DONGBU CORPORATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND INDEPENDENT AUDITORS’ REPORT
Independent Auditors’ Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Dongbu Corporation:

We have audited the accompanying balance sheets of Dongbu Corporation (the “Company”) as of December 31, 2008 and 2007, and the related statements of operations, appropriations of retained earnings, changes in shareholders’ equity and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 the Company as of December 31, 2008 and 2007, and the results of its operations, changes in its retained earnings and its shareholders’ equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Without qualifying our opinion, we draw attention to the asset revaluation. As discussed in Note 2 to the accompanying financial statements, the Company adopted the amendment of the Statement of Korea Accounting Standards (“SKASs”) No. 5 “Property, Plant and Equipment”, which permits certain items of its land to be revalued after acquisition date, applying the revaluation models permitted under SKASs No. 5. As a result of this adoption, the total assets and net assets increased by W162,769 million and W126,928 million as of December 31, 2008, respectively.

Our audits also comprehended the translation of Korean Won amounts into U.S. Dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. Dollar amounts are presented solely for the convenience of readers outside of the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders’ equity and cash flows in 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 knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

March 2, 2009

Notice to Readers

This report is effective as of March 2, 2009, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors’ report.

Audit • Tax • Consulting • Financial Advisory.
## DONGBU CORPORATION

### BALANCE SHEETS

**AS OF DECEMBER 31, 2008 AND 2007**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Korean Won</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
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<tr>
<td>Cash and cash equivalents (Notes 3 and 13)</td>
<td>₩62,090</td>
<td>₩16,570</td>
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<td>Short-term financial instruments (Notes 3 and 22)</td>
<td>12,504</td>
<td>16,219</td>
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<td>Short-term investment securities (Note 5)</td>
<td>13,370</td>
<td>2,216</td>
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<td>Trade receivables, net of allowance for doubtful accounts of ₩1,842 million in 2008 and ₩1,940 million in 2007 (Notes 4, 10, 13 and 14)</td>
<td>612,451</td>
<td>400,160</td>
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<td>Short-term loans, net of allowance for doubtful accounts of ₩107 million in 2008 and ₩39 million in 2007 (Notes 7 and 23)</td>
<td>22,356</td>
<td>8,670</td>
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<td>Accounts receivable-other, net of present value discount of nil in 2008 and ₩51 million in 2007, and allowance for doubtful accounts of ₩2,564 million in 2008 and ₩4,246 million in 2007 (Notes 13, 14 and 23)</td>
<td>68,529</td>
<td>78,632</td>
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<tr>
<td>Accrued income</td>
<td>6,785</td>
<td>4,713</td>
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<td>Advanced payments, net of allowance for doubtful accounts of ₩431 million in 2008 and ₩350 million in 2007</td>
<td>47,176</td>
<td>38,737</td>
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<td>Advanced payment for lots</td>
<td>26,890</td>
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<td>Prepaid expenses</td>
<td>6,848</td>
<td>5,691</td>
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<td>Deferred income tax assets (Note 19)</td>
<td>7,164</td>
<td>12,454</td>
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<td>Prepaid construction costs</td>
<td>77,975</td>
<td>55,900</td>
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<td>Foreign exchange forward assets</td>
<td>-</td>
<td>68</td>
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<tr>
<td>Inventories (Notes 2, 8 and 22)</td>
<td>123,764</td>
<td>120,082</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>1,087,902</strong></td>
<td><strong>760,112</strong></td>
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(Continued)
### DONGBU CORPORATION

**BALANCE SHEETS (CONTINUED)**

**AS OF DECEMBER 31, 2008 AND 2007**

<table>
<thead>
<tr>
<th>Non-Current Assets</th>
<th>Korean Won</th>
<th>Translation into U.S. Dollars (Note 2)</th>
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<tbody>
<tr>
<td><strong>(In millions)</strong></td>
<td><strong>(In thousands)</strong></td>
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<tr>
<td>Long-term financial instruments</td>
<td>₩355</td>
<td>₩405</td>
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<tr>
<td>Available-for-sale securities (Notes 5 and 22)</td>
<td>₩329,912</td>
<td>₩362,541</td>
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<td>Investment securities using the equity method (Notes 6 and 22)</td>
<td>₩121,698</td>
<td>₩91,413</td>
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<td>Long-term trade receivables, net of allowance for doubtful accounts of ₩83 million in 2008 and ₩43 million in 2007</td>
<td>251</td>
<td>-</td>
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<td>Long-term other receivables, net allowance for doubtful accounts of ₩504 million in 2008 and 2007 (Note 22)</td>
<td>₩10,080</td>
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<tr>
<td>Long-term loans, net of allowance for doubtful accounts of ₩2,481 million in 2008 and ₩1,113 million in 2007 (Notes 6 and 23)</td>
<td>₩76,823</td>
<td>₩94,475</td>
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<td>Long-term prepaid expenses</td>
<td>₩480</td>
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<td>Guarantee deposits</td>
<td>₩40,461</td>
<td>₩41,352</td>
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<td>Deferred income tax assets (Note 19)</td>
<td>-</td>
<td>₩9,293</td>
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<td>Property, plant and equipment, net (Notes 8, 11, 22 and 27)</td>
<td>₩299,340</td>
<td>₩191,728</td>
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<tr>
<td>Intangible assets (Notes 9 and 27)</td>
<td>₩47,967</td>
<td>₩57,090</td>
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<td><strong>Total Assets</strong></td>
<td>₩927,367</td>
<td>₩848,297</td>
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<table>
<thead>
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<tbody>
<tr>
<td><strong>₩</strong></td>
<td>2,015,269</td>
<td>₩1,608,409</td>
<td>$1,602,600</td>
<td>$1,279,053</td>
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(Continued)
## DONGBU CORPORATION

### BALANCE SHEETS (CONTINUED)

#### AS OF DECEMBER 31, 2008 AND 2007

<table>
<thead>
<tr>
<th>Liabilities and Shareholders’ Equity</th>
<th>Korean Won</th>
<th>Translation into U.S. Dollars (Note 2)</th>
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<tbody>
<tr>
<td></td>
<td>2008 (In millions)</td>
<td>2007</td>
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<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
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<tr>
<td>Trade payables (Notes 13 and 14)</td>
<td>₩496,027</td>
<td>₩314,816</td>
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<td>Short-term borrowings (Notes 10 and 22)</td>
<td>232,373</td>
<td>151,300</td>
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<td>Accounts payable-other</td>
<td>31,763</td>
<td>22,388</td>
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<td>Advances from customers</td>
<td>190,014</td>
<td>170,876</td>
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<td>Withholdings</td>
<td>22,894</td>
<td>15,346</td>
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<tr>
<td>Accrued expenses (Note 13)</td>
<td>16,709</td>
<td>14,850</td>
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<tr>
<td>Income tax payable</td>
<td>8,364</td>
<td>10,551</td>
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<tr>
<td>Current portion of long-term debt, net (Notes 10 and 22)</td>
<td>104,110</td>
<td>207,019</td>
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<td>Current portion of long-term accounts payable (Notes 10 and 22)</td>
<td>686</td>
<td>366</td>
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<td>Current portion of liability from securitization of future receivables (Note 12)</td>
<td>9,773</td>
<td>10,037</td>
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<td>Other current liabilities (Note 23)</td>
<td>36,610</td>
<td>48,366</td>
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<td><strong>LONG-TERM LIABILITIES:</strong></td>
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<td>Debentures, net (Notes 10 and 22)</td>
<td>218,141</td>
<td>149,660</td>
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<td>Long-term borrowings (Notes 10, 13 and 22)</td>
<td>48,296</td>
<td>17,329</td>
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<td>Long-term accounts payable (Notes 10 and 11)</td>
<td>2,642</td>
<td>1,640</td>
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<td>Long-term advances from customers</td>
<td>17,767</td>
<td>23,070</td>
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<td>Liability from securitization of future receivables (Note 12)</td>
<td>9,723</td>
<td>19,293</td>
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<td>Interest swap liabilities (Note 24)</td>
<td>769</td>
<td>-</td>
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<td>Accrued severance indemnities, net (Note 2)</td>
<td>7,781</td>
<td>9,089</td>
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<tr>
<td>Deferred income tax liabilities (Note 19)</td>
<td>20,170</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,473,812</td>
<td>1,185,626</td>
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(Continued)
DONGBU CORPORATION
BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2008 AND 2007

<table>
<thead>
<tr>
<th></th>
<th>Korean Won</th>
<th>Korean Won</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In millions)</td>
<td>(In thousands)</td>
<td></td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY:</strong></td>
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<tr>
<td>Capital stock (Note 15)</td>
<td>₩125,664</td>
<td>₩125,664</td>
<td>$99,932</td>
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<tr>
<td>Capital surplus:</td>
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<tr>
<td>Paid-in capital in excess of par value</td>
<td>36,885</td>
<td>36,885</td>
<td>29,332</td>
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<td>Asset revaluation reserve (Note 15)</td>
<td>106,767</td>
<td>106,767</td>
<td>84,904</td>
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<td>Other capital surplus (Note 15)</td>
<td>110,531</td>
<td>110,531</td>
<td>87,897</td>
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<tr>
<td>Capital adjustments (Note 15)</td>
<td>(3,102)</td>
<td>(3,701)</td>
<td>(2,467)</td>
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<tr>
<td>Accumulated other comprehensive income (loss):</td>
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<tr>
<td>Valuation gain on investment securities using the equity method (Notes 6 and 16)</td>
<td>40,285</td>
<td>440</td>
<td>32,036</td>
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<tr>
<td>Valuation loss on investment securities using the equity method (Notes 6 and 16)</td>
<td>(37)</td>
<td>(49)</td>
<td>(29)</td>
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<tr>
<td>Valuation loss on available-for-sale securities (Notes 5 and 16)</td>
<td>(45,594)</td>
<td>(29,998)</td>
<td>(36,258)</td>
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<tr>
<td>Revaluation gain on property, plant and equipment (Notes 8 and 16)</td>
<td>86,165</td>
<td>-</td>
<td>68,521</td>
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<tr>
<td>Retained earnings (Accumulated deficit):</td>
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<td>Appropriated (Note 15)</td>
<td>63,341</td>
<td>107,166</td>
<td>50,371</td>
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<tr>
<td>Unappropriated (Before disposition)</td>
<td>20,552</td>
<td>(30,922)</td>
<td>16,344</td>
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<tr>
<td>Total Shareholders’ Equity</td>
<td>541,457</td>
<td>422,783</td>
<td>430,583</td>
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<td>Total Liabilities and Shareholders’ Equity</td>
<td>₩2,015,269</td>
<td>₩1,608,409</td>
<td>$1,602,600</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## DONGBU CORPORATION

### STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

<table>
<thead>
<tr>
<th>Korean Won (In millions)</th>
<th>Translation into U.S. Dollars (Note 2) (In thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALES (Notes 14, 17, 26 and 27)</td>
<td>₩ 2,349,286</td>
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<tr>
<td>COST OF SALES (Note 14)</td>
<td>2,130,827</td>
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<td>GROSS PROFIT</td>
<td>218,459</td>
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<td>SELLING AND ADMINISTRATIVE EXPENSES (Note 18)</td>
<td>112,814</td>
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<tr>
<td>OPERATING INCOME (Note 27)</td>
<td>105,645</td>
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### NON-OPERATING INCOME:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 (In millions)</th>
<th>2007 (In millions)</th>
<th>2008 (In thousands)</th>
<th>2007 (In thousands)</th>
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<tbody>
<tr>
<td>Interest income</td>
<td>9,744</td>
<td>14,684</td>
<td>7,749</td>
<td>11,677</td>
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<td>Dividend income</td>
<td>998</td>
<td>2,889</td>
<td>794</td>
<td>2,297</td>
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<td>Rent income</td>
<td>1,898</td>
<td>1,607</td>
<td>1,509</td>
<td>1,278</td>
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<tr>
<td>Gain on foreign currency transactions</td>
<td>1,372</td>
<td>226</td>
<td>1,091</td>
<td>180</td>
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<td>Gain on foreign currency translation</td>
<td>396</td>
<td>24</td>
<td>315</td>
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<tr>
<td>Commissions</td>
<td>1,177</td>
<td>475</td>
<td>936</td>
<td>378</td>
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<tr>
<td>Gain on disposal of other non-current assets</td>
<td>568</td>
<td>1,345</td>
<td>452</td>
<td>1,070</td>
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<tr>
<td>Gain on disposal of available-for-sale securities</td>
<td>1,539</td>
<td>53,208</td>
<td>1,224</td>
<td>42,312</td>
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<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>1,493</td>
<td>1,847</td>
<td>1,187</td>
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<td>Gain on valuation of investment securities using the equity method (Note 6)</td>
<td>9,220</td>
<td>13,422</td>
<td>7,332</td>
<td>10,674</td>
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<td>Reversal of allowance for doubtful accounts</td>
<td>18</td>
<td>14</td>
<td>14</td>
<td>11</td>
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<tr>
<td>Gain on foreign exchange forward transactions (Note 24)</td>
<td>100</td>
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<td>80</td>
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<tr>
<td>Gain on valuation of foreign exchange forward</td>
<td>-</td>
<td>68</td>
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<td>54</td>
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<tr>
<td>Gain on assets contributed</td>
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<td>Others</td>
<td>8,434</td>
<td>5,693</td>
<td>6,706</td>
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<td><strong>Total</strong></td>
<td>36,957</td>
<td>95,686</td>
<td>29,389</td>
<td>76,092</td>
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(Continued)
DONGBU CORPORATION

STATEMENTS OF OPERATIONS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>Translation into U.S. Dollars (Note 2)</th>
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<td></td>
<td>Korean Won</td>
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<tr>
<td></td>
<td>(In millions, except per share amount)</td>
<td>(In thousands, except per share amount)</td>
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<td>NON-OPERATING EXPENSES:</td>
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<tr>
<td>Interest expense (Note 4)</td>
<td>₩ 51,936</td>
<td>₩ 45,424</td>
<td>$ 41,301</td>
<td>$ 36,123</td>
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<td>Loss on foreign currency transactions</td>
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<td>942</td>
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<td>Loss on foreign currency translation</td>
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<td>313</td>
<td>16</td>
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<tr>
<td>Loss on disposal of trade receivables (Notes 4 and 12)</td>
<td>4,365</td>
<td>3,701</td>
<td>3,471</td>
<td>2,943</td>
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<td>Loss on disposal of available-for-sale securities (Note 5)</td>
<td>19,375</td>
<td>97,194</td>
<td>15,408</td>
<td>77,291</td>
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<td>Loss on disposal of property, plant and equipment</td>
<td>534</td>
<td>458</td>
<td>425</td>
<td>364</td>
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<td>Loss on revaluation of property, plant and equipment (Note 8)</td>
<td>143</td>
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<td>Bad debt expense-other</td>
<td>2,133</td>
<td>425</td>
<td>1,696</td>
<td>338</td>
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<td>Loss on valuation of interest swap (Note 24)</td>
<td>769</td>
<td></td>
<td>612</td>
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<td>Impairment loss on available-for-sale securities (Note 5)</td>
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<tr>
<td>Loss on disposal of other non-current assets</td>
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<td>Loss on valuation of investments securities using the equity method (Note 6)</td>
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<td>1,625</td>
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<td>Loss on disposal of investment securities using the equity method</td>
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<td>1,556</td>
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<td>Donations</td>
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<td>5,332</td>
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<td>83,275</td>
<td>123,381</td>
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<td>INCOME (LOSS) BEFORE INCOME TAX</td>
<td>37,884</td>
<td>(39,983)</td>
<td>30,126</td>
<td>(31,796)</td>
<td></td>
</tr>
<tr>
<td>INCOME TAX EXPENSE (BENEFITS) (Note 19)</td>
<td>14,089</td>
<td>(7,399)</td>
<td>11,204</td>
<td>(5,884)</td>
<td></td>
</tr>
<tr>
<td>NET INCOME (LOSS) (Note 16)</td>
<td>₩ 23,795</td>
<td>₩ (32,584)</td>
<td>$ 18,922</td>
<td>$ (25,912)</td>
<td></td>
</tr>
<tr>
<td>EARNINGS (LOSS) PER COMMON SHARE (Note 20)</td>
<td>₩ 1,159</td>
<td>₩ (1,720)</td>
<td>0.92</td>
<td>(1.37)</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## DONGBU CORPORATION

### STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

<table>
<thead>
<tr>
<th>Korean Won</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In millions)</td>
</tr>
</tbody>
</table>

### UNAPPROPRIATED RETAINED EARNINGS (ACCUMULATED DEFICIT BEFORE DISPOSITION):

- Unappropriated retained earnings carried over from prior year: ₩1,160 ₩2,332 $923 $1,854
- Changes of retained earnings from valuation of investment securities using the equity method: (4,403) (670) (3,501) (532)
- Net income (loss): 23,795 (32,584) 18,922 (25,912)
- Transfers from voluntary reserves:
  - Discretionary appropriated retained earnings: - 45,000 - 35,785

### APPROPRIATIONS:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>363</td>
<td>1,175</td>
</tr>
<tr>
<td>Cash dividends (Note 21)</td>
<td>3,635</td>
<td>11,743</td>
</tr>
<tr>
<td></td>
<td>3,998</td>
<td>12,918</td>
</tr>
</tbody>
</table>

### UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR:

- ₩16,554 ₩1,160 $13,164 $923

See accompanying notes to financial statements.
## Dongbu Corporation

**Statements of Changes in Shareholders’ Equity**

**For the Years Ended December 31, 2008 and 2007**

<table>
<thead>
<tr>
<th>Korean Won (In millions)</th>
<th>Capital Stock</th>
<th>Capital surplus</th>
<th>Capital adjustments</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(8,149)</td>
<td>(8,149)</td>
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<tr>
<td>Net loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(32,584)</td>
<td>(32,584)</td>
</tr>
<tr>
<td>Changes of retained earnings from valuation of investment securities using the equity method</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(670)</td>
<td>(670)</td>
</tr>
<tr>
<td>Gain on disposal of preferred treasury stock</td>
<td>-</td>
<td>6,138</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,138</td>
</tr>
<tr>
<td>Disposal of preferred treasury stock</td>
<td>-</td>
<td>-</td>
<td>6,449</td>
<td>-</td>
<td>-</td>
<td>6,449</td>
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<tr>
<td>Changes in capital surplus on investments using the equity method</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,672</td>
<td>-</td>
<td>2,672</td>
</tr>
<tr>
<td>Changes in valuation loss on available-for-sale securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(265)</td>
<td>-</td>
<td>(265)</td>
</tr>
<tr>
<td><strong>End of year (December 31, 2007)</strong></td>
<td>W 125,664</td>
<td>W 254,183</td>
<td>W (3,701)</td>
<td>W (29,607)</td>
<td>W 76,244</td>
<td>W 422,783</td>
</tr>
<tr>
<td><strong>Beginning of year (January 1, 2008)</strong></td>
<td>W 125,664</td>
<td>W 254,183</td>
<td>W (3,701)</td>
<td>W (29,607)</td>
<td>W 76,244</td>
<td>W 422,783</td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(11,743)</td>
<td>(11,743)</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23,795</td>
<td>23,795</td>
</tr>
<tr>
<td>Changes of retained earnings from valuation of investment securities using the equity method</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,403)</td>
<td>(4,403)</td>
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<tr>
<td>Changes in capital surplus on investments using the equity method</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39,857</td>
<td>-</td>
<td>39,857</td>
</tr>
<tr>
<td>Changes in valuation loss on available-for-sale securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(15,596)</td>
<td>-</td>
<td>(15,596)</td>
</tr>
<tr>
<td>Changes in revaluation gain on property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>86,165</td>
<td>-</td>
<td>86,165</td>
</tr>
<tr>
<td>Changes in of capital adjustments due to tax rate change</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>599</td>
<td>-</td>
<td>599</td>
</tr>
<tr>
<td><strong>End of year (December 31, 2008)</strong></td>
<td>W 125,664</td>
<td>W 254,183</td>
<td>W (3,102)</td>
<td>W 80,819</td>
<td>W 83,893</td>
<td>W 541,457</td>
</tr>
<tr>
<td>Translation into U.S. Dollars (In thousands) (Note 2)</td>
<td>$ 99,932</td>
<td>$ 202,133</td>
<td>$ (2,467)</td>
<td>$ 64,270</td>
<td>$ 66,715</td>
<td>$ 430,583</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
DONGBU CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

<table>
<thead>
<tr>
<th></th>
<th>2008 (In millions)</th>
<th>2007 (In millions)</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>₩ 23,795</td>
<td>₩ (32,584)</td>
<td>$ 18,922</td>
</tr>
<tr>
<td>Addition of expenses not involving cash outflows:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,645</td>
<td>13,326</td>
<td>$ 10,056</td>
</tr>
<tr>
<td>Bad debt expenses</td>
<td>2,108</td>
<td>380</td>
<td>$ 1,676</td>
</tr>
<tr>
<td>Provision for severance indemnities</td>
<td>12,742</td>
<td>10,603</td>
<td>$ 10,133</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>11,471</td>
<td>10,740</td>
<td>$ 9,122</td>
</tr>
<tr>
<td>Bad debt expense-other</td>
<td>2,133</td>
<td>425</td>
<td>$ 1,696</td>
</tr>
<tr>
<td>Loss on disposal of trade receivables</td>
<td>4,365</td>
<td>3,701</td>
<td>$ 3,471</td>
</tr>
<tr>
<td>Impairment loss on available-for-sale securities</td>
<td>17</td>
<td>167</td>
<td>$ 14</td>
</tr>
<tr>
<td>Loss on disposal of available-for-sale securities</td>
<td>19,375</td>
<td>97,194</td>
<td>$ 15,408</td>
</tr>
<tr>
<td>Loss on valuation of investment securities using the equity method</td>
<td>15,050</td>
<td>1,625</td>
<td>$ 11,968</td>
</tr>
<tr>
<td>Loss on disposal of investment securities using the equity method</td>
<td>1,957</td>
<td>-</td>
<td>$ 1,556</td>
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<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>534</td>
<td>458</td>
<td>$ 425</td>
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<tr>
<td>Loss on revaluation of property, plant and equipment</td>
<td>143</td>
<td>-</td>
<td>$ 114</td>
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<tr>
<td>Loss on disposal of other non-current assets</td>
<td>-</td>
<td>196</td>
<td>-</td>
</tr>
<tr>
<td>Loss on foreign currency translation</td>
<td>255</td>
<td>1</td>
<td>$ 202</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>804</td>
<td>512</td>
<td>$ 639</td>
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<tr>
<td>Loss on valuation of interest swap</td>
<td>769</td>
<td>-</td>
<td>$ 612</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>-</td>
<td>4,994</td>
<td>-</td>
</tr>
<tr>
<td>Deduction of revenues not involving cash inflows:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on foreign currency translation</td>
<td>396</td>
<td>14</td>
<td>$ 315</td>
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<tr>
<td>Interest income</td>
<td>51</td>
<td>-</td>
<td>$ 40</td>
</tr>
<tr>
<td>Reversal of allowance for doubtful accounts</td>
<td>18</td>
<td>14</td>
<td>$ 14</td>
</tr>
<tr>
<td>Gain on valuation of investment securities using the equity method</td>
<td>9,220</td>
<td>13,422</td>
<td>$ 7,332</td>
</tr>
<tr>
<td>Gain on disposal of available-for-sale securities</td>
<td>1,539</td>
<td>53,208</td>
<td>$ 1,224</td>
</tr>
<tr>
<td>Gain on disposal of other non-current assets</td>
<td>568</td>
<td>1,345</td>
<td>$ 452</td>
</tr>
<tr>
<td>Gain on valuation of foreign exchange forward</td>
<td>-</td>
<td>68</td>
<td>-</td>
</tr>
<tr>
<td>Gain on foreign exchange forward transactions</td>
<td>100</td>
<td>-</td>
<td>$ 80</td>
</tr>
<tr>
<td>Gain on assets contributed</td>
<td>-</td>
<td>184</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>1,493</td>
<td>1,847</td>
<td>$ 1,187</td>
</tr>
<tr>
<td>Others</td>
<td>2,694</td>
<td>101</td>
<td>$ 2,142</td>
</tr>
<tr>
<td></td>
<td>(16,079)</td>
<td>(70,203)</td>
<td>(12,786)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(55,827)</td>
</tr>
</tbody>
</table>

(Continued)
### Changes in assets and liabilities resulting from operations:

<table>
<thead>
<tr>
<th>Description</th>
<th>Korean Won</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in trade receivables</td>
<td>₩ (220,901)</td>
<td>$ (175,667)</td>
</tr>
<tr>
<td>Increase in accrued income</td>
<td>₩ (2,071)</td>
<td>$ (1,647)</td>
</tr>
<tr>
<td>Increase in accounts receivable-other</td>
<td>₩ (20,410)</td>
<td>$ (16,231)</td>
</tr>
<tr>
<td>Increase in advanced payments</td>
<td>₩ (8,542)</td>
<td>$ (6,793)</td>
</tr>
<tr>
<td>Increase in advanced payments for lots</td>
<td>₩ (2,476)</td>
<td>$ (1,969)</td>
</tr>
<tr>
<td>Increase in prepaid expenses</td>
<td>₩ (1,636)</td>
<td>$ (1,301)</td>
</tr>
<tr>
<td>Decrease (Increase) in prepaid construction costs</td>
<td>₩ (22,815)</td>
<td>$ (18,143)</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>₩ (8,582)</td>
<td>$ (6,825)</td>
</tr>
<tr>
<td>Decrease (Increase) in long-term trade receivables</td>
<td>₩ (292)</td>
<td>$ (232)</td>
</tr>
<tr>
<td>Decrease (Increase) in deferred income tax assets</td>
<td>₩ (15,177)</td>
<td>$ (12,070)</td>
</tr>
<tr>
<td>Increase in trade payables</td>
<td>₩ (181,205)</td>
<td>$ (144,100)</td>
</tr>
<tr>
<td>Increase in accounts payable-other</td>
<td>₩ (9,375)</td>
<td>$ (7,455)</td>
</tr>
<tr>
<td>Increase in advances from customers</td>
<td>₩ (19,137)</td>
<td>$ (15,219)</td>
</tr>
<tr>
<td>Increase (Decrease) in withholdings</td>
<td>₩ (11,317)</td>
<td>$ (9,000)</td>
</tr>
<tr>
<td>Increase in accrued expenses</td>
<td>₩ (1,922)</td>
<td>$ (1,528)</td>
</tr>
<tr>
<td>Increase in dividends payable</td>
<td>₩ 4</td>
<td>$ 3</td>
</tr>
<tr>
<td>Decrease in other current liabilities</td>
<td>₩ (9,066)</td>
<td>$ (7,210)</td>
</tr>
<tr>
<td>Increase (Decrease) in income tax payable</td>
<td>₩ (2,187)</td>
<td>$ (1,739)</td>
</tr>
<tr>
<td>Decrease in deferred income tax liabilities</td>
<td>₩ (12,299)</td>
<td>$ (9,781)</td>
</tr>
<tr>
<td>Decrease in deposits for severance benefits</td>
<td>₩ (5,935)</td>
<td>$ (4,719)</td>
</tr>
<tr>
<td>Contribution to National Pension Plan</td>
<td>₩ 54</td>
<td>$ 43</td>
</tr>
<tr>
<td>Payment of severance indemnities</td>
<td>₩ (8,169)</td>
<td>$ (6,496)</td>
</tr>
<tr>
<td>Decrease in long-term advances from customers</td>
<td>₩ (5,302)</td>
<td>$ (4,216)</td>
</tr>
<tr>
<td>Dividends from investment securities using the equity method</td>
<td>₩ 10,768</td>
<td>$ 8,563</td>
</tr>
</tbody>
</table>

(Continued)
### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 (In millions)</th>
<th>2007 (In millions)</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Withdrawal of short-term financial instruments</td>
<td>₩ 10,633</td>
<td>₩ 1,880</td>
<td>$ 8,455 $ 1,495</td>
</tr>
<tr>
<td>Collection of short-term loans</td>
<td>67,509</td>
<td>22,969</td>
<td>53,685 18,266</td>
</tr>
<tr>
<td>Withdrawal of long-term financial instruments</td>
<td>216</td>
<td>-</td>
<td>172 -</td>
</tr>
<tr>
<td>Proceeds from disposal of available-for-sale securities</td>
<td>8,811</td>
<td>88,551</td>
<td>7,007 70,418</td>
</tr>
<tr>
<td>Collections of long-term loans</td>
<td>60,279</td>
<td>2,743</td>
<td>47,936 2,181</td>
</tr>
<tr>
<td>Withdrawal of guarantee deposits</td>
<td>59,354</td>
<td>147,779</td>
<td>47,200 117,518</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant, and equipment</td>
<td>5,717</td>
<td>3,956</td>
<td>4,546 3,146</td>
</tr>
<tr>
<td>Settlement of foreign exchange forward</td>
<td>168</td>
<td>-</td>
<td>134 -</td>
</tr>
<tr>
<td><strong>Total Cash Inflows from Investing Activities</strong></td>
<td>212,687</td>
<td>267,878</td>
<td>169,135 213,024</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 (In millions)</th>
<th>2007 (In millions)</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of short-term financial instruments</td>
<td>6,736</td>
<td>4,980</td>
<td>5,357 3,960</td>
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<tr>
<td>Extension of short-term loans</td>
<td>79,948</td>
<td>34,014</td>
<td>63,576 27,049</td>
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<tr>
<td>Acquisition of long-term financial instruments</td>
<td>347</td>
<td>130</td>
<td>276 103</td>
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<tr>
<td>Acquisition of available-for-sale securities</td>
<td>22,525</td>
<td>21,229</td>
<td>17,913 16,882</td>
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<tr>
<td>Acquisition of investment securities using the equity method</td>
<td>3,071</td>
<td>2,200</td>
<td>2,443 1,749</td>
</tr>
<tr>
<td>Extension of long-term loans</td>
<td>44,444</td>
<td>34,225</td>
<td>35,184 27,217</td>
</tr>
<tr>
<td>Payment of guarantee deposits</td>
<td>58,165</td>
<td>157,558</td>
<td>46,254 125,295</td>
</tr>
<tr>
<td>Acquisition of property, plant, and equipment</td>
<td>16,078</td>
<td>17,023</td>
<td>12,786 13,537</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>962</td>
<td>7,738</td>
<td>765 6,154</td>
</tr>
<tr>
<td><strong>Total Cash Outflows from Investing Activities</strong></td>
<td>232,076</td>
<td>279,097</td>
<td>184,554 221,946</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>Korean Won</th>
<th>Translation into U.S. Dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In millions)</td>
</tr>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES:</td>
<td></td>
</tr>
<tr>
<td>Cash inflows from financial activities:</td>
<td></td>
</tr>
<tr>
<td>Proceeds from short-term borrowings</td>
<td>₩630,407</td>
</tr>
<tr>
<td>Proceeds from bonds payable</td>
<td>180,000</td>
</tr>
<tr>
<td>Proceeds from government subsidy</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from liability from securitization of future receivables</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from long-term prepaid expenses</td>
<td>1,688</td>
</tr>
<tr>
<td>Proceeds from disposal of treasury stock</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Cash Inflows</strong></td>
<td>812,095</td>
</tr>
<tr>
<td>Cash outflows from financial activities:</td>
<td></td>
</tr>
<tr>
<td>Repayment of short-term borrowings</td>
<td>549,334</td>
</tr>
<tr>
<td>Payment of cash dividends</td>
<td>11,743</td>
</tr>
<tr>
<td>Redemption of current portion of long-term debt</td>
<td>182,092</td>
</tr>
<tr>
<td>Repayment of current portion of long-term accounts payable-other</td>
<td>367</td>
</tr>
<tr>
<td>Repayment of liability from securitization of future receivables</td>
<td>11,815</td>
</tr>
<tr>
<td>Commissions of bonds payable</td>
<td>2,196</td>
</tr>
<tr>
<td>Repayment of long-term borrowings</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Cash Outflows</strong></td>
<td>757,547</td>
</tr>
<tr>
<td><strong>Net Increase in Cash and Cash Equivalents</strong></td>
<td>54,548</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
DONGBU CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. GENERAL:

Dongbu Corporation (the “Company”) was incorporated in 1969 as Miryung Construction Corporation under the Commercial Code of the Republic of Korea to provide engineering services and changed its name to Dongbu Corporation on February 28, 1989. The Company merged with Dongbu Express Co., Ltd. and Samsan Housing Construction Co., Ltd. in 1997 and 2000, respectively.

In addition, Junki Kim, the major shareholder and chairman, and other related parties hold 50.63% of the common stock of the Company as of December 31, 2008.

As of December 31, 2008, shareholders of the Company are as follows:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of shares (shares)</th>
<th>Percentage of ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Insurance Co., Ltd.</td>
<td>2,991,606</td>
<td>13.73</td>
</tr>
<tr>
<td>Dongbu Fine Chemicals Co., Ltd.</td>
<td>2,500,000</td>
<td>11.47</td>
</tr>
<tr>
<td>Kim, Junki</td>
<td>2,389,521</td>
<td>10.97</td>
</tr>
<tr>
<td>Dongbu Life Insurance Co., Ltd.</td>
<td>2,061,880</td>
<td>9.46</td>
</tr>
<tr>
<td>Dongbu Cultural Foundation</td>
<td>1,089,000</td>
<td>5.00</td>
</tr>
<tr>
<td>Others</td>
<td>10,758,338</td>
<td>49.37</td>
</tr>
<tr>
<td></td>
<td><strong>21,790,345</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won into U.S. Dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of W1,257.50 to US$ 1.00, the base rate announced by Seoul Money Brokerage Service, Ltd. as of December 31, 2008. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. Dollars at that or any other rate.

The Company’s financial statements to be presented to the shareholders’ meeting were approved by the board of directors on March 2, 2009.

Significant accounting policies followed by the Company in preparing the accompanying financial statements are summarized as follows:
Adoption of Newly Adopted Statements of Korea Accounting Standards

The Company adopted the revaluation method for land based on SKAS No. 5—“Property, Plant and Equipment” revised and announced in the current period. As a result of adopting the amended standards, land, investment securities using the equity method and net assets increased by ₩ 110,325 million, ₩ 52,444 million and ₩ 126,928 million, respectively, and net income before income tax decreased by ₩ 143 million for the year ended December 31, 2008. [See notes 6(2) and 8(2)]

Cash and Cash Equivalents

Cash equivalents include securities and short-term financial instruments where fluctuation of the fair values is not significant as interest rate changes and have maturities of three months or less from the acquisition date.

Financial Instruments

Short-term financial instruments are financial instruments traded by financial institutions, which are held for short-term cash management purposes or will mature within one year, which include time deposits and instalment savings deposits. Long-term financial instruments are instruments not included in current assets.

Transfer or Discount of Trade Receivables

In cases when trade receivables are transferred or discounted to another party with transferring right and obligation, the transferred or discounted amounts are deducted from the trade receivables and the loss is charged in current operations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on the management’s estimate of the collectibility of individual accounts and historical bad debts experience.

Prepaid Construction Costs

Prepaid construction costs directly related to construction contracts and paid before contracts are recorded as assets when related costs can be identified and measured reliably, and possibility of related contract is high. Prepaid construction costs are expensed when related construction works begin.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined using the following method:

<table>
<thead>
<tr>
<th>Method</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandises</td>
<td>Moving average</td>
</tr>
<tr>
<td>Materials and supplies</td>
<td>First-in, first-out</td>
</tr>
<tr>
<td>Other inventories</td>
<td>Specific identification</td>
</tr>
</tbody>
</table>

If the net realizable value of inventories is lower than the acquisition cost, the acquisition cost is adjusted to net realizable value and the difference between the original acquisition cost and revalued amount is charged to current operations and equivalent amount is recorded as provision for inventories in the balance sheet. The Company maintains perpetual inventory records, which are adjusted through physical counts.
Inventories as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and supplies</td>
<td>₩6,604</td>
<td>₩3,096</td>
</tr>
<tr>
<td>Merchandises</td>
<td>₩174</td>
<td>-</td>
</tr>
<tr>
<td>Land</td>
<td>₩107,529</td>
<td>₩107,529</td>
</tr>
<tr>
<td>Other inventories</td>
<td>₩9,457</td>
<td>₩9,457</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>₩123,764</strong></td>
<td><strong>₩120,082</strong></td>
</tr>
</tbody>
</table>

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

(1) **Classification of Securities**

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

(2) **Valuation of Securities**

Securities are recognized initially at cost (determined by the moving average method for equity securities and specific identification method for debt securities), which includes the market value of the consideration given and incidental expenses.

After initial recognition, held-to-maturity securities are valued at amortized cost. The difference between their acquisition costs and face values (referred to as “discounts” or “premiums” on debt securities) is amortized over the remaining term of the securities by applying the effective interest rate method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sale securities are also valued at fair value, with unrealized gains or losses included in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of accumulated other comprehensive income (loss) is reflected in current operations. However, available-for-sale securities that are not traded in an active market (“non-marketable securities”) and whose fair values cannot be reliably estimated are accounted for at their acquisition costs.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

(3) **Reclassification of Securities**

Trading securities cannot be reclassified into available-for-sale or held-to-maturity securities, except when certain trading securities lose their marketability. When trading securities are reclassified into available-for-sale or held-to-maturity securities, fair value at the reclassification date is recognized as a cost and unrealized gain or loss up to the reclassification date is included in current operation.
Investment Securities Using the Equity Method

Equity securities held for investments in companies in which the Company is able to exercise significant influence over the investees are accounted for using the equity method. The Company’s share in net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to accumulated other comprehensive income (loss).

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Assets acquired from investment-in-kind, by donation or free of charge in other ways are stated at fair value. However, certain assets, for which the revaluation method in accordance with the Korean Assets Revaluation Act or revaluation model in accordance with the amendment SKAS No. 5 is elected, are recorded at revalued amounts.

Routine maintenance and repairs are expensed as incurred. Expenditures incurred after the acquisition of the property, plant and equipment that increase the future economic benefits beyond the property’s most recently measured performance are capitalized as additions to property, plant and equipment.

In addition, interest expense and other financing charges for borrowings (that were used for the manufacture, purchase, or construction of property, plant and equipment) incurred prior to the completion of the asset are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

<table>
<thead>
<tr>
<th>Useful lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
</tr>
<tr>
<td>Structures</td>
</tr>
<tr>
<td>Machinery and equipment</td>
</tr>
<tr>
<td>Vehicles</td>
</tr>
<tr>
<td>Others</td>
</tr>
</tbody>
</table>

Intangible Assets

Intangible assets are stated at cost, net of amortization. Amortization is computed using the straight-line method, based on the estimated useful lives of the assets as follows:

<table>
<thead>
<tr>
<th>Estimated useful lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary right</td>
</tr>
<tr>
<td>Development costs</td>
</tr>
<tr>
<td>Other intangibles</td>
</tr>
</tbody>
</table>

Provision for Losses

The Company recognizes provision for losses on construction contracts as other current liabilities when expected costs of sales exceed the contract amount. The Company also recognizes provision for losses as other current liabilities when all of the following conditions are met:

a. The Company has a present obligation (legal or constructive) as a result of a past event
b. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
c. A reliable estimate can be made of the amount of the obligation

Combined Construction Contracts

For combined construction contract, the Company recognizes its portion of revenue, cost, assets and liabilities of the construction based on ratio of contracts.
Accrued Severance Indemnities

Employees with more than one year of service are entitled to receive severance indemnities, based on their length of service and rate of pay, upon termination of their employment. The severance indemnities that would be payable assuming all eligible employees were to resign amount to W28,473 million and W23,900 million as of December 31, 2008 and 2007, respectively.

Funding for this liability is not required by law; however, the Company has entered into a severance insurance plan in accordance with the Labor Standard Law of Korea. This plan restricts severance payment directly to the eligible employees and directors, and meets funding requirement for additional tax deduction purposes. The amounts funded under the severance insurance plan of W20,514 million and W14,579 million as of December 31, 2008 and 2007, respectively, are presented as deductions from accrued severance indemnities.

By March 2000, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of employees’ 6 percent and is paid back at the termination of service by offsetting the receivable against the severance payment. As of December 31, 2008 and 2007, the receivables amounting to W178 million and W232 million, respectively, are presented as deductions from accrued severance indemnities. Since April 1999, the Company and its employees each pay 4.5 percent of monthly pay to the National Pension Fund under the revised National Pension Law of Korea.

Changes in accrued severance indemnities in 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of the year</td>
<td>W 23,900</td>
<td>W 20,372</td>
</tr>
<tr>
<td>Provision for severance indemnities</td>
<td>12,742</td>
<td>10,603</td>
</tr>
<tr>
<td>Payment of severance indemnities</td>
<td>(8,169)</td>
<td>(7,075)</td>
</tr>
<tr>
<td>End of the year</td>
<td>W 28,473</td>
<td>W 23,900</td>
</tr>
</tbody>
</table>

Lease

A lease is classified as a finance lease or an operating lease depending on the extent of transfer to the Company of the risks and rewards incidental to ownership. If a lease meets any one of the following criteria, it is accounted for as a finance lease:

• The lease transfers ownership of the asset to the lessee by the end of the lease term;
• The lessee has the option to purchase the asset at a bargain price and it is certain that the option will be exercised;
• The lease term is for the major part (75% or more) of the economic life of the asset even if title is not transferred;
• At the date of lease commencement the present value of the minimum lease payments amounts to at least substantially all (90% or more) of the fair value of the leased asset; or
• The leased assets are of such a specialized nature that only the Company can use them without major modifications.

All other leases are treated as operating leases.

For operating leases, lease payments excluding guaranteed residual value are recognized as an expense on a straight-line basis over the lease term and contingent rent is expensed as incurred. Finance leases are recognized as assets and liabilities at the lower of fair value of the leased property or the present value of the minimum lease payments discounted using the implicit interest rate of the lessor (or the Company’s incremental borrowing rate if the implicit interest rate is not practicable to determine). Any initial direct costs incurred by the Company are added to the amount recognized as an asset. The depreciation policy for depreciable leased assets is consistent with that for the similar depreciable assets that are owned by the Company. Annual minimum lease payments excluding guaranteed residual value is allocated to interest expense, which is calculated using the effective interest rate, and finance lease repayment amount. Contingent rent relating to finance lease is charged as expenses in the periods in which they are incurred, however, if the amount is material, it is allocated to principal and interest, respectively, over the remaining lease term.
Derivative Instruments

The Company records rights and obligations arising from derivative instruments in assets and liabilities, which are stated at fair value. Gains and losses that result from the changes in the fair value of derivative instruments are recognized in current earnings. However, for derivative instruments that cash flow hedge accounting applies to, the effective portion of the gain or loss on the derivatives instruments are recorded as gain (loss) on valuation of derivatives included in accumulated other comprehensive income (loss).

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing exchange rate on the transaction date. Monetary assets and liabilities with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rate prevailing at the balance sheet date. The balances have been translated using the rate announced by Seoul Money Brokerage Services Ltd., which was ₩1,257.50 and ₩938.20 to US$1.00 at December 31, 2008 and 2007, respectively, and the translation gains or losses are reflected in current operations.

Revenue Recognition

Revenue from construction contracts and sales projects for housing in lots are recognized using the percentage-of-completion method. When there are circumstances that the percentage-of-completion method cannot be applied because the outcome of a construction contract cannot be estimated reliably or it is uncertain to collect the revenue, contract revenue is recognized only to the extent of contract costs incurred that are probable of being recovered and contract costs are recognized as expenses in the period incurred.

Income Tax Expense

The provision for income tax is the corporate income tax and resident surcharges currently payable plus the changes in deferred income taxes for the year. The Company recognizes deferred income taxes arising from temporary differences between amounts reported for financial accounting and income tax purposes. Deferred income taxes will be offset against those incurred in the future, if any. Deferred income taxes are recalculated based on the actual tax rate in effect at each balance sheet date.

The Company classifies its deferred income tax assets or liabilities as either current or non-current consistent with the classification of the related asset or liability. A deferred income tax asset or liability, which is not related to an asset or liability for financial reporting purposes, such as the deferred income tax consequences related to net operating loss carryforward, is classified based on the expected reversal of utilization date. Deferred income tax assets or liabilities are presented as net amount in each current or non-current classification after offsetting against deferred income tax liabilities or assets in each classification.

3. RISTRICTED FINANCIAL INSTRUMENTS:

Restricted deposits as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>₩1,303</td>
<td>₩-</td>
</tr>
<tr>
<td>Short-term financial instruments</td>
<td>12,498</td>
<td>11,239</td>
</tr>
<tr>
<td>Long-term financial instruments</td>
<td>₩45</td>
<td>₩45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>₩13,846</td>
<td>₩11,644</td>
</tr>
</tbody>
</table>

Attached deposits
Collateral for borrowings and others
Collateral for borrowings and others
Guarantee for checking accounts
4. **DISPOSAL OF TRADE RECEIVABLES:**

The Company transferred trade receivables of ₩159,854 million and ₩172,511 million in 2008 and 2007, respectively. As a result of this disposal, the Company recognized loss on disposal of trade receivables of ₩2,815 million and ₩3,425 million in 2008 and 2007, respectively. As of December 31, 2008 and 2007, the uncollected securitized trade receivables are ₩21,448 million and ₩11,817 million, respectively.

5. **AVAILABLE-FOR-SALE SECURITIES:**

(1) Available-for-sale securities as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable equity security</td>
<td>₩20,933</td>
<td>₩61,063</td>
</tr>
<tr>
<td>Unmarketable security</td>
<td>288,341</td>
<td>276,008</td>
</tr>
<tr>
<td>Government and municipal bonds</td>
<td>22,328</td>
<td>15,085</td>
</tr>
<tr>
<td>Other bonds</td>
<td>11,680</td>
<td>12,601</td>
</tr>
<tr>
<td></td>
<td>343,282</td>
<td>364,757</td>
</tr>
<tr>
<td>Less: Current portion</td>
<td>(13,370)</td>
<td>(2,216)</td>
</tr>
<tr>
<td></td>
<td>₩329,912</td>
<td>₩362,541</td>
</tr>
</tbody>
</table>

(2) Marketable equity securities among available-for-sale securities as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008 cost</th>
<th>2008 Fair value</th>
<th>2007 cost</th>
<th>2007 Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu HiTek Co., Ltd.</td>
<td>₩146,747</td>
<td>₩20,899</td>
<td>₩168,956</td>
<td>₩61,010</td>
</tr>
<tr>
<td>KTIC Global Co., Ltd.</td>
<td>15</td>
<td>3</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>24</td>
<td>31</td>
<td>25</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>₩146,786</td>
<td>₩20,933</td>
<td>₩168,996</td>
<td>₩61,063</td>
</tr>
</tbody>
</table>

For the above marketable securities, the Company recognized loss on valuation of available-for-sale securities (accumulated other comprehensive loss) amounting to ₩98,164 million as accumulated other comprehensive loss, net of deferred income taxes amounting to ₩27,689 million as of December 31, 2008. The Company disposed some of Dongbu HiTek Co., Ltd.’s stock and recognized loss on disposal of available-for-sale securities of ₩18,899 million in 2008.
(3) Unmarketable securities among available-for-sale securities as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Securities</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share(%)</td>
<td>Acquisition cost</td>
</tr>
<tr>
<td>Manwolsan Tunnel</td>
<td>30.00</td>
<td>₩10,050</td>
</tr>
<tr>
<td>Incheon International Airport Railroad Co., Ltd.</td>
<td>7.81</td>
<td>₩72,706</td>
</tr>
<tr>
<td>Kongju Environment Co., Ltd.</td>
<td>41.00</td>
<td>₩2,095</td>
</tr>
<tr>
<td>Kangnam Circulation Road Co., Ltd.</td>
<td>1.47</td>
<td>₩1,026</td>
</tr>
<tr>
<td>Incheon Northport SOC</td>
<td>100.00</td>
<td>₩55,001</td>
</tr>
<tr>
<td>Shinbundangsun Railroad</td>
<td>7.14</td>
<td>₩11,114</td>
</tr>
<tr>
<td>Yongma Tunnel Co., Ltd.</td>
<td>6.00</td>
<td>₩228</td>
</tr>
<tr>
<td>Keongki Highway Co., Ltd.</td>
<td>13.33</td>
<td>₩32,212</td>
</tr>
<tr>
<td>Dongbu Co., Ltd.</td>
<td>7.43</td>
<td>₩310</td>
</tr>
<tr>
<td>Korea Construction Financial Cooperative</td>
<td>0.20</td>
<td>₩10,115</td>
</tr>
<tr>
<td>Electric Contractor's Financial Cooperative</td>
<td>0.01</td>
<td>50</td>
</tr>
<tr>
<td>Information &amp; Communication Financial Cooperative</td>
<td>0.06</td>
<td>46</td>
</tr>
<tr>
<td>Engineering Financial Cooperative</td>
<td>0.02</td>
<td>12</td>
</tr>
<tr>
<td>Seoul Express T/M (*1)</td>
<td>6.17</td>
<td>218</td>
</tr>
<tr>
<td>Shinseondae Container T/M (*1)</td>
<td>9.01</td>
<td>424</td>
</tr>
<tr>
<td>Pyeongtaek port (*1)</td>
<td>16.60</td>
<td>251</td>
</tr>
<tr>
<td>Distripark Pusan Co., Ltd.</td>
<td>20.65</td>
<td>1,200</td>
</tr>
<tr>
<td>Dongbu NTS Co., Ltd.</td>
<td>80.10</td>
<td>4,150</td>
</tr>
<tr>
<td>Deasung Transportation Co., Ltd.</td>
<td>100.00</td>
<td>6,696</td>
</tr>
<tr>
<td>Others (*1)</td>
<td>12,091</td>
<td>10,810</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>219,995</strong></td>
<td><strong>288,341</strong></td>
</tr>
</tbody>
</table>

The Company recognized gain on valuation of available-for-sale securities (accumulated other comprehensive income) of ₩54,059 million, net of deferred income taxes of ₩15,248 million as of December 31, 2008.

(*1) Some of above non-listed equity securities are recorded at fair value according to [2006-5] “Accounting for valuation on non-listed equity securities” and the difference between acquisition cost and fair value is accounted for as accumulated other comprehensive income. The Company relied on outside public-trusted and independent specialists to estimate the fair value. The details of estimated fair value as of December 31, 2008 are as follows (Won in millions except per shares amounts):

<table>
<thead>
<tr>
<th>Valuation method</th>
<th>Per share amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul Express T/M</td>
<td>Asset approach</td>
<td>₩532,060</td>
</tr>
<tr>
<td>Shinseondae Container T/M</td>
<td>Profit approach</td>
<td>₩90,297</td>
</tr>
<tr>
<td>Pyeongtaek port</td>
<td>Profit approach</td>
<td>₩87,723</td>
</tr>
<tr>
<td>Others</td>
<td>Asset approach</td>
<td>-</td>
</tr>
</tbody>
</table>

(4) Government and municipal bonds among available-for-sale securities as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Securities</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government bonds</td>
<td>24,924</td>
<td>22,328</td>
</tr>
<tr>
<td>Less: Current portion</td>
<td>(1,690)</td>
<td>(690)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,634</strong></td>
<td><strong>14,484</strong></td>
</tr>
</tbody>
</table>
The Company recognized loss on valuation of available-for-sale securities (accumulated other comprehensive loss) of W2,025 million, net of deferred income taxes of W571 million as of December 31, 2008.

(5) Details of other bonds among available-for-sale securities as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition cost</td>
<td>Book value</td>
</tr>
<tr>
<td>Dongbu HiTek Co., Ltd. CB</td>
<td>₩9,964</td>
<td>₩10,651</td>
</tr>
<tr>
<td>Subordinated bonds (*1)</td>
<td>750</td>
<td>-</td>
</tr>
<tr>
<td>Container Quayside Development</td>
<td>1,029</td>
<td>1,029</td>
</tr>
<tr>
<td>Less : Current portion</td>
<td>(10,993)</td>
<td>(11,680)</td>
</tr>
<tr>
<td></td>
<td>₩750</td>
<td>-</td>
</tr>
</tbody>
</table>


The Company recognized gain on valuation of available-for-sale securities (accumulated other comprehensive income) of ₩536 million, net of deferred income taxes of ₩151 million as of December 31, 2008.

(6) Maturities of bonds among available-for-sale securities as of December 31, 2008 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>Government and municipal bonds</th>
<th>CB</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>₩1,690</td>
<td>₩10,651</td>
<td>₩1,029</td>
<td>₩13,370</td>
</tr>
<tr>
<td>1 ~ 5 years</td>
<td>₩19,288</td>
<td>-</td>
<td>-</td>
<td>₩19,288</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>₩1,350</td>
<td>-</td>
<td>-</td>
<td>₩1,350</td>
</tr>
<tr>
<td></td>
<td>₩22,328</td>
<td>₩10,651</td>
<td>₩1,029</td>
<td>₩34,008</td>
</tr>
</tbody>
</table>

6. INVESTMENT SECURITIES USING THE EQUITY METHOD:

(1) Investments in affiliates subject to equity method as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of ownership(%)</td>
<td>Acquisition cost</td>
</tr>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>9.78</td>
<td>₩16,637</td>
</tr>
<tr>
<td>Dongbu Engineering</td>
<td>100.00</td>
<td>₩5,000</td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>25.25</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu Pusan Container Terminal Co., Ltd.</td>
<td>65.00</td>
<td>₩6,500</td>
</tr>
<tr>
<td>Dongbu Australia</td>
<td>100.00</td>
<td>₩1,520</td>
</tr>
<tr>
<td>DSD Sky Land Co., Ltd.</td>
<td>25.00</td>
<td>₩1,250</td>
</tr>
<tr>
<td>Fine Advantas PFV Company, Ltd.</td>
<td>19.00</td>
<td>₩950</td>
</tr>
<tr>
<td>Deasung TLS Co., Ltd.</td>
<td>80.83</td>
<td>₩3,072</td>
</tr>
<tr>
<td></td>
<td>₩34,929</td>
<td>₩121,698</td>
</tr>
</tbody>
</table>
Details of valuation using the equity method in 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning balance</td>
<td>Gain (loss) on valuation using the equity method</td>
<td>Other comprehensive income (*1)</td>
<td>Others (*2)</td>
</tr>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>₩ 55,245</td>
<td>₩ (11,356)</td>
<td>₩ 45,143</td>
<td>₩ (2,649)</td>
</tr>
<tr>
<td>Dongbu Engineering</td>
<td>₩ 13,043</td>
<td>₩ (809)</td>
<td>₩ 13</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>-</td>
<td>-</td>
<td>₩ 4,403</td>
<td>(4,403)</td>
</tr>
<tr>
<td>Dongbu Pusan Container Terminal Co., Ltd.</td>
<td>₩ 19,449</td>
<td>₩ 9,220</td>
<td>-</td>
<td>(10,075)</td>
</tr>
<tr>
<td>Dongbu Hannong Chemical Co., Ltd.</td>
<td>₩ 74,074</td>
<td>₩ 4,845</td>
<td>(3,646)</td>
<td>(75,273)</td>
</tr>
<tr>
<td>Dongbu Engineering</td>
<td>₩ 12,410</td>
<td>₩ 655</td>
<td>(22)</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu Pusan Container Terminal Co., Ltd.</td>
<td>₩ 25,624</td>
<td>(1,625)</td>
<td>-</td>
<td>(4,550)</td>
</tr>
<tr>
<td>Dongbu Australia</td>
<td>₩ 1,476</td>
<td>(28)</td>
<td>206</td>
<td>-</td>
</tr>
<tr>
<td>DSD Sky Land Co., Ltd.</td>
<td>₩ 1,250</td>
<td>(1,250)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fine Advantas PFV Company, Ltd.</td>
<td>₩ 950</td>
<td>(1,355)</td>
<td>-</td>
<td>405</td>
</tr>
<tr>
<td>Deasung TLS Co., Ltd.</td>
<td>-</td>
<td>(252)</td>
<td>-</td>
<td>3,072</td>
</tr>
<tr>
<td></td>
<td>₩ 91,413</td>
<td>₩ (5,830)</td>
<td>₩ 49,765</td>
<td>₩ (13,650)</td>
</tr>
</tbody>
</table>

(*1) The Company adopted the revaluation model to measure the land and applied the same revaluation model for the affiliates subject to equity method, which increased investment securities using the equity method amounting to ₩ 52,444 million as of December 31, 2008.

(*2) Others are increase (decrease) from changes in ownership percentage, dividends from investees, changes in retained earnings and others.

Changes in investment difference (difference between the cost of acquisition and the Company’s share of the fair value of the invested company) for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning balance</td>
<td>Gain (loss) on valuation using the equity method</td>
<td>Other comprehensive income(loss)</td>
<td>Others (*2)</td>
</tr>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>₩ 39,774</td>
<td>₩ 7,922</td>
<td>₩ 7,933</td>
<td>₩ (384)</td>
</tr>
<tr>
<td>Dongbu Hannong Chemical Co., Ltd.</td>
<td>₩ 74,074</td>
<td>₩ 4,845</td>
<td>(3,646)</td>
<td>(75,273)</td>
</tr>
<tr>
<td>Dongbu Engineering</td>
<td>₩ 12,410</td>
<td>₩ 655</td>
<td>(22)</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu Pusan Container Terminal Co., Ltd.</td>
<td>₩ 25,624</td>
<td>(1,625)</td>
<td>-</td>
<td>(4,550)</td>
</tr>
<tr>
<td>Dongbu Australia</td>
<td>₩ 1,496</td>
<td>-</td>
<td>(20)</td>
<td>-</td>
</tr>
<tr>
<td>DSD Sky Land Co., Ltd.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,250</td>
</tr>
<tr>
<td>Fine Advantas PFV Company, Ltd.</td>
<td>-</td>
<td>(151)</td>
<td>-</td>
<td>754</td>
</tr>
<tr>
<td>Deasung TLS Co., Ltd.</td>
<td>-</td>
<td>(252)</td>
<td>-</td>
<td>3,072</td>
</tr>
<tr>
<td></td>
<td>₩ 153,378</td>
<td>₩ 11,797</td>
<td>₩ 4,245</td>
<td>(78,007)</td>
</tr>
</tbody>
</table>

(3) Changes in investment difference (difference between the cost of acquisition and the Company’s share of the fair value of the invested company) for the years ended December 31, 2008 and 2007 are as follows (Won in millions):
2007

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>₩5,599</td>
<td>₩1,933</td>
<td>₩14,425</td>
</tr>
<tr>
<td>Dongbu Engineering</td>
<td>21,665</td>
<td>9,418</td>
<td>56,621</td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>220,124</td>
<td>277,251</td>
<td>40,399</td>
</tr>
<tr>
<td>DSD Sky Land Co., Ltd.*1</td>
<td>71,365</td>
<td>42,759</td>
<td>63,729</td>
</tr>
<tr>
<td>Fine Advantas PFV Company, Ltd.*1</td>
<td>13,601</td>
<td>10,859</td>
<td>5,379</td>
</tr>
</tbody>
</table>

(4) Adjusted unrealized intercompany gains between the Company and the invested companies as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment, and others</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(5) Change in net asset value not recognized due to the discontinuance of the equity method of accounting due to the respective book value of the investment account balance being zero are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Description</th>
<th>Changes in 2008</th>
<th>Cumulative changes up to 2007</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>₩4,757</td>
<td>₩9,668</td>
<td>₩14,425</td>
</tr>
<tr>
<td>DSD Sky Land Co., Ltd.</td>
<td>5,701</td>
<td>-</td>
<td>5,701</td>
</tr>
<tr>
<td>Fine Advantas PFV Company, Ltd.*1</td>
<td>1,017</td>
<td>-</td>
<td>1,017</td>
</tr>
</tbody>
</table>

(*1) The Company recorded ₩405 million of unrecorded losses on investment security using the equity method as additional allowances for doubtful account for long-term loans.

(6) The key financial figures of investees accounted for using the equity method as of and for the year ended December 31, 2008 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Description</th>
<th>Total assets</th>
<th>Total liabilities</th>
<th>Sales</th>
<th>Net income (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>₩3,835,701</td>
<td>₩2,481,931</td>
<td>₩3,134,237</td>
<td>₩(118,733)</td>
</tr>
<tr>
<td>Dongbu Engineering</td>
<td>21,665</td>
<td>9,418</td>
<td>56,621</td>
<td>(809)</td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>220,124</td>
<td>277,251</td>
<td>40,399</td>
<td>(18,041)</td>
</tr>
<tr>
<td>Dongbu Pusan Container Terminal Co., Ltd.</td>
<td>71,365</td>
<td>42,759</td>
<td>63,729</td>
<td>15,550</td>
</tr>
<tr>
<td>Dongbu Australia</td>
<td>1,676</td>
<td>22</td>
<td>1</td>
<td>(14)</td>
</tr>
<tr>
<td>DSD Sky Land Co., Ltd.</td>
<td>313,386</td>
<td>357,479</td>
<td></td>
<td>(22,480)</td>
</tr>
<tr>
<td>Fine Advantas PFV Company, Ltd.</td>
<td>169,179</td>
<td>180,044</td>
<td>530</td>
<td>(11,642)</td>
</tr>
<tr>
<td>Deasung TLS Co., Ltd.</td>
<td>13,601</td>
<td>10,859</td>
<td>5,379</td>
<td>(125)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>₩7,100</td>
<td>₩15,300</td>
</tr>
</tbody>
</table>

(7) Stock prices of marketable investment securities using the equity method as of December 31, 2008 and 2007 are as follows (Won per share):
(8) The Company used draft financial statements as of December 31, 2008 for Dongbu Steel Co., Ltd., Dongbu Engineering, Dongbu World Co., Ltd., Dongbu Pusan Container Terminal Co., Ltd., DSD Sky Land Co., Ltd. and Fine Advantas PFV Company, Ltd., Deasung TLS Co., Ltd., and audited financial statements as of December 31, 2007 for Dongbu Australia. The Company adjusted net assets from the drafts of financial statements as follows to agree with the Company’s accounting policies:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>W (27,079)</td>
<td></td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>17,440</td>
<td>W (4,639)</td>
</tr>
</tbody>
</table>

7. SHORT-TERM LOANS:

Short-term loans to employees as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans to employees</td>
<td>W -</td>
<td>W 3</td>
</tr>
</tbody>
</table>

8. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

2008

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Acquisition</th>
<th>Disposal</th>
<th>Transfer</th>
<th>Depreciation</th>
<th>Other(*1)</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>W 85,781</td>
<td>W 5</td>
<td>W (62)</td>
<td>W -</td>
<td>W -</td>
<td>W 110,325</td>
<td>W 196,049</td>
</tr>
<tr>
<td>Buildings</td>
<td>64,846</td>
<td>73</td>
<td>-</td>
<td>-</td>
<td>(1,964)</td>
<td>-</td>
<td>62,955</td>
</tr>
<tr>
<td>Structures</td>
<td>4,672</td>
<td>234</td>
<td>-</td>
<td>232</td>
<td>(374)</td>
<td>-</td>
<td>4,764</td>
</tr>
<tr>
<td>Machinery</td>
<td>11,249</td>
<td>3,722</td>
<td>(1)</td>
<td>495</td>
<td>(2,207)</td>
<td>-</td>
<td>13,258</td>
</tr>
<tr>
<td>Vehicles</td>
<td>15,362</td>
<td>5,728</td>
<td>(4,677)</td>
<td>1,378</td>
<td>(5,790)</td>
<td>-</td>
<td>12,001</td>
</tr>
<tr>
<td>Other</td>
<td>9,695</td>
<td>1,702</td>
<td>(20)</td>
<td>627</td>
<td>(2,510)</td>
<td>-</td>
<td>9,494</td>
</tr>
<tr>
<td>Subsidy</td>
<td>(1,183)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>200</td>
<td>-</td>
<td>(983)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,306</td>
<td>4,614</td>
<td>-</td>
<td>(4,118)</td>
<td>-</td>
<td>-</td>
<td>1,802</td>
</tr>
</tbody>
</table>

(*1) Other changes are due to the Company’s adoption of the revaluation model for its land.

2007

<table>
<thead>
<tr>
<th></th>
<th>Beginning</th>
<th>Acquisition</th>
<th>Disposal</th>
<th>Transfer</th>
<th>Depreciation</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>W 83,664</td>
<td>W -</td>
<td>W (47)</td>
<td>W 2,164</td>
<td>W -</td>
<td>W 85,781</td>
</tr>
<tr>
<td>Buildings</td>
<td>64,420</td>
<td>1,285</td>
<td>-</td>
<td>1,081</td>
<td>(1,940)</td>
<td>64,846</td>
</tr>
<tr>
<td>Structures</td>
<td>4,285</td>
<td>647</td>
<td>(9)</td>
<td>90</td>
<td>(341)</td>
<td>4,672</td>
</tr>
<tr>
<td>Machinery</td>
<td>8,401</td>
<td>4,061</td>
<td>(5)</td>
<td>531</td>
<td>(1,739)</td>
<td>11,249</td>
</tr>
<tr>
<td>Vehicles</td>
<td>24,001</td>
<td>999</td>
<td>(2,289)</td>
<td>-</td>
<td>(7,349)</td>
<td>15,362</td>
</tr>
<tr>
<td>Vessels</td>
<td>203</td>
<td>-</td>
<td>(185)</td>
<td>-</td>
<td>(18)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>5,271</td>
<td>3,365</td>
<td>(32)</td>
<td>3,047</td>
<td>(1,956)</td>
<td>9,695</td>
</tr>
<tr>
<td>Subsidy</td>
<td>(1,200)</td>
<td>-</td>
<td>-</td>
<td>17</td>
<td>(1,183)</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>691</td>
<td>6,665</td>
<td>-</td>
<td>(6,050)</td>
<td>-</td>
<td>1,306</td>
</tr>
<tr>
<td></td>
<td>W 190,936</td>
<td>W 15,822</td>
<td>W (2,567)</td>
<td>W 863</td>
<td>W (13,326)</td>
<td>W 191,728</td>
</tr>
</tbody>
</table>
(2) The Company adopted the revaluation model to valuate its land after the date of acquisition. Date of revaluation is December 31, 2008 and the amount of revaluated land and book value using cost model are W196,049 million and W85,724 million, respectively. The Company recorded revaluation gain on property, plant and equipment amounting to W86,165 million as other accumulated other comprehensive income, net of deferred income taxes amounting to W24,303 million and recorded loss on revaluation of property, plant and equipment amounting to W143 million in non-operating expenses.

(3) As of December 31, 2008, the value of the Company-owned land according to prices officially announced by the Ministry of Land, Transportation & Maritime Affairs is W278,570 million with book value of W303,578 million (including land classified as inventories of W107,529 million).

(4) As of December 31, 2008 and 2007, property, plant and equipment are insured for W40,019 million and W45,556 million, respectively, with Dongbu Insurance Co., Ltd. and others. The Company also carries commercial general liability insurance and automobile insurance for its vehicles.

9. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>Acquisition cost</th>
<th>Amortization</th>
<th>Book value</th>
<th>Acquisition cost</th>
<th>Amortization</th>
<th>Book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary rights</td>
<td>W 72,283</td>
<td>W 37,038</td>
<td>W 35,245</td>
<td>W 71,894</td>
<td>W 30,605</td>
<td>W 41,289</td>
</tr>
<tr>
<td>Mining right</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td>Development cost</td>
<td>21,929</td>
<td>12,795</td>
<td>9,134</td>
<td>20,583</td>
<td>8,796</td>
<td>11,787</td>
</tr>
<tr>
<td>Others</td>
<td>5,761</td>
<td>2,192</td>
<td>3,569</td>
<td>5,816</td>
<td>1,821</td>
<td>3,995</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>W 99,992</td>
<td>W 52,025</td>
<td>W 47,967</td>
<td>W 98,312</td>
<td>W 41,222</td>
<td>W 57,090</td>
</tr>
</tbody>
</table>

(2) Changes in intangible assets for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>Beginning balance</th>
<th>Acquisition</th>
<th>Transfer</th>
<th>Amortization</th>
<th>Ending balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary rights</td>
<td>W 41,289</td>
<td>W 388</td>
<td>-</td>
<td>W (6,432)</td>
<td>W 35,245</td>
</tr>
<tr>
<td>Mining right</td>
<td>19</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19</td>
</tr>
<tr>
<td>Development cost</td>
<td>11,787</td>
<td>156</td>
<td>1,190</td>
<td>(3,999)</td>
<td>9,134</td>
</tr>
<tr>
<td>Others</td>
<td>3,995</td>
<td>418</td>
<td>196</td>
<td>(1,040)</td>
<td>3,569</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>W 57,090</td>
<td>W 962</td>
<td>W 1,386</td>
<td>W (11,471)</td>
<td>W 47,967</td>
</tr>
</tbody>
</table>

(3) Ordinary development costs expensed for the years ended December 31, 2008 and 2007 are W16,206 million and W25,066 million, respectively.
10. **BORROWINGS AND LONG-TERM ACCOUNTS PAYABLE:**

(1) Short-term borrowings as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>Annual interest rate (%)</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General term loans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hana Bank</td>
<td>9.19</td>
<td>₩22,000</td>
<td>₩22,000</td>
</tr>
<tr>
<td>Kookmin Bank</td>
<td>7.43–8.49</td>
<td>₩59,500</td>
<td>₩49,300</td>
</tr>
<tr>
<td>Nonghyup Bank</td>
<td>6.25</td>
<td>₩10,000</td>
<td>₩10,000</td>
</tr>
<tr>
<td>Jeonbuk Bank</td>
<td>8.26</td>
<td>₩10,000</td>
<td>₩10,000</td>
</tr>
<tr>
<td>Industrial Bank of Korea</td>
<td>7.37</td>
<td>₩30,000</td>
<td>₩30,000</td>
</tr>
<tr>
<td>The Korea Securities Finance Corp.</td>
<td>7.80</td>
<td>₩4,000</td>
<td>₩10,000</td>
</tr>
<tr>
<td>Kwangju Bank</td>
<td>10.00</td>
<td>₩10,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Commercial paper</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBK Capital</td>
<td>14.00</td>
<td>₩5,000</td>
<td>-</td>
</tr>
<tr>
<td>Woori Bank</td>
<td>6.60</td>
<td>-</td>
<td>₩20,000</td>
</tr>
<tr>
<td>Shinhan Bank</td>
<td>7.60–8.95</td>
<td>₩20,000</td>
<td>-</td>
</tr>
<tr>
<td>Hana Bank</td>
<td>9.51</td>
<td>₩40,000</td>
<td>-</td>
</tr>
<tr>
<td>*<em>Loans collateralized by receivables (<em>1)</em></em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Busan HK Mutual Savings Bank</td>
<td>15.00</td>
<td>₩2,000</td>
<td>-</td>
</tr>
<tr>
<td>Solomon Mutual Savings Bank</td>
<td>15.00</td>
<td>₩9,854</td>
<td>-</td>
</tr>
<tr>
<td>Shilla Mutual Savings Bank</td>
<td>15.00</td>
<td>₩2,000</td>
<td>-</td>
</tr>
<tr>
<td>HK Mutual Savings Bank</td>
<td>15.00</td>
<td>₩3,000</td>
<td>-</td>
</tr>
<tr>
<td>Prime Mutual Savings Bank</td>
<td>15.00</td>
<td>₩5,019</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>₩232,373</td>
<td>₩151,300</td>
</tr>
</tbody>
</table>

(*1) Trade receivables provided as collateral by the Company are ₩56,152 million in 2008. Related borrowings are ₩21,873 million as of December 31, 2008 and interest expense recorded is ₩1,400 million in 2008.

(2) Long-term borrowings as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>Annual interest rate (%)</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General term loans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea Development Bank</td>
<td>7.08–8.50</td>
<td>₩34,000</td>
<td>₩35,537</td>
</tr>
<tr>
<td>Hana Bank</td>
<td>5.00</td>
<td>₩21</td>
<td>42</td>
</tr>
<tr>
<td>Woori Bank</td>
<td>5.79</td>
<td>₩6,460</td>
<td>₩6,460</td>
</tr>
<tr>
<td><strong>Operation loans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea Housing Guarantee Co., Ltd.</td>
<td>1.00</td>
<td>₩11,807</td>
<td>₩11,807</td>
</tr>
<tr>
<td><strong>Long term loans</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea Resources Corporation</td>
<td>5.00</td>
<td>₩138</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>₩52,426</td>
<td>₩53,996</td>
</tr>
<tr>
<td><strong>Less: Current portion</strong></td>
<td></td>
<td>₩(4,130)</td>
<td>₩(36,667)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>₩48,296</td>
<td>₩17,329</td>
</tr>
</tbody>
</table>
(3) Debentures as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Date of issue</th>
<th>Maturity date</th>
<th>Annual interest rate (%)</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>180th debenture</td>
<td>06.02.09</td>
<td>09.02.09</td>
<td>6.63</td>
<td>₩50,000</td>
</tr>
<tr>
<td>181st debenture</td>
<td>06.03.22</td>
<td>09.03.22</td>
<td>6.50</td>
<td>₩50,000</td>
</tr>
<tr>
<td>182nd debenture</td>
<td>06.04.26</td>
<td>08.04.26</td>
<td>6.10</td>
<td>-</td>
</tr>
<tr>
<td>183rd debenture</td>
<td>06.04.26</td>
<td>08.04.26</td>
<td>6.00</td>
<td>-</td>
</tr>
<tr>
<td>184th debenture</td>
<td>06.06.19</td>
<td>08.06.19</td>
<td>5.89</td>
<td>-</td>
</tr>
<tr>
<td>185th debenture</td>
<td>06.06.27</td>
<td>08.06.27</td>
<td>6.21</td>
<td>-</td>
</tr>
<tr>
<td>187th debenture</td>
<td>06.07.28</td>
<td>08.07.28</td>
<td>6.10</td>
<td>-</td>
</tr>
<tr>
<td>190th debenture</td>
<td>07.03.16</td>
<td>10.03.16</td>
<td>6.61</td>
<td>50,000</td>
</tr>
<tr>
<td>191st debenture</td>
<td>07.06.01</td>
<td>08.06.01</td>
<td>6.60</td>
<td>-</td>
</tr>
<tr>
<td>192nd debenture</td>
<td>07.07.12</td>
<td>08.07.12</td>
<td>6.95</td>
<td>-</td>
</tr>
<tr>
<td>193rd debenture</td>
<td>07.09.17</td>
<td>08.09.17</td>
<td>7.00</td>
<td>-</td>
</tr>
<tr>
<td>194th debenture</td>
<td>07.09.17</td>
<td>08.09.17</td>
<td>6.72</td>
<td>-</td>
</tr>
<tr>
<td>196th debenture</td>
<td>08.06.02</td>
<td>10.06.02</td>
<td>8.00</td>
<td>10,000</td>
</tr>
<tr>
<td>197th debenture</td>
<td>08.06.13</td>
<td>11.06.13</td>
<td>8.23</td>
<td>10,000</td>
</tr>
<tr>
<td>198th debenture</td>
<td>08.06.23</td>
<td>11.06.23</td>
<td>7.50</td>
<td>40,000</td>
</tr>
<tr>
<td>199th debenture</td>
<td>08.06.27</td>
<td>11.06.27</td>
<td>7.96</td>
<td>60,000</td>
</tr>
<tr>
<td>200th debenture</td>
<td>08.07.11</td>
<td>10.07.11</td>
<td>8.20</td>
<td>30,000</td>
</tr>
<tr>
<td>201st debenture</td>
<td>08.07.14</td>
<td>10.07.14</td>
<td>7.97</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>320,000</td>
<td>320,500</td>
</tr>
<tr>
<td>Less: Discounts on debentures issued</td>
<td>(1,879)</td>
<td>(487)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Current portion</td>
<td>(100,000)</td>
<td>(170,500)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Discounts on debentures issued of current portion</td>
<td>20</td>
<td>147</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>₩218,141</td>
<td>₩149,660</td>
</tr>
</tbody>
</table>

(4) Long-term accounts payable as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yangsan ICD allotment</td>
<td>₩1,640</td>
<td>₩2,006</td>
</tr>
<tr>
<td>Lease payment payables under capital lease</td>
<td>₩1,688</td>
<td></td>
</tr>
<tr>
<td>Less: Current portion</td>
<td>(868)</td>
<td>(366)</td>
</tr>
<tr>
<td></td>
<td>₩2,642</td>
<td>₩1,640</td>
</tr>
</tbody>
</table>

(5) Repayment schedule of long-term debts as of December 31, 2008 is as follows (Won in millions):

<table>
<thead>
<tr>
<th>Year</th>
<th>Long-term borrowings</th>
<th>Long-term debentures</th>
<th>Long-term accounts payable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>₩4,130</td>
<td>₩100,000</td>
<td>₩686</td>
<td>₩104,816</td>
</tr>
<tr>
<td>2010</td>
<td>₩38,118</td>
<td>₩150,000</td>
<td>₩718</td>
<td>₩188,836</td>
</tr>
<tr>
<td>2011</td>
<td>₩1,569</td>
<td>₩70,000</td>
<td>₩1,353</td>
<td>₩72,922</td>
</tr>
<tr>
<td>2012</td>
<td>₩1,096</td>
<td>-</td>
<td>₩275</td>
<td>₩1,371</td>
</tr>
<tr>
<td>2013 and thereafter</td>
<td>₩7,513</td>
<td>-</td>
<td>₩296</td>
<td>₩7,809</td>
</tr>
<tr>
<td></td>
<td>₩52,426</td>
<td>₩320,000</td>
<td>₩3,328</td>
<td>₩375,754</td>
</tr>
</tbody>
</table>
11. LEASE:

(1) The Company has capital lease agreement with Lotte Capital Co., Ltd. for certain machinery. As of December 31, 2008, details of assets under finance leases are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Lease assets</th>
<th>Lease period</th>
<th>Rate (%)</th>
<th>Acquisition</th>
<th>Depreciation</th>
<th>Accumulated</th>
<th>Book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Module trailer</td>
<td>2008.10.16~2011.10.16</td>
<td>9.90</td>
<td>₩1,746</td>
<td>₩29</td>
<td>₩29</td>
<td>₩1,717</td>
</tr>
</tbody>
</table>

The future annual payments under capital lease agreement as of December 31, 2008 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>₩319</td>
<td>₩153</td>
<td>₩472</td>
</tr>
<tr>
<td>2010</td>
<td>₩352</td>
<td>₩120</td>
<td>₩472</td>
</tr>
<tr>
<td>2011</td>
<td>₩1,017</td>
<td>₩72</td>
<td>₩1,089</td>
</tr>
<tr>
<td>Total</td>
<td>₩1,688</td>
<td>₩345</td>
<td>₩2,033</td>
</tr>
</tbody>
</table>
Less: Current portion | (₩319) |         | ₩1,369|

(2) The Company carries operating lease contracts of vehicles with Hana Capital Co., Ltd. and others. The payment schedule of operating leases as of December 31, 2008 is as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>Lease expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>₩39,441</td>
</tr>
<tr>
<td>2010</td>
<td>₩29,885</td>
</tr>
<tr>
<td>2011</td>
<td>₩8,964</td>
</tr>
<tr>
<td>Total</td>
<td>₩78,290</td>
</tr>
</tbody>
</table>

12. LIABILITY FROM SECURITIZATION OF FUTURE RECEIVABLES:

The Company trusted its future receivables to Korea Development Bank’s issued primary and secondary beneficiary certificates based on the receivables. The Company has securitized the primary beneficiary certificate via SPC and recorded the amount raised as liability from securitization of future receivables. The details of securitization and related liability as of December 31, 2008 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Description</th>
<th>Assets Backed Securities (ABS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Express 1st Securitization</td>
<td>GET 1st Securitization 2007.11.22 ~ 2010.11.22</td>
</tr>
<tr>
<td>Initial trust amount</td>
<td>₩30,000</td>
</tr>
<tr>
<td>Trustee</td>
<td>Korea Development Bank</td>
</tr>
<tr>
<td>Trust property</td>
<td>Future receivables</td>
</tr>
<tr>
<td>Initial amount raised</td>
<td>₩30,000 from primary beneficiary certificate</td>
</tr>
<tr>
<td>Repaid amount</td>
<td>₩11,304</td>
</tr>
<tr>
<td>Balance of liability from securitization of future receivables</td>
<td>₩18,696</td>
</tr>
</tbody>
</table>

The differences between the trade receivables collected and repaid corresponding liabilities are recognized as loss on disposal of trade receivables, amounting to ₩1,550 million and ₩276 million in 2008 and 2007, respectively.
13. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

Assets and liabilities denominated in foreign currencies as of December 31, 2008 and 2007 are as follows (Won in millions, foreign currencies in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign</td>
<td>Equivalent in Korean Won</td>
<td>Foreign</td>
<td>Equivalent in Korean Won</td>
</tr>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>US$ 2</td>
<td>₩3</td>
<td>US$ 110</td>
<td>₩104</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>US$ 3,860</td>
<td>₩4,853</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable-other</td>
<td>-</td>
<td>-</td>
<td>US$ 1,623</td>
<td>₩1,523</td>
</tr>
<tr>
<td></td>
<td></td>
<td>₩4,856</td>
<td></td>
<td>₩1,627</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>US$ 892</td>
<td>₩1,122</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>US$ 17</td>
<td>₩22</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>US$ 71</td>
<td>₩89</td>
<td>US$ 89</td>
<td>₩83</td>
</tr>
<tr>
<td></td>
<td></td>
<td>₩1,233</td>
<td></td>
<td>₩83</td>
</tr>
</tbody>
</table>

14. RELATED PARTY TRANSACTIONS:

(1) Summary of compensations to directors and internal auditors of the Company is as follows (Won in millions):

<table>
<thead>
<tr>
<th>Numbers of persons</th>
<th>Total payments</th>
<th>Approved limit</th>
<th>Average payments per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>8</td>
<td>₩844</td>
<td>₩3,000</td>
</tr>
<tr>
<td>Auditors</td>
<td>2</td>
<td>₩82</td>
<td>₩200</td>
</tr>
</tbody>
</table>

(2) Significant transactions with related parties in 2008 and 2007, and the related receivables and payables as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>2008</th>
<th>Sales and other revenues</th>
<th>Purchases and other expenses</th>
<th>Receivables</th>
<th>Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Engineering Co., Ltd.</td>
<td>₩330</td>
<td>₩3,545</td>
<td>₩173</td>
<td>₩279</td>
</tr>
<tr>
<td>Dongbu Pusan Container Terminal Co., Ltd.</td>
<td>₩755</td>
<td>₩7,676</td>
<td>₩115</td>
<td>₩917</td>
</tr>
<tr>
<td>Dongbu Steel Co., Ltd.</td>
<td>₩357,155</td>
<td>₩16,345</td>
<td>₩156,470</td>
<td>₩10,473</td>
</tr>
<tr>
<td>Dongbu World Co., Ltd.</td>
<td>₩4,375</td>
<td>₩122</td>
<td>₩14,499</td>
<td>-</td>
</tr>
<tr>
<td>Deasung TLS Co., Ltd.</td>
<td>₩216</td>
<td>₩60</td>
<td>₩2,445</td>
<td>₩266</td>
</tr>
<tr>
<td>Dongbu HiTec Co., Ltd.</td>
<td>₩38,793</td>
<td>₩420</td>
<td>₩11,464</td>
<td>₩109</td>
</tr>
<tr>
<td>Dongbu Metal Co., Ltd.</td>
<td>₩39,036</td>
<td>-</td>
<td>₩794</td>
<td>₩40</td>
</tr>
<tr>
<td>Dongbu Fine Chemical Co., Ltd.</td>
<td>₩2,525</td>
<td>-</td>
<td>₩563</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu Co., Ltd.</td>
<td>₩33,614</td>
<td>₩23,546</td>
<td>₩4,121</td>
<td>₩3,209</td>
</tr>
<tr>
<td>Dongbu Insurance Co., Ltd.</td>
<td>₩7,458</td>
<td>₩3,517</td>
<td>₩3,514</td>
<td>₩4,706</td>
</tr>
<tr>
<td>Dongbu Life Insurance Co., Ltd.</td>
<td>₩217</td>
<td>₩217</td>
<td>₩12</td>
<td>-</td>
</tr>
<tr>
<td>Dongbu CNI Co., Ltd.</td>
<td>₩196</td>
<td>₩20,608</td>
<td>₩1,876</td>
<td>₩3,931</td>
</tr>
<tr>
<td>Dongbu Securities Co., Ltd.</td>
<td>₩181</td>
<td>-</td>
<td>₩17</td>
<td>₩10,000</td>
</tr>
<tr>
<td>Incheon Northport SOC</td>
<td>₩16,049</td>
<td>₩707</td>
<td>₩9,031</td>
<td>₩11</td>
</tr>
<tr>
<td>Others</td>
<td>₩1,275</td>
<td>₩11,479</td>
<td>₩6,310</td>
<td>₩1,354</td>
</tr>
<tr>
<td></td>
<td>₩502,175</td>
<td>₩88,242</td>
<td>₩211,404</td>
<td>₩35,295</td>
</tr>
</tbody>
</table>
15. SHAREHOLDERS’ EQUITY:

(1) The Company has authorized 100,000,000 shares of ₩5,000 par value and issued common stocks and preferred stocks as of December 31, 2008 and 2007 as follows (Won in millions except par value):

<table>
<thead>
<tr>
<th></th>
<th>Outstanding shares</th>
<th>Par value</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>21,790,345 shares</td>
<td>₩5,000</td>
<td>₩108,952</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>3,342,365 shares</td>
<td>₩5,000</td>
<td>₩16,712</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>₩125,664</td>
</tr>
</tbody>
</table>

(2) Capital Surplus

In accordance with the Asset Revaluation Law of the Republic of Korea, the Company revaluated substantial portion of its property, plant and equipment on January 1, 1993 and June 1, 1998. The revaluation gain of ₩109,412 million was transferred to asset revaluation reserve of ₩106,767 million after deducting related taxes.

Details of other capital surplus as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus from merger</td>
<td>₩86,914</td>
<td>₩86,914</td>
</tr>
<tr>
<td>Gain on disposal of treasury stock fund</td>
<td>₩417</td>
<td>₩417</td>
</tr>
<tr>
<td>Gain on disposal of treasury stock received without compensation</td>
<td>₩17,051</td>
<td>₩17,051</td>
</tr>
<tr>
<td>Gain on disposal of treasury preferred stock</td>
<td>₩6,138</td>
<td>₩6,138</td>
</tr>
<tr>
<td>Other capital surplus</td>
<td>₩11</td>
<td>₩11</td>
</tr>
<tr>
<td></td>
<td>₩110,531</td>
<td>₩110,531</td>
</tr>
</tbody>
</table>

(3) Capital Adjustments

Details of capital adjustments as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury stock</td>
<td>₩(706)</td>
<td>₩(706)</td>
</tr>
<tr>
<td>Tax of treasury stock</td>
<td>₩(2,396)</td>
<td>₩(2,995)</td>
</tr>
<tr>
<td></td>
<td>₩(3,102)</td>
<td>₩(3,701)</td>
</tr>
</tbody>
</table>
Details of treasury stock as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>1,818,974</td>
<td>₩</td>
<td>1,818,974</td>
</tr>
<tr>
<td>Preferred stock</td>
<td>145,690</td>
<td>706</td>
<td>145,690</td>
</tr>
<tr>
<td>Total</td>
<td>1,964,664</td>
<td>₩</td>
<td>1,964,664</td>
</tr>
</tbody>
</table>

Shares of common stock are remaining balance of 4,758,974 shares obtained from Junki Kim without consideration, the major shareholder and chairman. The shares of preferred stock were acquired through the merger and 1,331,764 shares were disposed in 2007.

(4) Retained Earnings

Details of appropriated retained earnings as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve</td>
<td>₩21,176</td>
</tr>
<tr>
<td>Other reserve:</td>
<td></td>
</tr>
<tr>
<td>Reserve for business rationalization</td>
<td>9,779</td>
</tr>
<tr>
<td>Reserve for financial structure improvement</td>
<td>12,386</td>
</tr>
<tr>
<td>Voluntary reserve</td>
<td>20,000</td>
</tr>
<tr>
<td>Total</td>
<td>₩63,341</td>
</tr>
</tbody>
</table>

The legal reserve is not available for cash dividends; however, this reserve may be credited to paid-in capital or offset against any accumulated deficits by resolution of the shareholders.

16. COMPREHENSIVE INCOME (LOSS) STATEMENTS:

The comprehensive income (loss) reflecting the changes in accumulated other comprehensive income (loss) to net income (loss) for the years ended December 31, 2008 and 2007 is as follows (Won in millions):

<table>
<thead>
<tr>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>₩23,795</td>
</tr>
<tr>
<td>Other comprehensive income (loss):</td>
<td></td>
</tr>
<tr>
<td>Changes in valuation gain and loss on investments using the equity method</td>
<td>39,857</td>
</tr>
<tr>
<td>Changes in valuation loss on available-for-sale securities</td>
<td>(15,596)</td>
</tr>
<tr>
<td>Changes in revaluation gain on property, plant and equipment</td>
<td>86,165</td>
</tr>
<tr>
<td>Comprehensive income (loss)</td>
<td>₩134,221</td>
</tr>
</tbody>
</table>

17. CONSTRUCTION CONTRACTS:

Changes in construction contracts in progress for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>₩4,483,693</td>
</tr>
<tr>
<td>New contracts signed</td>
<td>1,960,472</td>
</tr>
<tr>
<td>Less: Revenue recognized</td>
<td>(1,627,692)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>₩4,816,473</td>
</tr>
</tbody>
</table>

In connection with the above contracts, the Company recorded expected construction losses of ₩25,024 million and ₩29,176 million as other current liabilities as of December 31, 2008 and 2007, respectively.
In addition, for completed construction contracts, the Company recorded construction warranty liabilities of ₩9,823 million and ₩7,913 million as other current liabilities as of December 31, 2008 and 2007, respectively.

As of December 31, 2008, the Company has provided payment guarantee of Korea Construction Financial Cooperative and others amounting to ₩1,894,673 million to its clients.

18. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Item</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>₩40,557</td>
<td>₩36,595</td>
</tr>
<tr>
<td>Provision for severance indemnities</td>
<td>3,073</td>
<td>3,013</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>5,450</td>
<td>4,964</td>
</tr>
<tr>
<td>Travel</td>
<td>1,479</td>
<td>1,369</td>
</tr>
<tr>
<td>Communications</td>
<td>264</td>
<td>241</td>
</tr>
<tr>
<td>Utilities</td>
<td>339</td>
<td>264</td>
</tr>
<tr>
<td>Office consumables</td>
<td>572</td>
<td>664</td>
</tr>
<tr>
<td>Taxes and dues</td>
<td>5,315</td>
<td>4,214</td>
</tr>
<tr>
<td>Rent</td>
<td>1,461</td>
<td>1,377</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,911</td>
<td>1,853</td>
</tr>
<tr>
<td>Amortization of intangibles</td>
<td>4,105</td>
<td>3,669</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>156</td>
<td>104</td>
</tr>
<tr>
<td>Insurance</td>
<td>432</td>
<td>381</td>
</tr>
<tr>
<td>Advertising</td>
<td>8,883</td>
<td>6,243</td>
</tr>
<tr>
<td>Transportation</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Commissions</td>
<td>11,176</td>
<td>9,070</td>
</tr>
<tr>
<td>Vehicle maintenance</td>
<td>807</td>
<td>890</td>
</tr>
<tr>
<td>Printing</td>
<td>657</td>
<td>581</td>
</tr>
<tr>
<td>Employee development</td>
<td>4,110</td>
<td>2,738</td>
</tr>
<tr>
<td>Bad debt</td>
<td>2,108</td>
<td>380</td>
</tr>
<tr>
<td>Ordinary development</td>
<td>16,206</td>
<td>25,066</td>
</tr>
<tr>
<td>Conferences</td>
<td>855</td>
<td>899</td>
</tr>
<tr>
<td>Others</td>
<td>2,897</td>
<td>2,679</td>
</tr>
<tr>
<td></td>
<td>₩112,814</td>
<td>₩107,257</td>
</tr>
</tbody>
</table>

19. INCOME TAX EXPENSE (BENEFITS):

(1) Income tax expense (benefits) and effective tax rates for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Item</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate income tax</td>
<td>₩11,467</td>
<td>₩13,043</td>
</tr>
<tr>
<td>Changes in deferred income taxes</td>
<td>34,753</td>
<td>(17,184)</td>
</tr>
<tr>
<td>Changes in deferred income taxes adjusted to shareholders’ equity</td>
<td>(32,730)</td>
<td>(3,258)</td>
</tr>
<tr>
<td>Changes in deferred income taxes adjusted to tax of treasury stock</td>
<td>599</td>
<td>-</td>
</tr>
<tr>
<td>Income tax expense (benefits)</td>
<td>₩14,089</td>
<td>₩(7,399)</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>₩37,884</td>
<td>₩(39,983)</td>
</tr>
<tr>
<td>Effective tax rate (%)</td>
<td>37.2</td>
<td>-</td>
</tr>
</tbody>
</table>
(2) Accumulated temporary differences and deferred income tax assets (liabilities) as of December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated temporary differences</td>
<td>₩(62,082)</td>
<td>₩79,080</td>
</tr>
<tr>
<td>Statutory tax rate (*1)</td>
<td>24.2% / 22.0%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>₩(13,006)</td>
<td>₩21,747</td>
</tr>
<tr>
<td>Deferred income tax assets (current assets)</td>
<td>₩7,164</td>
<td>₩12,454</td>
</tr>
<tr>
<td>Deferred income tax assets (non-current assets)</td>
<td>-</td>
<td>9,293</td>
</tr>
<tr>
<td>Deferred income tax liabilities (long-term liabilities)</td>
<td>₩(20,170)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>₩(13,006)</td>
<td>₩21,747</td>
</tr>
</tbody>
</table>

(*1) As new statutory tax rates were announced in 2008, the tax rates applied for deferred tax assets and liabilities are 24.2 percent in 2009 and 22 percent in 2010 and thereafter.

20. EARNINGS (LOSS) PER COMMON SHARE:

Earnings (Loss) per common share for the years ended December 31, 2008 and 2007 is calculated as follows (Won in millions, except per share amounts):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>₩23,795</td>
<td>₩(32,584)</td>
</tr>
<tr>
<td>Less: preferred stock dividends</td>
<td>₩(639)</td>
<td>₩(1,758)</td>
</tr>
<tr>
<td>Net income (loss) for common share</td>
<td>₩23,156</td>
<td>₩(34,342)</td>
</tr>
<tr>
<td>Weighted-average number of shares outstanding</td>
<td>19,971,371</td>
<td>19,971,371</td>
</tr>
<tr>
<td>Earnings (Loss) per common share</td>
<td>₩1,159</td>
<td>₩(1,720)</td>
</tr>
</tbody>
</table>

21. DIVIDENDS:

The basis of the computation of the dividends for the years ended December 31, 2008 and 2007 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued stock (shares)</td>
<td>21,790,345</td>
<td>3,342,365</td>
</tr>
<tr>
<td>Treasury stock (shares)</td>
<td>(1,818,974)</td>
<td>(145,690)</td>
</tr>
<tr>
<td>Odd-lot stock (shares)</td>
<td>(752)</td>
<td>(1)</td>
</tr>
<tr>
<td>Stocks outstanding (shares)</td>
<td>19,970,619</td>
<td>3,196,674</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>₩150</td>
<td>₩200</td>
</tr>
<tr>
<td>Dividend rate</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Total dividend (Won in millions)</td>
<td>₩2,996</td>
<td>₩639</td>
</tr>
<tr>
<td>Net income (loss) (Won in millions)</td>
<td>₩23,795</td>
<td>₩23,795</td>
</tr>
<tr>
<td>Dividend propensity</td>
<td>12.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Stock price at balance sheet date</td>
<td>₩5,570</td>
<td>₩2,561</td>
</tr>
<tr>
<td>Dividends to stock price ratio:</td>
<td>2.7%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>
22. **PLEDGED ASSETS AND GUARANTEES:**

(1) The following assets are pledged as collateral for short-term borrowings and long-term debts as of December 31, 2008 (Won in millions):

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>Description</th>
<th>Amount</th>
<th>Description</th>
<th>Book value</th>
<th>Amount pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea Exchange Bank</td>
<td>Overdrafts</td>
<td>₩ 6,730</td>
<td>Land &amp; buildings</td>
<td>₩ 27,507</td>
<td>₩ 26,000</td>
</tr>
<tr>
<td></td>
<td>General loan</td>
<td>₩ 26,000</td>
<td>Inventories</td>
<td>₩ 36,368</td>
<td>₩ 4,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Land</td>
<td>₩ 2,799</td>
<td>₩ 3,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Available-for-sale securities</td>
<td>₩ 2,795</td>
<td>₩ 2,981</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Investment securities using the equity method</td>
<td>₩ 1,278</td>
<td>₩ -</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Financial instruments</td>
<td>₩ 2,660</td>
<td>₩ 2,660</td>
</tr>
<tr>
<td>Hana Bank</td>
<td>Overdrafts</td>
<td>₩ 8,000</td>
<td>Inventories</td>
<td>₩ 48,366</td>
<td>₩ 60,000</td>
</tr>
<tr>
<td></td>
<td>General loan</td>
<td>₩ 22,021</td>
<td>Land</td>
<td>₩ 3,977</td>
<td>₩ 9,000</td>
</tr>
<tr>
<td></td>
<td>Debentures</td>
<td>₩ 20,000</td>
<td>Land &amp; buildings</td>
<td>₩ 6,063</td>
<td>₩ 9,600</td>
</tr>
<tr>
<td></td>
<td>CP</td>
<td>₩ 40,000</td>
<td>Available-for-sale securities</td>
<td>₩ 3,770</td>
<td>₩ 3,982</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Financial instruments</td>
<td>₩ 2,700</td>
<td>₩ 2,700</td>
</tr>
<tr>
<td>Woori Bank</td>
<td>Overdrafts</td>
<td>₩ 13,000</td>
<td>Inventories</td>
<td>₩ 77,424</td>
<td>₩ 150,000</td>
</tr>
<tr>
<td></td>
<td>CP</td>
<td>₩ 35,000</td>
<td>Land &amp; building</td>
<td>₩ 22,198</td>
<td>₩ 15,240</td>
</tr>
<tr>
<td></td>
<td>Industrial equipment</td>
<td>₩ 6,460</td>
<td>Investment securities using the equity method</td>
<td>₩ 85,104</td>
<td>₩ -</td>
</tr>
<tr>
<td></td>
<td>general loan</td>
<td></td>
<td>Available-for-sale securities</td>
<td>₩ 259</td>
<td>₩ 298</td>
</tr>
<tr>
<td></td>
<td>Privately placed bonds</td>
<td>₩ 110,000</td>
<td>Financial instruments</td>
<td>₩ 1,050</td>
<td>₩ 1,050</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Long-term other receivables-other</td>
<td>₩ 13,440</td>
<td>₩ 13,440</td>
</tr>
<tr>
<td>Shinhan Bank</td>
<td>Overdrafts</td>
<td>₩ 9,000</td>
<td>Inventories</td>
<td>₩ 9,207</td>
<td>₩ 2,600</td>
</tr>
<tr>
<td></td>
<td>CP</td>
<td>₩ 20,000</td>
<td>Land &amp; building</td>
<td>₩ 7,710</td>
<td>₩ 12,000</td>
</tr>
<tr>
<td></td>
<td>Privately placed bonds</td>
<td>₩ 30,000</td>
<td>Financial instruments</td>
<td>₩ 1,264</td>
<td>₩ 1,264</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Available-for-sale securities</td>
<td>₩ 63,020</td>
<td>₩ -</td>
</tr>
<tr>
<td>Kookmin Bank</td>
<td>Overdrafts</td>
<td>₩ 7,000</td>
<td>Inventories</td>
<td>₩ 5,894</td>
<td>₩ 5,850</td>
</tr>
<tr>
<td></td>
<td>General loan</td>
<td>₩ 42,500</td>
<td>Land &amp; buildings</td>
<td>₩ 138,247</td>
<td>₩ 51,659</td>
</tr>
<tr>
<td></td>
<td>Secured advance</td>
<td>₩ 17,000</td>
<td>Financial instruments</td>
<td>₩ 3,550</td>
<td>₩ 3,550</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Available-for-sale securities</td>
<td>₩ 209</td>
<td>₩ 231</td>
</tr>
<tr>
<td>Korea Development Bank</td>
<td>General loan</td>
<td>₩ 34,000</td>
<td>Vehicles</td>
<td>₩ 616</td>
<td>₩ 616</td>
</tr>
<tr>
<td></td>
<td>Overdrafts</td>
<td>₩ 2,000</td>
<td>Land &amp; buildings</td>
<td>₩ 17,040</td>
<td>₩ 12,100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Available-for-sale securities</td>
<td>₩ 2,918</td>
<td>₩ 3,520</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Financial instruments</td>
<td>₩ 1,224</td>
<td>₩ 1,224</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Available-for-sale securities</td>
<td>₩ 1,029</td>
<td>₩ 1,029</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Treasury stock</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Inventories</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Korea Securities Finance Corp.</td>
<td>Secured loan of Treasury stock</td>
<td>₩ 4,000</td>
<td>Treasury stock</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Construction Guarantee</td>
<td>Mutual loan</td>
<td>₩ 17,000</td>
<td>Available-for-sale securities</td>
<td>₩ 7,459</td>
<td>₩ 8,161</td>
</tr>
<tr>
<td>Nonghyup Bank</td>
<td></td>
<td></td>
<td>Financial instruments</td>
<td>₩ 50</td>
<td>₩ 50</td>
</tr>
<tr>
<td>Dongbu Insurance</td>
<td></td>
<td></td>
<td>Land &amp; building</td>
<td>₩ 7,806</td>
<td>₩ 260</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>₩ 469,711</td>
<td>₩ 614,630</td>
</tr>
</tbody>
</table>
(2) Collaterals provided to others as of December 31, 2008 are as follows (Won in millions):

<table>
<thead>
<tr>
<th>Provided to</th>
<th>Account</th>
<th>Shares</th>
<th>Amounts</th>
<th>Related liabilities</th>
<th>Financial institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dongbu Hitek Co., Ltd.</td>
<td>Available-for-sale securities</td>
<td>4,142,719</td>
<td>₩20,714</td>
<td>Second syndicated loan</td>
<td>KDB and others</td>
</tr>
<tr>
<td>Manwalsan Tunnel</td>
<td>Available-for-sale securities</td>
<td>2,010,000</td>
<td>₩10,050</td>
<td>Project financing</td>
<td>KDB and others</td>
</tr>
<tr>
<td>Kongju Environment Co., Ltd.</td>
<td>Available-for-sale securities</td>
<td>419,020</td>
<td>₩2,095</td>
<td>Project financing</td>
<td>Shinhan Bank</td>
</tr>
<tr>
<td>Incheon Northport</td>
<td>Available-for-sale securities</td>
<td>11,000,200</td>
<td>₩55,001</td>
<td>Project financing</td>
<td>Kookmin Bank and others</td>
</tr>
<tr>
<td>Incheon International Airport Railroad Co., Ltd.</td>
<td>Available-for-sale securities</td>
<td>14,541,212</td>
<td>₩72,706</td>
<td>Project financing</td>
<td>KDB and others</td>
</tr>
<tr>
<td>Kuyngki highway</td>
<td>Available-for-sale securities</td>
<td>6,442,309</td>
<td>₩32,212</td>
<td>Project financing</td>
<td>Shinhan Bank</td>
</tr>
<tr>
<td>Chungjung Wonju Co., Ltd.</td>
<td>Available-for-sale securities</td>
<td>81,520</td>
<td>₩408</td>
<td>Project financing</td>
<td>Kookmin Bank and others</td>
</tr>
<tr>
<td>Dongbu Pusan Container Terminal Co., Ltd.</td>
<td>Investment securities using the equity method</td>
<td>1,300,000</td>
<td>₩18,594</td>
<td>Project financing</td>
<td>Suhyup Bank</td>
</tr>
<tr>
<td>Dongbu Co., Ltd.</td>
<td>Payment guarantee of borrowings</td>
<td>-</td>
<td>₩62,544</td>
<td>Joint guarantee</td>
<td>Union of Construction</td>
</tr>
<tr>
<td>Others</td>
<td>Payment guarantee of borrowings</td>
<td>-</td>
<td>₩11,500</td>
<td>Joint guarantee, undertaking liabilities</td>
<td>Woori Bank and others</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>₩285,824</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In addition, the Company provided SPCs with available-for-sale securities for pledges and entered into the capital supplementation agreement amounting to ₩72.5 billion. The Company also provided joint guarantee of ₩441.9 billion for loans to local residents for construction projects and payment guarantee of borrowings to PFV amounting to ₩587.9 billion as of December 31, 2008.

23. COMMITMENTS AND CONTINGENCIES:

(1) Credit line provided by financial institutions as of December 31, 2008 are as follows (Won in millions, US$ in thousands):

<table>
<thead>
<tr>
<th>Account</th>
<th>Shares</th>
<th>Amounts</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdraft</td>
<td>₩47,730</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General loans</td>
<td>₩238,926</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Privately placed bonds</td>
<td>₩160,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP</td>
<td>₩115,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounting notes</td>
<td>₩41,874</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic notes</td>
<td>₩94,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Usance</td>
<td>US$ 7,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease</td>
<td>₩131,205</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease</td>
<td>₩1,688</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) Provision for other losses

In 2004, the Company, Dongbu Steel Co., Ltd., Dongbu Hannong Chemical Co., Ltd. and Junki Kim entered into a stock transaction contract with Hana Bank. The Company recognized provision for the Company’s portion of expected losses related to the contract, which amount to ₩6,713 million as of December 31, 2007.
Hana Bank exercised its right against the Company and Dongbu Steel Co., Ltd. in December 2007 and extended the terms of contract with Dongbu Hitek Co., Ltd. and Junki Kim until the end of 2008. The Company and Dongbu Steel Co., Ltd. gave an additional guarantee to Hana Bank in connection with this extended contract. In addition, the Company and Dongbu Steel Co., Ltd. entered into a contract with Dongbu Hitek Co., Ltd. and Junki Kim which provides that the Company and Dongbu Steel Co., Ltd. have no responsibility associated with the further exercise of Hana Bank’s right to sell the stocks of Dongbu HiTek Co., Ltd.

As Hana Bank subsequently exercised its right against Dongbu Hitek Co., Ltd. and Junki Kim on January 30, 2009 and requested to the Company to perform the guarantee obligation as a joint guarantor, the Company paid ₩2,467 million and recorded this amount as receivable due from Dongbu Hitek Co., Ltd. and Junki Kim.

(3) Stock Transaction Contract

In 2000 and 2001, the Company, Dongbu Steel Co., Ltd., Dongbu Hannong Chemical Co., Ltd. and Junki Kim entered into a stock transaction contract with the Korea Development Bank (“KDB”). The contract grants the KDB the right to sell the stocks of Dongbu Electronics Co., Ltd. held by the KDB at the contracted price to any party above in case Dongbu Electronics Co., Ltd. discontinues its business, goes bankruptcy or corporate reorganization.

(4) The Company has pledged 60 blank checks and notes, and 4 checks and notes amounting to ₩695 million as collateral for repayments of borrowings and guarantees on the Company’s performance of construction projects.

(5) As of December 31, 2008, the Company is contingently liable for guarantees of performance of construction by other companies amounting to ₩3,328,928 million.

(6) The Company has provided payment guarantee for loans to local residents for reconstruction projects and related loans as of December 31, 2008 are ₩58,055 million.

(7) As of December 31, 2008, the Company is a defendant in 21 lawsuits involving claims of ₩46,532 million and the Company recognized provision for lost cases amounting to ₩1,559 million as of December 31, 2008.

24. DERIVATIVE INSTRUMENTS:

The Company has a interest rate swap contract to hedge against the risk of fluctuation of foreign exchange rate and the Company recognized interest swap liabilities and loss on valuation of interest swap of ₩769 million in 2008, respectively. As of December 31, 2008, detail of the above interest rate swap is as follows (Won in millions):

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Contract Period</th>
<th>Receive (%)</th>
<th>Pay (%)</th>
<th>Contract Amount</th>
<th>Fair Value</th>
<th>Loss on Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shinhan Bank</td>
<td>2008.11.11~2010.07.12</td>
<td>CD + 2.78</td>
<td>7.90</td>
<td>₩30,000</td>
<td>₩30,769</td>
<td>₩(769)</td>
</tr>
</tbody>
</table>
25. **STATEMENTS OF CASH FLOWS:**

Transactions not involving cash flows for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer of assets under construction to other property, plant and equipment or intangible assets</td>
<td>₩4,118</td>
<td>₩6,051</td>
</tr>
<tr>
<td>Transfer of long-term debts to current portion</td>
<td>₩79,556</td>
<td>₩171,881</td>
</tr>
<tr>
<td>Transfer of long-term other receivables to current portion</td>
<td>-</td>
<td>₩5,867</td>
</tr>
<tr>
<td>Transfer of other receivables to long-term other receivables</td>
<td>₩10,080</td>
<td>-</td>
</tr>
<tr>
<td>Transfer of available-for-sale securities to current portion</td>
<td>₩13,379</td>
<td>₩2,216</td>
</tr>
<tr>
<td>Transfer of liability from securitization of future receivables to current portion</td>
<td>₩9,773</td>
<td>-</td>
</tr>
<tr>
<td>Transfer of investments using the equity method to available-for-sale securities</td>
<td>-</td>
<td>₩74,206</td>
</tr>
<tr>
<td>Recognition of revaluation gain on property, plant and equipment</td>
<td>₩110,468</td>
<td>-</td>
</tr>
</tbody>
</table>

26. **4th QUARTER’S FINANCIAL INFORMATION:**

The Company’s financial information for the three months ended December 31, 2008 and 2007 (unaudited) is as follows (Won in millions, except per share amount).

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>₩741,787</td>
<td>₩495,582</td>
</tr>
<tr>
<td>Net income</td>
<td>7,677</td>
<td>34,299</td>
</tr>
<tr>
<td>Net income per share</td>
<td>362</td>
<td>1,695</td>
</tr>
</tbody>
</table>

27. **SEGMENT INFORMATION:**

Segment information as of December 31, 2008 and 2007, and for the years then ended is as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External transactions</td>
<td>W 1,627,692</td>
<td>W 1,079,085</td>
</tr>
<tr>
<td>Internal transactions</td>
<td>- 1,428</td>
<td>- 3,251</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>111,789</td>
<td>20,876</td>
</tr>
<tr>
<td>Tangible and intangible assets</td>
<td>56,305</td>
<td>(40,761)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,559</td>
<td>14,551</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>W 2,349,286</td>
<td>W 1,606,253</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External transactions</td>
<td>W 1,627,692</td>
<td>W 1,079,085</td>
</tr>
<tr>
<td>Internal transactions</td>
<td>- 1,428</td>
<td>- 3,251</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>111,789</td>
<td>20,876</td>
</tr>
<tr>
<td>Tangible and intangible assets</td>
<td>56,305</td>
<td>(40,761)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,559</td>
<td>14,551</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>W 2,349,286</td>
<td>W 1,606,253</td>
</tr>
</tbody>
</table>
28. **SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:**

The accounts and amounts needed for calculation of value added for the years ended December 31, 2008 and 2007 are as follows (Won in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost of sales</td>
<td>Selling and administrative expenses</td>
<td>Cost of sales</td>
<td>Selling and administrative expenses</td>
</tr>
<tr>
<td>Salaries</td>
<td>₩99,990</td>
<td>₩40,557</td>
<td>₩115,630</td>
<td>₩36,595</td>
</tr>
<tr>
<td>Provision for severance indemnities</td>
<td>9,669</td>
<td>3,073</td>
<td>7,590</td>
<td>3,013</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>23,143</td>
<td>5,450</td>
<td>23,942</td>
<td>4,964</td>
</tr>
<tr>
<td>Rent</td>
<td>52,289</td>
<td>1,461</td>
<td>23,749</td>
<td>1,377</td>
</tr>
<tr>
<td>Depreciation</td>
<td>10,734</td>
<td>1,911</td>
<td>11,473</td>
<td>1,853</td>
</tr>
<tr>
<td>Taxes and dues</td>
<td>4,698</td>
<td>5,315</td>
<td>4,091</td>
<td>4,214</td>
</tr>
<tr>
<td></td>
<td>₩200,523</td>
<td>₩57,767</td>
<td>₩186,475</td>
<td>₩52,016</td>
</tr>
</tbody>
</table>
Independent Accountant’s Review Report on Internal Accounting Control System (“IACS”)

English Translation of a Report Originally Issued in Korean

To the Representative Director of Dongbu Corporation:

We have reviewed the accompanying report on the management’s assessment of IACS (the “Management’s Report”) of Dongbu Corporation (the “Company”) as of December 31, 2008. The Management’s Report, and the design and operation of IACS are the responsibility of the Company’s management. Our responsibility is to review the Management’s Report and issue a review report based on our procedures. The Company’s management stated in the accompanying Management’s Report that “based on the assessment of the IACS as of December 31, 2008, the Company’s IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.”

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management’s Report in all material respects. A review includes obtaining an understanding of a company’s IACS and making inquiries regarding the Management’s Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

A company’s IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management’s Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company’s IACS as of December 31, 2008, and we did not review its IACS subsequent to December 31, 2008. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

March 2, 2009

Audit, Tax, Consulting, Financial Advisory
Report on the Assessment of Internal Accounting Control System ("IACS")

To the Board of Directors and Audit Committee of
Dongbu Corporation

I, as the Internal Accounting Control Officer ("IACO") of Dongbu Corporation ("the Company"), assessed the status of the design and operation of the Company's IACS for the year ended December 31, 2008.

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework.

February 11, 2009

Jae In Yoo, Internal Accounting Control Officer

Dong Il Yim, Chief Executive Officer