

Hyosung Corporation

Financial Statements
December 31, 2010 and 2009

Hyosung Corporation
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December 31, 2010 and 2009

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Report of Independent Auditors

To the Shareholders and Board of Directors of
Hyosung Corporation

We have audited the accompanying statements of financial position of Hyosung Corporation (the "Company") as of December 31, 2010 and 2009, and the related statements of income, appropriation of retained earnings, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of investees accounted for using the equity method of accounting which represent 3.6% (2009: 10.5%) of the Company's total assets as of December 31, 2010. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for the subsidiaries, is based on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Hyosung Corporation as of December 31, 2010 and 2009, and the results of its operations, the changes in its retained earnings, the changes in its shareholders' equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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

Samil PricewaterhouseCoopers

Seoul, Korea
March 10, 2011

This report is effective as of March 10 2011, 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
Statements of Financial Position
December 31, 2010 and 2009

<i>(in millions of Korean won)</i>	2010		2009	
Assets				
Current assets				
Cash and cash equivalents (Notes 3 and 16)	₩	245,401	₩	30,919
Short-term financial instruments (Note 3)		269		37,000
Short-term loans receivable (Notes 7 and 16)		8,494		13,293
Short-term available-for-sale securities (Note 5)		265		4,365
Trade accounts receivable, net (Notes 4, 7, 16, 26 and 31)		602,792		637,849
Other accounts receivable, net (Notes 7 and 16)		39,263		32,075
Accrued income (Note 16)		1,244		2,544
Advance payments		79,584		189,944
Prepaid expenses		11,312		8,582
Derivatives (Note 17)		18,912		16,949
Current deferred income tax assets (Note 22)		18,576		21,976
Inventories, net (Notes 10, 21 and 26)		801,996		470,877
Total current assets		1,828,108		1,466,373
Long-term financial instruments (Note 3)		50		318
Available-for-sale securities (Note 5)		126,225		106,285
Equity-method investments (Notes 6, 7, 13 and 31)		1,568,589		1,485,472
Long-term loans receivable (Note 16)		6,822		4,500
Investments in development		903		925
Property, plant and equipment, net (Notes 8, 10, 13, 25 and 31)		3,060,132		3,081,417
Intangible assets, net (Note 9)		9,915		9,828
Others (Notes 5, 16 and 17)		222,326		88,825
Total assets	₩	6,823,070	₩	6,243,943
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts payable (Notes 7, 16 and 31)	₩	977,835	₩	697,236
Short-term borrowings (Notes 13, 16 and 17)		375,109		347,130
Current portion of long-term borrowings (Notes 12, 13 and 31)		502,290		646,112
Other accounts payable (Notes 7 and 16)		208,331		171,391
Income taxes payable (Note 22)		78,187		17,652
Accrued expenses (Note 16)		25,845		36,449
Advance from customers (Notes 16 and 26)		111,668		140,773
Withholdings (Note 11)		27,024		24,018
Deposits received		22,532		22,326
Derivatives payable (Note 17)		7,290		13,521
Total current liabilities		2,336,111		2,116,608
Debentures, net (Notes 12 and 13)		676,951		698,137
Long-term borrowings (Notes 13, 16, 17 and 31)		403,067		262,579
Long-term other accounts payable (Note 11)		10,116		9,971
Long-term guarantee deposits received		25,032		25,032
Accrued severance benefits, net (Note 14)		35,368		45,396
Provision for construction warranties (Note 15)		8,486		9,037
Reserve for loss from equity-method investments		77,670		76,634
Provision for construction losses (Note 26)		18,299		11,573
Deferred income tax liabilities (Note 22)		265,163		251,642
Total liabilities		3,856,263		3,506,609
Commitments and contingencies (Note 31)				

Hyosung Corporation
Statements of Financial Position
December 31, 2010 and 2009

<i>(in millions of Korean won)</i>	2010		2009	
Shareholders' equity				
Capital stock (Note 18)				
Common stock	₩	175,587	₩	175,587
Capital surplus				
Paid-in capital in excess of par value		130,826		130,826
Assets revaluation reserve (Note 18)		738,300		738,300
Other capital surplus		295,551		301,684
Capital adjustments				
Treasury stock (Note 18)		(34,204)		(34,204)
Other capital adjustments		(1,905)		(1,727)
Accumulated other comprehensive income and expense (Note 25)				
Gain on valuation of available-for-sale securities (Note 5)		30,188		18,907
Loss on valuation of available-for-sale securities (Note 5)		(962)		(1,867)
Change in equity from equity-method (Note 6)		133,155		135,689
Translation of foreign currency financial statements (Note 19)		(1,717)		(1,778)
Loss on valuation of derivatives (Note 17)		-		(6,714)
Surplus from revaluation (Note 8)		666,218		674,886
Retained earnings (Note 20)				
Legal reserve		9,965		6,638
Discretionary reserve		564,000		259,667
Unappropriated retained earnings		261,805		341,440
Total shareholders' equity		<u>2,966,807</u>		<u>2,737,334</u>
Total liabilities and shareholders' equity	₩	<u>6,823,070</u>	₩	<u>6,243,943</u>

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

Hyosung Corporation
Statements of Income
Years ended December 31, 2010 and 2009

<i>(in millions of Korean won, except for per share amounts)</i>	2010		2009	
Sales (Notes 7, 17, 26 and 28)	₩	8,192,063	₩	7,039,730
Cost of sales (Notes 7 and 21)		<u>6,970,250</u>		<u>5,886,618</u>
Gross income		1,221,813		1,153,112
Selling and administrative expenses (Notes 7, 8, 9, 14 and 32)		<u>722,444</u>		<u>620,706</u>
Operating income		<u>499,369</u>		<u>532,406</u>
Non-operating income				
Interest income		10,004		12,017
Dividend income		1,534		184
Rental income		322		276
Gain on foreign currency transactions		72,689		118,504
Gain on foreign currency translation (Note 16)		64,962		66,390
Gain on disposal of investment assets		355		238
Gain on disposal of property, plant and equipment		14,941		5,067
Reversal of impairment loss on available-for-sale-securities		-		927
Reversal of impairment loss on property, plant and equipment		3,548		-
Reversal of allowance for bad debts		7,452		-
Gain on valuation of equity-method investments (Note 6)		165,653		115,571
Gain on derivative transactions (Note 17)		16,445		6,391
Gain on valuation of derivatives (Note 17)		17,948		16,949
Others		35,565		34,013
		<u>411,418</u>		<u>376,527</u>
Non-operating expenses				
Interest expenses		111,933		136,040
Loss on disposal of trade accounts receivable		2,750		2,438
Loss on foreign currency transactions		81,670		110,807
Loss on foreign currency translation (Note 16)		56,245		33,888
Loss on disposal of investment assets		-		1,212
Loss on valuation of investment assets		113		6,510
Loss on disposal of property, plant and equipment		5,744		410
Impairment loss on property, plant and equipment		4,356		9,868
Donations		3,276		2,587
Commissions		24,941		38,316
Sales promotion		68		106
Loss on valuation of equity-method investments (Note 6)		167,878		77,622
Reserve for loss from equity-method		1,075		3,956
Bad debts expense for other accounts receivable		17,223		7,716
Loss on derivative transactions (Note 17)		6,113		21,469
Loss on valuation of derivatives (Note 17)		5,233		2,170
Others		19,945		12,127
		<u>508,563</u>		<u>467,242</u>
Income before income taxes		402,224		441,691
Income tax expense (Note 22)		<u>130,892</u>		<u>102,772</u>
Net income	₩	<u>271,332</u>	₩	<u>338,919</u>
Basic earnings per share (Note 23)	₩	8,156	₩	10,187
Diluted earnings per share (Note 23)	₩	8,156	₩	10,187

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

Hyosung Corporation

Statements of Appropriation of Retained Earnings

Years ended December 31, 2010 and 2009

(Date of Appropriation : March 18, 2011 and March 19, 2010

for the years ended December 31, 2010 and 2009, respectively)

<i>(in millions of Korean won, except for dividends per share)</i>	2010	2009
Retained earnings before appropriation		
Unappropriated retained earnings		
carried over from prior year	₩ 511	₩ 790
Cumulative effect of accounting changes	-	-
Changes in retained earnings under the equity method	(12,870)	1,817
Other retained earnings	2,832	(86)
Net income	271,332	338,919
	<u>261,805</u>	<u>341,440</u>
Transfer from discretionary reserve		
Appropriation of retained earnings for research and development	-	6,667
Appropriation of retained earnings		
Earned surplus reserve	4,159	3,327
Appropriated retained earnings for research and development	40,000	40,000
Appropriated retained earnings for facility	175,000	271,000
Dividends (Note 24)		
Cash dividends	41,585	33,269
Dividends(ratio) per share		
Common stock:		
₩1,250 (25%) in 2010, ₩1,000 (20%) in 2009		
	<u>260,744</u>	<u>347,596</u>
Unappropriated retained earnings carried forward to subsequent year	₩ 1,061	₩ 511

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

Hyosung Corporation
Statements of Changes in Shareholders' Equity
Years ended December 31, 2010 and 2009

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive Income and expense	Retained earnings	Total
<i>(in millions of Korean won)</i>						
Balances as of January 1, 2009	₩ 175,587	₩ 1,165,402	₩ (34,204)	₩ 853,127	₩ 292,046	₩ 2,451,958
Cash dividends	-	-	-	-	(24,951)	(24,951)
Retained earnings after appropriation	175,587	1,165,402	(34,204)	853,127	267,095	2,427,007
Change in capital surplus from equity-method	-	5,408	-	-	-	5,408
Change in retained earnings under the equity method	-	-	-	-	1,817	1,817
Change in retained earnings - others	-	-	-	-	(86)	(86)
Change in other capital adjustments	-	-	(1,727)	-	-	(1,727)
Net income	-	-	-	-	338,919	338,919
Gain on valuation of available-for-sale securities	-	-	-	9,197	-	9,197
Gain on valuation of equity-method	-	-	-	(65,506)	-	(65,506)
Loss on valuation of equity-method	-	-	-	(2,586)	-	(2,586)
Translation of foreign currency financial statements	-	-	-	(798)	-	(798)
Loss on valuation of derivatives	-	-	-	27,417	-	27,417
Surplus from for revaluation	-	-	-	(1,728)	-	(1,728)
Balances as of December 31, 2009	₩ 175,587	₩ 1,170,810	₩ (35,931)	₩ 819,123	₩ 607,745	₩ 2,737,334
Balances as of January 1, 2010	₩ 175,587	₩ 1,170,810	₩ (35,931)	₩ 819,123	₩ 607,745	₩ 2,737,334
Cash dividends	-	-	-	-	(33,268)	(33,268)
Retained earnings after appropriation	175,587	1,170,810	(35,931)	819,123	574,477	2,704,066
Change in capital surplus from equity-method	-	(6,133)	-	-	-	(6,133)
Change in retained earnings under the equity method	-	-	-	-	(12,871)	(12,871)
Change in retained earnings - others	-	-	-	-	2,832	2,832
Change in other capital adjustments	-	-	(178)	-	-	(178)
Net income	-	-	-	-	271,332	271,332
Gain on valuation of available-for-sale securities	-	-	-	12,186	-	12,186
Gain on valuation of equity-method	-	-	-	(6,708)	-	(6,708)
Loss on valuation of equity-method	-	-	-	4,174	-	4,174
Translation of foreign currency financial statements	-	-	-	61	-	61
Loss on valuation of derivatives	-	-	-	6,714	-	6,714
Surplus from for revaluation	-	-	-	(8,668)	-	(8,668)
Balances as of December 31, 2010	₩ 175,587	₩ 1,164,677	₩ (36,109)	₩ 826,882	₩ 835,770	₩ 2,966,807

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

Hyosung Corporation
Statements of Cash Flows
Years ended December 31, 2010 and 2009

(In millions of Korean won)

	2010	2009
Cash flows from operating activities		
Net income	₩ 271,332	₩ 338,919
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for severance benefits	45,104	35,123
Depreciation	179,365	182,341
Amortization	1,366	1,650
Bad debts expense	12,601	22,893
Loss on disposal of trade accounts receivable	2,750	2,438
Loss on foreign currency translation	56,245	33,888
Loss on disposal of investment assets	-	1,212
Impairment loss on investment assets	113	6,510
Loss on disposal of property, plant and equipment	5,744	410
Impairment loss on property, plant and equipment	4,356	9,868
Shrinkage loss on property, plant and equipment	635	907
Loss on valuation of equity-method investments	167,878	77,622
Reserve for loss from equity-method	1,075	3,956
Bad debts expense for other accounts receivable	17,223	7,716
Loss on valuation of derivatives	5,233	2,170
Amortization of discounts on issuance of debentures	1,264	1,350
Amortization of investments in development	22	49
Warranty expense for construction	1,161	1,688
Provision for construction losses	6,726	11,573
Gain on foreign currency translation	(64,962)	(66,390)
Reversal of allowance for bad debts	(7,452)	-
Gain on disposal of investment assets	(355)	(238)
Gain on disposal of property, plant and equipment	(14,941)	(5,068)
Reversal of impairment loss on property, plant and equipment	(3,548)	-
Reversal of impairment loss on investment assets	-	(927)
Gain on valuation of equity-method investments	(165,653)	(115,571)
Gain on valuation of derivatives	(17,948)	(16,949)
	<u>234,002</u>	<u>198,221</u>
Changes in operating assets and liabilities		
Increase in trade accounts receivable	(58,846)	(132,099)
Decrease(increase) in other accounts receivable	(9,526)	7,114
Decrease(increase) in accrued income	1,295	(286)
Decrease(increase) in advance payments	105,603	(106,157)
Increase in prepaid expenses	(2,730)	(2,074)
Decrease in derivatives	15,681	3,614
Decrease in current deferred income tax assets	3,400	72,756
Decrease(increase) in Inventories	(331,118)	37,973
Increase in trade accounts payable	286,389	58,197
Increase in other accounts payable	38,474	13,022
Increase(decrease) in advance from customers	(27,869)	38,307
Increase in withholdings	3,151	6,719
Increase(decrease) in accrued expenses	(10,589)	4,214
Increase in deposits received	206	2,935
Increase in income taxes payable	60,535	17,514
Decrease in derivatives payable	(11,464)	(40,161)
Payment of severance benefits	(75,089)	(19,680)
Severance benefits transferred	417	139
Increase(decrease) in severance insurance deposits	19,064	(14,321)
Increase in contribution to National Pension Fund	476	502
Decrease in provision for construction warranties	(1,713)	(1,337)
Decrease (increase) in translation loss of foreign currency financial statements	61	(798)
Increase in non-current deferred income tax liabilities	13,064	857
	<u>18,872</u>	<u>(53,050)</u>
Net cash provided by operating activities	<u>524,206</u>	<u>484,090</u>

Hyosung Corporation
Statements of Cash Flows
Years ended December 31, 2010 and 2009

(in millions of Korean won)

	2010	2009
Cash flows from investing activities		
Decrease in short-term finance instruments	₩ 37,000	₩ -
Decrease in short-term loans receivable	-	7,915
Proceeds from disposal of available-for-sale securities	4,801	5,716
Proceeds from disposal of equity-method investments	101,024	12,678
Decrease in long-term loans receivable	1,243	657
Proceeds from disposal of property, plant and equipment	39,795	10,845
Proceeds from disposal of intangible assets	25	-
Decrease in guarantee deposits	27,126	37,799
Proceeds from disposal of other investment assets	8,805	1,567
Increase in short-term financial instruments	-	(37,000)
Increase in short-term loans receivable	(7,926)	(4,822)
Increase in long-term financial instruments	-	(269)
Acquisition of available-for-sale securities	(4,240)	(2,818)
Acquisition of equity-method investments	(207,830)	(65,394)
Increase in long-term loans receivable	(3,973)	(9,819)
Acquisition of property, plant and equipment	(200,081)	(307,284)
Acquisition of intangible assets	(1,454)	(1,793)
Increase in guarantee deposits	(80,916)	(45,340)
Increase in other investment assets	(4,488)	-
Net cash used in investing activities	<u>(291,089)</u>	<u>(397,362)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	3,510,148	2,743,814
Proceeds from issuance of debentures	347,550	358,927
Proceeds from long-term borrowings	282,390	63,739
Repayment of short-term borrowings	(3,477,950)	(2,930,046)
Payment of cash dividends	(33,268)	(24,951)
Repayment of current portion of long-term borrowings	(647,505)	(382,842)
Repayment of long-term borrowings	-	(30,000)
Net cash used in financing activities	<u>(18,635)</u>	<u>(201,359)</u>
Net Increase (decrease) in cash and cash equivalents	214,482	(114,631)
Cash and cash equivalents		
Beginning of the year	30,919	145,550
End of the year	<u>₩ 245,401</u>	<u>₩ 30,919</u>

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

Hyosung Corporation

Notes to the Financial Statements

December 31, 2010 and 2009

1. Organization

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

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

As of December 31, 2010, the Company's major stockholders are Cho Seok Rae (10.32%), Cho Hyun Joon (6.94%), Cho Hyun Moon (7.18%) and Cho Hyun Sang (6.79%).

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

Revenue Recognition

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

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

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

Revenues from Construction Contracts

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

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

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

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Inventories

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

Investments in Securities

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

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

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

Equity-Method Investments

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

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

Reserve for Loss from Equity Method Investments

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of reserve is recognized in the financial statements as a liability.

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

Property, Plant and Equipment

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

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

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

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

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

Intangible Assets

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

	Estimated useful lives	Depreciation method
Industrial property	5 ~ 10 years	Straight-line method
Right to use	10 ~ 25 years	Straight-line method
Other intangible assets	5 years	Straight-line method

Capitalization of Interest Expense

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

Government Grants

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

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Impairment of Assets

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

Derivatives

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

Income Tax and Deferred Income Tax

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

Discounts on Debentures

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

Accrued Severance Benefits

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

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

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

Provisions and Contingent Liabilities

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

Translation of Assets and Liabilities Denominated in Foreign Currencies

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

Currency Translation for Foreign Operations

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

Approval of Financial Statements

The December 31, 2010 financial statements of the Company were approved by the Board of Directors on February 21, 2011.

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3. Restricted Financial Instruments

Restricted financial instruments as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010		2009		Descriptions
Cash and cash equivalents	₩	18,886	₩	18,930	Government financial assistance fund
Short-term financial instruments		-		37,000	Pledged deposit
Long-term financial instruments		50		50	Deposits for checking account
	₩	<u>18,936</u>	₩	<u>55,980</u>	

4. Transfers of Trade Accounts and Notes Receivables

Trade accounts and notes receivables transferred to and discounted with third parties, and excluded from the accompanying statements of financial position, as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009		Terms
Accounts receivable (export)	₩	617,575	₩	524,549	Secured
Accounts receivable (domestic)		38,153		25,090	Not secured
Electronic bills		54,959		59,474	Not secured
Factoring		6,675		9,800	Secured
	₩	<u>717,362</u>	₩	<u>618,913</u>	

5. Available-for-sale Securities

Available-for-sale securities as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Equity securities	₩	74,647	₩	58,935
Investments in cooperative and associations		5,952		5,592
Debt securities		45,891		46,123
		<u>126,490</u>		<u>110,650</u>
Less: Current portion		(265)		(4,365)
	₩	<u>126,225</u>	₩	<u>106,285</u>

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Equity securities as of December 31, 2010 and 2009 are as follows:

(in millions of Korean won)	2010				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value ¹	Book value ²
Marketable securities					
KTB Investment Securities Co., Ltd.	2,634	0.00%	13	14	14
SBI Global Investment Co., Ltd	202,839	0.58%	815	93	93
Ultra Construction & Engineering Co., Ltd.	911	0.07%	5	4	4
KT Corp. ³	574,883	0.22%	7,942	26,588	26,588
Hanshin Construction Co., Ltd.	712	0.01%	1	7	7
Savezone I&C Corp.	4,555	0.01%	30	11	11
Korea Environment Technology Co., Ltd.	814,280	1.63%	407	1,576	1,576
Kumho Tires Co., Inc. ⁴	333,333	1.43%	3,333	4,617	4,617
OnMedia Corp.	157,130	0.13%	280	628	628
Korea Express Corporation ⁵	33,204	0.15%	3,619	3,128	3,128
Hankook Tire Co., Ltd.	739,500	0.49%	10,000	23,479	23,479
Sub-total			<u>26,445</u>	<u>60,145</u>	<u>60,145</u>
Non-marketable securities					
Kangwon Domin Newspaper	4,000	0.39%	20	16	20
Ninex Co., Ltd.	25,989	6.92%	3,000	250	1,500
GM Daewoo Auto & Technology Co.	-	-	27	-	-
Namwoo Ad Co., Ltd.	33,851	10.19%	500	334	500
Bum Yang Air-Conditioner	8	0.00%	6	-	-
Sejong Telecom Co., Ltd.	156	0.00%	2,406	1	-
Doosan Capital Co., Ltd. ⁶	600,000	3%	3,000	6,555	6,860
KyungNam Newspaper	1,500	0.06%	30	4	15
Kihyup Finance Inc.	100,000	1.72%	500	661	500
Korea Housing Guarantee Co., Ltd.	343,380	0.05%	1,717	1,669	1,717
Hankook Economic Newspaper	124,308	0.66%	1,354	847	1,354
Korea Management Association Consulting	35,988	4.50%	180	734	180
ChemCross.Com	200,000	1.20%	222	291	222
Life Point Inc.	500,000	1.39%	1,148	-	-
Momus Venturesgroup	160,040	9.37%	3,242	370	-
InfoNet Korea Ltd.	1,500	1.25%	100	11	50
TransLink Capital Partners 1, L.P.	-	-	1,584	1,049	1,584
Sub-total			<u>19,036</u>	<u>12,792</u>	<u>14,502</u>
Total			<u>₩ 45,481</u>	<u>₩ 72,937</u>	<u>₩ 74,647</u>

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<i>(in millions of Korean won)</i>	2009				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value ¹	Book value ²
Marketable securities					
KTB Investment Securities Co., Ltd.	2,634	0.00%	13	11	11
SBI Global Investment Co., Ltd	202,839	0.58%	815	183	183
Ultra Construction & Engineering Co., Ltd.	911	0.07%	5	3	3
KT Corp. ³	574,883	0.22%	7,942	22,478	22,478
Hanshin Construction Co., Ltd.	712	0.01%	1	13	13
Savezone I&C Corp.	4,555	0.01%	30	10	10
Korea Environment Technology Co., Ltd.	814,280	1.63%	407	924	924
Kumho Tires Co., Inc. ⁴	1,000,000	1.43%	10,000	3,605	3,605
OnMedia Corp.	157,130	0.13%	280	597	597
Korea Express Corporation ⁵	33,204	0.15%	3,619	1,883	1,883
Hankook Tire Co., Ltd.	739,500	0.49%	10,000	18,857	18,857
Sub-total			<u>33,112</u>	<u>48,564</u>	<u>48,564</u>
Non-marketable securities					
Kangwon Domin Newspaper	4,000	0.39%	20	16	20
Ninex Co., Ltd.	25,989	6.92%	3,000	455	1,500
GM Daewoo Auto & Technology Co.	-	-	27	-	-
Namwo Ad Co., Ltd.	33,851	10.19%	500	311	500
Bum Yang Air-Conditioner	8	0.00%	6	-	-
Sejong Telecom Co., Ltd.	156	0.00%	2,406	1	-
Doosan Capital Co., Ltd.	600,000	3%	3,000	3,036	3,000
KyungNam Newspaper	1,500	0.06%	30	4	15
Kihyup Finance Inc.	100,000	1.72%	500	645	500
Korea Housing Guarantee Co., Ltd.	343,380	0.05%	1,716	2,068	1,716
Hankook Economic Newspaper	124,308	0.66%	1,354	787	1,354
Korea Management Association Consulting	35,988	4.50%	180	666	180
ChemCross.Com	200,000	1.20%	222	283	222
Life Point Inc.	500,000	1.39%	1,148	-	-
Momus Venturesgroup	160,040	9.37%	3,242	409	-
InfoNet Korea Ltd.	1,500	1.25%	100	11	50
TransLink Capital Partners 1, L.P.	-	-	1,314	1,127	1,314
Sub-total			<u>18,765</u>	<u>9,819</u>	<u>10,371</u>
Total			<u>₩ 51,877</u>	<u>₩ 58,383</u>	<u>₩ 58,935</u>

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

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

³ KT Corp. merged with KT Freetel Co., Ltd. in 2009.

⁴ In 2009, an impairment loss of ₩6,395 million is recognized to reflect the decline in its fair value due to the debt workout program of Kumho Tires Co., Inc. In 2010, the number of stocks has been reduced at a ratio of three to one due to capital decrease through transfer of capital stock without compensation.

⁵ Marketable securities of Korea Express Inc. were acquired through the participation in the Kumho Asiana Consortium. According to the agreement with Asiana Airlines Inc., the Company cannot sell, transfer and pledge the stocks within two years from the acquisition date without authorization from Asiana Airlines Inc. After the first two years, Asiana Airlines Inc. becomes the holder of pre-emption rights. Nevertheless, if Asiana Airlines Inc. transfers stock to the third party and gives up the pre-emption rights, the Company can sell the stock without any limitation. In addition, the Company has put options on the stocks of Korea Express Inc to Kumho RAC Co., Ltd. (formerly Kumho Rent-A-Car Co., Ltd.). The fair value of the put options as of December 31, 2010, amounts to ₩3,487 million (2009: ₩3,183 million) and is recorded as other investment assets.

⁶The fair value of Doosan Capital Co., Ltd. was recorded based on the reasonable valuation by an independent appraiser. The independent appraiser applied the discounted cash flow model considering the industrial characteristics and the basis of data.

Investments in cooperatives and associations as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010		
	Acquisition cost	Net asset value¹	Book value²
Machinery financial cooperative	₩ 3,300	₩ 4,620	₩ 3,300
Electronic power industry investment association	1,000	957	1,000
Construction guarantee	1,217	1,949	1,217
Korea electronic engineering cooperative	435	435	435
	<u>₩ 5,952</u>	<u>₩ 7,961</u>	<u>₩ 5,952</u>

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<i>(in millions of Korean won)</i>	2009		
	Acquisition cost	Net asset value ¹	Book value ²
Machinery financial cooperative	₩ 3,300	₩ 4,447	₩ 3,300
Electronic power industry investment association	1,000	1,019	1,000
Construction guarantee	877	1,503	877
Korea electronic engineering cooperative	415	415	415
	<u>₩ 5,592</u>	<u>₩ 7,384</u>	<u>₩ 5,592</u>

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

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

Debt securities as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010			
	Acquisition cost	Maturity	Present value	Book value ¹
Government and municipal bonds	₩ 265	Within 1 year	₩ 265	₩ 265
	11,654	Over 1 year and within 5 years	11,654	11,654
Convertible bonds	20,789	2018	20,972	20,972
Subordinated bonds	13,000	2014	13,000	13,000
	<u>₩ 45,708</u>		<u>₩ 45,891</u>	<u>₩ 45,891</u>

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<i>(in millions of Korean won)</i>	2009			
	Acquisition cost	Maturity	Present value	Book value ¹
Government and municipal bonds	₩ 3,536	Within 1 year	₩ 3,536	₩ 3,536
	7,969	Over 1 year and within 5 years	7,969	7,969
Certificate of deposit ²	829	2010	829	829
Convertible bonds	20,789	2018	20,972	20,972
Subordinated bonds	13,000	2014	13,000	13,000
	<u>₩ 46,123</u>		<u>₩ 46,123</u>	<u>₩ 46,123</u>

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

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

Changes in unrealized gain and loss from available-for-sale securities recorded as accumulated other comprehensive income and expense for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010			
	Beginning balance	Increase (Decrease)	Tax effect	Ending balance
Unrealized losses				
SBI Global Investment Co., Ltd	₩ (493)	₩ (90)	₩ 20	₩ (563)
Savezone I&C Corp.	(15)	1	-	(14)
Ultra Construction & Engineering Co., Ltd.	(2)	1	-	(1)
Korea Express Inc.	(1,355)	1,245	(274)	(384)
	<u>₩ (1,865)</u>	<u>₩ 1,157</u>	<u>₩ (254)</u>	<u>₩ (962)</u>
Unrealized gains				
KT Corp. ²	₩ 11,338	₩ 4,110	₩ (904)	₩ 14,544
OnMedia Corp.	247	31	(21)	271
Hankook Tire Co., Ltd.	6,909	4,622	(1,017)	10,514
Hanshin Construction Co., Ltd	10	(6)	1	5
KTB Investment Securities Co., Ltd.	(2)	3	-	1
Korea Environment Technology Co., Ltd	403	651	(143)	911
Kumho Tires Co., Inc. ¹	-	1,012	(223)	789
Chin Hung International Inc.	-	183	(40)	143

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Doosan Capital Co., Ltd	-	3,860	(849)	3,011
	₩ 18,905	₩ 14,466	₩ (3,182)	₩ 30,189

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

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

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

6. Equity-method Investments

Equity-method investments as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	Investee	2010				
		Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value
	Galaxiaphotonics Co., Ltd.	57,785,721	73.22%	34,528	6,014	6,949
	Gumoknongsan Co., Ltd. ¹	45,000	75.00%	225	-	-
	Nautilus Hyosung Inc.	362,241	43.50%	1,737	77,842	71,010

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The Class Hyosung Co., Ltd.	769,230	58.02%	5,200	10,502	10,502
Beijing Hyosung Food & Beverage Co., Ltd. ²	-	95.00%	1,499	-	-
Asia LNG Hub. Co., Ltd. ¹	90,000	65.00%	900	-	900
E-pia Tech.Co., Ltd.	245,343	21.30%	3,750	345	409
Capro Corp.	8,417,708	21.04%	9,114	44,311	43,957
Flossom Co., Ltd.	1,551,000	47.00%	7,755	5,902	5,971
Chin Hung International Inc. (common shares) ⁴	330,116,817	54.51%	199,312	90,154	84,383
Chin Hung International Inc. (preferred shares 1)	1,427,820	14.28%	1,263	1,004	1,004
Chin Hung International Inc. (preferred shares 2)	1,251,920	29.81%	1,079	809	809
Chin Hung International Inc. (preferred shares 3)	30,998,003	100.00%	19,219	17,911	5,630
Taebaek Wind Power Co., Ltd.	703,500	35.00%	3,518	-	3,518
Taeaan Solar Farm Co., Ltd.	420,000	100.00%	2,100	1,436	1,436
Pyeongchang Wind Power Co., Ltd.	660,000	65.52%	3,300	3,778	3,300
Hongjin Data Service ¹	3,500	35.00%	18	-	18
Hyosung Construction Co., Ltd. ⁶	172,000	50.59%	860	-	-
Hyosung GoodSprings., Ltd.	1,220,000	81.33%	12,200	17,260	17,192
Hyosung Ebara Engineering Co., Ltd	1,800,000	100.00%	42,133	86,180	85,253
Hyosung Wind Power holdings Ltd. ¹	240,000	100.00%	1,200	-	1,200
Hyosung Information System Co., Ltd.	173,000	50.00%	865	29,451	29,451
Hyosung Capital Co., Ltd. ³	8,809,052	97.15%	295,260	319,919	365,955
Hyosung Toyota Corp. ¹	4,000	40.00%	20	-	20
Hyosung Investment & Development Corp.	94,000	58.75%	470	35,909	35,222
Hyosung Trans World Co., Ltd.	60,000	100.00%	300	8,054	8,054
Hyosung ITX Co., Ltd.	4,349,000	34.99%	3,675	8,074	8,074
Baoding Hyosung Tianwei Transformer Co., Ltd.	-	80.00%	5,886	5,895	2,433
Beijing Hyosung Container Co., Ltd.	-	100.00%	5,574	10,590	10,590
Hyosung (H.K) Ltd.	621,660	100.00%	87,160	802	802
Hyosung Brasil industrial & commercial LTDA	-	100.00%	4,408	8,608	8,608
Hyosung Brasil Industria E Comercio DE Fibras LTD	-	100.00%	15,522	13,745	13,745
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	-	100.00%	97,883	176,150	163,458
Hyosung Chemicals (jiaxing) Co., Ltd.	-	100.00%	6,454	19,144	4,231
Hyosung Deutschland GmbH ²	490,000	100.00%	74,014	-	-
Hyosung GoodSprings., Ltd.					

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Hyosung Europe S.R.L.	-	100.00%	4,642	4,753	3,843
Hyosung Holdings USA	-	100.00%	83,429	28,280	104,138
Hyosung International Trade (Jiaxing) Co., Ltd.	-	100.00%	929	1,430	1,430
Hyosung Istanbul TEKSTIL LTD.STI	-	76.66%	9,354	17,091	9,976
Hyosung Japan Co., Ltd.	790,000	100.00%	17,746	10,135	7,950
Hyosung Luxembourg S.A	-	100.00%	16,156	19,956	18,395
Hyosung Power Holdings Co., Ltd.	-	100.00%	64,944	22,769	22,489
Hyosung Resource(Australia)PTY Ltd. ¹	2,179,083	100.00%	1,907	-	1,907
Hyosung Singapore PTE Ltd. ²	96,800	100.00%	30,519	(117)	-
Hyosung Spandex (Guang Dong) Co., Ltd.	45,305	100.00%	57,848	141,339	114,867
Hyosung Spandex(Jiaxing) Co., Ltd.	-	100.00%	61,361	105,164	105,196
Hyosung Spandex(Zhuhai) Co., Ltd.	-	75.00%	26,136	24,552	27,902
Hyosung Steel Cord (Nanjing) Co., Ltd.	-	100.00%	36,837	29,912	29,912
Hyosung Steel Cord (Qingdao) Co., Ltd.	-	100.00%	49,168	45,369	43,117
Hyosung Vietnam Co., Ltd.	-	88.21%	47,591	82,239	69,350
Hyosung Wire Luxembourg S.A. ¹	-	100.00%	61	-	61
Lanka Synthetic Fibre Co.,Ltd. ²	148,930,000	98.31%	22,447	-	-
OpCo GmbH ²	9,470	98.85%	18,289	(13,721)	-
Xepix Corp.	2,391,667	74.93%	29,506	3,440	3,440
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	64.50%	4,781	10,908	10,531
	<u>607,322,840</u>		<u>₩1,532,052</u>	<u>₩1,529,510</u>	<u>₩1,568,588</u>

(in millions of Korean won)

Investee	2009				
	Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value
Galaxiaphotonics Co., Ltd. ⁵	26,385,766	53.94%	18,820	6,949	8,709
Gumoknongsan Co., Ltd. ¹	45,000	75.00%	225	20	113
Nautilus Hyosung Inc.	362,241	43.50%	1,737	65,178	65,178
The Class Hyosung Co., Ltd.	769,230	58.02%	5,200	7,183	7,183
Beijing Hyosung Food & Beverage Co., Ltd. ²	-	95.00%	1,499	(363)	-
Soul Flora Inc.	1,551,000	47.00%	7,755	7,081	7,173
E-pia Tech.Co., Ltd.	245,343	21.30%	3,750	1,001	1,094
Capro Corp.	8,417,708	21.04%	9,114	22,789	22,672
Chin Hung International Inc. (common shares) ⁴	68,398,858	23.95%	68,453	56,521	51,104

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Chin Hung International Inc. (preferred shares 1)	1,427,820	14.28%	1,263	1,726	1,726
Chin Hung International Inc. (preferred shares 2)	1,251,920	29.81%	1,079	1,442	1,442
Chin Hung International Inc. (preferred shares 3)	30,998,003	100.00%	19,219	33,597	19,753
Taebaek Wind Power Co., Ltd.	703,500	35.00%	3,518	-	3,518
Taeon Solar Farm Co., Ltd.	420,000	100.00%	2,100	1,880	1,880
Hongjin Data Service ¹	660,000	65.52%	3,300	3,778	3,300
Hyosung Construction Co., Ltd. ²	172,000	50.59%	860	(5,720)	-
Hyosung Ebara Engineering Co., Ltd.	1,220,000	81.33%	12,200	17,407	17,435
Hyosung Ebara Co., Ltd.	1,206,000	67.00%	12,060	45,374	44,288
Hyosung Wind Power holdings Ltd. ¹	240,000	100.00%	1,200	1,399	1,200
Hyosung Information System Co., Ltd.	173,000	50.00%	865	24,860	24,860
Hyosung Capital Co., Ltd. ³	8,809,052	97.15%	295,260	285,036	361,762
Hyosung Toyota Corp. ¹	4,000	40.00%	20	-	20
Hyosung Investment & Development Corp.	94,000	58.75%	470	35,564	34,798
Hyosung Trans World Co., Ltd.	60,000	100.00%	300	4,698	4,698
Hyosung ITX Co., Ltd.	4,349,000	34.99%	3,675	7,836	6,961
Baoding Hyosung Tianwei Transformer Co., Ltd.	-	80.00%	5,886	8,145	4,683
Beijing Hyosung Container Co., Ltd.	-	100.00%	5,574	21,526	21,526
Hyosung (H.K) Ltd.	621,660	100.00%	87,160	829	829
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	-	100.00%	97,883	179,432	166,881
Hyosung Deutschland GmbH ²	490,000	100.00%	74,014	-	-
Hyosung Europe S.R.L.	-	100.00%	4,642	4,575	3,704
Hyosung Holdings USA	-	100.00%	83,429	20,236	89,589
Hyosung International Trade (Jiaxing) Co., Ltd.	-	100.00%	929	1,409	1,295
Hyosung Istanbul TEKSTIL LTD.STI	-	76.66%	9,354	17,248	12,621
Hyosung Japan Co., Ltd.	790,000	100.00%	17,746	7,634	6,899
Hyosung Luxembourg S.A	-	100.00%	16,156	20,166	18,535
Hyosung Brasil Industrial & Commercial Ltd.	-	100.00%	4,408	8,607	8,607
Hyosung Power Holdings Co., Ltd.	-	100.00%	64,944	46,597	45,941
Hyosung Chemicals (Jiaxing) Co., Ltd.	-	100.00%	6,454	4,940	4,848
Hyosung Resource(Australia)PTY Ltd. ¹	2,179,083	100.00%	1,700	1,854	1,700
Hyosung Singapore PTE Ltd. ²	96,800	100.00%	30,519	(156)	-
Hyosung Spandex (Guang Dong) Co., Ltd.	45,305	100.00%	47,485	134,121	111,021
Hyosung Spandex(Jiaxing) Co., Ltd.	-	100.00%	57,241	132,995	131,591

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Hyosung Spandex(Zhuhai) Co., Ltd.	-	75.00%	26,136	17,932	24,644
Hyosung Steel Cord (Nanjing) Co., Ltd.	-	100.00%	36,837	33,798	33,798
Hyosung Steel Cord (Qingdao) Co., Ltd.	-	100.00%	49,168	43,679	43,529
Hyosung Vietnam Co., Ltd.	-	88.21%	47,591	64,374	49,192
Lanka Synthetic Fibre Co.,Ltd. ²	148,930,000	98.31%	22,447	-	-
OpCo GmbH ²	9,470	98.85%	18,289	(641)	-
Thai Hyosung Co., Ltd. ²	-	49.00%	-	-	-
Xepix Corp.	2,391,667	74.93%	29,506	2,768	2,768
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	64.50%	4,781	10,438	10,404
			<u>313,517,436</u>	<u>₩1,324,221</u>	<u>₩1,402,802</u>
				<u>₩1,402,802</u>	<u>₩1,485,472</u>

¹ The equity method was not applied because the effect from change in equity is not material to the Company's financial statements even though the Company's percentage of ownership exceeds 20%.

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

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

⁴ In 2010, the percentage of ownership increased from 43.8% to 54.4% due to capital injection.

⁵ In 2010, the percentage of ownership has increased owing to an additional acquisition.

⁶ In 2010, liquidation was completed.

Changes in goodwill for equity-method investments for the years ended December 31, 2010 and 2009 are as follows:

Investee	2010			
	Beginning balance	Increase (Decrease)	Amortization	Ending balance
Galaxiaphotonics Co., Ltd.	1,759	-	(825)	934
E-pia Tech Co., Ltd.	97	-	(32)	65
Flossom Co., Ltd.	92	-	(23)	69
Chin Hung International Inc.	(19,261)	-	2,803	(16,458)
Hyosung Capital Co., Ltd. ¹	₩ 76,726	₩ -	₩ (30,691)	₩ 46,035
Hyosung ITX Co., Ltd.	(874)	-	874	-
Hyosung Holdings USA	2,215	-	(1,107)	1,108

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Hyosung Power Holdings Co., Ltd.	91	-	(191)	-
Hyosung Spandex (Zhuhai) Co., Ltd.	6,653	-	(3,327)	3,326
	<u>₩ 67,498</u>	<u>₩ -</u>	<u>₩ (32,419)</u>	<u>₩ 35,079</u>

(in millions of Korean won)

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

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

Details of the elimination of unrealized gain or loss arising from intercompany transactions as of December 31, 2010 and 2009 are as follows:

(in millions of Korean won)

Investee	2010			2009		
	Current assets	Non-current assets	Total	Current assets	Non-current assets	Total
Nautilus Hyosung Inc.	₩ -	₩ 6,831	₩6,831	₩ -	₩ -	₩ -
E-pia Tech Co., Ltd.	(3)	-	(3)	4	-	4
Capro Corp.	238	-	238	81	-	81
Hyosung GoodSprings., Ltd.	(156)	-	(156)	675	-	675
Hyosung Ebara Engineering Co., Ltd.	56	-	56	12	-	12

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Hyosung Investment & Development Corp.	(80)	-	(80)	(1,501)	-	(1,501)
Hyosung Holdings USA	(6,537)	-	(6,537)	4,841	-	4,841
Hyosung Chemical Fiber(Jiaying) Co., Ltd.	240	(98)	142	63	(98)	(35)
Hyosung Europe SRL	38	-	38	185	-	185
Hyosung International Trade (Jiaying) Co., Ltd.	(114)	-	(114)	10	-	10
Hyosung Japan Co., Ltd.	1,449	-	1,449	(2,200)	-	(2,200)
Hyosung Luxembourg S.A	(68)	-	(68)	980	-	980
Hyosung Power Holdings Co., Ltd.	(469)	-	(469)	(153)	-	(153)
Hyosung Spandex (GuangDong) Co., Ltd.	-	(66)	(66)	-	(66)	(66)
Hyosung Spandex (Jiaying) Co., Ltd.	7	-	7	(6)	-	(6)
Hyosung Steel Cord (Qingdao)Co., Ltd.	2,062	(41)	2,021	-	(41)	(41)
Hyosung Vietnam Co., Ltd.	(2,201)	-	(2,201)	3,894	-	3,894
Zhangjiagang Xiaosha Coil Service Co., Ltd.	343	-	343	3	-	3
	<u>₩(5,195)</u>	<u>₩ 6,626</u>	<u>₩ 1,431</u>	<u>₩ 6,888</u>	<u>₩ (205)</u>	<u>₩ 6,683</u>

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Changes in investments in subsidiaries and associates accounted for using the equity method for the years ended December 31, 2010 and 2009 are as follows:

(in millions of Korean won)

Investee	2010				
	Beginning balance	Gain(loss) from equity method valuation	Changes in equity under the equity method	Others ¹	Ending balance
Galaxiaphotonics Co., Ltd.	₩ 8,708	₩ (13,157)	₩ (4,310)	₩ 15,708	₩ 6,949
Nautilus Hyosung Inc.	65,178	5,821	11	-	71,010
The Class Hyosung Co., Ltd.	7,184	3,318	-	-	10,502
E-pia Tech Co., Ltd.	1,094	(527)	(158)	-	409
Capro Corp.	22,672	20,913	372	-	43,957
Flossom Co., Ltd.	7,172	(1,201)	-	-	5,971
Chin Hung International Inc.	74,024	(114,323)	1,266	130,859	91,826
Taeon Solar Farm Co., Ltd.	1,880	(175)	(269)	-	1,436
Hyosung GoodSprings., Ltd.	44,288	14,173	(1,472)	28,264	85,253
Hyosung Ebara Engineering Co., Ltd.	17,435	150	(393)	-	17,192
Hyosung Information System Co., Ltd.	24,859	5,457	-	(865)	29,451
Hyosung Capital Co., Ltd.	361,762	5,153	3,445	(4,405)	365,955
Hyosung Investment & Development Corp.	34,798	(139)	563	-	35,222
Hyosung Trans World Co., Ltd.	4,698	3,356	-	-	8,054
Hyosung ITX Co., Ltd.	6,962	1,096	20	(4)	8,074
Baoding Hyosung Tianwei Transformer Co., Ltd.	4,683	(2,296)	46	-	2,433
Beijing Hyosung Container Co., Ltd. ⁴	21,525	(1,064)	(11)	(9,860)	10,590
Hyosung (H.K) Ltd.	830	(5)	(23)	-	802
Hyosung Brasil industrial & commercial LTDA	8,607	1,403	246	(1,648)	8,608
Hyosung Chemicals (Jiaxing) Co., Ltd.	4,848	(776)	159	-	4,231
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	166,881	15,611	1,753	(20,787)	163,458
Hyosung Europe SRL	3,703	586	(446)	-	3,843
Hyosung Holdings USA	89,590	17,100	(2,552)	-	104,183
Hyosung International Trade (Jiaxing) Co., Ltd.	1,294	124	12	-	1,430
Hyosung Istanbul TEKSTIL LTD.STI ⁴	12,621	(1,714)	(931)	-	9,976

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Hyosung Japan Co., Ltd.	6,900	146	904	-	7,950
Hyosung Luxembourg S.A	18,536	(762)	(1,229)	-	18,536
Hyosung Brasil Industrial & Commercial Ltd. ⁴	-	(1,935)	158	15,522	13,745
Hyosung Power Holdings Co., Ltd.	45,941	(24,170)	718	-	22,489
Hyosung Singapore PTE Ltd. ³	-	-	-	-	-
Hyosung Spandex (GuangDong) Co., Ltd.	111,021	29,656	1,154	(26,964)	114,867
Hyosung Spandex (Jiaxing) Co., Ltd.	131,591	9,074	(2,360)	(33,109)	105,196
Hyosung Spandex (Zhuhai) Co., Ltd.	24,644	3,044	214	-	27,902
Hyosung Steel Cord (Nanjing) Co., Ltd.	33,799	(4,131)	244	-	29,912
Hyosung Steel Cord (Qingdao) Co., Ltd.	43,529	(792)	380	-	43,117
Hyosung Vietnam Co., Ltd. OpCo GmbH ³	49,192	25,391	(5,233)	-	69,350
Xepix Corp. ⁴	-	-	-	-	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	2,768	739	(67)	-	3,440
	10,404	22	105	-	10,531
Securities under cost method ²	9,851	-	-	1,073	10,924
	<u>₩1,485,472</u>	<u>₩ (2,225)</u>	<u>₩ (8,443)</u>	<u>₩ 93,784</u>	<u>₩1,568,588</u>

(in millions of Korean won)

Investee	2009				
	Beginning balance	Gain(loss) from equity method valuation	Changes in equity under the equity method	Others ¹	Ending balance
Nautilus Hyosung Inc.	₩ 56,074	₩ 9,534	₩ (430)	₩ -	₩ 65,178
The Class Hyosung Co., Ltd.	5,811	1,373	-	-	7,184
Soul Flora Co., Ltd	-	(466)	(117)	7,755	7,172
E-pia Tech Co., Ltd.	1,052	(195)	(1)	238	1,094
Epiplus Inc.	5,538	(2,288)	(531)	5,989	8,708
Capro Corp.	21,415	1,687	(430)	-	22,672
Chin Hung International Inc. ⁴	94,350	(27,557)	(3,572)	10,803	74,024
Taeon Solar Farm Co., Ltd	2,100	87	(307)	-	1,880
Hyosung Construction Co., Ltd. ³	-	-	-	-	-
Hyosung Ebara Engineering Co., Ltd.	14,594	3,761	(920)	-	17,435
Flossom Co., Ltd.	33,954	12,143	-	(1,809)	44,288

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Hyosung Information System Co., Ltd.	20,251	5,473	-	(865)	24,859
Hyosung Capital Co., Ltd.	371,984	(15,907)	5,685	-	361,762
Hyosung Investment & Development Corp.	33,690	1,312	(204)	-	34,798
Hyosung Trans World Co., Ltd.	12,774	1,924	-	(10,000)	4,698
Hyosung ITX Co., Ltd.	7,740	1,019	(1,793)	(4)	6,962
Baoding Hyosung Tianwei Transformer Co., Ltd.	8,134	(2,144)	(1,307)	-	4,683
Beijing Hyosung Container Co., Ltd. ⁴	22,803	367	(1,645)	-	21,525
Hyosung (H.K) Ltd.	1,508	(623)	(55)	-	830
Hyosung Chemicals (Jiaxing) Co., Ltd.	-	(123)	(1,483)	6,454	4,848
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	150,631	30,365	(14,115)	-	166,881
Hyosung Europe SRL	3,381	600	(278)	-	3,703
Hyosung Holdings USA	88,731	8,519	(7,660)	-	89,590
Hyosung International Trade (Jiaxing) Co., Ltd.	1,455	(54)	(107)	-	1,294
Hyosung Istanbul TEKSTIL LTD.STI ⁴	7,746	5,816	(941)	-	12,621
Hyosung Japan Co., Ltd.	4,146	3,518	(764)	-	6,900
Hyosung Luxembourg S.A	20,527	(762)	(1,229)	-	18,536
Hyosung Brasil Industrial & Commercial Ltd.	6,462	545	1,600	-	8,607
Hyosung Power Holdings Co., Ltd.	64,205	(15,278)	(2,986)	-	45,941
Hyosung Singapore PTE Ltd. ³	-	-	-	-	-
Hyosung Spandex (GuangDong) Co., Ltd.	121,612	6,600	(17,191)	-	111,021
Hyosung Spandex (Jiaxing) Co., Ltd.	135,924	5,884	(10,217)	-	131,591
Hyosung Spandex (Zhuhai) Co., Ltd.	31,575	(5,549)	(1,382)	-	24,644
Hyosung Steel Cord (Nanjing) Co., Ltd.	8,773	(3,559)	(274)	28,859	33,799
Hyosung Steel Cord (Qingdao) Co., Ltd.	49,139	(2,319)	(3,291)	-	43,529
Hyosung Vietnam Co., Ltd. OpCo GmbH ^{3&4}	43,398	15,044	(9,250)	-	49,192
Xepix Corp. ⁴	-	-	-	-	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	3,690	(580)	(342)	-	2,768
	6,889	(218)	1,757	1,976	10,404

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Securities under cost method ²	6,406	-	-	3,445	9,851
	<u>₩1,468,462</u>	<u>₩ 37,949</u>	<u>₩ (73,780)</u>	<u>₩ 52,841</u>	<u>₩1,485,472</u>

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

² The equity method was not applied since the effect from change in equity is not material to the Company's financial statements even though the Company's percentage of ownership exceeds 20%.

³ The equity method was discontinued as the book value of equity-method investments has decreased to zero.

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

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

<i>(in millions of Korean won)</i>	2010		2009	
Beginning	₩	72,435	₩	82,796
Increase (Decrease)		5,839		(10,361)
Ending	₩	<u>78,274</u>	₩	<u>72,435</u>

Summarized financial information of equity-method investees as of December 31, 2010 and 2009, follows:

(in millions of Korean won)

Investee	2010			
	Total assets	Total liabilities	Revenue	Net income (loss)
Galaxiaphotonics Co., Ltd.	₩ 36,116	₩ 27,902	₩ 10,789	₩ (19,591)
Nautilus Hyosung Inc.	290,250	111,307	405,830	29,204
The Class Hyosung Co., Ltd.	50,426	32,325	300,106	5,719
E-pia Tech Co., Ltd.	5,743	4,121	814	(2,340)
Capro Corp.	469,312	258,749	930,749	100,506
Flossom Co., Ltd.	96,424	83,867	233	(2,509)
Chin Hung International Inc.	844,310	651,270	582,388	(201,564)
Taeon Solar Farm Co., Ltd.	10,478	9,042	1,309	(172)
Hyosung Construction Co., Ltd.	-	-	84,595	11,307
Hyosung GoodSprings., Ltd.	153,608	67,429	262,101	22,895
Hyosung Ebara Engineering Co., Ltd.	88,957	67,735	183,609	302

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Hyosung Information System Co., Ltd.	160,557	101,655	230,288	11,232
Hyosung Capital Co., Ltd.	1,920,671	1,591,375	217,915	36,893
Hyosung Investment & Development Corp.	67,068	2,996	633	5,905
Hyosung Trans World Co., Ltd.	40,951	32,897	224,893	3,356
Hyosung ITX Co., Ltd.	60,543	37,469	168,391	582
Baoding Hyosung Tianwei Transformer Co., Ltd.	39,680	32,312	19,584	(2,870)
Beijing Hyosung Container Co., Ltd.	11,105	514	4,641	(1,064)
Hyosung (H.K) Ltd.	2,254	1,452	-	(4)
Hyosung Brasil Industrial & Commercial LTDA.	16,639	8,031	24,651	1,402
Hyosung Brasil Industria E Comercio DE Fibras LTD	13,938	192	-	(1,934)
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	289,906	113,756	264,142	15,752
Hyosung Chemicals (Jiaxing) Co., Ltd.	91,797	72,652	66,572	(776)
Hyosung Europe SRL	22,502	17,749	34,136	624
Hyosung Holdings USA	459,669	431,389	827,896	8,672
Hyosung International Trade (Jiaxing) Co., Ltd.	18,437	17,007	214,451	9
Hyosung Istanbul TEKSTIL LTD.STI	156,582	134,287	122,150	1,041
Hyosung Japan Co., Ltd.	87,850	77,715	437,165	1,596
Hyosung Luxembourg S.A	110,061	90,105	213,551	1,551
Hyosung Power Holdings Co., Ltd.	30,063	7,294	-	(24,546)
Hyosung Singapore PTE Ltd.	14,238	14,355	143,447	47
Hyosung Spandex (GuangDong) Co., Ltd.	227,951	86,611	183,572	29,575
Hyosung Spandex (Jiaxing) Co., Ltd.	179,108	54,061	108,903	17,773
Hyosung Spandex (Zhuhai) Co., Ltd.	71,129	38,394	58,954	8,542
Hyosung Steel Cord (Nanjing) Co., Ltd.	77,600	47,689	7,793	(4,131)
Hyosung Steel Cord (Qingdao) Co., Ltd.	156,910	111,541	116,704	1,309
Hyosung Vietnam Co., Ltd.	614,216	520,990	281,898	26,184
OpCo GmbH	7,502	8,089	-	-
Xepix Corp.	5,102	511	4,163	1,163
Zhangjiagang Xiaosha Coil Service Co., Ltd.	20,953	4,042	26,217	565
	<u>₩7,020,606</u>	<u>₩4,970,877</u>	<u>₩ 6,765,233</u>	<u>₩ 82,205</u>

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Investee	2009			
	Total assets	Total liabilities	Revenue	Net income (loss)
Galaxiaphotonics Co., Ltd.	₩ 25,662	₩ 12,778	₩ 13,343	₩ (2,700)
Nautilus Hyosung Inc.	249,683	99,851	327,308	22,459
The Class Hyosung Co., Ltd.	33,839	21,457	178,376	2,380
Soul Flora Co., Ltd.	55,111	40,046	-	(942)
E-pia Tech Co., Ltd.	7,713	3,015	2,468	(1,222)
Capro Corp.	410,089	301,800	685,450	8,442
Chin Hung International Inc.	972,891	686,370	614,205	(98,893)
Taeam Solar Farm Co., Ltd.	10,650	8,770	1,391	(11)
Hyosung Construction Co., Ltd.	115,034	126,342	34,569	(11,475)
Hyosung Ebara Engineering Co., Ltd.	82,243	60,841	150,074	4,586
Flossom Co., Ltd.	143,950	76,228	218,639	19,063
Hyosung Information System Co., Ltd.	138,789	89,069	216,698	10,947
Hyosung Capital Co., Ltd.	1,428,455	1,135,065	166,176	15,875
Hyosung Investment & Development Corp.	60,577	1,511	598	6,694
Hyosung Trans World Co., Ltd.	25,442	20,744	163,346	1,924
Hyosung ITX Co., Ltd.	55,014	32,631	122,792	405
Baoding Hyosung Tianwei Transformer Co., Ltd.	40,937	30,756	28,140	(2,621)
Beijing Hyosung Container Co., Ltd.	21,954	429	8,479	367
Hyosung (H.K) Ltd.	2,787	1,958	16,132	(623)
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	298,400	118,968	259,688	30,266
Hyosung Chemicals (Jiaxing) Co., Ltd.	51,113	31,351	-	(123)
Hyosung Europe SRL	18,858	14,283	30,015	785
Hyosung Holdings USA	404,902	384,666	893,993	4,475
Hyosung International Trade (Jiaxing) Co., Ltd.	19,954	18,544	191,794	(44)
Hyosung Istanbul TEKSTIL LTD.STI	162,309	139,810	87,411	4,434
Hyosung Japan Co., Ltd.	87,470	79,836	453,687	1,242
Hyosung Luxembourg S.A	150,045	129,879	209,197	231
Hyosung Brasil Industrial & Commercial Ltd.	11,439	2,831	10,028	545
Hyosung Power Holdings Co., Ltd.	53,817	7,220	-	(15,336)
Hyosung Singapore PTE Ltd.	10,495	10,650	175,756	381
Hyosung Spandex (GuangDong) Co., Ltd.	189,270	55,149	141,329	6,479
Hyosung Spandex (Jiaxing) Co., Ltd.	170,051	37,056	113,882	5,839

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Hyosung Spandex (Zhuhai) Co., Ltd.	49,828	25,919	34,856	(3,109)
Hyosung Steel Cord (Nanjing) Co., Ltd.	36,848	3,050	5,315	(3,559)
Hyosung Steel Cord (Qingdao) Co., Ltd.	161,933	118,254	117,443	(2,461)
Hyosung Vietnam Co., Ltd.	374,725	301,751	257,176	21,435
OpCo GmbH	8,299	8,948	-	-
Xepix Corp.	5,399	1,705	5,685	358
Zhangjiagang Xiaosha Coil Service Co., Ltd.	22,010	5,827	35,338	(333)
	<u>₩6,167,985</u>	<u>₩ 4,245,358</u>	<u>₩ 5,970,777</u>	<u>₩ 26,160</u>

Book and market values of marketable equity method investments as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
	Market value	Book value	Market value	Book value
Capro Corp.	₩ 172,142	₩ 43,957	₩ 79,968	₩ 22,672
Hyosung ITX Co., Ltd.	18,962	8,074	14,613	6,961
Chin Hung International Inc. (common shares)	167,039	84,383	62,585	51,104
Chin Hung International Inc. (preferred shares 1)	735	1,004	1,199	1,726
Chin Hung International Inc. (preferred shares 2)	781	809	1,089	1,442

7. Related Party Transactions

Details of subsidiaries as of December 31, 2010, are as follows:

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

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Flossom Co., Ltd.	Korea	Service of real estate	December 31
Hyosung Construction Co., Ltd.	Korea	Construction	December 31
Hyosung Good Springs Ltd.	Korea	Manufacture of liquid pump	December 31
Hyosung Ebara Engineering Co., Ltd.	Korea	Installation of environmental hygiene treatment Appliances	December 31
Hyosung Capital Co., Ltd.	Korea	Finance factoring	December 31
Hyosung Investment & Development Corp.	Korea	Development of real estate	December 31
Hyosung Trans World Co., Ltd.	Korea	Transportation	December 31
Baoding Hyosung Tianwei Transformer Co., Ltd.	China	Manufacture and sale of transformers	December 31
Beijing Hyosung Container Co., Ltd.	China	Manufacture and sales of other plastic products	December 31
HICO America Sales & Tech.	USA	General trading	December 31
Hyosung America Inc.	USA	General trading	December 31
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	China	Manufacture of polyester	December 31
Hyosung Chemicals (Jiaxing) Co., Ltd.	China	Manufacture of chemical products	December 31
Hyosung Europe SRL	Italy	General trading	December 31
Hyosung Holdings USA, Inc.	USA	Holding company	December 31
Hyosung International Trade (Jiaxing) Co., Ltd.	China	General trading	December 31
Hyosung Istanbul Tekstil Ltd. STI	Turkey	Manufacture and sale of spandex	December 31
Hyosung Japan Co., Ltd.	Japan	General trading	December 31
Hyosung Luxembourg S.A	Luxemburg	Manufacture and sale of tire cords	December 31
Hyosung Brasil industrial & commercial LTDA	Brazil	Manufacture and sale of tire cords	December 31
Hyosung Brasil industria E Comercio DE Fibras LTD	Brazil	Manufacture of spandex	December 31
Hyosung Power Holdings Co., Ltd.	Cayman Islands	Manufacture of transformers	December 31
Hyosung Singapore PTE Ltd.	Singapore	General trading	December 31
Hyosung Spandex (Guangdong) Co., Ltd.	China	Manufacture and sale of spandex	December 31
Hyosung Spandex (Jiaxing) Co., Ltd.	China	Manufacture and sale of spandex	December 31
Hyosung Spandex (Zhuhai) Co., Ltd.	China	Manufacture and sale of spandex	December 31
Hyosung Steel Cord (Nanjing) Co., Ltd.	China	Manufacture and sale of steel cords	December 31

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Hyosung Steel Cord (Qingdao) Co., Ltd.	China	Manufacture and sale of steel cords	December 31
Hyosung USA Inc.	USA	Manufacture and sales of tire cord	December 31
Hyosung Vietnam Co., Ltd.	Vietnam	Manufacture and sales of tire cord	December 31
Nantong Hyosung Transformer Co., Ltd.	China	Manufacture and sale of transformers	December 31
Nantong Yaubong Transformer Co., Ltd.	China	Manufacture and sale of transformers	December 31
Zhangjiagang Xiaosha Coil Service Co., Ltd.	China	Manufacture of steel products	December 31
Hyosung FMS Inc.	Korea	System and application software development and supply	December 31
Taeuk Construction Co., Ltd	Korea	Construction	December 31
Nautilus Hyosung America Inc.	USA	Service and sale of ATM, CD	December 31
Beijing Hyosung Computer Technologies Co., Ltd.	China	Manufacture and sale of computer components	December 31
Equity-method investees			
Gumoknongsan Co., Ltd.	Korea	Growing of other crops	December 31
E-pia Tech Co., Ltd.	Korea	Manufacture of foamed plastic products	December 31
Capro Corp	Korea	Manufacture of organic compounds	December 31
Hong Jin Data service Co.	Korea	Software development and supply	December 31
Hyosung ITX Co., Ltd.	Korea	Provision of human resources	December 31
Hyosung Wind Power Holdings Ltd.	Korea	Wind power generation	December 31
Hyosung Information System Co., Ltd.	Korea	Wholesale of computer and package software	December 31
Hyosung Toyota Co., Ltd.	Korea	Sales of motor vehicles	December 31
Taebaek Wind Power Co., Ltd.	Korea	Wind power generation	December 31
Pyeongchang Wind Power Co., Ltd.	Korea	Wind power generation	December 31
Asia LNG hub	Korea	Manufacture of gas and pipe supply	December 31
Beijing Hyosung Food& Beverage Co., Ltd.	China	Restaurant business	December 31
OpCo GmbH	Germany	Manufacture of film	December 31
Hyosung Deutschland GmbH	Germany	General trading	December 31
Hyosung (H.K) LIMITED	China	General trading	December 31
Hyosung Resource (Australia) PTY Ltd.	Australia	Resources development	December 31
Lanka Synthetic Fibre Co., Ltd.	Sri Lanka	Manufacture of polyester	December 31
Xepix Corp.	USA	LED research	December 31

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Others

Doomi development	Korea	Golf course management	December 31
Galaxia Media Co., Ltd.	Korea	Internet telecommunication network	December 31
Gangreng Wind Power	Korea	Development, construction and management of wind turbine plant	December 31
NH Technology	Korea	Management of computer facility	December 31
Kis-Bank Inc.	Korea	System software development and supply	December 31
Aegis Hyosung Co.	Korea	Provider of database and online information	December 31
Galaxia America, INC.	America	Wholesale of computers , peripheral equipment and software	December 31
Galaxia Electronics	Korea	Wholesale of computers , peripheral equipment and software	December 31
Galaxia Communications	Korea	System software development and supply	December 31
Shin Dong Jin Co., Ltd.	Korea	Sale of real estate and rental business	December 31
Dong Ryung Co., Ltd.	Korea	Real estate rental business	December 31
Trinity Asset Management Inc.	Korea	Sale of real estate and rental business	December 31
Galaxia Display Corp.	Korea	Manufacture of electronic components	December 31
Galaxia Device Co., Ltd.	Korea	Manufacture of electronic components	December 31
Jason Golf	Korea	Sports/Entertainment business	December 31
Infohub Corp.	Korea	System software development and supply	December 31
Flower Entertainment	Korea	Talent management	December 31
Hanil Lease Finance (HLF,HK) Ltd.	Korea	Financial business	March 31
Hyosung International(HK) Ltd.	Korea	General trading	December 31
Fulicang(TIANJIN) Electronics Co.,Ltd.	China	Manufacture of electronic components	December 31
Qingdao Tiandi Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Qingdao Zhiyu Jingmi Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Qingdao Am Co., Ltd.	China	Manufacture of electronic components	December 31
Qingdao Shenglin Electronics Co.,Ltd.	China	Manufacture of electronic components	December 31

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Qiangdao Solim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Weihai Solim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Weihai New Solim Electronics Co., Ltd.	China	Manufacture of electronic components	December 31
Kiwoong Inform & Comm Co., Ltd.	Korea	Software development and supply	December 31
InnoHub Co., Ltd.	Korea	Software development and supply	December 31
Kim-po Marine Management Co., Ltd.	Korea	Construction work and building maintenance	December 31
Gongdeok Development Co., Ltd.	Korea	Real estate leasing service	December 31

Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	Related Party	2010		2009	
		Sales	Purchases	Sales	Purchases
Subsidiaries					
	Nautilus Hyosung Inc.	₩ 22,920	₩ 17,232	₩ 1,857	₩ 13,933
	The Class Hyosung Co.,Ltd.	1,194	26	1,155	211
	Galaxia Photonics Inc.	622	378	262	113
	Chin Hung International Inc.	1,970	5,167	2,130	-
	Taeon Solar Farm Co., Ltd.	98	-	-	-
	Hyosung Construction Co., Ltd.	1,120	81,857	32,827	3,036
	Hyosung Good Springs Ltd.	38,985	618	29,363	1,106
	Hyosung Ebara Engineering Co., Ltd.	2,793	14,794	9,624	3,106
	Hyosung Capital Co., Ltd.	69	144	12	131
	Hyosung Investment & Development Corp.	8	1	3,885	-
	Hyosung Trans World Co., Ltd.	15	209,279	16	157,408
	Baoding Hyosung	27,004	65	7,499	173
	Tianwei Transformer Co., Ltd.	-	-	-	-
	Beijing Hyosung Container Co., Ltd.	-	-	1	-
	HICO America Sales & Tech.,Inc.	209,573	238	266,122	375
	Hyosung America Inc.	28,793	5,507	276,169	8,883
	Hyosung Brasil Industrial & Commercial LTDA.	6,750	2	-	-
	Hyosung Brasil industria E Comercio DE Fibras LTD.	2,413	-	686	-

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Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	39,313	73,451	32,008	85,106
Hyosung Chemicals (Jiaxing) Co., Ltd.	499	123	6,379	-
Hyosung Europe SRL	11,832	1,587	10,554	2,300
Hyosung International Trade (Jiaxing) Co.,Ltd.	173	1,664	855	553
Hyosung Istanbul Tekstil Ltd.STI	41,757	899	41,757	899
Hyosung Japan Co., Ltd.	211,965	125,753	186,854	98,139
Hyosung Luxembourg S.A	68,348	-	55,631	208
Hyosung Power Holdings Co.,Ltd	256	-	-	-
Hyosung Singapore PTE Ltd.	142,619	145	150,159	578
Hyosung Spandex (Guangdong) Co., Ltd.	31,057	3,416	9,567	2,926
Hyosung Spandex (Jiaxing) Co., Ltd.	7,804	1,716	7,983	18
Hyosung Spandex (Zhuhai) Co., Ltd.	4,735	1,626	2,247	-
Hyosung Steel Cord (Nanjing) Co., Ltd.	12,328	-	52	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	35,255	1,828	24,447	140
Hyosung USA Inc.	18,504	2	53,206	2,522
Hyosung Vietnam Co., Ltd.	165,198	119,758	122,061	128,425
Nantong Hyosung Transformer Co., Ltd.	9,963	3	17,506	2
Nantong Yaubong Transformer Co., Ltd.	300	-	241	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	8,915	177	3,146	295
Hyosung FMS Inc.	4	-	1	-
Equity-method investees				
E-pia Tech Co., Ltd.	68	-	56	-
Capro Corp.	8,205	463,550	1,001	342,236
Hyosung ITX Co., Ltd.	90	64	18	26
Hyosung Information System Co., Ltd.	54	-	48	-
OpCo GmbH	-	1	-	17
Hyosung Toyota Co., Ltd.	30	2	-	-
Hyosung (H.K) Ltd.	724	1,534	6,304	800
Xepix Corp.	180	4,637	98	4,472
Others				
Doomi Development	12,683	-	6,034	-
NH Technology	16	72	15	63
Aegis Hyosung Co.	-	6	-	6

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Galaxia Media	-	10	-	-
Galaxia Electronics	-	2,084	1	508
Galaxia Communications	-	1,462	-	2,183
Shin Dong Jin Co., Ltd.	11,316	835	25,806	933
Trinity Asset Management Co., Ltd.	-	-	-	1,266
Hyosung International(HK) Ltd.	22,722	496	15,434	-
Gongdeok Development Co., Ltd.	-	5,643	-	5,290
	<u>₩1,235,135</u>	<u>₩1,148,546</u>	<u>₩1,411,077</u>	<u>₩ 868,386</u>

Balances of receivables and payables with related companies as of December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
	Receivables	Payables	Receivables	Payables
Related Party				
Subsidiaries				
Nautilus Hyosung Inc.	₩ 606	₩ 2,599	₩ 40	₩ 2,187
The Class Hyosung Co.,Ltd.	1	-	105	-
Galaxia Photonics Inc.	103	213	-	11
Chin Hung International Inc.	21,166	1,511	21,266	-
Hyosung Construction Co., Ltd.	-	-	102,704	467
Hyosung Good Springs Ltd.	5,064	514	4,623	335
Hyosung Ebara Engineering Co., Ltd.	702	5,735	4,311	3,852
Hyosung Investment & Development Corp.	-	-	-	-
Hyosung Capital Co., Ltd.	18	-	24	-
Hyosung Trans World Co., Ltd.	2	36,528	2	21,557
Baoding Hyosung	171	61	156	158
Tianwei Transformer Co., Ltd.				
HICO America Sales & Tech.,Inc.	1	317	12	332
Hyosung America Inc.	4,614	5,414	4,545	3,960
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	4,191	10,821	4,155	11,790
Hyosung Chemicals (Jiaxing) Co., Ltd.	22	32	29	24
Hyosung Europe SRL	-	827	66	368
Hyosung International Trade (Jiaxing) Co.,Ltd.	-	66	-	24
Hyosung Istanbul Tekstil Ltd.STI	5,514	80	9,833	101
Hyosung Japan Co., Ltd.	691	83,891	663	53,710
Hyosung Luxembourg S.A	199	43	39	116
Hyosung Power Holdings Co.,Ltd.	300	-	-	-
Hyosung Singapore PTE Ltd.	1,118	120	1,489	361
Hyosung Spandex (Guangdong) Co., Ltd.	6,832	-	5,000	-

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Hyosung Spandex (Jiaxing) Co., Ltd.	3,748	-	4,002	-
Hyosung Spandex (Zhuhai) Co., Ltd.	2,479	-	3,038	-
Hyosung Steel Cord (Nanjing) Co., Ltd.	121	-	93	-
Hyosung Steel Cord (Qingdao) Co., Ltd.	2,203	320	3,995	-
Hyosung USA Inc.	335	-	373	-
Hyosung Vietnam Co., Ltd.	12,148	1,281	3,123	45
Nantong Hyosung Transformer Co., Ltd.	394	-	702	-
Nantong Yaubong Transformer Co., Ltd.	788	-	513	-
Zhangjiagang Xiaosha Coil Service Co., Ltd.	-	99	-	88
Equity-method investees				
E-pia Tech Co., Ltd.	-	-	22	-
Capro Corp.	105	131,969	101	70,382
Hyosung ITX Co.,Ltd.	1	36	-	-
Hyosung Information System Co., Ltd.	5	-	17	-
OpCo GmbH	6	-	6	18
Hyosung Toyota Co.,Ltd.	-	161	-	-
Hyosung (H.K) Ltd.	213	466	668	775
Others				
Doomi Development	-	-	6,815	-
NH Technology	2	37	1	21
Galaxia Media	-	11	-	-
Galaxia Electronics	-	1,156	-	92
Galaxia Communications	-	14	6	336
Shin Dong Jin Co., Ltd.	-	-	31,539	-
Hyosung International(HK) Ltd.	188	144	92	49
	<u>₩ 74,076</u>	<u>₩ 284,436</u>	<u>₩ 214,168</u>	<u>₩ 171,159</u>

¹ The Company recorded ₩625 million in 2010 (2009: ₩3,114 million) as allowance for doubtful accounts receivable from the related parties based on the aging analysis. As a result, the ₩2,489 million of reversal of allowance for bad debts was recorded in 2010 and offset against bad debts expense under selling and administrative expenses. Accounts receivable from the contract with Hyosung Construction Co., Ltd., which was liquidated in 2010, was collected through payment in kind. Relative to this, the ₩7,452 million of reversal of allowance for bad debt was recorded in 2010 as non-operating income.

Hyosung Corporation
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Short-term loans to related parties as of December 31, 2010, are as follows:

Company	Amounts	Exchange rate	Korean won equivalent
Subsidiary			<i>(in millions)</i>
Hyosung Power Holdings Co.,Ltd.	USD 6,141,298	1,138.90	₩ 6,994

Long-term loans to related parties as of December 31, 2010, are as follows:

Related Party	Amounts	Exchange rate	Korean won equivalent
Subsidiary			<i>(in millions)</i>
OpCo GmbH.	EUR 2,505,299	1,513.60	₩ 3,792
OpCo GmbH.	USD 3,024,683	1,138.90	3,445

Key management compensation for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Short-term employee benefits	₩ 5,564	₩ 5,131

Details of pledges and guarantees provided to related parties by the Company as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010			
Related Party	Guaranteed amount	Type of loan	Credit amount	Creditor
Subsidiaries				
HICO America Sales & Tech., Inc.	₩ 45,556	Foreign currency loans and others	₩ -	Woori Bank and others
Hyosung America Inc.	11,389	Foreign currency loans and others	-	Korea Exchange Bank
Hyosung Japan Co., Ltd.	137,830	Foreign currency loans and others	50,354	Woori Bank and others
Hyosung Spandex (Jiaxing) Co., Ltd.	34,167	Operating capital and others	34,167	Korea Development Bank
Hyosung Spandex (GuangDong) Co., Ltd.	58,675	Operating capital and others	50,684	Woori Bank and others

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Hyosung Spandex (Zhuhai) Co., Ltd.	36,445	Operating capital and others	30,730	Korea Development Bank and others
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	36,445	Facility loans and others	36,445	The Export-Import Bank of Korea and others
Hyosung Chemical (Jiaxing) Co., Ltd.	29,484	Operating capital and others	27,936	Shinhan Bank and others
Hyosung Steel Cord (QingDao) Co., Ltd.	123,001	Facility loans and others	88,275	Woori Bank and others
Baoding Hyosung Tianwei Transformer Co., Ltd.	17,023	Facility loans and others	17,023	Woori Bank and others
Nantong Hyosung Transformer Co., Ltd.	139,981	Facility loans and others	98,707	Hana Bank and others
Hyosung Steel Cord(Nanjing) Co., Ltd.	52,109	Operating capital and others	46,415	Hana Bank and others
Hyosung USA, Inc.	151,474	Operating capital and others	79,723	Korea Exchange Bank
Hyosung Holdings USA, Inc.	25,056	Operating capital and others	19,361	Kookmin Bank and others
Hyosung Luxembourg S.A.	59,181	Operating capital and others	46,316	The Export-Import Bank of Korea and others
Hyosung Vietnam Co., Ltd.	548,625	Facility loans and others	456,193	Woori Bank and others
Hyosung Istanbul Tekstil Ltd. STI	93,390	Facility loans and others	93,390	The Export-Import Bank of Korea and others
Hyosung Good Springs Ltd.	1,934	Advance receipts refunds	1,934	Mapna Boiler Engineering & Manufacturing
Equity-method investees				
Hyosung International(HK) Ltd.	20,500	Foreign currency loans and others	357	Hana Bank and others
Hyosung Singapore Pte,Ltd.	11,389	Foreign currency loans and others	-	Woori Bank
	<u>₩ 1,633,654</u>		<u>₩ 1,178,028</u>	

(in millions of Korean won)

2009

Related Party	Guaranteed amount	Type of loan	Credit amount	Creditor
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Hyosung Corporation
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Subsidiaries

Hyosung America Inc.	₩ 11,676	Foreign currency loans and others	₩ -	Shinhan Bank and others
HICO America Sales & Tech., Inc.	23,352	Foreign currency loans and others	5,838	Woori Bank and others
Hyosung Japan Co., Ltd.	136,194	Foreign currency loans and others	46,328	Woori Bank and others
Hyosung Europe SRL	701	Foreign currency loans and others	-	Korea Exchange Bank
Hyosung Spandex (Zhuhai) Co., Ltd.	19,849	Operating capital and others	19,849	Korea Development Bank and others
Hyosung Chemical Fiber (Jiaxing) Co., Ltd.	35,028	Facility loans and others	10,508	Korea Development Bank and others
Hyosung Steel Cord (QingDao) Co., Ltd.	95,743	Facility loans and others	94,576	Woori Bank and others
Baoding Hyosung Tianwei Transformer Co., Ltd.	14,867	Facility loans and others	14,301	Woori Bank and others
Nantong Hyosung Transformer Co., Ltd.	151,501	Facility loans and others	104,476	Hana Bank and others
Hyosung Steel Cord(Nanjing) Co., Ltd.	2,137	Facility loans and others	855	Hana Bank
Hyosung USA, Inc.	156,342	Operating capital and others	81,732	Korea Exchange Bank
Hyosung Holdings USA, Inc.	25,687	Operating capital and others	5,721	Kookmin Bank and others
Hyosung Luxembourg S.A.	65,460	Operating capital and others	52,904	The Export-Import Bank of Korea and others
Hyosung Vietnam Co., Ltd.	295,403	Facility loans and others	265,419	Woori Bank and others
Hyosung Istanbul Tekstil Ltd. STI	108,003	Facility loans and others	108,003	The Export-Import Bank of Korea and others
Hyosung Singapore Pte, Ltd.	11,676	Foreign currency loans and others	269	Hana Bank and others

Others

Hyosung International(HK) Ltd.	20,550	Foreign currency loans and others	468	Shinhan Bank and others
	<u>₩1,174,169</u>		<u>₩ 811,247</u>	

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8. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010					
	Land	Buildings	Machinery	Construction in-progress	Others	Total
Beginning balances	₩ 1,604,238	₩ 533,421	₩ 523,014	₩ 281,686	₩ 139,058	₩ 3,081,417
Acquisition	15,509	6,035	45,010	111,764	21,763	200,081
Disposal	(22,650)	(11,496)	(6,759)	-	(828)	(41,733)
Depreciation	-	(18,790)	(142,903)	-	(17,672)	(179,365)
Impairment ¹	-	(4,356)	3,548	-	-	(808)
Transfer ²	640	73,053	233,095	(314,320)	8,072	504
Ending balance	₩ 1,597,737	₩ 577,867	₩ 655,005	₩ 79,130	₩ 150,393	₩ 3,060,132

¹ The Company also recognized the impairment loss of ₩4,356 million, which is the difference between the book value and recoverable amount, for its building received as payment in substitutes. The recoverable amount is estimated based on the net realizable value.

² Transfer includes acquisition of land of ₩ 640 million and ₩ 536 million for the land and building received as payment in substitutes. Also it includes supplies expenses of ₩ 287 million and loss on impairment of ₩ 348 million of other tangible assets.

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

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

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

If land is stated at acquisition cost, the book value as of December 31, 2010, is ₩743,612 million (2009: ₩739,000 million).

Land, buildings and machinery have been pledged as collaterals for borrowings (Note 31).

As of December 31, 2010, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to ₩1,100,285 million (2009: ₩1,065,368 million).

9. Intangible Assets

Changes in intangibles assets for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010			
	Industrial property	Rights to use	Other intangible assets	Total
Beginning Balance	₩ 6,079	₩ 55	₩ 3,694	₩ 9,828
Acquisition	1,233	-	221	1,454
Transfer	(2)	-	-	(2)
Amortization	(1,015)	(9)	(342)	(1,366)
Ending Balance	₩ 6,295	₩ 46	₩ 3,573	₩ 9,915

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

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Amortization of intangible assets is charged to the following accounts:

<i>(in millions of Korean won)</i>	2010		2009	
Manufacturing costs	₩	264	₩	288
Selling and administrative expenses ¹		1,102		1,362
	₩	<u>1,366</u>	₩	<u>1,650</u>

¹ Selling and administrative expenses include R&D expenses.

10. Insurance Coverage

As of December 31, 2010, assets covered by insurance policies are as follows:

<i>(in millions of Korean won)</i>	Assets	Book value	Insurance coverage	Insured by
Property insurance	Buildings	₩ 577,867	₩ 930,041	Samsung Fire and Marine Insurance Co. and others
	Structures	95,291	95,179	
	Machinery	655,004	2,926,795	
	Inventories	801,996	389,327	
	Vehicles and tools	42,895	54,669	
		<u>₩ 2,173,053</u>	<u>₩ 4,396,011</u>	

11. Government Grants

Changes in government grants for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i> ²	2010		2009	
Beginning balance	₩	27,696	₩	22,272
Increase		7,275		11,582
Decrease		(6,872)		(6,158)
Ending balance	₩	<u>28,099</u>	₩	<u>27,696</u>

The Company entered into development agreements with Korea Electric Power Research Institute and other 19 parties for 48 national projects, including the electric power converter project for 250 KW fuel cells.

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The Company received ₩7,275 million in government grants for these projects during the year ended December 31, 2010, and the balance of government grants as of December 31, 2010, is recorded as withholdings and long-term accounts payable of ₩17,984 million and ₩10,115 million, respectively.

12. Debentures

Debentures as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	Maturity date	Interest rate as of December 31, 2010	2010	2009
225-2 nd Public subscription bond	2011.01.25	7.02%	30,000	30,000
229-2 nd Public subscription bond	2011.07.06	6.14%	30,000	30,000
230 th Private subscription bond	2011.11.15	5.62%	30,000	30,000
231 st Private subscription bond	2010.01.31	-	-	10,000
232-1 st Public subscription bond	2010.05.21	-	-	50,000
232-2 nd Public subscription bond	2012.05.21	5.74%	50,000	50,000
233-1 st Public subscription bond	2010.07.11	-	-	150,000
233-2 nd Public subscription bond	2012.07.11	6.02%	30,000	30,000
235-1 st Public subscription bond	2010.03.13	-	-	50,000
235-2 nd Public subscription bond	2011.03.13	5.79%	70,000	70,000
235-3 rd Public subscription bond	2013.03.13	6.06%	30,000	30,000
236-1 st Public subscription bond	2010.07.24	-	-	20,000
236-2 nd Public subscription bond	2011.07.24	6.87%	100,000	100,000
236-3 rd Public subscription bond	2013.07.24	7.00%	30,000	30,000
237-2 nd Public subscription bond	2010.12.31	-	-	25,000
237-3 rd Public subscription bond	2011.12.31	8.85%	20,000	20,000
238-1 st Public subscription bond	2010.01.22	-	-	20,000
238-2 nd Public subscription bond	2011.01.22	8.60%	60,000	60,000
238-3 rd Public subscription bond	2012.01.22	8.70%	70,000	70,000
239 th Private subscription bond	2010.02.02	-	-	30,000
240 th Private subscription bond	2010.02.02	-	-	30,000
241-1 st Public subscription bond	2011.03.19	6.00%	30,000	30,000
241-2 nd Public subscription bond	2012.03.19	6.60%	80,000	80,000
241-3 rd Public subscription bond	2013.03.19	6.90%	40,000	40,000
242-1 st Public subscription bond	2013.03.05	5.18%	80,000	-
242-2 nd Public subscription bond	2015.03.05	5.79%	70,000	-
243-1 st Public subscription bond	2013.07.12	4.93%	70,000	-
243-2 nd Public subscription bond	2015.07.12	5.75%	30,000	-
244-1 st Public subscription bond	2013.12.21	4.10%	30,000	-
244-2 nd Public subscription bond	2014.12.21	4.60%	30,000	-

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244-3 rd Public subscription bond	2015.12.21	4.99%	40,000	-
			1,050,000	1,085,000
Less : Current portion of debentures			(370,000)	(385,000)
Discounts on bond			(3,049)	(1,863)
			<u>₩ 676,951</u>	<u>₩ 698,137</u>

13. Borrowings

Short-term borrowings as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>		Bank	Interest rate as of		
			December 31, 2010	2010	2009
Local currency short-term borrowings					
General loans	National Agricultural Cooperative Foundation	4.90%	₩ 10,000	₩ 10,000	
	Woori Bank	5.36%	30,000	30,000	
Other loans	Woori Bank	4.78%	80,000	-	
	Hi Investment & Securities	-	-	31,300	
	Eugene Securities	-	-	40,000	
			<u>120,000</u>	<u>111,300</u>	
Foreign currency short-term borrowings					
General loans	SMBC	2.79%	22,778	-	
	Shinhan Bank	3.37%	22,778	-	
	Korea Development Bank	3.01%	10,250	-	
Usance	Woori Bank and other	LIBOR + 0.88~5.66%	199,303	235,830	
			<u>255,109</u>	<u>235,830</u>	
			<u>₩ 375,109</u>	<u>₩ 347,130</u>	

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Long-term borrowings as of December 31, 2010 and 2009, are as follows:

Local currency long-term borrowings

<i>(in millions of Korean won)</i>	Bank	Interest rate as	2010	2009
		of December 31, 2010		
Facility loans	Korea Development Bank	2.25%~7.59%	₩ 228,659	₩ 156,747
Operating capital	Korea Development Bank	4.77%~7.82%	80,000	78,000
Facility loans	Korea Development Bank Capital	1.50%~3.00%	12,853	13,629
Facility loans	Korea Housing Guarantee Co., Ltd.	1.00%	4,400	4,400
Operating capital	Woori Bank	5.60%	30,000	30,000
Operating capital	Korea Exchange Bank	5.94%	20,000	20,000
Operating capital	Hana Bank	4.93%~6.35%	60,000	60,000
Facility loans	Kookmin Bank	5.49%~7.08%	46,667	50,000
Operating capital	Shinhan Bank	6.45%	30,000	30,000
			512,579	442,776
Less : Current portion of long-term borrowings			(132,290)	(180,197)
			₩ 380,289	262,579

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

Foreign currency long-term borrowings

<i>(in millions of Korean won)</i>	Bank	Interest rate as	2010	2009
		of December 31, 2010		
Facility loans	The Export-Import Bank of Korea	2.64%	₩ 22,778	₩ -
	The Korea Development Bank	-	-	34,211
	Mitsui Sumimoto Bank	-	-	23,352
	Shinhan Bank	-	-	23,352
			22,778	80,915
Less : Current portion of long-term borrowings			-	(80,915)
			₩ 22,778	₩ -

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

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

<i>(in millions of Korean won)</i>		Local currency long-term borrowings	Foreign currency long-term borrowings	Total
Year	Debentures			
2011	₩ 370,000	₩ 132,290	₩ -	₩ 502,290
2012	230,000	162,580	22,778	415,358
2013	280,000	207,652	-	487,652
2014	30,000	3,474	-	33,474
2015	140,000	2,444	-	142,444
Thereafter	-	4,139	-	4,139
	<u>₩ 1,050,000</u>	<u>₩ 512,579</u>	<u>₩ 22,778</u>	<u>₩ 1,585,357</u>

14. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Beginning balance	₩ 158,294	₩ 142,712
Increase	45,521	35,262
Payment	<u>(75,089)</u>	<u>(19,680)</u>
Ending balance	128,726	158,294
Less :		
Severance benefit insurance	(92,713)	(111,777)
National pension plan deposits	<u>(644)</u>	<u>(1,121)</u>
	<u>₩ 35,369</u>	<u>₩ 45,396</u>

As of December 31, 2010, the Company estimates severance payable to all employees to be ₩128,726 million (2009: ₩158,294 million) and records the corresponding amount as accrued severance benefits. Also, accrued severance benefits are funded at approximately 72.02% as of December 31, 2010 (2009: 70.61%), through severance insurance deposits with Samsung Life Insurance Co. Ltd. and others.

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15. Provision for Construction Warranties

Changes in provision for construction warranties for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Beginning balance	₩	9,037	₩	8,686
Payment		(1,712)		(1,337)
Increase		1,161		1,688
Ending balance	₩	<u>8,486</u>	₩	<u>9,037</u>

As of December 31, 2010, the Company accrued ₩8,486 million as provision for construction warranties still in effect and included ₩1,161 million of warranty expense in 2010 as cost of sales.

16. Monetary Assets and Liabilities denominated in Foreign Currencies

As of December 31, 2010 and 2009, monetary assets and liabilities denominated in foreign currencies are as follows:

	2010			2009		
	Foreign currencies	KRW equivalent <i>(in millions)</i>		Foreign currencies	KRW equivalent <i>(in millions)</i>	
Assets						
Cash	USD	35,690,150	₩ 50,561	USD	4,634,151	₩ 10,897
and cash	EUR	2,062,575		EUR	1,347,964	
equivalents	JPY	155,424,992		JPY	110,779,340	
	MYR	6,665,956		MYR	4,785,999	
	BDT	3,489,879		BDT	2,625,084	
	VND	2,166,916,504		VND	2,443,001,778	
	QAR	5,131,723		QAR	-	
	ALL	4,275,899		ALL	-	
	PHP	8,815,965		PHP	-	
	DZD	6,100,403		DZD	-	
Short-term loans receivables	USD	6,141,298	6,994	USD	6,141,298	7,171
Long-term loans receivables	EUR	2,505,299	7,237	EUR	2,505,299	7,726
	USD	3,024,683		USD	3,024,683	

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Trade	EUR	7,609,975	126,055	EUR	17,701,805	123,797
accounts	JPY	33,077,750		JPY	58,946,209	
receivable	MYR	4,256,752		MYR	4,969,676	
	USD	98,339,430		USD	78,555,519	
	AED	1,623,891		AED	-	
	CAD	16		CAD	-	
Other	EUR	1,188,274	6,752	EUR	1,079,955	8,916
accounts	JPY	2,056,605		JPY	2,287,850	
receivable	USD	4,323,420		USD	6,062,518	
	AED	2,468		AED	-	
Accrued	USD	263,215	300	USD	42,091	49
income						
Guarantee	EUR	4,626,604	61,257	EUR	3,230,934	28,568
deposits	JPY	8,252,225		JPY	9,259,225	
	MYR	5,358,724		MYR	5,358,724	
	USD	45,443,639		USD	18,170,382	
	AUD	170,115		AUD	-	
	DKK	1,021,390		USD	18,170,382	
			<u>₩ 259,157</u>			<u>₩ 187,124</u>
Liabilities						
Trade	USD	366,518,037	₩ 425,716	USD	234,576,067	₩ 310,097
accounts	EUR	2,210,842		EUR	9,335,950	
payable	JPY	287,484,569		JPY	1,567,071,069	
	MYR	568,831		MYR	655,236	
	SEK	2,943,021		SEK	1,769,627	
	GBP	21,254		GBP	129,579	
	CHF	73,287		CHF	27,078	
	DKK	414,318		DKK	-	
	THB	248,240		THB	-	
Short-term	EUR	10,674,676	255,095	EUR	12,626,373	235,830
borrowings	JPY	807,407,000		JPY	2,146,887,243	
	USD	196,486,917		USD	156,290,986	
	SEK	18,974,752		SEK	1,092,050	
	CHF	560,322		CHF	4,363,783	
Other	CNY	20,000	50,012	CNY	180,184	39,847
accounts	EUR	2,185,913		EUR	2,323,904	
payable	JPY	40,780,451		JPY	24,485,114	
	SEK	271,000		SEK	390,650	

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	USD	40,304,831		USD	30,446,480	
	DKK	-		DKK	13,176	
	AUD	156,433		AUD	-	
Advances from customers	EUR	6,418,4075	2,374	EUR	3,420,505	55,696
	JPY	9,572,381		JPY	8,701,151	
	MYR	77,103		MYR	77,103	
	USD	37,244,170		USD	42,679,705	
	AUD	68,456		AUD	-	
Accrued expenses	EUR	98,148	2,363	EUR	125,080	3,568
	JPY	1,315,145		JPY	34,033,697	
	USD	1,855,210		USD	2,471,879	
	CHF	4,529		CHF	36,771	
	SEK	461,771		SEK	4,395	
Long-term borrowings	USD	20,000,000	22,778	USD	69,300,000	80,915
			<u>₩ 808,338</u>			<u>₩ 725,953</u>

In connection with the above foreign currency translations, ₩64,962 million (2009: ₩66,390 million) in translation gains and ₩56,245 million (2009: ₩33,888 million) in translation losses are recorded as non-operating income and expenses, respectively.

17. Derivatives

Forward exchange contract

To hedge against foreign exchange risks, the Company entered into 13 contracts and 344 forward exchange contracts for the fluctuation of foreign exchange rates, and the related valuation gain (loss) on derivatives is charged to current operations.

Details of derivative contracts as of December 31, 2010 and 2009 are as follows:

	Weighted average exchange rate based on contracts (in Korean won)	Weighted average expiry date as of December 31, 2010	Contract price of outstanding derivatives ¹	
			2010	2009
Forward exchange contracts (USD)	₩ 1,164.15	2011/09/27	₩ 617,473	₩ 327,658
Forward exchange contracts (EUR)	1,569.06	2011/09/27	79,647	9,640
Forward exchange contracts (CAD)	1,121.08	2011/09/27	22,588	8,330

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Forward exchange contracts (AUD)	1,012.35	2011/09/27	14,763	-
Forward exchange contracts (JPY)	13.93	2011/09/27	5,040,000	-
Forward exchange contracts (GBP)	1.54	2011/09/27	437	-
Forward exchange contracts (HKD)	149.40	2011/09/27	3,562	-
Foreign exchange risk insurance (USD)	976.06	2011/05/20	2,850	68,029

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

Put options

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

(in millions of Korean won)

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

Valuation gain or loss

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

(in millions of Korean won)

	2010		2009	
	Valuation gain	Valuation loss	Valuation gain	Valuation loss
Forward exchange contracts	₩ 17,514	₩ (5,233)	₩ 12,551	₩ (1,916)
Insurance contracts	130	-	4,398	-
Put options ¹	304	-	-	(254)
	<u>₩ 17,948</u>	<u>₩ (5,233)</u>	<u>₩ 16,949</u>	<u>₩ (2,170)</u>

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

The realized gain and loss on derivative transactions recognized upon the expiration of contracts during the year amounted to ₩16,446 million and ₩6,113 million, respectively.

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Hedge accounting on borrowings denominated in foreign currency

In accordance with the Financial Supervisory Service's Accounting Implementation Guide [2010-2], the Company designated borrowings denominated 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 on July 1, 2008.

And the loss on derivative transactions of ₩9,076 million was offset against sales by applying cash flow hedge accounting.

18. Capital Stock and Capital Surplus

The Company is authorized to issue 200 million shares with the par value per share of ₩5,000. As of December 31, 2010, the Company has issued 35,117,455 shares of common stock. There were no changes in capital stock in 2010.

In accordance with the former Asset Revaluation Law, the Company has revalued its property, plant and equipment on October 1, 1998. Details of asset revaluation as of December 31, 2010, are as follows:

(in millions of Korean won)

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

As of December 31, 2010, 1,848,851 shares of treasury stock have no voting rights pursuant to the Commercial Law. The treasury shares were acquired through a merger in 1998 and are expected to be sold in the future.

19. Foreign Currency Translation Loss from Overseas Operations

Loss on currency translation from foreign operations of ₩1,717 million from the Malaysian and Bangladeshi branches, whose sales and financing activities are independent, is recorded as accumulated other comprehensive income.

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20. Retained Earnings

<i>(in millions of Korean won)</i>	2010		2009	
Legal reserve ¹	₩	9,965	₩	6,638
Reserve for research and human resource development ²		40,000		6,667
Reserve for facility		524,000		253,000
	₩	<u>573,965</u>	₩	<u>266,305</u>

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

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

21. Cost of Sales

Details of cost of sales for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Cost of goods sold				
Inventory, beginning	₩	35,110	₩	17,753
Net purchase		2,849,560		2,281,833
Inventory, ending		<u>(32,043)</u>		<u>(35,110)</u>
		<u>2,852,627</u>		<u>2,264,476</u>
Cost to manufacture				
Inventory, beginning		101,398		205,448
Manufacturing cost for the year		4,167,004		3,708,669
Transfer from other accounts		(295,273)		(498,436)
Inventory, ending		<u>(156,570)</u>		<u>(101,398)</u>
		<u>3,816,560</u>		<u>3,314,283</u>

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Construction cost				
Unfinished construction cost, beginning		12,809		15,751
Construction costs		276,632		302,335
Transfer from other accounts		(1,756)		(31,881)
Unfinished construction cost, ending		(26,024)		(12,809)
		<u>261,661</u>		<u>273,396</u>
Costs of others		39,402		34,463
Cost of sales	₩	<u>6,970,250</u>	₩	<u>5,886,618</u>

22. Income Taxes

Income tax expense consists of:

<i>(in millions of Korean won)</i>		2010		2009
Current income taxes ¹	₩	114,427	₩	29,559
Deferred income tax due to temporary differences		6,543		30,029
Deferred income tax due to tax loss carryforwards		10,379		41,195
Deferred income tax charged to equity		(457)		1,989
Income tax expense	₩	<u>130,892</u>	₩	<u>102,772</u>

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

Deferred income taxes charged directly to equity are as follows:

<i>(in millions of Korean won)</i>		2010		2009
Gain on valuation of available-for-sale securities	₩	(3,437)	₩	(1,077)
Gain on valuation of derivative instruments		(1,894)		(8,369)
Changes in equity from equity-method		2,438		11,034
Earned surplus from equity-method		(9)		(86)
Surplus from revaluation of land		2,445		487
	₩	<u>(457)</u>	₩	<u>1,989</u>

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

<i>(in millions of Korean won)</i>	2010		2009	
Net income before tax	₩	402,224	₩	441,691
Income tax based on statutory rate	₩	97,314	₩	106,865
Adjustments				
Non-deductible expense		13,254		(6,284)
Effect of change in tax rate		-		-
Others		20,324		2,191
Income tax expense	₩	130,892	₩	102,772
Effective tax rate		32.54%		23.27%

Changes in the temporary differences and related deferred tax assets and liabilities as of December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	Temporary differences¹				Deferred tax assets (liabilities)		
	2010	Beginning	Increase	Decrease	Ending	Beginning	Ending
Accrued severance benefits	₩	110,003	₩ 39,172	₩ 21,792	₩ 127,383	₩ 24,201	₩ 28,024
Impairment loss on investments		17,370	113		17,483	3,821	3,846
Loss on valuation of inventories		14,001	1,203	-	15,204	3,388	3,680
Allowance for doubtful accounts in excess of tax limit		35,072	45,122	35,072	45,122	8,487	10,920
Accumulated depreciation in excess of tax limit		4,891	-	3,548	1,343	1,076	295
Government subsidy		27,695	403	-	28,098	6,702	6,800
Provision for equity loss of associates		76,633	1,076	39	77,670	16,859	17,087
Provision for construction losses		11,573	6,726	-	18,299	2,546	4,026
Others		51,523	15,228	21,856	44,895	21,002	10,027
		<u>348,761</u>	<u>109,043</u>	<u>82,307</u>	<u>375,497</u>	<u>88,082</u>	<u>84,705</u>
Reserve for research and human resource development		(40,000)	(40,000)	-	(80,000)	(8,800)	(17,600)
Accrued interest income		(2,495)	(944)	(2,495)	(944)	(604)	(228)
Available-for-sale securities		(15,452)	(15,623)	-	(31,075)	(3,399)	(6,837)

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Reserve for severance benefits	(110,003)	(39,172)	(21,792)	(127,383)	(24,201)	(28,024)
Equity-method investments	(299,357)	(23,036)	(218,573)	(103,820)	(74,135)	(79,066)
Gain (loss) from fire insurance policy	(15,452)	-	(2,211)	(13,241)	(3,399)	(2,913)
Revaluation of land	(865,237)	-	(11,112)	(854,125)	(190,352)	(187,907)
Loss on valuation of derivatives	(3,430)	(8,193)	-	(11,623)	(830)	(2,813)
Loss on valuation of assets and liabilities in foreign currencies	(32,501)	(2,222)	(28,791)	(5,932)	(7,865)	(1,436)
Others	(18,924)	(304)-	-	(19,228)	(4,163)	(4,469)
	<u>(1,402,851)</u>	<u>(129,494)</u>	<u>(284,974)</u>	<u>(1,247,371)</u>	<u>(317,748)</u>	<u>(331,293)</u>
	<u>₩(1,054,090)</u>	<u>₩ (20,451)</u>	<u>₩(202,667)</u>	<u>₩(871,874)</u>	<u>₩ (229,666)</u>	<u>₩ (246,588)</u>

2009 (in millions of Korean won)	Temporary differences ¹				Deferred tax assets (liabilities)	
	Beginning	Increase	Decrease	Ending	Beginning	Ending
Accrued severance benefits	₩ 93,992	₩ 27,152	₩ 11,141	₩ 110,003	₩ 20,678	₩ 24,201
Impairment loss on investments	18,298	115	1,043	17,370	4,026	3,821
Loss on valuation of inventories	13,173	828	-	14,001	3,188	3,388
Allowance for doubtful accounts in excess of tax limit	4,087	35,179	4,194	35,072	989	8,487
Accumulated depreciation in excess of tax limit	-	4,891	-	4,891	-	1,076
Government subsidy	21,102	6,593	-	27,695	5,107	6,702
Provision for equity in loss of associates	73,066	3,956	389	76,633	16,075	16,859
Short-term and long-term borrowings	-	48,709	40,102	8,607	-	1,894
Provision for construction losses	-	11,573	-	11,573	-	2,546
Others	186,308	12,335	155,727	42,916	60,289	19,108
	<u>410,026</u>	<u>151,331</u>	<u>212,596</u>	<u>348,761</u>	<u>110,352</u>	<u>88,082</u>
Reserve for research and human resource development	(6,667)	(40,000)	(6,667)	(40,000)	(1,467)	(8,800)
Accrued interest income	(1,187)	(2,495)	(1,187)	(2,495)	(287)	(604)
Available-for-sale securities	(11,572)	(3,880)	-	(15,452)	(2,546)	(3,399)

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Reserve for severance benefits	(93,992)	(27,152)	(11,141)	(110,003)	(20,678)	(24,201)
Equity-method investments	(347,595)	(37,673)	(85,911)	(299,357)	(76,471)	(74,135)
Gain (loss) from fire insurance policy	(17,712)	-	(2,260)	(15,452)	(3,897)	(3,399)
Revaluation of land	(867,453)	-	(2,216)	(865,237)	(190,840)	(190,352)
Loss on valuation of derivatives	48,029	-	51,459	(3,430)	11,623	(830)
Loss on valuation of assets and liabilities in foreign currencies	83,574	(32,501)	83,574	(32,501)	20,225	(7,865)
Others	(20,249)	-	(1,325)	(18,924)	(4,455)	(4,163)
	<u>(1,234,824)</u>	<u>(143,701)</u>	<u>24,326</u>	<u>(1,402,851)</u>	<u>(268,793)</u>	<u>(317,748)</u>
	<u>₩ (824,798)</u>	<u>₩ 7,630</u>	<u>₩ 236,922</u>	<u>₩(1,054,090)</u>	<u>₩ (158,441)</u>	<u>₩ (229,666)</u>

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

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

(in millions of Korean won)	2010		2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Current	₩ 23,053	₩ 4,477	₩ 31,275	₩ (9,299)
Non-current	61,653	326,816	56,808	(308,450)

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

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax assets, excluding temporary differences ₩469,459 million arising from equity-method investments.

Temporary difference not recognized as deferred tax liabilities

Deferred tax liabilities were not recognized for the temporary differences of ₩140,071 million resulting from equity-method investments and the temporary difference of ₩351,145 million resulting from allowance for advanced depreciation.

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23. Earnings Per Share

Basic earnings per share as of December 31, 2010 and 2009, is computed as follows:

	2010		2009	
Net income attributable to common stock ¹	₩	271,331,967,461	₩	338,919,858,031
Weighted average number of common stock outstanding ²		33,268,604		33,268,604
Basic earnings per share	₩	<u>8,156</u>	₩	<u>10,187</u>

¹ Net income attributable to common stock is equal to net income.

² There are no changes in the weighted average number of common shares during the years ended December 31, 2010 and 2009.

24. Dividends

Details of dividends for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Number of common stock eligible for dividends		33,268,604		33,268,604
Dividend rate		25%		20%
Dividend amount	₩	41,586	₩	33,269
Dividend payout ratio (Dividends/Net income)		15.33%		9.82%
Dividend yield ratio (Dividend per share/Market price)		1.18%		1.17%

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25. Comprehensive Income

Comprehensive income for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Net income	₩	271,332	₩	338,919
Other comprehensive income and expense				
Gain (loss) on valuation of available-for-sale securities, net of tax of (-)₩3,437 million (2009: (-)₩1,077 million)		12,186		9,197
Gain (loss) on valuation of equity-method investments, net of tax of ₩2,438 million (2009: ₩11,034 million)		(2,534)		(68,092)
Translation gain (loss) from overseas operations		60		(798)
Gain (loss) on valuation of derivatives, net of tax of (-)₩1,894 million (2009: (-)₩8,369 million)		6,714		27,417
Surplus from revaluation, net of tax of ₩2,445 million (2009: ₩487 million)		(8,668)		(1,728)
Comprehensive income	₩	279,090	₩	304,915

26. Summary of Major Construction Contracts

The Company's contract balances and the related revenues recognized for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Beginning balance	₩	581,488	₩	610,773
Increase		289,753		206,194
		871,241		816,967
Revenue recognized		(256,919)		(235,479)
Ending balance	₩	614,322	₩	581,488

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Details of the contracts on the ongoing projects as of December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	Total contract price	Total estimated construction costs	Cumulative construction revenue	Cumulative construction costs
Biryong agricultural water development	5,382	4,898	3,092	2,814
Construction of North Injae-Yongdae road	9,430	9,430	8,707	8,707
Construction of Shinryunggono Road	6,859	6,242	5,340	4,859
Construction of Yongdu-Dongmyeon road	10,164	10,164	555	555
Construction of Daesan-Seokmun road	10,448	10,333	2,935	1,501
Jibang road 357(The free road) 4	13,953	13,953	11,936	11,936
Gunsan-Mijang Section 2 KNHC Apt	24,426	24,059	21,338	21,018
Paju-Woonjung Section 8 KNHC Apt ¹	32,617	36,407	32,617	36,407
Incheon-Sorae Section 1 KNHC Apt ¹	37,032	37,614	33,789	34,371
Incheon-Boogae Section 1 KNHC Apt	86,635	80,770	33,940	31,643
Recirculation of SUDOCKWON Landfill Sites Sanitary	1,598	1,551	1,501	1,456
Daegu Hyosung residing and working complex	157,280	127,554	153,891	124,820
Construction of Changdong station	154,426	140,528	44,913	40,871
Chilgok Land	28,355	24,668	13,770	11,980
Construction of Banpo Building	48,542	48,542	47,402	47,402
Construction of Doomi Golf course(services)	9,368	9,171	7,355	7,200
Doomi Golf course(civil, course)	39,374	38,547	5,993	5,858
Construction of Doomi Golf course(logging & Planting trees)	1,228	1,202	939	919
Construction of Doomi Golf course(approach road)	3,370	3,299	3,180	3,113
Bundang Imae-dong Townhouse	25,781	25,781	2,321	2,321
Construction of Sooseo office	61,694	61,694	3,163	3,163
Maintenance of the FED Osan non-commissioned officer's accommodations	10,376	9,338	6,358	5,722
Construction of Pyeongtaek garage	17,871	15,905	1,211	1,078
Construction of Gang-nam officetel	32,360	25,888	67	54
Daegu Bongduk Apt ¹	73,177	90,276	33,407	50,506
Daegu Bumadong Hyosung Apt	26,952	26,925	515	515
Gunjaiae segment	9,777	8,765	8,819	7,903
	<u>₩ 938,475</u>	<u>₩ 893,531</u>	<u>₩ 489,054</u>	<u>₩ 470,104</u>

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*The Company recorded ₩18,299 million as provision for construction losses as of December 31, 2010.

Details of advances, billed and unbilled amounts related to the construction projects as of December 31, 2010, are as follows:

<i>(in millions of Korean won)</i>	Advances	Billed amount	Unbilled amount
Biryong agricultural water development	₩ 125	₩ -	₩ -
Construction of North Injae-Yongdae highway	95	-	-
Construction of Shinryunggono Road	-	-	893
Gwangmyung Food Waste Treatment	52	-	-
Construction of Daesan-Seokmun road	-	-	211
Jibang road 357(The free road) 4	-	-	1,349
Gunsan-Mijang Section 2 KNHC Apt	-	-	621
Paju-Woonjung Section 8 KNHC Apt	-	11	2,448
Incheon-Boogae Section 1 KNHC Apt	-	-	4,502
Incheon-Sorae Section 1 KNHC Apt	-	-	1,932
Construction of Yongdu-Dongmyeon road	-	-	91
Construction of Doomi Golf course(services)	-	7,751	-
Construction of Doomi Golf course(logging & Planting trees)	-	1,037	-
Construction of Doomi Golf course(approach road)	-	3,400	89
Doomi Golf course(civil, course)	-	6,333	236
Daegu Bumadong Hyosung Apt	-	-	1,262
Daegu Hyosung residing and working complex	1,389	-	-
Chilgok (Namyul 2) Land	-	5,059	1,491
Construction of Chandong station	-	13,898	3,364
Wonju-Hanggu Hyosung Apt	-	9,722	-
Construction of Banpo building	-	24,290	6,313
Reconstruction of Daegu bongduk	-	29,963	1,122
Daegu Bumadong Hyosung Apt	-	-	515
Construction of Sooseo office	-	-	3,163
Bundang Imae-dong Townhouse	-	484	1,473
Bundang Imae-dong developing services	-	26	7
Recirculation of SUDOCKWON Landfill Sites Sanitary	-	-	58
Construction of Osan library	-	-	312
Construction of Pyeongtaek garage	-	-	752
Construction of Gang-nam officetel	-	-	67
Gunjaje Segment	845	53	2,737
	<u>₩ 2,506</u>	<u>₩ 102,206</u>	<u>₩ 35,012</u>

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The Company provides guarantees of ₩290,880 million for the assumed payables and joint liability on guarantees for the construction contracts (Note 31).

27. Supplemental Cash Flow Information

Significant transactions not affecting cash flows are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Construction-in-progress transferred to property, plant and equipment	₩ 314,865	₩ 86,724
Machinery-in-transit transferred to property, plant and equipment	3,871	12,064
Reclassification of the current portion of long-term borrowings	512,290	-
Gain (loss) on valuation of available-for-sale securities	(15,623)	(5,975)
Currency translation loss of borrowings transferred to valuation of derivatives	(8,607)	(35,150)
Change in retained earnings due to application of equity method	12,871	1,817
Change in accumulated comprehensive income due to application of equity method	1,219	(68,092)
Change in revaluation retained earnings	11,112	-
Accounts receivable transferred to other accounts receivable due to payment in kind	6,189,193	-
Reclassification of accounts receivable to available-for-sale securities due to agreement	693,715	-
Reclassification of accounts receivable to property, plant and equipment due to agreement	1,175,500	-
Reclassification of accounts receivable to deposits provided due to agreement	137,173	-
Reclassification of accounts receivable to other Investments due to agreement	85,438,937	-
Reclassification of accounts receivable to advances from customers due to agreement	638,931	-

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28. Segment Information

Overview of the segment information is as follows:

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

Financial information by segments are as follows:

<i>(in millions of Korean won)</i>	2010						Total
	Fabric	Industrial Materials	Chemical	Heavy industrial	Trading	Others ¹	
External revenue	₩ 1,141,850	₩ 1,140,064	₩ 1,234,196	₩ 1,888,450	₩ 2,669,095	₩ 118,408	₩ 8,192,063
Inter-segment revenue	357,586	42,540	129,408	28,601	2,685	-	560,820
Total revenue	₩ 1,499,436	₩ 1,182,604	₩ 1,363,604	₩ 1,917,051	₩ 2,671,780	₩ 118,408	₩ 8,752,883
Operating income	₩ 145,800	₩ 126,779	₩ 128,647	₩ 90,554	₩ 26,573	₩ (18,984)	₩ 499,369
Assets	634,893	580,845	728,023	2,252,658	64,580	2,562,070	6,823,069
Current assets	177,970	162,059	137,269	1,199,316	52,218	99,276	1,828,108
Non-current assets	456,923	418,786	590,754	1,053,342	12,362	2,462,794	4,994,961
Depreciation expense, others	45,825	49,174	50,162	21,086	881	13,591	180,719

¹ Others include loss on derivative transactions of ₩9,076 million which was offset against sales upon the application of cash flow hedge accounting (Note 17).

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

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

Geographical segment information for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010	2009
North and Central America	₩ 386,238	₩ 587,465
Asia	2,849,513	3,189,243
Europe	474,242	481,291
Others	336,001	303,060
	<u>₩ 4,045,994</u>	<u>₩ 4,561,059</u>

29. Value Added Information

Value added information for the years ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Salaries	₩ 406,298	₩ 350,819
Provision for severance benefits	45,104	35,123
Employee benefits	50,988	43,753
Rent	16,544	15,226
Depreciation	179,365	182,341
Amortization	1,366	1,650
Taxes and dues	26,763	23,153

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30. Interim Results

Operating results for the three-month periods ended December 31, 2010 and 2009 are as follows:

<i>(in millions of Korean won, except per share amounts)</i>	Fourth quarter of 2010		Fourth quarter of 2009	
Sales	₩	2,170,433	₩	1,908,817
Operating income		113,119		146,960
Net income (loss)		(32,526)		86,330
Earnings (loss) per share (in won)		(978)		2,595

31. Commitments and Contingencies

Guarantees of notes and checks provided as collaterals

Details of notes provided as collateral by the Company regarding accounts payable and trade terms as of December 31, 2010, are as follows:

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

Loan agreement and others

The Company has overdraft facilities arrangements and trade bill discount with a maximum limit of ₩1,560,805 million and letter of credit payment guarantee agreements with a maximum limit of ₩952,061 million.

Guarantees provided to others

The Company provided guarantees amounting to ₩1,666,054 million to related parties(Note 7).

Guarantees provided to others in relation to Project Financing

The Company provided guarantees in relation to developer's borrowings for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010		2009	
Acceptances for debt	₩	215,000	₩	314,496
Joint and several guarantees		75,880		42,724
	₩	<u>290,880</u>	₩	<u>357,220</u>

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As of December 31, 2010, the Company provided guarantees in relation to Project Financing:

(in millions of Korean won)

Name	Bond entity	Guarantees limit	Borrowings balance	Guarantee detail	Period
Changdong station	Capital	₩ 28,000	₩ 28,000	Joint and several guarantees	2007.10 ~2010.12
Guangjoo Taejeondong APT	Bank and insurance	90,000	75,000	Acceptances for Debt	2010.04 ~2013.04
Construction of Sooseo office	Bank	120,000	120,000	Acceptances for Debt	2008.04 ~2011.07
Bundang Imae-dong Townhouse	Insurance	20,000	20,000	Acceptances for Debt	2008.05 ~2011.05
Chilgok Land	Capital	24,000	22,218	Joint and several guarantees	2007.12 ~2011.06
Reconstruction of Daegu bongduk	Capital	30,000	25,662	Joint and several guarantees	2006.07 ~Balance day
		₩ 312,000	₩ 290,880		

Guarantees provided by others

Korea Construction Financial Cooperative provides guarantees of up to ₩240,033 million for the construction performance by the Company. Export-Import Bank of Korea and other banks also pledge guarantees for up to ₩321,892 million for the performance of contracts.

Assets pledged as collaterals

As of December 31, 2010, the Company provided following assets as collaterals:

(in millions of Korean won)	Maximum credit amount	Lender	Descriptions
Equity-method investments	₩ 55,215	Woori Bank	General loan
Property, plant and equipment	1,866,519	Korea Development Bank and others	General loan and others

Pending Lawsuits

The Company is involved in various lawsuits and claims for damages aggregating to ₩41,494 million as of December 31, 2010. Management believes that these lawsuits and claims will not have adverse effect on the Company's financial position, operating results or cash flows.

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32. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended December 31, 2010 and 2009, are as follows:

<i>(in millions of Korean won)</i>	2010	2009
Export expenses	₩ 273,915	₩ 217,755
Salaries	113,870	100,759
R & D expenses	103,682	87,676
Commissions and fees	39,704	36,786
Transportation	29,402	31,188
Bad debts expense	17,305	11,739
Operating expenses for overseas branches	16,936	16,329
Travel	16,734	13,635
Advertising	12,601	22,893
Retirement and severance benefits	12,215	12,058
Rent	12,130	5,377
Employee benefits	10,355	8,815
Taxes and dues	9,956	9,180
Depreciation	8,010	6,771
Outsourcing	6,215	5,780
Warranty expense	6,103	5,557
Communications	4,452	2,996
Training	3,720	3,427
Vehicles maintenance	2,223	2,092
Insurance	1,670	1,986
Amortization	1,102	1,359
Others	20,145	16,548
	₩ 722,445	₩ 620,706

33. Subsequent events

Issuance of debentures

The Company has issued unsecured debentures amounting to ₩150,000 million in January 2011.

Guarantees provided to others

The Company has provided Hyosung Vietnam Co., Ltd. with the payment guarantees amounting to US\$ 85 million in relation to borrowings of Hyosung Vietnam Co., Ltd.

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Chin Hung International Inc.

Chin Hung International Inc., a subsidiary, applied for restructuring in February 2011, and started the workout procedures determined by more than 75% of its creditors. In addition, the Company loaned Chin Hung International Inc. ₩19,000 million at 8.5% interest per annum in March 2011.

34. Reclassifications of Prior Year Financial Statements

Certain accounts in the December 31, 2009 financial statements were reclassified to conform with the December 31, 2010 financial statement presentation. These reclassifications have no impact on the previously reported net income or shareholders' equity.

35. Preparation for IFRS Adoption

(A) Preparation and implementation of IFRS adoption

The Company is required to adopt the Korean International Financial Reporting Standards (K-IFRS) in accordance with Article 3 of the Act on External Audit of Stock Companies from the fiscal year 2011. The Company, therefore, organized a task force to formulate a plan with regard to the adoption, and to oversee its implementation. The detailed plans are as follows:

Activity	Plan	Current situation
Organizing IFRS task force and analyzing the effect of financial information.	Preparation for adopting IFRS in 2010	- Analyzing the effect on financial information - Setting up the IFRS accounting policy
Training executives and staff members	Acquiring expertise from IFRS task force	Carrying out internal and external training
Implementing accounting the system	Analyzing accounting the system	Analyzing the scope, method and effect of accounting system change

(B) Significant differences in accounting policies

Significant differences between the accounting policies chosen by the Company under K-IFRS and under current generally accepted accounting principle in Republic of Korean (K-GAAP) are as follows. Not all differences are included and the effects of the adoption of K-IFRS may change after subsequent analysis of any amendment of the standards.

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(1) First time adoption of IFRS:

Business Combination

The Company elected not to apply IFRS 3 retrospectively to past business combinations (business combinations that occurred before the date of transition to IFRSs).

Fair value as deemed cost

The Company elected to measure land at fair value at the date of transition to IFRS and to measure property, plant and equipment(except land) at fair value at the previous GAAP revaluation, and use the fair value as its deemed cost.

Capitalization of borrowing costs

The Company capitalizes the borrowing costs of the qualifying assets that are acquired after the date of transition to IFRSs.

Investments in subsidiaries, jointly controlled entities and associates

The Company uses the deemed cost, which is K-GAAP, in presenting the carrying amount in its opening IFRS statement of financial position for investments in subsidiaries, jointly controlled entities and associates.

(2) Investment in subsidiaries, and associates in the Separate Financial Statements

Under K-GAAP, the Company applied the equity method on investments in subsidiaries in the non-consolidated financial statements. In the separate financial statements, the Company applied the cost method on investments in subsidiaries, associates or venture's interest in a joint venture.

(3) Changes in Accounting Policies of Measurement after recognition (Land)

Under K-GAAP, the Company recorded measurement after recognition of land based on the revaluation model. Under IFRS, the Company recorded measurement after recognition of land based on the cost model.

(4) Financial guarantee liabilities

Under K-GAAP, the Company discloses financial guarantee liabilities in the notes to the financial statements. Under IFRS, the fair value of the financial guarantee contracts is calculated and reported using actuarial techniques.

(5) Allowance for doubtful accounts

Under K-GAAP, allowances are calculated based on the estimates made through a reasonable and objective method. Under IFRS, allowances are calculated based on estimating impairment when there is an objective evidence that accounts receivable are impaired.

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(6) Derecognition of financial assets

Under K-GAAP, when the Company transfers financial assets to a financial institution, the Company derecognizes a financial asset as it is considered to have transferred its control over the asset. Under IFRS, if the Company retains risks and rewards of ownership of the asset, the asset should not be derecognized and instead the related cash-in is credited to financial liabilities.

(7) Recognition of sales-real estate

The Company applies the percentage of completion method on recognition of real estate sales in accordance with K-GAAP. Under IFRS, the Company applies the Completed-contract method on recognition of real estate sales.

(8) Uncharged and overcharged construction

Under K-GAAP, the receivables and advances from construction contracts on the same site were offset. Under IFRS, the receivables and advances from construction contracts on the same site are disclosed at gross amounts.

(9) Recognition of Expected Losses on construction contracts

Under K-GAAP, expected losses on the construction contract were recognized as provision for construction losses. Under IFRS, expected losses on the construction contract are recognized as addition to overcharged construction or deduction from uncharged construction.

(10) Unused annual leave

Under K-GAAP, the Company recorded the cost of unused annual leave when the entity has an obligation to make such payments. Under IFRS, the Company recognizes the expense when an employee has provided service regardless of its payment.

(11) Investment property

Under K-GAAP, properties that are held for lease and appreciation are included in property, plant and equipment. Under IFRS, such assets are reclassified as investment property.

(12) Deferred Tax

Under K-GAAP, deferred tax assets and liabilities are either classified as current or noncurrent based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and liabilities are classified based on the periods the temporary differences are expected to reverse. Under IFRS, deferred tax assets and liabilities are classified as non-current in the statement of financial position.

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(13) Deferred tax of revaluation reserve

Under K-GAAP, the Company unrecognized a deferred tax liability (deferred tax asset) for revaluation reserve. Under IFRS, the Company recognizes a deferred tax liability (deferred tax asset) for revaluation reserve.

(14) Capitalization of borrowing costs

Under K-GAAP, the Company recognized all borrowing costs as an expense in the period in which it incurs them. Under IFRS, the Company capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

(15) Employee benefits

Under K-GAAP severance policy, the Company recorded total estimated amount to be paid upon retirement of all employees whose employment period is longer than one year at the date of the end of the reporting period. Under IFRS, the Company calculates the employee benefits as a present value of the defined benefit obligation using actuarial techniques.

(16) Memberships

Under K-GAAP, the Company recorded Memberships as non-current assets. However, under IFRS, Memberships are classified intangible assets with indefinite useful lives in the statement of financial position.

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

To the President of
Hyosung Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hyosung Corporation (the "Company") as of December 31, 2010. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2010, the Company's IACS has been designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2010, and we did not review management's assessment of its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 10, 2011

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of
Hyosung Corporation

I, as the Internal Accounting Control Officer ("IACO") of Hyosung Corporation ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2010.

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

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2010, in all material respects, in accordance with the IACS standards.

January 29, 2011

Sang-Woon Lee, Chief Executive Officer

Yoon-Teck Jung, Internal Accounting Control Officer