</b>						
Soul Flora Co., Ltd	₩	-	₩ (598)	₩ (117)	₩ 9,652	₩ 8,937
E-pia Tech Co., Ltd.		1,052	(195)	(1)	238	1,094
Capro Corp.		21,415	1,687	(430)	-	22,672
Hyosung Information System Co., Ltd.		20,251	5,473	-	(865)	24,859
Hyosung ITX Co., Ltd.		7,740	1,019	(1,793)	(4)	6,962
Hyosung (H.K) Limited		1,508	(623)	(55)	-	830
Hyosung Brasil industrial & commercial Ltda(Hyosung Participacoes Brasil Ltda)		-	545	1,600	6,462	8,607
OpCo GmbH <sup>2</sup>		-	-	-	-	-
Xepix Corp.		3,690	(580)	(342)	-	2,768
NH Tech Inc.		2,873	262	-	-	3,135
Hongjin Data Service		4,044	108	-	-	4,152
Kis-Bank Inc.		2,044	(72)	-	(1)	1,971
Galaxia Communications		452	(46)	(29)	1,182	1,559
Nautilus Hyosung America Inc.		6,174	-	-	(6,174)	-
Nantong Hyosung Transformer Co., Ltd.		5,886	(15)	(418)	-	5,453
Powertech Corporation		-	(53)	-	74	21

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Securities under cost method	5,280	-	-	1,271	6,551
Total	<u>₩ 82,409</u>	<u>₩ 6,912</u>	<u>₩ (1,585)</u>	<u>₩ 11,835</u>	<u>₩ 99,571</u>

(in millions of Korean won)

Investee	2008				
	Beginning balance	Gains(loss) from equity-method valuation	Changes in equity under the equity method	Others <sup>1</sup>	Ending balance
E-pia Tech Co., Ltd. <sup>2</sup>	₩ -	₩ (1,082)	₩ -	₩ 2,134	₩ 1,052
Capro Corp.	15,926	(3,479)	8,968	-	21,415
Hyosung Information System Co., Ltd.	17,759	3,358	-	(866)	20,251
Hyosung ITX Co., Ltd.	9,190	(1,207)	(674)	431	7,740
Hyosung CTX	1,134	-	-	(1,134)	-
Hyosung (H.K) Ltd.	1,115	3	390	-	1,508
Hyosung Singapore Pte Ltd.	-	-	-	-	-
Xepix Corp. <sup>2</sup>	-	(7)	943	2,754	3,690
NH Tech Inc.	-	728	-	2,145	2,873
Hongjin Data Service	3,957	87	-	-	4,044
Kis-Bank Inc.	1,930	114	-	-	2,044
Galaxia Communications	1,710	(1,710)	1	451	452
Nautilus Hyosung America Inc.	-	(126)	1,567	4,733	6,174
Nantong Transformer Co., Ltd.	4,059	51	-	1,776	5,886
Hyosung FMS Inc.	1,436	-	-	(1,436)	-
Hyosung International Trade (Jiaxing) Co., Ltd.	1,053	-	-	(1,053)	-
Hyosung Participacoes Brasil Ltd.	6,603	-	-	(6,603)	-
Beijing Hyosung Computer Technologies Co., Ltd.	942	-	-	(942)	-
HICO America Sales & Tech.	1,287	-	-	(1,287)	-
Hyosung Steel Cord (Nanjing) Co., Ltd.	6,223	-	-	(6,223)	-
Securities under cost method	3,242	-	-	2,038	5,280
Total	<u>₩ 77,566</u>	<u>₩ (3,270)</u>	<u>₩ 11,195</u>	<u>₩ (3,082)</u>	<u>₩ 82,409</u>

<sup>1</sup> Others consist of fluctuations due to change in scope of consolidation, increase representing additional acquisition and decrease representing sale, disposal amount and dividend income.

<sup>2</sup> Unaudited financial statements were used in the valuation as audited financial statements were unavailable. The Company has performed verification procedures on the reliability of the unaudited financial statements.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

*(in millions of Korean won)*

Investee	2009			
	Total assets	Total liabilities	Revenue	Net income (loss)
Soul Flora Co., Ltd	₩ 55,111	₩ 40,046	₩ -	₩ (942)
E-pia Tech Co., Ltd.	7,713	3,015	2,468	(1,222)
Capro Corp.	410,089	301,800	685,450	8,442
Hyosung Information System Co., Ltd.	138,789	89,069	216,698	10,947
Hyosung ITX Co., Ltd.	55,014	32,631	122,792	405
Hyosung (H.K) LIMITED	2,787	1,958	16,132	(623)
Hyosung Brasil Industrial & Commercial Ltda(Hyosung Participacoes Brasil Ltda)	11,439	2,831	10,028	545
OpCo GmbH	8,299	8,948	-	-
Xepix Corp.	5,399	1,705	5,685	358
NH Tech Inc.	6,948	3,812	32,142	263
Hongjin Data Service	7,334	737	5,385	832
Kis-Bank Inc.	3,194	2,106	4,487	239
Galaxia Communications	97,510	29,990	12,542	481
Nantong Hyosung Transformer Co., Ltd.	5,438	-	-	-
Powertech Corporation	144	163	452	(89)

*(in millions of Korean won)*

Investee	2008			
	Total assets	Total liabilities	Revenue	Net income (loss)
E-pia Tech Co., Ltd.	₩ 7,111	₩ 3,156	₩ 1,538	₩ (2,107)
Capro Corp.	431,256	328,737	846,844	(17,691)
Hyosung Information System Co., Ltd.	111,551	71,048	201,539	6,713
Hyosung ITX Co., Ltd.	61,850	34,745	129,945	(10,584)
Hyosung (H.K) Ltd.	7,924	6,416	58,074	3
Hyosung Singapore Pte Ltd.	12,323	12,868	50,038	120
Xepix Corp.	7,894	2,969	3,969	(9)
NH Tech Inc.	7,492	4,619	34,207	728
Hongjin Data Service	6,672	906	5,309	641
Kis-Bank Inc.	3,061	2,211	4,568	489
Galaxia Communications	37,427	27,443	31,677	(24,971)
Nautilus Hyosung America Inc.	30,104	25,484	75,672	91
Nantong Hyosung Transformer Co., Ltd.	5,852	-	-	-

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**9. Transactions and Balances with Related Companies**

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

<i>(in millions of Korean won)</i>		2009		2008	
		Sales	Purchases	Sales	Purchases
Hyosung Corporation	NH Tech Inc.	₩ 15	₩ -	₩ 15	₩ 96
	Info Bada	-	-	-	7
	Capro Corp.	1,001	342,236	1,581	420,504
	Hyosung CTX	-	-	-	719
	Hyosung ITX Co., Ltd.	18	26	13	148
	Hyosung Information System Co., Ltd.	48	-	72	-
	Xepix Corp.	98	800	11	4,024
	Hyosung (H.K) Limited	6,304	17	23,758	1,624
	Hyosung Singapore PTE Ltd.	-	-	30,250	429
	E-pia Tech Co., Ltd	56	-	81	-
	Tae-an Solar Farm Co., Ltd.	-	-	10,281	-
	Aegis Hyosung Co.	-	63	-	7
	Galaxia Communications	-	508	-	879
	Hyosung Brasil industrial & commercial Ltda (Hyosung Participacoes Brasil Ltda)	686	-	-	-
	Shin Dong Jin Co., Ltd.	25,806	2,183	-	-
	Hyosung International(HK) Ltd.	15,434	1,266	-	-
	Doomi Construction Co., Ltd.	6,034	4,472	-	-
	Trinity Asset Management	-	933	-	-
	Galaxia Electronics	1	6	-	-
	Nautilus Hyosung Inc.	Hongjin Data Service	13	6	13
NH Tech Inc.		6,643	17,145	6,650	18,407
Kis-Bank Inc.		459	-	184	-
Hyosung Information System Co., Ltd.		1,441	833	658	788
Nautilus Hyosung America Inc.		-	-	75,568	-
Hyosung ITX Co., Ltd.		26	33	61	41
Galaxia Electronics		-	-	-	700
Galaxia Communications		410	400	-	220
Aegis Hyosung Co.		-	33	24	31
Solim Construction & Engineering Co., Ltd.		26	-	-	-

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

	Hyosung Toyota Co., Ltd	1	-	-	-
Hyosung Capital Co., Ltd.	Doomi Construction Co., LTD.	58	-	-	-
	Galaxia Communications	137	-	-	-
	Shin Dong Jin Co., Ltd.	260	-	-	-
	Trinity Asset Management	200	-	-	-
Star Lease Co., Ltd.	Galaxia Communications	-	-	205	-
	Athena ABS Specialty Company, LLC.	-	-	-	-
	Hudson Korea Management Service Inc.	-	-	-	-
Hyosung Ebara Co., Ltd.	Hyosung Ebara Environment	225	2,687	1,194	603
The Class Hyosung Co.,Ltd.	Hyosung Toyota Co., Ltd	225	-	-	-
Hyosung Construction Co., Ltd.	Shin Dong Jin Co., Ltd.	-	48	-	-
Hyosung Ebara Engineering Co., Ltd.	Hyosung Ebara Environment	642	152	415	889
Hyosung Trans World Co., Ltd	Capro Corp.	554	-	311	-
	Hyosung Information System Co., Ltd.	-	-	2	-
	Galaxia Electronics	14	-	5	-
	Will & Vision	-	-	-	136
	Hyosung ITX Co., Ltd.	-	-	153	-
	NH Tech Inc.	5	-	-	-
Hyosung FMS Inc.	Hongjin Data Service	-	-	1	-
	Hyosung ITX Co., Ltd.	-	-	-	1
	Galaxia Communications	-	27	-	354
Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	Hyosung (H.K) LIMITED	-	-	-	18,469
Hyosung Japan Co.,Ltd.	Hyosung ITX Co., Ltd.	1	-	475	-
		<u>₩ 66,841</u>	<u>₩ 373,874</u>	<u>₩151,981</u>	<u>₩ 469,100</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

<i>(in millions of Korean won)</i>		2009		2008	
		Receivables	Payables	Receivables	Payables
Hyosung Corporation	Capro Corp.	₩ 101	₩ 70,382	₩ 74	₩ 45,072
	Hyosung CTX	-	-	-	138
	Hyosung Information System Co., Ltd.	17	-	15	-
	Hyosung (H.K) LIMITED	668	775	692	646
	NH Tech Inc.	1	21	2	-
	Aegis Hyosung Co.	-	-	-	1
	Info Bada	-	-	-	3
	Galaxia Communications	6	336	-	94
	E-pia Tech Co., Ltd	22	-	-	-
	OpCo GmbH	6	18	6	18
	Galaxia Electronics	-	92	-	138
	Shin Dong Jin Co., Ltd.	31,539	-	14,137	-
	Doomi Construction Co., LTD.	6,815	-	-	-
	Hyosung International(HK) Ltd.	92	49	-	-
	Nautilus Hyosung Inc.	Hongjin Data Service	-	-	-
NH Tech Inc.		470	1,563	840	1,827
Kis-Bank Inc.		156	-	76	-
Hyosung Information System Co., Ltd.		165	-	17	92
Aegis Hyosung Co.		-	3	3	3
Hyosung ITX Co., Ltd.		-	2	39	4
Galaxia Electronics		-	-	-	704
Galaxia Communications		52	132	-	100
The Class Hyosung Co.,Ltd.	Hyosung Toyota Co., Ltd	1	-	-	-
	Hyosung Toyota Co., Ltd	33	-	-	-
Chin Hung International Inc.	Soul Flora Inc.	5,617	-	-	-
Hyosung Construction Co., Ltd.	Hyosung Capital Co., Ltd.	-	22	-	-
Hyosung Ebara Co., Ltd.	Hyosung Ebara Environment	225	2,687	167	654
Hyosung Ebara Engineering Co.,	Hyosung Ebara Environment	-	-	218	1,103

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Ltd.					
Hyosung Capital Co., Ltd.	Doomi Construction Co., LTD.	3,560	-	-	-
Hyosung Trans World Co., Ltd	Capro Corp. NH Tech Inc.	50 1	-	25	-
	Galaxia Electronics	-	-	5	-
Hyosung FMS Inc.	Galaxia Communications	-	27	-	375
Hyosung Chemical Fiber(Jiaxing) Co., Ltd.	Hyosung (H.K) LIMITED	-	-	-	3,168
Hyosung Spandex (Guangdong) Co. Ltd.	Hyosung (H.K) LIMITED	-	-	-	198
Hyosung America Inc.	Xepix Corp.	-	-	982	-

Key management compensation for the years ended December 31, 2009 and 2008, consists of:

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

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

<i>(in millions of Korean won)</i>					
<b>Guarantor</b>	<b>Related company</b>	<b>Guaranteed amount</b>	<b>Type of loan</b>	<b>Credit amount</b>	<b>Bank</b>
Hyosung Corporation	Hyosung International(HK) Ltd.	₩ 20,550	Foreign currency loans and others	₩ 468	Shinhan Bank and others

**10. Transactions and Balances between Consolidated Companies**

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

<i>(in millions of Korean won)</i>		<b>2009</b>	
<b>Selling company</b>	<b>Purchasing company</b>	<b>Receivables and other</b>	<b>Sales and other</b>
Hyosung Corporation	Nautilus Hyosung Inc.	₩ 2,187	₩ 1,774
	The Class Hyosung Co.,Ltd.	-	1,151

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

	Galaxiaphotonics Co., Ltd.	11	260
	Chin Hung International Inc.	-	350
	Hyosung Construction Co., Ltd.	467	32,827
	Hyosung Ebara Engineering Co., Ltd.	3,852	9,595
	Hyosung Ebara Co., Ltd.	386	29,267
	Hyosung Capital Co., Ltd.	-	1
	Hyosung Investment & Development Corp.	-	3,885
	Hyosung Trans World Co., Ltd	21,557	1
	Baoding Hyosung Tianwei Transformer Co., Ltd.	158	7,452
	HICO America Sales & Tech., Inc.	332	266,122
	Hyosung America Inc.	3,960	276,169
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	11,790	31,714
	Hyosung Chemicals (Jiaxing) Co., Ltd.	24	6,379
	Hyosung Europe SRL	368	10,554
	Hyosung International Trade (Jiaxing) Co., Ltd.	24	855
	Hyosung Istanbul Tekstil Ltd. STI	101	41,342
	Hyosung Japan Co., Ltd.	53,710	186,830
	Hyosung Luxembourg S.A	116	55,458
	Hyosung Singapore PTE Ltd.	361	150,159
	Hyosung Spandex (GuangDong) Co., Ltd.	-	9,450
	Hyosung Spandex (Jiaxing) Co., Ltd.	-	7,970
	Hyosung Spandex (Zhuhai) Co., Ltd.	-	2,173
	Hyosung Steel Cord (Qingdao) Co., Ltd.	-	24,194
	Hyosung USA Inc.	-	52,905
	Hyosung Vietnam Co., Ltd.	45	121,287
	Nantong Hyosung Transformer Co., Ltd.	-	17,506
	Zhangjiagang Xiaosha Coil Service Co., Ltd.	88	3,146
Nautilus Hyosung Inc.	Hyosung Corporation	40	13,933
The Class Hyosung Co.,Ltd.		105	211
Galaxiaphotonics Co., Ltd.		-	113
Chin Hung International Inc.		261	-
Hyosung Construction Co., Ltd.		102,704	3,036

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Hyosung Ebara Engineering Co., Ltd.	4,331	3,106
Hyosung Ebara Co., Ltd.	4,638	1,106
Hyosung Capital Co., Ltd.	24	131
Hyosung Trans World Co., Ltd	2	157,408
Baoding Hyosung Tianwei Transformer Co., Ltd.	156	173
Beijing Hyosung Container Co., Ltd.	-	-
HICO America Sales & Tech., Inc.	12	375
Hyosung America Inc.	4,545	8,883
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	9,742	85,106
Hyosung Chemicals (Jiaxing) Co., Ltd.	29	-
Hyosung Europe SRL	6,020	2,300
Hyosung International Trade (Jiaxing) Co., Ltd.	-	553
Hyosung Istanbul Tekstil Ltd. STI	9,833	899
Hyosung Japan Co., Ltd.	3,612	98,139
Hyosung Luxembourg S.A	17,406	208
Hyosung Singapore PTE Ltd.	9,935	578
Hyosung Spandex (GuangDong) Co., Ltd.	5,888	2,926
Hyosung Spandex (Jiaxing) Co., Ltd.	4,002	18
Hyosung Spandex (Zhuhai) Co., Ltd.	3,098	-
Hyosung Steel Cord (Nanjing) Co., Ltd.	93	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	12,782	140
Hyosung USA Inc.	373	2,522
Hyosung Vietnam Co., Ltd.	19,005	128,425
Nantong Hyosung Transformer Co., Ltd.	5,858	-
Nantong Yaubong Transformer Co., Ltd.	513	2
Zhangjiagang Xiaosha Coil Service Co., Ltd.	478	295
Receivables and sales between consolidated subsidiaries and others	82,577	382,872
	₩ 407,599	₩ 2,244,234

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

(in millions of Korean won)

Selling company	Purchasing company	2008	
		Receivables and other	Sales and other
Hyosung Corporation	Nautilus Hyosung Inc.	₩ 1,532	₩ 2,016
	The Class Hyosung	3	1,146
	Starlease Co., Ltd.	-	1
	Chin Hung International Inc.	-	692
	Hyosung Construction Co., Ltd.	2,874	50,557
	Hyosung Ebara Engineering Co., Ltd.	1,078	1,121
	Hyosung Ebara Co., Ltd.	523	19,809
	Hyosung Capital Co., Ltd.	-	16
	Hyosung Investment & Development Corporation	-	50,372
	Hyosung Trans World Co., Ltd.	24,479	2
	Baoding Hyosung Tianwei Transformer Co., Ltd.	-	24
	HICO America Sales & Tech.	306	24,644
	Hyosung America Inc.	2,414	235,923
	Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	1,897	31,308
	Hyosung Europe SRL	381	14,438
	Hyosung International Trade (Jiaxing) Co., Ltd.	44	832
	Hyosung Istanbul TESKSTIL LTD.STI	94	24,657
	Hyosung Japan Co., Ltd.	99,582	205,338
	Hyosung Luxembourg S.A	-	29,693
	Hyosung Spandex (GuangDong) Co., Ltd.	-	9,640
	Hyosung Spandex (Jiaxing) Co., Ltd.	-	7,458
	Hyosung Spandex (Zhuhai) Co., Ltd.	-	2,898
	Hyosung Steel Cord (Nanjing) Co., Ltd.	-	1,721
	Hyosung Steel Cord (Qingdao) Co., Ltd.	-	30,007
	Hyosung USA Inc.	-	154,961
	Hyosung Vietnam Co., Ltd.	117	122,210
	Nantong Hyosung Transformer Co., Ltd.	-	18,925
	OpCo GmbH	18	-
	Zhangjiagang Xiaosha Coil Service Co., Ltd.	38	6,678

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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Nautilus Hyosung Co., Ltd.	Hyosung Corporation	43	14,311
The Class Hyosung		-	47
Epiplus Inc.		-	344
Chin Hung International Inc.		4,758	-
Hyosung Construction Co., Ltd.		77,370	21,070
Hyosung Ebara		298	1,479
Engineering Co., Ltd.			
Hyosung Ebara Co., Ltd.		7,923	1,313
Hyosung FMS		1	-
Hyosung Capital Co., Ltd.		24	101
Hyosung Investment		2,500	-
& Development Corporation			
Hyosung Trans World Co., Ltd.		2	155,731
Baoding Hyosung Tianwei		201	6,033
Transformer Co., Ltd.			
Beijing Hyosung		3	-
Container Co., Ltd.			
HICO America Sales & Tech.		-	89
Hyosung America Inc.		4,240	7,294
Hyosung Chemical		9,949	103,322
Fiber (Jiaxing) Co., Ltd.			
Hyosung Europe SRL		7,784	2,621
Hyosung International Trade		305	232
(Jiaxing) Co., Ltd.			
Hyosung Istanbul		4,056	1,137
TEKSTIL LTD.STI			
Hyosung Japan Co., Ltd.		7,067	141,500
Hyosung Luxembourg S.A		13,241	290
Hyosung Spandex		14,081	4,970
(GuangDong) Co., Ltd.			
Hyosung Spandex		3,888	-
(Jiaxing) Co., Ltd.			
Hyosung Spandex		4,745	-
(Zhuhai) Co., Ltd.			
Hyosung Steel		53	-
Cord (Nanjing) Co., Ltd.			
Hyosung Steel		12,842	115
Cord (Qingdao) Co., Ltd.			
Hyosung USA Inc.		93	-
Hyosung Vietnam Co., Ltd.		31,665	26,033
Nantong Hyosung		6,406	-
Transformer Co., Ltd.			
Nantong Yaubong		212	-
Transformer Co., Ltd.			
OpCo GmbH		13	175

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Zhangjiagang Xiaosha Coil Service Co., Ltd.	1,607	136
Receivables and sales between consolidated subsidiaries and others	119,033	416,691
	₩ 469,783	₩ 1,952,121

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

Related Party	2009			
	Guaranteed amount	Type of loan	Credit amount	Creditor
<b>Guarantor - Hyosung Corporation</b>				
Hyosung America Inc.	₩ 11,676	Foreign currency loans and others	₩ -	Shinhan Bank and others
HICO America Sales & Tech., Inc.	23,352	Foreign currency loans and others	5,838	Woori Bank and others
Hyosung Japan Co., Ltd.	136,194	Foreign currency loans and others	46,328	Woori Bank and others
Hyosung Europe SRL	701	Foreign currency loans and others	-	Korea Exchange Bank
Hyosung Spandex (Zhuhai) Co., Ltd.	19,849	Operating capital and others	19,849	Korea Development Bank and others
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	35,028	Facility loans and others	10,508	Korea Development Bank and others
Hyosung Steel Cord (QingDao) Co., Ltd.	95,743	Facility loans and others	94,576	Woori Bank and others
Baoding Hyosung Tianwei Transformer Co., Ltd.	14,867	Facility loans and others	14,301	Woori Bank and others
Nantong Hyosung Transformer Co., Ltd.	151,501	Facility loans and others	104,476	Hana Bank and others
Hyosung Steel Cord(Nanjing) Co., Ltd.	2,137	Facility loans and others	855	Hana Bank
Hyosung USA, Inc.	156,342	Operating capital and others	81,732	Korea Exchange Bank
Hyosung Holdings USA, Inc.	25,687	Operating capital and others	5,721	Kookmin Bank and others
Hyosung Luxembourg S.A.	65,460	Operating capital and others	52,904	The Export-Import Bank of Korea and others
Hyosung Vietnam Co., Ltd.	295,403	Facility loans and others	265,419	Woori Bank and others
Hyosung Istanbul	108,003	Facility loans and	108,003	The Export-Import Bank

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Tekstil Ltd. STI		others		of Korea and others
Hyosung	11,676	Foreign currency	269	Hana Bank and others
Singapore Pte, Ltd.		loans and others		
	<u>₩1,153,619</u>		<u>₩ 810,779</u>	

**11. Property, Plant and Equipment**

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

<i>(in millions of Korean won)</i>	2009					
	Land	Buildings	Machinery	Construction in-progress	Others	Total
Beginning balances	₩ 1,624,698	₩ 793,689	₩ 1,455,655	₩ 283,975	₩ 207,820	₩ 4,365,837
Acquisition	16,116	46,058	145,157	222,868	62,105	492,304
Disposal & Transfer	(5,476)	(11,067)	(16,755)	(1,190)	(5,270)	(39,758)
Depreciation	-	(33,001)	(277,122)	-	(33,735)	(343,858)
Others	(430)	22,223	50,248	(156,402)	(9,031)	(93,392)
Ending balance	<u>₩ 1,634,908</u>	<u>₩ 817,902</u>	<u>₩ 1,357,183</u>	<u>₩ 349,251</u>	<u>₩ 221,889</u>	<u>₩ 4,381,133</u>

  

<i>(in millions of Korean won)</i>	2008					
	Land	Buildings	Machinery	Construction in-progress	Others	Total
Beginning balances	₩ 744,418	₩ 669,446	₩ 1,022,744	₩ 243,966	₩ 167,903	₩ 2,848,477
Acquisition	18,120	150,820	284,350	376,674	62,065	892,029
Disposal & Transfer	(11,036)	(8,232)	(11,415)	-	(1,917)	(32,600)
Depreciation	-	(24,683)	(270,182)	-	(31,954)	(326,819)
Others	873,196	6,338	430,158	(336,665)	11,723	984,750
Ending balance	<u>₩ 1,624,698</u>	<u>₩ 793,689</u>	<u>₩ 1,455,655</u>	<u>₩ 283,975</u>	<u>₩ 207,820</u>	<u>₩ 4,365,837</u>

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

The book value of land based on acquisition cost as of December 31, 2009, is ₩ 769,669 million (2008 : ₩ 757,244 million).

As of December 31, 2009, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately ₩ 1,084,371 million (2008 : ₩ 1,083,065 million).

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**12. Goodwill and Negative Goodwill**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Beginning balance	₩	130,306	₩	160,394
Increase		-		8,900
Decrease		(38,330)		(38,988)
Ending balance	₩	<u>91,976</u>	₩	<u>130,306</u>

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Beginning balance	₩	22,590	₩	-
Increase		-		29,049
Decrease		(5,260)		(6,459)
Ending balance	₩	<u>17,330</u>	₩	<u>22,590</u>

**13. Intangible Assets**

Changes in intangible assets, excluding goodwill and negative goodwill, for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>2009</b>			
	<b>Industrial property</b>	<b>Usage rights</b>	<b>Other intangible assets</b>	<b>Total</b>
Beginning Balance	₩ 9,044	₩ 68	₩ 51,071	₩ 60,183
Acquisition	1,846	-	15,317	17,163
Amortization	(978)	(13)	(8,220)	(9,211)
Others <sup>1</sup>	(2,285)	-	(3,369)	(5,654)
Ending Balance	<u>₩ 7,627</u>	<u>₩ 55</u>	<u>₩ 54,799</u>	<u>₩ 62,481</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

<i>(in millions of Korean won)</i>	2008			
	Industrial property	Usage rights	Other intangible assets	Total
Beginning Balance	₩ 5,448	₩ 724	₩ 30,430	₩ 36,602
Acquisition	2,712	-	14,268	16,980
Amortization	(885)	(23)	(4,496)	(5,404)
Others <sup>1</sup>	1,769	(633)	10,869	12,005
Ending Balance	₩ 9,044	₩ 68	₩ 51,071	₩ 60,183

<sup>1</sup> Others include changes in amount resulting from changes in scope of consolidation and exchange rate.

**14. Other Financial Business Assets**

Other financial business assets as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Loans	₩ 675,128	₩ 591,474
Installment financial assets	52,126	59,562
Lease and rental assets	555,804	673,059
New technologies financial assets	-	83
	₩ 1,283,058	₩ 1,324,178

**15. Insurance Coverage**

As of December 31, 2009, assets covered by insurance policies are as follows:

<i>(in millions of Korean won)</i>	Assets	Book value	Insurance coverage	Insured by
Property insurance	Long-term financial instruments	₩ 75,386	₩ 11,677	Seoul Guarantee Insurance Company
	Inventories	520,399	449,026	Samsung Fire and Marine Insurance Co. and others
	Buildings	533,863	906,093	
	Structures	93,058	100,785	
	Machinery	532,621	2,738,291	
	Vehicles and tools	64,901	59,854	
		₩ 1,820,228	₩ 4,265,726	

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**16. Government Grants**

The Company has entered into development agreements with Korea Electric Power Research Institute and 23 other parties related to 40 national projects including the electric power converter project for 250 KW fuel cells.

The Company received ₩ 15,757 million in government grants for these projects, and as of December 31, 2009, ₩ 17,725 million is recorded as withholdings, ₩ 11,411 million is recorded as long-term other accounts payable, and ₩ 53 million is recorded as other current liabilities.

**17. Debentures**

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

<i>(in millions of Korean won)</i>	<b>Maturity date</b>	<b>Interest rate as of December 31, 2009</b>	<b>2009</b>	<b>2008</b>
<b>Hyosung Corporation</b>				
225-1 <sup>st</sup> Public subscription bond	2009.01.25	6.37%	₩ -	₩ 150,000
225-2 <sup>nd</sup> Public subscription bond	2011.01.25	7.02%	30,000	30,000
229-1 <sup>st</sup> Public subscription bond	2009.07.06	5.80%	-	70,000
229-2 <sup>nd</sup> Public subscription bond	2011.07.06	6.14%	30,000	30,000
230 <sup>th</sup> Private subscription bond	2011.11.15	5.62%	30,000	30,000
231 <sup>st</sup> Private subscription bond	2010.01.31	5.58%	10,000	10,000
232-1 <sup>st</sup> Public subscription bond	2010.05.21	5.54%	50,000	50,000
232-2 <sup>nd</sup> Public subscription bond	2012.05.21	5.74%	50,000	50,000
233-1 <sup>st</sup> Public subscription bond	2010.07.11	5.73%	150,000	150,000
233-2 <sup>nd</sup> Public subscription bond	2012.07.11	6.02%	30,000	30,000
235-1 <sup>st</sup> Public subscription bond	2010.03.13	5.66%	50,000	50,000
235-2 <sup>nd</sup> Public subscription bond	2011.03.13	5.79%	70,000	70,000
235-3 <sup>rd</sup> Public subscription bond	2013.03.13	6.06%	30,000	30,000
236-1 <sup>st</sup> Public subscription bond	2010.07.24	6.78%	20,000	20,000
236-2 <sup>nd</sup> Public subscription bond	2011.07.24	6.87%	100,000	100,000
236-3 <sup>rd</sup> Public subscription bond	2013.07.24	7.00%	30,000	30,000
237-1 <sup>st</sup> Public subscription bond	2009.12.31	8.55%	-	45,000
237-2 <sup>nd</sup> Public subscription bond	2010.12.31	8.70%	25,000	25,000
237-3 <sup>rd</sup> Public subscription bond	2011.12.31	8.85%	20,000	20,000
238-1 <sup>st</sup> Public subscription bond	2010.01.22	8.40%	20,000	-
238-2 <sup>nd</sup> Public subscription bond	2011.01.22	8.60%	60,000	-
238-3 <sup>rd</sup> Public subscription bond	2012.01.22	8.70%	70,000	-
239 <sup>th</sup> Private subscription bond	2010.02.02	6.75%	30,000	-
240 <sup>th</sup> Private subscription bond	2010.02.02	7.11%	30,000	-

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

241-1 <sup>st</sup> Public subscription bond	2011.03.19	6.00%	30,000	-
241-2 <sup>nd</sup> Public subscription bond	2012.03.19	6.60%	80,000	-
241-3 <sup>rd</sup> Public subscription bond	2013.03.19	6.90%	40,000	-

**Hyosung Capital Co., Ltd.**

19 <sup>th</sup> Private subscription bond	2009.09.28	5.16%	-	30,000
21 <sup>st</sup> Public subscription bond	2009.11.30	5.30%	-	30,000
23 <sup>rd</sup> Public subscription bond	2010.04.26	5.64%	50,000	50,000
24 <sup>th</sup> Private subscription bond	2010.10.08	6.35%	30,000	30,000
26 <sup>th</sup> Private subscription bond	2010.11.12	6.34%	20,000	20,000
27 <sup>th</sup> Private subscription bond	2009.07.23	0.07%	-	1,053
28-1 <sup>st</sup> Public subscription bond	2011.04.16	6.74%	40,000	40,000
28-2 <sup>nd</sup> Public subscription bond	2009.10.16	6.59%	-	30,000
29-1 <sup>st</sup> Public subscription bond	2009.11.30	6.93%	-	20,000
29-2 <sup>nd</sup> Public subscription bond	2011.05.30	7.23%	35,000	35,000
29-3 <sup>rd</sup> Public subscription bond	2011.05.30	7.18%	20,000	20,000
29-4 <sup>th</sup> Private subscription bond	2009.05.30	6.81%	-	30,000
30-1 <sup>st</sup> Public subscription bond	2010.06.27	7.24%	20,000	20,000
30-2 <sup>nd</sup> Public subscription bond	2011.06.27	7.44%	10,000	10,000
31 <sup>st</sup> Public subscription bond	2009.09.25	8.16%	-	30,000
32 <sup>nd</sup> Public subscription bond	2010.12.16	9.50%	30,000	30,000
33 <sup>rd</sup> Private subscription bond	2012.01.28	8.56%	30,000	-
34 <sup>th</sup> Private subscription bond	2010.02.18	9.10%	20,000	-
35 <sup>th</sup> Private subscription bond	2010.03.09	5.51%	30,000	-
36 <sup>th</sup> Private subscription bond	2010.11.29	6.93%	10,000	-
37 <sup>th</sup> Private subscription bond	2010.03.17	6.85%	40,000	-
317 <sup>th</sup> Private subscription bond	2010.06.01	CD(3M)+1.64	20,000	-
321 <sup>st</sup> Private subscription bond	2010.01.21	CD(3M)+4.17	10,000	-
38-2 <sup>nd</sup> Public subscription bond	2011.07.14	7.85%	10,000	-
39 <sup>th</sup> Private subscription bond	2012.03.04	8.73%	30,000	-
41 <sup>st</sup> Private subscription bond	2010.06.16	6.68%	30,000	-
42 <sup>nd</sup> Private subscription bond	2011.06.26	6.40%	10,000	-
43-1 <sup>st</sup> Public subscription bond	2011.08.31	6.35%	70,000	-
43-2 <sup>nd</sup> Public subscription bond	2012.08.31	6.75%	40,000	-
44 <sup>th</sup> Private subscription bond	2010.09.25	MOR+2.80	10,000	-
46 <sup>th</sup> Private subscription bond	2010.10.27	5.66%	15,000	-
45 <sup>th</sup> Bond	2012.04.28	6.40%	30,000	-
47 <sup>th</sup> Private subscription bond	2010.12.30	6.05%	12,000	-
Former Star Lease Co., Ltd. bond	-	-	-	227,000

**The Class Hyosung Co., Ltd.**

1 <sup>st</sup> Private subscription bond	2010.04.16	6.65%	5000	-
Galaxiaphotonics Co., Ltd. (formerly Epiplus Inc.)				
5 <sup>th</sup> Non guaranteed private	2009.04.17	10.62%	-	250

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

subscription bond				
6 <sup>th</sup> Non guaranteed private	2009.10.16	6.92%	-	750
subscription bond				
			1,762,000	1,644,053
Less : Current portion of debentures			(737,000)	(554,053)
Discount on bonds			(3,078)	(3,535)
			<u>₩ 1,021,922</u>	<u>₩ 1,086,465</u>

**18. Borrowings**

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

<i>(in millions of Korean won)</i>	Bank	Interest rate	2009	2008
		as of December 31, 2009		
General loans	Woori Bank and others	1.70% ~ 12.00%	₩ 409,138	₩ 576,258
Usance	Woori Bank and others	1.35% ~ 6.99%	235,830	234,880
Others	Tong Yang Securities Inc. and others	3.08% ~ 11.05%	968,462	936,357
			<u>₩ 1,613,430</u>	<u>₩ 1,747,495</u>

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

<i>(in millions of Korean won)</i>	Bank	Interest rate	2009	2008
		as of December 31, 2009		
<b>Local currency long-term borrowings</b>				
Facility loans	Korea Development Bank	3.25 ~ 7.59%	₩ 158,023	₩ 105,894
	Kookmin Bank	5.65 ~ 8.25%	54,930	52,801
	Korea Development Bank	1.75 ~ 3.25%	13,629	10,201
Capital	Korea Housing Guarantee Corporation	1.00%	4,400	4,400
Operating capital	Korea Development Bank	4.77 ~ 7.82%	78,000	158,000
	Woori Bank	5.98 ~ 8.92%	50,000	80,000
	Korea Exchange Bank	6.41 ~ 7.88%	28,400	50,000
	Hana Bank	4.63 ~ 6.35%	60,000	60,000
	Shinhan Bank	6.45%	30,000	30,000
	Military Mutual Aid Association	9.50%	-	25,500
	Kookmin Bank	8.63%	-	3,750
Korea Housing Guarantee	1.00%	2,163	2,163	

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

	Co., Ltd.			
Others	Korea Development Bank and others	15.64%	22,934	14,006
			<u>502,479</u>	<u>596,715</u>
Less : Current portion of long-term borrowings			(223,960)	(161,153)
Present value discount			(381)	(446)
			<u>278,138</u>	<u>435,116</u>
<b>Long-term borrowings in foreign currency</b>				
Facility loans	Korea Development Bank	1.05%~1.24%	34,211	36,845
Facility loans	Mitsui Sumimoto Bank	1.69%	23,352	25,150
Facility loans	Shinhan Bank	1.69%	23,352	25,150
Borrowings of consolidated companies (overseas)			<u>615,791</u>	<u>828,725</u>
			696,706	915,870
Less : Current portion of long-term borrowings			(162,647)	(186,985)
			<u>534,059</u>	<u>728,885</u>
			<u>₩ 812,197</u>	<u>₩ 1,164,001</u>

Local currency long-term borrowings will be redeemed by installment or in a lump sum, and are secured by equity-method investments and property, plant and equipment.

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

<i>(in millions of Korean won)</i>	<b>Debentures</b>	<b>Local currency long-term borrowings</b>	<b>Long-term borrowings in foreign currency</b>	<b>Total</b>
<b>Year</b>				
2010	₩ 737,000	₩ 223,960	₩ 162,647	₩ 1,123,607
2011	565,000	115,148	278,921	959,069
2012	360,000	87,254	135,048	582,302
2013	100,000	60,547	53,403	213,950
2014	-	5,534	38,188	43,722
Thereafter	-	10,036	28,499	38,535
	<u>₩1,762,000</u>	<u>₩ 502,479</u>	<u>₩ 696,706</u>	<u>₩ 2,961,185</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**19. Accrued Severance Benefits**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Beginning balance	₩	175,464	₩	153,644
Increase		46,122		46,323
Payment		(26,991)		(28,410)
Transfer from related party		139		-
Others <sup>1</sup>		(274)		3,907
Ending balance		194,460		175,464
Less: Severance benefit deposits		(131,920)		(115,343)
National Pension Fund contribution		(1,025)		(1,558)
Accrued severance benefits	₩	61,515	₩	58,563

<sup>1</sup> Others include changes in amount resulting from changes in scope of consolidation.

As of December 31, 2009, the Company estimates severance payable to all employees to be ₩194,460 million (2008: ₩175,464 million) and records the corresponding amount as accrued severance benefits. Also, accrued severance benefits are funded at approximately 67.84% as of December 31, 2009 (2008: 65.74%), through severance insurance deposits with Samsung Life Insurance Co. Ltd. and others.

**20. Provision for Construction Warranties**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Beginning balance	₩	20,857	₩	10,288
Increase		12,054		9,436
Payment		(6,747)		(5,420)
Others <sup>1</sup>		-		6,553
Ending balance	₩	26,164	₩	20,857

<sup>1</sup> Others include changes in amount resulting from changes in scope of consolidation.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**21. Provision for Construction Losses**

Changes in provision for construction losses for the year ended December 31, 2009, are as follows :

<i>(in millions of Korean won)</i>		<b>2009</b>
Beginning balance	₩	-
Increase		15,442
Ending balance	₩	<u>15,442</u>

**22. Operating leases**

Minimum lease payments schedule as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>		<b>2009</b>		<b>2008</b>
Less than 1 year	₩	6,875	₩	4,649
1 year – 5 years		11,140		10,759

**23. Monetary Assets and Liabilities denominated in Foreign Currencies**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>			
	<b>Foreign Currencies</b>	<b>Korean won equivalent</b>	<b>Foreign currencies</b>	<b>Korean won equivalent</b>		
<b>Assets</b>						
Cash and cash equivalents	USD	17,370,043	₩ 20,281	USD	54,511,619	₩ 68,547
	EUR	1,719,970	2,880	EUR	2,218,489	3,941
	JPY	147,847,534	1,867	JPY	194,865,865	2,716
	AED	-	-	AED	64,552	22
	BDT	2,625,084	44	BDT	51,735	1
	MYR	5,566,753	1,897	MYR	5,447,860	1,970
	QAR	5,835,247	1,871	QAR	7,051,143	2,436
	VND	2,443,001,778	154	VND	-	-
Short-term financial instruments	QAR	100,000	32	QAR	3,200,000	1,106
Short-term loans receivable	USD	6,141,298	7,171	USD	12,800,000	16,096

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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Trade accounts receivable	USD	138,835,748	162,105	USD	142,674,595	179,413
	EUR	23,512,598	39,367	EUR	1,909,148	3,392
	JPY	58,998,239	745	JPY	111,494,256	1,554
	MYR	4,969,676	1,694	MYR	11,930,536	4,313
	GBP	139	1	GBP	-	-
Other accounts receivable	USD	6,062,518	7,079	USD	4,930,808	6,200
	EUR	1,079,955	1,808	EUR	1,084,325	1,926
	JPY	2,287,850	29	JPY	2,189,985	31
Accrued income	USD	42,091	49	USD	940,247	1,182
Long-term financial instruments	USD	126,787	148	USD	160,637	202
	EUR	118,510	198	EUR	88,510	157
	AUD	92,520	97	AUD	20	1
	CAD	38,500	43	CAD	38,500	40
	CNY	77,100	13	CNY	300,300	55
	GBP	-	-	GBP	555	1
	GEL	8,690	6	GEL	8,690	7
	HKD	72	1	HKD	72	1
	IDR	35,000,000	4	IDR	-	-
	INR	1,106,500	28	INR	2,030,000	53
	IRR	4,000,000	1	IRR	4,000,000	1
	MXN	93,235	8	MXN	700	1
	MYR	30,000	10	MYR	-	-
	NZD	-	-	NZD	5,000	4
	PESO	-	-	PESO	151,085	14
	PHP	750,000	19	PHP	166,700	4
	PLN	173,610	70	PLN	72,610	31
	RUB	2,000,350	77	RUB	1,175,350	50
	RUPIA	-	-	RUPIA	105,000,000	12
	SAR	4,100	1	SAR	4,100	1
SGD	43	1	SGD	43	1	
SUM	1,031,000	1	SUM	1,072,000	1	
UAH	76,800	11	UAH	76,800	13	
VND	-	-	VND	298,000,000	21	
THB	615,000	22	THB	-	-	
BRL	30,700	21	BRL	-	-	
Available-for-sale securities	USD	2,792,506	3,261	USD	2,660,063	3,345
Long-term loans receivable	EUR	2,505,299	4,195	EUR	-	-
	USD	3,024,683	3,532	USD	-	-

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Other non-current assets	JPY	25,973,934	328	JPY	31,617,038	441
	TRY	13,026	10	TRY	-	-
Gurantee deposits	USD	18,170,382	21,216	USD	15,154,651	19,057
	EUR	3,230,934	5,409	EUR	5,530,235	9,823
	JPY	9,259,225	117	JPY	9,029,225	126
	MYR	5,358,724	1,826	MYR	7,183,097	2,597
Other financial business assets	USD	-	-	USD	344,120	433
			<u>₩289,748</u>			<u>₩ 331,339</u>
<b>Liabilities</b>						
Trade accounts payable	USD	251,332,645	₩293,456	USD	172,347,862	₩ 216,727
	EUR	12,800,500	21,432	EUR	2,433,054	4,321
	JPY	3,019,197,948	38,127	JPY	6,681,513,759	93,140
	CAD	-	-	CAD	69,415	72
	CHF	27,078	31	CHF	445,903	531
	GBP	130,597	245	GBP	39,537	72
	HKD	148,342	22	HKD	103,046	17
	MYR	655,236	223	MYR	2,115,307	765
	SEK	1,769,627	289	SEK	389,870	63
	SGD	562	1	SGD	-	-
Short-term borrowings	USD	161,690,986	188,790	USD	170,654,182	214,598
	EUR	12,626,373	21,140	EUR	5,237,157	9,302
	JPY	2,235,312,243	28,228	JPY	898,608,844	12,527
	CHF	4,363,783	4,915	CHF	-	-
	SEK	1,092,050	178	SEK	-	-
Other accounts payable	USD	31,121,897	36,338	USD	28,777,222	36,188
	EUR	2,417,123	4,047	EUR	1,471,079	2,613
	JPY	143,557,714	1,813	JPY	233,769,662	3,259
	CHF	138,000	155	CHF	890	1
	CNY	180,184	31	CNY	10,552	2
	GBP	-	-	GBP	6,000	11
	MYR	1,872,951	638	MYR	3,207,674	1,160
	QAR	18,535,020	5,943	QAR	14,840,220	5,127
	SEK	390,650	64	SEK	440,500	72
	DKK	13,176	3	DKK	-	-
Advances from customers	USD	42,679,705	49,833	USD	13,764,481	17,309
	EUR	3,420,505	5,727	EUR	8,699,052	15,451
	JPY	8,701,151	110	JPY	43,204,550	602
	MYR	77,103	26	MYR	77,103	28

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Accrued expenses	USD	2,471,879	2,886	USD	4,205,031	5,288
	EUR	125,080	209	EUR	57,939	103
	JPY	34,033,697	430	JPY	4,937,897	69
	CHF	36,771	41	CHF	-	-
	SEK	4,395	1	SEK	-	-
Income taxes payable	MYR	-	-	MYR	3,844	1
	QAR	1,940,952	622	QAR	1,940,952	671
Long-term borrowings	USD	69,300,000	80,915	USD	90,369,265	113,640
			<u>₩786,909</u>			<u>₩ 753,730</u>

In connection with the above foreign currency translations, ₩ 74,086 (2008: ₩ 69,163) million in translation gains and ₩ 52,955 (2008 : ₩ 109,508) million in translation losses are recorded as non-operating income and expenses, respectively.

## 24. Commitments and Contingencies

### Guarantees of notes and checks provided as collaterals

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

	Provider	Number	Type
Checks	Samsung Electro-Mechanics Co., Ltd.	1	Blank
	Hanjin Shipping Co., Ltd.	1	Blank
	Woori Bank and others	7	Blank
	Woori Bank and others	1	Total par value of ₩ 12 million
	Meritz Securities Co., Ltd. and others	5	Blank
	Meritz Securities Co., Ltd. and others	2	Total par value of ₩ 25,740 million
Notes	SK Gas Ltd.	1	Blank
	TCC Steel Co., Ltd.	1	Blank
	Samsung C & T Corporation	5	Total par value of ₩ 3,457 million
	Hyundai Rotem Co.	2	Total par value of ₩ 8,206 million
	Tong Yang Securities Inc	1	Blank
	Woori Bank and others	3	Blank
	Woori Bank and others	1	Total par value of ₩ 246 million
	Meritz Securities Co., Ltd. and others	20	Blank
	Meritz Securities Co., Ltd. and others	4	Total par value of ₩ 40,200 million

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**Loan agreement and others**

Details of overdraft facilities arrangements and letter of credit payment guarantee agreements with a maximum limit provided by the financial institutions as of December 31, 2009, are as follows:

*(in millions of Korean won, in US dollars)*

<b>Provider</b>	<b>Type</b>	<b>Credit Facility</b>	<b>Borrowed Amount</b>
Kyung Nam Bank	Bank overdraft and others	₩ 5,000	₩ -
Kwangju Bank	Bank overdraft and others	30,000	-
Kookmin Bank	Bank overdraft and others	53,930	5,158
	Limit of short-term financing	USD 25,000	USD 15,485
Kumho Investment Bank	Bank overdraft and others	₩ 20,000	₩ -
National Agricultural Cooperative Foundation	Bank overdraft and others	5,000	-
Tong Yang Securities Inc	Bank overdraft and others	35,000	-
Meritz Securities Co., Ltd.	Bank overdraft and others	20,000	-
Shinhan Bank	Bank overdraft and others	61,007	5,231
Shinhan Bank	Open local L/C and others	USD 12,000	USD 2,442
Shinhan Bank	Payment guarantee	CNY 6,500	CNY 6,500
Citibank Korea	Credit line and others	₩ 20,005	₩ 9,410
Korea Exchange Bank	Credit line and others	36,300	-
Woori Bank and others	Bank overdraft and others	1,577,615	3,801
Woori Bank	Open local L/C and others	USD 25,000	USD 10,335
Jeonbuk Bank	Bank overdraft and others	₩ 3,000	₩ -
Hana Bank	Limit of short-term financing	65,800	30,638
Hana Bank	Foreign-currency credit line	USD 10,000	USD 2,426
Korea Development Bank	Bank overdraft and others	₩ 2,323	₩ -
SC First Bank	Bank overdraft and others	19,000	-
SC First Bank	Foreign credit line	USD 16,000	USD 756

The Company has trade bill discount with a maximum limit of ₩ 923,846 million.

**Guarantees provided to others**

The Company provided guarantees amounting to ₩2,291,707 million to developers, Sunghnam City Bus Co., Ltd. and others.

**Guarantees provided by others**

*(in millions of Korean won)*

<b>Guarantor</b>	<b>Collaterals and guarantees provided</b>	<b>Amount</b>
Korea Construction Financial Cooperative and others	Construction performance and others	₩ 757,544
Kookmin Bank	Payment guarantee	810
Korea Housing Guarantee Corporation	Construction guarantee and others	170,516

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Park, Hae-Sung(former representative)	Joint surety	3,900
Seoul Guarantee Insurance Company	Payment guarantee and others	333,607
Shinhan Bank	Payment guarantee and others	48,630
Shinhan Bank and others	Liability insurance for freight and others	22,883
Korea Exchange Bank	Performance guarantee and others	30,014
Ilseung Construction Co., Ltd.	Joint and several guarantee for construction	84,340
Hyoja Construction	Joint and several guarantee for construction	36,659
Hana Bank	Performance guarantee and others	17,445
Korea Development Bank	Liability insurance for freight and others	124,993
The Export-Import Bank of Korea and others	Performance guarantee and others	283,196
Hanwha Non-life Insurance Co., Ltd.	Payment guarantee	100
LIG Hanbo Engineering & Construction Co., Ltd.	Joint and several guarantee for construction	30,245
SC First Bank	Others	5,838

**Assets pledged as collaterals**

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

*(in millions of Korean won , in US dollars)*

	<b>Lender</b>	<b>Descriptions</b>	<b>Maximum credit amount</b>
Cash and cash equivalents	Woori Bank	Foreign-currency payment guarantee	₩ 379,470
Equity-method investments	Hana Bank and others	General loans	32,823
Property, plant and equipment & inventories	Korea Development Bank and others	General loan and others	19,469,671
	Korea Development Bank	General loan and others	JPY 460,000,000
	Kookmin Bank	General loans	USD 2,600,000

The long-term borrowings related Korea Construction Financial Cooperative and others are secured by equity-method investments amounting to ₩ 20,613 million.

**Pending Lawsuits**

The Company is involved in various lawsuits and claims for damages aggregating to ₩ 203,582 million and US \$ 16 million dollars as of December 31, 2009. Management believes that these lawsuits and claims will not have a significant adverse effect on the Company's financial position, operating results or cash flows.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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**25. Derivatives**

**Forward exchange contract**

To hedge against foreign exchange risks, the Company entered into 48 contracts and 87 forward exchange contracts for fluctuation of foreign exchange rates, and the related valuation gain (loss) on derivatives are charged to current operations.

To hedge against foreign exchange risks of USANCE, the Company entered into a contract to sell US dollars and buy Japanese yen. Also, the Company entered into derivative contracts to swap floating rate bonds for fixed rate bonds and interest rate and currency swap contracts for borrowings.

Details of derivative contracts as of December 31, 2009 and 2008, are as follows:

<i>(in thousands)</i>		<b>2009</b>	<b>2008</b>
Foreign exchange risk insurance	USD	68,029	136,940
Foreign exchange risk insurance	EUR	-	11,944
Forward exchange contracts	KRW	-	1,129,761
Forward exchange contracts	USD	327,658	110,000
Forward exchange contracts	EUR	9,640	-
Forward exchange contracts	CAD	8,330	-
Currency forward transaction	JPY	1,374,577	418,975
Currency forward transaction	USD	8,700	1,000
Interest rate swap <sup>1</sup>	KRW	58,400,000	65,000,000
Currency swap <sup>1</sup>	USD	-	42,138

<sup>1</sup> Cash flow hedge is applied on ₩ 58,400 million (2008: ₩ 65,000 million) of interest rate swap and USD 21,069 thousand of currency swap.

**Put options**

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

Purchase date	March 14, 2008
Related stock	Common shares of Korea Express Inc. (Number of shares : 33,204)
Exercise period	(1) 3 years after from the next day from payment date (2) One year can be extended under agreement with investors
Exercise price	Exercise price = (1) + (2) (1) Contract price of corresponding stocks based on the contract with consortium (2) 6.5% of the exercise price between the purchase date and the completion date

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**Valuation gain or loss**

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

*(in millions of Korean won)*

	2009		2008	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Forward exchange contracts	₩ 12,551	₩ (1,916)	₩ 3,592	₩ (21,459)
Foreign exchange risk insurance	4,398	-	-	(30,163)
Put options	-	(254)	2,428	-
Currency forward transaction	28	(955)	5,487	(138)
	<u>₩ 16,977</u>	<u>₩ (3,125)</u>	<u>₩ 11,507</u>	<u>₩ (51,760)</u>

**Hedge accounting by borrowings in foreign currency**

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

*(in thousands of US dollars)*

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

**26. Capital Stock and Capital Surplus**

Details of the capital stock are as follows:

Number of Shares authorized	Number of Shares Issued and Outstanding	Par value Per Share <i>(in won)</i>	Amount <i>(in millions)</i>
200,000,000	35,117,455	₩ 5,000	₩ 175,587

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

In accordance with Asset Revaluation Law, the Company has revalued its property, plant and equipment on October 1, 1998. Details of asset revaluation as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	<b>Amount</b>	
Revaluation gain	₩	681,290
Revaluation tax		(113,324)
Asset revaluation surplus carried over from prior years		170,334
Revaluation surplus	₩	<u>738,300</u>

**27. Treasury Stock**

The treasury stock was acquired through a merger in 1998 and is expected to be sold in a reasonable time. Details of treasury stock as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	<b>Year acquired</b>	<b>Percentage of ownership</b>	<b>Acquired number of shares</b>	<b>Amount</b>
Common stock	1998	5.26%	1,848,851	₩ 34,204

As of December 31, 2009, 1,848,851 treasury shares have voting rights restrictions pursuant to the Commercial Law.

**28. Retained Earnings**

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Legal reserve <sup>1</sup>	₩	6,638	₩	4,143
Reserve for research and human resource development <sup>2</sup>		6,667		20,000
Other reserve <sup>2</sup>		253,000		160,000
	₩	<u>266,305</u>	₩	<u>184,143</u>

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

<sup>2</sup> 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.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**29. Income Tax Expense**

Income tax expense (benefit) as of December 31, 2009 and 2008, consists of:

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Current income taxes	₩	49,294	₩	25,171
Deferred income tax due to temporary differences		32,106		190,789
Deferred income tax due to loss carry forwards		41,202		(53,975)
Deferred income tax charged to equity		279		(215,004)
Income tax expense(benefit)	₩	<u>122,881</u>	₩	<u>(53,019)</u>

Reconciliation between net income (loss) before tax and income tax expense follows:

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Net income before tax	₩	361,630	₩	88,526
Income tax expense at statutory rate	₩	94,979	₩	24,345
Adjustments				
Non-deductible income		195		-
Non-deductible expense		(4,687)		(76,098)
No recognition effect of deferred income tax due to temporary differences ( include tax loss carryforwards)		38,826		-
Others		(6,432)		(1,266)
Income tax expense	₩	<u>122,881</u>	₩	<u>(53,019)</u>
Effective tax rate		<u>33.98%</u>		<u>-</u>

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

<i>(in millions of Korean won)</i>	<b>2009</b>				<b>Deferred tax assets (liabilities)</b>	
	<b>Beginning</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending</b>	<b>Beginning</b>	<b>Ending</b>
Loss on valuation of inventories	₩ 13,300	₩ 1,140	₩ 75	₩ 14,365	₩ 3,219	₩ 3,476
Allowance for doubtful accounts	16,388	161,822	24,927	153,283	3,966	37,094
Accumulated depreciation	1,346	6,038	772	6,612	296	1,455
Provision for equity in loss of associates	73,066	3,956	389	76,633	16,075	16,916
Others	<u>388,907</u>	<u>107,327</u>	<u>469,115</u>	<u>27,119</u>	<u>89,837</u>	<u>6,374</u>
	<u>493,007</u>	<u>280,283</u>	<u>495,278</u>	<u>278,012</u>	<u>113,393</u>	<u>65,315</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Reserve for research and human resource development	(6,667)	(44,500)	(6,667)	(44,500)	(1,467)	(9,856)
Accrued income	(2,045)	(36,473)	(13,126)	(25,392)	(495)	(5,586)
Surplus from revaluation of land	(867,453)	-	(2,216)	(865,237)	(190,840)	(190,352)
Others	(514,725)	(54,769)	(189,362)	(380,132)	(119,360)	(90,395)
	<u>(1,390,890)</u>	<u>(135,742)</u>	<u>(211,371)</u>	<u>(1,315,261)</u>	<u>(312,162)</u>	<u>(296,189)</u>
Loss carried forward	136,334	44,673	136,334	44,673	32,993	150
Tax credit carried forward	21,056	-	8,359	12,697	21,056	12,697
					<u>₩(144,720)</u>	<u>₩(218,027)</u>

**2008**

<i>(in millions of Korean won)</i>	Temporary differences				Deferred tax assets (liabilities)	
	Beginning	Increase	Decrease	Ending	Beginning	Ending
Loss on valuation of inventories	₩ 13,288	₩ 6,376	₩ 6,364	₩ 13,300	₩ 3,654	₩ 3,219
Allowance for doubtful accounts	15,892	24,560	24,064	16,388	4,370	3,966
Accumulated depreciation	4,185	593	3,432	1,346	1,151	296
Provision for equity in loss of associates	79,653	-	6,587	73,066	21,905	16,075
Others	168,338	293,035	72,466	388,907	46,293	89,837
	<u>281,356</u>	<u>324,564</u>	<u>112,913</u>	<u>493,007</u>	<u>77,373</u>	<u>113,393</u>
Reserve for research and human resource development	(20,000)	-	(13,333)	(6,667)	(5,500)	(1,467)
Accrued income	(624)	(12,072)	(10,651)	(2,045)	(172)	(495)
Surplus from revaluation of land	-	(867,453)	-	(867,453)	-	(190,840)
Others	(289,749)	(264,936)	(39,960)	(514,725)	(79,681)	(119,360)
	<u>(310,373)</u>	<u>(1,144,461)</u>	<u>(63,944)</u>	<u>(1,390,890)</u>	<u>(85,353)</u>	<u>(312,162)</u>
Loss carried forward	-	136,334	-	136,334	-	32,993
Tax credit carried forward	67	21,079	90	21,056	74	21,056
					<u>₩ (7,906)</u>	<u>₩ (144,720)</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Temporary differences not recognized as deferred tax assets or liabilities are as follows:

<i>(in millions of Korean won)</i>	<b>Related Assets / Liabilities</b>	<b>Amount</b>
Deferred tax assets	Equity method investment stock	₩ 311,375
Deferred tax assets	Temporary differences	116,478
Deferred tax assets	Tax loss carryforwards	43,991
Deferred tax liabilities	Equity method investment stock	(96,199)
Deferred tax liabilities	Advanced depreciation allowance	(359,146)

Details of deferred income taxes charged directly to the shareholders' equity or excluded as of December 31, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
	<b>Deferred tax assets (liabilities)</b>	<b>Deferred tax assets (liabilities)</b>
Retained earnings	₩ (86)	₩ (1,449)
Gain on valuation of available-for- sale securities	(3,532)	2,771
Gain on valuation of derivatives	(8,268)	9,760
Loss on valuation of equity-method investments	11,678	(34,349)
Surplus from revaluation of land	487	(190,839)
Consideration for conversion rights	-	(898)
	<u>₩ 279</u>	<u>₩ (215,004)</u>

**Recognition of deferred income tax assets based on realizability**

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax assets except for the temporary differences from equity-method investments since all the future (deductible) tax benefits except for temporary differences resulting from the equity method investments and Chin Hung International Inc.'s all the future (deductible) tax benefits and the tax loss carryforwards are determined to be realizable as of December 31, 2009.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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**30. Earnings Per Share**

Basic earnings per share as of December 31, 2009 and 2008, is as follows:

<i>(in Korean won)</i>	<b>2009</b>		<b>2008</b>	
Share of net income for controlling company	₩	323,430,573,461	₩	118,487,463,511
Weighted average number of common stock outstanding <sup>1</sup>		33,268,604		33,268,604
Basic earnings per share		9,722		3,561

<sup>1</sup> There are no changes in the weighted average number of common shares during the years ended December 31, 2009 and 2008.

**31. Dividends**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Number of common stock eligible for dividends		33,268,604		33,268,604
Dividend rate		20%		15%
Dividend amount	₩	33,269	₩	24,951
Dividend payout ratio (Dividends/Net income)		10.29%		21.06%
Dividend yield ratio (Dividend per share/Market price)		1.17%		1.96%

**32. Selling, General and Administrative Expenses**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Export expense	₩	224,395	₩	211,517
Salaries		186,977		160,155
Research and development expense		102,013		99,483
Others		96,744		68,535
Commissions and fees		85,462		54,161
Bad debts expense		50,142		12,424
Transportation		48,167		45,773

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Amortization	43,853	42,972
Travel	25,708	22,652
Rent	22,269	18,300
Employee benefits	19,080	17,373
Operating expense for overseas branch	18,193	18,899
Advertising	17,260	16,558
Retirement and severance benefits	17,077	14,745
Taxes and dues	16,444	11,754
Outsourcing	15,841	15,447
Depreciation	12,571	15,596
Warranty expense	11,663	19,948
Communications	5,748	5,779
Vehicles maintenance	4,903	4,392
Training	4,295	4,590
Insurance	3,540	3,896
	₩ 1,032,345	₩ 884,949

**33. Comprehensive Income**

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

<i>(in millions of Korean won)</i>	<b>2009</b>	<b>2008</b>
Net income	₩ 238,749	₩ 141,545
Other comprehensive income and expense		
Gain (loss) on valuation of available-for-sale securities, net of tax of (-)₩5,239 million (2008: ₩2,432 million)	18,576	(8,624)
Gain (loss) on valuation of derivatives, net of tax of (-)₩7,581 million (2008: ₩9,894 million)	27,569	(35,080)
Gain (loss) on valuation of equity-method investments, net of tax of ₩ 842 million (2008: ₩ 970 million)	(258)	10,225
Translation gain from overseas operation, net of tax of (-)₩ 11,023 million(2008: ₩ 37,322 million)	(82,264)	193,595
Gain on revaluation, net of tax of (-)₩ 487 million (2008: ₩ 190,839 million)	(1,728)	676,614
Comprehensive income	₩ 200,644	₩ 978,275

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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**34. Supplemental Cash Flow Information**

Significant transactions not affecting cash flows as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>2009</b>	<b>2008</b>
Machinery-in-transit transferred to property, plant and equipment	₩ 12,064	₩ 10,142
Change in accumulated comprehensive income due to revaluation of land	2,216	676,614
Construction-in-progress transferred to property, plant and equipment	151,536	344,582

**35. Value Added Information**

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

<i>(in millions of Korean won)</i>	<b>2009</b>	<b>2008</b>
Salaries	₩ 463,544	₩ 389,937
Retirement and severance benefits	46,122	46,323
Employee benefits	60,067	53,484
Rent	32,509	28,603
Depreciation	343,858	326,819
Amortization	47,542	43,839
Taxes and dues	39,404	41,271

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**36. Summary of Major Construction Contracts**

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

<i>(in millions of Korean won)</i>	<b>2009</b>		<b>2008</b>	
Beginning balance	₩	2,232,471	₩	659,757
Increase		1,066,391		2,625,102
		<u>3,298,862</u>		<u>3,284,859</u>
Revenue recognized		(1,003,302)		(1,052,388)
Ending balance	₩	<u>2,295,560</u>	₩	<u>2,232,471</u>

Details of the major contracts on the ongoing projects as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	<b>Total</b>		<b>Total</b>		<b>Cumulative</b>		<b>Cumulative</b>	
<b>Project</b>	<b>contract</b>		<b>estimated</b>		<b>construction</b>		<b>construction</b>	
	<b>price</b>		<b>construction</b>		<b>revenue</b>		<b>costs</b>	
	₩		₩		₩		₩	
Construction of Waekwon-Daegu highway	13,878		11,977		13,878		11,977	
Biryong agricultural water development	5,175		4,912		2,362		2,242	
Establishment of a road by passing KwangReung forest	10,855		10,039		10,854		10,038	
Yangju Dukjung Section 1 KNHC Apt	9,998		9,976		9,880		9,859	
Construction of North Injae-Yongdae road	9,239		9,240		6,581		6,582	
Construction of Shinryunggono road	6,741		6,202		3,962		3,645	
Construction of Yongdu-Dongmyeon road	10,164		10,164		273		273	
Construction of Daesan-Seokmun road	10,448		10,117		1,550		1,501	
Gunpo-Bugok Section 2 KNHC Apt	5,761		5,666		5,708		5,614	
Jibang road 357(The free road) 4	11,584		11,584		5,312		5,312	
Gunsan-Mijang Section 2 KNHC Apt	24,871		24,671		6,687		6,633	
Paju-Woonjung Section 8 KNHC Apt	31,812		31,823		24,268		28,058	
Incheon-sorae Section 1 KNHC Apt	35,390		35,390		8,761		8,761	
Incheon-Boogae Section 1 KNHC Apt	82,092		74,950		6,513		5,947	
HEEC Service Sales	5,545		5,545		5,545		5,545	
Maintenance & management of the New Airport incineration facility 2	3,503		3,150		3,494		3,142	
Kimhae hwamok sewage purification plant	6,220		5,964		6,020		5,772	
Seoul S.W. Water Treatment	1,616		1,569		1,129		1,095	

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Daegu Hyosung residing and working complex	157,280	127,571	153,883	124,816
Wonju-Hanggu Hyosung Apt	111,421	103,356	107,899	100,089
Construction of Changdong station	154,426	140,530	37,603	34,219
Chilgok Land	28,355	23,770	12,912	10,824
Construction of Banpo Building	48,542	47,126	36,086	35,033
Construction of Doomi Golf course(services)	7,933	7,770	5,810	5,690
Construction of Doomi Golf course(logging & Planting trees)	500	470	134	126
Construction of Doomi Golf course(approach road)	2,762	2,597	93	87
Construction of Gildong office	30,751	27,267	19,151	16,982
Bundang Imae-dong Townhouse	25,781	22,470	614	535
Construction of Sooseo office	61,694	52,440	888	755
Maintenance of the FED Osan non-commissioned officer's accommodations	10,094	9,084	513	462
Construction of Osan library	3,864	3,238	2,765	2,317
Daegu Bongduk Apt	73,177	73,190	13,740	21,524
Daegu Bumaudong Hyosung Apt	26,952	25,925	490	472
Construction of Dangjin hilly section	8,935	7,505	-	-
Gunjae segment	11,300	10,341	5,960	5,529
Construction and sales business of Dae gu Apt and retail stores	224,820	162,622	224,820	162,622
Others	3,392,957	3,180,800	1,734,134	1,602,386
	<u>₩ 4,666,436</u>	<u>₩ 4,301,011</u>	<u>₩ 2,480,272</u>	<u>₩ 2,246,464</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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

(in millions of Korean won)

Project	Advances	Billed amount	Unbilled amount
Biryong agricultural water development	₩ 483	₩ -	₩ -
Construction of North Injae-Yongdae road	-	-	6
Construction of Shinryunggono Road	-	-	757
Construction of Daesan-Seokmun road	-	-	270
Gunpo-Bugok Section 2 KNHC Apt	53	-	-
Jibang road 357(The free road) 4	-	-	533
Gunsan-Mijang Section 2 KNHC Apt	-	-	517
Paju-Woonjung Section 8 KNHC Apt	-	-	4,806
Incheon-Boogae Section 1 KNHC Apt	4,343	-	-
Incheon-Sorae Section 1 KNHC Apt	-	-	173
HEEC Service Sales	-	59	-
Yangju Dukjung Section 1 KNHC Apt	75	-	-
Gwangmyung Food Waste Treatment	-	255	-
Construction of Yongdu-Dongmyun road	-	98	175
Construction of Doomi Golf course(services)	-	6,391	-
Construction of Doomi Golf course(logging & Planting trees)	-	145	1
Construction of Doomi Golf course(approach road)	-	80	19
Maintenance & management of the New Airport incineration facility 2	-	52	-
Kimhae Hwamok Sewage Purification Plant	-	-	245
Daegu Bumaudong Hyosung Apt	-	-	1,262
Daegu Hyosung residing and working complex	1,397	-	-
Mapo Ahyun Officetel	-	50	-
Chilgok (Namyul 2) Land	-	3,992	1,689
Construction of Chandong station	-	6,812	4,154
Wonju-Hanggu Hyosung Apt	-	102,660	4
Construction of Banpo building	-	19,062	12,477
Reconstruction of Daegu bongduk	-	12,925	1,823
Daegu Bumadong Hyosung Apt	-	-	491
Construction of Gildong office	-	-	3,839
Construction of Sooseo office	-	-	888
Bundang Imae-dong Townhouse	-	180	206
Recirculation of Sudockwon Landfill Sites Sanitary	162	-	-
Construction of Osan library	-	2,235	137
Maintenance of the FED Osan non-commissioned officer's accommodations	-	-	513
Gunjaje Segment	692	110	223
Construction and sales business of Daegu Apt and retail stores	-	3,120	-
Other	38,439	452,171	83,514
	<u>₩ 45,644</u>	<u>₩ 610,397</u>	<u>₩ 118,722</u>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

**37. Segment Information**

Consolidated statements of financial position by line of business as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>Non-financial related</b>		<b>Financial related</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>				
Current	₩ 3,843,015	₩ 3,611,236	₩ 73,795	₩ 60,878
Non-current	5,009,443	5,018,868	71,603	63,278
Property, plant and equipment	4,380,004	4,364,654	1,129	1,183
Intangible assets	136,478	167,587	648	312
Other non-current assets	492,961	486,627	69,826	61,783
Other financial business assets	-	-	1,283,058	1,324,178
<b>Total assets</b>	<b>₩ 8,852,458</b>	<b>₩ 8,630,104</b>	<b>₩ 1,428,456</b>	<b>₩ 1,448,334</b>
<b>Liabilities</b>				
Current	₩ 4,199,454	₩ 3,751,888	₩ 811,089	₩ 940,895
Non-current	1,906,507	2,443,410	323,976	233,912
<b>Total liabilities</b>	<b>6,105,961</b>	<b>6,195,298</b>	<b>1,135,065</b>	<b>1,174,807</b>
<b>Equity</b>				
Capital stock	130,251	115,017	45,336	60,570
Consolidated capital surplus	1,111,623	1,132,912	57,594	42,360
Consolidated capital adjustments	(33,620)	(34,204)	(2,310)	-
Consolidated other comprehensive income	808,389	853,471	7,331	355
Consolidated retained earnings	416,233	108,088	177,085	161,281
Minority interest	313,621	259,522	8,355	8,961
<b>Total equity</b>	<b>2,746,497</b>	<b>2,434,806</b>	<b>293,391</b>	<b>273,527</b>
<b>Total Liabilities and Equity</b>	<b>₩ 8,852,458</b>	<b>₩ 8,630,104</b>	<b>₩ 1,428,456</b>	<b>₩ 1,448,334</b>

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Consolidated income statements by line of business as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	<b>Non-financial related</b>		<b>Financial related</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Sales	₩ 9,833,642	₩ 9,377,415	₩ 175,550	₩ 222,687
Cost of sales	8,196,488	8,059,838	146,523	171,483
SG&A	1,015,568	867,140	16,777	17,809
Operating income	621,587	450,437	12,250	33,395
Non-operating income	352,734	338,466	402	236
Non-operating expenses	625,277	733,991	66	17
Net income before taxes	349,044	54,912	12,586	33,614
Income tax expense (benefit)	125,492	(63,275)	(2,611)	10,256
Net income for the year	₩ 223,552	₩ 118,187	₩ 15,197	₩ 23,358
Parent interest in net income	₩ 308,646	₩ 95,129	₩ 14,784	₩ 23,358
Minority interest in net income	(85,094)	23,058	413	-

Financial information by segments as of December 31, 2009 and 2008, follows:

<i>(in millions of Korean won)</i>	<b>2009</b>						<b>Total</b>
	<b>Fabric</b>	<b>Chemical</b>	<b>Heavy industrial</b>	<b>Trading</b>	<b>Others</b>	<b>Consolidation adjustments</b>	
Total segment revenue	₩1,796,093	₩1,031,113	₩ 2,239,914	₩ 2,854,235	₩ 4,356,225	₩ -	₩12,277,580
Internal revenue	469,230	-	6,877	131,442	1,660,839	-	2,268,388
Net sales	1,326,863	1,031,113	2,233,037	2,722,793	2,695,386	-	10,009,192
Gain (loss) on operations	182,917	127,942	229,125	27,655	98,907	(32,709)	633,837
Assets by line of business	748,040	198,400	95,837	784	321,106	(863)	1,363,304
Common assets	1,122,044	552,390	2,237,798	188,124	6,574,266	(1,757,012)	8,917,610
Total assets	₩1,870,084	₩ 750,790	₩ 2,333,635	₩ 188,908	₩ 6,895,372	₩ (1,757,875)	₩10,280,914

  

<i>(in millions of Korean won)</i>	<b>2008</b>						<b>Total</b>
	<b>Fabric</b>	<b>Chemical</b>	<b>Heavy industrial</b>	<b>Trading</b>	<b>Others</b>	<b>Consolidation adjustments</b>	
Total segment revenue	₩1,538,080	₩1,068,963	₩ 1,945,917	₩ 3,021,666	₩ 3,963,445	₩ -	₩11,538,071
Internal revenue	544,529	175	107,505	619,368	666,392	-	1,937,969
Net sales	993,551	1,068,788	1,838,412	2,402,298	3,297,053	-	9,600,102
Gain (loss) on operations	54,292	62,549	185,678	31,920	201,520	(52,127)	483,832
Assets by line of business	845,842	187,900	87,496	700	337,483	(1,515)	1,457,906
Common assets	1,466,006	534,100	1,927,695	251,552	6,271,707	(1,830,528)	8,620,532
Total assets	₩2,311,848	₩ 722,000	₩ 2,015,191	₩ 252,252	₩ 6,609,190	₩ (1,832,043)	₩10,078,438

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

Geographical segment information as of December 31, 2009 and 2008, follows:

<i>(in millions of Korean won)</i>	2009					
	Domestic	North, Central America	Asia	Europe	Consolidation adjustments	After consolidation
Total segment revenue	₩ 8,934,372	₩ 991,368	₩ 2,025,709	₩ 326,131	₩ -	₩ 12,277,580
Internal revenue	1,587,619	26,987	648,761	5,021	-	2,268,388
Net sales	7,346,753	964,381	1,376,948	321,110	-	10,009,192
Gain (loss) on operations	552,556	14,803	91,699	7,488	(32,709)	633,837
Assets by line of business	554,015	21,114	719,476	69,562	(863)	1,363,304
Common assets	8,865,309	437,480	1,143,554	228,279	(1,757,012)	8,917,610
Total assets	₩ 9,419,324	₩ 458,594	₩ 1,863,030	₩ 297,841	₩ (1,757,875)	₩ 10,280,914

  

<i>(in millions of Korean won)</i>	2008					
	Domestic	North, Central America	Asia	Europe	Consolidation adjustments	After consolidation
Total segment revenue	₩ 8,770,526	₩ 960,103	₩ 1,512,138	₩ 295,304	₩ -	₩ 11,538,071
Internal revenue	431,030	459,557	973,501	73,881	-	1,937,969
Net sales	8,339,496	500,546	538,637	221,423	-	9,600,102
Gain (loss) on operations	527,357	4,298	9,215	(4,911)	(52,127)	483,832
Assets by line of business	577,987	25,036	767,246	89,152	(1,515)	1,457,906
Common assets	8,513,648	445,696	1,216,251	275,465	(1,830,528)	8,620,532
Total assets	₩ 9,091,635	₩ 470,732	₩ 1,983,497	₩ 364,617	₩ (1,832,043)	₩ 10,078,438

**38. Subsequent event**

The Company issued unsecured debentures amounting to ₩150,000 million on March 5, 2010.

**Hyosung Corporation and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009 and 2008**

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**39. Calculation of Net Income attributed to Controlling Interest and Minority Interest**

Details of calculation of net income attributed to controlling interest and minority interest for the year ended December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	<b>2009</b>
Controlling interest in net income	₩ 323,430
Nautilus Hyosung Inc.	12,783
Chin Hung International Inc.	(100,659)
The Class Hyosung Co., Ltd.	993
Hyosung Capital Co., Ltd.	413
Galaxiaphotonics Co., Ltd. (formerly Epiplus Inc.)	(1,235)
Hyosung Construction Co., Ltd.	(5,669)
Hyosung Ebara Co., Ltd.	5,717
Hyosung Ebara Engineering Co., Ltd.	853
Hyosung Investment & Development Corp.	(15)
Baoding Hyosung Tianwei Transformer Co., Ltd.	(536)
Hyosung Spandex (Zhuhai) Co., Ltd.	(762)
Hyosung Istanbul Tekstil Ltd. STI	1,028
Hyosung Vietnam Co., Ltd.	2,526
Zhangjiagang Xiaosha Coil Service Co., Ltd.	(118)
Minority interest in net income	(84,681)
Consolidated net income	₩ 238,749

**40. Preparation for IFRS Adoption**

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