

WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS
ENDED JUNE 30, 2007 AND 2006
AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Woongjin Coway Co., Ltd.:

We have reviewed the accompanying non-consolidated balance sheet of Woongjin Coway Co., Ltd. (the "Company") as of June 30, 2007, the related non-consolidated statements of income and cash flows for the six months ended June 30, 2007 and 2006, the related non-consolidated statements of income for the three months ended June 30, 2007, and the related non-consolidated statement of changes in shareholders' equity for the six months ended June 30, 2007, all expressed in Korean Won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews. The non-consolidated statement of income for the three months ended June 30, 2006, which is comparatively presented, was not reviewed.

We conducted our reviews in accordance with the standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea (See Note 2).

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2006, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated February 23, 2007, we expressed an unqualified opinion on those financial statements. The accompanying balance sheet as of December 31, 2006, which is comparatively presented, does not differ in material respects from such audited balance sheet.

Accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review 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 knowledgeable about Korean accounting procedures and review standards and their application in practice.

July 27, 2007

Notice to Readers

This report is effective as of July 27, 2007, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

	Korean Won	
	2007	2006
	(In thousands)	
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	₩ 25,948,788	₩ 34,519,828
Short-term investment assets (Note 4)	1,924,935	5,067,051
Trade receivables, net allowance for doubtful accounts of ₩74,869,664 thousand as of June 30, 2007 and ₩68,012,122 thousand as of December 31, 2006 (Notes 13 and 20)	112,490,919	110,848,764
Accounts receivable-other, net allowance for doubtful accounts of ₩10,405,516 thousand as of June 30, 2007 and ₩10,558,129 thousand as of December 31, 2006 (Note 20)	9,921,329	14,259,971
Inventories (Note 5)	81,089,351	80,419,194
Advanced payments (Note 20)	3,218,149	1,312,889
Prepaid expenses	158,203,059	144,090,939
Current portion of deferred income tax assets (Note 18)	16,887,694	15,057,351
Other current assets	220,951	353,549
Total current assets	<u>409,905,175</u>	<u>405,929,535</u>
NON-CURRENT ASSETS:		
Long-term financial instruments (Note 3)	10,500	15,500
Long-term investment securities (Note 6)	2,016,734	2,750,208
Equity securities accounted for using the equity method (Note 7)	11,815,222	11,073,215
Long-term loans (Note 20)	1,523,871	-
Guarantee deposits (Note 20)	40,093,600	39,659,871
Other investments	180,000	180,000
Deferred income tax assets (Note 18)	4,142,725	4,694,543
Long-term prepaid expenses	18,500,000	18,500,000
Property, plant and equipment, net of accumulated depreciation of ₩319,296,532 thousand and ₩310,316,348 thousand, and loss on impairment of rental assets of ₩11,325,208 thousand and ₩12,898,370 thousand as of June 30, 2007 and as of December 31, 2006, respectively (Notes 8 and 20)	398,560,006	374,165,148
Intangible assets, net of amortization (Note 9)	27,179,665	28,164,376
Total non-current assets	<u>504,022,323</u>	<u>479,202,861</u>
Total assets	<u>₩ 913,927,498</u>	<u>₩ 885,132,396</u>

(Continued)

WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

	Korean Won	
	2007	2006
	(In thousands)	
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Trade payables (Note 20)	₩ 35,248,905	₩ 29,289,360
Short-term borrowings (Note 10)	107,716,106	101,745,026
Accounts payable-other (Note 20)	77,865,339	73,458,601
Advanced receipts	151,784,044	144,830,347
Withholdings	5,996,949	6,373,075
Accrued expenses	4,479,371	5,347,241
Income tax payable	21,757,582	40,241,805
Current portion of debentures (Note 11)	30,000,000	30,000,000
Provision for product warranties	373,742	373,742
Provision for return of goods sold	91,859	91,859
Total current liabilities	<u>435,313,897</u>	<u>431,751,056</u>
LONG-TERM LIABILITIES:		
Reserve for accident compensation (Note 12)	5,395,693	5,750,432
Rental deposits provided from customers (Note 20)	1,395,753	2,365,388
Accrued severance benefits, net of payment to National Pension Fund of ₩34,397 thousand and ₩37,245 thousand, and severance insurance of ₩8,747,725 thousand and ₩9,722,145 thousand as of June 30, 2007 and as of December 31, 2006, respectively (Note 2)	10,805,790	6,471,981
Provision for product warranties	10,000	10,000
Total long-term liabilities	<u>17,607,236</u>	<u>14,597,801</u>
Total liabilities	<u>452,921,133</u>	<u>446,348,857</u>

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WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2007 AND DECEMBER 31, 2006

	Korean Won	
	2007	2006
	(In thousands)	
COMMITMENTS AND CONTINGENCIES (Note 21)		
SHAREHOLDERS' EQUITY:		
Capital stock (Note 14)	₩ 39,315,997	₩ 39,287,797
Capital surplus (Note 14)	113,673,638	113,831,969
Capital adjustments:		
Treasury stock (Note 16)	(795,269)	-
Stock options (Notes 14 and 15)	3,493,568	2,070,448
Accumulated other comprehensive income:		
Gain on valuation of long-term investments	15,993	9,657
Gain on valuation of investment securities accounted for using the equity method, net (Note 7)	226,547	52,591
Retained earnings (Note 14):		
Legal reserve	9,255,427	6,255,427
Reserve for business rationalization	16,228	16,228
Voluntary reserve	242,859,807	201,459,806
Reserve for corporation development	1,570,000	1,570,000
Unappropriated retained earnings	51,374,429	74,229,616
Total shareholders' equity	<u>461,006,365</u>	<u>438,783,539</u>
 Total liabilities and shareholders' equity	 <u>₩ 913,927,498</u>	 <u>₩ 885,132,396</u>

See accompanying notes to non-consolidated financial statements.

WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	Korean Won			
	2007		2006	
	Three months	Six months	Three months (Unreviewed)	Six months
	(In thousands, except per share amounts)			
SALES (Notes 20 and 23)	₩ 301,314,579	₩ 593,164,649	₩ 282,566,330	₩ 549,395,146
COST OF GOODS SOLD (Notes 20 and 23)	<u>97,689,449</u>	<u>193,075,353</u>	<u>97,281,748</u>	<u>195,612,186</u>
GROSS PROFIT	203,625,130	400,089,296	185,284,582	353,782,960
SELLING AND ADMINISTRATIVE EXPENSES (Note 22)	<u>166,834,760</u>	<u>323,931,974</u>	<u>162,195,620</u>	<u>310,926,731</u>
OPERATING INCOME	<u>36,790,370</u>	<u>76,157,322</u>	<u>23,088,962</u>	<u>42,856,229</u>
NON-OPERATING INCOME (EXPENSES):				
Interest expense, net	(2,388,649)	(3,651,806)	(2,050,757)	(3,571,910)
Foreign currency exchange gain, net	189,542	132,873	144,148	149,672
Foreign currency translation gain (loss), net	(134,163)	330,233	(42,353)	(94,617)
Gain (Loss) on disposal of property, plant and equipment, net	(3,642)	(7,543)	104,920	104,920
Loss on valuation of equities securities accounted for using the equity method (Note 7)	(1,905,623)	(2,701,953)	(995,440)	(995,440)
Miscellaneous income, net	202,254	548,179	379,877	543,122
Loss on impairment of investment securities	-	-	422,177	422,177
Additional payment of income tax	-	4,982	(1,320,913)	(1,505,112)
Others, net (Note 6)	<u>431,535</u>	<u>188,020</u>	<u>(124,269)</u>	<u>(204,657)</u>
	<u>(3,608,746)</u>	<u>(5,157,015)</u>	<u>(3,482,610)</u>	<u>(5,151,845)</u>
ORDINARY INCOME	33,181,624	71,000,307	19,606,352	37,704,384
INCOME TAX EXPENSE (Note 18)	<u>9,346,966</u>	<u>19,705,256</u>	<u>5,844,721</u>	<u>10,975,069</u>
NET INCOME	<u>₩ 23,834,658</u>	<u>₩ 51,295,051</u>	<u>₩ 13,761,631</u>	<u>₩ 26,729,315</u>
NET INCOME PER SHARE (Note 17)	<u>₩ 321</u>	<u>₩ 692</u>	<u>₩ 187</u>	<u>₩ 368</u>
DILUTIVE NET INCOME PER SHARE (Note 17)	<u>₩ 321</u>	<u>₩ 692</u>	<u>₩ 187</u>	<u>₩ 368</u>

See accompanying notes to non-consolidated financial statements.

WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	Korean Won		
	2007	2006	
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	₩ 51,295,051	₩ 26,729,315	
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for severance benefits	6,982,828	6,586,704	
Stock compensation expense	1,423,121	1,339,289	
Depreciation	66,006,442	64,607,422	
Amortization of intangibles	3,845,924	2,761,106	
Bad debt expense	7,442,708	9,287,287	
Impairment loss on rental assets	19,432,083	25,937,766	
Loss on valuation of inventories	2,056,594	1,761,241	
Loss (Gain) on disposal of property, plant and equipment, net	7,543	(104,920)	
Gain on disposal of investments securities	(481,989)	-	
Loss (Gain) on foreign currency translation, net	(250,674)	66,874	
Loss on valuation of investments securities accounted for using the equity method	2,701,953	995,440	
Others, net	519,776	449,226	
Changes in operating assets and liabilities:			
Increase in trade receivables	(8,654,160)	(91,981,294)	
Decrease in accounts receivable-other	4,190,836	10,888,281	
Increase in prepaid expenses	(14,112,120)	(14,773,955)	
Increase in deferred income tax assets	(1,160,707)	(8,148,722)	
Increase in inventories	(2,726,751)	(7,055,927)	
Increase in long-term prepaid expenses	-	(6,000,000)	
Increase in accounts payable	5,959,546	5,572,636	
Increase in accounts payable-other	4,406,738	3,729,733	
Increase in advanced receipts	6,953,697	22,476,805	
Increase (Decrease) in withholdings	(376,127)	4,156,376	
Increase (Decrease) in income tax payable	(18,484,223)	1,240,549	
Decrease in rental deposits provided from customer	(969,634)	(6,930,293)	
Payment of severance benefits	(3,626,287)	(3,186,058)	
Decrease in other current liabilities	(2,018,005)	(850,006)	
	<u>130,364,163</u>	<u>49,554,875</u>	

(Continued)

WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	Korean Won	
	2007	2006
	(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of short-term investment securities, net	₩ 2,571,000	₩ 106,000
Disposal (Acquisition) of long-term investment securities, net	1,221,800	(352,760)
Withdrawal (Purchase) of long-term financial instruments, net	5,000	(780,000)
Acquisition of investments accounted for using the equity method	(3,270,003)	(9,264,475)
Refund of guarantee deposits, net	(433,729)	(447,481)
Extension of long-term loans	(1,451,219)	-
Disposal of plant, property, and equipment	6,355,465	15,783,406
Acquisition of property, plant and equipment	(116,249,928)	(121,447,967)
Acquisition of intangible assets	(2,861,213)	(343,124)
	<u>(114,112,827)</u>	<u>(116,746,401)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings, net	5,971,081	79,945,380
Proceeds from issuance of common stock	180,480	2,114,670
Disposal (Acquisition) of treasury stock	(1,223,699)	54,759,925
Payment of dividends	(29,750,238)	(24,387,694)
	<u>(24,822,376)</u>	<u>(112,432,281)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,571,040)	45,240,754
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	<u>34,519,828</u>	<u>18,569,954</u>
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	<u>₩ 25,948,788</u>	<u>₩ 63,810,708</u>

See accompanying notes to non-consolidated financial statements.

WOONGJIN COWAY CO., LTD.

NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2007

	<u>Common stock</u>	<u>Paid-in capital in excess of par value</u>	<u>Capital adjustments</u>	<u>Accumulated other comprehensive income</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2007	₩ 39,287,797	₩ 113,831,969	₩ 2,070,448	₩ 62,248	₩ 283,531,077	₩ 438,783,539
Dividend	-	-	-	-	(29,750,237)	(29,750,237)
Balance after appropriation	39,287,797	113,831,969	2,070,448	62,248	253,780,840	409,033,302
Net income	-	-	-	-	51,295,051	51,295,051
Paid in capital increase	28,200	152,280	-	-	-	180,480
Acquisition of treasury stock	-	-	(85,256,530)	-	-	(85,256,530)
Disposal of treasury stock	-	(310,611)	84,461,261	-	-	84,150,650
Share option	-	-	1,423,120	-	-	1,423,120
Gain on valuation of equity method investments	-	-	-	178,942	-	178,942
Loss on valuation of equity method investments	-	-	-	(4,986)	-	(4,986)
Gain on valuation of long- term investment securities	-	-	-	6,336	-	6,336
Balance at June 30, 2007	<u>₩ 39,315,997</u>	<u>₩ 113,673,638</u>	<u>₩ 2,698,299</u>	<u>₩ 242,540</u>	<u>₩ 305,075,891</u>	<u>₩ 461,006,365</u>

See accompanying notes to non-consolidated financial statements.

WOONGJIN COWAY CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006

1. GENERAL:

Woongjin Coway Co., Ltd. (the "Company") was incorporated in May 1989, under the laws of the Republic of Korea, to manufacture and distribute water purifier, home appliances and facilities for disposal of waste and others.

The Company's shares have been listed on the Korea Stock Exchange since August 7, 2001. Effective May 2, 2005, the Company merged with Woongjin Coway Development Co., Ltd. As the result of several increases in paid-in capital, the capital stock of the Company as of June 30, 2007 is ₩39,315,997 thousand. In addition, as a result of the extinguishment of treasury stock of 4,200,000 shares, number of shares issued as of June 30, 2007 is 74,431,993 shares. The capital stock of the Company on the basis of the shares issued is ₩37,217,997 thousand. As of June 30, 2007, majority shareholders of the Company are Yoon, Seok-Kum (27.19%) and Woongjin Holdings Co., Ltd. (5.15%).

Global Depository Receipts of 7,318,200 accounts (number of common stock: 3,659,100 shares) were issued outside the Republic of Korea on May 3, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangeul) 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 non-consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language non-consolidated financial statements. Certain information included in the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

Implementation of Statements of Korea Accounting Standards

The Company prepared its non-consolidated financial statements as of June 30, 2007 in accordance with the Korea Financial Accounting Standards and the Statements of Korea Accounting Standards ("SKAS") No. 1 through No.23, except for No.14. The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements as of June 30, 2007 are identical to those as of December 31, 2006, except for the adoption of additional SKAS No.21 - "Preparation and presentation of financial statements", No.22 - "Share-based payment" and No.23 - "Earning per share", which were effective from January 1, 2007.

The Company did not present comparative statement of changes in shareholders' equity for the six months ended June 30, 2006 according to the transition provision of SKAS No.21. In addition, comparative statements of cash flows for the three months ended June 30, 2007 and 2006, and statement of changes in shareholders' equity for the three months ended June 30, 2007 were also not presented according to SKAS No. 2.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Revenue Recognition

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- 1) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- 2) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- 3) The amount of revenue can be measured reliably.
- 4) It is probable that the economic benefits associated with the transaction will flow to the Company.

Revenue from rental assets is recognized during the period rental service is provided.

Revenue from interest, dividends, and royalties is recognized when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

The Company uses the reserve method to appropriately cancel future portion of the gross profit due to return of the goods sold. The provision for return of goods sold is based on past experiences. As of June 30, 2007, provision for return of goods sold amounts to ₩91,859 thousand.

Cash and Cash Equivalents

Cash and cash equivalents include currency, checks issued by others, other currency equivalents, current deposits, passbook deposits and cash equivalents, which are securities and short-term money market instruments that can be easily converted into cash and whose risk of value fluctuation arising from changes of interest rate is not material. Only investments, with maturities (or date of redemption) of three months or less from the acquisition date, are included as cash equivalents.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on past collection experience and estimated loss on uncollected trade and other receivables.

Inventories

Inventories are stated at cost or net realizable value, cost being determined by the moving average cost method. If the net realizable value of inventories is lower than cost, inventories are adjusted to net realizable value and the difference between cost and revalued amount is charged to current operations as cost of goods sold. Physical count of inventories was not taken as of June 30, 2007.

Investments in Securities Other Than Those Accounted for Using the Equity Method

Classification of Securities

At acquisition, the Company classifies securities into one of the three categories; trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as short-term investment securities, whereas available-for-sale and held-to-maturity securities are classified as long-term investment securities, except for those whose maturity dates or whose likelihood of being disposed of are within one year from balance sheet date, which are classified as short-term investment securities.

Valuation of Securities

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations.

Available-for-sales securities are also valued at fair value, with unrealized gains or losses included in accumulated other comprehensive income, until the securities are sold and if the securities are determined to be impaired, the lump-sum cumulative amount of accumulated other comprehensive income is included in current operations.

However, available-for-sales securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refers to those quoted market prices, which are measured as the closing price at the balance sheet date. The fair value of non-marketable debt securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to-maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security stated at fair value, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security. For non-marketable equity securities accounted for at acquisition costs, the impairment loss is equal to the difference between the recoverable amount and the carrying amount.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in accumulated other comprehensive income. Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in accumulated other comprehensive income and amortized over the remaining term of the securities using the effective interest method.

Equity Securities Accounted for Using the Equity Method

Equity securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. If the cost of the acquisition exceeded the acquirer's interest in the fair value of the identifiable assets and liabilities at the date of acquisition, the difference is amortized over the period during which future economic benefits are expected to flow to the enterprise. However, if the cost of the acquisition is less than the acquirer's interest in the fair value of the identifiable assets and liabilities, (1) the difference that relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition is recognized as income in the income statement when the future losses and expenses are recognized, (2) otherwise, the difference not exceeding the fair values of acquired identifiable non-monetary assets is recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable or amortizable assets, and (3) the difference in excess of the fair values of acquired identifiable non-monetary assets is immediately recognized as income. The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to accumulated other comprehensive income.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are treated as additions to property, plant and equipment. Depreciation is computed using the declining balance method, based on the estimated useful lives of the assets as enumerated below, except for the buildings and structures acquired after January 1, 1995, which are depreciated using the straight-line method.

	<u>Useful lives (years)</u>
Buildings	25 ~ 40
Structures	7 ~ 25
Machinery and equipment	2 ~ 12
Vehicles	5 ~ 10
Tools	2 ~ 6
Furniture and fixtures	2 ~ 20
Experimental research facility	3
Rental assets	3 ~ 5

The Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount, as a result of technological obsolescence, rapid declines in market value or other causes of impairment. When it is determined that an asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as the reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

Intangible Assets

Intangible assets are measured initially at its acquisition cost, comprised of the purchase price and any other directly attributable expenditure on preparing the asset for its intended use and are stated at cost, net of amortization, which is determined on a straight-line method over the estimated economic useful lives of five to ten years.

Foreign Currency Transactions and Translation

The Company maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying non-consolidated financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Basic Rate announced by Seoul Money Brokerage Services Ltd., which was ₩926.80 and ₩929.60 to US \$1.00 at June 30, 2007 and December 31, 2006, respectively.

Accrued Severance Benefits

Employees with more than one year of service are entitled to receive severance indemnities, based on their length of service and rate of pay, upon termination of their employment. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩19,587,912 thousand and ₩16,231,371 thousand as of June 30, 2007 and December 31, 2006, respectively.

Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as deduction from accrued severance benefits.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by offsetting the receivable against severance payments. Such receivables are presented as a deduction from accrued severance benefits.

Actual payment of severance benefits amounted to ₩3,626,287 thousand and ₩3,186,058 thousand for the six months ended as of June 30, 2007 and 2006, respectively.

Provision for Product Warranties

The Company uses the reserve method to provide for future obligations arising from warranties issued for products sold. Accordingly, all actual warranty related losses are charged to the provision for product warranties. The provision for product warranty is based on past warranty claim experience.

Income Tax

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carryforwards. Deferred tax assets and liabilities in the same current or non-current classification are offset, if these relate to income tax levied by the same tax jurisdictions.

In addition, deferred income taxes are classified into current and non-current based on the nature of deferral. However, in accordance with the Statements of Korea Accounting Standards (“SKAS”) No. 16, the classification into current and non-current is applied prospectively. Deferred income taxes are recalculated based on the actual tax rate in effect at each balance sheet date.

Earnings per Share

Earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during period. Dilutive earnings per share is computed by dividing net income after addition for the effect of expenses related to diluted securities on net income by the weighted average number of common shares plus the number of dilutive potential common shares.

Reclassification

For comparative purposes, certain accounts in the 2006 financial statements were reclassified to conform to the 2007 financial statement presentation. Such reclassifications had no effect on the net income or the net equity reported in the 2006 financial statements.

3. RESTRICTED FINANCIAL INSTRUMENTS:

Financial instruments with withdrawal restrictions as of June 30, 2007 and December 31, 2006 are as follows:

Account	Description	Korean Won	
		2007	2006
		(In thousands)	
Long-term financial instruments	Guarantee deposit for checking accounts	₩ 10,500	₩ 15,500

4. SHORT-TERM INVESTMENT ASSETS:

Short-term investment securities as of June 30, 2007 and December 31, 2006 are as follows:

Account	Korean Won	
	2007	2006
	(In thousands)	
Installment saving deposits	₩ 1,720,000	₩ 4,360,000
Available-for-sale security (*)	93,269	73,429
Short-term loan receivable	111,666	633,622
	₩ 1,924,935	₩ 5,067,051

(*) The acquisition cost and fair value of available-for-sale security, whose portfolio included the bonds issued by SK Networks Co., Ltd. as of June 30, 2007, are ₩132,339 thousand and ₩93,269 thousand, respectively.

5. INVENTORIES:

Inventories as of June 30, 2007 and December 31, 2006 are as follows:

Account	Korean Won	
	2007	2006
	(In thousands)	
Merchandise	₩ 63,445,833	₩ 64,063,731
Finished goods	15,916,874	14,808,015
Raw materials	7,414,345	5,548,311
Semi-finished goods	1,186,695	1,119,861
Others	311,228	8,307
Allowance for valuation of inventories	(7,185,624)	(5,129,031)
	<u>₩ 81,089,351</u>	<u>₩ 80,419,194</u>

6. LONG-TERM INVESTMENT SECURITIES:

(1) Long-term investment securities as of June 30, 2007 and December 31, 2006 are as follows:

Account	Description	Korean Won	
		2007	2006
		(In thousands)	
Available-for-sale securities	Equity securities stated at fair value	₩ 15,994	₩ 9,657
	Equity securities stated at acquisition cost	1,479,069	2,218,880
	Debt securities	<u>521,671</u>	<u>521,671</u>
		<u>₩ 2,016,734</u>	<u>₩ 2,750,208</u>

(2) Equity securities stated at fair value included in long-term investment securities as of June 30, 2007 are as follows:

Company	Ownership percentage (%)	Acquisition cost	Korean Won	
			Book value	Fair value
			(In thousands)	
Tong Yang Investment Bank	0.06 ₩	1 ₩	15,994 ₩	15,994

(3) Equity securities stated at acquisition cost included in long-term investment securities as of June 30, 2007 and December 31, 2006 are as follows:

Company	2007 Ownership percentage (%)	Korean Won			
		2007		2006	
		Acquisition cost	Book value	Acquisition cost	Book value
(In thousands)					
McScience Inc.	5.90	₩ 1,133,760	₩ 1,133,760	₩ 1,133,760	₩ 1,133,760
Nextelecom Co., Ltd.	1.20	98,516	98,516	98,516	98,516
Woongjin Foods Co., Ltd.	-	-	-	739,810	739,810
Woongjin Cuchen Co., Ltd.	0.01	4,089	4,089	4,089	4,089
Booxen Co., Ltd.	0.49	140,900	140,900	140,900	140,900
Academy Infra Corp.	7.84	165,100	1	165,100	1
Kirin Music Publishing Co., Ltd.	12.06	96,500	96,500	96,500	96,500
Korea Management Association Media	-	-	-	1	1
Korea Water Purifier Industry Cooperative	3.33	5,300	5,300	5,300	5,300
Others		<u>1,481,733</u>	<u>3</u>	<u>1,481,733</u>	<u>3</u>
		<u>₩ 3,125,898</u>	<u>₩ 1,479,069</u>	<u>₩ 3,865,709</u>	<u>₩ 2,218,880</u>

Equity securities are stated at recovery cost because they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Before 2006, the Company determined that the value of securities of Academy Infra Corp. Open Solution Co., Ltd., Kwang Myung ECS Co., Ltd. and Korea Culture Promotion Inc. were not recoverable which caused a reduction in total costs except one thousand won as memorandum account.

Gains on disposal of the investments in Woongjin Foods Co., Ltd. and Korea Management Association Media were ₩481,989 thousand for the six months ended June 30, 2007.

(4) Debt securities as of June 30, 2007 and December 31, 2006 are as follows:

	Korean Won			
	2007		2006	
	Face value	Book value	Book value	Book value
(In thousands)				
Subordinated bonds	₩ 2,550,000	₩ 100,001	₩	100,001
Government bonds	<u>421,670</u>	<u>421,670</u>		<u>421,670</u>
	<u>₩ 2,971,670</u>	<u>₩ 521,671</u>	<u>₩</u>	<u>521,671</u>

The difference between the book value and the collectable value for subordinated bonds, amounting to ₩299,999 thousand have been accounted for as loss on impairment of long-term investment securities in 2006. The debt securities will mature after 1 year through 5 years from June 30, 2007.

7. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Equity securities accounted for using the equity method as of June 30, 2007 and December 31, 2006 are as follows:

(As of June 30, 2007)

Affiliated company	Ownership percentage (%)	Korean Won		
		Acquisition cost	Net asset value	Book value
			(In thousands)	
Woongjin Japan Co., Ltd.	50.00	₩ 4,434,045	₩ -	₩ 1
Woongjin USA Inc.	35.00	395,176	-	1
Platinum Media Co., Ltd. (*)	15.75	300,001	-	1
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	100.00	5,970,197	5,039,549	4,458,929
Woongjin Coway (Thailand) Co., Ltd.	100.00	886,986	-	1
Woongjin Coway (M) Sdn Bhd.	70.00	906,885	-	1
Woongjin Energy Co., Ltd.	80.10	6,408,000	5,580,706	5,580,706
Woongjin Coway USA Inc.	100.00	2,795,850	1,846,408	1,775,582
		<u>₩ 22,097,140</u>	<u>₩ 12,466,663</u>	<u>₩ 11,815,222</u>

(*) Although the Company's ownership is less than 20%, it applied the equity method for the valuation of securities because it exercises significant influence over the operating and financial policies of the investees.

Equity securities are valued based on the unreviewed financial statements. The management of the Company did not expect any significant differences between the unreviewed financial statements and the audited financial statements.

(As of December 31, 2006)

Affiliated company	Ownership percentage (%)	Korean Won		
		Acquisition cost	Net asset value	Book value
			(In thousands)	
Woongjin Japan Co., Ltd.	50.00	₩ 4,434,045	₩ -	₩ 1
Woongjin USA Inc.	35.00	395,176	-	1
Platinum Media Co., Ltd.	15.75	300,001	-	1
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	91.13	5,496,044	4,971,991	4,475,288
Woongjin Coway (Thailand) Co., Ltd.	99.99	886,986	-	1
Woongjin Coway (M) Sdn Bhd.	70.00	906,885	247,001	248,286
Woongjin Energy Co., Ltd.	80.10	6,408,000	6,349,637	6,349,637
		<u>₩ 18,827,137</u>	<u>₩ 11,568,629</u>	<u>₩ 11,073,215</u>

- (2) The changes in equity securities accounted for using the equity method for the six months ended June 30, 2007 and for the year ended December 31, 2006 are as follows:

(For the six months ended June 30, 2007)

Affiliated company	Korean Won				
	Beginning of the period	Acquisition	Gain (loss) on valuation	Other changes	End of the period
	(In thousands)				
Woongjin Japan Co., Ltd.	₩ 1	₩ -	₩ (190,221)	₩ 190,221	₩ 1
Woongjin USA Inc.	1	-	-	-	1
Platinum Media Co., Ltd.	1	-	-	-	1
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	4,475,288	474,153	(472,474)	(18,038)	4,458,929
Woongjin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woongjin Coway (M) Sdn Bhd.	248,286	-	(258,369)	10,084	1
Woongjin Energy Co., Ltd.	6,349,637	-	(768,931)	-	5,580,706
Woongjin Coway USA Inc.	-	2,795,850	(1,011,958)	(8,310)	1,775,582
	<u>₩ 11,073,215</u>	<u>₩ 3,270,003</u>	<u>₩ (2,701,953)</u>	<u>₩ 173,957</u>	<u>₩ 11,815,222</u>

The changes in equity securities accounted for using the equity method for the three months ended June 30, 2007 is as follows:

Affiliated company	Korean Won				
	Beginning of the period	Acquisition	Gain (loss) on valuation	Other changes	End of the Period
Woongjin Japan Co., Ltd.	₩ 1	₩ -	₩ (190,221)	₩ 190,221	₩ 1
Woongjin USA Inc.	1	-	-	-	1
Platinum Media Co., Ltd.	1	-	-	-	1
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	4,228,056	474,153	(492,832)	249,552	4,458,929
Woongjin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woongjin Coway (M) Sdn Bhd.	-	-	16,422	(16,421)	1
Woongjin Energy Co., Ltd.	6,003,943	-	(423,237)	-	5,580,706
Woongjin Coway USA Inc.	1,214,202	1,390,500	(815,755)	(13,365)	1,775,582
	<u>₩ 11,446,205</u>	<u>₩ 1,864,653</u>	<u>₩ (1,905,623)</u>	<u>₩ 409,987</u>	<u>₩ 11,815,222</u>

(For the year ended December 31, 2006)

Affiliated company	Korean Won						
	Beginning of year	Acquisition	Issuance of share capital	Gain (loss) on valuation	Other changes	Changes in retained earnings	End of year
Woongjin Japan Co., Ltd.	₩ 1	₩ -	₩ 2,882,135	₩ (2,262,199)	₩ 86,573	₩ (706,509)	₩ 1
Woongjin USA Inc.	1	-	-	-	-	-	1
Platinum Media Co., Ltd.	1	-	-	-	-	-	1
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	541,870	-	48,845,000	(874,406)	(76,676)	-	4,475,288
Woongjin Coway (Thailand) Co., Ltd.	1	-	-	-	-	-	1
Woongjin Coway (M) Sdn	-	906,885	-	(662,644)	4,045	-	248,286
Woongjin Energy Co., Ltd.	-	6,408,000	-	(58,363)	-	-	6,349,637
	<u>₩ 541,874</u>	<u>₩ 7,314,885</u>	<u>₩ 7,766,635</u>	<u>₩ (3,857,612)</u>	<u>₩ 13,942</u>	<u>₩ (706,509)</u>	<u>₩ 11,073,215</u>

In 2006, the Company purchased new shares of Woongjin Japan Co., Ltd. where the cumulative losses were not recognized due to the suspension of the valuation of equity securities using the equity method until 2005. The cumulative losses of ₩706,509 thousand for Woongjin Japan Co., Ltd. were accounted for using the equity method as decreases of accumulated retained earnings carried over from prior years as of December 31, 2006.

(3) The changes in the excess of cost over book value for the six months ended June 30, 2007 and for the year ended December 31, 2006 are as follows:

(For the six months June 30, 2007)

Affiliated company	Korean Won			
	Beginning of the period	Amortization	End of the period	
	(In thousands)			
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	₩ (462,919)	₩ 58,501	₩	(404,418)
Woongjin Coway (Thailand) Co., Ltd.	193,142	(193,142)		-
Woongjin Japan Co., Ltd.	185,473	(185,473)		-
	<u>₩ (84,304)</u>	<u>₩ (320,114)</u>	<u>₩</u>	<u>(404,418)</u>

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee. The difference is amortized for 5 years using the straight-line method.

(For the year ended December 31, 2006)

Affiliated company	Korean Won				
	Beginning of year	Issuance of share capital	Acquisition	Amortization	End of year
	(In thousands)				
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	₩ (62,705)	₩ (492,585)	₩ -	₩ 92,371	₩ (462,919)
Woongjin Coway (Thailand) Co., Ltd.	257,523	-	-	(64,381)	193,142
Woongjin Japan Co., Ltd.	95,757	-	133,712	(43,996)	185,473
	<u>₩ 290,575</u>	<u>₩ (492,585)</u>	<u>₩ 133,712</u>	<u>₩ (16,006)</u>	<u>₩ (84,304)</u>

(4) Among the difference between the acquisition cost and the Company's portion other than goodwill, the amount realized during the period of 2007 and 2006 are as follows:

Account	Korean Won	
	2007	2006
	(In thousands)	
Woongjin Japan Co., Ltd.	₩ 821,838	₩ (563,855)
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	(176,201)	(33,784)
Woongjin Coway (Thailand) Co., Ltd.	(72,019)	(127,970)
Woongjin Coway (M) Sdn Bhd.	-	(1,285)
Woongjin Coway USA Inc.	(70,286)	-
	<u>₩ 502,792</u>	<u>₩ (726,894)</u>

(5) The cumulative losses not recognized due to the suspension of the valuation of equity securities in 2007 and 2006 are as follows:

Account	Korean Won	
	2007	2006
	(In thousands)	
Woongjin Japan Co., Ltd.	₩ (2,938,919)	₩ (988,458)
Platinum Media Co., Ltd.	(412,433)	(9,639)
Woongjin Coway (Thailand) Co., Ltd.	(2,691,809)	(971,251)
	<u>₩ (6,043,161)</u>	<u>₩ (1,969,348)</u>

(6) Condensed financial information of the investee accounted for using the equity method as of and for the relevant cut-off date is as follows:

Affiliated company	Korean Won					Cut-off date			
	Assets		Liabilities		Sales		Net income (loss)		
	(In thousands)								
Woongjin Japan Co., Ltd.	₩	6,171,037	₩	13,692,550	₩	21,10,483	₩	(4,495,507)	2006.6.30
Platinum Media Co., Ltd.		9,937,896		12,556,512		24,911,606		1,903,421	2006.6.30
Woongjin Coway (Shenyang) Living Goods Co., Ltd.		9,832,519		4,792,969		2,718,248		(405,156)	2006.6.30
Woongjin Coway (Thailand) Co., Ltd.		2,531,326		5,151,115		700,327		(795,226)	2006.6.30
Woongjin Coway (M) Sdn Bhd.		1,929,272		2,623,669		451,085		(1,053,162)	2006.6.30
Woongjin Energy Co., Ltd.		32,743,080		25,775,908		-		(958,943)	2006.6.30
Woongjin Coway USA Inc.		2,874,716		1,028,309		563,834		(941,133)	2006.6.30

8. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipments as of June 30, 2007 and December 31, 2006 are as follows:

	Korean Won	
	2007	2006
	(In thousands)	
Land	₩ 12,652,116	₩ 12,652,116
Buildings	11,951,681	11,951,681
Structures	1,691,077	606,454
Machinery and equipment	9,665,637	6,035,222
Vehicles	131,085	131,085
Furniture and fixtures	66,950,292	59,321,362
Rental assets	578,476,099	575,465,170
Tools	22,097,881	17,173,040
Experimental research facility	2,396,453	2,242,574
Construction-in-progress	23,169,425	11,801,162
	729,181,746	697,379,866
Less: Accumulated depreciation	(319,296,532)	(310,316,348)
Less: Loss on impairment of rental assets	(11,325,208)	(12,898,370)
	<u>₩ 398,560,006</u>	<u>₩ 374,165,148</u>

- (2) The changes in the book value of property, plant and equipment for the six months ended June 30, 2007 and for the year ended December 31, 2006 are as follows:

(For the six months ended June 30, 2007)

	Korean Won					
	Beginning of the period	Acquisition	Disposal (*)	Depreciation	Transfer	End of the period
	(In thousands)					
Land	₩ 12,652,116	₩ -	₩ -	₩ -	₩ -	₩ 12,652,116
Buildings	11,360,932	-	-	(180,725)	-	11,180,207
Structures	423,844	-	-	(79,674)	1,084,622	1,428,792
Vehicles	82,899	-	-	(13,923)	-	68,976
Machinery and equipment	5,276,248	326,573	-	(487,726)	3,303,842	8,418,937
Furniture and fixtures	24,896,021	2,241,383	(14,131)	(4,998,390)	5,412,058	27,536,941
Rental assets	295,075,550	87,434,467	(25,834,496)	(57,737,424)	-	298,938,097
Tools	11,101,360	3,513,821	-	(2,168,593)	1,411,020	13,857,608
Experimental research facility	1,495,016	153,878	-	(339,987)	-	1,308,907
Construction-in-progress	11,801,162	22,579,805	-	-	(11,211,542)	23,169,425
	<u>₩ 374,165,148</u>	<u>₩ 116,249,927</u>	<u>₩ (25,848,627)</u>	<u>₩ (66,006,442)</u>	<u>₩ -</u>	<u>₩ 398,560,006</u>

(*) Disposal of rental assets includes loss on impairment of rental assets amounting to ₩19,432,083 thousand.

(For the year ended December 31, 2006)

	Korean Won					
	Beginning of year	Acquisition	Disposal(*)	Depreciation	Transfer	End of year
	(In thousands)					
Land	₩ 6,448,665	₩ 7,878,788	₩ (4,427,179)	₩ -	₩ 2,751,842	₩ 12,652,116
Buildings	15,117,388	488,805	(3,817,428)	(389,276)	(38,577)	11,360,932
Structures	338,201	94,860	(206,568)	(88,165)	285,516	423,844
Vehicles	106,399	5,362	(4,238)	(27,804)	3,180	82,899
Machinery and equipment	2,550,753	2,363,680	(6,113)	(550,060)	917,988	5,276,248
Furniture and fixtures	27,119,942	8,732,407	(23,514)	(10,337,338)	(595,476)	24,896,021
Rental assets	309,661,059	165,427,809	(62,933,842)	(117,079,476)	-	295,075,550
Tools	6,798,371	2,898,544	-	(3,084,151)	4,488,596	11,101,360
Experimental research facility	1,051,102	1,198,220	-	(606,375)	(147,931)	1,495,016
Construction-in-progress	655,716	19,556,409	(545,516)	-	(7,865,447)	11,801,162
	<u>₩ 369,847,596</u>	<u>₩ 208,644,884</u>	<u>₩ (71,964,398)</u>	<u>₩ (132,162,645)</u>	<u>₩ (200,289)</u>	<u>₩ 374,165,148</u>

(*) Disposal of rental assets includes loss on impairment of rental assets amounting to ₩49,980,186 thousand.

- (3) As of June 30, 2007, inventories and property, plant and equipment are insured for ₩74,077,453 thousand. In addition, the Company carries general insurance for vehicles, individual severance insurance, workers' compensation and casualty insurance for employees and the liability insurance for reparation for directors.
- (4) As of June 30, 2007, the published value of the Company-owned land (97,732 square meters) totals ₩11,269,813 thousand in terms of land prices officially announced by the Korean government.

9. INTANGIBLE ASSETS:

(1) Intangible assets as of June 30, 2007 and December 31, 2006 are as follows:

(As of June 30, 2007)

	Korean Won	
	Acquisition cost	Accumulated amortization
	(In thousands)	
		Book value
Goodwill	₩ 23,941,598	₩ (10,641,362)
Industrial property rights	212,615	(77,608)
Others	15,720,091	(3,471,005)
Construction-in-progress	1,495,336	-
	<u>₩ 41,369,640</u>	<u>₩ (14,189,975)</u>
		<u>₩ 27,179,665</u>

(As of December 31, 2006)

	Korean Won	
	Acquisition cost	Accumulated Amortization
	(In thousands)	
		Book value
Goodwill	₩ 23,941,598	₩ (8,270,732)
Industrial property rights	212,615	(61,713)
Others	13,727,554	(2,011,606)
Construction-in-progress	626,660	-
	<u>₩ 38,508,427</u>	<u>₩ (10,344,051)</u>
		<u>₩ 28,164,376</u>

(2) The changes in intangible assets for the six months ended June 30, 2007 and for the year ended December 31, 2006 are as follows:

(For the six months ended June 30, 2007)

	Korean Won				
	Beginning of the period	Addition	Amortization	Transfer	End of the period
	(In thousands)				
Goodwill	₩ 15,670,866	₩ -	₩ (2,370,630)	₩ -	₩ 13,300,236
Industrial property rights	150,902	-	(15,895)	-	135,007
Others	11,715,948	1,992,537	(1,459,399)	-	12,249,086
Construction-in-progress	626,660	868,676	-	-	1,495,336
	<u>₩ 28,164,376</u>	<u>₩ 2,861,213</u>	<u>₩ (3,845,924)</u>	<u>₩ -</u>	<u>₩ 27,179,665</u>

(For the year ended December 31, 2006)

	Korean Won				
	Beginning of the year	Addition	Amortization	Transfer	End of the year
	(In thousands)				
Goodwill	₩ 20,412,126	₩ -	₩ (4,741,260)	₩ -	₩ 15,670,866
Industrial property rights	178,702	3,777	(31,577)	-	150,902
Others	3,082,342	2,006,725	(1,564,243)	8,191,124	11,715,948
Construction-in-progress	-	8,617,496	-	(7,990,836)	626,660
	<u>₩ 23,673,170</u>	<u>₩ 10,627,998</u>	<u>₩ (6,337,080)</u>	<u>₩ 200,288</u>	<u>₩ 28,164,376</u>

The ordinary research and development expenses amounting to ₩ 3,050,246 thousand and ₩ 1,757,018 thousand for the six months ended June 30, 2007 and 2006, respectively, were charged to selling and administrative expenses.

10. BORROWINGS:

Short-term borrowings as of June 30, 2007 and December 31, 2006 are as follows:

Lender	Description	Annual interest rate (%) 2007	Korean Won	
			2007	2006
(In thousands)				
Kookmin Bank	Purchase loans	5.48	₩ 21,509,143	₩ 23,446,720
Shinhan Bank	Purchase loans	5.50	37,657,994	46,567,687
Woori Bank	Purchase loans	5.50	22,526,481	18,230,619
Hana Bank	Purchase loans	5.57	26,022,488	-
Hana Bank and others	Discounted notes	-	-	13,500,000
			₩ 107,716,106	₩ 101,745,026

11. DEBENTURES:

Debentures as of June 30, 2007 and December 31, 2006 are as follows:

Description	Issuance date	Maturity date	Interest (%) 2007	Korean Won	
				2007	2006
(In thousands)					
18th private debentures	2007.02.23	2008.02.23	5.45	₩ 10,000,000	₩ 10,000,000
19th private debentures	2006.10.13	2007.10.13	5.07	10,000,000	10,000,000
20th private debentures	2006.10.13	2007.10.13	4.96	10,000,000	10,000,000
				30,000,000	30,000,000
Less: Current portion				(30,000,000)	(30,000,000)
				₩ -	₩ -

12. RESERVE FOR ACCIDENT COMPENSATION:

The Company pays commission fee to the sales agencies and certain portion of the commission is deducted and accounted as reserve for accident compensation in order to prevent insolvency of sales agencies. Accordingly, all actual insolvency related losses are charged to the reserve.

13. ASSETS DENOMINATED IN FOREIGN CURRENCIES:

The assets denominated in foreign currencies as of June 30, 2007 and December 31, 2006 are as follows (Korean Won: In thousands):

	Foreign currencies		Korean Won		Foreign currencies		Korean Won	
	2007		2006		2007		2006	
Cash and cash equivalents	USD	1,249,975	₩	1,158,478	USD	1,574,635	₩	1,463,781
	JPY	96,293,254		724,539	JPY	16,948,020		132,505
	EUR	59,032		73,554	EUR	1,366,197		1,669,820
Trade receivables	USD	3,916,493		3,629,806	USD	1,628,048		1,513,433
	JPY	218,691,154		1,645,498	JPY	198,115,824		1,548,929
	EUR	241,862		301,357	EUR	-		-
	THB	128,870,629		3,750,135	THB	122,628,271		3,225,123
Total	USD	5,166,468	₩	11,283,367	USD	3,202,683	₩	9,553,591
	JPY	314,984,408			JPY	215,063,844		
	EUR	300,894			EUR	1,366,197		
	THB	128,870,629			THB	122,628,271		

14. CAPITAL STOCK AND CAPITAL SURPLUS:

(1) Common stock as of June 30, 2007 is as follows:

Authorized (shares)	Issued and outstanding (shares)	Par value	Korean Won (In thousands)
200,000,000	74,431,993	₩ 500	₩ 39,315,997

Due to the retirement of treasury stock, face value of stock issued amounting to ₩37,215,997 thousand differs from the carrying amount of capital stock of ₩39,315,997 thousand.

(2) Changes in common stock for the six months ended June 30, 2007 are as follows:

Date	Description	Issued	Capital stock	Paid-in capital in excess of par value
		(Korean Won in thousands)		
Beginning of period		74,375,593 shares	₩ 39,287,797	₩ 80,610,136
April 6, 2007	Exercise of stock options	56,400 shares	28,200	152,280
End of period		<u>74,431,993 shares</u>	<u>₩ 39,315,997</u>	<u>₩ 80,762,416</u>

(3) Changes in common stock for the year ended December 31, 2006 are as follows:

Date	Description	Issued	Capital stock	Paid-in capital in excess of par value
		(Korean Won in thousands)		
Beginning of year		73,851,611 shares	₩ 39,025,806	₩ 76,308,195
April 10, 2006	Exercise of stock options (*)	411,511 shares	205,756	3,113,597
June 23, 2006	Exercise of stock options (*)	112,471 shares	56,235	1,188,344
End of year		<u>74,375,593 shares</u>	<u>₩ 39,287,797</u>	<u>₩ 80,610,136</u>

(*) Increase in additional-paid-in capital as a result of exercise of share option includes transfer from stock options in capital adjustment amounting to ₩2,449,263 thousand.

(4) Appropriations of retained earnings:

Appropriations of retained earnings for the year ended December 31, 2006 were approved at the shareholders' meeting on March 23, 2007 as follows:

	Korean Won (In thousands)
Appropriated:	
Legal reserve	₩ 3,000,000
Voluntary reserve	41,400,000
Cash dividends	29,750,237
	<u>74,150,237</u>
Before appropriations	<u>74,229,616</u>
Unappropriated retained earnings	<u>₩ 79,379</u>

15. STOCK OPTIONS:

(1) Stock options as of June 30, 2007 are as follows:

Description	1st grant after the merger	2nd grant after the merger	3rd grant after the merger
Granted shares	440,000	150,000	50,000
Remaining shares	440,000	150,000	50,000
Grant date	2006.3.13	2006.8.1	2006.9.28
Exercise price	₩ 27,050	₩ 20,780	₩ 22,970
Exercisable period	2008.3.13~2013.3.12	2008.8.1~2013.7.31	2008.9.28~2013.9.27
Risk-free interest rate	5.12%	4.86%	4.67%
Expected return on dividend	42.00%	42%	42.00%
Expected expiry rate	0.00%	0.00%	0.00%
Volatility of the stock price	0.3439	0.3335	0.3286
Expected exercise period	5 years	4.5 years	4.5 years

(2) The changes of stock options for the six months ended June 30, 2007 are as follows:

Description	1st grant after the merger	2nd grant after the merger	3rd grant after the merger	Total
Compensation expense	4,313,077	1,042,346	337,060	5,692,483
Cumulative compensation expense				
Beginning balance	1,797,116	217,155	56,177	2,070,448
Current compensation expense	1,078,269	260,586	84,265	1,423,120
Sub-total (Capital adjustment)	2,875,385	477,741	140,442	3,493,568
Unrecognized compensation expense	1,437,692	564,605	196,618	2,198,915

16. TREASURY STOCK:

The Company has acquired 3,000,000 shares of treasury stock amounting ₩85,684,960 thousand from March 6, 2007 to May 7, 2007 in accordance with the decision of the Board of Directors on March 2, 2007 and sold it amounting ₩84,461,261 thousand (2,972,120 shares) to the employee stock ownership association on June 26, 2007. As of June 30, 2007, the Company owned treasury stock amounting ₩795,269 thousand (27,880 shares), all of which has been sold to the employee stock ownership association on July 5, 2007.

17. EARNINGS PER SHARE:

Net income per share is computed by dividing net income by the weighted average number of shares outstanding during the period. Dilutive net income per share are computed by dividing net income after addition for the effect of expenses related to diluted securities on net income, by the weighted average number of common shares plus the number of dilutive potential common shares.

- (1) The weighted average number of shares outstanding for the six months ended June 30, 2007 is computed as follows:

	<u>Number of shares (1)</u>	<u>Weighted average (2)</u>	<u>(1) x (2)</u>
Beginning of period	74,375,593	65	4,834,413,545
Acquisition of treasury stock	72,577,683	1~17	2,479,308,432
Exercise of share option	72,634,083	3	217,902,249
Acquisition of treasury stock	71,431,993	1~50	5,587,705,984
Disposal of treasury stock	74,404,113	4	297,616,452
Total		181	<u>13,416,946,662</u>

Weighted average number of shares outstanding = 13,416,946,662 shares ÷ 181 days = 74,126,777 shares

- (2) The weighted average number of shares outstanding for the three months ended June 30, 2007 is computed as follows:

	<u>Number of shares (1)</u>	<u>Weighted average (2)</u>	<u>(1) x (2)</u>
Beginning of period	72,622,353	6	435,734,118
Acquisition of treasury stock	72,577,683	3	217,733,049
Exercise of share option	72,634,083	3	217,902,249
Acquisition of treasury stock	71,431,993	1~50	5,587,705,984
Disposal of treasury stock	74,404,113	4	297,616,452
Total		91	<u>6,756,691,852</u>

Weighted average number of shares outstanding = 6,756,691,852 shares ÷ 91 days = 74,249,361 shares

- (3) The weighted average number of shares outstanding for the six months ended June 30, 2006 is computed as follows:

	<u>Number of shares (1)</u>	<u>Weighted average (2)</u>	<u>(1) x (2)</u>
Beginning of period	71,728,511	99	7,101,122,589
Exercise of share option	72,140,022	22	1,587,080,484
Disposal of treasury stock	74,263,122	52	3,861,682,344
Exercise of share option	74,375,593	8	595,004,744
Total		181	<u>13,144,890,161</u>

Weighted average number of shares outstanding = 13,144,890,161 shares ÷ 181 days = 72,623,703 shares

- (4) The weighted average number of shares outstanding for the three months ended June 30, 2006 is computed as follows:

	<u>Number of shares (1)</u>	<u>Weighted average (2)</u>	<u>(1) x (2)</u>
Beginning of period	71,728,511	9	645,556,599
Merger	72,140,022	22	1,587,080,484
Acquisition of treasury stock	74,263,122	52	3,861,682,344
Exercise of share option	74,375,593	8	595,004,744
Total		91	<u>6,689,324,171</u>

Weighted average number of shares outstanding = 6,689,324,171 shares ÷ 91 days = 73,509,057 shares

(5) Basic net income per share for the three months and six months ended June 30, 2007, and 2006 are computed as follows:

	Korean Won			
	Three months		Six months	
	2007	2006 (Unreviewed)	2007	2006
	(In thousands, except per share amounts)			
Net income available to common share	₩ 23,834,658	₩ 13,761,631	₩ 51,295,051	₩ 26,729,315
Weighted average number of common shares outstanding	74,249,361	73,509,057	74,126,777	72,623,703
Net income per share	₩ 321	₩ 187	₩ 692	₩ 368

(6) There was no dilutive effect for the periods ended June 30, 2007 and June 30, 2006. Therefore, diluted net income per share is the same as basic net income per share.

(7) Basic net income per share and diluted net income per share for the three months ended March 31, 2007 are ₩371, and basic net income per share and diluted net income per share for the year ended December 31, 2006 are ₩1,019 and ₩1,018, respectively.

18. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

(1) Income tax expense for six months ended June 30, 2007 and 2006 are computed as follows:

	Korean Won			
	2007		2006	
	Three months	Six months	Three months (Unreviewed)	Six months
	(In thousands)			
Income tax currently payable	₩ 9,669,231	₩ 21,870,372	₩ 20,980,505	₩ 28,349,071
Changes in deferred income taxed due to disposal of treasury stocks	(440,083)	(2,282,934)	(2,534,478)	(4,772,696)
Changes in deferred income taxes due to temporary differences	117,818	117,818	(12,601,306)	(12,601,306)
Income tax expense	<u>₩ 9,346,966</u>	<u>₩ 19,705,256</u>	<u>₩ 5,844,721</u>	<u>₩ 10,975,069</u>

(2) Tax reconciling items between financial accounting income and taxable income for the six months ended June 30, 2007 and 2006 are computed as follows:

	Korean Won			
	2007		2006	
	Three months	Six months	Three months (Unreviewed)	Six months
	(In thousands)			
Income before tax	₩ 33,181,624	₩ 71,000,307	₩ 19,606,352	₩ 37,704,384
Temporary differences	3,166,783	10,709,511	11,705,825	18,930,703
Others	563,870	1,387,197	45,792,568	48,076,443
Taxable income	<u>₩ 36,912,277</u>	<u>₩ 83,097,015</u>	<u>₩ 77,104,745</u>	<u>₩ 104,711,530</u>

(3) The changes in accumulated temporary differences for the six months ended June 30, 2007 are as follows:

	Korean Won			Deferred income tax assets(liabilities)
	Beginning(*)	Changes, net	Ending	
	(In thousands)			
Short term investment assets	₩ 129,220	₩ -	₩ 129,220	₩ 35,535
Allowances for doubtful accounts	76,733,735	7,140,352	83,874,087	23,027,016
Bad debt expense	664,118	-	664,118	-
Accrued interest income	(353,549)	132,598	(220,951)	(60,761)
Prepaid expenses	(138,279,273)	(8,302,354)	(146,581,627)	(40,309,948)
Inventory reserve	5,129,030	2,056,594	7,185,624	1,976,047
Investment securities accounted for using the equity methods	13,934,039	2,457,171	16,391,210	-
Long-term investment securities	2,169,374	-	2,169,374	596,578
Depreciation	1,249,627	(85,985)	1,163,642	320,002
Impairment losses on property	12,898,370	(1,763,563)	11,134,807	3,062,072
Goodwill	(8,334,592)	(188,723)	(8,523,315)	-
Intangible assets	554,335	(147,225)	407,110	111,955
Unpaid expense	4,539,589	(546,486)	3,993,103	1,098,103
Advanced receipts	106,166,794	9,957,132	116,123,926	31,934,080
Provision for return of goods sold	91,859	-	91,859	25,261
Provision for warranties	373,742	-	373,742	102,779
Appropriated retained earnings for treasury stocks	(3,230,000)	-	(3,230,000)	(888,250)
Others	3,543,869	-	3,543,869	(50)
Total	<u>₩ 77,980,287</u>	<u>₩ 10,709,511</u>	<u>₩ 88,689,798</u>	<u>₩ 21,030,419</u>
Exception (**)	9,807,615		12,215,547	
Temporary differences	68,172,672		76,474,251	
Statutory tax rate	27.5%		27.5%	
Deferred income tax assets	<u>₩ 18,747,485</u>		<u>₩ 21,030,419</u>	

(*) The difference between the deferred tax assets at the beginning of 2007 amounting to ₩19,751,894 thousand and ₩18,747,485 thousand as shown above is due to tax adjustments subsequent to the closing of the book.

(**) The Company did not recognize deferred income tax assets related to bad debt expense, investment securities accounted for using the equity methods, goodwill and others since the probability of its realization in the near future is uncertain.

(4) The deferred income tax assets and liabilities as of June 30, 2007 are as follows:

	Temporary differences as of June 30, 2007	Extinction period of the temporary differences		Deferred income tax assets (liabilities)	
		Before	After	Current	Non-current
		June 30, 2008	June 30, 2008		
Total temporary differences	₩88,689,798	₩62,214,837	₩26,474,962	₩17,109,075	₩ 7,280,611
Exception	<u>12,215,547</u>	<u>805,040</u>	<u>11,410,507</u>	<u>221,381</u>	<u>3,137,890</u>
Temporary differences, net	<u>₩76,474,251</u>	<u>₩61,409,797</u>	<u>₩15,064,454</u>	<u>₩16,887,694</u>	<u>₩ 4,142,725</u>
Statutory tax rate	27.5%	27.5%	27.5%		
Deferred income tax assets	<u>₩ 21,030,419</u>	<u>₩16,887,694</u>	<u>₩ 4,142,725</u>		

(5) The inter-period income tax allocation as of June 30, 2007 and 2006 is as follows:

	Korean Won			
	2007		2006	
	Amount	Income tax expense	Amount	Income tax expense
	(In thousands)			
Ordinary income	₩ 71,000,307	₩ 19,705,256	₩ 37,704,384	₩ 10,975,069
Capital stock	(428,430)	(117,818)	45,822,932	12,601,306
Total	<u>₩ 70,571,877</u>	<u>₩ 19,587,438</u>	<u>₩ 83,527,316</u>	<u>₩ 23,576,375</u>

(6) Effective tax rate for the three months and the six months ended June 30, 2007 and 2006 are computed as follows:

	Korean Won			
	Three months		Six months	
	2007	2006	2007	2006
	(Unreviewed)			
	(In thousands)			
Income tax	₩ 9,346,966	₩ 5,844,721	₩ 19,705,256	₩ 10,975,069
Income before tax	33,181,624	19,606,352	71,000,307	37,704,384
Effective tax rates	28.17%	29.81%	27.75%	29.11%

19. STATEMENTS OF COMPREHENSIVE INCOME:

Comprehensive income for the six months ended June 30, 2007 and 2006 is as follows:

	Korean Won			
	Three months		Six months	
	2007	2006	2007	2006
	(Unreviewed)			
	(In thousands)			
Net income	₩ 23,834,658	₩ 13,761,631	₩ 51,295,051	₩ 26,729,315
Other comprehensive income	7,080	2,054	6,337	2,054
Gain on valuation of long-term investment securities	147,382	(38,648)	178,942	(38,648)
Gain on valuation of equity method investments	262,604	(23,572)	(4,986)	(23,572)
Loss on valuation of equity method investments	417,066	(60,166)	180,293	(60,166)
Comprehensive income	<u>₩ 24,251,724</u>	<u>₩ 13,701,465</u>	<u>₩ 51,475,344</u>	<u>₩ 26,669,149</u>

The deferred tax effect for other comprehensive income is not significant.

20. RELATED PARTY TRANSACTIONS:

(1) The lists of the related parties as of June 30, 2007 are as follows.

<u>Related party</u>	<u>A category of business</u>	<u>Shares (%)</u>	<u>Reference</u>
Woongjin Japan Co., Ltd.	Sales of the water purifier and others	50.00	Subsidiary company
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	Sales of the water purifier, cosmetics and others	100.00	
Woongjin Energy Co., Ltd	Manufacturing of diode, transistor, semiconductor	80.10	
Woongjin USA Inc	Sales of the water purifier and others	35.00	Subsidiary company exempted from consolidation
Woongjin Coway USA Inc	Sales of the water purifier and others	100.00	
Woongjin Coway (Thailand) Co., Ltd.	Sales of the water purifier and others	99.99	
Woongjin Coway (M) Sdn Bhd	Sales of the water purifier and others	70.00	
Platinum Media Co., Ltd.	The development of the on-line software	15.75	Affiliated company
Woongjin Thinkbig Co., Ltd.	Publication	-	Other related party
Woongjin Holdings Co., Ltd.	Holding Company	-	
Woongjin Capital Co., Ltd.	Investment consultation	-	
Woongjin Happyall Co., Ltd.	Providing the service in relation to the water purifiers and others	-	
Rexfield Country Club	Golf club and the sports appliances.	-	
Woongjin Foods Co., Ltd. (*)	Sales of the drinks and the foods from ginseng	-	
Woongjin Cuchen Co., Ltd.	Electronic machines for the domestic use and the phonograph records	0.01	
Booxen Co., Ltd.	Sales of the books and others	0.49	
Woongjin Construction Co., Ltd.	General construction service	-	

(*) The Company has sold entire stock of Woongjin Food Co., Ltd. during the second quarter of 2007.

(2) Significant transactions with related parties for the three months and six months ended June 30, 2007 and 2006 are as follows:

Related parties		Korean Won			
		2007		2006	
		Three months	Six months	Three months (Unreviewed)	Six months
		(In thousands)			
Woongjin Japan Co., Ltd.	Sales	₩ 571,472	₩ 693,748	₩ 584,093	₩ 1,056,236
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	Sales	884,895	1,240,191	162,508	162,508
Woongjin Energy Co., Ltd.	Sales	100	100	-	-
Woongjin Coway USA Inc	Sales	925,458	1,195,191	-	-
Woongjin Coway (Thailand) Co., Ltd.	Sales	89,365	174,470	453,939	729,868
Woongjin Coway (M) Sdn Bhd	Sales	135,168	242,557	-	-
Platinum Media Co., Ltd.	Sales	542,476	543,648	-	-
	Purchases	5,818,567	8,047,244	-	-
	Selling and administrative expenses	1,807,555	3,518,212	6,908,786	12,072,575
Others					
Woongjin Thinkbig Co., Ltd.	Sales	14,741	75,639	73,698	114,927
	Selling and administrative expenses	144,482	309,119	193,975	297,443
Woongjin Holdings Co., Ltd.	Selling and administrative expenses	267,753	267,753	-	-
	Sales of stock	739,810	739,810	-	-
Woongjin Capital Co., Ltd.	Sales	813	813	-	-
Woongjin Happyall Co., Ltd.	Sales	119,092	199,778	98,904	152,481
	Service fee expense	19,976,919	43,879,570	25,800,560	42,555,647
	Purchases	5,245,239	6,173,967	-	-
	Selling and administrative expenses	2,742,526	6,750,167	2,883,595	13,464,164
Rexfield Country Club	Sales	2,942	7,617	7,036	10,017
	Selling and administrative expenses	60,672	98,977	49,330	124,330
Woongjin Foods Co., Ltd.	Sales	7,683	16,384	3,015	3,107
	Selling and administrative expenses	927,381	1,805,190	883,343	1,773,064
Woongjin Cuchen Co., Ltd.	Sales	1,233,496	2,597,579	2,727,947	5,183,049
	Loss from sales return	825,038	1,399,770	-	-
	Purchases	21,418,235	40,256,053	22,608,627	47,903,313
	Selling and administrative expenses	1,000,414	1,495,490	-	-
	Disposal of tangible assets	-	-	9,101,618	9,101,618
	Acquisition of tangible assets	-	-	8,187,055	8,187,055
Booxen Co., Ltd.	Sales	2,543	4,084	2,738	2,738
	Service fee	4,753,287	9,317,250	-	-
	Selling and administrative expenses	455,782	811,368	4,689,896	9,029,810
Woongjin Construction Co., Ltd.	Sales	588	13,789	-	-
	Rent expense	600	1,200	600	1,200
	Construction in progress	9,282,000	11,350,000	-	-
	Selling and administrative expenses	-	-	1,191,300	1,191,300

(3) Significant balances related to related parties as of June 30, 2007 and December 31, 2006 are summarized as follows:

Related parties	Description	Korean Won	
		2007	2006
		(In thousands)	
Woongjin Japan Co., Ltd.	Trade accounts and notes receivable	₩ 1,808,643	₩ 2,220,128
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	Trade accounts and notes receivable	1,265,079	529,628
Woongjin Coway USA Inc	Trade accounts and notes receivable	1,189,090	-
Woongjin Coway (Thailand) Co., Ltd.	Trade accounts and notes receivable	3,750,135	3,225,123
	Advanced payments	16,320	16,320
	Accounts receivable - other	3,556	3,556
Woongjin Coway (M) Sdn Bhd	Trade accounts and notes receivable	439,063	199,695
	Short-term investments	-	590,955
	Long-term loans	1,523,871	-
Platinum Media Co., Ltd.	Trade accounts and notes receivable	594,660	-
	Accounts payable-other	1,162,402	1,468,964
Woongjin Thinkbig Co., Ltd.	Trade accounts and notes receivable	193	-
	Trade accounts and notes payable	65,549	61,654
	Accounts payable-other	-	71,541
Woongjin Holdings Co., Ltd.	Trade accounts and notes payable	147,972	-
Woongjin Happyall Co., Ltd.	Trade accounts and notes receivable	139,701	139,701
	Accounts receivable - other	131	131
	Guarantee deposits	244,341	320,612
	Accounts payable-other	9,534,859	11,131,876
Rexfield Country Club	Trade accounts and notes receivable	2,069	1,636
	Guarantee deposits	4,303,400	4,303,400
	Accounts payable-other	27,500	15,513
Woongjin Foods Co., Ltd.	Trade accounts and notes receivable	81,065	77,770
	Trade accounts and notes payable	360,772	440,168
Woongjin Cuchen Co., Ltd.	Trade accounts and notes receivable	100,127	100,127
	Accounts receivable - other	805,127	5,891,237
	Trade accounts and notes payable	6,473,367	9,455,605
	Accounts payable-other	194,906	1,344,598
Booxen Co., Ltd.	Trade accounts and notes receivable	2,708	-
	Accounts payable-other	1,823,063	1,819,915
Woongjin Construction Co., Ltd.	Trade accounts and notes receivable	1,984	-
	Accounts receivable - other	-	220
	Deposits received	10,000	10,000

(4) Short-term loans provided to employees as of June 30, 2007 and December 31, 2006 amount to ₩111,666 thousand and ₩42,666 thousand, respectively.

(5) The guarantee provided on behalf of its related parties and others as of June 30, 2007 are as follows (Korean Won: In thousands):

Provided to	Provided amount		Types of payable	Creditors
Woongjin Japan Co., Ltd	JPY	2,080,000,000	General loan	Hana Bank
Woongjin Coway (Shenyang) Living Goods Co., Ltd.	USD	3,250,000	General loan	Hana Bank
Woongjin Coway (Thailand) Co., Ltd.	USD	2,000,000	General loan	Citibank Korea
Woongjin Energy Co., Ltd.		41,600,000	General loan	Shinhan Bank
Platinum Media Co., Ltd.		2,834,000	General loan	Hana Bank and others
Woongjin Cuchen Co., Ltd.		82,700,000	Privately offered bond and others	Hana Bank and others
Woongjin Construction Co., Ltd.		2,400,000	General loan	Hana Bank
Woongjin Coway Employee Stock Ownership Association (*)		104,532,040	Personal loan	National Agricultural Cooperative Federation
	₩	234,066,040		
	USD	5,250,000		
	JPY	2,080,000,000		

(*) The Company pays 50% of the interest expense of the Employee Stock Ownership Association's borrowings.

(6) The compensation for the six months ended June 30, 2007 and 2006 for both the registered and unregistered executives is as follows:

Classification	Korean Won			
	Compensation amounts			
	2007	(In thousands)		2006
Short-term payroll	₩	515,228	₩	1,031,574
Payroll after retirement (*1)		380,026		742,055
The compensation based on the stock price (*2)		3,493,568		4,309,427

(*1) It is the estimates of the provision for the severance and retirement benefits for the registered and unregistered executives for the six months ended June, 2007 and 2006. On the other hand, the severance and retirement benefits for six months ended June 30, 2007 and 2006 are ₩134,034 thousand and ₩211,370 thousand, respectively.

(*2) It is the total compensation costs recognized for the six months ended June 30, 2007 and 2006 for the stock option granted to the executives.

(7) The Company has sold PDA rights to Platinum Media Co., Ltd. during the first half of 2007 and recognized gain of ₩540,538 thousand.

21. COMMITMENTS AND CONTINGENCIES:

- (1) As of June 30, 2007, the Company has borrowing agreements with various financial institutions as follows (Korean Won: In thousands):

<u>Types of borrowing</u>	<u>Financial institutions</u>	<u>Borrowing limits</u>
Bank overdraft	Kookmin Bank	₩ 5,000,000
Loan provided in line with the purchase	Shinhan Bank and others	₩ 210,000,000
Discount of notes receivable	Meritz Investment Bank and others	₩ 105,000,000
General loan	Korea Exchange Bank	₩ 9,000,000
Borrowings related with import	Woori Bank and others	USD 5,000,000
Issuance of electronic notes payable	Korean Exchange Bank	₩ 10,000,000

- (2) As of June 30, 2007, Seoul Guarantee Insurance Co., Ltd. has provided guarantee of execution of contract of ₩1,029,695 thousand on behalf of the Company.
- (3) As of June 30, 2007, the Company is involved with 6 lawsuits regarding the refund of sales commission amounting to ₩476,117 thousand and USD 1,500,000. The Company estimates the result of the above lawsuits as immaterial.

22. SELLING AND ADMINISTRATIVE EXPENSES:

The details of selling and administrative expenses for the three months and six months ended June 30, 2007 and 2006 are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Three months</u>	<u>Six months</u>	<u>Three months</u> <u>(Unreviewed)</u>	<u>Six months</u>
	(In thousands)			
Salary related expenses	₩ 39,765,011	₩ 75,511,780	₩ 35,830,771	₩ 67,699,055
Travel	1,026,011	1,786,486	656,823	1,197,046
Communications	2,864,404	5,166,328	1,827,654	3,659,585
Entertainment	121,477	311,161	169,080	315,634
Education and training	1,950,070	3,721,346	3,164,292	6,236,983
Supplies	5,236,573	9,062,030	1,816,210	3,520,259
Books and publishing	340,043	500,320	302,203	523,420
Advertisements	7,693,842	15,871,902	9,512,996	17,768,225
Rent	7,954,788	15,867,251	7,308,271	14,560,458
Taxes and dues	210,857	381,527	304,166	395,671
Insurance	200,341	226,130	87,058	100,740
Transportation	364,826	586,737	332,002	631,471
Sales promotion	4,136,548	8,144,147	4,109,349	6,919,144
Sales warranties	-	-	31,864	31,864
Sales commissions	60,618,293	119,804,350	64,620,086	120,885,010
Fees and commissions	12,433,318	23,753,146	9,233,584	18,832,396
Repairs and maintenance	688,186	1,352,443	427,973	1,451,241
Ordinary research and development expense	1,720,868	3,050,246	965,326	1,757,018
Depreciation	3,486,103	6,493,103	2,730,775	5,341,335
Amortization	1,954,662	3,844,385	1,384,292	2,761,106
Bad debt	3,421,314	7,442,708	4,798,537	9,287,287
Impairment loss on rental assets	9,962,798	19,432,083	12,241,507	25,937,766
Other	684,427	1,622,365	340,801	1,114,017
	<u>₩ 166,834,760</u>	<u>₩ 323,931,974</u>	<u>₩ 162,195,620</u>	<u>₩ 310,926,731</u>

23. SEGMENT INFORMATION:

Main segment of the Company is comprised of Rental division and Lump sum payment division.

Details of business segment information for the six months ended June 30, 2007 and 2006 are as follows:

	Korean Won					
	2007			2006		
	Sales	Cost of sales	Gross profit	Sales	Cost of sales	Gross profit
	(In thousands)					
Rental	₩ 543,274	₩ 169,578	₩ 373,696	₩ 498,337	₩ 175,955	₩ 322,382
Lump sum payment	31,405	13,369	18,036	35,271	13,267	22,004
Others	18,486	10,129	8,357	15,787	6,390	9,397
Total	<u>₩ 593,165</u>	<u>₩ 193,076</u>	<u>₩ 400,089</u>	<u>₩ 549,395</u>	<u>₩ 195,612</u>	<u>₩ 353,783</u>