



Woongjin Coway Co., Ltd.

Non-consolidated financial statements

Years ended December 31, 2010 and 2009

with independent auditors' report

Woongjin Coway Co., Ltd.

Non-consolidated financial statements

Years ended December 31, 2010 and 2009

with independent auditors' report

Woongjin Coway Co., Ltd.
December 31, 2010 and 2009

Contents

	Page
Independent auditors' report	1-2
Non-consolidated statements of financial position	3-5
Non-consolidated statements of income	6
Non-consolidated statements of appropriations of retained earnings	7
Non-consolidated statements of changes in equity	8-9
Non-consolidated statements of cash flows	10-11
Notes to non-consolidated financial statements	12-49
Internal control over financial reporting review report	50
Report on the operations of the internal control over financial reporting	51

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, 2010 and 2009, and the related statements of income, 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, which is accounted for using the equity method. The carrying amount of the investment in that subsidiary represents approximately 9.8% and 8.05% of the Company's total assets as of December 31, 2010 and 2009, respectively, and equity in earnings of the subsidiary using the equity method represents approximately 10.94% and 2.13% of the Company's income before income taxes for the years ended December 31, 2010 and 2009, respectively. Those 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, 2010 and 2009, and the results of its financial performance, 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, result of financial performance, 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 16, 2011

This audit report is effective as of March 16, 2011, 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, 2010 and 2009

(Korean won in thousands)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents (Notes 14 and 26)	₩ 56,348,925	₩ 63,721,045
Short-term investment assets (Notes 5, 14 and 21)	3,865,721	5,494,230
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩54,852,357 in 2010 and ₩51,918,324 in 2009 (Notes 14, 21 and 36)	207,250,199	194,577,162
Other accounts receivable, net of allowance for doubtful accounts of ₩15,289,700 in 2010 and ₩13,730,119 in 2009 (Notes 14 and 21)	10,360,650	3,978,655
Accrued income, net of allowance for doubtful accounts of ₩2,173,950 in 2010 and ₩1,318,777 in 2009 (Note 14 and 21)	64,251	32,062
Advance payments, net of allowance for doubtful accounts of ₩8,691,528 in 2010 and ₩8,691,528 in 2009	3,135,073	1,340,461
Prepaid expenses (Note 36)	224,581,420	180,005,187
Deferred income tax assets (Note 22)	-	5,716,383
Inventories (Note 27):		
Merchandise	35,015,698	30,289,284
Finished goods	36,754,179	24,613,553
Work-in-process	324,975	169,205
Raw materials	6,148,458	4,908,721
Others	291,220	232,638
	<u>78,534,530</u>	<u>60,213,401</u>
Less valuation allowance	(5,335,336)	(5,623,407)
Inventories, net	<u>73,199,194</u>	<u>54,589,994</u>
Total current assets	<u>578,805,433</u>	<u>509,455,179</u>
Non-current assets:		
Long-term investment assets (Note 6)	3,101,917	2,103,738
Equity method investments (Note 7)	197,068,092	128,581,578
Long-term loans receivable, net of allowance for doubtful accounts of ₩9,391,567 in 2010 and ₩4,399,949 in 2009 (Notes 13, 14 and 21)	4,096,189	-
Long-term guarantee deposits, net of allowance for doubtful accounts of ₩2,302,939 in 2010 and 2009	43,489,628	44,661,417
Defaulted notes receivable, net of allowance for doubtful account of ₩3,295,259 in 2010 and ₩2,959,073 in 2009	-	654,500
Long-term prepaid expenses	15,647,916	16,572,917
Deferred income tax assets (Note 22)	5,247,490	8,463,627
Property, plant and equipment (Notes 8, 9 and 27)	454,155,395	418,204,136
Intangible assets (Notes 10 and 22)	133,624,438	141,086,744
Other non-current assets (Note 4)	4,295,830	895,830
	<u>860,726,895</u>	<u>761,224,487</u>
Total assets	<u>₩ 1,439,532,328</u>	<u>₩ 1,270,679,666</u>

(Continued)

See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of position (cont'd)
As of December 31, 2010 and 2009

(Korean won in thousands)

	2010	2009
Liabilities and equity		
Current liabilities:		
Trade accounts and notes payable (Note 21)	₩ 38,311,602	₩ 29,220,399
Short-term borrowings (Notes 12 and 28)	74,473,032	119,715,069
Other accounts payable (Note 21)	132,391,930	103,577,575
Advances received	116,351,448	121,280,682
Unearned revenues	420,821	43,467
Withholdings	8,612,358	9,776,951
Accrued expenses	10,762,422	12,207,841
Income taxes payable (Note 22)	23,263,552	23,514,516
Provision for product warranties (Note 16)	3,008,687	1,765,671
Provision for return of goods sold (Note 16)	1,193,744	668,268
Current portion of long-term borrowings (Notes 12 and 28)	30,000,000	30,000,000
Current portion of bonds (Notes 12 and 28)	-	90,000,000
Deferred income tax liabilities (Note 22)	2,179,905	-
Total current liabilities	440,969,501	541,770,439
Non-current liabilities:		
Long-term borrowings (Notes 12 and 28)	₩ 170,000,000	₩ 30,000,000
Private bonds, net of discount on bonds of ₩227,446 in 2010 and nil in 2009	49,772,554	-
Long-term other accounts payable	81,400	24,000
Reserve for agent losses (Note 13)	5,948,614	5,594,074
Rental deposits received from customers	1,119,762	1,121,308
Provision for construction warranties (Note 16)	91,816	139,217
Severance and retirement benefits, net (Notes 15 and 21)	6,723,517	11,336,869
Leasehold deposits received	25,000	15,000
Total non-current liabilities	233,762,663	48,230,468
Total liabilities	674,732,164	590,000,907
Equity:		
Capital stock (Note 17)	40,662,398	40,662,398
Capital surplus:		
Paid-in capital in excess of par value (Notes 17, 22 and 33)	95,244,305	97,276,688
Capital surplus in equity method (Notes 7, 21 and 22)	11,671,472	11,671,472
Other capital surplus (Notes 18 and 22)	33,115,087	32,979,546
	140,030,864	141,927,706
Capital adjustments:		
Treasury stock (Note 19)	(34,026,806)	(36,432,706)
Stock options (Notes 21 and 29)	6,707,194	5,167,222
Capital adjustments in equity method (Notes 7 and 22)	(15,671,255)	(248,702)
	(42,990,867)	(31,514,186)

(Continued)

See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of financial position (cont'd)
As of December 31, 2010 and 2009

(Korean won in thousands)

	<u>2010</u>	<u>2009</u>
Liabilities and equity (cont'd)		
Equity (cont'd):		
Accumulated other comprehensive income:		
Gain on valuation of long-term investment securities (Notes 6, 22 and 25)	₩ 7,223	₩ 8,676
Equity adjustments in equity method (Notes 7, 22 and 25)	1,529,229	2,000,412
Negative equity adjustments in equity method (Notes 7, 22 and 25)	<u>(4,243,989)</u>	<u>(1,993,927)</u>
	(2,707,537)	15,161
Retained earnings:		
Legal reserve (Note 20)	31,025,427	23,325,427
Voluntary reserve (Note 20)	421,736,035	352,976,035
Unappropriated retained earnings	<u>177,043,844</u>	<u>153,286,218</u>
	<u>629,805,306</u>	<u>529,587,680</u>
Total equity	<u>764,800,164</u>	<u>680,678,759</u>
Total liabilities and equity	<u>₩ 1,439,532,328</u>	<u>₩ 1,270,679,666</u>

Woongjin Coway Co., Ltd.
Non-consolidated statements of income
Years ended December 31, 2010 and 2009

(Korean won in thousands, except per share amounts)

	2010	2009
Sales (Note 31)	₩ 1,519,140,211	₩ 1,411,922,316
Cost of sales (Notes 30, 31 and 32)	494,072,068	460,172,221
Gross profit	<u>1,025,068,143</u>	<u>951,750,095</u>
Selling and administrative expenses (Notes 30 and 33)	<u>796,264,364</u>	<u>747,492,690</u>
Operating income	228,803,779	204,257,405
Other income (expenses):		
Interest income	3,542,598	3,116,811
Interest expenses	(17,628,237)	(12,526,386)
Dividend income	578	401
Rental income	278,161	502,892
Commission income	1,192,046	1,162,939
Allowance for doubtful accounts (non-trade)	(2,969,915)	(1,426,090)
Loss on foreign currency transactions, net	(40,907)	(1,082,704)
Loss on foreign currency translation, net (Note 14)	(373,527)	(4,164,862)
Equity in earnings of equity method investments, net (Notes 7 and 22)	22,109,228	13,915,031
Loss on disposal of property, plant and equipment, net	(280,767)	(350,696)
Loss on inventory written off	(10,208)	(1,461,488)
Loss on disposal of long-term investments securities	-	(1,099,637)
Contributions	(1,132,360)	(560,160)
Miscellaneous income, net	3,036,637	2,154,507
Reversal of allowance for doubtful accounts	-	286,425
	<u>7,723,327</u>	<u>(1,533,017)</u>
Income before income taxes	236,527,106	202,724,388
Provision for income taxes (Note 22)	59,484,036	49,444,874
Net income	<u>₩ 177,043,070</u>	<u>₩ 153,279,514</u>
Earnings per share (Note 23):		
Basic	<u>₩ 2,327</u>	<u>₩ 2,034</u>
Diluted	<u>₩ 2,323</u>	<u>₩ 2,031</u>

See accompanying notes.

Woongjin Coway Co., Ltd.**Non-consolidated statements of appropriations of retained earnings****Years ended December 31, 2010 and 2009**

(Korean won in thousands)

	<u>2010</u>	<u>2009</u>
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩ 774	₩ 6,704
Net income for the year	<u>177,043,070</u>	<u>153,279,514</u>
	<u>177,043,844</u>	<u>153,286,218</u>
Appropriations (2010 - proposed):		
Legal reserve	8,000,000	7,700,000
Other reserves	89,102,000	68,760,000
Cash dividends (Note 24)	<u>79,941,536</u>	<u>76,825,444</u>
	<u>177,043,536</u>	<u>153,285,444</u>
Unappropriated retained earnings to be carried forward to to the next year	<u>₩ 308</u>	<u>₩ 774</u>

Woongjin Coway Co., Ltd.

Non-consolidated statements of changes in equity

Years ended December 31, 2010 and 2009

(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	₩ 1,346,595	₩ 441,064,000	₩ 596,631,472
Dividends	-	-	-	-	(64,755,834)	(64,755,834)
Net income for the year	-	-	-	-	153,279,514	153,279,514
Repurchase 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)
Loss on valuation of long-term investment securities	-	-	-	1,100,148	-	1,100,148
Capital surplus in equity method	-	5,972	-	-	-	5,972
Capital adjustments in equity method	-	-	(248,702)	-	-	(248,702)
Equity adjustments in equity method	-	-	-	(2,146,950)	-	(2,146,950)
Negative equity adjustments in equity method	-	-	-	(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>

(Continued)

See accompanying notes.

Woongjin Coway Co., Ltd.

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

Years ended December 31, 2010 and 2009

(Korean won in thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2010	₩ 40,662,398	₩ 141,927,706	₩ (31,514,186)	₩ 15,161	₩ 529,587,680	₩ 680,678,759
Dividends					(76,825,444)	(76,825,444)
Net income for the year					177,043,070	177,043,070
Disposal of treasury stock	-	135,541	2,405,900	-	-	2,541,441
Acquisition of business from a related party	-	(2,032,383)	-	-	-	(2,032,383)
Stock-based compensation expense			2,226,143	-	-	2,226,143
Exercise of stock options	-	-	(686,171)	-	-	(686,171)
Gain on valuation of long-term investment securities	-	-	-	(1,453)	-	(1,453)
Capital adjustments in equity method	-	-	(15,422,553)	-	-	(15,422,553)
Equity adjustments in equity method	-	-	-	(471,183)	-	(471,183)
Negative equity adjustments in equity method	-	-	-	(2,250,062)	-	(2,250,062)
As of December 31, 2010	₩ 40,662,398	₩ 140,030,864	₩ (42,990,867)	₩ (2,707,537)	₩ 629,805,306	₩ 764,800,164

See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of cash flows
Years ended December 31, 2010 and 2009

(Korean won in thousands)

	2010	2009
Cash flows from operating activities:		
Net income	₩ 177,043,070	₩ 153,279,514
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance and retirement benefits	16,652,432	19,355,829
Stock-based compensation expenses	2,226,143	1,590,290
Depreciation	131,572,957	128,228,881
Amortization of intangible assets	22,213,464	19,874,921
Allowance for doubtful accounts	14,388,770	7,408,687
Loss on disposal of rental assets	40,854,477	38,135,698
Gain (loss) on foreign currency translation, net	(246,171)	3,812,426
Loss on disposal of long-term investment securities	-	1,099,637
Equity in earnings of equity method investments, net	(22,109,228)	(13,915,031)
Loss on disposal of property, plant and equipment, net	280,767	350,696
Loss on inventory written off	10,208	1,461,488
Provision for return of goods sold	525,476	219,380
Provision for product warranties	1,243,016	354,159
Reversal of loss on valuation of inventories	(288,070)	(456,198)
Others	11,654	(252,546)
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(23,635,787)	(51,945,030)
Other accounts receivable	(7,944,600)	10,304,500
Prepaid expenses	(44,576,233)	(16,912,639)
Accrued income	(887,362)	(522,671)
Advance payments	(1,794,614)	10,183,114
Inventories	(17,789,727)	4,240,977
Long-term prepaid expenses	925,000	925,000
Deferred income taxes	13,361,321	8,339,059
Trade accounts and notes payable	9,091,203	(8,955,345)
Other accounts payable	28,814,355	17,721,349
Advances received	(4,929,233)	(7,311,050)
Unearned revenues	377,354	43,467
Withholdings	(1,164,593)	(695,391)
Accrued expenses	(1,445,418)	6,722,117
Income taxes payable	(250,964)	(3,300,706)
Deferred income tax liabilities	2,179,905	-
Long-term other accounts payable	57,400	24,000
Reserve for agent loss	354,540	(153,383)
Provision for construction warranties	(57,400)	(34,518)
Rental deposits received from customers	(1,545)	(2,700)
Payment of severance and retirement benefits, net	(21,265,785)	(17,565,191)
Total adjustments	136,753,712	158,373,276
Net cash provided by operating activities	₩ 313,796,782	₩ 311,652,790

(Continued)

See accompanying notes.

Woongjin Coway Co., Ltd.
Non-consolidated statements of cash flows (cont'd)
Years ended December 31, 2010 and 2009

(Korean won in thousands)

	2010	2009
Cash flows from investing activities:		
Increase in short-term investment assets, net	₩ (3,322,315)	₩ (50,000)
Proceeds from disposal of long-term investment securities	-	3,807,002
Acquisition of long-term investments securities	(1,000,043)	-
Refund of long-term loans receivable	478,533	-
Payment of long-term loans receivable	(861,658)	-
Acquisition of equity method investments	(63,749,006)	(1,022,545)
Proceeds from disposal of property, plant and equipment	11,217,131	13,804,417
Acquisition of property, plant and equipment	(223,120,234)	(217,922,093)
Proceeds from disposal of intangible assets	40,000	33,772
Acquisition of intangible assets	(9,808,056)	(6,233,809)
Refund of long-term guarantee deposits	21,572,883	18,082,427
Payment of long-term guarantee deposits	(19,988,214)	(23,450,393)
Increase of goodwill	(4,960,000)	-
Others, net	(2,930,000)	(54,734)
Net cash used in investing activities	<u>(296,430,979)</u>	<u>(213,005,956)</u>
Cash flows from financing activities:		
Drawdown of short-term borrowings	807,312,654	745,684,306
Repayment of short-term borrowings	(852,554,691)	(764,258,185)
Issuance of private bonds	49,747,800	-
Proceeds from current portion of bonds	-	70,000,000
Proceeds from long-term borrowings	100,000,000	-
Redemption of current portion of bonds	(50,000,000)	-
Repurchase of treasury stock	-	7,452,400
Acquisition of treasury stock	-	(46,400,006)
Exercise of stock options	1,893,500	-
Payment of dividends	(76,825,444)	(64,755,834)
Others, net	10,000	(10,000)
Net cash used in financing activities	<u>(20,416,181)</u>	<u>(52,287,319)</u>
Increase of cash and cash equivalents due to merger and business combinations	(4,321,742)	(58,740,380)
Net decrease in cash and cash equivalents	(7,372,120)	(12,380,865)
Cash and cash equivalents at the beginning of the year	<u>63,721,045</u>	<u>76,101,910</u>
Cash and cash equivalents at the end of the year	<u>₩ 56,348,925</u>	<u>₩ 63,721,045</u>

See accompanying notes.

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, 2001.

As the result of a merger and several increases in paid-in capital, the capital stock of the Company as of December 31, 2010 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, 2010.

As of December 31, 2010, the majority stockholder of the Company is Woongjin Holdings Co., Ltd., with a shareholding of 28.37%, and Woongjin Chemical Co., Ltd., Woong Jin Coway (Shenyang) Living Goods Co., Ltd., Woong jin Coway USA Inc., Woong Jin Coway (M) Sdn Bhd. and GETC Co., Ltd. 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:

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.

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.

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

Financial instruments

Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments

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, as of December 31, 2010 and 2009.

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 reversal of write-down which amounted to ₩288,070 thousand and ₩456,198 thousand for the years ended December 31, 2010 and 2009.

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.

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

Investments in securities (cont'd)

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 reporting 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.

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 reporting 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 reporting 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.

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

Property, plant and equipment (cont'd)

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

	<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, 2010 and 2009.

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.

Discount (premium) on bonds

Discount (premium) on bonds is presented as a direct deduction from (addition to) the nominal value of the bonds and is amortized using the effective-interest-rate method over the life of the bonds.

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

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.

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 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 ₩1,138.90: US\$1 and ₩1,167.60: US\$1, ₩1,513.60: EUR1 and ₩1,674.28: EUR1, ₩13.9708: JPY1 and ₩12.6282: JPY1 and ₩37.78: THB1 and ₩35.02: THB1, as of December 31, 2010 and 2009, 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 reporting date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

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

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.

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*.

Provision for construction warranties

The Company records a provision for the estimated warranty costs relating to construction defects during the warranty period. Estimated warranty costs are charged to current operations at the time of sale and are included in the statement of financial position as provision for construction warranty. The provision for construction warranty made will be offset against the actual amount of rectification expense incurred on the defects in subsequent period. The actual rectification expense incurred in excess of the provision made is accounted for as an expense in the current period.

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 will adopt K-IFRS from the fiscal year of 2011. The date of transition to K-IFRS is January 1, 2010. The Company's approach to adopt K-IFRS is illustrated as follows:

Preparation and implementation of K-IFRS adoption

The Company formed a task force to prepare for its transition from the generally accepted accounting principle in Republic of Korean ("K-GAAP") to K-IFRS. The three phases of the transition which the K-IFRS task force performed are as follows:

- (1) Analysis and planning phase: This phase included a preliminary analysis and impact assessments over the Company's current accounting policies, financial reporting processes, including the determination of the reporting entity, and the system to identify key areas that would be impacted by the transition to K-IFRS.
- (2) Design phase: This phase included further detailed analysis and employee training on the impact assessments over the Company's current accounting policies, financial information generating process and information systems.
- (3) Implementation Phase: This phase included applying and embedding the changes identified above in the Company's operational processes and system. The Company anticipates the completion of this phase enables the Company to provide financial information in accordance with K-IFRS.

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

Significant differences in accounting policies

The difference between K-GAAP and K-IFRS that are expected to give use to a significant impact on the Company’s consolidated financial statements as of December 31, 2010 are summarized as follows:

Subject	K-GAAP		K-IFRS
First-time adoption of K-IFRS	Business combination	Not applicable	Does not restate retrospectively past business combinations that occurred prior to January 1, 2010 (the transition date).
	Investments in subsidiaries or affiliates.	Not applicable	Uses its previous K-GAAP carrying amount as deemed cost for the investments in subsidiaries and affiliates as of January 1, 2010 (the transition date).
	Borrowing costs	Not applicable	Capitalize of borrowing costs related to qualified assets which are acquired after the transition date.
Investments in subsidiaries and affiliates on non-consolidated financial statements	Investments in subsidiaries and affiliates are accounted for using the equity method on non-consolidated financial statements. .		On separate financial statements, investments in subsidiaries and affiliates are accounted for using the cost method.
Severance and retirement benefits	Estimated based on the amount that would be payable assuming all employees were to terminate their employment at the reporting date.		Based on projected unit credit method, the obligation for severance and retirement benefit is calculated based on actuarial present value on a discounted basis. In addition, for the reward for long-service, other long-term estimated liabilities are measured using actuarial method.
Accumulated paid-time-off	Recognize as expenses when the Company’s obligation to pay is determined.		Records liabilities as payables and recognizes expenses when employees render services.
Investment properties	Real estate for rental income or trading gain is classified as plant, property and equipment.		Real estate for rental income or trading gain is classified as investment properties.
Goodwill	Goodwill is amortized for reasonable periods within 20 years.		Goodwill is not subject to amortization and impairment test is performed at least once every financial year.
Membership (facility usage rights)	Membership and guarantee deposits are recognized as other long-term assets.		Membership is classified as an intangible asset with indefinite useful life, and membership with characteristics of equity is classified as available-for-sale financial assets.
financial guarantee contracts	Financial guarantee contracts to subsidiaries and related parties are not recognized, but are disclosed in the financial statements.		Measurement of the value of guarantees provided is required for financial guarantee contracts.
Deferred income taxes	Does not separate temporary differences arising from investments in subsidiaries and affiliates by each source. Presented deferred tax assets and liabilities based on the classification of related assets and liabilities. Does not recognize deferred income tax liabilities from revaluation gains under the Assets Revaluations Law.		Does separate temporary differences arising from investments in subsidiaries and affiliates by each source. Present deferred tax assets and liabilities as non-current assets and liabilities. Does recognize deferred income tax liabilities from revaluation gains under the Assets Revaluations Law.

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

Changes in-scope entities for consolidation

The Company is required to prepare consolidated financial statements under K-GAAP and K-IFRS, and changes in-scope entities are as follow:

K-GAAP	K-IFRS	Difference
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	-
Woong Jin Coway USA Inc.	Woong Jin Coway USA Inc.	-
Woong Jin Coway (M) S dn Bhd.	Woong Jin Coway (M) S dn Bhd.	-
Woongjin Chemical Co., Ltd.	-	Under Korean GAAP, based on the Act on External Audit of Stock Companies, it was considered that the Company has control over the entity hence the Company holds in excess of 30% of equity interest as a major shareholders. Under K-IFRS, it is considered that the Company has no control over the entity.
GTEC Co., Ltd.	GTEC Co., Ltd.	-
-	Woong Jin Coway (Thailand) Co.,Ltd.	Under Korean GAAP, based on the Act on External Audit of Stock Companies, a stock company whose total value of asset is less than ₩10 billion shall not be considered as a subsidiary. Under K-IFRS, if the parent company has control over company, the company is deemed to be a subsidiary regardless of its size.

4. Restricted deposits

Restricted deposits as of December 31, 2010 and 2009 consist of the following (Korean won in thousands):

	Financial institution	2010	2009	Description
Long-term financial instruments	Shinhan Bank	<u>₩ 10,500</u>	<u>₩ 10,500</u>	Security deposit for bank overdraft facility

5. Short-term investment assets

The balances of short-term investment assets of the Company as of December 31, 2010 and 2009 are presented as follows (Korean won in thousands):

	2010			2009
	Acquisition	Fair value	Book value	Book value
Short-term loans receivable	₩ 2,905,721	₩ 2,905,721	₩ 2,905,721	₩ 5,494,230
Short-term financial instruments	960,000	960,000	960,000	-
	<u>₩ 3,865,721</u>	<u>₩ 3,865,721</u>	<u>₩ 3,865,721</u>	<u>₩ 5,494,230</u>

6. Long-term investment assets

The balances of long-term investment assets of the Company as of December 31, 2010 and 2009 are presented as follows (Korean won in thousands):

	2010	2009
Available-for-sale securities (Equity securities)		
Marketable	₩ 9,260	₩ 11,124
Non-marketable	2,670,766	1,670,773
	<u>2,680,026</u>	<u>1,681,897</u>
Held-to-maturity securities (Debt securities)	421,891	421,841
	<u>₩ 3,101,917</u>	<u>₩ 2,103,738</u>

Woongjin Coway Co., Ltd.
Notes to non-consolidated financial statements
December 31, 2010 and 2009

6. Long-term investment assets (cont'd)

Available-for-sale equity securities as of December 31, 2010 and 2009 consist of the following (Korean won in thousands):

	2010						Impairment loss	
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (*2)	Up to 2009	2010
< Marketable securities >								
Tong Yang Investment Bank Co., Ltd.								
	927	0.0008%	₩ 1	₩ 9,260	₩ 9,260	₩ 9,259	₩ -	₩ -
			1	9,260	9,260	9,259	-	-
< 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	-
Kizmam Co., Ltd.(*3)	15,885	34.00%	999,993	"	999,993	-	-	-
Construction Guarantee			336,693	"	336,693	-	-	-
			4,317,595	-	2,670,766	-	1,646,829	-
			₩ 4,317,596	₩ 9,260	₩ 2,680,026	₩ 9,259	₩ 1,646,829	₩ -
2009								
	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	-	-	-
			3,317,602	-	1,670,773	-	1,646,829	-
			₩ 3,317,603	₩ 11,124	₩ 1,681,897	₩ 11,123	₩ 1,646,829	₩ -

(*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 in which case impairment losses were recognized.

(*2) Gain or loss on valuation of long-term investment securities amounting to ₩7,223 thousand (2009: ₩8,676 thousand) recognized in other comprehensive income as of December 31, 2010 represents the difference between acquisition cost and fair value of the investments of ₩9,259 thousand (2009: ₩11,123 thousand), net of the related tax effects.

(*3) Investments in this investee were not accounted for using the equity method of accounting as the investee's total assets were less than ₩10,000 million threshold as of December 31, 2009 and the changes in carrying amount of investments was immaterial.

6. Long-term investment assets (cont'd)

Held-to-maturity debt securities as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

		2010			Impairment loss	
	Maturity	Acquisition cost	Amortized cost	Book value	Up to 2009	2010
Government bonds	Within 5 years	₩ 421,890	₩ 421,890	₩ 421,890	₩ -	₩ -
Subordinated bonds	Within 5 years	2,450,000	2,450,000	1	2,449,999	-
		<u>₩ 2,871,890</u>	<u>₩ 2,871,890</u>	<u>₩ 421,891</u>	<u>₩ 2,449,999</u>	<u>₩ -</u>

		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>

7. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

		2010			
	Ownership (%)	Acquisition cost	Proportionate net asset value	Book value	
Coway Japan Corporation	49.00%	₩ 4,345,364	₩ (21,251,667)	₩	1
Woong Jin USA Inc.	35.00%	395,176	-		1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	27,262,800		27,210,805
Woong Jin Coway (Thailand) Co., Ltd.	100.00%	886,986	(9,723,417)		1
Woong Jin Coway (M) Sdn Bhd.	100.00%	906,885	(5,800,358)		1
Woong Jin Coway USA Inc.	100.00%	12,251,800	1,247,220		1,408,756
Woongjin Chemical Co., Ltd.	45.24%	83,179,907	146,033,283		141,060,140
GETC Co., Ltd.	100.00%	28,180,000	9,528,518		27,237,413
Woongjin Coway Italia S.r.l.	100.00%	150,974	150,974		150,974
		<u>₩ 136,267,289</u>	<u>₩ 147,447,353</u>	<u>₩</u>	<u>197,068,092</u>

		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) S dn 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.	40.24%	83,179,907	107,505,769		102,308,084
		<u>₩ 107,936,315</u>	<u>₩ 106,976,088</u>	<u>₩</u>	<u>128,581,578</u>

7. Equity method investments (cont'd)

The summary of financial position of the investees as of December 31, 2010 and 2009, and the results of their financial performance for the years then ended, are presented as follows (Korean won in thousands):

	2010			
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation (*)	₩ 7,243,879	₩ 50,614,629	₩ 8,724,800	₩ (4,750,917)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*)	38,088,063	10,825,263	46,377,411	3,995,583
Woong Jin Coway (Thailand) Co., Ltd. (*)	6,449,673	16,173,090	7,014,006	(2,209,360)
Woong Jin Coway (M) Sdn. Bhd. (*)	30,847,676	36,648,034	20,796,108	(2,447,913)
Woong Jin Coway USA, Inc. (*)	11,771,363	10,524,143	10,140,153	(2,671,896)
Woongjin Chemical Co., Ltd.	681,869,094	359,068,817	911,193,874	60,192,889
GETC Co., Ltd.	22,608,281	13,079,763	25,445,142	1,025,068
Woongjin Coway Italia S.r.l.	150,974	-	-	-
	<u>₩ 799,029,003</u>	<u>₩ 496,933,739</u>	<u>₩ 1,029,691,494</u>	<u>₩ 53,133,454</u>

	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>

(*) Audited financial statements of these investees were not available as of the Company's audit opinion 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):

	Reporting date	2010		
		Net assets before adjustments	Adjustments	Net assets after adjustments
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	Dec. 31, 2010	₩ 28,334,376	₩ (1,071,576)	₩ 27,262,800
				₩ 27,262,800

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

Woongjin Coway Co., Ltd.
Notes to non-consolidated financial statements
December 31, 2010 and 2009

7. Equity method investments (cont'd)

The changes in carrying amount of goodwill for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010			
	Jan.1, 2010	Additions	Amortization	Dec.31, 2010
Woongjin Chemical Co., Ltd.	₩ (5,139,532)	₩ -	₩ 213,608	₩ (4,925,924)
GETC Co., Ltd.	-	19,676,550	(1,967,655)	17,708,895
	<u>₩ (5,139,532)</u>	<u>₩ 19,676,550</u>	<u>₩ (1,754,047)</u>	<u>₩ 12,782,971</u>

	2009			
	Jan.1, 2009	Additions	Amortization	Dec.31, 2009
Woongjin Chemical Co., Ltd.	₩ (5,353,140)	₩ -	₩ 213,608	₩ (5,139,532)

The elimination of unrealized (gains) or losses arising from inter-company transactions for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		
	Inventories	Provisions	Total
Coway Japan Corporation	₩ (257,861)	₩ 1,269,834	₩ 1,011,973
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(844,601)	792,607	(51,994)
Woong Jin Coway (Thailand) Co., Ltd.	(1,003,155)	-	(1,003,155)
Woong Jin Coway (M) Sdn Bhd.	(1,297,835)	-	(1,297,835)
Woong Jin Coway USA, Inc.	(648,152)	809,688	161,536
Woongjin Chemical Co., Ltd.	(47,217)	-	(47,217)
	<u>₩ (4,098,821)</u>	<u>₩ 2,872,129</u>	<u>₩ (1,226,692)</u>

	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)
	<u>₩ (3,729,162)</u>	<u>₩ 2,424,362</u>	<u>₩ (1,304,800)</u>

7. Equity method investments (cont'd)

The details of changes in carrying amount of equity method investments for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010				
	Jan. 1, 2010	Acquisition (disposals)	Equity in earnings (loss) of investee	Others (*1)	Dec. 31, 2010
Coway Japan Corporation (*2)	₩ 1	₩ -	₩ -	₩ -	₩ 1
Woong Jin USA, Inc.	1	-	-	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	22,788,397	-	4,475,550	(53,142)	27,210,805
Woong Jin Coway (Thailand) Co., Ltd.	1	87,485	-	(87,485)	1
Woong Jin Coway (M) Sdn Bhd. (*3)	1	4,329,984	(3,381,215)	(948,769)	1
Woong Jin Coway USA, Inc.	3,485,093	-	(1,646,604)	(429,733)	1,408,756
Woongjin Chemical Co., Ltd.	102,308,084	31,000,562	25,882,731	(18,131,237)	141,060,140
GETC Co., Ltd.	-	28,180,000	(942,587)	-	27,237,413
Woongjin Coway Italia S.r.l.	-	150,974	-	-	150,974
	<u>₩ 128,581,578</u>	<u>₩ 63,749,005</u>	<u>₩ 24,387,875</u>	<u>₩ (19,650,366)</u>	<u>₩ 197,068,092</u>

(*1) 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 in equity method during the year ended December 31, 2010.

(*2) Since the suspension of application of equity method, the Company has recognized further share of losses in Coway Japan Corporation amounting to ₩2,375,036 thousand out of total share of losses amounting to ₩20,239,696 thousand as an allowance for doubtful accounts against long-term loans receivable as of December 31, 2010.

(*3) Since the suspension of application of equity method, the Company has recognized further share of losses in Woong Jin Coway (M) Sdn Bhd. amounting to ₩6,797,555 thousand (including equity in loss of equity method investments of ₩96,389 thousand and changes in capital adjustments in equity method of ₩2,493,996 thousand) out of total share of losses amounting to ₩7,098,194 thousand as an allowance for doubtful accounts against long-term loans receivable as of December 31, 2010.

	2009				
	Jan. 1, 2009	Acquisition (disposals)	Equity in earnings (loss) of investee	Others	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.	1	-	(226,960)	226,960	1
Woong Jin Coway USA, Inc.	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>

7. Equity method investments (cont'd)

The details of changes in equity adjustments in equity method for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		
	Jan. 1, 2010	Net changes	Dec. 31, 2010
Coway Japan Corporation	₩ 86,573	₩ -	₩ 86,573
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*1)	1,355,282	(41,451)	1,313,831
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	17,286
Woong Jin Coway (M) Sdn Bhd.	(350,026)	(421,374)	(771,400)
Woong Jin Coway USA, Inc.	541,271	(429,733)	111,538
Woongjin Chemical Co., Ltd. (*1)	(1,643,900)	(1,828,689)	(3,472,589)
	<u>₩ 6,486</u>	<u>₩ (2,721,247)</u>	<u>₩ (2,714,761)</u>
	2009		
	Jan. 1, 2009	Net changes	Dec. 31, 2009
Coway Japan Corporation	₩ 86,573	₩ -	₩ 86,573
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*1)	3,096,977	(1,741,695)	1,355,282
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	17,286
Woong Jin Coway (M) Sdn Bhd. (*2)	(576,986)	226,960	(350,026)
Woong Jin Coway USA, Inc.	946,524	(405,253)	541,271
Woongjin Chemical Co., Ltd. (*1)	(1,132,308)	(511,592)	(1,643,900)
	<u>₩ 2,438,066</u>	<u>₩ (2,431,580)</u>	<u>₩ 6,486</u>

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

The details of changes in capital surplus in equity method for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		
	Jan. 1, 2010	Net changes	Dec. 31, 2010
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ (21,173)	₩ -	₩ (21,173)
Woongjin Chemical Co., Ltd.	11,692,645	-	11,692,645
	<u>₩ 11,671,472</u>	<u>₩ -</u>	<u>₩ 11,671,472</u>
	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>

7. Equity method investments (cont'd)

The details of changes in capital adjustments in equity method for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		
	Jan. 1, 2010	Net changes	Dec. 31, 2010
Woong Jin Coway (Thailand) Co., Ltd. (*1)	₩ -	₩ (87,485)	₩ (87,485)
Woong Jin Coway (M) Sdn Bhd. (*2)	-	(3,021,391)	(3,021,391)
Woongjin Chemical Co., Ltd. (*3)	(248,702)	(12,313,676)	(12,562,378)
	<u>₩ (248,702)</u>	<u>₩ (15,422,552)</u>	<u>₩ (15,671,254)</u>

	2009		
	Jan. 1, 2009	Net changes	Dec. 31, 2009
Woongjin Chemical Co., Ltd. (*3)	-	(248,702)	(248,702)
	<u>₩ -</u>	<u>₩ (248,702)</u>	<u>₩ (248,702)</u>

(*1) The Company acquired additional 0.01% equity interest in Woong Jin Coway (Thailand) Co., Ltd. during the year ended December 31, 2010. At the acquisition, the difference which is the excess of the cost of the additional investment over the entity's proportionate net asset value amounted to ₩87,485 thousand.

(*2) The Company acquired additional 30% equity interest in Woong Jin Coway (M) Sdn Bhd. during the year ended December 31, 2010. At the acquisition, the difference which is the excess of the cost of the investment over the entity's proportionate net asset value amounted to ₩3,322,030 thousand. However, due to the suspension of equity method accounting, the Company only charged upto ₩3,021,391 in capital adjustment account, out of which ₩2,493,996 thousand is reserved in allowance for doubtful accounts against the related long-term loans receivable from Woongjin Coway (M) Sdn Bhd.

(*3) Deferred income tax effect was deducted from the current year adjustment for Woongjin Chemical Co., Ltd.

As of December 31, 2010 and 2009, 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):

	2010	2009
Coway Japan Corporation	₩ (17,864,660)	₩ (16,162,677)
Woong Jin Coway (Thailand) Co., Ltd.	(10,726,573)	(7,104,308)
Woong Jin Coway (M) Sdn Bhd.	(300,639)	(382,884)
	<u>₩ (28,891,872)</u>	<u>₩ (23,649,869)</u>

The market value of investment of a listed investee as of December 31, 2010 and 2009 is as follows (Korean won in thousands):

	2010		2009	
	Market value	Book value	Market value	Book value
Woongjin Chemical Co., Ltd.	<u>₩ 258,646,131</u>	<u>₩ 141,060,140</u>	<u>₩ 218,604,540</u>	<u>₩ 102,308,084</u>

8. Government posted value of land owned

The book value of the Company-owned land and the assessment value of land officially announced by the Korean government for tax administration purposes as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

Land included in:	Book value		Publicly announced value	
	2010	2009	2010	2009
Property, plant and equipment				
- Factory land in Yoo-gu	₩ 27,366,809	₩ 24,242,031	₩ 16,442,450	₩ 16,080,184
- Rental building land in Ga-san	7,878,788	7,878,788	8,446,080	8,050,170
	<u>₩ 35,245,597</u>	<u>₩ 32,120,819</u>	<u>₩ 24,888,530</u>	<u>₩ 24,130,354</u>

9. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010						
	Jan. 1, 2010	Increase by combination	Additions	Disposals / impairment loss	Depreciation	Transfers (*1)	Dec. 31, 2010
Land	₩ 32,120,819	₩ -	₩ 209,768	₩ (1,524)	₩ -	₩ 2,916,535	₩ 35,245,598
Buildings	17,719,015	-	45,071	-	(541,826)	-	17,222,260
Structures	469,042	-	52,898	-	(85,151)	-	436,789
Machinery and equipment	8,054,911	-	1,034,956	(12,605)	(1,402,306)	2,129,071	9,804,027
Tools	30,817,432	-	12,040,461	-	(10,989,851)	4,121,508	35,989,550
(Government subsidy)	(53,300)	-	-	-	16,400	-	(36,900)
Research facility	4,057,162	-	2,000,079	-	(2,549,967)	306,055	3,813,329
Rental assets	297,118,701	-	185,190,632	(52,032,958)	(107,918,201)	-	322,358,174
Furniture and fixtures	20,069,058	209,866	8,767,856	(305,290)	(8,021,200)	-	20,720,290
Vehicles	261,044	-	-	-	(80,855)	-	180,189
Construction-in-progress	7,570,252	-	13,778,513	-	-	(12,926,676)	8,422,089
	<u>₩ 418,204,136</u>	<u>₩ 209,866</u>	<u>₩ 223,120,234</u>	<u>₩ (52,352,377)</u>	<u>₩ (131,572,957)</u>	<u>₩ (3,453,507)</u>	<u>₩ 454,155,395</u>

(*1) Refers to transfer to long-term loans receivable.

	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>

10. Intangible assets

Details of intangible assets as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		
	Cost	Accumulated amortization	Net book value
Goodwill	₩ 141,914,850	₩ (52,392,202)	₩ 89,522,648
Industrial property rights	199,821	(152,776)	47,045
Others	63,175,872	(23,269,400)	39,906,472
Construction-in-progress	4,148,273	-	4,148,273
	<u>₩ 209,438,816</u>	<u>₩ (75,814,378)</u>	<u>₩ 133,624,438</u>

	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	(16,546,716)	37,232,413
Construction-in-progress	3,859,960	-	3,859,960
	<u>₩ 194,793,760</u>	<u>₩ (53,707,015)</u>	<u>₩ 141,086,745</u>

Changes in the net book value of intangible assets for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010					
	Jan. 1, 2010	Additions	Amortization	Transfers	Disposals	Dec. 31, 2010
Goodwill	₩ 99,932,476	₩ 4,960,000	₩ (15,369,828)	₩ -	₩ -	₩ 89,522,648
Industrial property rights	61,896	-	(14,852)	-	-	47,044
Others	37,232,413	1,481,123	(6,828,784)	8,038,620	(16,899)	39,906,473
Construction-in-progress	3,859,960	8,326,933	-	(8,038,620)	-	4,148,273
	<u>₩ 141,086,745</u>	<u>₩ 14,768,056</u>	<u>₩ (22,213,464)</u>	<u>₩ -</u>	<u>₩ (16,899)</u>	<u>₩ 133,624,438</u>

	2009						
	Jan. 1, 2009	Increase by	Additions	Amortization	Transfers	Disposals	Dec. 31, 2009
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	(51,966)	37,232,413
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>₩ (55,520)</u>	<u>₩ 141,086,745</u>

(*1) Refers to the difference between fair value of net assets of the acquired entity and purchase consideration paid by the Company.

11. Research and development costs

Research and development costs incurred and charged to operations for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousand):

	Selling and administrative expenses		Cost of sales	
	2010	2009	2010	2009
Research and development costs	₩ 6,318,866	₩ 7,352,561	₩ 718,269	₩ 534,662

12. Borrowings

Short-term borrowings as of December 31, 2010 and 2009 consist of the following (Korean won in thousands):

Financial institution	Description	Annual interest rate as of Dec. 31, 2010	2010		2009	
Shinhan Bank	Purchase loans	4.68%	₩	12,682,819	₩	59,574,416
Woori Bank	Purchase loans	5.07%		7,832,328		26,027,776
SC First Bank Korea	Purchase loans	4.80%		8,861,977		10,095,554
Korea Exchange Bank	Purchase loans	4.73%		4,224,725		6,249,826
Hana Bank	Purchase loans	4.71%		40,871,183		17,767,497
			₩	74,473,032	₩	119,715,069

Long-term borrowings including bonds of the Company as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
Working capital loans (long-term borrowings)	₩ 200,000,000	₩ 60,000,000
Bonds	50,000,000	90,000,000
	250,000,000	150,000,000
Less current portion of long-term borrowings	(30,000,000)	(30,000,000)
Less current portion of bonds	-	(90,000,000)
Less discount on bonds	(227,446)	-
	219,772,554	30,000,000

The terms of interest and principal repayments of the long-term borrowings as of December 31, 2010 are as follows (Korean won in thousands):

	Description	Annual interest rate as of	Amounts		Maturity	Terms of Interest payment	Terms of principal payment
Long-term borrowings	Working capital loans	4.45%	₩	30,000,000	Feb. 28, 2011	Monthly payment in arrears	Lump-sum at maturity
		5.90%		50,000,000	Mar. 02, 2012		
		5.50%		20,000,000	Apr. 16, 2012		
	General loans	6.10%		40,000,000	Mar. 12, 2012		
		5.97%		30,000,000	Apr. 14, 2013		
Public offering bonds	1st	5.98%		30,000,000	Apr. 14, 2013		
		4.61%		50,000,000	Sep. 08, 2013		
			₩	250,000,000			

13. 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.

14. Monetary assets denominated in foreign currencies

Monetary assets denominated in foreign currencies as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		2009	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Assets:				
Cash and cash equivalents	USD	6,694,511	₩	7,624,378
	EUR	2,358,170		3,569,327
	JPY	3,000,026		41,913
Short-term loans receivable	USD	2,070,000		2,357,523
	JPY	-		-
Trade accounts and notes receivable	USD	43,490,714		49,531,574
	JPY	670,449,511		9,366,716
	THB	125,507,303		4,741,666
	EUR	1,367,265		2,069,493
Other accounts receivable	USD	105,351		119,984
Accrued interest income (*1)	USD	1,499,682		1,707,987
	JPY	33,352,602		465,963
Long-term loans receivable (*2)	USD	5,968,527		6,797,555
	JPY	170,000,000		2,375,036
Total	USD	59,828,785		34,397,358
	EUR	3,725,435		1,674,004
	JPY	876,802,139		769,331,760
	THB	125,507,303	₩	90,769,115
			THB	132,207,303
			₩	57,310,282

Gain on foreign currency translation for the years ended December 31, 2010 and 2009 amounted to ₩1,338,918 thousand and ₩21,757 thousand, respectively. Loss on foreign currency translation for the years ended December 31, 2010 and 2009 amounted to ₩1,712,446 thousand and ₩4,189,619 thousand, respectively.

(*1) Refers to income arising from loans receivables from subsidiaries and investees as of December 31, 2010, and they are fully (100%) reserved as an allowance for doubtful accounts.

(*2) Since the suspension of application of equity method, the Company has recognized further share of losses as an allowance for doubtful accounts against long-term loans receivable as of December 31, 2010 (Note 8)

15. Severance and retirement benefits

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
As of January 1,	₩ 37,808,985	₩ 27,351,459
Payments during the year	(24,159,484)	(13,866,684)
Provision during the year	16,652,432	19,355,829
Succeeded from merger	-	862,380
Transfer from related parties	(75,579)	4,106,001
	<u>30,226,354</u>	<u>37,808,985</u>
Presented net of:		
Insurance deposits	(93,929)	(26,436,652)
Defined benefit plan assets (*1)	(23,385,400)	-
Accumulated prepayments to the NPS	(23,508)	(35,464)
As of December 31,	<u>₩ 6,723,517</u>	<u>₩ 11,336,869</u>

(*1) During the year ended December 31, 2010, the Company made a transition to defined benefit pension plans for its employees and most of previous insurance deposits were transferred to defined benefit plan assets and those are presented as a deduction from the provision for severance and retirement benefits.

16. Provisions

Changes in the carrying amount of provisions for the year ended December 31, 2010 are as follows (Korean won in thousands):

Provision for:	Jan. 1, 2010	Provisions	Utilization / Reversal	Dec. 31, 2010
Product warranties (*1)	₩ 1,765,671	₩ 1,243,016	₩ -	₩ 3,008,687
Return of goods sold (*1)	668,268	525,476	-	1,193,744
Construction warranties	139,217	10,000	(57,401)	91,816
	<u>₩ 2,573,156</u>	<u>₩ 1,778,492</u>	<u>₩ (57,401)</u>	<u>₩ 4,294,247</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, 2010.

17. Capital stock

Details of capital stock of the Company as of December 31, 2010 and 2009 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 2010 and 2009

The details of changes in capital stock of the Company during the year ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	Number of shares issued	Common stock	Capital surplus
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>
As of January 1, 2010	77,124,796	₩ 40,662,398	₩ 141,927,706
Acquisition of business from a related party (*1)	-	-	(1,690,613)
Others	-	-	(206,229)
As of December 31, 2010	<u>77,124,796</u>	<u>₩ 40,662,398</u>	<u>₩ 140,030,864</u>

(*1) Related to acquisition of health functional food business unit from Woongjin Food Co., Ltd. during the year ended December 31, 2010 (Note 33).

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, 2010.

18. Other capital surplus

Other capital surplus consists of gain on disposal of treasury stock as of December 31, 2010.

19. Treasury stock

The Company acquired and disposed of its treasury stock through specified money trust during the year ended December 31, 2010 and the treasury stock amounting to ₩34,026,806 thousand are recorded as capital adjustments as of December 31, 2010.

20. Retained earnings

Appropriated retained earnings of the Company as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		2009
Appropriated:			
Legal reserve (*1)	₩ 29,455,427	₩	21,755,427
Business development reserve (*2)	1,570,000		1,570,000
Business rationalization reserve	16,228		16,228
Voluntary reserve	421,719,807		352,959,807
	<u>₩ 452,761,462</u>	<u>₩</u>	<u>376,301,462</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").

Woongjin Coway Co., Ltd.
Notes to non-consolidated financial statements
December 31, 2010 and 2009

21. 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 Chemical Co., Ltd.	The Company	Subsidiary
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	The Company	Subsidiary
Woong Jin Coway USA Inc.	The Company	Subsidiary
Woong Jin Coway (M) Sdn Bhd.	The Company	Subsidiary
GETC Co., Ltd.	The Company	Subsidiary

Significant transactions with related parties for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		2009	
	Sales and other	Purchases and other	Sales and other	Purchases and other
Woongjin Chemical Co., Ltd.	₩ 1,071,660	₩ 24,424,209	₩ 3,933,832	₩ 25,034,079
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	2,829,691	-	1,482,911	-
Woong Jin Coway (M) Sdn Bhd.	12,930,614	-	2,632,867	-
Woong Jin Coway USA Inc.	3,719,319	-	3,539,425	-
GETC Co., Ltd.	1,000	-	-	-
Coway Japan Corporation	1,388,849	1,462,368	1,721,112	1,010,078
Woong Jin Coway (Thailand) Co., Ltd.	4,440,469	-	1,370,630	-
Woong Jin Coway (Hongkong) Co., Ltd.	47,720	-	206,418	-
Woongjin Holdings Co., Ltd.	83,097	89,145,354	31,090	60,209,069
Woongjin Energy Co., Ltd.	3,387,392	-	266,622	-
Kukdong Construction Co., Ltd.	4,362,680	6,633,719	5,278,996	-
Woongjin ST Co., Ltd.	1,016,091	3,960,684	867,334	4,779,861
Woongjin Happyall Co., Ltd. (*1)	-	-	107,425	82,708,365
Woongjin Foods Co., Ltd.	32,562	7,863,043	28,214	4,226,011
Woongjin Cuchen Co., Ltd.	-	-	357,298	28,143,400
Booxen Co., Ltd.	7,369	22,570,138	8,423	22,718,653
Rexfield CC Co., Ltd.	99,622	647,938	23,273	552,932
Woongjin Thinkbig Co., Ltd.	73,666	672,002	89,379	670,788
Woongjin Polysilicon Co., Ltd.	572,699	-	6,110	-
Woongjin Passone Co., Ltd.	44,693	358,232	62,095	413,481
Woongjin Homecare Co., Ltd.	1,030	33,842	20,548	255
Woongjin Capital Co., Ltd.	5,154	-	2,867	-
Woongjin Playdoci Co., Ltd.	20,435	3,086,359	-	-
Woongjin Logistics Co., Ltd.	-	452,578	-	-
Kizmam Co., Ltd.	938	27,500	-	-
	<u>₩ 36,136,750</u>	<u>₩ 161,337,966</u>	<u>₩ 22,036,869</u>	<u>₩ 230,466,972</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.

21. Related party disclosures (cont'd)

Outstanding balances with related parties as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010		2009	
	Receivables	Payables	Receivables	Payables
Woongjin Chemical Co., Ltd.	₩ 78,814	₩ 2,401,353	₩ 33,976	₩ 904,343
Woong Jin Coway (Shenyang) Living	5,981,940	-	5,183,952	-
Woong Jin Coway (M) Sdn Bhd.	30,517,581	-	18,727,306	-
Woong Jin Coway USA Inc.	9,342,553	-	6,124,697	-
Coway Japan Corporation	12,213,536	53,267	10,035,319	66,457
Woong Jin Coway (Thailand) Co., Ltd.	14,493,042	-	7,659,125	-
Woong Jin Coway (Hongkong) Co., Ltd.	1,077,057	-	1,834,586	-
Woongjin Holdings Co., Ltd.	1,519,796	12,730,772	1,509,135	11,813,934
Woongjin Energy Co., Ltd.	10,531	-	-	-
Kukdong Construction Co., Ltd.	1,182,460	-	1,642,043	10,000
Woongjin ST Co., Ltd.	223	354,986	-	1,333,095
Woongjin Foods Co., Ltd.	2,769	724,608	253	407,823
Booxen Co., Ltd.	1,351	2,143,475	115,471	2,034,165
Rexfield CC Co., Ltd.	4,395,714	68,951	4,305,037	67,851
Woongjin Thinkbig Co., Ltd.	122,589	64,022	5,894	69,204
Woongjin Polysilicon Co., Ltd.	63,891	-	-	-
Woongjin Passone Co., Ltd.	5,585	84,144	-	18,874
Woongjin Homecare Co., Ltd.	172,683	44,947	175,783	7,721
Woongjin Capital Co., Ltd.	340	-	-	-
Woongjin Playdoci Co., Ltd.	2,283	15,133	-	-
Woongjin Logistics Co., Ltd.	-	74,867	-	-
Kizmam Co., Ltd.	247	-	-	-
	<u>₩ 81,184,985</u>	<u>₩ 18,760,525</u>	<u>₩ 57,352,577</u>	<u>₩ 16,733,467</u>

In addition to above receivable, short-term loans receivable from directors and employees as of December 31, 2010 and 2009 amounted to ₩548,198 thousand and ₩300,000 thousand, respectively.

Allowance for doubtful accounts is reserved against the above receivable in the amount of ₩26,278,534 thousand and ₩15,244,842 thousand, as of December 31, 2010 and 2009, respectively.

21. Related party disclosures (cont'd)

As of December 31, 2010, there are no guarantees provided by related parties to the Company. Details of guarantee provided to related parties by the Company as of December 31, 2010 are as follows (Korean won in thousands):

Guarantee provided to	Guaranteed amount		Description of guarantee
Woong Jin Coway (M) Sdn Bhd.	MYR	13,000,000	General loans
Woong Jin Coway (Thailand) Co., Ltd.	USD	2,000,000	General loans
Coway Japan Corporation	JPY	3,184,000,000	General loans
	MYR	13,000,000	
	USD	2,000,000	
	JPY	3,184,000,000	

There are no assets pledged as collateral by the Company on behalf of related parties as of December 31, 2010.

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, 2010 and 2009 is as follows (Korean won in thousands):

	2010		2009	
Salaries	₩	3,546,613	₩	2,820,298
Severance and retirement benefits (*1)		1,524,245		1,387,595
Stock options (*2)		7,792,248		7,956,849
	₩	12,863,106	₩	12,164,742

(*1) Accrued severance and retirement benefits for standing and outside directors for the years ended December 31, 2010 and 2009 amounted to ₩495,194 thousand and ₩391,017 thousand, respectively.

(*2) Stock options represent the cumulative compensation expenses for stock options granted to key management personnel as of December 31, 2010. During the years ended December 31, 2010 and 2009, stock-based compensation expense for key management personnel amounted to ₩2,123,845 thousand and ₩1,356,421 thousand, respectively.

22. Income taxes

For the year ended December 31, 2010, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 11% 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, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
Current income taxes	₩ 43,942,810	₩ 41,127,388
Change in deferred income taxes arising from temporary differences	11,112,426	(5,387,638)
Current and deferred income taxes recognized directly to equity	4,428,800	13,705,124
Provision for income taxes	<u>₩ 59,484,036</u>	<u>₩ 49,444,874</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):

	2010	2009
Income before income taxes	<u>₩ 236,527,106</u>	<u>₩ 202,724,388</u>
Tax at the statutory income tax rate of 11% and 24.2% (2009: 12.1% and 24.2%)	₩ 57,213,160	₩ 49,035,102
Adjustments:		
Income not subject to tax	(769,600)	-
Expenses not deductible for tax purposes	1,013,080	24,383,870
Deferred income taxes not recognized	773,373	(22,726,820)
Recognition of previously unrecognized deferred income taxes	-	(1,161,994)
Tax credit	(218,267)	(98,812)
Special tax for rural development	20,768	5,808
Additional payment of income taxes	2,138,679	335,263
Others (Difference in tax rates etc)	<u>(687,157)</u>	<u>(327,543)</u>
Provision for Income taxes at the effective income tax rate of 25.15% (2009: 24.39%)	<u>₩ 59,484,036</u>	<u>₩ 49,444,874</u>

22. Income taxes (cont'd)

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, 2010 and 2009 are as follows (Korean won in thousands):

	2010					
	As of Jan. 1, 2010	Net changes	As of Dec. 31, 2010	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	94,298,606	(6,457,551)	87,841,055	21,257,535	21,257,535	-
Inventory reserve	5,623,407	(288,071)	5,335,336	1,291,151	1,291,151	-
Accrued expenses	6,587,521	2,356,347	8,943,868	2,164,416	2,164,416	-
Provision for return of goods sold	668,268	525,476	1,193,744	288,886	288,886	-
Provision for warranties	1,765,671	1,243,016	3,008,687	728,102	728,102	-
Allowance for doubtful accounts	82,488,635	10,426,045	92,914,680	22,485,353	22,485,353	-
Loss of foreign currency translation	4,186,619	(2,474,173)	1,712,446	414,412	414,412	-
Government subsidy (current)	73,332	347,490	420,822	101,839	101,839	-
Bad debt expenses	957,670	(103,850)	853,820	206,624	206,624	-
Depreciation (rental assets)	549,543	(19,363)	530,180	116,640	-	116,640
Depreciation (general)	2,570	-	2,570	-	-	-
Impairment losses on rental assets	5,564,150	(941,881)	4,622,269	1,016,899	-	1,016,899
Intangible assets	164,778	(104,070)	60,708	13,356	-	13,356
Severance and retirement benefits	27,027,855	(2,922,333)	24,105,522	5,303,215	-	5,303,215
Equity method investments	15,389,795	7,436,393	22,826,188	-	-	-
Long-term Investment securities	4,546,000	1,863	4,547,863	475,150	-	475,150
Goodwill (Woongjin Chemical)	14,092,996	(4,124,779)	9,968,217	2,193,008	-	2,193,008
Goodwill (Woongjin Happyall)	50,511,641	(12,627,910)	37,883,731	8,334,421	-	8,334,421
Goodwill (Woongjin Food)	-	1,977,211	1,977,211	434,986	-	434,986
Government subsidy (non-current)	168,980	28,520	197,500	43,450	-	43,450
Provision for repair of defects	139,217	(47,400)	91,817	20,200	-	20,200
Suspense payment	1,457,564	386,718	1,844,282	405,742	-	405,742
Deferred assets	29,048	-	29,048	-	-	-
Miscellaneous Losses	54,521	-	54,521	-	-	-
	<u>₩ 316,420,135</u>	<u>₩ (5,382,302)</u>	<u>₩ 311,037,833</u>	<u>₩ 67,295,384</u>	<u>₩ 48,938,318</u>	<u>₩ 18,357,066</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
Provision for advance depreciation (Woongjin Cuchen)	-	-	-	-	-	-
Provision for temporary depreciation (Woongjin Cuchen)	-	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 (Woongjin Cuchen)	-	-	-	-	-	-
Goodwill	8,712,038	(2,453,103)	6,258,934	-	-	-
	<u>₩ 173,489,519</u>	<u>₩ 33,990,593</u>	<u>₩ 207,480,111</u>	<u>₩ 47,943,381</u>	<u>₩ 40,421,941</u>	<u>₩ 7,521,440</u>
Deferred income taxes recognized:						
Deferred income tax assets	18,379,483	-	-	67,295,384	48,938,318	18,357,066
Deferred income tax liabilities	-	-	-	(47,943,381)	(40,421,941)	(7,521,440)
	<u>₩ 18,379,483</u>			<u>₩ 19,352,003</u>	<u>₩ 8,516,377</u>	<u>₩ 10,835,626</u>

Income taxes payable as of December 31, 2010 and 2009 amounted to ₩41,804,131 thousand and ₩40,792,125 thousand, respectively. And income taxes receivable before set-off with income taxes payable as of December 31, 2010 and 2009 amounted to ₩18,540,579 thousand and ₩17,277,609 thousand, respectively.

Woongjin Coway Co., Ltd.
Notes to non-consolidated financial statements
December 31, 2010 and 2009

22. 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	-
Allowance 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
Allowance for doubtful accounts (equity in loss of equity method investments)	3,718,955	(3,718,955)	-	-	-	-
Goodwill (Woongjin Chemical)	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>

22. Income taxes (cont'd)

Details of the amount of deductible (taxable) temporary differences arising from unrecognized deferred income tax assets (liabilities) as of December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
Equity in loss of equity method investments (*1)	₩ 22,826,188	₩ 15,389,795
Equity in earnings of of equity method investments (exclusion of dividend income)	(16,223,375)	(3,282,010)
Goodwill (*2)	(75,833,226)	(86,319,515)
Others	2,545,980	2,545,980
	<u>₩ (66,684,433)</u>	<u>₩ (71,665,750)</u>

(*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, 2010 and 2009 are as follows (Korean won in thousands):

	2010			2009		
	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)
Paid-in capital in excess of par value	₩ -	₩ -	₩ 10,962,415	₩ -	₩ -	₩ 14,213,020
Gain on disposal of treasury stock	173,771	38,230	-	89,143	21,573	-
Capital surplus in equity method	-	-	(3,291,954)	-	-	(3,291,954)
Capital adjustments in equity method	-	-	3,543,235	-	-	70,147
Gain (loss) on valuation of long-term investment securities	-	-	(2,037)	-	-	(2,447)
Equity adjustments in equity method	-	-	(78,200)	-	-	(89,892)
Negative equity adjustments in equity method	-	-	979,448	-	-	463,664
	<u>₩ 173,771</u>	<u>₩ 38,230</u>	<u>₩ 12,112,907</u>	<u>₩ 89,143</u>	<u>₩ 21,573</u>	<u>₩ 11,362,538</u>

23. Per share amounts

The Company's per share amounts for the years ended December 31, 2010 and 2009 are computed as follows:

Basic earnings per share

	2010	2009
Net income	₩ 177,043,069,713	₩ 153,279,513,697
Weighted-average number of shares of common stock outstanding (*1)	76,097,700	75,348,868
Basic earnings per share	₩ 2,327	₩ 2,034

	2010		
	Number of shares outstanding	Days	Weighted number of shares outstanding
Beginning of the year	76,064,796	189	14,376,246,444
Exercise of stock options	76,124,796	31	2,359,868,676
Exercise of stock options	76,134,796	145	11,039,545,420
		365	27,775,660,540
Weighted-average number of shares of common stock outstanding			76,097,700

	2009		
	Number of shares outstanding	Days	Weighted number of shares outstanding
Beginning of the year	74,431,993	181	13,472,190,733
Increase by merger	77,124,796	16	1,233,996,736
Repurchase of treasury stock (*1)	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

(*1) Refer to average number of shares from July 17, 2009 to November 13, 2009.

The Company's Diluted earnings per share amounts for the years ended December 31, 2010 and 2009 are computed as follows:

Diluted earnings per share

	2010	2009
Net income attributable to common stock	₩ 177,043,069,713	₩ 153,279,513,697
Share-based compensation expense	-	-
Net income attributable to common stock adjusted for the effect of dilution	177,043,069,713	153,279,513,697
Weighted-average number of shares of common stock outstanding	76,097,700	75,348,868
Adjustment for assumed exercise of stock options	105,410	137,274
Weighted-average number of shares of common stock outstanding adjusted for the effect of dilution	76,203,110	75,486,142
Diluted earnings per share	₩ 2,323	₩ 2,031

24. Dividends

The 2009 dividends were approved at the ordinary stockholders' meeting held on March 19, 2010 and the 2010 dividends will be proposed for stockholders' approval at the annual ordinary stockholders' meeting to be held on March 25, 2011.

Details of dividends declared for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands, except for dividend per share):

	2010	2009
Dividend per share (A)	₩ 1,050	₩ 1,010
Number of shares (B)	76,134,796	76,064,796
Dividends (A x B)	₩ 79,941,536	₩ 76,825,444
Dividend rate	210%	202%

The dividend payout ratio for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
Dividends (A)	₩ 79,941,536	₩ 76,825,444
Net income (B)	₩ 177,043,070	₩ 153,279,514
Dividend payout ratio (A / B)	45.15%	50.12%

The dividend yield ratio for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Dividend per share (A)	₩ 1,050	₩ 1,010
Market value per share at year-end date (B)	₩ 40,300	₩ 38,400
Dividend yield ratio (A / B)	2.61%	2.63%

25. Comprehensive income

The details of comprehensive income for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
Net income	₩ 177,043,070	₩ 153,279,514
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)	(1,453)	1,100,148
Changes in equity adjustments in equity method (Income tax effect: current year ₩89,892 thousand, prior year: nil)	(471,183)	(2,146,949)
Negative changes in equity adjustments in equity method (Income tax effect: current year ₩144,295 thousand, prior year: ₩319,369 thousand)	(2,250,062)	(284,632)
Comprehensive income	₩ 174,320,372	₩ 151,948,081

26. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
Acquisition of an equity method investment through a debt-for-equity swap	₩ -	₩ 5,775,150
Transfer of short-term loans receivable to long-term loans receivable	5,347,565	-
Transfer of current private bonds to long-term borrowings	40,000,000	-
Transfer of current portion of long-term borrowings to long-term borrowings	30,000,000	-
Reclassification of construction-in-progress to each class of property, plant and equipment	20,965,296	5,103,040
Transfer of current portion of long-term borrowings	30,000,000	30,000,000

27. Insurance

Details of insured inventories and property, plant and equipment as of December 31, 2010 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	₩ 161,022,999

In addition, the Company maintains product liability insurance, employee's group insurance, fidelity insurance and vehicle insurance as of December 31, 2010.

28. Commitments and contingencies

As of December 31, 2010, the Company has seven pending lawsuits with total claims against the Company amounting to ₩1,539,186 thousand. Among seven lawsuits, the Company is a defendant in five lawsuits with total claims amounting to ₩469,897 thousand. The outcome of those pending lawsuits cannot presently be determined as of December 31, 2010.

As of December 31, 2010, 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	₩ 227,000,000	Purchase Loan
Korea Development Bank and another	₩ 215,000,000	General borrowings
Hana Bank	₩ 50,000,000	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 7,600,000	Lines of credit (sight)

The Company has provided two blank promissory notes to Korea Development Bank as security in connection with a refinancing borrowing arrangement of Woongjin Chemical Co., Ltd. as of December 31, 2010.

29. Share-based payment transactions

The details of stock options granted by the Company as of December 31, 2010 are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant	6th grant
Granted shares	440,000	150,000	50,000	185,000	330,000	132,120
Remaining shares	160,000	120,000	-	185,000	330,000	132,120
Grant date	2006.03.13	2006.08.01	2006.09.28	2008.03.21	2009.03.20	2010.03.19
Exercise price	₩ 27,050	₩ 20,780	₩ 22,970	₩ 28,690	₩ 27,480	₩ 35,260
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	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	2013.3.19~2017.3.18

Rollforward of stock options during the year ended December 31, 2010 are as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant	6th grant
Outstanding as of January 1, 2010	230,000	120,000	-	185,000	330,000	-
Granted during 2010	-	-	-	-	-	132,120
Exercised during 2010	(70,000)	-	-	-	-	-
Outstanding as of December 31, 2010	160,000	120,000	-	185,000	330,000	132,120
Exercisable as of December 31, 2010	160,000	120,000	-	185,000	330,000	132,120

The exercise prices of stock options range from ₩20,780 to ₩35,260 and the weighted average remaining years till maturity are 4.3 years as of December 31, 2010.

The fair value of stock options is estimated at the grant date 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:

	1st grant	2nd grant	3rd grant	4th grant	5th grant	6th grant
Stock price	₩ 28,500	₩ 21,700	₩ 22,800	₩ 23,594	₩ 25,543	₩ 31,291
Exercise price per share	₩ 27,050	₩ 20,780	₩ 22,970	₩ 28,690	₩ 27,480	₩ 35,260
Expected volatility	34.39%	33.35%	32.86%	44.66%	45.30%	40.25%
Expected life of option	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividend per share	₩ 208	₩ 208	₩ 208	₩ 780	₩ 870	₩ 1,010
Risk-free interest rate	5.12%	4.86%	4.67%	5.23%	4.15%	4.30%

The share-based compensation expense recognized for the year ended December 31, 2010 is as follows:

	1st grant	2nd grant	3rd grant	4th grant	5th grant	6th grant	Total
Cumulative share-based compensation expense up to 2009	₩ 4,313,077	₩ 1,042,346	₩ 337,060	₩ 1,074,683	₩ 1,004,099	₩ -	₩ 7,771,265
Share-based compensation expense during 2010	-	-	-	586,191	1,204,919	435,034	2,226,144
Unrecognized share-based compensation expense	-	-	-	97,698	1,405,739	1,131,087	2,634,524
Recognized share-based compensation expense	4,313,077	1,042,346	337,060	1,758,572	3,614,757	1,566,121	12,631,933
Exercise of stock options	(2,744,686)	(208,469)	(337,060)	-	-	-	(3,290,215)
Stock options as of Dec. 31, 2010	₩ 1,568,391	₩ 833,877	₩ -	₩ 1,660,874	₩ 2,209,018	₩ 435,034	₩ 6,707,194

Woongjin Coway Co., Ltd.
Notes to non-consolidated financial statements
December 31, 2010 and 2009

30. 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, 2010 and 2009, are as follows (Korean won in thousands):

	Cost of sales		Selling and administrative expenses		Depreciation of rental assets		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Labor costs	₩ 20,100,163	₩ 16,084,839	₩ 151,513,978	₩ 150,847,189	₩ -	₩ -	₩ 171,614,141	₩ 166,932,028
Severance and retirement benefits	1,949,365	1,077,632	14,703,067	18,278,197	-	-	16,652,432	19,355,829
Employee benefits	2,605,541	2,210,748	28,697,616	26,349,593	-	-	31,303,157	28,560,341
Rent	158,355	106,655	39,276,778	36,700,729	-	-	39,435,133	36,807,384
Depreciation	10,900,944	7,307,319	12,753,812	12,926,733	107,918,201	107,994,829	131,572,957	128,228,881
Taxes and dues	69,393	32,764	1,884,140	1,504,647	-	-	1,953,533	1,537,411
	<u>₩ 35,783,761</u>	<u>₩ 26,819,957</u>	<u>₩ 248,829,391</u>	<u>₩ 246,607,088</u>	<u>₩ 107,918,201</u>	<u>₩ 107,994,829</u>	<u>₩ 392,531,353</u>	<u>₩ 381,421,874</u>

31. 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, 2010 and 2009 (Korean won in thousands):

	2010			2009		
	Rental	Product sales	Others	Rental	Product sales	Others
Sales	₩ 1,254,006,508	₩ 205,572,131	₩ 59,561,572	₩ 1,197,020,387	₩ 172,222,550	₩ 42,679,379
Cost of sales	(348,224,740)	(122,411,132)	(23,436,196)	(336,801,796)	(96,655,687)	(26,714,738)
Gross profit	<u>₩ 905,781,768</u>	<u>₩ 83,160,999</u>	<u>₩ 36,125,376</u>	<u>₩ 860,218,591</u>	<u>₩ 75,566,863</u>	<u>₩ 15,964,641</u>

32. Cost of sales

The cost of sales for the years ended December 31, 2010 and 2009 are made up of the following (Korean won in thousands):

	2010		2009	
	Cost of merchandise sold	Cost of finished goods sold	Cost of merchandise sold	Cost of finished goods sold
Beginning inventories	₩ 27,055,834	₩ 23,075,583	₩ 32,564,595	₩ 19,672,503
Cost of finished goods or merchandise purchased	121,081,863	421,550,402	103,175,314	281,117,707
Transfer from other accounts	191,864,591	739,075,485	262,643,077	580,333,390
Total	340,002,288	1,183,701,470	398,382,986	881,123,600
Transfer to other accounts	(258,619,581)	(1,075,706,533)	(327,652,954)	(805,066,529)
Ending inventories	(32,244,019)	(34,722,493)	(27,055,833)	(23,075,583)
Cost of goods sold	<u>₩ 49,138,688</u>	<u>₩ 73,272,444</u>	<u>₩ 43,674,199</u>	<u>₩ 52,981,488</u>

33. Selling and administrative expenses

Selling and administrative expenses recognized for the years ended December 31, 2010 and 2009 are as follows (Korean won in thousands):

	2010	2009
Salaries (Note 30)	₩ 151,513,978	₩ 150,847,189
Severance and retirement benefits (Notes 15, 21 and 30)	14,703,067	18,278,197
Stock-based compensation expense (Notes 21 and 29)	2,226,143	1,590,290
Sales commission	239,488,035	229,496,263
Sales promotion	26,215,898	21,013,749
Employee benefits (Note 30)	28,697,616	26,349,593
Travel	6,090,933	4,595,548
Communications	14,093,413	13,718,660
Entertainment	656,165	809,235
Conference	1,758,158	2,496,693
Education and training	7,277,426	6,459,353
Supplies	25,664,385	25,931,396
Books and publishing	948,816	1,185,107
Advertisements	56,119,801	39,902,660
Water, electricity and gas	1,185,296	1,045,160
Rent (Note 30)	39,276,778	36,700,729
Taxes and dues (Note 30)	1,884,140	1,504,647
Insurance	473,407	625,429
Transportation	1,770,445	1,678,236
Fees and commissions	73,387,552	71,327,704
Repairs and maintenance	4,181,350	3,104,844
Vehicles	20,915	12,343
Depreciation (Notes 9 and 30)	12,753,812	12,926,733
Samples	262,854	306,312
Amortization (Note 10)	22,062,530	19,801,685
Research and development costs (Note 11)	6,318,866	7,352,561
Bad debt expenses	11,418,855	5,982,597
Loss on disposal of rental assets	40,854,478	38,135,698
Provision for product warranties (Note 16)	1,243,016	354,159
Compensation for customers	3,549,026	3,947,790
Provision for construction warranties (Note 16)	167,210	12,132
	<u>₩ 796,264,364</u>	<u>₩ 747,492,692</u>

34. Acquisition and transfer of business

On September 3, 2010, the Company acquired the health functional food business unit from Woongjin Food Co., Ltd. The summarized statements of financial position of the acquired business unit as of December 31, 2010 are as follows (Korean won in thousands):

	<u>Dec. 31, 2010</u>	
Assets		
Current assets	₩	1,010,556
Quick assets		468,946
Inventories		541,610
Non-current assets		812,746
Property, plant and equipment		209,866
Others		602,880
Total assets		<u>1,823,302</u>
Liabilities		
Current liabilities		-
Non-current liabilities		-
Total liabilities		<u>-</u>
Net assets	₩	<u>1,823,302</u>

The assets acquired and liabilities assumed were measured at the recorded book value of the consolidated financial statements of Woongjin Food Co., Ltd. at the date of acquisition on September 3, 2010.

The purchase consideration the Company paid to acquire the division was ₩4,321,742 thousand and the difference between the purchase consideration and net assets assumed amounted to ₩2,498,440, before tax effects. The amount net of income taxes was recorded as a deduction against paid-in capital in excess of par value within capital surplus.

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

Summary of operating results for the three months ended December 31, 2010 and 2009 are as follows (Korean won in thousands except per share amounts):

	(Unaudited)			
	Three months ended December 31,			
	<u>2010</u>		<u>2009</u>	
Sales	₩	403,223,293	₩	371,409,958
Cost of sales		124,495,284		122,430,392
Gross profit		278,728,009		248,979,556
Operating income		53,728,822		57,114,470
Income before income taxes		54,976,338		53,115,032
Net income		42,987,354		40,331,976
Basic earnings per share (Korean won)		565		531

36. Normal business operating cycle and liquidity classification

The Company classifies its account receivables and prepaid expenses in accordance with its normal business operating cycle. Receivables and prepaid expenses with maturities of more than one year from the reporting date and within one year from the reporting date which were classified as current assets as of December 31, 2010 are as follows (Korean won in thousands):

	<u>Within one year</u>	<u>Over one year</u>	<u>Description</u>
Prepaid expenses	₩ 10,947,166	₩ 24,537,389	Cost of rental
	57,281,883	129,412,012	Sales commissions
	2,402,970	-	Advertisements and Insurance
Trade account and note receivables	8,999,843	50,880,940	Receivable from export sales
	202,221,773	-	Others
	<u>₩ 281,853,635</u>	<u>₩ 204,830,341</u>	

37. Financial statement approval

The non-consolidated financial statements of the Company for the year ended December 31, 2010 was approved by the Board of Directors on February 8, 2011.

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, 2010. 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, 2010, 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, 2010, and we did not review the ICFR subsequent to December 31, 2010. 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 16, 2011

This report is annexed in relation to the audit of the financial statements as of December 31, 2010 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.

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, 2010.

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, 2010, 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

January 31, 2011

Kim, Sang-Joon
Name, ICFR OFFICER



Hong Joon-Kee
Name, Chief Executive Officer or President

