

APPENDIX

- * Summary Financial Statements
- * Awards and Recognition
- * Assurance Report
- * Comment from External Expert
- * GRI Index



Summary Financial Statements

Summary Balance Sheets (Unit : KRW thousand)



Category	2007	2008
Current assets	395,573,254	475,603,124
● Quick assets	337,784,650	417,610,283
● Inventories	57,788,604	57,992,841
Non-current assets	540,503,632	595,804,680
● Investment assets	16,704,496	114,061,161
● Tangible assets	388,708,793	356,410,921
● Intangible assets	74,063,799	64,857,191
● Other non-current assets	61,026,543	60,475,407
Total assets	936,076,886	1,071,407,804
Current liabilities	393,048,412	398,741,701
Non-current liabilities	14,546,109	76,034,632
Total liabilities	407,594,521	474,776,333
Capital stock	39,315,997	39,315,997
Capital surplus	113,674,391	108,723,905
Capital adjustment	4,916,689	6,180,975
Accumulated other comprehensive income	546,149	1,346,595
Retained earnings	370,056,285	441,064,000
● Legal reserve	10,825,427	16,825,427
● Voluntary reserve	242,876,035	295,076,035
● Retained earnings before appropriations	116,354,823	129,162,538
Total shareholders' equity	528,482,365	596,631,471
Total liabilities and shareholders' equity	936,076,886	1,071,407,804

Summary Income Statements (Unit : KRW thousand)



Category	2007	2008
Sales	1,213,090,172	1,314,402,927
Cost of goods sold	384,670,142	407,158,576
Gross profit	828,420,030	907,244,351
SG&A expenses	667,123,918	717,095,399
Operating income	161,296,112	190,148,952
Non-operating income	9,741,253	21,459,966
Non-operating expenses	15,345,577	26,823,671
Net income before income tax	155,691,788	184,785,247
Income tax expenses	39,416,344	55,720,577
Net income	116,275,445	129,064,669

Awards and Recognition

Awards and Recognition



Award	Organizer	Month
Technology Management Innovation Grand Prize(BA09)	Korea Economic Daily	January
Technology Management Innovation Grand Prize(BA05)	Korea Economic Daily	January
Korea Brand Power Index(K-BPI)	Korea Management Association Consulting(KMAC)	February
2008 'Good Company to Work For' Award	Hankyoreh Economy	March
Technology Frontier Award	Korea Standard Association	April
Best Quality and Service Award by Female Consumers	The Women's News	May
Brand Star Award (Coway, Looloo, CAIRS)	BrandStock	May
The 10th Hankyung Marketing Award	Korea Economic Daily	May
Korea Best Brand Award	BrandStock	July
No.1 in User Quality Index	Korea Standard Association	July
Energy Winner Award(AP-1207BH)	Consumers Korea	July
Energy Winner Award(BA09)	Consumers Korea	July
Excellent Company in the Standby Power (Air purifiers)	Consumers Korea	July
Excellent Company in the Standby Power (Bidets)	Consumers Korea	July
2008 Hankyung Global Leader Award	Korea Economic Daily	September
2008 KCSI(4 consecutive years)	Korea Management Association Consulting(KMAC)	September
Forbes Management Quality Grand Prize	Korean Society for Quality Management, Forbes Korea	September
Highest Brand	BrandStock	October
2008 Sustainability Management Grand Prize	Korea Economic Daily	October
Korea Management Grand Prize(Marketing)	Korea Management Association Consulting(KMAC)	October
Female Consumers Grand Prize	The Women's News	November
No.1 NBCI(National Brand Competitiveness Index)	Korea Productivity Center	November
Global Management Grand Prize	JMAC	November
Korea Management Grand Prize(Marketing)	Korea Management Association Consulting(KMAC)	November
NET(New Excellent Technology) Certificate	Ministry of Knowledge Economy	December
KCOP of the Year	Korea Association of Consumer Professionals	December
Presidential Award at the 13th Consumer Rights Day	Fair Trade Commission	December
'\$30 million Tower of Export' Award	Korea International Trade Association	December

































Awards and Recognition

Awards and Recognition



Award	Organizer	Detail	Project/Product	Model
GOOD DESIGN	Korea Institute of Design Promotion	Award of Ministry of Knowledge Economy	Air purifier	AP-1008
		Award of Korea Institute of Design Promotion	Bidet	BA11
		Recognition	Robot cleaner	WRC-01
		Recognition	Water filtration device	P-07CL, P-07QR
		Recognition	Bidet	BA09
		Recognition	Food waste processors	WM03
KIDA	Korea Association of Industrial Designers	Bronze	Dolomities	AP-1008
		Recognition	Villa-M	CHP-08A
		Recognition	Digital bidet	BA11
		Recognition	Sarah	WMD-01
reddot design award (design concept)	Design Zentum	Recognition	Dolomities	AP-1008BH/CH
		Recognition	Neptunus	P-07F
		Recognition	Air purifier	Compact
GOOD DESIGN AWARD	Japan GD	Recognition	Humidification air purifier	Tefnut (AP-0807DH)
iF Design	International Forum Design	Recognition	Cool water purifier(Petit)	CHP-06DL
			Water filtration device (cold/hot) for house	
			Standard type water filtration device Sally2 (cold/hot for export good)	CP-07H
			Under sink type	P-07F
			Genie	P-07IU/M
			EOS-PLUS	AP-1007EH
			Tefnut	AP-0807DH
			Notos	AP-1207B
			High level Bidet	BA-11
IDEA		Finalist	Dolomities	AP-1008BH/CH
		Finalist	Notos	AP-1207B
		Finalist	High level Bidet	BA-11
		Silver	DAAN	
		Finalist	Natural Cycle	
		Finalist	Breather	
		Finalist	Rising the Moon	

AWARDS AND RECOGNITION

	Technology Management Innovation Grand Prize Korea Economic Daily AP-2506BH, BA09, BB05		NBCI(National Brand Competitiveness Index)2008 Joongang Daily, Korea Productivity Center LooLoo (5 consecutive years)		The 10th Korea Brand Power Index Korea Management Association Coway(9 consecutive years), LooLoo(5 years), Cair(5 years)		Green Management Excellence Award Korea Management Association Cair
	2008 'Good Company to Work For' Award Hankyoreh Economy		2nd CCMS Certified Excellent Company Fair Trade Commission		Technology Frontier Award Korea Standard Association AP-1007AH		2008 Hankyung Global Leader Award Korea Economic Daily
	Korea Brand Star Award Brand Star Coway(3 consecutive years), LooLoo(4 years), Cair(4 years)		Forbes Management Quality Grand Prize(Grand prize in customer satisfaction category) Korean Society for Quality Management, Forbes Korea		Best Quality and Service Award by Female Consumers The Women's News LooLoo(6 consecutive years), Cair(6 years)		Highest Brand BrandStock
	The 10th Hankyung Marketing Award Korea Economic Daily Social contribution category		Korea Management Grand Prize(Marketing) KMAC		2007 Korea Best Brand Award Korea Economic Daily LooLoo(4 consecutive years)		Global Management Grand Prize JMAC
	Energy Winner Award Consumers Korea Excellent company of standby power: Bidet Green device category(standby power): AP-1007AH		NET(New Excellent Technology) Certificate Ministry of Knowledge Economy		2008 KCSI Korea Management Association Coway(8 consecutive years)		KCOP of the Year Korea Association of Consumer Professionals
	Presidential Award at the 13th Consumer Rights Day Fair Trade Commission		KOLAS Certificate KOLAS(Korean Agency for Technology and Standards under Ministry of Knowledge Economy)		ISTA certificate International Safe Transit Association		TÜV-SÜD RoHS Test Institute Certificate TÜV
	Good Design Korea Institute of Design Promotion AP-1008, BA11, WRC-01, P-07CL, P-07QR, BA09, WM03, BA09, WM03		KAID Award Korea Association of Industrial Designers AP-1008, CHP-08A, BA11, WMD-01		reddot Design Award Design Zentum CHP-08A, BA11, WMD-01, AP-1008BH/CH, P-07F, design concept - Compact		GOOD DESIGN Award GD Japan Tefnut (AP-0807DH)
	IF Design International Forum Design CHP-06DL, CP-07H, P-07F, P-07IU/M, AP-1007EH, AP-0807DH, AP-1207B, BA-10, BA-11		IDEA(International Design Excellence Awards) Industrial Designers Society of America AP-1008BH/CH, AP-1207B, BA-11		2008 Sustainability Management Grand Prize '\$30 million Tower of Export' Award WQA Recognized Testing Laboratory		Korea Economic Daily Korea International Trade Association WQA(Water Quality Association)

Participation in External Associations



Association	Organizer	Period	Department
Korean Society for Indoor Environment			Cleaner 1team(8 person)
The Korean Society of Analytical Science	Ministry of Education, Science and Technology		Cleaner 1team(2 person)
The Korean Society of Analytical Science	Ministry of Education, Science and Technology		Environmental Analysis Center
Council of Drinking Water Inspection Bodies	Ministry of Environment	2007~	Environmental Analysis Center
Korean Industrial Technology Association	Korean Industrial Technology Association	August 1994~	Technology Planning team
Korea Air Cleaning Association	Ministry of Environment	October 2007~	Cleaner 2team
Korea Institute of Design Promotion	Ministry of Knowledge Economy	2006~Currently	Design team
Korea Association of Industrial Designers	Ministry of Knowledge Economy	2006~Currently	Design team

Participation in External Seminar or Forum



Events	Organizer	Period	Participation department
2008 Korea Design Forum	Korea Institute of Design Promotion	May 23	Design team
"Mange the Future by Design"	Design Promotion		
World Knowledge Forum 41th Autumn Symposium	Maeil Business Newspaper	October 15, 16	Management Strategy team
The Korean Society of Analytical Science		November 20, 21	Environmental Analysis Center

Assurance Report

Foreword



The Korea Management Association Registration and Assessments (KMAR) has been engaged by WOONGJIN COWAY to verify the contents of its 2008 Sustainability Report (the Report). WOONGJIN COWAY is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the verification scope stipulated below.

Our Independence



With the exception of providing third party verification services, KMAR is not involved in any other WOONGJIN COWAY business operations that are aimed at making profits in order to avoid any conflicts of interest and to maintain independence.

Verification Scope



WOONGJIN COWAY described its efforts and achievements of its sustainability activities in the Report. The verification process was designed to provide readers with the following information;

Verification of the Economic Segment

Review whether financial performance data has been extracted appropriately from WOONGJIN COWAY 's 2008 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors

Verification of Social / Environment Segments

Review whether information included in the following segments is presented appropriately.

- Ethical Management
- Sustainability Management System
- Stakeholders (Customers, Employees, Stockholders and Business Partners)
- Social Contribution
- Environment

'Presented appropriately' means that the contents of the Report appropriately reflected actual data and original information and were presented in a consistent and reliable manner. For the economic sector, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than the limited verification in terms of characteristics and the extent of performed tasks.

Verification Standards



KMAR performed the review based on our verification standards that have been developed in accordance with the Accountability's "AA1000 Assurance Standard." We also used the International Auditing and Assurance Standards Board-issued "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" as additional guidelines.

Verification Process and Conclusion



In order to form our conclusion, KMAR undertook the steps outlined below to assess WOONGJIN COWAY 's internal processes for reviewing the sustainability reporting practices.

- Surveyed WOONGJIN COWAY 's sustainability related media information during the reporting period
- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

Based on results we have obtained from material reviews, related department visits and interviews, we held several discussions with WOONGJIN COWAY on the revision of the Report. We reviewed the Report's final version in order to confirm whether our recommendations for improvement and revisions have been reflected.

Economic Performance



We compared the Report with WOONGJIN COWAY 's 2008 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2008 Financial Statements.

Environmental and Social Performance



We observed that information contained in the "environmental and social sections" has been appropriately presented. We did not discover any significant errors.

Recommendation for Improvement



We hope WOONGJIN COWAY 's first publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- Establishment of systemic process for stakeholders' engagement and the materiality test model
- Extension of reporting scope on corporate social responsibility management and activities

CEO Ki Ho Park

K. H. Park

KMAR

Korea Management Association
Registrations & Assessments Inc.

Comment from External Expert



Lee Myoung-Chun



- Professor of Advertising and Public Relations at Chung Ang University
- Chief Director of Korean Supporters for Youth International
- President of Korean Academic Society for Public Relations

Enterprise business management starts from its customers - that's how Woongjin Coway started off. Whatever the consumer's need was, Woongjin Coway was there to meet it. Woongjin Coway has developed under one purpose: customer satisfaction. The domestic market is not big enough for late starters to easily fix in. Without putting itself in the customers' shoes, it would have been impossible for Woongjin Coway to grow into the company that has won over the consumers for 20 years. Its 2008 sustainability report shows how mature Woongjin Coway has developed through customer-focused activities. The report specifically indicates fiscal year 2008 achievements and how 2009 management should be in the concrete.

Woongjin's rental business - including water purifier rental service - during the nation's financial predicament in the 1997 currency crisis takes credit for cutting down unnecessary purchases, maximizing volunteer activities, and initiating a new, corporate-led consumer trend. In addition, the company is opening a new era of well-being appliances with products such as air purifiers, bidets, water softeners, and food waste processors. Commercializing such environment-friendly home appliances is a definite market differentiation, which means that Woongjin Coway is in a predominant position in technology, promising a future growth.

The report confirms that the company's management is taking a future-oriented course by setting eco-management as its business model. The eco-friendly management philosophy can also be affirmed by the company's eco-management policy based on 'Low Carbon Green Growth', social contribution reports on environmental activities, and by the company's acquiring of the eco-mark and winning many environmental awards, including Energy Winner Award(Air purifier AP-1207BH, Bidet BA09) for Green device category from Consumers Korea.

Achieving the "Grand slam" by winning four major global design awards and receiving an award for customer satisfaction management activities prove how much customer-focused Woongjin Coway is. As you can tell from the 2008 sustainability report, Woongjin Coway strives harder than any other company for sustainable management. However, we cannot be complacent, because the moment you think everything is perfect, you will soon fall. Consumers don't approve of self-complacent companies. Consumers of the future are different from that of the past or the present - they demand much more from the companies. They want the companies to be faithful to long-term values such as social welfare and preserving the environment and resources while responding to the customers' short-term needs. It is a tall order.

Therefore, a company must stay alert and open towards its customers in order to keep sustainable management in place. The company must, by extension, be ahead of the consumers to satisfy their unbounded demands. It is also important to have all kinds of system ready for any complaints or misunderstanding that might occur, and to deal with unexpected situations. For this reason, the 2009 eco-friendly management strategies in Woongjin Coway's 2008 sustainability report, including the 3 major strategic challenges of 2009 environment-friendly management are given attention. Many stockholders and customers will be watching and encouraging Woongjin Coway's innovations and growth, along with the contents of its 2008 sustainability report.

GRI Index

GRI Index	Indicators	Page	Remark
1	Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	8, 9	
1.2	Description of key impacts, risks, and opportunities	19-21	
2	Organizational Profile		
2.1	Name of the organization	11	
2.2	Primary brands, products, and/or service	14	
2.3	Operational structure of the organization, including main divisions, operating companies subsidiaries, and joint venture Location of organization' s headquarters	13	
2.4	Location of organization's headquarters	11, 14	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	14	
2.6	Nature of ownership and legal form	45	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	14, 47	
2.8	Scale of the reporting organization	11, 37, 47	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	12-14, 45	
2.10	Awards received in the reporting period	73-75	
3	Report Parameters		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	1	
3.2	Date of most recent previous report (if any)	1	
3.3	Reporting cycle (annual, biennial, etc.)	1	
3.4	Contact point for questions regarding the report or its contents	3	
3.5	Process for defining report content	1, 26	
3.6	Boundary of the report	1	
3.7	State any specific limitations on the scope or boundary of the report	1	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	1	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report		Shown in the report if necessary
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	1	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	1	
3.12	Table identifying the location of the Standard Disclosures in the report	79-82	
3.13	Policy and current practice with regard to seeking external assurance for the report	1	
4	Governance, Commitments, and Engagement		
4.1	Governance structure of the organization	45, 46	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	45	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	45	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	46	

GRI Index

GRI Index	Indicators	Page	Remark
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	45	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	45	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization' strategy on economic, environmental, and social topics	45	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	11, 16, 52 54, 61	
4.9	Procedures of the highest governance body for overseeing the organization' identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principle	45, 46	
4.10	Processes for evaluating the highest governance body' own performance, particularly with respect to economic, environmental, and social performance	45	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	21	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	75, 83	
4.13	Memberships in associations (such as industry associations) and /or national/international advocacy organizations in which the organization	75	
4.14	List of stakeholder groups engaged by the organization	23, 24	
4.15	Basis for identification and selection of stakeholders with whom to engage	23, 24	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	23, 24	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	23, 24	
EC	Economic		
EC1	Direct economic value generated and distributed	25	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		Main businesses are influenced by seasonal factors. However, it is not measurable.
EC3	Coverage of the organization' s defined benefit plan obligations		See business report.
EC4	Significant financial assistance received from government		No government subsidy
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	54	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	37	
EC8	Development and impact of infrastructure investments and services provide primarily for public benefit through commercial, in-kind, or pro bono engagement	55-58	
EN	Environment		
EN1	Materials used by weight or volume	66	
EN2	Percentage of materials used that are recycled input materials		Data is not collected or managed since we purchase parts and components from outside suppliers.

GRI Index

GRI Index	Indicators	Page	Remark
EN3	Direct energy consumption by primary energy source	66	
EN4	Indirect energy consumption by primary source	66	
EN	Water		
EN8	Total water withdrawal by source	66	
EN	Bio-diversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not available
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		Not available
EN	Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	67	
EN17	Other relevant indirect greenhouse gas emissions by weight	67	
EN19	Emissions of ozone-depleting substances by weight	67	
EN20	NOx, SOx, and other significant air emissions by type and weight	65	
EN21	Total water discharge by quality and destination	67	
EN22	Total weight of waste by type and disposal method	65	
EN23	Total number and volume of significant spills	65, 70	
EN	Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	64, 65	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	65	
EN	Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for		Not available
LA	Labor Practice and Decent Work		
LA1	Total workforce by employment type, employment contract, and region	37	
LA2	Total number and rate of employee turnover by age group, gender, and region	37	
LA	Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements	42	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		Communication between management and employees are done in case important management issues happen.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	44	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	44	
LA	Training and Education		
LA10	Average hours of training per year per employee by employee category	39	
LA	Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	37, 45	
LA14	Ratio of basic salary of men to women by employee category		There exists no difference between male and female workers of same position.
HR	Human Rights		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		Not available

GRI Index

GRI Index	Indicators	Page	Remark
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		Not available
HR	Non-Discrimination		
HR4	Total number of incidents of discrimination and actions taken		No incidents of discrimination happened
HR	Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		Not available
HR	Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	37	
HR	Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	37	
S0	Society		
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	55-58	
S0	Corruption		
S02	Percentage and total number of business units analyzed for risks related to corruption		No business unit was related to the risk of corruption.
S03	Percentage of employees trained in organization's anti-corruption policies and procedures		All executives and employees received related education including education on ethics.
S04	Actions taken in response to incidents of corruption	15-18	
S0	Public Policy		
S05	Public policy positions and participation in public policy development and lobbying		Not available
S0	Compliance		
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No monetary fines and non-monetary sanctions
PR	Product Responsibility		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	29, 30	
PR	Product and Service Labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	29	
PR	Marketing Communication		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	29	
PR	Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No fines levied

GRI Index

Self-declaration of GRI G3 Application Level



The Sustainability Report 2008 of Woongjin Coway was written based on the GRI G3 guidelines and, Woongjin Coway declared that this report met the content and quality requirements of GRI G3 Application Level A.

KMAR confirms that this report meets the GRI G3 Application Level A among A, B and C level through assurance.

* Reference: + provided below refers to 3rd party assurance.

GRI Application Levels Table



Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures Output	Report on : 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15		Report on : Report on all criteria listed for Level C plus, 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17		Report on : Same as requirement for Level B	
G3 Management Approach Disclosures Output	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicator & Sector Supplement Performance Indicators Output	Report on a minimum of 10 Performance Indicators, including at least one from each of : : social, economic, and environment		Report on a minimum of 20 Performance Indicators, including at least one from each of : : economic, environment, human rights, labor, society and product responsibility		Respond on each core G3 and Sector Supplement Indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

The Global Compact's Ten Principles



Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

WOONGJIN CI

Logotype



Blending of the Woongjin logotype with symbols representing “Tto-Tto Sarang(love again & again)” for work, society, change, company, challenge and customers.

Woongjin's logotype means connection, infinity, and expansion. The circles connected horizontally and vertically are expressing the willingness of Woongjin to permanently stay with its customers and society.

It demonstrates business system of Woongjin that expands in cooperation among people. It also can be interpreted as moving forward dynamically with four circles becoming wheels.

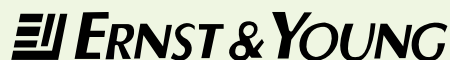
6 Symbols



The unique and asymmetric layout of six symbols mirrors Woongjin's creative weird idea, showing its corporate culture where diversified elements coexist in harmony. And liberal and vivid touch of logotype expresses human-oriented and emotional character of Woongjin.

	<p>Love for Customer It expresses customer-oriented affirmation and positive service through humanity.</p>
	<p>Love for Change Meaning that the growth of sprout comes from changes, it expresses the management philosophy that seeks growth through changes.</p>
	<p>Love for Society Meaning wrapping and embracing with hand, it expresses magnanimous love of society.</p>
	<p>Love for Work It expresses a man who works enthusiastically with positive attitude, while perceiving the core of work with a lofty objective and volition.</p>
	<p>Love for Challenge It means the pursuit of an ultimate object (star) through challenges without resting on past achievements.</p>
	<p>Love for Organization It expresses corporate culture that emphasizes cooperation and fairness as a united organization.</p>

Independent Auditors' Report



ERNST & YOUNG HANYOUNG

Taeyoung Bldg., 10-2 Yeouido-dong,
Yeongdeungpo-gu, Seoul 150-777
Korea

Tel: +82-2-3787-6600
Fax: +82-2-783-5890
www.ey.com/kr

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

We have audited the accompanying balance sheet of Woongjin Coway Co., Ltd. (the "Company") as of December 31, 2008, and the related statements of income, appropriations of retained earnings, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the year ended December 31, 2007, presented for comparative purposes, were audited by Deloitte Anjin LLC, whose report dated February 29, 2008, expressed an unqualified opinion on those financial statements.

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

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

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

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

March 5, 2009

Notice to Readers

This audit report is effective as of March 5, 2009, 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 financial statements and may result in modifications to this report.

Balance Sheets

As of December 31, 2008 and 2007

	2008		2007	
	₩		₩	
(Korean won in thousands)				
Assets				
Current assets:				
Cash and cash equivalents (Note 13)	₩	76,101,910	₩	28,511,583
Short-term investment assets (Notes 4, 13 and 18)		5,901,688		486,790
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩55,612,954 in 2008 and ₩49,519,425 in 2007 (Notes 13, 18 and 34)		149,822,884		117,908,861
Other accounts receivable, net of allowance for doubtful accounts of ₩11,273,089 in 2008 and ₩10,484,764 in 2007 (Notes 13 and 18)		8,326,858		11,055,765
Accrued income, net (Note 18)		-		44,270
Advance payments		11,446,673		7,463,492
Prepaid expenses (Note 34)		162,909,252		157,860,251
Deferred income tax assets (Note 19)		3,101,019		14,453,637
Inventories (Note 24):				
Merchandise		36,493,386		40,529,639
Finished goods		20,778,598		14,108,290
Work-in-process		393,668		3,247,976
Raw materials		5,756,630		5,053,346
Others		245,376		-
		63,667,659		62,939,250
Less valuation allowance		(5,674,818)		(5,150,646)
Inventories, net		57,992,841		57,788,604
Total current assets		475,603,124		395,573,254
Non-current assets:				
Long-term investment securities (Note 5)		3,048,699		4,419,056
Equity method investments (Note 6)		109,765,552		9,602,964
Long-term loans, net of allowance for doubtful accounts of ₩3,492 in 2008 and ₩853 in 2007 (Notes 6, 13 and 18)		1,246,911		2,682,475
Long-term guarantee deposits		39,176,275		38,408,383
Long-term prepaid expenses		17,497,917		18,422,917
Deferred income tax assets (Note 19)		3,505,386		3,925,846

(Continued)

See accompanying notes.

Balance Sheets

As of December 31, 2008 and 2007

	2008		2007	
	₩		₩	
(Korean won In thousands)				
Property, plant and equipment, net (Notes 7, 8 and 24)				
Land	₩	14,456,458	₩	12,652,116
Buildings		11,951,681		23,736,681
Structures		493,552		4,497,086
Machinery and equipment		8,072,921		15,495,008
Tools		43,700,164		28,387,800
Research facility		6,164,901		3,233,198
Rental assets		542,392,482		564,081,619
Furniture and fixtures		59,246,632		64,583,852
Vehicles		489,706		127,337
Construction in progress		1,090,795		1,453,961
		688,059,292		718,248,657
Less government grant		(69,700)		-
Less accumulated impairment losses		(7,784,495)		(10,440,625)
Less accumulated depreciation		(323,794,176)		(319,099,239)
Property, plant and equipment, net		356,410,921		388,708,793
Intangible assets, net (Notes 9 and 30)		64,857,191		74,063,799
Other assets (Note 3)		295,830		269,398
Total non-current assets		595,804,680		540,503,632
Total assets	₩	1,071,407,804	₩	936,076,886
Liabilities and stockholders' equity				
Current liabilities:				
Trade accounts and notes payable	₩	34,168,108	₩	25,773,266
Short-term borrowings (Note 11)		107,845,795		92,013,408
Other accounts payable		83,662,104		77,116,304
Advances received		128,591,731		149,412,273
Withholdings		10,415,078		4,828,990
Accrued expenses		5,445,287		3,289,323
Income taxes payable (Note 19)		26,793,650		17,694,446
Provision for product warranties (Note 15)		1,411,512		2,828,542
Provision for return of goods sold (Note 15)		408,437		91,859
Current portion of debenture		-		20,000,000
Total current liabilities		398,741,701		393,048,412

(Continued)

See accompanying notes.

Balance Sheets

As of December 31, 2008 and 2007

	2008		2007	
	₩		₩	
(Korean won in thousands)				
Non-current liabilities:				
Long-term borrowings (Note 11)	₩	60,000,000	₩	-
Reserve for agent losses (Note 12)		5,747,457		5,716,401
Rental deposits received from customers		1,124,008		1,136,018
Provision for construction warranties (Note 15)		161,603		-
Severance and retirement benefits (Notes 2 and 14)		8,991,563		7,683,689
Other long-term liabilities		10,000		10,000
Total non-current liabilities		76,034,632		14,546,109
Total liabilities		474,776,333		407,594,521
Commitments and contingencies (Note 25)				
Stockholders' equity:				
Capital stock (Note 16)		39,315,997		39,315,997
Capital surplus (Note 31 and 33)				
Paid-in capital in excess of par value		64,146,430		80,762,416
Adjustment arising from equity method investments		11,665,500		(27,145)
Other capital surplus		32,911,975		32,911,975
Capital adjustments:				
Stock options (Note 26)		6,180,975		4,916,689
Accumulated other comprehensive income:				
Gain (loss) on valuation of long-term investment securities (Note 5)		(1,091,472)		162,160
Gain on valuation of equity securities accounted for using the equity method (Note 6)		4,147,361		430,742
Loss on valuation of equity securities accounted for using the equity method (Note 6)		(1,709,295)		(46,753)
Retained earnings (Note 17):				
Legal reserve		16,825,427		10,825,427
Voluntary reserve		295,076,035		242,876,035
Unappropriated retained earnings		129,162,538		116,354,823
Total stockholders' equity		596,631,471		528,482,365
Total liabilities and stockholders' equity	₩	1,071,407,804	₩	936,076,886

See accompanying notes.

Statements of Income

Years ended December 31, 2008 and 2007

	2008		2007	
	₩		₩	
Sales (Note 29)	1,314,402,927		1,213,090,172	
Cost of sales (Notes 29 and 30)	407,158,576		384,670,142	
Gross profit	907,244,351		828,420,030	
Selling and administrative expenses (Note 28)	717,095,399		667,123,918	
Operating income	190,148,952		161,296,112	
Other income (expenses):				
Interest income	3,295,294		1,611,140	
Interest expense	(11,345,460)		(8,011,428)	
Dividend income	24,597		-	
Rental income	546,796		116,400	
Bad debt expenses - non-trade	(1,377,106)		(1,080,150)	
Loss on foreign currency transactions, net	(182,865)		(935)	
Gain on foreign currency translation, net	10,642,774		910,222	
Equity in loss of equity method investments (Note 6)	(1,358,860)		(4,093,142)	
Gain on disposal of long-term investment securities, net	-		4,601,720	
Loss on disposal of property, plant and equipment, net	(2,545,036)		(332,630)	
Loss on inventory written off	(544,602)		-	
Miscellaneous income, net	641,294		1,334,565	
Others	(3,160,529)		(660,087)	
	(5,363,705)		(5,604,324)	
Income before income taxes	184,785,247		155,691,788	
Provision for income taxes (Note 19)	55,720,577		39,416,344	
Net income	₩ 129,064,669		₩ 116,275,445	
Earnings per share (Note 20):	₩ 1,734		₩ 1,565	

(Korean won In thousands)

See accompanying notes.

Statements of Appropriations of Retained Earnings

Years ended December 31, 2008 and 2007

	2008	2007
(Korean won in thousands)		
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩ 97,869	₩ 79,379
Net income for the year	129,064,669	116,275,445
	129,162,538	116,354,824
Appropriations (2008 - proposed):		
Legal reserve	6,500,000	6,000,000
Other reserves	57,900,000	52,200,000
Cash dividends (Note 21)	64,755,834	58,056,955
	129,155,834	116,256,955
Unappropriated retained earnings to be carried forward to the next year	₩ 6,704	₩ 97,869

See accompanying notes.

Statements of Changes in Equity

Years ended December 31, 2008 and 2007

(Korean won In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive	Retained earnings	Total
As of 1 January 2007	₩ 39,287,797	₩ 113,831,969	₩ 2,070,448	₩ 62,248	₩ 283,531,077	₩ 438,783,539
Dividends	-	-	-	-	(29,750,237)	(29,750,237)
Issuance of capital stock	28,200	152,280	-	-	-	180,480
Net income for the year	-	-	-	-	116,275,445	116,275,445
Acquisition of treasury stock	-	-	(85,256,530)	-	-	(85,256,530)
Proceeds from disposal of treasury stock	-	(309,858)	85,256,530	-	-	84,946,672
Stock-based compensation expenses	-	-	2,846,241	-	-	2,846,241
Gain on valuation of long-term investment securities	-	-	-	152,503	-	152,503
Gain on valuation of equity securities accounted for using the equity method	-	-	-	274,330	-	274,330
Loss on valuation of equity securities accounted for using the equity method	-	-	-	29,922	-	29,922
As of December 31, 2007	₩ 39,315,997	₩ 113,674,391	₩ 4,916,689	₩ 519,004	₩ 370,056,285	₩ 528,482,365

See accompanying notes.

(Korean won In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive	Retained earnings	Total
As of January 1, 2008 (as previously stated)	₩ 39,315,997	₩ 113,674,391	₩ 4,916,689	₩ 519,004	₩ 370,056,285	₩ 528,482,365
Cumulative effect of changes in accounting policy	-	(27,145)	-	27,145	-	-
As of January 1, 2008 (as restated)	39,315,997	113,647,246	4,916,689	546,149	370,056,285	528,482,365
Dividends	-	-	-	-	(58,056,955)	(58,056,955)
Net income for the year	-	-	-	-	129,064,669	129,064,669
Capital surplus arising from acquisition and disposal of business	-	(16,615,987)	-	-	-	(16,615,987)
Stock-based compensation expenses	-	-	1,264,286	-	-	1,264,286
Gain on valuation of long-term investment securities	-	-	-	(1,253,632)	-	(1,253,632)
Capital surplus from equity method	-	11,692,645	-	-	-	11,692,645
Gain on valuation of equity securities accounted for using the equity method	-	-	-	3,716,619	-	3,716,619
Loss on valuation of equity securities accounted for using the equity method	-	-	-	(1,662,541)	-	(1,662,541)
As of December 31, 2008	₩ 39,315,997	₩ 108,723,905	₩ 6,180,975	₩ 1,346,595	₩ 441,064,000	₩ 596,631,471

See accompanying notes.

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	(Korean won In thousands)	
	2008	2007
Cash flows from operating activities:		
Net income	₩ 129,064,669	₩ 116,275,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance and retirement benefits	12,134,753	13,621,808
Stock-based compensation expenses	1,264,286	2,846,241
Depreciation	126,499,075	132,757,442
Amortization of intangible assets	14,681,559	8,833,939
Bad debt expense - trade	15,954,392	13,880,665
Bad debt expenses - non-trade	1,377,106	1,080,150
Loss on impairment of assets	44,710,986	44,131,162
Equity in loss of equity method investments, net	1,358,860	4,093,142
Gain on foreign currency translation, net	(9,988,135)	(910,222)
Loss on disposal of property, plant and equipment, net	2,545,036	332,630
Miscellaneous loss, net	12,519	25,503
Loss on valuation of inventories	524,172	716,161
Loss on inventory written off	544,602	-
Provisions	316,577	2,454,800
Gain on disposal of long-term investment securities, net	-	(4,601,720)
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(41,781,857)	(19,734,482)
Other accounts receivable	2,213,680	2,883,635
Prepaid expenses	(5,049,001)	(13,769,312)
Deferred income taxes	13,156,021	1,310,902
Accrued income	(544,511)	82,138
Advance payments	(3,983,180)	(6,150,603)
Inventories	(1,284,608)	21,984,576
Trade accounts and notes payable	8,394,841	(7,464,031)
Other accounts payable	6,545,800	3,589,402
Advances received	(20,820,542)	4,581,927
Withholdings	5,586,088	(1,544,085)
Accrued expenses	2,155,963	(2,057,918)
Income taxes payable	9,099,204	(22,429,827)
Payment of severance and retirement benefits, net	₩ (10,826,233)	₩ (12,350,504)

(Continued)

See accompanying notes.

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008		2007	
	₩		₩	
Long-term prepaid expenses		925,000		77,083
Others, net		18,400		(1,256,714)
Total adjustments		175,740,856		167,013,889
Net cash provided by operating activities		304,805,525		283,289,333
Cash flows from investing activities:				
Decrease (increase) in short-term investment assets, net		(4,245,086)		4,049,833
Increase in long-term financial instruments, net		(236,863)		(968,761)
Proceeds from disposal of property, plant and equipment		29,032,948		9,784,368
Acquisition of property, plant and equipment		(171,061,174)		(228,216,489)
Proceeds from disposal of equity method investments		-		8,747,810
Acquisition of equity method investments		(82,157,362)		(6,950,803)
Refund of long-term guarantee deposits		11,923,372		11,380,659
Payment of long-term guarantee deposits		(12,691,264)		(10,129,172)
Increase in long-term loans receivable		-		(2,920,019)
Acquisition of intangible assets		(4,530,458)		(4,740,300)
Acquisition of business unit		(21,080,312)		(19,545,907)
Others, net		(26,432)		(60,031)
Net cash used in investing activities		(255,072,631)		(239,568,813)
Cash flows from financing activities:				
Proceeds from issuance of capital stock		-		180,480
Proceeds from disposal of treasury stock		-		85,257,570
Drawdown of short-term borrowings		680,346,715		734,844,046
Acquisition of treasury stock		-		(85,684,960)
Proceeds from long-term borrowings		60,000,000		-
Proceeds from government subsidy		82,000		-
Payment of short-term borrowings		(664,514,328)		(744,575,664)
Repayment of current portion of debentures		(20,000,000)		(10,000,000)
Payment of dividends		(58,056,955)		(29,750,237)
Net cash used in financing activities		(2,142,567)		(49,728,766)
Net increase (decrease) in cash and cash equivalents		47,590,327		(6,008,245)
Cash and cash equivalents at the beginning of the year		28,511,583		34,519,828
Cash and cash equivalents at the end of the year	₩	76,101,910	₩	28,511,583

(Korean won In thousands)

See accompanying notes.

Notes to Financial Statements

December 31, 2008 and 2007

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 commercial distribution and rental of water purifiers, home appliances and construction of waste disposal facilities and other related business. The Company listed its common shares at the Korea Exchange ("KRX") on August 7, 2001 pursuant to the provisions of the Korean Securities and Exchange Act.

As the result of a merger and several increases in paid-in capital, the capital stock of the Company as of December 31, 2008 amounts to ₩39,316 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 74,431,993 shares with a face value of ₩37,216 million differs from the face value and number of shares issued as recorded in the balance sheet as of December 31, 2008.

As of December 31, 2008, the majority shareholder of the Company is Woongjin Holdings Co., Ltd. (32.74%). Woongjin Chemical Co., Ltd., Woongjin Coway (Shenyang) Living Goods Co., Ltd. and Woongjin Coway USA Inc. 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 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 financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

Adoption of new and revised Statements of Korea Accounting Standards ("SKAS"), Korea Financial Accounting Standards ("KFAS") and Korea Accounting Institute Opinion ("KAI Opinion")

The Company has adopted the following new and revised SKAS, KFAS and KAI Opinion for the current financial year.

- SKAS 8 Amendments - Investment in Securities
- SKAS 15 Amendments - Investment in Associates
- SKAS 16 Amendments - Income Taxes
- KAI Opinion 06-02 Amendments - Accounting for the Recognition of Deferred Income Tax Assets/Liabilities Associated with Investments in Subsidiaries, Branches and Associates, and Interests in Joint Ventures
- KFAS Article 70-2 - Special Exemption to Derivatives Accounting

The principal effects of these changes are as follows:

SKAS 15 Amendments - Investments in Associates

The revised standard requires a parent entity's reported net income and shareholders' equity in its non-consolidated financial statements to agree with the net income and shareholder's equity attributable to the parent entity in its consolidated financial statements, except for the case where the carrying amount of the investment in a subsidiary is below zero where the application of the equity method had already been discontinued. The comparative 2007 financial statements shall be restated in accordance with SKAS 1 Accounting Changes and Corrections of Errors and the effect of this change was adjusted to the closing balance of capital surplus and other comprehensive income in the balance sheet as of December 31, 2007 by a decrease in capital surplus and an increase in other comprehensive amounting to ₩27,145 thousand.

SKAS 16 Amendments - Income Taxes

The revised standard requires an entity to apply the revised disclosures which enable users of the financial statements to better understand the components of income taxes reported in the financial statements. These revised disclosures are presented in Note 19 .

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.

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 ₩524,172 thousand and ₩716,161 thousand, as of December 31, 2008 and 2007, respectively.

In the event of an increase in the net realizable value of previous written down inventory, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value. The Company has not made any reversal of write-down for the years ended December 31, 2008 and 2007.

Notes to Financial Statements

December 31, 2008 and 2007

Investments in securities

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

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

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

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the balance sheet 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 balance sheet date are classified as short-term investments.

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

Equity method investments

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

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the balance sheet. 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 balance sheet date and income and expenses are translated at the weighted-average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

Property, plant and equipment

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

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

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

	Years
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.

Notes to Financial Statements

December 31, 2008 and 2007

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.

No impairment loss or reversal of impairment of an item of asset has been recorded by the Company for the years ended December 31, 2008 and 2007.

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 balance sheet. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors.

The provision for the years ended December 31, 2008 and 2007 is sufficient to state the liability at the estimated obligation arising from services performed to and at rates of pay in effect as of December 31, 2008 and 2007. Separate funding of this liability is not required by Korean law.

The lesser of 5% of annual payroll expense or 35% of the accumulated severance and retirement benefits provision is deductible for corporate income tax reporting purposes unless benefits are actually paid or the non tax-deducted portion is deposited with financial institutions. Accordingly, the Company has deposited a portion of its severance and retirement benefits obligation with an insurance company. Since the Company's employees are individually nominated as the vested beneficiaries of the deposit in respect of what is due to them as of December 31, 2008 and 2007, such deposit has been offset against the Company's liability for severance and retirement benefits as of such dates.

In accordance with the Korean National Pension Law prior to revision, the Company had prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS") at the rate of 3% of payroll expense up through March 31, 1999. Such prepayments have been offset against the Company's liability for severance and retirement benefits. In accordance with a revision in the Korean National Pension Law, additions to these prepayments are no longer required effective from April 1, 1999.

Provisions and contingent liabilities

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

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

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the balance sheet. 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 ₩1,257.50: US\$1 and ₩938.20: US\$1, ₩1,776.22: EUR1 and ₩1,381.26: EUR1, ₩36.11: THB1 and ₩31.33: THB1, as of December 31, 2008 and 2007, respectively, for balance sheet items.

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

Share-based payment transactions

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

Notes to Financial Statements

December 31, 2008 and 2007

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

Per share amounts

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

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 presentation. Such reclassifications had no effect on the Company's net income and retained earnings as previously reported.

Significant judgments and accounting estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restricted deposits

Restricted deposits as of December 31, 2008 and 2007 consist of the following :

				(Korean won In thousands)	
	Financial institution	2008	2007	Description	
Long-term financial instruments	Shinhan Bank	₩ 10,500	₩ 10,500	Security deposit for bank overdraft facility	

4. Short-term investment assets

The balances of short-term investment assets of the Company as of December 31, 2008 and 2007 are presented as follows :

				(Korean won In thousands)	
		2008	2007		
Available-for-sale debt securities	₩	-	₩	147,824	
Short-term loans receivable		5,901,688		338,966	
	₩	5,901,688	₩	486,790	

Available-for-sale securities

The Company has no investments in available-for-sale debt securities with maturities of less than one year as of December 31, 2008. Available-for-sale debt securities with maturities of less than one year as of December 31, 2007 are as follows :

	Acquisition cost		Fair value		Book value		(Korean won In thousands) Unrealized holding gain	
PCA new MMFA-2	₩	132,339	₩	147,824	₩	147,824	₩	15,485

5. Long-term investment securities

Details of long-term investment securities as of December 31, 2008 and 2007 are as follows :

	2008		2007	
Available-for-sale securities				
Equity securities	₩	2,626,858	₩	3,897,385
Debt securities		421,841		521,671
	₩	3,048,699	₩	4,419,056

Notes to Financial Statements

December 31, 2008 and 2007

Available-for-sale equity securities as of December 31, 2008 and 2007 consist of the following :

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

(Korean won In thousands)

	2007						Impairment loss	
	Number of shares	Ownership(%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss) (*2)	Up to 2007	2008
Marketable securities								
Woongjin Holdings Co., Ltd.	121,856	0.24%	₩2,339,635	₩2,546,790	₩2,546,790	₩ 207,155	₩ -	₩ -
Tong Yang Investment Bank Co., Ltd.	900	0.0008%	1	16,515	16,515	16,514	-	-
			2,339,636	2,563,305	2,563,305	223,669	-	-
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	-
			2,980,909	-	1,334,080	-	1,646,829	-
			₩5,320,545	₩2,563,305	₩3,897,385	₩ 223,669	₩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 an objective evidence that the equity securities were impaired where impairment losses were recognized.

(*2) Loss on valuation of long-term investment securities amounting to ₩1,091,472 thousand (2007: ₩162,160 thousand) recognized in other comprehensive income as of December 31, 2008 represents the difference between acquisition cost and fair value of the investments of ₩1,383,551 thousand (2007: ₩223,669 thousand), net of the related tax effects.

Notes to Financial Statements

December 31, 2008 and 2007

Held-to-maturity debt securities as of December 31, 2008 and 2007 are as follows :

	2008				(Korean won In thousands)	
	Maturity	Acquisition cost	Amortized cost	Book value	Impairment loss	
					Up to 2007	2008
Government bonds	Within 5 years	₩ 421,840	₩ 421,840	₩ 421,840	₩ -	₩ -
Subordinated bonds	Within 5 years	2,450,000	2,450,000	1	2,449,999	-
		₩ 2,871,840	₩ 2,871,840	₩ 421,841	₩ 2,449,999	₩ -

	2007				(Korean won In thousands)	
	Maturity	Acquisition cost	Amortized cost	Book value	Impairment loss	
					Up to 2006	2007
Government bonds	Within 5 years	₩ 421,670	₩ 421,670	₩ 421,670	₩ -	₩ -
Subordinated bonds	Within 5 years	2,550,000	2,550,000	100,001	2,449,999	-
		₩ 2,971,670	₩ 2,971,670	₩ 521,671	₩ 2,449,999	₩ -

6. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2008 and 2007 are as follows :

	(Korean won In thousands)			
	Ownership(%)	Acquisition cost	Proportionate net asset (liability) value	Book value
Coway Japan Corporation	49.00%	₩ 4,345,364	₩ (16,888,490)	₩ 1
Woong Jin USA, Inc.	35.00%	395,176	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	10,658,496	10,385,818
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	(5,768,022)	1
Woong Jin Coway (M) Sdn. Bhd.	70.00%	906,885	(3,491,814)	1
Woong Jin Coway USA, Inc.	100.00%	6,476,650	1,333,481	1,432,396
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.) (*)	40.08%	82,157,362	103,376,440	97,947,333
		₩ 101,138,620	₩ 89,220,091	₩ 109,765,551

(*) The Company acquired 18,854,308 shares (40.08% equity interest) of Saehan Industries, Inc. for a purchase consideration of ₩81,073,524,400 on January 15, 2008 and it became a subsidiary of the Company.

(Korean won In thousands)

	2007			
	Ownership(%)	Acquisition cost	Proportionate net asset (liability) value	Book value
Coway Japan Corporation	49.00%	₩ 4,345,364	₩ -	₩ 1
Woong Jin USA, Inc.	35.00%	395,176	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	5,791,080	5,651,572
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	-	1
Woong Jin Coway (M) Sdn. Bhd.	70.00%	906,885	-	1
Woong Jin Coway USA, Inc.	100.00%	6,476,650	4,094,821	3,951,388
		₩ 18,981,258	₩ 9,885,901	₩ 9,602,964

The summary of financial position of the investees as of December 31, 2008 and 2007, and the results of their operations for the year then ended, is presented as follows :

(Korean won In thousands)

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

(Korean won In thousands)

	2007			
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation	₩ 6,162,095	₩ 18,823,148	₩ 4,750,092	₩ (8,666,478)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	12,575,960	6,784,880	7,582,495	183,245
Woong Jin Coway (Thailand) Co., Ltd.	2,493,788	6,171,709	2,281,980	(1,598,225)
Woong Jin Coway (M) Sdn. Bhd.	4,155,196	6,025,017	1,144,515	(2,141,611)
Woong Jin Coway USA, Inc.	7,199,453	3,104,632	2,067,669	(2,448,782)
	₩ 32,586,492	₩ 40,909,386	₩ 17,826,751	₩ (14,671,851)

Notes to Financial Statements

December 31, 2008 and 2007

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

The changes in carrying amount of negative goodwill for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008			
	Jan.1, 2008	Additions/ (disposals)	Amortization	Dec.31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.(*1)	₩ (345,918)	₩ 345,918	₩ -	₩ -
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.)(*2)	-	(6,803,021)	1,449,881	(5,353,140)
	₩ (345,918)	₩ (6,457,103)	₩ 1,449,881	₩ (5,353,140)

(*1) The beginning balance of negative goodwill was derecognized due to an adjusting event that should have been adjusted in the prior year and consequently, no amortization was recorded in 2008.

(*2) Woongjin Chemical Co., Ltd. was acquired by the Company during the current year. However, the Company assumed the date of acquisition of the investee as December 31, 2007 for the purpose of applying the equity method on the investment.

(Korean won In thousands)

	2007			
	Jan.1, 2007	Additions/ (disposals)	Amortization	Dec.31, 2007
Coway Japan Corporation	₩ 185,473	₩ -	₩ (185,473)	₩ -
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(462,919)	-	117,001	(345,918)
Woong Jin Coway (Thailand) Co., Ltd.	193,142	-	(193,142)	-
	₩ (84,304)	₩ -	₩ (261,614)	₩ (345,918)

The elimination of unrealized gains (losses) arising from inter-company transactions for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		
	Inventories	Provisions	Total
Coway Japan Corporation	₩ (318,783)	₩ 1,269,834	₩ 951,051
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(1,014,984)	742,306	(272,678)
Woong Jin Coway (Thailand) Co., Ltd.	(422,942)	-	(422,942)
Woong Jin Coway (M) Sdn. Bhd.	-	-	-
Woong Jin Coway USA, Inc.	(977,624)	1,076,540	98,916
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.)	(75,966)	-	(75,966)
	₩ (2,810,299)	₩ 3,088,680	₩ 278,381

(Korean won In thousands)

	2007					
	Inventories		Provisions		Total	
Coway Japan Corporation	₩	(74,652)	₩	1,269,834	₩	1,195,182
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.		(84,962)		291,372		206,410
Woong Jin Coway (Thailand) Co., Ltd.		(88,690)		-		(88,690)
Woong Jin Coway (M) Sdn. Bhd.		-		-		-
Woong Jin Coway USA, Inc.		(143,433)		-		(143,433)
	₩	(391,737)	₩	1,561,206	₩	1,169,469

The details of changes in carrying amount of equity method investments for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					
	Jan. 1, 2008	Acquisition (disposals)	Equity in earnings (loss) of investee	Others	Dec. 31, 2008	
Coway Japan Corporation	₩ 1	₩ -	₩ -	₩ -	₩ 1	
Woong Jin USA, Inc.	1	-	-	-	1	
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*1)	5,651,572	-	1,897,199	2,837,047	10,385,818	
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1	
Woong Jin Coway (M) Sdn. Bhd. (*2)	1	-	-	-	1	
Woong Jin Coway USA, Inc.	3,951,388	-	(3,398,564)	879,572	1,432,396	
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.)	-	82,157,362	2,251,077	13,538,894	97,947,333	
	₩ 9,602,964	₩ 82,157,362	₩ 749,712	₩ 17,255,513	₩ 109,765,551	

(*1) Due to the adjusting event that should have been reflected in the prior year financial statements of the investee, the financial statements of the investee were restated and the effects of this restatement were included in the current year equity in earnings and others amounting to ₩171,207 thousand and ₩73,190 thousand respectively.

(*2) As the carrying amount of investment in Woong Jin Coway (M) Sdn. Bhd. fell below zero, the Company recognized the further share at losses as an allowance in long-term loans receivable of Woong Jin Coway (M) Sdn. Bhd. amounting to ₩3,491,815 thousand as of December 31, 2008 (₩2,108,572 thousand in current year).

Notes to Financial Statements

December 31, 2008 and 2007

(Korean won In thousands)

	2007				
	Jan. 1, 2007	Acquisition (disposals)	Equity in earnings (loss) of investee	Others	Dec. 31, 2007
Coway Japan Corporation	₩ 1	₩ -	₩ -	₩ -	₩ 1
Woong Jin USA, Inc.	1	-	-	-	1
Platinum Media co., Ltd.	1	(1)	-	-	-
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	4,475,288	474,153	414,031	288,100	5,651,572
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woong Jin Coway (M) Sdn. Bhd.	248,286	-	(197,486)	(50,799)	1
Woongjin Energy Co., Ltd.	6,349,637	(4,632,163)	(1,717,474)	-	-
Woong Jin Coway USA, Inc.	-	6,476,650	(2,592,213)	66,951	3,951,388
	₩ 11,073,215	₩ 2,318,639	₩ (4,093,142)	₩ 304,252	₩ 9,602,964

The details of changes in equity adjustment arising from equity method investments for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

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

(*1) The deferred income tax effect of ₩319,369 thousand was deducted from the current year adjustment.

(Korean won In thousands)

	2007		
	Jan. 1, 2007	Increase/(decrease)	Dec. 31, 2007
Coway Japan Corporation	₩ 86,574	₩ -	₩ 86,574
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(55,314)	315,244	259,930
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	17,286
Woong Jin Coway (M) Sdn. Bhd.	4,045	(50,799)	(46,754)
Woong Jin Coway USA, Inc.	-	66,952	66,952
	₩ 52,591	₩ 331,397	₩ 383,988

The details of changes in capital surplus adjustment arising from equity method investments for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		
	Jan. 1, 2008	Increase/ (decrease)	Dec. 31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ (27,145)	₩ -	₩ (27,145)
Woongjin Chemical Co., Ltd. (*1) (formerly, Saehan Industries, Inc.)	-	11,692,645	11,692,645
	₩ (27,145)	₩ 11,692,645	₩ 11,665,500

(*1) The deferred income tax effect of ₩3,297,926 thousand was deducted from the current year adjustment.

(Korean won In thousands)

	2007		
	Jan. 1, 2007	Increase/ (decrease)	Dec. 31, 2007
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ -	₩ (27,145)	₩ (27,145)

As of December 31, 2008 and 2007, the respective accumulated losses of the investees from which the application of the equity method of accounting has been suspended are as follows :

(Korean won In thousands)

	2008	2007
Coway Japan Corporation	₩ (15,937,440)	₩ (5,135,345)
Woong Jin Coway (Thailand) Co., Ltd.	(6,190,965)	(3,766,612)
Woong Jin Coway (M) Sdn. Bhd.	1	(455,866)
	₩ (22,128,404)	₩ (9,357,823)

The market value of investment in an investee as of December 31, 2008 is as follows :

(Korean won In thousands)

	2008	
	Market value	Book value
Woongjin Chemical Co., Ltd.	₩ 113,314,391	₩ 97,947,333

Notes to Financial Statements

December 31, 2008 and 2007

7. Government posted value of land owned

The book value of the Company-owned land and the value of land officially announced by the Korean government for tax administration purposes as of December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

Land included in:	Book value		Publicly announced value	
	2008	2007	2008	2007
Property, plant and equipment				
Factory site in Yoo-gu	₩ 6,577,670	₩ 4,773,328	₩ 3,197,269	₩ 3,879,493
Rental building land in Ga-san	7,878,788	7,878,788	7,918,200	7,390,320
	₩ 14,456,458	₩ 12,652,116	₩ 11,115,469	₩ 11,269,813

8. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					
	Jan. 1, 2008	Additions	Disposals/ Impairment losses	Depreciation	Transfers	Dec. 31, 2008
Land	₩ 12,652,116	₩ 244,155	₩ -	₩ -	₩ 1,560,188	₩ 14,456,459
Buildings	22,716,388	-	(11,569,594)	(503,607)	-	10,643,187
Structures	3,961,026	-	(1,804,181)	(415,437)	(1,560,188)	181,220
Machinery and equipment	13,512,759	657,382	(7,869,553)	(1,358,372)	1,058,825	6,001,040
Tools	17,482,774	11,460,414	(41,135)	(6,841,198)	4,027,137	26,087,992
(Government subsidy)	-	(82,000)	-	12,300	-	(69,700)
Research facility	1,761,249	1,484,645	(41,088)	(1,479,972)	1,593,692	3,318,526
Rental assets	291,591,620	147,944,553	(52,620,753)	(108,463,732)	-	278,451,687
Furniture and fixtures	23,523,491	2,492,537	(2,825,337)	(7,365,436)	86,000	15,911,255
Vehicles	53,411	375,000	(6,329)	(83,621)	-	338,461
Construction-in-progress	1,453,961	6,402,487	-	-	(6,765,654)	1,090,794
	₩388,708,795	₩170,979,173	₩(76,777,970)	₩ (126,499,075)	₩ -	₩356,410,921

(Korean won In thousands)

	2007					
	Jan. 1, 2007	Additions	Disposals/ Impairment losses	Depreciation	Transfers	Dec. 31, 2007
Land	₩ 12,652,116	₩ -	₩ -	₩ -	₩ -	₩ 12,652,116
Buildings	11,360,932	25,000	-	(429,544)	11,760,000	22,716,388
Structures	423,844	1,198,509	-	(353,450)	2,692,123	3,961,026
Machinery and equipment	5,276,248	1,589,944	-	(1,223,274)	7,869,841	13,512,759
Tools	11,101,360	7,748,504	-	(4,833,345)	3,466,255	17,482,774
Research facility	1,495,016	704,034	-	(724,390)	286,589	1,761,249
Rental assets	295,075,550	164,960,768	(53,768,104)	(114,676,594)	-	291,591,620
Furniture and fixtures	24,896,021	4,214,484	(577,654)	(10,489,654)	5,480,294	23,523,491
Vehicles	82,899	-	(2,297)	(27,191)	-	53,411
Construction-in-progress	11,801,162	48,360,282	-	-	(58,707,483)	1,453,961
	₩374,165,148	₩228,801,525	₩(54,348,055)	₩(132,757,442)	₩(27,152,381)	₩388,708,795

9. Intangible assets

Details of intangible assets as of December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

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

(Korean won In thousands)

	2007		
	Cost	Accumulated amortization	Net book value
Goodwill	₩ 46,782,279	₩ (13,749,818)	₩ 33,032,461
Industrial property rights	212,615	(93,430)	119,185
Others	45,714,678	(5,484,724)	40,229,954
Construction-in-progress	682,200	-	682,200
	₩ 93,391,772	₩ (19,327,972)	₩ 74,063,800

Notes to Financial Statements

December 31, 2008 and 2007

Changes in the net book value of intangible assets for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					
	Jan. 1, 2008	Additions	Disposals	Amortization	Transfers	Dec. 31, 2008
Goodwill (*1)	₩ 33,032,461	₩ 957,011	₩ -	₩ (9,358,038)	₩ -	₩ 24,631,434
Industrial property rights	119,185	-	(20)	(30,125)	-	89,040
Others	40,229,954	4,530,458	(12,500)	(5,293,395)	682,200	40,136,717
Construction-in-progress	682,200	-	-	-	(682,200)	-
	₩ 74,063,800	₩ 5,487,469	₩ (12,520)	₩ (14,681,558)	₩ -	₩ 64,857,191

(*1) Goodwill amounting to ₩20,123,300 thousand arising from the acquisition of a Water Treatment Business unit from Woongjin Chemical Co., Ltd. (formerly, Saehan Industries Inc.) was offset by capital surplus (paid-in capital in excess of par value).

(Korean won In thousands)

	2007					
	Jan. 1, 2007	Additions	Disposals	Depreciation	Transfers	Dec. 31, 2007
Goodwill	₩ 15,670,866	₩ 22,840,682	₩ -	₩ (5,479,087)	₩ -	₩ 33,032,461
Industrial property rights	150,902	-	-	(31,717)	-	119,185
Others	11,715,948	2,719,799	-	(3,323,135)	29,117,342	40,229,954
Construction-in-progress	626,660	2,020,501	-	-	(1,964,961)	682,200
	₩ 28,164,376	₩ 27,580,982	₩ -	₩ (8,833,939)	₩ 27,152,381	₩ 74,063,800

10. Research and development costs

Research and development costs incurred and charged to operations for the years ended December 31, 2008 and 2007 amounted to ₩7,320,324 thousand and ₩7,569,383 thousand, respectively.

11. Borrowings

Short-term borrowings as of December 31, 2008 and 2007 consist of the following :

					(Korean won In thousands)
Financial institution	Description	Annual interest rate as of Dec. 31, 2008	2008	2007	
Kookmin Bank	Purchase loans	7.02%	₩ 15,095,521	₩ -	
Shinhan Bank	Purchase loans	6.25%	29,962,067	52,373,390	
Woori Bank	Purchase loans	6.63%	34,083,271	28,650,737	
Hana Bank	Purchase loans	7.83%	8,704,936	10,989,280	
Korea Development Bank	Working capital loans	5.88%	20,000,000	-	
			₩ 107,845,795	₩ 92,013,407	

Long-term loans of the Company as of December 31, 2008 and 2007 are as follows :

						(Korean won In thousands)
Financial institution	Description	Annual interest rate in 2008	2008	2007	Repayment term	
Korea Development Bank	Working capital loan	6.02%	₩ 30,000,000	₩ -	Bullet repayment in 2010	
Korea Development Bank	Working capital loan	6.16%	30,000,000	-	Bullet repayment in 2011	
			60,000,000	-		
Less current portion			-	-		
			₩ 60,000,000	₩ -		

12. Reserve for agent losses

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

Notes to Financial Statements

December 31, 2008 and 2007

13. Assets denominated in foreign currencies

Assets denominated in foreign currencies as of December 31, 2008 and 2007 are as follows:

	2008				2007			
	Foreign currencies		Korean won equivalent (in thousands)		Foreign currencies		Korean won equivalent (in thousands)	
(Korean won In thousands)								
Assets:								
Cash and cash equivalents	USD	1,137,988	₩	1,431,019	USD	-	₩	-
	EUR	104,009		184,743	EUR	-		-
	JPY	653		9	JPY	-		-
Short-term loans receivable	USD	2,610,000		3,282,075	USD	-		-
	JPY	170,000,000		2,369,613	JPY	-		-
Trade accounts receivable	USD	24,291,378		30,546,408	USD	9,295,057		8,720,623
	JPY	486,008,984		6,774,431	JPY	289,410,191		2,411,742
	THB	141,307,303		5,102,607	THB	144,051,384		4,513,130
	EUR	480,536		853,538	EUR	-		-
Other accounts receivable	USD	517,860		651,209	USD	-		-
	EUR	48,900		86,857	EUR	-		-
Long-term loans receivable	USD	3,768,370		4,738,726	USD	-		-
Total	USD	32,325,596			USD	9,295,057		
	EUR	633,445			EUR	-		
	JPY	656,008,984			JPY	289,410,191		
	THB	141,307,303	₩	56,021,235	THB	144,051,384	₩	15,645,495

Gain of foreign currency translation for the years ended December 31, 2008 and 2007 amounted to ₩10,754,048 thousand and ₩930,010 thousand, respectively. Loss of foreign currency translation for the years ended December 31, 2008 and 2007 amounted to ₩111,274 thousand and ₩19,788 thousand, respectively.

14. Severance and retirement benefits

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
As of January 1,	21,889,736		16,231,371	
Payments during the year	(6,673,030)		(7,897,160)	
Provision during the year	12,134,753		13,555,525	
	27,351,459		21,889,736	
Presented net of:				
Insurance deposits	(18,328,692)		(14,175,489)	
Accumulated prepayments to the NPS	(31,204)		(30,558)	
As of December 31,	₩ 8,991,563		₩ 7,683,689	

(Korean won In thousands)

15. Provisions

Changes in the carrying amount of provisions for the year ended December 31, 2008 are as follows :

Provision for:	As of Jan. 1, 2008		Provision	Utilization/Reversal	As of Dec. 31, 2008	
	₩				₩	
Product warranties (*1)	2,828,542		-	(1,417,030)	1,411,512	
Return of goods sold	91,859		316,577	-	408,436	
Construction warranties (*2)	-		161,603	-	161,603	
	₩ 2,920,401		₩ 478,180	₩ (1,417,030)	₩ 1,981,551	

(Korean won In thousands)

(*1) The Company recognizes the estimated liability to repair or provide after-sales service for its products sold with warranty at the balance sheet date. It is expected that all of these costs will be incurred within 1 year from the balance sheet date.

(*2) The provision for construction warranties was recognized as a result of the acquisition of Water Treatment Business unit from Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.) in 2008.

16. Capital stock

Details of capital stock of the Company as of December 31, 2008 and 2007 are as follows:

- Number of shares authorized: 200,000,000 shares
- Par value per share: ₩500
- Number of common shares issued: 78,631,993 shares in 2008 and 2007
- Number of common shares outstanding: 74,431,993 shares in 2008 and 2007

Notes to Financial Statements

December 31, 2008 and 2007

There is no change in capital stock of the Company during the year ended December 31, 2008 and details of changes in capital stock of the Company during the year ended December 31, 2007 are as follows :

	(Korean won In thousands)		
	Number of shares issued	Common stock	Paid-in capital in excess of par value
As of January 1, 2007	74,375,593	₩ 39,287,797	₩ 80,610,136
Exercise of stock options on April 6, 2007	56,400	28,200	152,280
As of December 31, 2007	74,431,993	₩ 39,315,997	₩ 80,762,416

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 74,431,993 shares with a face value of ₩37,216 million differs from the face value and number of shares issued as recorded in the balance sheet as of December 31, 2008.

17. Retained earnings

Appropriated retained earnings of the Company as of December 31, 2008 and 2007 are as follows :

	(Korean won In thousands)	
	2008	2007
Appropriated:		
Legal reserve (*1)	₩ 15,255,427	₩ 9,255,427
Business development reserve (*2)	1,570,000	1,570,000
Business rationalization reserve	16,228	16,228
Voluntary reserve	295,059,807	242,859,807
	₩ 311,901,462	₩ 253,701,462

(*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").

18. Related party disclosures

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

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

Significant transactions with related parties for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	Sales and other income	Purchases and other expenses	Sales and other income	Purchases and other expenses
Woongjin Holdings Co., Ltd.	₩ 18,199	₩ 18,006,314	₩ 3,112,388	₩ 18,460,526
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	3,601,060	-	3,081,978	-
Woong jin Coway USA, Inc.	5,370,413	-	2,847,556	-
Woongjin Chemical Co., Ltd.	22,189,871	36,007,151	-	-
Coway Japan Corporation	2,223,360	-	1,439,269	-
Woong Jin Coway (Thailand) Co., Ltd.	1,802,761	-	703,275	-
Woong Jin Coway (M) Sdn. Bhd.	5,398,514	-	1,568,136	-
Woong Jin Coway (Hongkong) Co., Ltd.	1,381,758	-	-	-
Woongjin Energy Co., Ltd.	111,265	-	4,326	-
Woongjin Thinkbig Co., Ltd.	113,967	919,636	158,019	973,565
Woongjin Capital Co., Ltd.	2,876	-	3,480	-
Woongjin Happyall Co., Ltd.	253,027	131,011,320	421,874	119,401,929
Rexfield Country Club	18,446	378,360	16,762	275,494
Woongjin Foods Co., Ltd.	46,205	3,853,103	54,496	3,619,158
Woongjin Cuchen Co., Ltd.	1,362,879	62,583,458	5,480,535	93,231,773
Booxen Co., Ltd.	11,153	21,033,748	10,525	19,634,196
Woongjin ST Co., Ltd.	2,569	376,837	-	-
Kukdong Construction Co., Ltd. (*1)	1,911,470	3,014,080	49,441	29,603,445
Woongjin Passone Co., Ltd.	36,074	-	13,257	-
Woongjin Polysilicon Co., Ltd.	1,572	-	-	-
	₩ 45,857,439	₩ 277,184,007	₩ 18,965,317	₩ 285,200,086

Notes to Financial Statements

December 31, 2008 and 2007

Outstanding balances with related parties as of December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		2007	
	Receivables	Payables	Receivables	Payables
Woongjin Holdings Co., Ltd.	₩ 6,817	₩ 3,147,232	₩ 247,800	₩ 1,139,095
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	7,216,374	-	3,143,602	-
Woong jin Coway USA, Inc.	8,971,166	-	2,839,526	-
Woongjin Chemical Co., Ltd.	39,979	1,723,348	-	-
Coway Japan Corporation	9,601,380	-	2,690,548	-
Woong Jin Coway (Thailand) Co., Ltd.	7,042,263	-	4,556,293	-
Woong Jin Coway (M) Sdn. Bhd.	17,150,232	-	5,283,885	-
Woong Jin Coway (Hongkong) Co., Ltd.	1,781,271	-	-	-
Woongjin Energy Co., Ltd.	326,681	-	-	-
Woongjin Thinkbig Co., Ltd.	11,869	68,843	6,875	198,699
Woongjin Happyall Co., Ltd.	55,889,544	12,825,073	638,545	11,560,685
Rexfield Country Club	1,637	46,200	4,305,036	27,500
Woongjin Foods Co., Ltd.	1,500	316,880	21,164	342,302
Woongjin Cuchen Co., Ltd.	752,148	5,819,690	1,800,704	6,684,472
Booxen Co., Ltd.	-	2,027,664	-	1,720,986
Kukdong Construction Co., Ltd. (*1)	2,070,529	-	12,177	10,000
Woongjin ST Co., Ltd.	-	36,168	-	-
	₩ 110,863,390	₩ 26,011,098	₩ 25,546,155	₩ 21,683,739

(*1) As Kukdong Construction Co., Ltd. acquired Woongjin Ceramic Co., Ltd. and Woongjin Construction Co., Ltd., all their related transactions and amounts of receivables and payables were included in the amounts disclosed.

Short-term loans receivable from directors and employees as of December 31, 2008 and 2007 amounted to ₩250,000 and ₩338,966 thousand, respectively.

Allowance for doubtful accounts recognized related to all receivables from related parties amounted to ₩14,650,847 thousand as of December 31, 2008.

As of December 31, 2008, there are not any guarantees provided by related parties to the Company. Details of guarantee provided to related parties as of December 31, 2008 are as follows :

			(Korean won In thousands)
Guarantee provided to		Guaranteed amount	Description of guarantee
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	USD	3,250,000	General loan
Woong Jin Coway(Thailand) Co., Ltd.	USD	2,000,000	General loan
Coway Japan Corporation	JPY	3,200,000,000	General loan
Woong Jin Coway (M) Sdn. Bhd.	USD	940,000	General loan
Woongjin Cuchen Co., Ltd.	₩	62,400,000	Purchase loan
Woongjin Coway Employee Stock Ownership Association	₩	94,426,190	Association member loan
	USD	6,190,000	
	JPY	3,200,000,000	
	₩	156,826,190	

There are no assets pledged as collateral by the Company on behalf of related parties as of December 31, 2008

Compensation for key management personnel for the years ended December 31, 2008 and 2007 is as follows :

				(Korean won In thousands)
		2008		2007
Salaries	₩	2,021,244	₩	1,592,413
Severance and retirement benefits (*1)		859,906		572,161
Stock options (*2)		4,670,707		4,026,067
	₩	7,551,857	₩	6,190,641

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.

(*1) For standing directors and outside directors as of December 31, 2008, total accrued costs of severance and retirement benefits for these directors as of December 31, 2008 and 2007 amounted to ₩287,746 and ₩296,274 thousand, respectively.

(*2) Stock options include cumulative compensation expenses for stock options granted to management as of December 31, 2008. During 2008 and 2007, total compensation expenses for stock options granted to management amounted to ₩287,746 and ₩296,274 thousand, respectively.

Notes to Financial Statements

December 31, 2008 and 2007

19. Income taxes

For the financial year ended December 31, 2008, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 12.1% on taxable income of up to ₩200,000 thousand (2007: 14.3% on taxable income of up to ₩100,000 thousand) and 27.5% on taxable income in excess of ₩200,000 thousand (2007: 27.5% on taxable income in excess of ₩100,000 thousand). The aggregate tax rate will be reduced to 24.2% from 2009 and 22% from 2010 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, 2008 and 2007 are as follows :

	(Korean won In thousands)	
	2008	2007
Current income taxes	₩ 42,564,556	₩ 38,992,319
Change in deferred income tax arising from temporary differences	11,773,078	306,493
Current and deferred income taxes recognized directly to equity	1,382,943	117,532
Provision for income taxes	₩ 55,720,577	₩ 39,416,344

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)	
	2008	2007
Income before income taxes	₩ 184,785,247	₩ 155,691,788
Tax at the statutory income tax rate of 12.1% and 27.5% (2007: 14.3% and 27.5%)	50,785,143	42,802,042
Adjustments:		
Income not subject to tax	-	(117,532)
Expenses not deductible for tax purposes	799,873	1,010,362
Deferred tax assets not recognized	1,667,336	528,003
Tax credit	(638,042)	(4,285,177)
Special tax for rural development	12,668	80,844
Adjustment to opening balance of temporary differences (*1)	(487,470)	(4,982)
Additional payment of income taxes	2,858,917	-
Others (*2)	722,152	(597,216)
Income tax expense at the effective income tax rate of 30.15% (2007: 25.32%)	₩ 55,720,577	₩ 39,416,344

(*1) The opening balance of temporary differences was adjusted as tax adjustments were made after the issuance of prior year financial statements.

(*2) The effects on changes in the statutory income tax rates and judgment made on recognition of deferred income tax were reflected in others.

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, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					
	As of Jan. 1, 2008 (*1)	Net increase (decrease)	As of Dec. 31, 2008	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	₩ 54,825	₩ 15,485	₩ 70,310	₩ -	₩ -	₩ -
Accrued interest income	1,438	-	1,438	-	-	-
Advanced receipts	118,145,989	(17,367,374)	100,778,615	24,388,425	24,388,425	-
Inventory reserve	5,150,646	524,172	5,674,818	1,373,306	1,373,306	-
Accrued expenses	3,839,957	1,298,158	5,138,115	1,243,424	1,243,424	-
Provision for return of goods sold	91,859	316,578	408,437	98,842	98,842	-
Provision for warranties	2,828,542	(1,417,030)	1,411,512	341,586	341,586	-
Allowances for doubtful accounts	58,054,262	10,580,751	68,635,013	16,609,673	16,609,673	-
Loss of foreign currency translation	-	111,274	111,274	26,928	26,928	-
Government subsidy (current)	-	61,138	61,138	14,795	14,795	-
Bad debt expenses	6,023,906	(5,170,086)	853,820	206,624	206,624	-
Depreciation (Rental assets)	1,102,377	(275,433)	826,944	181,928	181,928	-
Depreciation (General)	2,570	-	2,570	-	-	-
Impairment losses on rental assets	10,440,625	(2,656,129)	7,784,495	1,712,589	1,712,589	-
Intangible assets	603,756	(334,908)	268,848	59,147	-	59,147
Severance and retirement benefits	14,571,349	4,725,323	19,296,672	4,245,268	-	4,245,268
Equity method investments	13,942,406	(2,215,253)	11,727,153	-	-	-
Long-term Investment securities	4,276,768	1,607,220	5,883,988	769,097	-	769,097
Allowances for doubtful accounts (Loss on valuation of equity method investments)	1,080,150	2,638,806	3,718,955	-	-	-
Goodwill (Water Treatment Business Unit)	-	18,217,776	18,217,776	4,007,911	-	4,007,911
Government subsidy (non-current)	-	69,700	69,700	15,334	-	15,334
Provision for repair of defects	-	161,603	161,603	35,553	-	35,553
Deferred assets	29,048	-	29,048	-	-	-
Miscellaneous Losses	54,521	-	54,521	-	-	-
Others	26,650	(22,450)	4,200	1,016	1,016	-
	₩240,321,644	₩ 10,869,319	₩251,190,964	₩ 55,331,446	₩ 44,304,620	₩ 11,026,826

(Continued)

Notes to Financial Statements

December 31, 2008 and 2007

(Korean won In thousands)

	2008					
	As of Jan. 1, 2008 (*1)	Net increase (decrease)	As of Dec. 31, 2008	Deferred income taxes recognized	Current	Non-current
< Taxable temporary differences >						
Accrued interest income	₩ 44,270	₩ (44,270)	₩ -	₩ -	₩ -	₩ -
Prepaid expenses	150,624,404	5,654,362	156,278,766	37,819,461	37,819,461	-
Gain of foreign currency translation	-	10,754,048	10,754,048	2,602,480	2,602,480	-
Equity method investments	-	15,789,971	15,789,971	3,473,794	-	3,473,794
Appropriated retained earnings for treasury stock	3,230,000	-	3,230,000	781,660	781,660	-
Provision for temporary depreciation	-	69,700	69,700	15,334	-	15,334
Insurance deposits	14,108,807	4,219,885	18,328,692	4,032,312	-	4,032,312
Goodwill	8,712,038	(2,453,103)	6,258,934	-	-	-
	₩176,719,519	₩ 33,990,592	₩210,710,111	₩ 48,725,041	₩ 41,203,601	₩ 7,521,440
Deferred income taxes recognized:						
Deferred income tax assets, net	₩ 18,379,483			₩ 6,606,405	₩ 3,101,019	₩ 3,505,386

(Korean won In thousands)

	2007					
	As of Jan. 1, 2007 (*1)	Net increase (decrease)	As of Dec. 31, 2007	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	₩ 129,220	₩ (74,395)	₩ 54,825	₩ 15,077	₩ 15,077	₩ -
Advanced receipts	106,166,794	11,979,194	118,145,988	32,490,147	32,490,147	-
Inventory reserve	5,129,030	21,616	5,150,646	1,416,428	1,416,428	-
Accrued expenses	4,539,589	(699,633)	3,839,956	1,055,988	1,055,988	-
Provision for return of goods sold	91,859	-	91,859	25,261	25,261	-
Provision for warranties	373,742	2,454,800	2,828,542	777,849	777,849	-
Allowances for doubtful accounts	76,733,735	(18,613,400)	58,120,335	15,983,092	15,983,092	-
Bad debt expenses	664,118	18,613,145	19,277,263	4,347,481	4,123,284	224,196
Depreciation (Rental assets)	1,247,057	(144,680)	1,102,377	303,154	-	303,154
Depreciation (General)	2,570	-	2,570	707	-	707
Impairment losses on rental assets	12,898,370	(2,267,344)	10,631,026	2,923,532	-	2,923,532
Intangible assets	554,335	(294,449)	259,886	71,469	-	71,469
Equity method investments	11,651,091	2,291,315	13,942,406	-	-	-
Long-term Investment securities	7,940,413	(3,606,960)	4,333,453	1,191,700	-	1,191,700
Others	54,339	306,894	361,233	99,339	-	99,339
	₩228,176,262	₩ 9,966,103	₩238,142,365	₩ 60,701,223	₩ 55,887,126	₩ 4,814,096

(Continued)

(Korean won In thousands)

	2007					
	As of Jan. 1, 2007 (*1)	Net increase (decrease)	As of Dec. 31, 2007	Deferred income taxes recognized	Current	Non-current
< Taxable temporary differences >						
Accrued interest income	₩ 352,110	₩ (309,279)	₩ 42,831	₩ 11,779	₩ 11,779	₩ -
Prepaid expenses	138,279,273	12,345,130	150,624,403	41,421,711	41,421,711	-
Appropriated retained earnings for treasury stock	3,230,000	-	3,230,000	888,250	-	888,250
Goodwill	8,334,592	377,445	8,712,037	-	-	-
	₩150,195,975	₩ 12,413,296	₩162,609,271	₩ 42,321,739	₩ 41,433,489	₩ 888,250
Deferred income taxes recognized:						
Deferred income tax assets, net	₩ 19,751,894		₩ 18,379,483	₩ 18,379,483	₩ 14,453,637	₩ 3,925,846

(*1) The opening balance of temporary differences was changed as tax adjustments were made after the issuance of prior year financial statements.

The Company recognized fully the deferred income tax assets for all the deductible temporary differences as the aggregate amount of the total of taxable temporary differences and the expected future taxable income before reflecting tax adjustment items exceeds the total of all the deductible temporary differences.

Details of the amount of unrecognized deferred income tax assets (liabilities) arising from temporary difference as of December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
Gain on valuation of equity method investments (*1)	₩	11,727,153	₩	13,942,406
Allowances for doubtful accounts (Loss on valuation of equity method investments) (*1)		3,718,955		1,080,150
Goodwill (*2)		(6,258,934)		(8,712,038)
Long-term investment securities (*1)		2,388,092		2,388,092
Others (*1)		157,888		-
	₩	11,733,153	₩	8,698,610

(*1) Deferred income tax assets arising from deductible temporary differences from equity method investments, long-term investment securities and other related items 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.

Notes to Financial Statements

December 31, 2008 and 2007

Details of deferred income taxes charged directly to equity for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008			2007		
	Pre-tax amount	Tax effect	Deferred income tax assets (liabilities)	Pre-tax amount	Tax effect	Deferred income tax assets (liabilities)
Capital in excess of par value	₩(18,217,776)	₩ (4,007,911)	₩ 4,007,911	₩ -	₩ -	₩ -
Capital surplus from equity method	14,990,571	3,297,926	(3,297,926)	-	-	-
Gain(Loss) on valuation of long-term investment securities	(1,607,220)	(353,588)	292,079	214,013	58,853	(61,509)
Loss on valuation of equity securities accounted for using the equity method	(1,451,677)	(319,369)	319,369	-	-	-
	₩ (6,286,102)	₩ (1,382,943)	₩ 1,321,433	₩ 214,013	₩ 58,853	₩ (61,509)

20. Per share amounts

The Company's per share amounts for the years ended December 31, 2008 and 2007 are computed as follows:

Earnings per share

(Korean won In thousands)

	2008	2007
Net income	₩ 129,064,669,441	₩ 116,275,444,543
Weighted-average number of shares of common stock outstanding (*)	74,431,993	74,280,257
Earnings per share	₩ 1,734	₩ 1,565

(*) As there is no change in the number of shares during 2008, weighted-average number of shares of common stock outstanding as of December 31, 2008 is equal to the number of common shares issued. Calculation of weighted-average number of shares of common stock outstanding as of December 31, 2007 is as follows:

(Korean won In thousands)

Financial institution	2007		
	Number of shares outstanding	Weighted average	Cumulative number of shares outstanding
Beginning of the year	74,375,593	65	4,834,413,545
Acquisition of treasury stock	72,577,683	1~17	2,479,308,432
Exercise of stock warrants	72,634,083	3	217,902,249
Acquisition of treasury stock	71,431,993	1~50	5,587,705,984
Disposal of treasury stock	74,404,113	9	669,637,017
Disposal of treasury stock	74,431,993	179	13,323,326,747
Total		365	27,112,293,974
Weighted-average number of shares of common stock outstanding			107,845,795

Diluted earnings per share for the years ended December 31, 2008 and 2007 are not presented as the Company's potential dilutive shares are anti-dilutive.

21. Dividends

The 2007 dividends were approved at the ordinary stockholders' meeting held on March 21, 2008 and the 2008 dividends will be proposed for shareholders' approval at the annual ordinary stockholders' meeting to be held on March 20, 2009.

Details of dividends declared for the years ended December 31, 2008 and 2007 are as follows :

	(Korean won In thousands)	
	2008	2007
Number of shares (A)	74,431,993	74,431,993
Dividend per share (B)	₩ 870	₩ 780
Dividends (A x B)	₩ 64,755,834	₩ 58,056,955

The dividend payout ratio for the years ended December 31, 2008 and 2007 are as follows:

	(Korean won In thousands)	
	2008	2007
Dividends (A)	₩ 64,755,834	₩ 58,056,955
Net income (B)	₩ 129,064,669	₩ 116,275,445
Dividend payout ratio (A/B)	50.17%	49.93%

The dividend yield ratio for the years ended December 31, 2008 and 2007 are as follows:

	(Korean won In thousands)	
	2008	2007
Dividend per share (A)	₩ 870	₩ 780
Market value per share at balance sheet date (B)	₩ 26,650	₩ 30,500
Dividend yield ratio (A/B)	3.26%	2.56%

Notes to Financial Statements

December 31, 2008 and 2007

22. Comprehensive income

The details of comprehensive income for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
Net income	₩	129,064,669	₩	116,275,445
Other comprehensive income (loss):				
Gain (loss) on valuation of available-for-sale securities (Income tax effect: current year ₩353,588 thousand, prior year: ₩ (58,853) thousand)		(1,253,632)		152,503
Gain on valuation of equity method investments		3,716,619		274,330
Gain (loss) on valuation of equity method investments (Income tax effect: current year ₩319,369 thousand)		(1,662,541)		29,922
Comprehensive income	₩	129,865,115	₩	116,732,200

(Korean won In thousands)

23. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
Increase in capital surplus of equity method investments	₩	14,990,571	₩	-
Fair value adjustments of available-for-sale securities		1,607,220		214,013
Reclassification of construction-in-progress to other property, plant and equipment		6,765,654		58,707,483
Transfer short-term loans receivable to long-term loans receivable		-		590,955
Loss on disposal of treasury stock offset by other capital surplus		-		309,858
Transfer between stock option compensation expense and capital surplus		-		427,390

(Korean won In thousands)

24. Insurance

Details of insured inventories and property, plant and equipment as of December 31, 2008 are as follows :

Description	Insured assets	Insurance company	Coverage amount	
Fire and other insurance	Buildings and others	Samsung Marins & Fire Insurance Co., Ltd.	₩	110,813,338

(Korean won In thousands)

In addition, the Company maintains product liability insurance, employee's group insurance, fidelity insurance and vehicle insurance.

25. Commitments and contingencies

As of December 31, 2008, the Company has 11 pending lawsuits with total claims against the Company amounting to approximately ₩1,511,470 thousand. The outcomes of the pending lawsuits cannot presently be determined.

As of December 31, 2008, the details of available credit lines of the Company with various banks and financial institutions are as follows :

(Korean won In thousands)			
Banks		Limits	Description of commitments
Shinhan and 2 other banks	₩	145,000,000	Purchase loan
Hana and 2 other financial institutions	₩	70,000,000	Commercial paper
Korea Development Bank	₩	80,000,000	General borrowing
Korea Exchange Bank	₩	10,000,000	Electronic promissory note
Kook-Min and 2 other banks	USD	10,000,000	Lines of credit (SIGHT)

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

26. Share-based payment transactions

The details of stock options granted by the Company are as follows:

	1st grant	2nd grant	3rd grant	4th grant
Granted share options	440,000	150,000	50,000	185,000
Remaining share options	440,000	150,000	50,000	185,000
Grant date	2006.03.13	2006.08.01	2006.09.28	2008.03.21
Exercise price	₩ 27,050	₩ 20,780	₩ 22,970	₩ 28,690
Exercisable 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
Exercisable period	2008.3.13~2013.3.12	2008.8.1~2013.7.31	2008.9.28~2013.9.27	2012.3.21~2017.3.20

Notes to Financial Statements

December 31, 2008 and 2007

	1st grant		2nd grant		3rd grant		4th grant	
	2008	2007	2008	2007	2008	2007	2008	2007
Outstanding as of January 1,	440,000	440,000	150,000	150,000	50,000	50,000	-	-
Granted during the year	-	-	-	-	-	-	185,000	-
Outstanding as of December 31,	440,000	440,000	150,000	150,000	50,000	50,000	185,000	-
Exercisable as of December 31,	-	-	-	-	-	-	-	-

The fair value of share options is estimated at the date of grant by using the Black-Scholes option pricing model. The assumptions used under the Black-Scholes option pricing model for all grants made during the year ended December 31, 2008 are as follows:

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

The share-based payment expenses recognized for the year ended December 31, 2008 are as follows:

	1st grant		2nd grant		3rd grant		4th grant	
Cumulative compensation expense								
Beginning balance	₩	3,953,654	₩	738,328	₩	224,707	₩	-
Current compensation expense		359,423		304,017		112,353		488,492
Unrecognized compensation expense		-		-		-		1,270,080
Total compensation expense	₩	4,313,077	₩	1,042,345	₩	337,060	₩	1,758,572

27. 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, 2008 and 2007, are as follows :

(Korean won In thousands)

	Cost of sales		Selling and administrative expenses		Depreciation of rental assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Labor costs	₩13,945,623	₩ 8,984,917	₩123,248,054	₩121,810,323	₩ -	₩ -	₩137,193,677	₩130,795,240
Severance and retirement benefits	1,191,601	900,287	10,943,152	12,721,521	-	-	12,134,753	13,621,808
Employee benefits	1,740,458	1,706,181	20,565,913	18,959,830	-	-	22,306,371	20,666,011
Rental expense	36,570	10,580	32,540,787	31,764,625	-	-	32,577,357	31,775,205
Depreciation	4,501,882	3,928,384	13,533,462	14,155,851	108,463,731	114,676,594	126,499,075	132,760,829
Taxes and dues	36,570	56,134	1,623,635	986,756	-	-	1,660,205	1,042,890
	₩21,452,704	₩15,586,483	₩202,455,003	₩200,398,906	₩108,463,731	₩114,676,594	₩332,371,438	₩330,661,983

28. Selling and administrative expenses

Selling and administrative expenses recognized for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008	2007
Salary related expenses	₩ 156,021,405	₩ 156,337,915
Travel	3,479,622	3,247,159
Communications	10,207,493	10,135,714
Entertainment	789,011	646,129
Education and training	8,628,476	8,542,299
Supplies	18,063,147	18,190,347
Books and publishing	1,141,967	956,926
Advertisements	38,152,345	30,676,889
Rent	32,540,787	31,764,625
Taxes and dues	1,623,635	986,756
Insurance	390,664	591,088
Transportation	2,568,484	1,242,379
Sales promotion	20,126,514	14,377,521
Sales warranties	-	2,454,800
Sales commissions	258,064,162	246,111,031
Fees and commissions	₩ 61,956,850	₩ 47,203,278

(Continued)

Notes to Financial Statements

December 31, 2008 and 2007

(Korean won In thousands)

	2008		2007	
Repairs and maintenance	₩	4,264,301	₩	2,886,528
Ordinary research and development		6,905,324		7,231,442
Depreciation		13,533,462		14,155,851
Amortization		14,677,864		8,830,552
Bad debt expense		15,954,392		13,880,665
Impairment loss on rental assets		44,710,986		44,131,162
Others		3,294,505		2,542,861
	₩	717,095,399	₩	667,123,918

29. 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, 2008 and 2007 :

(Korean won In thousands)

	2008			2007		
	Rental	Product sales	Others	Rental	Product sales	Others
Sales	₩1,156,275,579	₩ 129,268,834	₩ 28,858,513	₩1,102,143,856	₩ 91,175,966	₩ 19,770,350
Cost of sales	323,271,122	71,675,350	12,212,103	333,858,571	44,798,405	6,013,166
Gross profit	₩ 833,004,457	₩ 57,593,484	₩ 16,646,410	₩ 768,285,285	₩ 46,377,561	₩ 13,757,184

30. Sales and cost of sales

The sales and cost of sales for the years ended December 31, 2008 and 2007 are made up of the following :

(Korean won In thousands)

	2008		2007	
	Cost of merchandise sold	Cost of finished goods sold	Cost of merchandise sold	Cost of finished goods sold
Beginning inventories	₩ 37,535,385	₩ 12,535,164	₩ 60,709,530	₩ 13,303,537
Cost of finished goods or merchandise purchased	112,385,788	190,548,157	126,256,028	168,019,375
Transfer from other accounts	233,477,421	335,504,564	245,575,358	240,301,453
Total	383,398,594	538,587,886	432,540,916	421,624,365
Transfer to other accounts	(315,812,622)	(482,261,409)	(374,142,913)	(385,153,414)
Ending inventories	(32,564,595)	(19,672,503)	(37,535,385)	(12,535,164)
Cost of goods sold	₩ 35,021,377	₩ 36,653,974	₩ 20,862,618	₩ 23,935,787

31. Acquisition and transfer of business

On June 30, 2008, the Company acquired the Water Treatment Business unit from Woongjin Chemical Co., Ltd. The summarized of the balance sheet of the acquired business unit as of June 30, 2008 are as follows :

		(Korean won In thousands)	
		June 30, 2008	
Assets			
Current assets	₩	4,993,659	
Quick assets		4,993,659	
Non-current assets		176,825	
Property, plant and equipment		176,825	
Total assets		5,170,483	
Liabilities			
Current liabilities		5,262,260	
Non-current liabilities		233,479	
Total liabilities		5,495,739	
Net liabilities	₩	(325,256)	

The assets acquired and liabilities assumed were measured at the recorded book value of the consolidated financial statements of Woongjin Chemical Co., Ltd. at the date of acquisition on June 30, 2008.

The purchase consideration the Company paid to acquire the division was ₩19,798,044 thousand. The difference between the purchase consideration and net liabilities assumed amounting to ₩20,123,300 thousand was offset by capital surplus (paid-in capital in excess of par value).

On June 30, 2008, the Company transferred its filter business unit (net assets: ₩21,411,540 thousand) at the Yu-gu site factory to Woongjin Chemical Co., Ltd. for a sales consideration of ₩20,914,779 thousand. The difference between sales consideration and book value of net assets transferred amounting to ₩496,761 thousand was offset by capital surplus (paid-in capital in excess of par value).

On July 31, 2008, the Company acquired the R&D business division from Arterre Cosmetics Co., Ltd.

Notes to Financial Statements

December 31, 2008 and 2007

The summarized balance sheet of the acquired business unit as of July 31, 2008 is as follows :

	(Korean won In thousands)	
	July 31, 2008	
Assets		
Current assets	₩	-
Non-current assets		662,429
Property, plant and equipment		200,974
Intangible assets		416,455
Other non-current assets		45,000
Total assets		662,429
Liabilities		
Current liabilities		-
Non-current liabilities		275,957
Total liabilities		275,957
Net assets	₩	386,472

The purchase consideration was ₩927,028 thousand. Goodwill arising from the difference between the purchase consideration and net assets acquired amounted to ₩540,557 thousand and development costs acquired amounting to ₩416,455 is amortized by the straight-line method over 5 years.

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

Summary of operating results for the three months ended December 31, 2008 and 2007 are as follows :

	(Korean won In thousands except per share amounts)			
	(Unaudited) Three months ended December 31,			
	2008		2007	
Sales	₩	340,263,231	₩	313,680,445
Cost of sales		109,458,581		96,713,615
Gross profit		230,804,650		216,966,830
Operating income		48,192,431		43,196,917
Income before income taxes		55,055,287		46,782,239
Net income		37,633,128		37,754,665
Basic earnings per share		506		507

33. Significant events after the balance sheet date

(1) Acquisition of business

The Company acquired the CS.DR business unit from Woongjin Happyall Co., Ltd. on January 1, 2009. The CS.DR business unit's principal activities are installation of water purifier, food waste treatment system, bidets and provision of the related after-sales services.

The summarized balance sheet of the acquired business unit as of January 1, 2009 is as follows :

		(Korean won In thousands)	
		January 1, 2009	
Assets			
Current assets		₩	724,686
Quick Assets			575,914
Inventories			148,772
Non-current assets			5,021,047
Property, plant and equipment			4,043,758
Other non-current assets			977,289
Total assets			5,745,733
Liabilities			
Current liabilities			193,041
Non-current liabilities			12,654,561
Total liabilities			12,847,601
Net liabilities		₩	(7,101,868)

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

The purchase consideration of the business unit amounted to ₩56,037,683 thousand (without value added tax). The difference between the purchase consideration and net liabilities assumed amounting to ₩63,139,551 thousand was offset by capital surplus (paid-in capital in excess of par value).

(2) Lapse of share put options

The share put options held by the creditors committee of Woongjin Chemical Co., Ltd. in which the Company granted the creditors committee the right to sell 8,904,087 shares of common stock of Woongjin Chemical Co., Ltd. to the Company lapsed on January 22, 2009. The creditors committee did not exercise any of their put options up to the expiry date and no shares were sold back to the Company.

Notes to Financial Statements

December 31, 2008 and 2007

34. Normal business operating cycle and liquidity classification

The Company classifies its account receivables and account payables in accordance with its normal business operating cycle. Receivables with maturities of more than one year from the balance sheet date which were classified as current assets as of December 31, 2008 are as follows :

	Within one year		Over one year		Description
Prepaid expenses	₩	13,036,466	₩	9,986,061	Cost of rental
		71,697,229		60,514,515	Sales commissions
		2,542,338		5,132,642	Others
Trade account receivables		4,651,404		5,997,004	Export sales
	₩	91,927,437	₩	111,630,222	

(Korean won In thousands)

35. Financial statement approval

The financial statements of the Company for the year ended December 31, 2008 was approved by the Board of directors on February 26, 2009.

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, 2008. 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 of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2008, in all material respects, in accordance with the ICFR standard."

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 place as of December 31, 2008, and we did not review the ICFR subsequent to December 31, 2008. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

March 5, 2009

This report is annexed in relation to the audit of the financial statements as of December 31, 2008 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

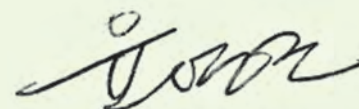
The Board of Directors and internal auditor (Audit Committee) of Woongjin Coway Co., Ltd.

I, as the internal control over financial reporting officer ("ICFR Officer") of Woongjin Coway Co., Ltd. ("the Company"), assessed the status of the design and operations of the Company's internal control over financial reporting ("ICFR") for the year ended December 31, 2008.

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

Based on the assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2008, in all material respects, in accordance with the ICFR standard.

February 26, 2009



Young-Keun, Yoon
Internal Control over Financial Reporting Officer



Joon-Kee, Hong
President