



Woongjin Coway Co., Ltd.

Non-consolidated financial statements

Years ended December 31, 2009 and 2008

with independent auditors' report

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Independent auditors' report

The Board of Directors and Stockholders
Woongjin Coway Co., Ltd.

We have audited the accompanying non-consolidated statements of financial position of Woongjin Coway Co., Ltd. (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, appropriations of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the financial statements of a subsidiary. The carrying amount of the investment in that subsidiary represents approximately 8.05% and 9.14% of the Company's total assets as of December 31, 2009 and 2008, respectively, and its equity income represents approximately 2.13% and 1.22% of the Company's income before income taxes for the years ended December 31, 2009 and 2008, respectively. These financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this subsidiary, is based solely on the report 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 non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Woongjin Coway Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations, its changes in retained earnings and equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The Board of Directors and Stockholders
Woongjin Coway Co., Ltd.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in retained earnings and equity, 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 audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

A handwritten signature in black ink that reads "Ernst & Young Han Young".

March 5, 2010

This audit report is effective as of March 5, 2010, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

Woongjin Coway Co., Ltd.
Non-consolidated statements of financial position
As of December 31, 2009 and 2008

(Korean won in thousands)

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 13)	₩ 63,721,045	₩ 76,101,910
Short-term investment assets (Notes 13 and 20)	5,494,230	5,901,688
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩51,918,324 in 2009 and ₩55,612,95 in 2008 (Notes 13, 20 and 36)	194,577,162	149,822,884
Other accounts receivable, net of allowance for doubtful accounts of ₩13,730,119 in 2009 and ₩11,273,089 in 2008 (Notes 13 and 20)	3,978,655	8,326,858
Accrued income, net of allowance for doubtful accounts of ₩1,318,777 in 2009 and ₩815,921 in 2008 (Note 20)	32,062	-
Advance payments, net of allowance for doubtful accounts of ₩8,691,528 in 2009 and nil in 2008	1,340,460	11,446,672
Prepaid expenses (Note 36)	180,005,187	162,909,252
Deferred income tax assets (Note 21)	5,716,383	3,101,019
Inventories (Note 26):		
Merchandise	30,289,284	36,493,386
Finished goods	24,613,553	20,778,598
Work-in-process	169,205	393,668
Raw materials	4,908,721	5,756,630
Others	232,638	245,376
	<u>60,213,401</u>	<u>63,667,658</u>
Less valuation allowance	<u>(5,623,407)</u>	<u>(5,674,818)</u>
Inventories, net	<u>54,589,994</u>	<u>57,992,840</u>
Total current assets	<u>509,455,178</u>	<u>475,603,123</u>
Non-current assets:		
Long-term investment assets (Note 5, 21)	2,103,738	3,048,699
Equity method investments (Note 6)	128,581,579	109,765,552
Long-term loans receivable, net of allowance for doubtful accounts of ₩4,399,949 in 2008 and ₩3,491,815 in 2008 (Notes 13 and 20)	-	1,246,911
Long-term guarantee deposits, net of allowance for doubtful accounts of ₩2,302,939 in 2009 and nil in 2008	44,661,417	39,176,274
Defaulted notes receivable, net of allowance for doubtful account of ₩2,959,073 in 2009 and ₩2,362,562 in 2008	654,500	-
Long-term prepaid expenses	16,572,917	17,497,917
Deferred income tax assets (Note 21)	8,463,627	3,505,386
Property, plant and equipment (Notes 7, 8 and 26)	418,204,136	356,410,921
Intangible assets (Notes 9, 21, 34)	141,086,744	64,857,191
Other non-current assets (Note 4)	895,830	295,830
	<u>761,224,488</u>	<u>595,804,681</u>
Total assets	<u>₩ 1,270,679,666</u>	<u>₩ 1,071,407,804</u>

(Continued)

See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of position (cont'd)
As of December 31, 2009 and 2008

(Korean won in thousands)

	2009	2008
Liabilities and equity		
Current liabilities:		
Trade accounts and notes payable (Note 20)	₩ 29,220,399	₩ 34,168,108
Short-term borrowings (Notes 11 and 27)	119,715,069	107,845,795
Other accounts payable (Note 20)	103,577,575	83,662,104
Advances received	121,280,682	128,591,731
Unearned revenues	43,467	-
Withholdings	9,776,951	10,415,078
Accrued expenses	12,207,841	5,445,287
Income taxes payable (Note 21)	23,514,516	26,793,650
Provision for product warranties (Note 15)	1,765,671	1,411,512
Provision for return of goods sold (Note 15)	668,268	408,437
Current portion of long-term borrowings (Notes 11 and 27)	30,000,000	-
Current portion of bonds (Note 11 and 27)	90,000,000	-
Total current liabilities	541,770,439	398,741,702
Non-current liabilities:		
Long-term borrowings (Notes 11 and 27)	₩ 30,000,000	₩ 60,000,000
Long-term other accounts payable	24,000	-
Reserve for agent losses (Note 12)	5,594,074	5,747,457
Rental deposits received from customers	1,121,308	1,124,008
Provision for construction warranties (Note 15)	139,217	161,603
Severance and retirement benefits, net (Notes 14 and 20)	11,336,869	8,991,563
Leasehold deposits received	15,000	10,000
Total non-current liabilities	48,230,468	76,034,631
Total liabilities	590,000,907	474,776,333
Equity:		
Capital stock (Note 16)	40,662,398	39,315,997
Capital surplus:		
Paid-in capital in excess of par value (Notes 16, 21, 33 and 34)	97,276,688	64,146,430
Adjustment arising from equity method investments (Notes 6 and 21)	11,671,472	11,665,500
Other capital surplus (Notes 17 and 21)	32,979,546	32,911,975
	141,927,706	108,723,905
Capital adjustments:		
Treasury stock (Note 18)	(36,432,706)	-
Stock options (Notes 20 and 28)	5,167,222	6,180,975
Capital adjustment arising from equity method investments (Notes 6 and 21)	(248,702)	-
	(31,514,186)	6,180,975

(Continued)

See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of financial position (cont'd)
As of December 31, 2009 and 2008

(Korean won in thousands)

	<u>2009</u>	<u>2008</u>
Liabilities and equity (cont'd)		
Equity (cont'd):		
Accumulated other comprehensive income:		
Gain (loss) on valuation of long-term investment securities (Notes 5, 21 and 24)	₩ 8,676	₩ (1,091,472)
Changes of equity arising from equity method investments (Notes 6, 21 and 24)	2,000,412	4,147,361
Negative changes of equity arising from equity method investments (Note 6, 21 and 24)	(1,993,927)	(1,709,295)
	<u>15,161</u>	<u>1,346,594</u>
Retained earnings:		
Legal reserve (Note 19)	23,325,427	16,825,427
Voluntary reserve (Note 19)	352,976,035	295,076,035
Unappropriated retained earnings	153,286,218	129,162,538
	<u>529,587,680</u>	<u>441,064,000</u>
Total equity	<u>680,678,759</u>	<u>596,631,471</u>
Total liabilities and equity	<u>₩ 1,270,679,666</u>	<u>₩ 1,071,407,804</u>

Woongjin Coway Co., Ltd.
Non-consolidated statements of operations
Years ended December 31, 2009 and 2008

(Korean won in thousands, except per share amounts)

	2009	2008
Sales (Note 30)	₩ 1,411,922,316	₩ 1,314,402,927
Cost of sales (Notes 30 and 31)	460,172,221	407,158,576
Gross profit	<u>951,750,095</u>	<u>907,244,351</u>
Selling and administrative expenses (Note 32)	<u>747,492,690</u>	<u>717,095,399</u>
Operating income	204,257,405	190,148,952
Other income (expenses):		
Interest income	3,116,811	3,295,294
Interest expense	(12,526,386)	(11,345,460)
Dividend income	401	24,597
Rental income	502,892	546,795
Commission income	1,162,939	-
Bad debt expenses - non-trade	(1,426,090)	(1,377,106)
Loss on foreign currency transactions, net	(1,082,704)	(182,865)
Gain (loss) on foreign currency translation, net (Note 13)	(4,164,862)	10,642,774
Equity in earnings (loss) of equity method investments, net (Notes 6 and 21)	13,915,031	(1,358,860)
Loss on disposal of property, plant and equipment, net	(350,696)	(2,545,036)
Loss on inventory written off	(1,461,488)	(544,602)
Loss on disposal of long-term investments securities	(1,099,637)	-
Contributions	(560,160)	(3,160,529)
Miscellaneous income, net	2,154,507	641,292
Others	286,425	-
	<u>(1,533,017)</u>	<u>(5,363,706)</u>
Income before income taxes	202,724,388	184,785,246
Provision for income taxes (Note 21)	49,444,874	55,720,577
Net income	<u>₩ 153,279,514</u>	<u>₩ 129,064,669</u>
Earnings per share (Note 22):		
Basic	<u>₩ 2,034</u>	<u>₩ 1,734</u>
Diluted	<u>₩ 2,031</u>	<u>₩ 1,734</u>

See accompanying notes.

Woongjin Coway Co., Ltd.

Non-consolidated statements of appropriations of retained earnings

Years ended December 31, 2009 and 2008

(Korean won in thousands)

	<u>2009</u>	<u>2008</u>
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩ 6,704	₩ 97,869
Net income for the year	<u>153,279,514</u>	<u>129,064,669</u>
	153,286,218	129,162,538
Appropriations (2009 - proposed):		
Legal reserve	7,700,000	6,500,000
Other reserves	68,760,000	57,900,000
Cash dividends (Note 23)	<u>76,825,444</u>	<u>64,755,834</u>
	153,285,444	129,155,834
Unappropriated retained earnings to be carried forward to to the next year	<u>₩ 774</u>	<u>₩ 6,704</u>

Woongjin Coway Co., Ltd.
Non-consolidated statements of changes in equity
Years ended December 31, 2009 and 2008

(Korean won in thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2008	₩ 39,315,997	₩ 113,674,391	₩ 4,916,689	₩ 519,003	₩ 370,056,285	₩ 528,482,365
Cumulative effect of changes in accounting policy	-	(27,145)	-	27,145	-	-
As of January 1, 2008 (as restated)	39,315,997	113,647,246	4,916,689	546,148	370,056,285	528,482,365
Dividends	-	-	-	-	(58,056,954)	(58,056,954)
Net income for the year	-	-	-	-	129,064,669	129,064,669
Acquisition of business from a related party	-	(16,615,986)	-	-	-	(16,615,986)
Stock-based compensation expense	-	-	1,264,286	-	-	1,264,286
Loss on valuation of long-term investment securities	-	-	-	(1,253,632)	-	(1,253,632)
Capital surplus arising from equity method investments	-	11,692,645	-	-	-	11,692,645
Changes of equity arising from equity method investments	-	-	-	3,716,619	-	3,716,619
Negative changes of equity arising from equity method investments	-	-	-	(1,662,541)	-	(1,662,541)
As of December 31, 2008	₩ 39,315,997	₩ 108,723,905	₩ 6,180,975	₩ 1,346,594	₩ 441,064,000	₩ 596,631,471

(Continued)
See accompanying notes.

Woongjin Coway Co., Ltd.

Non-consolidated statements of changes in equity (cont'd)

Years ended December 31, 2009 and 2008

(Korean won in thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2009	₩ 39,315,997	₩ 108,723,905	₩ 6,180,975	₩ 1,346,594	₩ 441,064,000	₩ 596,631,471
Dividends	-	-	-	-	(64,755,834)	(64,755,834)
Net income for the year	-	-	-	-	153,279,514	153,279,514
Acquisition of treasury stock	-	-	(46,400,006)	-	-	(46,400,006)
Disposal of treasury stock	-	67,571	9,967,300	-	-	10,034,871
Issuance of common shares due to merger	1,346,401	82,379,108	-	-	-	83,725,509
Acquisition of business from a related party	-	(49,248,850)	-	-	-	(49,248,850)
Stock-based compensation expense	-	-	1,590,290	-	-	1,590,290
Exercise of stock options	-	-	(2,604,043)	-	-	(2,604,043)
Gain on valuation of long-term investment securities	-	-	-	1,100,148	-	1,100,148
Capital surplus arising from equity method investments	-	5,972	-	-	-	5,972
Capital adjustments arising from equity method investments	-	-	(248,702)	-	-	(248,702)
Changes of equity arising from equity method investments	-	-	-	(2,146,949)	-	(2,146,949)
Negative changes of equity arising from equity method investments	-	-	-	(284,632)	-	(284,632)
As of December 31, 2009	<u>₩ 40,662,398</u>	<u>₩ 141,927,706</u>	<u>₩ (31,514,186)</u>	<u>₩ 15,161</u>	<u>₩ 529,587,680</u>	<u>₩ 680,678,759</u>

See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of cash flows
Years ended December 31, 2009 and 2008
(Korean won in thousands)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net income	₩ 153,279,514	₩ 129,064,669
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance and retirement benefits	19,355,829	12,134,753
Stock-based compensation expenses	1,590,290	1,264,286
Depreciation	128,228,881	126,499,075
Amortization of intangible assets	19,874,921	14,681,559
Bad debt expense - trade	5,982,597	15,954,392
Bad debt expenses - non-trade	1,426,090	1,377,106
Loss on valuation of inventories	-	524,172
Loss on disposal of rental assets	38,135,698	44,710,986
Gain (loss) on foreign currency translation, net	3,812,426	(9,988,135)
Loss on disposal of long-term investment securities	1,099,637	-
Equity in loss (earnings) of equity method investments, net	(13,915,031)	1,358,860
Loss on disposal of property, plant and equipment, net	350,696	2,545,036
Loss on inventory written off	1,461,488	544,602
Provision for return of goods sold	219,380	316,577
Privison for product warranties	354,159	-
Privison for construction warranties	12,132	-
Reversal of loss on valuation of inventories	(456,198)	-
Others	(286,425)	-
Miscellaneous loss, net	21,747	12,520
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(51,945,030)	(41,781,857)
Other accounts receivable	10,304,500	2,213,680
Prepaid expenses	(16,912,639)	(5,049,001)
Accrued income	(522,671)	(544,511)
Advance payments	10,183,114	(3,983,180)
Inventories	4,240,977	(1,284,608)
Long-term prepaid expenses	925,000	925,000
Deferred income taxes	8,339,059	13,156,021
Trade accounts and notes payable	(8,955,345)	8,394,842
Other accounts payable	17,721,349	6,545,800
Advances received	(7,311,050)	(20,820,542)
Unearned revenues	43,467	-
Withholdings	(695,391)	5,586,088
Accrued expenses	6,722,117	2,155,964
Income taxes payable	(3,300,706)	9,099,204
Long-term other accounts payable	24,000	-
Reserve for agent losses	(153,383)	31,056
Provision for construction warranties	(34,518)	-
Rental deposits received from customers	(2,700)	(12,010)
Payment of severance and retirement benefits, net	(17,565,191)	(10,826,879)
Total adjustments	<u>158,373,276</u>	<u>175,740,856</u>
Net cash provided by operating activities	₩ 311,652,790	₩ 304,805,525

(Continued)
See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of cash flows (cont'd)
Years ended December 31, 2009 and 2008

(Korean won in thousands)

	2009	2008
Cash flows from investing activities:		
Increase in short-term investment assets, net	₩ (50,000)	₩ (4,245,086)
Proceeds from disposal of long-term investment securities	3,807,002	100,000
Acquisition of long-term investments securities	-	(336,863)
Acquisition of equity method investments	(1,022,545)	(82,157,362)
Proceeds from disposal of property, plant and equipment	13,804,417	29,032,948
Acquisition of property, plant and equipment	(217,922,093)	(171,061,174)
Proceeds from disposal of intangible assets	33,772	-
Acquisition of intangible assets	(6,233,809)	(4,530,458)
Refund of long-term guarantee deposits	18,082,427	11,923,372
Payment of long-term guarantee deposits	(23,450,393)	(12,691,264)
Acquisition of business unit	(63,139,551)	(21,080,312)
Others, net	(54,734)	(26,432)
Net cash used in investing activities	<u>(276,145,507)</u>	<u>(255,072,631)</u>
Cash flows from financing activities:		
Drawdown of short-term borrowings	745,684,306	680,346,715
Repayment of short-term borrowings	(764,258,185)	(664,514,328)
Proceeds from current portion of bonds	70,000,000	-
Proceeds from long-term borrowings	-	60,000,000
Proceeds from government subsidy	-	82,000
Redemption of current portion of bonds	-	(20,000,000)
Proceeds from disposal of treasury stock	7,452,400	-
Acquisition of treasury stock	(46,400,006)	-
Payment of dividends	(64,755,834)	(58,056,954)
Others, net	(10,000)	-
Net cash used in financing activities	<u>(52,287,319)</u>	<u>(2,142,567)</u>
Increase of cash and cash equivalents due to merger	4,399,171	-
Net increase (decrease) in cash and cash equivalents	(12,380,865)	47,590,327
Cash and cash equivalents at the beginning of the year	<u>76,101,910</u>	<u>28,511,583</u>
Cash and cash equivalents at the end of the year	<u>₩ 63,721,045</u>	<u>₩ 76,101,910</u>

1. Corporate information

Woongjin Coway Co., Ltd. (the "Company") was incorporated on May 2, 1989 under the laws of the Republic of Korea to engage in the manufacture and sales or rental of water purifiers and home appliances, construction of waste disposal facilities and other related business. The Company listed its common shares at the Korea Exchange ("KRX") on August 7.

As the result of a merger and several increases in paid-in capital, the capital stock of the Company as of December 31, 2009 amounts to ₩40,662 million. In addition, the Company had previously retired 4,200,000 shares of treasury stock through the appropriation of retained earnings. As a result, the number of shares common stock outstanding amounting to 77,124,796 shares with a face value of ₩38,562 million differs from the face value and number of shares issued as recorded in the statement of financial position as of December 31, 2009.

As of December 31, 2009, the majority stockholder of the Company is Woongjin Holdings Co., Ltd., with a shareholding of 32.74%, and Woongjin Chemical Co., Ltd., Woong Jin Coway (Shenyang) Living Goods Co., Ltd., Woong jin Coway USA Inc. and Woong Jin Coway (M) Sdn Bhd. are subsidiaries of the Company.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). 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. In the event of any differences in interpreting the non-consolidated financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

The non-consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Republic of Korea, including Statements of Korea Accounting Standards ("SKAS") 1 to 23, and the summary of significant account policies used for the preparation of the financial statements are as follows:

Adoption of revised Statements of Korea Accounting Standards ("SKAS")

The Company has adopted the revised SKAS 5 *Amendments – Property, Plant and Equipment* for the current year. The adoption of this revised standard did not have any effect on the Company's non-consolidated financial statements as the Company chose not to revalue any of its existing property, plant and equipment.

Revenue recognition

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer upon delivery of goods sold and rental revenue is recognized on an accrual basis over the rental period. Other revenue is recognized when the revenue has been earned, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Company.

2. Summary of significant accounting policies (cont'd)

Cash equivalents

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the moving-average method. Perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.

When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales which amounted to nil and ₩524,172 thousand, as of December 31, 2009 and 2008, respectively.

In the event of an increase in the net realizable value of previous written down inventory, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value. The Company has made any reversal of write-down which amounted to ₩456,198 thousand and nil for the years ended December 31, 2009 and 2008.

Investments in securities

Investments in securities within the scope of SKAS 8 *Investments in Securities* are classified as either trading, held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the statement of financial position date. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency.

2. Summary of significant accounting policies (cont'd)

Investments in securities (cont'd)

If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or that are certain to be disposed of within one year from the balance sheet date are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to statement of income.

Equity method investments

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the non-consolidated statement of financial position. If the Company's share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

Negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company's share in the investee's unrealized profits and losses resulting from transactions between the Company and its investee are eliminated.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the statements of financial position date and income and expenses are translated at the average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful life of the assets as follows:

2. Summary of significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

	<u>Years</u>
Buildings	25 – 40
Structures	7 – 25
Machinery and equipment	2 – 12
Vehicles	5 – 10
Tools	2 – 6
Furniture and fixtures	2 – 20
Research facility	3
Rental assets	3 – 5

Intangible assets

Intangible assets of the Company consist of goodwill, industrial property rights and other intangible assets, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 5 to 10 years for goodwill and industrial property rights and 5 years for all other intangible assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are expensed in the period in which they are incurred.

Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

A previously recognized impairment loss for an impaired asset is reversed if the recoverable amount during the reporting period exceeds its carrying amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The Company recorded no impairment loss or reversal of impairment loss for the years ended December 31, 2009 and 2008.

Government subsidy

Government subsidy, which is used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life. Government subsidy, which is required to be repaid, is recorded as a liability in the statements of financial position. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

2. Summary of significant accounting policies (cont'd)

Severance and retirement benefits (cont'd)

The Company's severance and retirement benefits are partly funded through an insurance plan with Samsung Fire & Marine Insurance Co., Ltd. Up to March 1999, the Company had previously prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS"). The insurance deposits and prepayments are presented as a deduction from the provision for severance and retirement benefits.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability is disclosed, but not recognized when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statements of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. The year-end exchange rate used were ₩1,167.60: US\$1 and ₩1,257.50: US\$1, ₩1,674.28: EUR1 and ₩1,776.22: EUR1, ₩12.6282: JPY1 and ₩13.9289: JPY1 and ₩35.02: THB1 and ₩36.11: THB1, as of December 31, 2009 and 2008, respectively, for statements of financial position items.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the statements of financial position date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

Share-based payment transactions

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity at the fair value of the goods or services received or the equity instruments granted over the vesting period. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability, and re-measures the fair value of the liability at each reporting date, with any changes in value recognized in profit or loss for the period.

2. Summary of significant accounting policies (cont'd)

Share-based payment transactions (cont'd)

For share-based payment transactions in which the terms of the arrangement provide the supplier of goods or services with a choice of whether the Company settles the transaction in cash or by issuing equity instruments, the Company accounts for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Company has incurred a liability to settle in cash (or other assets), or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

Share-based payment transactions implemented before the effective date of SKAS 22 are accounted in accordance with Korea Financial Accounting Standards Interpretation 39-35 *Accounting for Stock Options*.

Per share amounts

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated by dividing net income by the weighted-average number of common shares outstanding during the year plus the weighted-average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

3. The effect of adoption Korea International Financial Reporting Standards ("K-IFRS")

The Company is required to adopt K-IFRS from the financial year of 2011. The Company is in the process of preparation for the implementation of K-IFRS as of the reporting date. The Company has organized a Task Force Team ("TFT") to oversee and manage all matters concerning the Company's K-IFRS implementation, and provided K-IFRS trainings to all affected employees. Reports on the status of the Company's K-IFRS implementation are made regularly to management by the TFT. The table below presents the Company's major activities and their preparation plan and current status of the Company's K-IFRS implementation project.

Activity	Preparation plan and current status
Managing K-IFRS TFT and analysis of effect of adoption K-IFRS	<ul style="list-style-type: none"> - The Company organized the TFT on April 2009. - The Company completed 1st stage of identification of main accounting differences from May 2009 to July 2009 with the collaboration of an external advisor. - The Company completed 2-1 stage of IFRS policy making and accounts classification from September 2009 to October 2009 with the collaboration of an external advisor. - The Company completed 2-2 stage of preparation of pro-forma financial statements from November 2009 to December 2009 with the collaboration of an external advisor. - The Company plans to determine the effect of adoption of K-IFRS and prepare its first K-IFRS beginning statement of financial position during 2010.
K-IFRS trainings for employees	From January 2008 to December 2009: <ol style="list-style-type: none"> (1) Training for working-level employees by workshop, study group and outsourced training (2) Training of specific effect of adoption K-IFRS for related departments (3) Frequently reporting to Board of Directors and management (4) Preparing qualification system for employees in finance and accounting departments
Modification of accounting system	The Company analyzed the scope of accounting system modification and engaged an external advisor to modify its consolidation accounting information system. The modification is still in progress as of December 31, 2009.

3. The effect of adoption Korea International Financial Reporting Standards (“K-IFRS”) (cont’d)

The table below describes the major areas that are expected to give rise to a significant impact on the Company’s financial statements based on the K-IFRSs that are effective as of December 31, 2009.

	K-IFRS	K-GAAP
Consideration for impairment of receivables	<ol style="list-style-type: none"> 1. BtoC receivable : considering the cumulative collection experience for the past 3 years 2. Receivable of water treatment unit, BtoB receivable and receivables from overseas customers : considering the cumulative collection experience for the past 3 years, bankruptcy rate or collection rate for each segment 3. Receivable to subsidiaries and related parties: considering elapsed years since incorporation and impairment of equity, etc.(specific identification of recognition for impaired receivables) 	<ol style="list-style-type: none"> 1. BtoC receivable : cumulative collection experience 2. Receivable from water treatment, BtoB receivable, receivable from overseas customers: considering the credit rating of customers and 1% fixed allowance for overseas receivables 3. Receivables from subsidiaries and related parties : considering impairment of equity and trends of profit and loss, etc. 4. Other receivables: 1% fixed allowance
Amortization of goodwill and useful life	Goodwill is not subject to amortization and impairment test is performed at least once every financial year.	Goodwill is amortized for reasonable periods within 20 years.
Accounting treatment for guarantees provided	<ol style="list-style-type: none"> 1. Measurement of the value of guarantees provided is required for financial guarantee contracts. 2. The value of guarantees provided is measured according to the rates applied by institutional guarantee providers such as Seoul Guarantee Insurance Company. 3. The value of guarantees provided is to be recognized during the period of financial guarantee contract. 	<ol style="list-style-type: none"> 1. Financial guarantee contracts to subsidiaries and related parties are not recognized, but are disclosed in the financial statements.

The areas mentioned above are not exhaustive, and additional areas may be identified in the future as a result of further assessment. In addition, it may be impractical to identify the specific impact of all major differences.

4. Restricted deposits

Restricted deposits as of December 31, 2009 and 2008 consist of the following (Korean won in thousands):

	Financial institution	2009	2008	Description
Long-term financial instruments	Shinhan Bank	<u>₩ 10,500</u>	<u>₩ 10,500</u>	Security deposit for bank overdraft facility

5. Long-term investment assets

The balances of long-term investment assets of the Company as of December 31, 2009 and 2008 are presented as follows (Korean won in thousands):

	2009	2008
Available-for-sale securities (Equity securities)		
Marketable	₩ 11,124	₩ 956,085
Non-marketable	1,670,773	1,670,773
	<u>1,681,897</u>	<u>2,626,858</u>
Held-to-maturity securities (Debt securities)	421,841	421,841
	<u>₩ 2,103,738</u>	<u>₩ 3,048,699</u>

Available-for-sale equity securities as of December 31, 2009 and 2008 consist of the following (Korean won in thousands):

	2009					Impairment loss		
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (*2)	Up to 2008	2009
< Marketable securities >								
Tong Yang Investment Bank Co., Ltd.	927	0.0008%	₩ 1	₩ 11,124	₩ 11,124	₩ 11,123	-	-
			1	11,124	11,124	11,123	-	-
< Non-marketable securities >								
McScience Inc.	6,000	5.90%	1,133,760	(*1)	1,133,760	-	-	-
Nextelecom Co., Ltd.	11,000	1.20%	98,516	"	98,516	-	-	-
Kirin Music Publishing Co., Ltd.	51,868	12.06%	96,500	"	96,500	-	-	-
Korea Water Purifier Industry Cooperative	53	3.33%	5,300	"	5,300	-	-	-
Academy Infra Corp.	15,773	7.84%	165,100	"	1	-	165,099	-
Kwang Myung SG Co., Ltd.	4,000	4.00%	1,434,640	"	1	-	1,434,639	-
OpenSolution Co., Ltd.	250	0.05%	22,093	"	1	-	22,092	-
Korea Culture promotion Inc.	5,000	1.25%	25,000	"	1	-	24,999	-
Construction Guarantee			336,693	"	336,693	-	-	-
			<u>3,317,602</u>	-	<u>1,670,773</u>	-	<u>1,646,829</u>	-
			<u>₩ 3,317,603</u>	<u>₩ 11,124</u>	<u>₩ 1,681,897</u>	<u>₩ 11,123</u>	<u>₩ 1,646,829</u>	<u>₩ -</u>
	2008					Impairment loss		
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)(*2)	Up to 2007	2008
< Marketable securities >								
Woongjin Holdings Co., Ltd.	121,856	0.24%	₩ 2,339,635	₩ 950,477	₩ 950,477	₩ (1,389,158)	₩ -	₩ -
Tong Yang Investment Bank Co., Ltd.	927	0.0008%	1	5,608	5,608	5,607	-	-
			2,339,636	956,085	956,085	(1,383,551)	-	-
< Non-marketable securities >								
McScience Inc.	6,000	5.90%	1,133,760	(*1)	1,133,760	-	-	-
Nextelecom Co., Ltd.	11,000	1.20%	98,516	"	98,516	-	-	-
Kirin Music Publishing Co., Ltd.	51,868	12.06%	96,500	"	96,500	-	-	-
Korea Water Purifier Industry Cooperative	53	3.33%	5,300	"	5,300	-	-	-
Academy Infra Corp.	15,773	7.84%	165,100	"	1	-	165,099	-
Kwang Myung SG Co., Ltd.	4,000	4.00%	1,434,640	"	1	-	1,434,639	-
OpenSolution Co., Ltd.	250	0.05%	22,093	"	1	-	22,092	-
Korea Culture promotion Inc.	5,000	1.25%	25,000	"	1	-	24,999	-
Construction Guarantee			336,693	"	336,693	-	-	-
			<u>3,317,602</u>	-	<u>1,670,773</u>	-	<u>1,646,829</u>	-
			<u>₩ 5,657,238</u>	<u>₩ 956,085</u>	<u>₩ 2,626,858</u>	<u>₩ (1,383,551)</u>	<u>₩ 1,646,829</u>	<u>₩ -</u>

5. **Long-term investment assets (cont'd)**

(*1) In assessing the fair value of these non-marketable equity investments, the Company could not obtain sufficient information to perform a reliable estimation of the fair value of the investments. Therefore, investment in these equity securities were recorded at acquisition cost except when there was objective evidence that the equity securities were impaired where impairment losses were recognized.

(*2) Gain or loss on valuation of long-term investment securities amounting to ₩8,676 thousand (2008: ₩(1,091,472) thousand) recognized in other comprehensive income as of December 31, 2009 represents the difference between acquisition cost and fair value of the investments of ₩11,123 thousand (2008: ₩(1,383,551) thousand), net of the related tax effects.

Held-to-maturity debt securities as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

		2009			Impairment loss	
Maturity		Acquisition cost	Amortized cost	Book value	Up to 2008	2009
Government bonds	Within 5 years	₩ 421,840	₩ 421,840	₩ 421,840	₩ -	₩ -
Subordinated bonds	Within 5 years	2,450,000	2,450,000	1	2,449,999	-
		<u>₩ 2,871,840</u>	<u>₩ 2,871,840</u>	<u>₩ 421,841</u>	<u>₩ 2,449,999</u>	<u>₩ -</u>

		2008			Impairment loss	
Maturity		Acquisition cost	Amortized cost	Book value	Up to 2007	2008
Government bonds	Within 5 years	₩ 421,840	₩ 421,840	₩ 421,840	₩ -	₩ -
Subordinated bonds	Within 5 years	2,450,000	2,450,000	1	2,449,999	-
		<u>₩ 2,871,840</u>	<u>₩ 2,871,840</u>	<u>₩ 421,841</u>	<u>₩ 2,449,999</u>	<u>₩ -</u>

6. **Equity method investments**

Investments in equity securities accounted for using the equity method as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

		2009			
Ownership (%)		Acquisition cost	Proportionate net asset value	Book value	
Coway Japan Corporation	49.00%	₩ 4,345,364	₩ (17,208,855)	₩	1
Woong Jin USA Inc.	35.00%	395,176	-		1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	23,016,367		22,788,397
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	(6,770,525)		1
Woong Jin Coway (M) Sdn Bhd.	70.00%	906,885	(3,730,375)		1
Woong Jin Coway USA Inc.	100.00%	12,251,800	4,163,707		3,485,093
Woongjin Chemical Co., Ltd.	40.08%	83,179,907	107,505,769		102,308,085
		<u>₩ 107,936,315</u>	<u>₩ 106,976,088</u>	<u>₩</u>	<u>128,581,579</u>

6. Equity method investments (cont'd)

	2008			
	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value
Coway Japan Corporation	49.00%	₩ 4,345,364	₩ (16,888,490)	₩ 1
Woong Jin USA Inc.	35.00%	395,176	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	10,658,496	10,385,818
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	(5,768,022)	1
Woong Jin Coway (M) S dn Bhd.	70.00%	906,885	(3,491,814)	1
Woong Jin Coway USA Inc.	100.00%	6,476,650	1,333,481	1,432,396
Woongjin Chemical Co., Ltd.	40.08%	82,157,362	103,376,440	97,947,334
		<u>₩ 101,138,620</u>	<u>₩ 89,220,091</u>	<u>₩ 109,765,552</u>

The summary of financial position of the investees as of December 31, 2009 and 2008, and the results of their operations for the years then ended, are presented as follows (Korean won in thousands):

	2009			
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation (*)	₩ 9,750,569	₩ 44,870,680	₩ 9,756,992	₩ (3,578,993)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*)	33,691,303	10,674,936	41,569,496	13,376,306
Woong Jin Coway (Thailand) Co., Ltd. (*)	2,909,194	9,679,719	4,525,193	(1,340,842)
Woong Jin Coway (M) Sdn. Bhd. (*)	15,298,241	20,627,348	10,809,026	(558,359)
Woong Jin Coway USA, Inc. (*)	11,329,838	7,166,131	9,594,031	(2,475,647)
Woongjin Chemical Co., Ltd.	620,741,739	353,577,178	803,174,786	10,182,466
	<u>₩ 693,720,884</u>	<u>₩ 446,595,992</u>	<u>₩ 879,429,524</u>	<u>₩ 15,604,931</u>

	2008			
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation (*)	₩ 11,783,894	₩ 46,250,201	₩ 7,423,926	₩ (8,754,091)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*)	25,421,505	14,763,009	20,983,169	2,378,493
Woong Jin Coway (Thailand) Co., Ltd. (*)	3,461,046	9,229,068	4,216,065	(1,772,922)
Woong Jin Coway (M) Sdn. Bhd. (*)	12,750,755	17,739,061	6,726,413	(2,339,764)
Woong Jin Coway USA, Inc. (*)	11,142,999	9,809,518	6,069,165	(3,629,032)
Woongjin Chemical Co., Ltd.	581,733,001	323,832,253	850,267,309	2,188,321
	<u>₩ 646,293,200</u>	<u>₩ 421,623,110</u>	<u>₩ 895,686,047</u>	<u>₩ (11,928,995)</u>

(*) Audited financial statements of these investees were not available as of the Company's audited financial statements date and therefore unaudited financial statements signed by the investees' management were used in applying the equity method.

Due to the differences identified between the accounting policies adopted by Woong Jin Coway (Shenyang) Living Goods Co., Ltd. and those of the Company, the Company made adjustments to the investee's financial statements. The details of the adjustments are as follows (Korean won in thousands):

Woongjin Coway Co., Ltd.
Notes to non-consolidated financial statements
December 31, 2009 and 2008

6. Equity method investments (cont'd)

	Reporting date	Net assets before adjustments	Adjustments	Net assets after adjustments	Proportionate net assets value
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	Dec. 31, 2009	₩ 24,450,847	₩ (1,434,480)	₩ 23,016,367	₩ 23,016,367

The changes in carrying amount of negative goodwill for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009			
	Jan. 1, 2009	Additions/ (disposals)	Amortization	Dec. 31, 2009
Woongjin Chemical Co., Ltd.	₩ (5,353,140)	₩ -	₩ 213,608	₩ (5,139,532)
	2008			
	Jan. 1, 2008	Additions/ (disposals)	Amortization	Dec. 31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ (345,918)	₩ 345,918	₩ -	₩ -
Woongjin Chemical Co., Ltd.	-	(6,803,021)	1,449,881	(5,353,140)
	₩ (345,918)	₩ (6,457,103)	₩ 1,449,881	₩ (5,353,140)

The elimination of unrealized (gains) or losses arising from inter-company transactions for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		
	Inventories	Provisions	Total
Coway Japan Corporation	₩ (223,657)	₩ 1,269,834	₩ 1,046,177
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(1,157,926)	929,956	(227,970)
Woong Jin Coway (Thailand) Co., Ltd.	(333,783)	-	(333,783)
Woong Jin Coway (M) Sdn Bhd.	(1,052,458)	-	(1,052,458)
Woong Jin Coway USA, Inc.	(903,186)	224,572	(678,614)
Woongjin Chemical Co., Ltd.	(58,152)	-	(58,152)
	₩ (3,729,162)	₩ 2,424,362	₩ (1,304,800)
	2008		
	Inventories	Provisions	Total
Coway Japan Corporation	₩ (318,783)	₩ 1,269,834	₩ 951,051
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(1,014,984)	742,306	(272,678)
Woong Jin Coway (Thailand) Co., Ltd.	(422,942)	-	(422,942)
Woong Jin Coway (M) Sdn Bhd.	-	-	-
Woong Jin Coway USA, Inc.	(977,624)	1,076,540	98,916
Woongjin Chemical Co., Ltd.	(75,966)	-	(75,966)
	₩ (2,810,299)	₩ 3,088,680	₩ 278,381

6. Equity method investments (cont'd)

The details of changes in carrying amount of equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009				
	Jan. 1, 2009	Acquisition (disposals)	Equity in earnings (loss) of investee	Others (*1)	Dec. 31, 2009
Coway Japan Corporation	₩ 1	₩ -	₩ -	₩ -	₩ 1
Woong Jin USA, Inc.	1	-	-	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	10,385,818	-	14,054,384	(1,651,805)	22,788,397
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woong Jin Coway (M) Sdn Bhd. (*2)	1	-	(226,960)	226,960	1
Woong Jin Coway USA, Inc. (*3)	1,432,396	5,775,150	(3,317,201)	(405,252)	3,485,093
Woongjin Chemical Co., Ltd.	97,947,334	1,022,545	4,312,942	(974,736)	102,308,085
	<u>₩ 109,765,552</u>	<u>₩ 6,797,695</u>	<u>₩ 14,823,165</u>	<u>₩ (2,804,833)</u>	<u>₩ 128,581,579</u>

(*1) Others refer to net changes in equity method investments due to the dividends received from the investees and share of changes in capital surplus, capital adjustments, other comprehensive income or retained earnings of the investees arising from equity method during the year ended December 31, 2009.

(*2) As the carrying amount of investment in Woong Jin Coway (M) Sdn Bhd. fell below zero, the application of equity method of accounting was suspended. The Company recognized further share of losses amounting to ₩226,960 thousand in current operations as the share of changes in equity decreased during the year of 2009 and recognized further share of losses amounting to ₩908,134 thousand in current operations as an allowance in long-term loans receivable from Woong Jin Coway (M) Sdn Bhd. Since the date of suspension of application of equity method, the Company has recognized further share of losses amounting to ₩4,399,949 thousand out of total share of losses amounting to ₩4,782,834 thousand as an allowance in long-term loans receivable as of December 31, 2009

(*3) During the year ended December 31, 2009, the Company increased its investment in Woong Jin Coway USA Inc. through a debt-to-equity swap.

	2008				
	Jan. 1, 2008	Acquisition (disposals)	Equity in earnings (loss) of investee	Others	Dec. 31, 2008
Coway Japan Corporation	₩ 1	₩ -	₩ -	₩ -	₩ 1
Woong Jin USA, Inc.	1	-	-	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	5,651,572	-	1,897,199	2,837,047	10,385,818
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woong Jin Coway (M) Sdn Bhd.	1	-	-	-	1
Woong Jin Coway USA, Inc.	3,951,388	-	(3,398,564)	879,572	1,432,396
Woongjin Chemical Co., Ltd.	-	82,157,362	2,251,077	13,538,894	97,947,334
	<u>₩ 9,602,964</u>	<u>₩ 82,157,362</u>	<u>₩ 749,712</u>	<u>₩ 17,255,513</u>	<u>₩ 109,765,552</u>

6. Equity method investments (cont'd)

The details of changes of equity arising from equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009			
	Jan. 1, 2009	Net changes	Other	Dec. 31, 2009
Coway Japan Corporation	₩ 86,574	₩ -	₩ -	₩ 86,574
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*1)	3,096,977	(1,741,696)	-	1,355,281
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	-	17,286
Woong Jin Coway (M) Sdn Bhd. (*2)	(576,987)	-	226,960	(350,027)
Woong Jin Coway USA, Inc.	946,524	(405,253)	-	541,271
Woongjin Chemical Co., Ltd. (*1)	(1,132,308)	(511,593)	-	(1,643,901)
	<u>₩ 2,438,066</u>	<u>₩ (2,658,542)</u>	<u>₩ 226,960</u>	<u>₩ 6,484</u>

(*1) Deferred income tax effect was deducted from the current year adjustment for Woong Jin Coway (Shenyang) Living Goods Co., Ltd. and Woongjin Chemical Co., Ltd.

(*2) As of December 31, 2009, application of equity method of accounting has been suspended for the investment in Woong Jin Coway (M) Sdn Bhd. The Company recognized further share of losses amounting to ₩226,960 thousand in current operations due to the decrease in share of changes in equity during 2009.

	2008		
	Jan. 1, 2008	Net changes	Dec. 31, 2008
Coway Japan Corporation	₩ 86,574	₩ -	₩ 86,574
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	259,930	2,837,047	3,096,977
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	17,286
Woong Jin Coway (M) Sdn Bhd.	(46,754)	(530,233)	(576,987)
Woong Jin Coway USA, Inc.	66,952	879,572	946,524
Woongjin Chemical Co., Ltd.	-	(1,132,308)	(1,132,308)
	<u>₩ 383,988</u>	<u>₩ 2,054,078</u>	<u>₩ 2,438,066</u>

The details of changes in capital surplus adjustment arising from equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		
	Jan. 1, 2009	Net changes	Dec. 31, 2009
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ (27,145)	₩ 5,972	₩ (21,173)
Woongjin Chemical Co., Ltd.	11,692,645	-	11,692,645
	<u>₩ 11,665,500</u>	<u>₩ 5,972</u>	<u>₩ 11,671,472</u>

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6. Equity method investments (cont'd)

	2008		
	Jan. 1, 2008	Net changes	Dec. 31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ (27,145)	₩ -	₩ (27,145)
Woongjin Chemical Co., Ltd.	-	11,692,645	11,692,645
	<u>₩ (27,145)</u>	<u>₩ 11,692,645</u>	<u>₩ 11,665,500</u>

As of December 31, 2009 and 2008, the unrecognized losses of the respective investees from which the application of the equity method of accounting has been suspended are as follows (Korean won in thousands):

	2009		2008	
	₩		₩	
Coway Japan Corporation	(16,162,677)		(15,937,440)	
Woong Jin Coway (Thailand) Co., Ltd.	(7,104,308)		(6,190,965)	
Woong Jin Coway (M) Sdn Bhd.	(382,884)		1	
	<u>₩ (23,649,869)</u>		<u>₩ (22,128,404)</u>	

The market value of investment of a listed investee as of December 31, 2009 and 2008 is as follows (Korean won in thousands):

	2009		2008	
	Market value	Book value	Market value	Book value
Woongjin Chemical Co., Ltd.	<u>₩ 218,604,540</u>	<u>₩ 102,308,084</u>	<u>₩ 113,314,391</u>	<u>₩ 97,947,333</u>

7. Government posted value of land owned

The book value of the Company-owned land and the value of land officially announced by the Korean government for tax administration purposes as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

Land included in:	Book value		Publicly announced value	
	2009	2008	2009	2008
Property, plant and equipment				
- Factory land in Yoo-gu	₩ 24,242,031	₩ 6,577,670	₩ 16,080,184	₩ 3,197,269
- Rental building land in Ga-san	7,878,788	7,878,788	8,050,170	7,918,200
	<u>₩ 32,120,819</u>	<u>₩ 14,456,458</u>	<u>₩ 24,130,354</u>	<u>₩ 11,115,469</u>

8. Property, plant and equipment

Detail of property, plant and equipment as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009				
	Cost	Accumulated depreciation	Government subsidiary	Accumulated impairment loss	Net book value
Land	₩ 32,120,819	₩ -	₩ -	₩ -	₩ 32,120,819
Buildings	19,486,911	(1,767,896)	-	-	17,719,015
Structures	860,488	(391,446)	-	-	469,042
Machinery and equipment	11,236,925	(3,182,014)	-	-	8,054,911
Tools	57,608,724	(26,791,292)	(53,300)	-	30,764,132
Research facility	8,827,124	(4,769,962)	-	-	4,057,162
Rental assets	558,837,912	(256,155,061)	-	(5,564,150)	297,118,701
Furniture and fixtures	69,975,789	(49,906,731)	-	-	20,069,058
Vehicles	433,884	(172,840)	-	-	261,044
Construction-in-progress	7,570,252	-	-	-	7,570,252
	<u>₩ 766,958,828</u>	<u>₩ (343,137,242)</u>	<u>₩ (53,300)</u>	<u>₩ (5,564,150)</u>	<u>₩ 418,204,136</u>
	2008				
	Cost	Accumulated depreciation	Government subsidiary	Accumulated impairment loss	Net book value
Land	₩ 14,456,459	₩ -	₩ -	₩ -	₩ 14,456,459
Buildings	11,951,681	(1,308,494)	-	-	10,643,187
Structures	493,552	(312,332)	-	-	181,220
Machinery and equipment	8,072,921	(2,071,881)	-	-	6,001,040
Tools	43,700,164	(17,612,172)	(69,700)	-	26,018,292
Research facility	6,164,901	(2,846,375)	-	-	3,318,526
Rental assets	542,392,482	(256,156,300)	-	(7,784,495)	278,451,687
Furniture and fixtures	59,246,632	(43,335,377)	-	-	15,911,255
Vehicles	489,706	(151,245)	-	-	338,461
Construction-in-progress	1,090,794	-	-	-	1,090,794
	<u>₩ 688,059,292</u>	<u>₩ (323,794,176)</u>	<u>₩ (69,700)</u>	<u>₩ (7,784,495)</u>	<u>₩ 356,410,921</u>

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8. Property, plant and equipment (cont'd)

Changes in the net book value of property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

		2009					
	Jan. 1, 2009	Increase by merger	Additions	Disposals / impairment loss	Depreciation	Transfers	Dec. 31, 2009
Land	₩ 14,456,459	₩ 14,826,915	₩ 2,185,135	₩ -	₩ -	₩ 652,310	₩ 32,120,819
Buildings	10,643,187	6,613,220	922,010	-	(459,402)	-	17,719,015
Structures	181,220	297,236	-	-	(79,114)	69,700	469,042
Machinery and equipment	6,001,040	1,512,457	771,900	(36,881)	(1,111,405)	917,800	8,054,911
Tools	26,087,992	405,925	11,397,803	(1,907)	(9,326,741)	2,254,360	30,817,432
(Government subsidy)	(69,700)	-	-	-	16,400	-	(53,300)
Research facility	3,318,526	98,437	1,623,151	(7,615)	(1,995,326)	1,019,989	4,057,162
Rental assets	278,451,687	-	178,547,820	(51,885,977)	(107,994,829)	-	297,118,701
Furniture and fixtures	15,911,255	383,087	11,195,207	(340,181)	(7,195,440)	115,130	20,069,058
Vehicles	338,461	14,356	9,500	(18,249)	(83,024)	-	261,044
Construction-in-progress	1,090,794	239,180	11,269,567	-	-	(5,029,289)	7,570,252
	<u>₩ 356,410,921</u>	<u>₩ 24,390,813</u>	<u>₩ 217,922,093</u>	<u>₩ (52,290,810)</u>	<u>₩ (128,228,881)</u>	<u>₩ -</u>	<u>₩ 418,204,136</u>

		2008					
	Jan. 1, 2008	Additions	Disposals / impairment loss	Depreciation	Transfers	Dec. 31, 2008	
Land	₩ 12,652,116	₩ 244,155	₩ -	₩ -	₩ 1,560,188	₩ 14,456,459	
Buildings	22,716,388	-	(11,569,594)	(503,607)	-	10,643,187	
Structures	3,961,026	-	(1,804,181)	(415,437)	(1,560,188)	181,220	
Machinery and equipment	13,512,759	657,382	(7,869,553)	(1,358,372)	1,058,825	6,001,040	
Tools	17,482,774	11,460,414	(41,135)	(6,841,198)	4,027,137	26,087,992	
(Government subsidy)	-	(82,000)	-	12,300	-	(69,700)	
Research facility	1,761,249	1,484,645	(41,088)	(1,479,972)	1,593,692	3,318,526	
Rental assets	291,591,620	147,944,553	(52,620,753)	(108,463,732)	-	278,451,687	
Furniture and fixtures	23,523,491	2,492,538	(2,825,338)	(7,365,436)	86,000	15,911,255	
Vehicles	53,411	375,000	(6,329)	(83,621)	-	338,461	
Construction-in-progress	1,453,961	6,402,487	-	-	(6,765,654)	1,090,794	
	<u>₩ 388,708,795</u>	<u>₩ 170,979,174</u>	<u>₩ (76,777,971)</u>	<u>₩ (126,499,075)</u>	<u>₩ -</u>	<u>₩ 356,410,921</u>	

9. Intangible assets

Details of intangible assets as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

		2009		
	Cost	Accumulated amortization	Net book value	
Goodwill	₩ 136,954,850	₩ (37,022,374)	₩ 99,932,476	
Industrial property rights	199,821	(137,925)	61,896	
Others	53,779,129	(16,546,717)	37,232,412	
Construction-in-progress	3,859,960	-	3,859,960	
	<u>₩ 194,793,760</u>	<u>₩ (53,707,016)</u>	<u>₩ 141,086,744</u>	

9. Intangible assets (cont'd)

	2008		
	Cost	Accumulated amortization	Net book value
Goodwill	₩ 47,739,290	₩ (23,107,856)	₩ 24,631,434
Industrial property rights	212,572	(123,532)	89,040
Others	50,895,586	(10,758,869)	40,136,717
	<u>₩ 98,847,448</u>	<u>₩ (33,990,257)</u>	<u>₩ 64,857,191</u>

Changes in the net book value of intangible assets for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009						Dec. 31, 2009
	Jan. 1, 2009	Increase by	Additions	Amortization	Transfers	Disposals	
Goodwill (*1)	₩ 24,631,434	₩ 89,215,560	₩ -	₩ (13,914,518)	₩ -	₩ -	₩ 99,932,476
Industrial property rights	89,040	932	-	(24,522)	-	(3,554)	61,896
Others	40,136,717	709,694	2,300,099	(5,935,881)	73,750	(51,967)	37,232,412
Construction-in-progress	-	-	3,933,710	-	(73,750)	-	3,859,960
	<u>₩ 64,857,191</u>	<u>₩ 89,926,186</u>	<u>₩ 6,233,809</u>	<u>₩ (19,874,921)</u>	<u>₩ -</u>	<u>₩ (55,521)</u>	<u>₩ 141,086,744</u>

(*1) Goodwill increased due to merger originated from the difference between fair value of the net assets of the merged entity and cost of merger.

	2008					Dec. 31, 2008
	Jan. 1, 2008	Additions	Amortization	Transfers	Disposals	
Goodwill	₩ 33,032,461	₩ 957,011	₩ (9,358,038)	₩ -	₩ -	₩ 24,631,434
Industrial property rights	119,185	-	(30,125)	-	(20)	89,040
Others	40,229,954	4,530,458	(5,293,396)	682,200	(12,499)	40,136,717
Construction-in-progress	682,200	-	-	(682,200)	-	-
	<u>₩ 74,063,800</u>	<u>₩ 5,487,469</u>	<u>₩ (14,681,559)</u>	<u>₩ -</u>	<u>₩ (12,519)</u>	<u>₩ 64,857,191</u>

10. Research and development costs

Research and development costs incurred and charged to operations for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousand):

	Selling and administrative expenses		Cost of sales	
	2009	2008	2009	2008
	Research and development costs	<u>₩ 7,352,561</u>	<u>₩ 6,905,324</u>	<u>₩ 534,662</u>

11. Borrowings

Short-term borrowings as of December 31, 2009 and 2008 consist of the following (Korean won in thousands):

Financial institution	Description	Annual interest rate as of		
		Dec. 31, 2009	2009	2008
Kookmin Bank	Purchase loans	-	₩ -	₩ 15,095,521
Shinhan Bank	Purchase loans	5.72%	59,574,416	29,962,067
Woori Bank	Purchase loans	5.20%	26,027,776	34,083,271
Hana Bank	Purchase loans	5.32%	17,767,497	8,704,936
SC First Bank Korea	Purchase loans	4.99%	10,095,554	-
Korea Exchange Bank	Purchase loans	5.01%	6,249,826	-
Korea Development Bank	Working capital loans	-	-	20,000,000
			<u>₩ 119,715,069</u>	<u>₩ 107,845,795</u>

Long-term borrowings including bonds of the Company as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Working capital loans (long-term borrowings)	₩ 60,000,000	₩ 60,000,000
Bonds	90,000,000	-
	<u>150,000,000</u>	<u>60,000,000</u>
Less current portion of long-term borrowings	(30,000,000)	-
Less current portion of bonds	(90,000,000)	-
	<u>30,000,000</u>	<u>60,000,000</u>

The terms of interest and principal repayments of the long-term borrowings as of December 31, 2009 are as follows (Korean won in thousands):

	Description	Annual interest rate in 2009	Amounts	Maturity	Terms of	
					Interest payment	Principal payment
Long-term borrowings	Working capital loans	4.18%	₩ 30,000,000	Feb. 28, 2010	Monthly payment	Lump-sum at maturity
		4.32%	30,000,000	Feb. 28, 2011	"	"
Private non-guaranteed bonds	22th	5.27%	20,000,000	Mar. 02, 2010	Quarterly payment	"
	23th	5.17%	20,000,000	Apr. 16, 2010	"	"
	24th	5.67%	50,000,000	Oct. 14, 2011	"	"
			<u>₩ 150,000,000</u>			

12. Reserve for agent losses

In accordance with the contract between the Company and its sales agents, the Company provides a reserve by deducting a certain portion of commission fees payable to its sales agents to account for any unfavorable events that may result in losses to be absorbed by the Company due to the business conduct of the sales agents. All actual losses incurred are deducted against the reserve originally recognized.

13. Monetary assets denominated in foreign currencies

Monetary assets denominated in foreign currencies as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		2008	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets:				
Cash and cash equivalents	USD 3,875,806	₩ 4,525,391	USD 1,137,988	₩ 1,431,019
	EUR 1,674,004	2,802,751	EUR 104,009	184,743
	JPY 3,000,019	37,885	JPY 653	9
Short-term loans receivable	USD 2,610,000	3,047,436	USD 2,610,000	3,282,075
	JPY 170,000,000	2,146,794	JPY 170,000,000	2,369,613
Trade accounts and notes receivable	USD 22,824,792	26,650,227	USD 24,291,378	30,546,408
	JPY 579,709,125	7,320,683	JPY 486,008,984	6,774,431
	THB 132,207,303	4,629,900	THB 141,307,303	5,102,607
	EUR -	-	EUR 480,536	853,538
Other accounts receivable	USD 368,695	430,488	USD 517,860	651,209
	EUR -	-	EUR 48,900	86,857
Long-term loans receivable	USD 3,768,370	4,399,949	USD 3,768,370	4,738,726
Total	USD 33,447,663		USD 32,325,596	
	EUR 1,674,004		EUR 633,445	
	JPY 752,709,144		JPY 656,009,637	
	THB 132,207,303	₩ 55,991,504	THB 141,307,303	₩ 56,021,235

Gain on foreign currency translation for the years ended December 31, 2009 and 2008 amounted to ₩21,757 thousand and ₩10,754,048 thousand, respectively. Loss on foreign currency translation for the years ended December 31, 2009 and 2008 amounted to ₩4,189,619 thousand and ₩111,274 thousand, respectively.

14. Severance and retirement benefits

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
As of January 1,	₩ 27,351,459	₩ 21,889,736
Payments during the year	(13,866,684)	(6,673,030)
Provision during the year	19,355,829	12,134,753
Succeeded from merger	862,380	-
Transfer from related parties	4,106,001	-
	<u>37,808,985</u>	<u>27,351,459</u>
Presented net of:		
Insurance deposits	(26,436,652)	(18,328,692)
Accumulated prepayments to the NPS	(35,464)	(31,204)
As of December 31,	<u>₩ 11,336,869</u>	<u>₩ 8,991,563</u>

15. Provisions

Changes in the carrying amount of provisions for the year ended December 31, 2009 are as follows (Korean won in thousands):

Provision for:	Jan. 1, 2009	Increase by merger	Provisions	Utilization / Reversal	Dec. 31, 2009
Product warranties (*1)	₩ 1,411,512	₩ -	₩ 354,159	₩ -	₩ 1,765,671
Return of goods sold (*1)	408,436	40,453	219,379	-	668,268
Construction warranties (*2)	161,603	-	12,132	(34,518)	139,217
	<u>₩ 1,981,551</u>	<u>₩ 40,453</u>	<u>₩ 585,670</u>	<u>₩ (34,518)</u>	<u>₩ 2,573,156</u>

(*1) The Company recognized the estimated liability to repair or replace products sold with one year warranty as provision for product warranties and recognized the estimated liability for the return of goods sold within 10 months after sales of goods as a provision for return of goods sold as of December 31, 2009.

(*2) The provision for construction warranties was recognized as a result of the acquisition of water treatment business unit from Woongjin Chemical Co., Ltd in 2008.

16. Capital stock

Details of capital stock of the Company as of December 31, 2009 and 2008 are as follows:

Number of shares authorized : 200,000,000 shares
 Par value per share : ₩500
 Number of common shares outstanding : 77,124,796 shares in 2009 and 74,431,993 shares in 2008

There is no change in capital stock of the Company during the year ended December 31, 2008 and details of changes in capital stock of the Company during the year ended December 31, 2009 are as follows (Korean won in thousands):

	Number of shares issued	Common stock	Paid-in capital in excess of par value
As of January 1/December 31, 2008	<u>74,431,993</u>	<u>₩ 39,315,997</u>	<u>₩ 108,723,905</u>
As of January 1, 2009	74,431,993	39,315,997	108,723,905
Increase due to merger	2,692,803	1,346,401	82,379,108
Others	-	-	(49,175,307)
As of December 31, 2009	<u>77,124,796</u>	<u>₩ 40,662,398</u>	<u>₩ 141,927,706</u>

The Company had previously retired 4,200,000 shares of treasury stock through the appropriation of retained earnings. As a result, the number of shares common stock outstanding amounting to 77,124,796 shares with a face value of ₩38,562,398 thousand differs from the face value and number of shares issued as recorded in the non-consolidated statements of financial position of December 31, 2009.

17. Other capital surplus

Other capital surplus consists of gain on disposal of treasury stock as of December 31, 2009.

18. Treasury stock

The Company acquired and disposed of its treasury stock through managing specified money trust during the year ended December 31, 2009 and the treasury stock amounting to ₩36,432,706 thousand are recorded as capital adjustments as of December 31, 2009.

19. Retained earnings

Appropriated retained earnings of the Company as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		2008
Appropriated:			
Legal reserve (*1)	₩ 21,755,427	₩	15,255,427
Business development reserve (*2)	1,570,000		1,570,000
Business rationalization reserve	16,228		16,228
Voluntary reserve	352,959,807		295,059,807
	<u>₩ 376,301,462</u>	<u>₩</u>	<u>311,901,462</u>

(*1) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

(*2) In accordance with the Korean Corporate Income Tax Law, the amount appropriated at the annual ordinary stockholders' meeting as a business development reserve can be deducted in the calculation of excess retained earnings for corporate income tax reporting purposes. The reserve may only be used to offset a deficit, if any, or may be transferred to capital without a reversal of the tax benefit. Effective from December 2001, such reserve is no longer required by the revised Tax Incentives Limitation Law ("TILL").

20. Related party disclosures

The related parties of the Company and nature of their relationship with the Company are as follows:

Company name	Parent company	Relationship with the Company
Woongjin Holdings Co., Ltd.	N/A	Ultimate parent
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	The Company	Subsidiary
Woong Jin Coway USA Inc.	The Company	Subsidiary
Woongjin Chemical Co., Ltd.	The Company	Subsidiary
Woong Jin Coway (M) Sdn Bhd.	The Company	Subsidiary

Significant transactions with related parties for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		2008	
	Sales and other	Purchases and other	Sales and other	Purchases and other
Woongjin Holdings Co., Ltd.	₩ 31,090	₩ 60,209,069	₩ 18,199	₩ 18,006,314
Woongjin Chemical Co., Ltd.	3,933,832	25,034,079	22,189,871	36,007,151
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	1,482,911	-	3,601,060	-
Woong Jin Coway USA Inc.	3,539,425	-	5,370,413	-
Woong Jin Coway (M) Sdn Bhd.	2,632,867	-	5,398,514	-
Coway Japan Corporation	1,721,112	1,010,078	2,223,360	-
Woong Jin Coway (Thailand) Co., Ltd.	1,370,630	-	1,802,761	-
Woong Jin Coway (Hongkong) Co., Ltd.	206,418	-	1,381,758	-
Woongjin Energy Co., Ltd.	266,622	-	111,265	-
Woongjin Thinkbig Co., Ltd.	89,379	670,788	113,967	919,636
Woongjin Capital Co., Ltd.	2,867	-	2,876	-
Woongjin Happyall Co., Ltd. (*1)	107,425	82,708,365	253,027	131,011,320
Rexfield Country Club	23,273	552,932	18,446	378,360
Woongjin Foods Co., Ltd.	28,214	4,226,011	46,205	3,853,103
Woongjin Cuchen Co., Ltd.	357,298	28,143,400	1,362,879	62,583,458
Booxen Co., Ltd.	8,423	22,718,653	11,153	21,033,748
Woongjin ST Co., Ltd.	867,334	4,779,861	2,569	376,837
Kukdong Construction Co., Ltd.	5,278,996	-	1,911,470	3,014,080
Woongjin Passone Co., Ltd.	62,095	413,481	36,074	-
Woongjin Polysilicon Co., Ltd.	6,110	-	1,572	-
Woongjin Homecare Co., Ltd. (*1)	20,548	255	-	-
	<u>₩ 22,036,869</u>	<u>₩ 230,466,972</u>	<u>₩ 45,857,439</u>	<u>₩ 277,184,007</u>

20. Related party disclosures (cont'd)

Outstanding balances with related parties as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009		2008	
	Receivables	Payables	Receivables	Payables
Woongjin Holdings Co., Ltd.	₩ 1,509,135	₩ 11,813,934	₩ 6,817	₩ 3,147,232
Woongjin Chemical Co., Ltd.	33,976	904,343	39,979	1,723,348
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	5,183,952	-	7,216,374	-
Woong Jin Coway USA Inc.	6,124,697	-	8,971,166	-
Woong Jin Coway (M) Sdn Bhd.	18,727,306	-	17,150,232	-
Coway Japan Corporation	10,035,319	66,457	9,601,380	-
Woong Jin Coway (Thailand) Co., Ltd.	7,659,125	-	7,042,263	-
Woong Jin Coway (Hongkong) Co., Ltd.	1,834,586	-	1,781,271	-
Woongjin Energy Co., Ltd.	-	-	326,681	-
Woongjin Thinkbig Co., Ltd.	5,894	69,204	11,869	68,843
Woongjin Happyall Co., Ltd. (*1)	-	-	55,889,544	12,825,073
Rexfield Country Club	4,305,037	67,851	4,305,037	46,200
Woongjin Foods Co., Ltd.	253	407,823	1,500	316,880
Woongjin Cuchen Co., Ltd.	-	-	752,148	5,819,690
Booxen Co., Ltd.	115,471	2,034,165	-	2,027,664
Kukdong Construction Co., Ltd. (*2)	1,642,043	10,000	2,070,529	-
Woongjin ST Co., Ltd.	-	1,333,095	-	36,168
Woongjin Passone Co., Ltd.	-	18,874	-	-
Woongjin Homecare Co., Ltd. (*1)	175,783	7,721	-	-
	<u>₩ 57,352,577</u>	<u>₩ 16,733,467</u>	<u>₩ 115,166,790</u>	<u>₩ 26,011,098</u>

(*1) Woongjin Happyall Co., Ltd. was merged into Woongjin Holdings Co., Ltd., by disposing of its CS.DR business unit to the Company and spun off its other business to Woongjin Homecare Co., Ltd during the year ended December 31, 2009.

(*2) As Kukdong Construction Co., Ltd. acquired Woongjin Ceramic Co., Ltd. and Woongjin Construction Co., Ltd., during the year ended December 31, 2008, all their related transactions and amounts of receivables and payables were included in the amounts disclosed.

Short-term loans receivable from directors and employees as of December 31, 2009 and 2008 amounted to ₩300,000 thousand and ₩250,000 thousand, respectively.

Allowance for doubtful accounts recognized related to all receivables from related parties amounted to ₩15,244,842 thousand as of December 31, 2009.

20. Related party disclosures (cont'd)

As of December 31, 2009, there are no guarantees provided by related parties to the Company. Details of guarantee provided to related parties as of December 31, 2009 are as follows (Korean won in thousands):

Guarantee provided to	Guaranteed amount		Description of guarantee
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	USD	3,250,000	General loans
Woong Jin Coway (Thailand) Co., Ltd.	USD	2,000,000	General loans
Woong Jin Coway (M) Sdn Bhd.	USD	3,240,000	General loans
Coway Japan Corporation	JPY	3,184,000,000	General loans
Woongjin Coway Employee Stock Ownership Association	₩	38,165,300	Personal loans
	USD	8,490,000	
	JPY	3,184,000,000	
	₩	38,165,300	

There are no assets pledged as collateral by the Company on behalf of related parties as of December 31, 2009.

Key management personnel include standing directors and outside directors who have the authority and responsibilities for planning, operation and control of the business of the Company. Compensation for key management personnel for the years ended December 31, 2009 and 2008 is as follows (Korean won in thousands):

	2009		2008	
Salaries	₩	2,820,298	₩	2,021,244
Severance and retirement benefits (*1)		1,387,595		859,906
Stock options (*2)		7,956,849		4,670,707
	₩	12,164,742	₩	7,551,857

(*1) For standing directors and outside directors, total accrued costs of severance and retirement benefits for these directors as of December 31, 2009 and 2008 amounted to ₩391,017 thousand and ₩287,746 thousand, respectively.

(*2) Stock options represent the cumulative compensation expenses for stock options granted to key management personnel as of December 31, 2009. During the years ended December 31, 2009 and 2008, stock-based compensation expense for key management personnel amounted to ₩1,356,421 thousand and ₩946,415 thousand, respectively.

21. Income taxes

For the year ended December 31, 2009, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 12.1% (11% from 2010 and thereafter) on taxable income of up to ₩200,000 thousand and 24.2.% (22% from 2012 and thereafter) on taxable income in excess of ₩200,000 thousand.

The major components of provision for income taxes for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Current income taxes	₩ 41,127,388	₩ 42,564,556
Change in deferred income taxes arising from temporary differences	(5,387,638)	11,773,078
Current and deferred income taxes recognized directly to equity	13,705,124	1,382,943
Provision for income taxes	<u>₩ 49,444,874</u>	<u>₩ 55,720,577</u>

A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company is as follows (Korean won in thousands):

	2009	2008
Income before income taxes	<u>₩ 202,724,388</u>	<u>₩ 184,785,247</u>
Tax at the statutory income tax rate of 12.1% and 24.2% (2008: 12.1% and 27.5%)	₩ 49,035,102	₩ 50,785,143
Adjustments:		
Expenses not deductible for tax purposes	24,383,870	799,873
Deferred tax assets not recognized	(22,726,820)	1,667,336
Recognition of previously unrecognized deferred income taxes	(1,161,994)	-
Adjustments of beginning balance of temporary differences	-	(487,470)
Tax credit	(98,812)	(638,042)
Special tax for rural development	5,808	12,668
Additional payment of income taxes	335,263	2,858,917
Others	(327,543)	722,152
Provision for Income taxes at the effective income tax rate of 24.39% (2008: 30.15%)	<u>₩ 49,444,874</u>	<u>₩ 55,720,577</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes. Significant changes in cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

Woongjin Coway Co., Ltd.
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21. Income taxes (cont'd)

2009						
	As of Jan. 1, 2009	Net changes	As of Dec. 31, 2009	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	₩ 70,310	₩ -	₩ 70,310	₩ -	₩ -	₩ -
Accrued interest income	1,438	-	1,438	-	-	-
Advanced receipts	100,778,615	(6,480,009)	94,298,606	22,820,263	22,820,263	-
Inventory reserve	5,674,818	(51,411)	5,623,407	1,360,864	1,360,864	-
Accrued expenses	5,138,115	1,449,406	6,587,521	1,594,180	1,594,180	-
Provision for return of goods sold	408,437	259,831	668,268	161,721	161,721	-
Provision for warranties	1,411,512	354,159	1,765,671	427,292	427,292	-
Allowances for doubtful accounts	68,635,013	13,853,622	82,488,635	19,962,250	19,962,250	-
Loss on foreign currency translation	111,274	4,075,345	4,186,619	1,013,162	1,013,162	-
Government subsidy (current)	61,138	12,194	73,332	17,746	17,746	-
Bad debt expenses	853,820	103,850	957,670	231,756	231,756	-
Depreciation (rental assets)	826,944	(277,401)	549,543	120,900	-	120,900
Depreciation (general)	2,570	-	2,570	-	-	-
Impairment losses on rental assets	7,784,495	(2,220,345)	5,564,150	1,224,113	-	1,224,113
Intangible assets	268,848	(104,070)	164,778	36,251	-	36,251
Severance and retirement benefits	19,296,672	7,731,183	27,027,855	5,946,128	-	5,946,128
Equity method investments	11,727,153	3,662,642	15,389,795	-	-	-
Long-term Investment securities	5,883,988	(1,337,988)	4,546,000	474,740	-	474,740
Allowances for doubtful accounts (equity in loss of equity method investments)	3,718,955	(3,718,955)	-	-	-	-
Goodwill (water treatment business Unit)	18,217,776	(4,124,780)	14,092,996	3,100,459	-	3,100,459
Goodwill (Woongjin Happyall)	-	50,511,641	50,511,641	11,112,561	-	11,112,561
Government subsidy (non-current)	69,700	99,280	168,980	37,176	-	37,176
Provision for repair of defects	161,603	(22,386)	139,217	30,628	-	30,628
Suspense payment	-	1,457,564	1,457,564	320,664	-	320,664
Deferred assets	29,048	-	29,048	-	-	-
Miscellaneous Losses	54,521	-	54,521	-	-	-
Others	4,200	(4,200)	-	-	-	-
	<u>₩ 251,190,964</u>	<u>₩ 65,229,172</u>	<u>₩ 316,420,135</u>	<u>₩ 69,992,853</u>	<u>₩ 47,589,234</u>	<u>₩ 22,403,619</u>
< Taxable temporary differences >						
Accrued interest income	-	32,062	32,062	7,759	7,759	-
Prepaid expenses	156,278,766	16,695,724	172,974,490	41,859,827	41,859,827	-
Gain on foreign currency translation	10,754,048	(10,732,291)	21,757	5,265	5,265	-
Equity method investments	15,789,971	15,680,974	31,470,945	6,201,566	-	6,201,566
Appropriated retained earnings for treasury stock	3,230,000	(3,230,000)	-	-	-	-
Provision for advance depreciation (Woongjin Cuchen)	-	7,872,697	7,872,697	1,731,993	-	1,731,993
Provision for temporary depreciation (Woongjin Cuchen)	-	812,019	812,019	178,644	-	178,644
Provision for temporary depreciation	69,700	(16,400)	53,300	11,726	-	11,726
Insurance deposits	18,328,692	8,107,960	26,436,652	5,816,063	-	5,816,063
Goodwill (Woongjin Cuchen)	-	84,754,782	84,754,782	-	-	-
Goodwill	6,258,934	(4,694,200)	1,564,734	-	-	-
	<u>₩ 210,710,111</u>	<u>₩ 115,283,327</u>	<u>₩ 325,993,438</u>	<u>₩ 55,812,843</u>	<u>₩ 41,872,851</u>	<u>₩ 13,939,992</u>
Deferred income taxes recognized:						
Deferred income tax assets	55,331,446			69,992,853	47,589,234	22,403,619
Deferred income tax liabilities	(48,725,041)			(55,812,843)	(41,872,851)	(13,939,992)
	<u>₩ 6,606,405</u>			<u>₩ 14,180,010</u>	<u>₩ 5,716,383</u>	<u>₩ 8,463,627</u>

Woongjin Coway Co., Ltd.
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21. Income taxes (cont'd)

	2008					
	As of Jan. 1, 2008	Net changes	As of Dec. 31, 2008	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	₩ 54,825	₩ 15,485	₩ 70,310	₩ -	₩ -	₩ -
Accrued interest income	1,438	-	1,438	-	-	-
Advanced receipts	118,145,989	(17,367,374)	100,778,615	24,388,425	24,388,425	-
Inventory reserve	5,150,646	524,172	5,674,818	1,373,306	1,373,306	-
Accrued expenses	3,839,957	1,298,158	5,138,115	1,243,424	1,243,424	-
Provision for return of goods sold	91,859	316,578	408,437	98,842	98,842	-
Provision for warranties	2,828,542	(1,417,030)	1,411,512	341,586	341,586	-
Allowances for doubtful accounts	58,054,262	10,580,751	68,635,013	16,609,673	16,609,673	-
Loss of foreign currency translation	-	111,274	111,274	26,928	26,928	-
Government subsidy (current)	-	61,138	61,138	14,795	14,795	-
Bad debt expenses	6,023,906	(5,170,086)	853,820	206,624	206,624	-
Depreciation (rental assets)	1,102,377	(275,433)	826,944	181,928	-	181,928
Depreciation (general)	2,570	-	2,570	-	-	-
Impairment losses on rental assets	10,440,625	(2,656,129)	7,784,495	1,712,589	-	1,712,589
Intangible assets	603,756	(334,908)	268,848	59,147	-	59,147
Severance and retirement benefits	14,571,349	4,725,323	19,296,672	4,245,268	-	4,245,268
Equity method investments	13,942,406	(2,215,253)	11,727,153	-	-	-
Long-term Investment securities	4,276,768	1,607,220	5,883,988	769,097	-	769,097
Allowances for doubtful accounts (equity in loss of equity method investments)	1,080,150	2,638,806	3,718,955	-	-	-
Goodwill (water treatment business Unit)	-	18,217,776	18,217,776	4,007,911	-	4,007,911
Government subsidy (non-current)	-	69,700	69,700	15,334	-	15,334
Provision for repair of defects	-	161,603	161,603	35,553	-	35,553
Deferred assets	29,048	-	29,048	-	-	-
Miscellaneous Losses	54,521	-	54,521	-	-	-
Others	26,650	(22,450)	4,200	1,016	1,016	-
	<u>₩ 240,321,644</u>	<u>₩ 10,869,319</u>	<u>₩ 251,190,964</u>	<u>₩ 55,331,446</u>	<u>₩ 44,304,620</u>	<u>₩ 11,026,826</u>
< Taxable temporary differences >						
Accrued interest income	44,270	(44,270)	-	-	-	-
Prepaid expenses	150,624,404	5,654,362	156,278,766	37,819,461	37,819,461	-
Gain of foreign currency translation	-	10,754,048	10,754,048	2,602,480	2,602,480	-
Equity method investments	-	15,789,971	15,789,971	3,473,794	-	3,473,794
Appropriated retained earnings for treasury stock	3,230,000	-	3,230,000	781,660	781,660	-
Provision for temporary depreciation	-	69,700	69,700	15,334	-	15,334
Insurance deposits	14,108,807	4,219,885	18,328,692	4,032,312	-	4,032,312
Goodwill	8,712,038	(2,453,103)	6,258,934	-	-	-
	<u>₩ 176,719,519</u>	<u>₩ 33,990,592</u>	<u>₩ 210,710,111</u>	<u>₩ 48,725,041</u>	<u>₩ 41,203,601</u>	<u>₩ 7,521,440</u>
Deferred income taxes recognized:						
Deferred income tax assets	18,379,483	-	-	55,331,446	44,304,620	11,026,826
Deferred income tax liabilities	-	-	-	(48,725,041)	(41,203,601)	(7,521,440)
	<u>₩ 18,379,483</u>			<u>₩ 6,606,405</u>	<u>₩ 3,101,019</u>	<u>₩ 3,505,386</u>

Details of the amount of deductible (taxable) temporary differences arising from unrecognized deferred income tax assets (liabilities) as of December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Equity in loss of equity method investments (*1)	₩ 15,389,795	₩ 11,727,153
Equity in earnings of of equity method investments (exclusion of dividend income from gross revenue)	(3,282,010)	-
Allowances for doubtful accounts (equity in loss of equity method investments)	-	3,718,955
Goodwill (*2)	(86,319,515)	(6,258,934)
Long-term investment securities	2,388,092	2,388,092
Others	157,888	157,888
	<u>₩ (71,665,750)</u>	<u>₩ 11,733,153</u>

21. Income taxes (cont'd)

(*1) Deferred income tax assets arising from deductible temporary differences from equity method investments were not recognized as it is not probable that the Company will be able to realize those deductible temporary differences in future periods.

(*2) The Company did not recognize the related deferred income tax, as the amortization expense is not deductible according to the Corporate Income Tax Law.

Details of deferred income taxes charged (credited) directly to equity for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009			2008		
	Before-tax amount	Income taxes recognized directly to equity	Deferred income tax assets (liabilities)	Before-tax amount	Income taxes recognized directly to equity	Deferred income tax assets (liabilities)
Goodwill arising from acquisition of business	₩ (81,357,327)	₩ (13,890,701)	₩ 17,898,612	₩ (18,217,776)	₩ (4,007,911)	₩ 4,007,911
Gain on disposal of treasury stock	89,143	21,573	(21,573)	-	-	-
Capital surplus arising from equity method investments	14,963,425	(5,972)	(3,291,954)	14,990,571	3,297,926	(3,297,926)
Capital adjustment arising from equity method investments	(318,848)	(70,147)	70,147	-	-	-
Gain (loss) on valuation of long-term investment securities	11,123	294,526	(2,447)	(1,607,220)	(353,589)	292,079
Changes of equity arising from equity method investments	2,090,304	89,892	(89,892)	-	-	-
Negative changes of equity arising from equity method investments	(2,457,591)	(144,295)	463,664	(1,451,677)	(319,369)	319,369
	<u>₩ (66,979,771)</u>	<u>₩ (13,705,124)</u>	<u>₩ 15,026,557</u>	<u>₩ (6,286,102)</u>	<u>₩ (1,382,943)</u>	<u>₩ 1,321,433</u>

22. Per share amounts

The Company's per share amounts for the years ended December 31, 2009 and 2008 are computed as follows:

Basic earnings per share

	2009	2008
Net income	₩ 153,279,513,697	₩ 129,064,669,441
Weighted-average number of shares of common stock outstanding (*1)	75,348,868	74,431,993
Basic earnings per share	<u>₩ 2,034</u>	<u>₩ 1,734</u>

(*1) As there is no change in the number of shares during 2008, and the weighted-average number of shares of common stock outstanding as of December 31, 2008 was equal to the number of common shares issued. Calculation of weighted-average number of shares of common stock outstanding as of December 31, 2009 is as follows:

22. Per share amounts (cont'd)

	2009		Weighted number of shares outstanding
	Number of shares outstanding	Days	
Beginning of the year	74,431,993	181	13,472,190,733
Increase by merger	77,124,796	16	1,233,996,736
Acquisition of treasury stock (*)	76,208,661	120	9,145,039,270
Exercise of stock options	76,064,796	48	3,651,110,208
		365	27,502,336,947
Weighted-average number of shares of common stock outstanding			75,348,868

(*) Number of shares outstanding is derived from averaging all treasury stock transactions within a period of 120 day from July 17, 2009 to November 13, 2009.

Diluted earnings per share for the year ended December 31, 2008 are equal to basic earnings per share as the Company's potential dilutive shares are anti-dilutive. Diluted earnings per share for the year ended December 31, 2009 is computed as follows:

Diluted earnings per share

	2009
Net income attributable to common stock	₩ 153,279,513,697
Share-based compensation expense	-
Net income attributable to common stock adjusted for the effect of dilution	153,279,513,697
Weighted-average number of shares of common stock outstanding	75,348,868
Adjustment for assumed exercise of stock options	137,274
Weighted-average number of shares of common stock outstanding adjusted for the effect of dilution	75,486,142
Diluted earnings per share	₩ 2,031

23. Dividends

The 2008 dividends were approved at the ordinary stockholders' meeting held on March 20, 2009 and the 2009 dividends will be proposed for stockholders' approval at the annual ordinary stockholders' meeting to be held on March 19, 2010.

Details of dividends declared for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands, except for dividend per share):

	2009	2008
Dividend per share (A)	₩ 1,010	₩ 870
Number of shares (B)	76,064,796	74,431,993
Dividends (A x B)	₩ 76,825,444	₩ 64,755,834

The dividend payout ratio for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Dividends (A)	₩ 76,825,444	₩ 64,755,834
Net income (B)	₩ 153,279,514	₩ 129,064,669
Dividend payout ratio (A / B)	50.12%	50.17%

23. Dividends (cont'd)

The dividend yield ratio for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Dividend per share (A)	₩ 1,010	₩ 870
Market value per share at year-end date (B)	₩ 38,400	₩ 26,650
Dividend yield ratio (A/B)	<u>2.63%</u>	<u>3.26%</u>

24. Comprehensive income

The details of comprehensive income for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Net income	₩ 153,279,514	₩ 129,064,669
Other comprehensive income (loss):		
Gain (loss) on valuation of available-for-sale securities (Income tax effect: current year ₩(294,526) thousand, prior year: ₩353,588 thousand)	1,100,148	(1,253,632)
Changes in equity arising from equity method investments (Income tax effect: current year ₩(89,892) thousand, prior year: nil)	(2,146,949)	3,716,619
Negative changes in equity arising from equity method investments (Income tax effect: current year ₩144,295 thousand, prior year: ₩319,369 thousand)	<u>(284,632)</u>	<u>(1,662,541)</u>
Comprehensive income	<u>₩ 151,948,081</u>	<u>₩ 129,865,115</u>

25. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Acquisition of an equity method investment through a debt-for-equity swap	₩ 5,775,150	₩ -
Reclassification of construction-in-progress to each class of property, plant and equipment	5,103,040	6,765,654
Transfer of current portion of long-term borrowings	30,000,000	-
Disposal of treasury stock through exercise of stock options	10,056,443	-

26. Insurance

Details of insured inventories and property, plant and equipment as of December 31, 2009 are as follows (Korean won in thousands):

Description	Insured assets	Insurance company	Coverage amount
Fire and other insurance	Property, plant and equipment and Inventories	Samsung Marins & Fire	<u>₩ 146,384,544</u>

In addition, the Company maintains product liability insurance, employee's group insurance, fidelity insurance and vehicle insurance as of December 31, 2009.

27. Commitments and contingencies

As of December 31, 2009, the Company has five pending lawsuits as a defendant with total claims against the Company amounting to ₩191,282 thousand. Among these lawsuits, a claim relating to severance and retirement benefits amounting to ₩151,474 thousand was closed as the court dismissed the appeal of the plaintiff on January 22, 2010. Another claim amounting to ₩1,188 thousand was closed as the plaintiff withdrew the suit on January 21, 2010. The outcomes of the other three pending cases with claims totaling ₩38,620 cannot presently be determined as of December 31, 2009.

As of December 31, 2009, the details of available credit lines of the Company with various banks and financial institutions are as follows (Korean won in thousands):

Credit provider		Limit	Description of credit line
Shinhan Bank and five others	₩	212,000,000	Purchase Loan
Korea Development Bank and another	₩	90,000,000	General borrowings
	₩	90,000,000	Private equity bonds
Meritz Investment Bank and another	₩	50,000,000	Commercial paper
Korea Exchange Bank	₩	3,000,000	Electronic promissory note
Hana Bank and two others	USD	10,600,000	Lines of credit (sight)

The Company has provided two blank promissory notes issued to Korea Development Bank as security in connection with a refinancing borrowing arrangement of Woongjin Chemical Co., Ltd. as of December 31, 2009.

28. Share-based payment transactions

The details of stock options granted by the Company as of December 31, 2009 are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant
Granted shares	440,000	150,000	50,000	185,000	330,000
Remaining shares	230,000	120,000	-	185,000	330,000
Grant date	2006.03.13	2006.08.01	2006.09.28	2008.03.21	2009.3.20
Exercise price	₩ 27,050	₩ 20,780	₩ 22,970	₩ 28,690	₩ 27,480
Vesting condition	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 3 years
Exercisable period	2008.3.13~2013.3.12	2008.8.1~2013.7.31	2008.9.28~2013.9.27	2010.3.21~2015.3.20	2012.3.20~2016.3.19

The changes in shares of stock options during the year ended December 31, 2009 are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant
Outstanding as of January 1, 2009	440,000	150,000	50,000	185,000	-
Granted during 2009	-	-	-	-	330,000
Exercised during 2009	(210,000)	(30,000)	(50,000)	-	-
Outstanding as of December 31, 2009	230,000	120,000	-	185,000	330,000
Exercisable as of December 31, 2009	230,000	120,000	-	-	-

The exercise prices of stock options are in range from ₩20,780 to ₩28,690 and the weighted average remaining maturity of stock options are 4.78 years as of December 31, 2009.

The fair value of stock options is estimated at the date of grant by using the Black-Scholes option pricing model. The assumptions used under the Black-Scholes option pricing model for all grants made are as follows:

28. Share-based payment transactions (cont'd)

	1st grant		2nd grant		3rd grant		4th grant		5th grant	
Stock price	₩	28,500	₩	21,700	₩	22,800	₩	23,594	₩	25,543
Exercise price per share	₩	27,050	₩	20,780	₩	22,970	₩	28,690	₩	27,480
Expected volatility		34.39%		33.35%		32.86%		44.66%		45.30%
Expected life of option		5 years		5 years		5 years		5 years		5 years
Expected dividend per share	₩	208	₩	208	₩	208	₩	780	₩	870
Risk-free interest rate		5.12%		4.86%		4.67%		5.23%		4.15%

The share-based compensation expense recognized for the year ended December 31, 2009 is as follows:

	1st grant		2nd grant		3rd grant		4th grant		5th grant		Total	
Cumulative share-based compensation expense up to 2008	₩	4,313,077	₩	1,042,345	₩	337,060	₩	488,492	₩	-	₩	6,180,974
Share-based compensation expense during 2009		-		-		-		586,191		1,004,099		1,590,290
Unrecognized share-based compensation expense		-		-		-		683,889		2,610,658		3,294,547
		4,313,077		1,042,345		337,060		1,758,572		3,614,757		11,065,811
Recognized share-based compensation expense		4,313,077		1,042,345		337,060		1,074,683		1,004,099		7,771,264
Exercise of stock options		(2,058,514)		(208,469)		(337,060)		-		-		(2,604,043)
Stock options as of Dec. 31, 2009	₩	2,254,563	₩	833,876	₩	-	₩	1,074,683	₩	1,004,099	₩	5,167,221

29. Value added information

In accordance with SKAS 21 *Preparation and Presentation of Financial Statements*, the "value added" items as defined by the standard, which are required to be disclosed by the Company for the years ended December 31, 2009 and 2008, are as follows (Korean won in thousands):

	Cost of sales		Selling and administrative expenses		Depreciation of rental assets		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Labor costs	₩ 16,084,839	₩ 13,945,623	₩ 150,847,189	₩ 123,248,054	₩ -	₩ -	₩ 166,932,028	₩ 137,193,677
Severance and retirement benefits	1,077,632	1,191,601	18,278,197	10,943,152	-	-	19,355,829	12,134,753
Employee benefits	2,210,748	1,740,458	26,349,593	20,565,913	-	-	28,560,341	22,306,371
Rent	106,655	36,570	36,700,729	32,540,787	-	-	36,807,384	32,577,357
Depreciation	7,307,319	4,501,882	12,926,733	13,533,462	107,994,829	108,463,731	128,228,881	126,499,075
Taxes and dues	32,764	36,570	1,504,647	1,623,635	-	-	1,537,411	1,660,205
	₩ 26,819,957	₩ 21,452,704	₩ 246,607,088	₩ 202,455,003	₩ 107,994,829	₩ 108,463,731	₩ 381,421,874	₩ 332,371,438

30. Segment information

The Company has two main reportable business segments; rental division and product sales division. The following table presents the financial information of the Company by business segments for the years ended December 31, 2009 and 2008 (Korean won in thousands):

	2009			2008		
	Rental	Product sales	Others	Rental	Product sales	Others
Sales	₩ 1,197,020,387	₩ 172,222,550	₩ 42,679,379	₩ 1,156,275,579	₩ 129,268,834	₩ 28,858,513
Cost of sales	(336,801,796)	(96,655,687)	(26,714,738)	(323,271,122)	(71,675,350)	(12,212,103)
Gross profit	₩ 860,218,591	₩ 75,566,863	₩ 15,964,641	₩ 833,004,457	₩ 57,593,484	₩ 16,646,410

31. Cost of sales

The cost of sales for the years ended December 31, 2009 and 2008 are made up of the following (Korean won in thousands):

	2009		2008	
	Cost of merchandise sold	Cost of finished goods sold	Cost of merchandise sold	Cost of finished goods sold
Beginning inventories	₩ 32,564,595	₩ 19,672,503	₩ 37,535,385	₩ 12,535,164
Cost of finished goods or merchandise purchased	103,175,314	281,117,707	112,385,788	190,548,157
Transfer from other accounts	262,643,077	580,333,390	233,477,421	335,504,564
Total	398,382,986	881,123,600	383,398,594	538,587,886
Transfer to other accounts	(327,652,954)	(805,066,529)	(315,812,622)	(482,261,409)
Ending inventories	(27,055,833)	(23,075,583)	(32,564,595)	(19,672,503)
Cost of goods sold	₩ 43,674,199	₩ 52,981,488	₩ 35,021,377	₩ 36,653,974

32. Selling and administrative expenses

Selling and administrative expenses recognized for the years ended December 31, 2009 and 2008 are as follows (Korean won in thousands):

	2009	2008
Salaries (Note 29)	₩ 150,847,189	₩ 123,248,054
Severance and retirement benefits (Notes 14, 20 and 29)	18,278,197	10,943,152
Stock-based compensation expense (Notes 20 and 28)	1,590,290	1,264,286
Sales commission	229,496,263	258,064,162
Sales promotion	21,013,748	20,126,515
Employee benefits (Note 29)	26,349,593	20,565,913
Travel	4,595,548	3,479,622
Communications	13,718,659	10,207,494
Entertainment	809,235	789,011
Conference	2,496,693	1,970,830
Education and training	6,459,353	6,657,646
Supplies	25,931,396	18,063,147
Books and publishing	1,185,107	1,141,967
Advertisements	39,902,659	38,152,346
Water, electricity and gas	1,045,160	686,762
Rent (Note 29)	36,700,729	32,540,787
Taxes and dues (Note 29)	1,504,647	1,623,635
Insurance	625,429	390,664
Transportation	1,678,237	2,568,484
Fees and commissions	71,327,704	61,956,850
Repairs and maintenance	3,104,844	4,234,311
Vehicles	12,343	29,990
Depreciation (Notes 8 and 29)	12,926,733	13,533,462
Samples	306,312	300,953
Amortization (Note 9)	19,801,685	14,677,864
Research and development costs (Note 10)	7,352,561	6,905,324
Bad debt expenses	5,982,597	15,954,392
Loss on disposal of rental assets	38,135,698	44,710,986
Provision for product warranties (Note 15)	354,159	-
Compensation for customers	3,947,790	2,294,790
Provision for construction warranties (Note 15)	12,132	12,000
	₩ 747,492,690	₩ 717,095,399

33. Acquisition and transfer of business

On January 1, 2009, the Company acquired the CS.DR business unit that install and manage rental assets such as water purifier, water softener and bidet from Woongjin Happyall Co., Ltd. The summarized statement of financial position of the acquired business unit as of December 31, 2009 are as follows (Korean won in thousands):

	<u>Dec. 31, 2009</u>	
Assets		
Current assets	₩	724,686
Quick assets		575,914
Inventories		148,772
Non-current assets		5,021,047
Property, plant and equipment		4,043,758
Others		977,289
Total assets		<u>5,745,733</u>
Liabilities		
Current liabilities		193,041
Non-current liabilities		12,654,561
Total liabilities		<u>12,847,602</u>
Net liabilities	₩	<u>(7,101,869)</u>

The assets acquired and liabilities assumed were measured at the recorded book value of the financial statements of Woongjin Happyall Co., Ltd. at the date of acquisition on January 1, 2009.

The purchase consideration the Company paid to acquire the division was ₩56,037,683 thousand and the difference between the purchase consideration and net liabilities assumed amounted to ₩63,139,551, before tax effects. The amount net of income taxes was offset by paid-in capital in excess of par value in capital surplus.

34. Merger

On April 24, 2009, the Company entered into a contract of merger with Woongjin Cuchen Co., Ltd. (the "merged entity") and the Board of Directors approved the merger on May 28, 2009. The Company merged with Woongjin Cuchen Co., Ltd. on January 1, 2009 and the details of the merger are as follows (Korean won in thousands):

- (1) The main business of the merged entity is manufacturing and sales of bidet, and the Chief Executive Officer of the entity was Jun Ki Hong.
- (2) The Company issued 0.243884 common share (par value of ₩500) for every one share of the merged entity's common share (par value of ₩500) and the consideration for the odd-lot shares was satisfied by cash payment amounting to ₩37,548 thousand to the stockholders.
- (3) All assets and liabilities of the merged entity as of June 30, 2009 were succeeded by the Company at fair value following the Korea Financial Accounting Standards - *Accounting standards for merger and acquisition*.
- (4) The details of increase in capital surplus and other comprehensive income due to the merger on January 1, 2009 are as follows (Korean won in thousands):

34. Merger (cont'd)

	Amount	
Succession of assets	₩	51,957,893
Succession of liabilities		57,352,732
Succession of net liabilities		<u>(5,394,839)</u>
Amounts of issued common shares (*1)		83,746,173
Goodwill before adjustment of cash paid		89,141,012
Cash paid due to merger		37,548
Merger directly attributable costs		37,000
Goodwill on merger	₩	<u>89,215,560</u>

(*1) Common shares issued due to the merger were 2,692,803 shares and the issue price per share was ₩31,100 (par value of ₩500).

- (5) The details of increase in capital surplus due to the merger are as follows (Korean won in thousands):

	Amount	
Succession of net liabilities	₩	(5,394,839)
Goodwill before adjustment of cash paid		89,141,012
Stock issue costs		(20,663)
Capital stock issued		<u>(1,346,401)</u>
Increase in capital surplus (paid-in capital in excess of par value)	₩	<u>82,379,108</u>

- (6) The statements of financial position of the merged entity as of June 30, 2009 and December 31, 2008 and statements of operations of the merged entity for the six months ended June 30, 2009 and the year ended December 31, 2009, are summarized as follows (Korean won in thousands):

A. Statements of financial position based on book values

	Jun. 30, 2009		Dec. 31, 2008	
Assets:				
Quick assets	₩	19,717,387	₩	28,743,631
Inventories		1,843,421		14,369,542
Investment assets		2,987,004		2,060,239
Property, plant and equipment, net		23,562,076		28,682,601
Intangible assets		710,625		806,633
Other non-current assets		122,676		336,100
	₩	<u>48,943,189</u>	₩	<u>74,998,746</u>
Liabilities:				
Current liabilities	₩	56,783,064	₩	72,898,880
Non-current liabilities		2,301,661		3,207,138
	₩	<u>59,084,725</u>	₩	<u>76,106,018</u>
Equity:				
Common stock	₩	5,523,109	₩	5,523,109
Capital surplus		1,870,385		1,870,385
Accumulated other comprehensive income		4,227,118		3,480,354
Accumulated deficit		<u>(21,762,148)</u>		<u>(11,981,120)</u>
		<u>(10,141,536)</u>		<u>(1,107,272)</u>
Total liabilities and equity	₩	<u>48,943,189</u>	₩	<u>74,998,746</u>

34. Merger (cont'd)

B. Statements of operations

	Six months ended Jun 30, 2009	Year ended Dec. 31, 2008
Sales	₩ 29,530,270	₩ 59,327,573
Cost of sales	23,647,129	45,179,946
Gross profits	5,883,140	14,147,626
Selling and administrative expenses	1,991,412	1,515,953
Operating income	3,891,728	12,631,673
Other income	755,946	382,209
Other expenses	1,850,359	2,113,376
Income before income taxes	2,797,315	10,900,506
Profit from income taxes	-	1,321,918
Income from continuing operation	2,797,315	12,222,424
Loss from discontinuing operation after tax	(12,578,344)	(24,390,937)
Net loss	₩ (9,781,028)	₩ (12,168,511)

35. Operating results of the final interim period (unaudited)

Summary of operating results for the three months ended December 31, 2009 and 2008 are as follows (Korean won in thousands except per share amounts):

	(Unaudited)	
	Three months ended December 31,	
	2009	2008
Sales	₩ 371,409,958	₩ 340,263,231
Cost of sales	122,430,392	109,458,581
Gross profit	248,979,556	230,804,650
Operating income	57,114,470	48,192,431
Income before income taxes	53,115,032	55,055,287
Net income	40,331,976	37,633,128
Basic earnings per share (Korean won)	531	506

36. Normal business operating cycle and liquidity classification

The Company classifies its account receivables and account payables in accordance with its normal business operating cycle. Receivables with maturities of more than one year from the reporting date which were classified as current assets as of December 31, 2009 are as follows (Korean won in thousands):

	Within one year	Over one year	Description
Prepaid expenses	₩ 9,550,595	₩ 21,707,810	Cost of rental
	46,669,307	100,693,184	Sales commissions
	1,384,291	-	Others
Trade account and note receivables	4,778,147	33,833,021	Receivable from export sales
	207,884,318	-	Others
	₩ 270,266,658	₩ 156,234,015	

37. Financial statement approval

The non-consolidated financial statements of the Company for the year ended December 31, 2009 was approved by the Board of Directors on February 19, 2010.

Internal control over financial reporting review report

The Chief Executive Officer
Woongjin Coway Co., Ltd.

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of Woongjin Coway Co., Ltd. (the "Company") as of December 31, 2009. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "Based on the assessment results, I believe that the Company's ICFR, as of December 31, 2009, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

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

We conducted our review of the ICFR in existence as of December 31, 2009, and we did not review the ICFR subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.



March 5, 2010

<p>This report is annexed in relation to the audit of the financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.</p>
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Report on the Operations of the Internal Control over Financial Reporting

To the Board of Directors and Internal Auditor (Audit Committee) of
Woongjin Coway Company

I, as the Internal Control over Financial Reporting("ICFR") Officer of Woongjin Coway Company ("the Company"), assessed the effectiveness of the design and operation of the Company's ICFR for the year ending December 31, 2009.

The Company's management, including myself, is responsible for designing and operating an ICFR. I assessed the design and operational effectiveness of the ICFR in the prevention and detection of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statements. I followed the Best Practice Guideline for ICFR to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment results, I believe that the Company's ICFR, as of December 31, 2009, is effectively designed and operating, in all material respects, in conformity with the Best Practice Guideline for ICFR.

<Attachment>

Detail of significant deficiencies and remediation plans

February 2, 2010

Kim, Sang-Joon
Name, ICFR OFFICER



Hong Joon-Kee
Name, Chief Executive Officer or President

