

Deloitte

DONGBU CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

AND INDEPENDENT AUDITORS' REPORT

Deloitte Anjin LLC

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 statements of financial position of Dongbu Corporation (the "Company") as of December 31, 2009 and 2008, and the related statements of income, 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, 2009 and 2008, 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).

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.

Deloitte Anjin LLC.

March 9, 2010

Notice to Readers

This report is effective as of March 9, 2010, 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.

DONGBU CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008

<u>ASSETS</u>	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
CURRENT ASSETS:				
Cash and cash equivalents (Notes 3 and 13)	₩ 12,493	₩ 62,090	\$ 10,699	\$ 53,177
Short-term financial instruments (Notes 3 and 22)	25,434	12,504	21,783	10,709
Available-for-sale securities (Note 5)	21,645	13,370	18,538	11,451
Trade receivables, net of allowance for doubtful accounts of ₩1,961 million in 2009 and ₩1,842 million in 2008 (Notes 4, 9, 11, 13 and 14)	540,180	612,451	462,641	524,539
Short-term loans, net of allowance for doubtful accounts of ₩101 million in 2009 and ₩107 million in 2008 (Notes 14 and 23)	33,467	22,356	28,663	19,147
Accounts receivable-other, net of allowance for doubtful accounts of ₩2,978 million in 2009 and ₩2,564 million in 2008 (Note 14)	65,690	68,529	56,261	58,692
Accrued income	10,900	6,785	9,335	5,811
Advanced payments, net of allowance for doubtful accounts of ₩533 million in 2009 and ₩431 million in 2008 (Note 14)	38,996	47,176	33,398	40,404
Advanced payments for lots	25,361	26,890	21,721	23,030
Prepaid expenses	6,619	6,848	5,669	5,865
Deferred income tax assets (Note 19)	1,058	7,164	906	6,136
Prepaid construction costs	118,325	77,975	101,341	66,782
Inventories (Notes 2, 7 and 22)	<u>112,103</u>	<u>123,764</u>	<u>96,012</u>	<u>105,999</u>
	<u>1,012,271</u>	<u>1,087,902</u>	<u>866,967</u>	<u>931,742</u>

(Continued)

DONGBU CORPORATION

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
NON-CURRENT ASSETS:				
Long-term financial instruments (Notes 3 and 22)	₩ 5,905	₩ 355	\$ 5,057	\$ 304
Available-for-sale securities (Notes 5 and 22)	353,267	329,912	302,558	282,556
Investment securities using the equity method (Notes 6 and 22)	136,681	121,698	117,062	104,229
Long-term trade receivables, net of allowance for doubtful accounts of ₩31 million in 2009 and ₩83 million in 2008	1,144	251	980	215
Long-term other receivables, net of allowance for doubtful accounts of ₩504 million in 2009 and 2008 (Note 22)	6,720	10,080	5,755	8,633
Long-term loans, net of allowance for doubtful accounts of ₩4,401 million in 2009 and ₩2,481 million in 2008 (Notes 6 and 23)	125,613	76,823	107,582	65,795
Long-term prepaid expenses	698	480	598	411
Guarantee deposits (Note 14)	43,995	40,461	37,680	34,653
Property, plant and equipment, net (Notes 7, 10, 22 and 27)	329,682	299,340	282,359	256,373
Intangible assets (Notes 8 and 27)	<u>38,605</u>	<u>47,967</u>	<u>33,064</u>	<u>41,082</u>
	<u>1,042,310</u>	<u>927,367</u>	<u>892,695</u>	<u>794,251</u>
Total Assets	<u>₩ 2,054,581</u>	<u>₩ 2,015,269</u>	<u>\$ 1,759,662</u>	<u>\$ 1,725,993</u>

(Continued)

DONGBU CORPORATION

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
<u>LIABILITIES AND SHAREHOLDERS'</u>				
<u>EQUITY</u>				
CURRENT LIABILITIES:				
Trade payables (Notes 13 and 14)	₩ 469,505	₩ 496,027	\$ 402,111	\$ 424,826
Short-term borrowings (Notes 9 and 22)	213,900	232,373	183,196	199,018
Accounts payable-other (Note 14)	30,748	31,763	26,334	27,203
Advances from customers (Note 14)	117,556	190,014	100,682	162,739
Withholdings (Note 14)	24,719	22,894	21,171	19,608
Accrued expenses (Notes 13 and 14)	23,619	16,709	20,228	14,311
Income tax payable	13,430	8,364	11,503	7,163
Current portion of long-term debts, net (Notes 9 and 22)	258,998	104,110	221,821	89,166
Current portion of long-term accounts payable (Notes 9 and 10)	1,370	686	1,174	587
Current portion of liability from securitization of future receivables (Note 11)	28,694	9,773	24,575	8,370
Interest swap liabilities (Note 24)	458	-	392	-
Other current liabilities (Note 17)	12,848	13,752	11,004	11,778
	<u>1,195,845</u>	<u>1,126,465</u>	<u>1,024,191</u>	<u>964,769</u>
LONG-TERM LIABILITIES:				
Debentures, net (Notes 9, 14 and 22)	149,002	218,141	127,614	186,829
Long-term borrowings (Notes 9, 13 and 22)	20,538	48,296	17,590	41,363
Long-term accounts payable (Notes 9 and 10)	4,388	2,642	3,758	2,263
Long-term advances from customers	12,650	17,767	10,834	15,216
Liability from securitization of future receivables (Note 11)	-	8,923	-	7,642
Interest swap liabilities (Note 24)	-	769	-	659
Accrued severance indemnities, net (Notes 2 and 12)	9,434	7,781	8,080	6,664
Deferred income tax liabilities (Note 19)	21,197	20,170	18,154	17,275
Other non-current liabilities (Notes 17 and 23)	22,392	22,858	19,178	19,577
	<u>239,601</u>	<u>347,347</u>	<u>205,208</u>	<u>297,488</u>
Total Liabilities	<u>1,435,446</u>	<u>1,473,812</u>	<u>1,229,399</u>	<u>1,262,257</u>

(Continued)

DONGBU CORPORATION
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2009 AND 2008

	<u>Korean Won</u>		<u>Translation into</u> <u>U.S. Dollars (Note 2)</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(In millions)		(In thousands)	
SHAREHOLDERS' EQUITY:				
Capital stock (Note 15)	₩ 125,664	₩ 125,664	\$ 107,626	\$ 107,626
Capital surplus:				
Paid-in capital in excess of par value	36,885	36,885	31,591	31,591
Asset revaluation reserve (Note 15)	106,767	106,767	91,441	91,441
Other capital surplus (Note 15)	110,531	110,531	94,665	94,665
Capital adjustments (Notes 15 and 22)	(3,102)	(3,102)	(2,656)	(2,656)
Accumulated other comprehensive income (loss):				
Valuation gain on investment securities using the equity method (Notes 6 and 16)	41,482	40,285	35,527	34,503
Valuation loss on investment securities using the equity method (Notes 6 and 16)	(37)	(37)	(31)	(31)
Valuation loss on available-for-sale securities (Notes 5 and 16)	(16,623)	(45,594)	(14,237)	(39,049)
Revaluation gain on property, plant and equipment (Notes 7 and 16)	84,076	86,165	72,008	73,796
Retained earnings:				
Appropriated (Note 15)	63,704	63,341	54,559	54,248
Unappropriated	69,788	20,552	59,770	17,602
Total Shareholders' Equity	<u>619,135</u>	<u>541,457</u>	<u>530,263</u>	<u>463,736</u>
 Total Liabilities and Shareholders' Equity	 <u>₩ 2,054,581</u>	 <u>₩ 2,015,269</u>	 <u>\$ 1,759,662</u>	 <u>\$ 1,725,993</u>

See accompanying notes to financial statements.

DONGBU CORPORATION

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
SALES (Notes 14, 17, 26 and 27)	₩ 2,281,153	₩ 2,349,286	\$ 1,953,711	\$ 2,012,064
COST OF SALES (Note 14)	<u>2,081,087</u>	<u>2,130,827</u>	<u>1,782,363</u>	<u>1,824,963</u>
GROSS PROFIT	200,066	218,459	171,348	187,101
SELLING AND ADMINISTRATIVE EXPENSES (Note 18)	<u>118,497</u>	<u>112,814</u>	<u>101,488</u>	<u>96,621</u>
OPERATING INCOME (Note 27)	<u>81,569</u>	<u>105,645</u>	<u>69,860</u>	<u>90,480</u>
NON-OPERATING INCOME:				
Interest income	12,395	9,744	10,616	8,345
Dividend income	533	998	457	855
Rent income	1,705	1,898	1,461	1,626
Gain on foreign currency transactions	1,164	1,372	997	1,175
Gain on foreign currency translation	39	396	33	340
Commissions	227	1,177	194	1,008
Gain on disposal of other current assets	254	-	218	-
Gain on disposal of other non-current assets	-	568	-	486
Gain on disposal of available-for-sale securities	32,531	1,539	27,861	1,318
Gain on disposal of property, plant and equipment	8,248	1,493	7,064	1,279
Gain on disposal of intangible assets	33	-	28	-
Gain on valuation of investment securities using the equity method (Note 6)	12,815	9,220	10,976	7,897
Reversal of allowance for doubtful accounts	3	18	2	15
Gain on valuation of foreign exchange forward (Note 24)	311	-	267	-
Gain on foreign exchange forward transactions	-	100	-	86
Reversal of impairment loss on available-for- sale securities	445	-	381	-
Others	<u>5,679</u>	<u>8,434</u>	<u>4,863</u>	<u>7,222</u>
	<u>76,382</u>	<u>36,957</u>	<u>65,418</u>	<u>31,652</u>

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DONGBU CORPORATION

STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions, except per share amount)		(In thousands, except per share amount)	
NON-OPERATING EXPENSES:				
Interest expense (Note 9)	₩ 59,219	₩ 51,936	\$ 50,718	\$ 44,481
Loss on foreign currency transactions	562	1,185	481	1,015
Loss on foreign currency translation	155	394	133	337
Loss on disposal of trade receivables (Notes 4 and 11)	9,843	4,365	8,430	3,738
Loss on disposal of available-for-sale securities	3	19,375	2	16,594
Loss on disposal of property, plant and equipment	3,412	534	2,922	458
Loss on revaluation of property, plant and equipment (Note 7)	-	143	-	123
Bad debt expense-other	1,220	2,133	1,045	1,826
Loss on valuation of interest swap	-	769	-	659
Impairment loss on available-for-sale securities (Note 5)	-	17	-	15
Loss on valuation of investment securities using the equity method (Note 6)	2,786	15,050	2,386	12,890
Loss on disposal of investment securities using the equity method	6,138	1,957	5,257	1,676
Donations	234	162	200	138
Others (Note 23)	4,061	6,698	3,480	5,736
	<u>87,633</u>	<u>104,718</u>	<u>75,054</u>	<u>89,686</u>
INCOME BEFORE INCOME TAX	70,318	37,884	60,224	32,446
INCOME TAX EXPENSE (Note 19)	<u>17,246</u>	<u>14,089</u>	<u>14,770</u>	<u>12,067</u>
NET INCOME (Notes 16 and 26)	<u>₩ 53,072</u>	<u>₩ 23,795</u>	<u>\$ 45,454</u>	<u>\$ 20,379</u>
EARNINGS PER COMMON SHARE (Note 20)	<u>₩ 2,609</u>	<u>₩ 1,159</u>	<u>\$ 2.23</u>	<u>\$ 0.99</u>

See accompanying notes to financial statements.

DONGBU CORPORATION

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
UNAPPROPRIATED RETAINED EARNINGS:				
Unappropriated retained earnings carried over from prior year	₩ 16,554	₩ 1,160	\$ 14,178	\$ 994
Changes of retained earnings from valuation of investment securities using the equity method	162	(4,403)	138	(3,771)
Net income	<u>53,072</u>	<u>23,795</u>	<u>45,454</u>	<u>20,379</u>
	<u>69,788</u>	<u>20,552</u>	<u>59,770</u>	<u>17,602</u>
APPROPRIATIONS:				
Legal reserve	595	363	510	311
Other reserve	35,000	-	29,976	-
Cash dividends (Note 21)	<u>5,952</u>	<u>3,635</u>	<u>5,097</u>	<u>3,113</u>
	<u>41,547</u>	<u>3,998</u>	<u>35,583</u>	<u>3,424</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	<u>₩ 28,241</u>	<u>₩ 16,554</u>	<u>\$ 24,187</u>	<u>\$ 14,178</u>

See accompanying notes to financial statements.

DONGBU CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won (In millions)					
	Capital Stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
Beginning of year (January 1, 2008)	₩ 125,664	₩ 254,183	₩ (3,701)	₩ (29,607)	₩ 76,244	₩ 422,783
Dividends	-	-	-	-	(11,743)	(11,743)
Net income	-	-	-	-	23,795	23,795
Changes of retained earnings from valuation of investment securities using the equity method	-	-	-	-	(4,403)	(4,403)
Changes in valuation gain on investment securities using the equity method	-	-	-	39,857	-	39,857
Changes in valuation loss on available-for-sale securities	-	-	-	(15,596)	-	(15,596)
Revaluation gain on property, plant and equipment	-	-	-	86,165	-	86,165
Changes in of capital adjustments due to change in tax rate	-	-	599	-	-	599
End of year (December 31, 2008)	<u>₩ 125,664</u>	<u>₩ 254,183</u>	<u>₩ (3,102)</u>	<u>₩ 80,819</u>	<u>₩ 83,893</u>	<u>₩ 541,457</u>
Beginning of year (January 1, 2009)	₩ 125,664	₩ 254,183	₩ (3,102)	₩ 80,819	₩ 83,893	₩ 541,457
Dividends	-	-	-	-	(3,635)	(3,635)
Net income	-	-	-	-	53,072	53,072
Changes of retained earnings from valuation of investment securities using the equity method	-	-	-	-	162	162
Changes in valuation gain on investment securities using the equity method	-	-	-	1,197	-	1,197
Changes in valuation loss on available-for-sale securities	-	-	-	28,971	-	28,971
Changes in revaluation gain on property, plant and equipment	-	-	-	(2,089)	-	(2,089)
End of year (December 31, 2009)	<u>₩ 125,664</u>	<u>₩ 254,183</u>	<u>₩ (3,102)</u>	<u>₩ 108,898</u>	<u>₩ 133,492</u>	<u>₩ 619,135</u>
Translation into U.S. Dollars (In thousands) (Note 2)	<u>\$ 107,626</u>	<u>\$ 217,697</u>	<u>\$ (2,656)</u>	<u>\$ 93,267</u>	<u>\$ 114,329</u>	<u>\$ 530,263</u>

See accompanying notes to financial statements.

DONGBU CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩ 53,072	₩ 23,795	\$ 45,454	\$ 20,379
Addition of expenses not involving cash outflows:				
Depreciation	12,849	12,645	11,005	10,831
Bad debt expenses	8,797	2,108	7,534	1,804
Provision for severance indemnities	13,251	12,742	11,349	10,913
Amortization of intangible assets	11,881	11,471	10,176	9,824
Bad debt expense-other	1,220	2,133	1,045	1,826
Loss on disposal of trade receivables	9,843	4,365	8,430	3,738
Impairment loss on available-for-sale securities	-	17	-	15
Loss on disposal of available-for-sale securities	3	19,375	2	16,594
Loss on valuation of investment securities using the equity method	2,786	15,050	2,386	12,890
Loss on disposal of investment securities using the equity method	6,138	1,957	5,257	1,676
Loss on disposal of property, plant and equipment	3,412	534	2,922	458
Loss on revaluation of property, plant and equipment	-	143	-	123
Loss on foreign currency translation	40	255	35	218
Interest expenses	1,742	804	1,492	688
Loss on valuation of interest swap	-	769	-	659
Provision for other losses	1,785	-	1,529	-
Others	201	-	172	-
	<u>73,948</u>	<u>84,368</u>	<u>63,334</u>	<u>72,257</u>
Deduction of revenues not involving cash inflows:				
Gain on foreign currency translation	(39)	(396)	(33)	(340)
Interest income	-	(51)	-	(43)
Reversal of allowance for doubtful accounts	(3)	(18)	(2)	(15)
Gain on valuation of investment securities using the equity method	(12,815)	(9,220)	(10,976)	(7,897)
Reversal of impairment loss on available-for- sale securities	(445)	-	(381)	-
Gain on disposal of available-for-sale securities	(32,531)	(1,539)	(27,861)	(1,318)
Gain on disposal of other current assets	(254)	-	(218)	-
Gain on disposal of other non-current assets	-	(568)	-	(486)
Gain on valuation of foreign exchange forward	(311)	-	(267)	-
Gain on foreign exchange forward transactions	-	(100)	-	(86)
Gain on disposal of property, plant and equipment	(8,248)	(1,493)	(7,064)	(1,279)
Gain on disposal of intangible assets	(33)	-	(28)	-
Others	(1,155)	(2,694)	(989)	(2,307)
	<u>(55,834)</u>	<u>(16,079)</u>	<u>(47,819)</u>	<u>(13,771)</u>

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DONGBU CORPORATION

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
Changes in assets and liabilities resulting from operations:				
Decrease (Increase) in trade receivables	₩ 57,964	₩ (220,901)	\$ 49,644	\$ (189,192)
Increase in accrued income	(4,115)	(2,071)	(3,525)	(1,774)
Decrease (Increase) in accounts receivable-other	2,239	(20,410)	1,918	(17,481)
Decrease (Increase) in advanced payments	7,930	(8,542)	6,792	(7,316)
Decrease (Increase) in advanced payments for lots	1,273	(2,476)	1,090	(2,121)
Decrease (Increase) in prepaid expenses	228	(1,636)	196	(1,401)
Increase in prepaid construction costs	(40,351)	(22,815)	(34,559)	(19,540)
Increase in inventories	(14,281)	(8,582)	(12,231)	(7,350)
Increase in long-term trade receivables	(908)	(292)	(778)	(250)
Increase in long-term prepaid expenses	(218)	-	(187)	-
Decrease in deferred income tax assets	6,106	15,177	5,229	12,999
Increase (Decrease) in trade payables	(26,502)	181,205	(22,698)	155,195
Increase (Decrease) in accounts payable-other	(1,014)	9,375	(869)	8,029
Increase (Decrease) in advances from customers	(11,959)	19,138	(10,243)	16,391
Increase in withholdings	1,825	11,317	1,563	9,693
Increase in accrued expenses	6,911	1,922	5,919	1,646
Increase (Decrease) in income tax payable	5,066	(2,187)	4,339	(1,873)
Increase (Decrease) in other current liabilities	250	(107)	214	(92)
Decrease in deferred income tax liabilities	(6,914)	(12,299)	(5,922)	(10,533)
Increase in deposits for severance benefits	(1,768)	(5,935)	(1,514)	(5,083)
Decrease in National Pension payments	49	54	42	46
Payment of severance indemnities	(9,879)	(8,169)	(8,461)	(6,996)
Decrease in long-term advances from customers	(5,116)	(5,302)	(4,381)	(4,542)
Dividends from investment securities using the equity method	3,666	10,768	3,140	9,222
Decrease in other non-current liabilities	(3,031)	(8,955)	(2,597)	(7,669)
	<u>(32,549)</u>	<u>(81,723)</u>	<u>(27,879)</u>	<u>(69,992)</u>
	<u>38,637</u>	<u>10,361</u>	<u>33,090</u>	<u>8,873</u>

(Continued)

DONGBU CORPORATION

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Withdrawal of short-term financial instruments	₩ 12,504	₩ 10,633	\$ 10,709	\$ 9,107
Collection of short-term loans	15,528	67,509	13,299	57,818
Withdrawal of long-term financial instruments	190	216	163	185
Proceeds from disposal of available-for-sale securities	119,097	8,811	102,002	7,547
Collections of long-term loans	35,097	60,279	30,060	51,627
Withdrawal of guarantee deposits	44,712	59,354	38,294	50,834
Proceeds from disposal of property, plant and equipment	44,162	5,717	37,823	4,896
Proceeds from disposal of intangible assets	104	-	89	-
Settlement of foreign exchange forward	-	168	-	144
	<u>271,394</u>	<u>212,687</u>	<u>232,439</u>	<u>182,158</u>
Cash outflows from investing activities:				
Acquisition of short-term financial instruments	(25,434)	(6,736)	(21,783)	(5,769)
Extension of short-term loans	(33,304)	(79,948)	(28,524)	(68,472)
Acquisition of long-term financial instruments	(5,740)	(347)	(4,916)	(298)
Acquisition of available-for-sale securities	(80,544)	(22,525)	(68,982)	(19,291)
Repayment of advances from customers related to disposal of available for sale securities	(60,498)	-	(51,814)	-
Acquisition of investment securities using the equity method	(10,945)	(3,071)	(9,374)	(2,631)
Extension of long-term loans	(84,036)	(44,244)	(71,974)	(37,894)
Payment of guarantee deposits	(48,246)	(58,165)	(41,321)	(49,816)
Acquisition of property, plant and equipment	(50,877)	(16,078)	(43,574)	(13,770)
Acquisition of intangible assets	(2,230)	(962)	(1,910)	(823)
	<u>(401,854)</u>	<u>(232,076)</u>	<u>(344,172)</u>	<u>(198,764)</u>
	<u>(130,460)</u>	<u>(19,389)</u>	<u>(111,733)</u>	<u>(16,606)</u>

(Continued)

DONGBU CORPORATION

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In millions)		(In thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financial activities:				
Proceeds from short-term borrowings	₩ 213,900	₩ 630,407	\$ 183,196	\$ 539,917
Proceeds from debentures	206,653	177,804	176,990	152,282
Proceeds from long-term borrowings	7,500	-	6,423	-
Proceeds from liability from securitization of future receivables	50,000	-	42,823	-
Proceeds from long-term accounts payable	-	1,688	-	1,446
	<u>478,053</u>	<u>809,899</u>	<u>409,432</u>	<u>693,645</u>
Cash outflows from financial activities:				
Repayment of short-term borrowings	(232,373)	(549,334)	(199,018)	(470,481)
Payment of cash dividends	(3,474)	(11,743)	(2,975)	(10,058)
Redemption of current portion of long-term debts	(101,267)	(182,092)	(86,731)	(155,954)
Repayment of current portion of long-term accounts payable-other	(896)	(367)	(767)	(314)
Repayment of liability from securitization of future receivables	40,984	(11,815)	(35,101)	(10,119)
Repayment of debentures	(56,833)	-	(48,675)	-
	<u>(435,827)</u>	<u>(755,351)</u>	<u>(373,267)</u>	<u>(646,926)</u>
	<u>42,226</u>	<u>54,548</u>	<u>36,165</u>	<u>46,719</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,597)	45,520	(42,478)	38,986
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 25)	<u>62,090</u>	<u>16,570</u>	<u>53,177</u>	<u>14,191</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 25)	<u>₩ 12,493</u>	<u>₩ 62,090</u>	<u>\$ 10,699</u>	<u>\$ 53,177</u>

See accompanying notes to financial statements.

DONGBU CORPORATION
NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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 chairman and founder of Dongbu group, and other related parties hold 50.63% of the common stock of the Company as of December 31, 2009.

As of December 31, 2009, shareholders of the Company are as follows:

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

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 Company renamed the balance sheets to statements of financial position in accordance with the revised Article 1-2 of the Act on External Audit for Stock Companies.

In 2009, the Company reclassified certain accounts of financial statements for a fair presentation of the Company's financial position and result of operations and also reclassified the same accounts of prior year's financial statements which were presented for a comparative purpose. Such reclassifications do not have any effect on the Company's net assets as of December 31, 2008 or net income for the year ended December 31, 2008.

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 ₩1,167.60 to US\$ 1.00, the base rate announced by Seoul Money Brokerage Service, Ltd. at December 31, 2009. 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 at the board of directors' meeting on March 9, 2010.

Significant accounting policies followed by the Company in preparing the accompanying financial statements are summarized as follows:

Adoption of Newly Amended Statements of Korea Accounting Standards ("SKAS")

In 2008, the Company adopted the revaluation method for valuation of its land after acquisition based on SKAS No. 5-"Property, Plant and Equipment" which was revised in 2008. As a result of adopting the amended standards, land, investment securities using the equity method and net assets as of December 31, 2008 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 7(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 amount of receivable is deducted from the trade receivables and the difference between the book value and the proceed from the disposal is charged in current operations as loss on disposal of trade receivables.

Allowance for Doubtful Accounts

The Company provides allowances 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:

	<u>Method</u>
Merchandises	Moving average
Materials and supplies	First-in, first-out
Other inventories	Specific identification

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 statement of financial position. The Company maintains perpetual inventory records, which are adjusted through physical counts.

Inventories as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Materials and supplies	₩ 10,119	₩ 6,604
Merchandises	200	174
Land	92,287	107,529
Other inventories	9,497	9,457
	<u>₩ 112,103</u>	<u>₩ 123,764</u>

Investments Securities Other Than Those Accounted for Using the Equity Method

Securities are initially stated at the market value of consideration given for acquisition (market value of securities acquired if market value of consideration given is not available) plus incidental costs attributable to the acquisition of the securities. Securities are classified into one of the three categories; trading, available-for-sale or held-to-maturity securities depending on the purpose and nature of acquisition. The moving average method for equity securities and the specific identification method for debt securities are used to determine the cost of securities for the calculation of gain (loss) on disposal of those securities.

The following is the specific valuation method applied for debt and equity securities:

(1) Trading securities

Securities that are bought and held principally for the purpose of selling them in the near term with active and frequent buying and selling, including securities which consist of a portfolio of securities with the clear objective of generating profits on short-term differences in price, are classified as trading securities. Trading securities are recorded at their fair value and unrealized gains or losses from trading securities are recorded as gain (loss) on valuation of trading securities included in the non-operating income (expense).

(2) Held-to-maturity security

Debt securities that have fixed or determinable payments with a fixed maturity are classified as held-to-maturity securities only if the Company has both the positive intent and ability to hold those securities to maturity. However, debt securities, whose maturity dates are due within one year from the end of the reporting date, are classified as current assets.

After initial recognition, held-to-maturity securities are stated at amortized cost in the statements of financial position. When held-to-maturity securities are measured at amortized costs, the difference between their acquisition cost and face value is amortized using the effective interest rate method and the amortization is included in the cost and interest income.

When the possibility of not being able to collect the principal and interest of held-to-maturity securities according to the terms of the contracts is high, the difference between the recoverable amount (the present value of expected cash flows using the effective interest rate upon acquisition of the securities) and book value is recorded as impairment loss on held-to-maturity securities included in the non-operating expense and the held-to-maturity securities are stated at the recoverable amount after impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss is recorded as reversal of impairment loss on held-to-maturity securities included in non-operating income. However, the resulting carrying amount after the reversal of impairment loss shall not exceed the amortized cost that would have been measured, at the date of the reversal, if no impairment loss was recognized.

(3) Available-for-sale securities

Debt and equity securities that are not classified as either trading or held-to-maturity securities are categorized and presented as available-for-sale securities included in investment assets. However, if an available-for-sale security matures or it is certain that such security will be disposed of within one year from the end of the reporting period, it is classified as a current asset.

Available-for-sale securities are recorded at fair value. Unrealized gains or losses from available-for-sale securities are presented as gain or loss on valuation of available-for-sale securities included in accumulated other comprehensive income (loss) under shareholders' equity. In addition, accumulated gain or loss on valuation of available-for-sale securities is reflected in either gain or loss on disposal of available-for-sale securities or impairment loss on available-for-sale securities upon disposal or recognition of impairment of the securities. However, available-for-sale equity securities that are not marketable and whose fair value cannot be reliably measured are recorded at acquisition cost.

When there is objective evidence that the available-for-sale securities are impaired and the recoverable amount is lower than the cost (amortized cost for debt securities) of the available-for-sale securities, an impairment loss is recognized as impairment loss on available-for-sale securities in non-operating expense and the related unrealized gain or loss remaining in shareholders' equity is adjusted to the impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss can be recognized up to the previously recorded impairment loss as a reversal of loss on impairment of available-for-sale securities in non-operating income. However, if the fair value increases after the impairment loss is recognized but does not relate to the recovery of impairment loss as described above, the increase in fair value is recorded in shareholders' equity.

(4) 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 new book value and unrealized gain or loss up to the reclassification date is included in current operation.

Investment Securities Using the Equity Method

Investments in equity securities of companies, over which the Company exercises significant influence, are reported using the equity method of accounting.

(1) Accounting for changes in the equity of the investee

Under the equity method of accounting, the Company records changes in its proportionate equity of the net assets of the investee depending on the nature of the underlying changes in the investee as follows; (i) "gain (loss) on valuation of investment securities using the equity method" in the non-operating income (expense) for changes from net income (loss) of the investee; (ii) increase (decrease) in retained earnings for changes in unappropriated retained earnings carried over from prior year of the investee; and (iii) increase (decrease) in equity as "valuation gain (loss) on investment securities using the equity method" in accumulated other comprehensive income (loss) for other changes in shareholders' equity of the investee.

When the equity method investee's unappropriated retained earnings carried over from prior period changes due to significant error corrections, the Company records the changes in equity as "gain (loss) on valuation of investment securities using the equity method" included in the non-operating income (expense) if the impact of the changes on the Company's financial statements is not significant. If the changes results from the changes in accounting policies of the equity method investee, they are reflected in the unappropriated retained earnings carried over from prior year in accordance with SKAS on changes in accounting policy and errors corrections. When the investee declares cash dividends, the dividends to be received are deducted directly from investment securities using the equity method.

(2) Treatment of investment difference

Difference between the acquisition cost and the Company's proportionate equity in the fair value of net assets of the investee upon acquisition ("investment difference") is considered as (negative) goodwill and accounted for in accordance with accounting standards for business combination. The goodwill portion is amortized over useful lives within 20 years on a straight line method and the negative goodwill portion is amortized over the weighted average useful lives of depreciable non-monetary assets of the investee. The amortization is included in "gain (loss) on valuation of investment securities using the equity method".

When the Company's equity interest in the investee increases due to an increase (or decrease) in contributed capital with (or without) consideration, the changes in the Company's proportionate equity in the investee are accounted for as investment difference. If the Company's equity interest decreases, the changes are accounted for as "gain (loss) on disposal of investment securities using the equity method". However, if the investee is the Company's subsidiary, those changes are accounted for in the capital surplus or capital adjustments.

(3) Difference between the fair value and book value of net asset of the investee

Upon acquisition of the investment securities using the equity method, the Company's proportionate shares in the differences between the fair values and book values of the identifiable assets and liabilities of the investee are amortized or reversed and included in "gain (loss) on valuation of investment securities using the equity method" in accordance with the investee's methods of accounting for the assets and liabilities.

(4) Elimination of unrealized gain or loss from intercompany transactions

The Company's proportionate share in the gain (loss) arising from transactions between the Company and the investee, which remains in the book value of assets held as of the end of the reporting period, is considered unrealized gain (loss) and adjusted to investment securities using the equity method. If the investee is a subsidiary of the Company, unrealized gain (loss) from sale of an asset by the Company to the investee (downstream transaction) is fully eliminated and adjusted to investment securities using the equity method.

(5) Impairment loss on investment securities using the equity method

When there is objective evidence that the investment securities using the equity method is impaired and the recoverable amount is lower than the carrying amount of the investment securities using the equity method, an impairment loss is recognized as "loss on impairment of investment securities using the equity method" included in non-operating expense and the unamortized investment difference is first reduced. When the recoverable amount is recovered after the recognition of impairment loss, the reversal of impairment loss is recognized as income up to the previously recorded impairment loss. The book value of the investment securities using the equity method after the reversal of the impairment loss cannot exceed the book value calculated as if the impairment loss would not be originally recognized. The reversal of the impairment loss recognized against the unamortized investment difference is not allowed.

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, assets that were revalued in accordance with the Assets Revaluation Act or land revalued in accordance with the amended SKAS No. 5 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:

	<u>Useful lives (years)</u>
Buildings	40-60
Structures	10-60
Machinery and equipment	3-20
Vehicles	4-13
Others	3-20

Intangible Assets

Intangible assets are stated at cost, net of amortization. Amortization is computed using the straight-line method (unit of production method for mining rights in other intangibles), based on the estimated useful lives of the assets as follows:

	<u>Estimated useful lives</u>
Beneficiary right	5-30 years
Development costs	5 years
Other intangibles	5 years

Provision for Losses on Construction Contracts, Construction Warranties and Others

The Company recognizes provision for losses on construction contracts when expected costs of sales exceed the contract amount. The Company also recognizes provision for construction warranties when warranty expenses are expected after completion of construction. In addition, the Company recognizes provisions 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

Joint Construction Contracts

For joint 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 ₩31,845 million and ₩28,473 million as of December 31, 2009 and 2008, respectively.

Funding for this liability is not required by law; however, the Company has entered into a severance insurance plan or retirement pension 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 or a retirement pension plan of ₩22,282 million and ₩20,514 million as of December 31, 2009 and 2008, respectively, are presented as deductions from accrued severance indemnities.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of employees' 6 percent and is paid back at the termination of service by offsetting the receivable against the severance payment. As of December 31, 2009 and 2008, the receivables amounting to ₩129 million and ₩178 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.

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 substantial 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 substantially all (90% or more) of the fair value of the leased asset; or
- The leased asset is a specialized unit and only the Company can use it without significant 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 lease payment is expensed as incurred. Finance leases are recognized as assets and liabilities at 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 applicable). Any initial direct costs incurred by the Company are added to the amount recognized as an asset. The depreciation method for 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 lease payment 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 end of the reporting period. The balances have been translated using the rate announced by Seoul Money Brokerage Services Ltd., which was ₩1,167.60 and ₩1,257.50 to US\$1.00 at December 31, 2009 and 2008, 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

When the Company recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability and tax base, a deferred income tax liability for taxable temporary difference is fully recognized except to the extent in accordance with related SKAS, while a deferred tax asset for deductible temporary difference is recognized to the extent that it is almost certain that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset (liability) is classified as current or non-current asset (liability) depending on the classification of related asset (liability) in the statements of financial position. Deferred income tax asset (liability), which does not relate to specific asset (liability) account in the statements of financial position such as deferred income tax asset recognized for tax loss carryforwards, is classified as current or non-current asset (liability) depending on the expected reversal period. Deferred income tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expense are included in income tax expense in the statement of income and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income tax resulting from transactions or events, which was directly recognized in shareholders' equity in current or prior periods, or business combinations, is directly adjusted to equity account or goodwill (or negative goodwill).

3. RESTRICTED FINANCIAL INSTRUMENTS:

Restricted deposits as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>	<u>Description</u>
Cash and cash equivalents	₩ 1,303	₩ 1,303	Attached deposits
Short-term financial instruments	13,128	12,498	Collateral for borrowings and others
Long-term financial instruments	5,246	-	Collateral for borrowings and others
"	45	45	Guarantee for checking accounts
	<u>₩ 19,722</u>	<u>₩ 13,846</u>	

4. DISPOSAL OF TRADE RECEIVABLES:

The Company disposed trade receivables of ₩276,245 million and ₩159,854 million in 2009 and 2008, respectively. As a result of this disposal, the Company recognized loss on disposal of trade receivables of ₩5,769 million and ₩2,815 million in 2009 and 2008, respectively. As of December 31, 2009 and 2008, the uncollected trade receivables out of the disposed trade receivables are ₩76,648 million and ₩21,448 million, respectively.

5. AVAILABLE-FOR-SALE SECURITIES:

(1) Available-for-sale securities as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Marketable equity securities	₩ 39,525	₩ 20,933
Non-marketable securities	298,374	288,341
Government and municipal bonds	27,427	22,328
Other bonds	9,586	11,680
	374,912	343,282
Less: Current portion	(21,645)	(13,370)
	<u>₩ 353,267</u>	<u>₩ 329,912</u>

- (2) Marketable equity securities among available-for-sale securities as of December 31, 2009 and 2008 are as follows (Won in millions):

	2009		2008	
	Acquisition cost	Fair value (*1)	Acquisition cost	Fair value
Dongbu HiTek Co., Ltd. (*2)	₩ 147,125	₩ 39,089	₩ 146,747	₩ 20,899
KL-Net Corp.	19	52	19	16
SSangyong Motor Co., Ltd.	344	344	-	-
Others	29	40	20	18
	<u>₩ 147,517</u>	<u>₩ 39,525</u>	<u>₩ 146,786</u>	<u>₩ 20,933</u>

- (*1) For the above marketable securities, the Company recognized loss on valuation of available-for-sale securities amounting to ₩84,233 million as accumulated other comprehensive loss, net of deferred income taxes amounting to ₩23,759 million as of December 31, 2009.

- (*2) 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) Non-marketable securities among available-for-sale securities as of December 31, 2009 and 2008 are as follows (Won in millions):

	Share(%)	2009			2008
		Acquisition cost	Book value	Net assets	Book value
Manwolsan Tunnel Co., Ltd. (*1, 3)	30.00	₩ 10,050	₩ 17,770	₩ 17,770	₩ 10,050
Incheon International Airport Railroad Co., Ltd.	-	-	-	-	72,706
Kongju Environment Co., Ltd. (*2, 3)	41.00	2,095	2,971	2,971	2,095
Kangnam Circulation Road Co., Ltd.	1.47	1,026	1,026	923	1,026
Incheon Northport SOC	100.00	55,001	55,001	46,162	55,001
Shinbundangsun Railroad	5.00	10,460	10,460	9,388	11,114
Yongma Tunnel Co., Ltd.	11.02	1,146	1,146	929	228
Keongki Highway Co., Ltd.	13.33	32,212	32,212	30,799	32,212
Dongbu Co., Ltd.	-	-	-	-	322
Korea Construction Financial Cooperative (*2)	0.20	10,115	15,255	15,255	10,115
Electric Contractors' Financial Cooperative (*2)	0.01	50	89	89	50
Information & Communication Financial Cooperative (*2)	0.06	46	110	110	46
Engineering Financial Cooperative (*2)	0.02	12	42	42	12
Second seohaean express	11.00	2,135	2,135	1,726	2,135
Seoul Express Bus T/M Co., Ltd. (*2)	11.11	57,227	128,313	128,313	63,020
The 2nd Youngdong Highway Co., Ltd.	16.00	4,048	4,048	3,428	4,048
Korea Express Busan Container T/M Co., Ltd. (*1)	9.01	424	4,497	4,497	5,289
Pyeongtaek port (*1)	16.60	251	523	523	2,199
Distripark Pusan Co., Ltd.	20.65	1,200	1,200	1,131	1,200
Dongbu NTS Co., Ltd.	80.10	4,150	4,150	1,716	4,150
Daesung Transportation Co, Ltd.	100.00	6,696	6,696	1,756	6,696
Others (*1)		<u>11,541</u>	<u>10,730</u>	<u>3,249</u>	<u>4,627</u>

₩ 209,885 ₩ 298,374 ₩270,777 ₩ 288,341

The Company recognized gain on valuation of available-for-sale securities (accumulated other comprehensive income) of ₩69,425 million, net of deferred income taxes of ₩19,582 million as of December 31, 2009.

(*1) Some of above non-listed equity securities are recorded at fair value 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, 2009 are as follows (Won in millions except per shares amounts):

	<u>Valuation method</u>	<u>Per share amount</u>	<u>Fair value</u>
Manwolsan Tunnel	Profit approach	₩ 8,841	₩ 17,770
Korea Express Busan Container T/M	Asset approach	76,780	4,497
Pyeongtaek port	Profit approach	20,882	523
Others	Asset approach	-	468

(*2) Kongju Environment Co., Ltd. and Seoul Express Bus T/M Co., Ltd are recorded at the recent transaction price and the non-listed equity securities of financial cooperatives are recorded at the fair value provided by each cooperatives.

(*3) Non-listed securities of Manwolsan Tunnel Co., Ltd. and Kongju Environment Co., Ltd. of ₩20,741 million as of December 31, 2009 are to be disposed in 2010 and are reclassified to current assets.

(4) Government and municipal bonds among available-for-sale securities as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>		<u>2008</u>	
	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Acquisition cost</u>	<u>Fair value</u>
Government bonds	₩ 30,329	₩ 27,427	₩ 24,924	₩ 22,328
Less: Current portion		(904)		(1,690)
		<u>₩ 26,523</u>		<u>₩ 20,638</u>

The Company recognized loss on valuation of available-for-sale securities (accumulated other comprehensive loss) of ₩2,263 million, net of deferred income taxes of ₩639 million as of December 31, 2009.

(5) Details of other bonds among available-for-sale securities as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>		<u>2008</u>	
	<u>Acquisition cost</u>	<u>Book value</u>	<u>Acquisition cost</u>	<u>Book value</u>
Convertible bond of Dongbu HiTek Co., Ltd.	₩ 9,011	₩ 9,586	₩ 9,964	₩ 10,651
Subordinated bonds (*1)	750	-	750	-
Container Quayside Development	-	-	<u>1,029</u>	<u>1,029</u>
	9,761	9,586	11,743	11,680
Less : Current portion	-	-	<u>(10,993)</u>	<u>(11,680)</u>
	<u>₩ 9,761</u>	<u>₩ 9,586</u>	<u>₩ 750</u>	<u>₩ -</u>

(*1) The Company recognized impairment loss on available-for-sale securities of ₩17 million in 2008.

The Company recognized gain on valuation of available-for-sale securities (accumulated other comprehensive income) of ₩448 million, net of deferred income taxes of ₩127 million as of December 31, 2009.

- (6) Maturities of bonds among available-for-sale securities as of December 31, 2009 are as follows (Won in millions):

	Government and municipal bonds	Convertible bond	Total
Less than 1 year	₩ 904	₩ -	₩ 904
1 ~ 5 years	25,675	9,586	35,261
More than 5 years	848	-	848
	<u>₩ 27,427</u>	<u>₩ 9,586</u>	<u>₩ 37,013</u>

6. INVESTMENT SECURITIES USING THE EQUITY METHOD:

- (1) Investments in affiliates subject to equity method as of December 31, 2009 and 2008 are as follows (Won in millions):

	Percentage of ownership (%)	2009		2008	
		Acquisition cost	Book value	Acquisition cost	Book value
Dongbu Steel Co., Ltd. (*1)	8.89	₩ 27,582	₩ 95,065	₩ 16,637	₩ 86,383
Dongbu Engineering Co., Ltd.	100.00	5,000	16,639	5,000	12,247
Dongbu World Co., Ltd.	25.25	-	-	-	-
Dongbu Co., Ltd. (*1)	7.43	663	1,575	-	-
Dongbu Pusan Container Terminal Co., Ltd.	65.00	6,500	19,265	6,500	18,594
Dongbu Australia	100.00	1,668	2,215	1,520	1,654
DSD Sky Land Co., Ltd.	25.00	1,250	-	1,250	-
Fine Advantas PFV Company, Ltd. (*1)	19.00	950	-	950	-
Daesung T.L.S Co., Ltd.	80.83	3,072	1,922	3,072	2,820
		<u>₩ 46,685</u>	<u>₩ 136,681</u>	<u>₩ 34,929</u>	<u>₩ 121,698</u>

- (*1) The Company used the equity method for Dongbu Steel Co., Ltd., Dongbu Co., Ltd. and Fine Advantas PFV Company, Ltd. as the Company has voting power in the investee's board of directors' meeting.

- (2) Details of valuation using the equity method in 2009 and 2008 are as follows (Won in millions):

	2009					
	Beginning balance	Acquisition	Gain (Loss) on valuation using the equity method	Other comprehensive income (*1)	Others (*2)	Ending balance
Dongbu Steel Co., Ltd.	₩ 86,383	₩ 10,945	₩ 4,258	₩ 48	₩ (6,569)	₩ 95,065
Dongbu Engineering Co., Ltd.	12,247	-	4,392	-	-	16,639
Dongbu Co., Ltd.	-	-	244	844	487	1,575
Dongbu World Co., Ltd.	-	-	-	-	-	-
Dongbu Pusan Container Terminal Co., Ltd.	18,594	-	3,921	-	(3,250)	19,265
Dongbu Australia	1,654	-	(88)	500	149	2,215
DSD Sky Land Co., Ltd.	-	-	(1,800)	-	1,800	-
Fine Advantas PFV Company, Ltd.	-	-	-	-	-	-
Daesung T.L.S Co., Ltd.	2,820	-	(898)	-	-	1,922
	<u>₩ 121,698</u>	<u>₩ 10,945</u>	<u>₩ 10,029</u>	<u>₩ 1,392</u>	<u>₩ (7,383)</u>	<u>₩ 136,681</u>

	2008					
	Beginning balance	Acquisition	Gain (Loss) on the equity method	Other comprehensive income (*1)	Others (*2)	Ending balance
Dongbu Steel Co., Ltd.	₩ 55,245	₩ -	₩ (11,356)	₩ 45,143	₩ (2,649)	₩ 86,383
Dongbu Engineering Co., Ltd.	13,043	-	(809)	13	-	12,247
Dongbu World Co., Ltd.	-	-	-	4,403	(4,403)	-
Dongbu Pusan Container Terminal Co., Ltd.	19,449	-	9,220	-	(10,075)	18,594
Dongbu Australia	1,476	-	(28)	206	-	1,654
DSD Sky Land Co., Ltd.	1,250	-	(1,250)	-	-	-
Fine Advantas PFV Company, Ltd.	950	-	(1,355)	-	405	-
Daesung T.L.S Co., Ltd.	-	3,072	(252)	-	-	2,820
	<u>₩ 91,413</u>	<u>₩ 10,945</u>	<u>₩ (5,830)</u>	<u>₩ 49,765</u>	<u>₩ (16,722)</u>	<u>₩ 121,698</u>

(*1) The Company adopted the revaluation method 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 by ₩ 52,444 million as of December 31, 2008.

(*2) Others are increase (decrease) from transfer from available-for-sale securities, changes in ownership percentage, dividends from investees, changes in retained earnings and others.

(3) Changes in investment differences (differences between the cost of acquisition and the Company's share of the fair value of the affiliates) for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	2009			
	Beginning balance	Amortization	Others	Ending balance
Dongbu Steel Co., Ltd.	₩ (30,090)	₩ 5,668	₩ -	₩ (24,422)
Dongbu World Co., Ltd.	1,937	(113)	-	1,824
Dongbu Co., Ltd.	-	-	5	5
DSD Sky Land Co., Ltd.	5,323	(1,331)	-	3,992
Fine Advantas PFV Company, Ltd.	642	(160)	-	482
Daesung T.L.S Co., Ltd.	603	(209)	148	542
	<u>₩ (21,585)</u>	<u>₩ 3,855</u>	<u>₩ 153</u>	<u>₩ (17,577)</u>

	2008			
	Beginning balance	Amortization	Others	Ending balance
Dongbu Steel Co., Ltd.	₩ (32,648)	₩ 2,558	₩ -	₩ (30,090)
Dongbu World Co., Ltd.	2,050	(113)	-	1,937
DSD Sky Land Co., Ltd.	6,654	(1,331)	-	5,323
Fine Advantas PFV Company, Ltd.	802	(160)	-	642
Daesung T.L.S Co., Ltd.	-	(151)	754	603
	<u>₩ (23,142)</u>	<u>₩ 803</u>	<u>₩ 754</u>	<u>₩ (21,585)</u>

(4) Adjusted unrealized intercompany gains between the Company and the affiliates subject to equity method as of December 31, 2009 and 2008 are as follows (Won in millions):

	2009	2008	Description
Dongbu Steel Co., Ltd.	₩ 5,472	₩ 5,599	Property, plant and equipment, and others
Dongbu World Co., Ltd.	5,489	5,489	Construction services and others
Dongbu Co., Ltd.	393	-	Property, plant and equipment, and others

₩ 11,354 ₩ 11,088

- (5) Changes and cumulative changes in net assets not recognized for investments in affiliates for which the equity method had ceased due to the book value of the investment being zero are as follows (Won in millions):

	<u>Changes in 2009</u>	<u>Cumulative changes up to 2008</u>	<u>Total</u>
Dongbu World Co., Ltd.	₩ 2,254	₩ 17,975	₩ 20,229
DSD Sky Land Co., Ltd. (*1)	7,115	5,701	12,816
Fine Advantas PFV Company, Ltd.	<u>2,368</u>	<u>1,422</u>	<u>3,790</u>
	<u>₩ 11,737</u>	<u>₩ 25,098</u>	<u>₩ 36,835</u>

(*1) The Company recorded additional allowances for doubtful account for long-term loans of ₩ 1,800 million out of unrecognized decrease in net asset value for the affiliates subject to the equity method.

- (6) Key financial figures of affiliates subject to the equity method as of and for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>			
	<u>Total assets</u>	<u>Total liabilities</u>	<u>Sales</u>	<u>Net income (loss)</u>
Dongbu Steel Co., Ltd.	₩ 4,344,646	₩ 2,872,303	₩ 2,613,615	₩ (13,859)
Dongbu Engineering Co., Ltd.	40,428	23,789	84,303	4,392
Dongbu World Co., Ltd.	218,289	283,896	8,742	(8,480)
Dongbu Co., Ltd.	75,923	49,491	66,380	3,161
Dongbu Pusan Container Terminal Co., Ltd.	67,729	38,091	56,432	6,031
Dongbu Australia	2,228	13	1	(18)
DSD Sky Land Co., Ltd.	401,264	475,695	-	(29,253)
Fine Advantas PFV Company, Ltd.	182,584	205,070	-	(12,090)
Daesung T.L.S Co., Ltd.	<u>16,006</u>	<u>14,298</u>	<u>12,220</u>	<u>(682)</u>
	<u>₩ 5,349,097</u>	<u>₩ 3,962,646</u>	<u>₩ 2,841,693</u>	<u>₩ (50,798)</u>

	<u>2008</u>			
	<u>Total assets</u>	<u>Total liabilities</u>	<u>Sales</u>	<u>Net income (loss)</u>
Dongbu Steel Co., Ltd.	₩ 3,835,701	₩ 2,481,931	₩ 3,134,237	₩ (118,733)
Dongbu Engineering Co., Ltd.	21,665	9,418	56,621	(809)
Dongbu World Co., Ltd.	220,124	277,251	4,039	(18,041)
Dongbu Pusan Container Terminal Co., Ltd.	71,365	42,759	63,729	15,550
Dongbu Australia	1,676	22	1	(14)
DSD Sky Land Co., Ltd.	313,386	357,479	-	(22,480)
Fine Advantas PFV Company, Ltd.	169,179	180,044	530	(11,642)
Daesung T.L.S Co., Ltd.	<u>13,601</u>	<u>10,859</u>	<u>5,379</u>	<u>(125)</u>
	<u>₩ 4,646,697</u>	<u>₩ 3,359,763</u>	<u>₩ 3,264,536</u>	<u>₩ (156,294)</u>

- (7) Shares of Dongbu Steel Co., Ltd. are marketable securities, of which stock prices are ₩ 11,750 and ₩ 7,100 per share at December 31, 2009 and 2008, respectively.
- (8) The Company used draft financial statements as of December 31, 2009 for all affiliates except for Dongbu Australia of which audited financial statements were used. The Company adjusted net assets of certain affiliates to agree with accounting policies of the Company as follows:

	<u>2009</u>	<u>Adjustments</u>
Dongbu Steel Co., Ltd.	₩ (88,409)	Reversal of capitalized interest expenses
Dongbu World Co., Ltd.	<u>17,440</u>	Revaluation of land
	<u>₩ (70,969)</u>	

7. PROPERTY, PLANT AND EQUIPMENT:

(1) As of December 31, 2009, the value of the Company-owned land according to prices officially announced by the Ministry of Land, Transportation & Maritime Affairs is ₩ 276,917 million (including land classified as inventories of ₩ 155,627 million) with book value of ₩ 290,582 million (including land classified as inventories of ₩ 92,287 million).

(2) Changes in property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	2009						
	<u>Beginning</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Ending</u>	
Land	₩ 196,049	₩ 957	₩ (27,646)	₩ 28,935	₩ -	₩ 198,295	
Buildings	62,955	412	(1,478)	-	(1,932)	59,957	
Structures	4,764	299	(21)	85	(388)	4,739	
Machinery	13,258	3,231	(75)	8,883	(3,044)	22,253	
Vehicles	12,001	12,762	(10,291)	1,717	(4,484)	11,705	
Other	9,494	1,223	(49)	17	(3,618)	7,067	
Subsidy	(983)	-	-	-	617	(366)	
Construction in progress	1,802	35,318	(26)	(11,062)	-	26,032	
	<u>₩ 299,340</u>	<u>₩ 54,202</u>	<u>₩ (39,586)</u>	<u>₩ 28,575</u>	<u>₩ (12,849)</u>	<u>₩ 329,682</u>	

	2008						
	<u>Beginning</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Other(*1)</u>	<u>Ending</u>
Land	₩ 85,781	₩ 5	₩ (62)	₩ -	₩ -	₩ 110,325	₩ 196,049
Buildings	64,846	73	-	-	(1,964)	-	62,955
Structures	4,672	234	-	232	(374)	-	4,764
Machinery	11,249	3,722	(1)	495	(2,207)	-	13,258
Vehicles	15,362	5,728	(4,677)	1,378	(5,790)	-	12,001
Other	9,695	1,702	(20)	627	(2,510)	-	9,494
Subsidy	(1,183)	-	-	-	200	-	(983)
Construction in progress	1,306	4,614	-	(4,118)	-	-	1,802
	<u>₩ 191,728</u>	<u>₩ 16,078</u>	<u>₩ (4,760)</u>	<u>₩ (1,386)</u>	<u>₩ (12,645)</u>	<u>₩ 110,325</u>	<u>₩ 299,340</u>

(*1) Other changes are the effect of the Company's adoption of the revaluation model for its land.

(3) As of December 31, 2009 and 2008, the Company's property, plant and equipment are insured up to ₩49,614 million and ₩40,019 million, respectively, with Dongbu Insurance Co., Ltd. and others. The Company also carries commercial general liability insurance and automobile insurance for its vehicles and machinery.

(4) The Company adopted the revaluation method to determine book value of its land after acquisition date. Date of revaluation was December 31, 2008 and the amount of revaluated land and book value using the cost model are ₩196,049 million and ₩85,724 million, respectively. The Company recorded revaluation gain on property, plant and equipment of ₩ 86,165 million as other accumulated other comprehensive income, net of deferred income taxes of ₩ 24,303 million and recorded loss on revaluation of property, plant and equipment of ₩ 143 million in non-operating expenses.

Changes in accumulated other comprehensive income including tax effects for the year ended December 31, 2009 are as follows (Won in millions):

<u>Beginning</u>	<u>Disposal</u>	<u>Others</u>	<u>Ending</u>
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Land ₩ 110,468 ₩ (260) ₩ (2,417) ₩ 107,791

8. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2009 and 2008 are as follows (Won in millions):

	2009			2008		
	Acquisition cost	Cumulative amortization	Book value	Acquisition cost	Cumulative amortization	Book value
Beneficiary rights	₩ 72,283	₩ 43,407	₩ 28,876	₩ 72,283	₩ 37,038	₩ 35,245
Mining right	19	-	19	19	-	19
Development cost	24,084	17,144	6,940	21,929	12,795	9,134
Others	6,114	3,344	2,770	5,761	2,192	3,569
	<u>₩ 102,500</u>	<u>₩ 63,895</u>	<u>₩ 38,605</u>	<u>₩ 99,992</u>	<u>₩ 52,025</u>	<u>₩ 47,967</u>

(*1) Others are goodwill of ₩ 1,705 million and ₩ 2,469 million, and software of ₩ 1,065 million and ₩ 1,100 million as of December 31, 2009 and 2008, respectively.

(2) Changes in intangible assets for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	2009					
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Ending balance
Beneficiary rights	₩ 35,245	₩ -	₩ -	₩ -	₩ (6,369)	₩ 28,876
Mining right	19	-	-	-	-	19
Development cost	9,134	2,130	(71)	107	(4,360)	6,940
Others	3,569	100	-	253	(1,152)	2,770
	<u>₩ 47,967</u>	<u>₩ 2,230</u>	<u>₩ (71)</u>	<u>₩ 360</u>	<u>₩ (11,881)</u>	<u>₩ 38,605</u>

	2008				
	Beginning balance	Acquisition	Transfer	Amortization	Ending balance
Beneficiary rights	₩ 41,289	₩ 388	₩ -	₩ (6,432)	₩ 35,245
Mining right	19	-	-	-	19
Development cost	11,787	156	1,190	(3,999)	9,134
Others	3,995	418	196	(1,040)	3,569
	<u>₩ 57,090</u>	<u>₩ 962</u>	<u>₩ 1,386</u>	<u>₩ (11,471)</u>	<u>₩ 47,967</u>

(3) Ordinary development costs expensed for the years ended December 31, 2009 and 2008 are ₩33,627 million and ₩16,206 million, respectively.

9. BORROWINGS AND LONG-TERM ACCOUNTS PAYABLE:

(1) Short-term borrowings as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>Financial institutions</u>	Annual interest rate (%)	<u>2009</u>	<u>2008</u>
General term loans	Hana Bank	7.30~8.00	₩ 22,000	₩ 22,000
	Kookmin Bank	7.12~8.42	59,500	59,500
	Suhyup Bank	5.14~7.06	15,000	-
	Nonghyup Bank	7.98	10,000	10,000
	Jeonbuk Bank	7.85	10,000	10,000
	Industrial Bank of Korea	6.70	30,000	30,000
	The Korea Securities Finance Corp.	-	-	4,000
	Kwangju Bank	8.22	10,000	10,000
Commercial paper (CP)	IBK Capital	14.00	-	5,000
	Shinhan Bank	7.69	17,400	20,000
	Hana Bank	-	40,000	40,000
Loans collateralized by receivables (*1)	Busan HK Mutual Savings Bank and others	-	-	21,873
			<u>₩ 213,900</u>	<u>₩ 232,373</u>

(*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, 2009 and 2008 are as follows (Won in millions):

	<u>Financial institutions</u>	Annual interest rate (%)	<u>2009</u>	<u>2008</u>
General term loans	Korea Development Bank	7.08~8.50	₩ 34,000	₩ 34,000
	Hana Bank	5.00	4	21
	Woori Bank	5.79	5,250	6,460
Operation loans	Korea Housing Guarantee Co., Ltd.	1.00	11,807	11,807
Long term loans	Korea Resources Corporation	5.00	93	138
Policy loans	Suhyup Bank	3.28	7,500	-
			58,654	52,426
Less: Current portion			<u>(38,116)</u>	<u>(4,130)</u>
			<u>₩ 20,538</u>	<u>₩ 48,296</u>

(3) Debentures as of December 31, 2009 and 2008 are as follows (Won in millions):

	Date of issue	Maturity date	Annual interest rate (%)	Annual interest	
				2009	2008
180 th debenture	2006.02.09	2009.02.09	6.63	₩ -	₩ 50,000
181 st debenture	2006.03.22	2009.03.22	6.50	-	50,000
190 th debenture	2007.03.16	2010.03.16	6.61	50,000	50,000
196 th debenture	2008.06.02	2010.06.02	8.00	3,368	10,000
197 th debenture	2008.06.13	2011.06.13	8.23	10,000	10,000
198 th debenture	2008.06.23	2010.06.23	7.50	40,000	40,000
199 th debenture	2008.06.27	2011.06.27	7.96	60,000	60,000
200 th debenture	2008.07.11	2010.07.11	8.20	30,000	30,000
201 st debenture	2008.07.14	2010.07.14	7.97	20,000	20,000
202 nd debenture	2009.02.17	2010.02.17	9.00	10,000	-
203 rd debenture	2009.03.13	2010.03.23	8.61	30,000	-
204 th debenture	2009.05.14	2010.11.14	10.30	8,010	-
205 th debenture	2009.07.24	2010.07.24	9.90	30,000	-
207 th debenture	2009.10.08	2011.04.08	9.90	40,000	-
208 th debenture	2009.11.24	2011.05.24	9.50	40,000	-
				<u>371,378</u>	<u>320,000</u>
Less: Discounts on debentures issued				<u>(1,494)</u>	<u>(1,879)</u>
				369,884	318,121
Less: Current portion				<u>(221,378)</u>	<u>(100,000)</u>
Add: Discounts on debentures issued of current portion				<u>496</u>	<u>20</u>
				<u>₩ 149,002</u>	<u>₩ 218,141</u>

(4) Long-term accounts payable as of December 31, 2009 and 2008 are as follows (Won in millions):

	2009	2008
Yangsan ICD allotment	₩ 1,274	₩ 1,640
Capital lease payables	4,449	1,688
Others	<u>35</u>	<u>-</u>
	5,758	3,328
Less: Current portion	<u>(1,370)</u>	<u>(686)</u>
	<u>₩ 4,388</u>	<u>₩ 2,642</u>

(5) Repayment schedule of long-term debts as of December 31, 2009 is as follows (Won in millions):

	Long-term borrowings	Debentures	Long-term accounts payable	Total
2010	₩ 38,116	₩ 221,378	₩ 1,370	₩ 260,864
2011	10,857	150,000	2,054	162,911
2012	1,094	-	2,038	3,132
2013	1,073	-	296	1,369
2014 and thereafter	<u>7,514</u>	<u>-</u>	<u>-</u>	<u>7,514</u>
	<u>₩ 58,654</u>	<u>₩ 371,378</u>	<u>₩ 5,758</u>	<u>₩ 435,790</u>

10. LEASE:

- (1) The Company has capital lease agreements with Lotte Capital Co., Ltd. and others for certain machinery and vehicles. As of December 31, 2009, details of assets under finance leases are as follows (Won in millions):

<u>Lease assets</u>	<u>Lease period</u>	<u>Interest rate (%)</u>	<u>Acquisition cost</u>	<u>Depreciation in 2009</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Module trailers	2008.10.16~2011.10.16	9.90	₩ 1,716	₩ 257	₩ 286	₩ 1,430
Grabs	2009.05.14~2012.05.14	8.24	1,734	58	58	1,676
Vehicles	2009.08.19~2012.12.25	8.38~9.55	1,592	97	97	1,495
			<u>₩ 5,042</u>	<u>₩ 412</u>	<u>₩ 441</u>	<u>₩ 4,601</u>

The future annual payments under capital lease agreement as of December 31, 2009 are as follows (Won in millions):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	₩ 983	₩ 357	₩ 1,340
2011 (*1)	1,703	255	1,958
2012 (*1)	<u>1,763</u>	<u>85</u>	<u>1,848</u>
Total	4,449	<u>₩ 697</u>	<u>₩ 5,146</u>
Less: Current portion	<u>(983)</u>		
	<u>₩ 3,466</u>		

- (*1) These annual payments include payments for transferring ownership of module trailers and grabs. The Company recorded the capital lease payables as long-term accounts payable or current portion of long-term accounts payable in accordance with the payment schedule.
- (2) The Company carries operating lease contracts of vehicles with KDB Capital Corporation and others. The payment schedule of operating leases as of December 31, 2009 is as follows (Won in millions):

	<u>Lease expenses</u>
2010	₩ 29,907
2011	9,263
2012	<u>46</u>
	<u>₩ 39,216</u>

11. LIABILITY FROM SECURITIZATION OF RECEIVABLES:

The Company trusted its receivables and future receivables to Korea Development Bank and Shinhan Bank. These financial institutions' issued primary and secondary beneficiary certificates based on the receivables and the Company has securitized the primary beneficiary certificate via SPC and recorded the amount raised from securitization of future receivables as liability. The details of securitization and related liability as of December 31, 2009 are as follows (Won in millions):

Description	Dongbu Express 1st	Namyangju Jinjeop project
	Securitization	receivables
Period trusted	Assets Backed Securities (ABS) 2007.11.22 ~ 2010.11.22	Asset Backed Liabilities (ABL) 2009.04.29 ~ 2010.04.30
Initial trust amount	₩ 30,000	₩50,000
Trustee	Korea Development Bank	Shinhan Bank
Trusted assets	Future receivables	Receivables and future receivables
Initial amount raised	₩ 30,000 from primary beneficiary certificate	₩ 50,000 from primary beneficiary certificate
Repaid amount	₩ 21,306	₩ 30,000
Balances of liability from securitization of future receivables	₩ 8,694	₩ 20,000

The differences between the trade receivables collected and repaid corresponding liabilities are recognized as loss on disposal of trade receivables, amounting to ₩4,074 million and ₩1,550 million in 2009 and 2008, respectively.

The Company securitized receivables, which occurred or will occur from the Namyangju Jinjeop project. The amount of money from the securitization was recorded as the liability from securitization, which would be offset when receivables are collected. In relation to the securitization, the Company provides joint guarantee of ₩26 billion and has pledged a blank note as collateral.

12. ACCRUED SEVERANCE INDEMNITIES:

Changes in accrued severance indemnities for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	2009	2008
Beginning balance	₩ 28,473	₩ 23,900
Provision for severance indemnities	13,251	12,742
Payments of severance indemnities	(9,879)	(8,169)
Ending balance	₩ 31,845	₩ 28,473

13. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

Assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008 are as follows (Won in millions, foreign currencies in thousands):

	2009		2008	
	<u>Foreign currencies</u>	<u>Equivalent in Korean Won</u>	<u>Foreign currencies</u>	<u>Equivalent in Korean Won</u>
Assets:				
Cash and cash equivalents	US\$ 640	₩ 747	US\$ 2	₩ 3
Trade receivables	US\$ 1,577	<u>1,841</u>	US\$ 3,860	<u>4,853</u>
		<u>₩ 2,588</u>		<u>₩ 4,856</u>
Liabilities:				
Trade payables	US\$ 771	₩ 973	US\$ 892	₩ 1,122
Accrued expenses	US\$ 12	14	US\$ 17	22
Long-term borrowings	US\$ 53	<u>62</u>	US\$ 71	<u>89</u>
		<u>₩ 1,049</u>		<u>₩ 1,233</u>

14. RELATED PARTY TRANSACTIONS:

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

	<u>Numbers of persons</u>	<u>Approved limit</u>	<u>2009</u>	<u>2008</u>
Directors	8	₩ 2,100	₩ 578	₩ 844
Auditors and audit committee	4	-	69	82

(2) Significant transactions with related parties in 2009 and 2008, and the related receivables and payables as of December 31, 2009 and 2008 are as follows (Won in millions):

	2009			
	<u>Sales and other revenues</u>	<u>Purchases and other expenses</u>	<u>Receivables</u>	<u>Payables</u>
Dongbu Engineering	₩ 350	₩ 13,315	₩ 179	₩ 7,904
Dongbu Pusan Container Terminal Co., Ltd.	951	6,018	308	3,008
Daesung T.L.S Co., Ltd.	984	5,057	3,275	1,265
Dongbu Steel Co., Ltd.	206,689	9,668	48,733	2,651
Dongbu World Co., Ltd.	224	685	15,014	3
Dongbu Co., Ltd.	21,522	20,631	9,569	2,661
Dongbu HiTek Co., Ltd.	25,565	1,140	6,810	432
Dongbu Metal Co., Ltd.	18,898	-	13,081	1
Dongbu Fine Chemical Co., Ltd.	2,045	-	669	2
Dongbu Insurance Co., Ltd.	30,319	7,319	2,726	1,917
Dongbu Life Insurance Co., Ltd.	118	119	1	-
Dongbu CNI Co., Ltd.	300	22,092	220	6,679
Dongbu Securities Co., Ltd.	200	-	18	10,000
Incheon Northport SOC	9,155	165	13,665	195
Others	<u>1,347</u>	<u>8,732</u>	<u>8,521</u>	<u>1,533</u>
	<u>₩ 318,667</u>	<u>₩ 94,941</u>	<u>₩ 122,789</u>	<u>₩ 38,251</u>

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

15. SHAREHOLDERS' EQUITY:

(1) Capital Stock

The Company has authorized 100,000,000 shares of ₩5,000 par value and issued common stocks and preferred stocks as of December 31, 2009 and 2008 as follows (Won in millions):

	<u>Outstanding shares</u>	<u>Capital stock</u>
Common stock	21,790,345 shares	₩ 108,952
Preferred stock	3,342,365 shares	<u>16,712</u>
		<u>₩ 125,664</u>

(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, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Capital surplus from merger	₩ 86,914	₩ 86,914
Gain on disposal of treasury stock fund	417	417
Gain on disposal of treasury stock received without consideration	17,051	17,051
Gain on disposal of treasury preferred stock	6,138	6,138
Other capital surplus	11	11
	<u>₩ 110,531</u>	<u>₩ 110,531</u>

(3) Capital Adjustments

Details of capital adjustments as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Treasury stock	₩ 706	₩ 706
Tax on treasury stock	<u>2,396</u>	<u>2,396</u>
	<u>₩ 3,102</u>	<u>₩ 3,102</u>

Details of treasury stock as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>		<u>2008</u>	
	Number of shares (shares)	Amount	Number of shares (shares)	Amount
Common stock	1,818,974	₩ -	1,818,974	₩ -
Preferred stock	<u>145,690</u>	<u>706</u>	<u>145,690</u>	<u>706</u>
	<u>1,964,664</u>	<u>₩ 706</u>	<u>1,964,664</u>	<u>₩ 706</u>

Shares of common stock are remaining balance of 4,758,974 shares obtained from Junki Kim, the chairman and founder of Dongbu group, without consideration. 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, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Legal reserve	₩ 21,539	₩ 21,176
Other reserve:		
Reserve for business rationalization	9,779	9,779
Reserve for financial structure improvement	12,386	12,386
Voluntary reserve	<u>20,000</u>	<u>20,000</u>
	<u>₩ 63,704</u>	<u>₩ 63,341</u>

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

16. COMPREHENSIVE INCOME STATEMENTS:

The comprehensive income reflecting the changes in accumulated other comprehensive income to net income for the years ended December 31, 2009 and 2008 is as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Net income	₩ 53,072	₩ 23,795
Other comprehensive income (loss):		
Changes in valuation gain and loss on investment securities using the equity method	1,197	39,857
Changes in valuation gain (loss) on available-for-sale securities	28,971	(15,596)
Changes in revaluation gain on property, plant and equipment	<u>(2,089)</u>	<u>86,165</u>
Comprehensive income	<u>₩ 81,151</u>	<u>₩ 134,221</u>

17. CONSTRUCTION CONTRACTS:

Changes in construction contracts in progress for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Beginning balance	₩ 4,816,472	₩ 4,483,693
New contracts signed or changes in contracts	1,796,118	1,960,471
Less: Revenue recognized	<u>(1,650,826)</u>	<u>(1,627,692)</u>
Ending balance	<u>₩ 4,961,764</u>	<u>₩ 4,816,472</u>

In connection with the above contracts, the Company recorded provision for losses on construction contracts of ₩23,699 million and ₩25,024 million as other current and non-current liabilities as of December 31, 2009 and 2008, respectively.

In addition, for completed construction contracts, the Company recorded provision for construction warranties of ₩ 9,304 million and ₩9,823 million as other current liabilities as of December 31, 2009 and 2008, respectively.

As of December 31, 2009, the Company has provided payment guarantee of Korea Construction Financial Cooperative and others amounting to ₩2,582,010 million to its clients.

18. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Salaries	₩ 32,092	₩ 40,557
Provision for severance indemnities	4,523	3,073
Employee benefits	4,547	5,450
Travel	1,050	1,479
Communications	257	264
Utilities	352	339
Office consumables	282	572
Taxes and dues	3,486	5,315
Rent	2,642	1,461
Depreciation	1,763	1,911
Amortization of intangibles	4,520	4,105
Repairs and maintenance	71	156
Insurance	410	432
Advertising	1,943	8,883
Transportation	3	1
Commissions	11,759	11,176
Vehicle maintenance	740	807
Printing	445	657
Employee development	2,199	4,110
Bad debt	8,797	2,108
Ordinary development	33,627	16,206
Conferences	584	855
Others	<u>2,405</u>	<u>2,897</u>
	<u>₩ 118,497</u>	<u>₩ 112,814</u>

19. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2009 and 2008 is as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Corporate income tax and resident surcharges	₩ 17,892	₩ 11,467
Changes in deferred income taxes	7,133	34,753
Changes in deferred income taxes adjusted to shareholders' equity	(7,779)	(32,730)
Changes in deferred income taxes adjusted to tax of treasury stock	-	599
Income tax expense	<u>₩ 17,246</u>	<u>₩ 14,089</u>

(2) Relation between income before income tax and income tax expense for the years ended December 31, 2009 and 2008 is as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Income before income tax (A)	₩ 70,318	₩ 37,884
Tax amounts applying statutory tax rate	16,992	10,418
Adjustments:		
Non-taxable income or loss	221	607
Tax effect of temporary differences excluded from deferred income taxes	(677)	606
Additional income tax or tax refunds	1,541	(14)
Effect of income tax rate change	-	1,301
Others	(831)	1,171
Income tax expense (B)	<u>₩ 17,246</u>	<u>₩ 14,089</u>
Effective tax rate (C=B/A)	24.5%	37.2%

(3) Accumulated temporary differences and deferred income tax assets (liabilities) as of December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>	<u>2008</u>
Accumulated temporary differences	₩ (93,324)	₩ (62,083)
Statutory tax rate (*1)	<u>24.2 / 22.0%</u>	<u>24.2 / 22.0%</u>
Deferred income taxes	<u>₩ (20,139)</u>	<u>₩ (13,006)</u>
Deferred income tax assets (current assets)	₩ 1,058	₩ 7,164
Deferred income tax liabilities (long-term liabilities)	<u>(21,197)</u>	<u>(20,170)</u>
	<u>₩ (20,139)</u>	<u>₩ (13,006)</u>

(*1) As new statutory tax rates were announced in 2009, the tax rates applied for deferred tax assets and liabilities are 24.2 percent in 2010 and 2011, and 22 percent in 2012 and thereafter.

20. EARNINGS PER COMMON SHARE:

Earnings per common share for the years ended December 31, 2009 and 2008 is calculated as follows (Won in millions, except per share amounts):

	<u>2009</u>	<u>2008</u>
Net income	₩ 53,072	₩ 23,795
Less: preferred stock dividends	<u>(959)</u>	<u>(639)</u>
Net income for common share	₩ 52,113	₩ 23,156
Weighted-average number of shares outstanding (shares)	<u>19,971,371</u>	<u>19,971,371</u>
Earnings per common share	<u>₩ 2,609</u>	<u>₩ 1,159</u>

21. DIVIDENDS:

The detail of the dividends for the years ended December 31, 2009 and 2008 is as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Common stock</u>	<u>Preferred stock</u>	<u>Common stock</u>	<u>Preferred stock</u>
Issued stock (shares)	21,790,345	3,342,365	21,790,345	3,342,365
Treasury stock (shares)	(1,818,974)	(145,690)	(1,818,974)	(145,690)
Odd-lot stock (shares)	<u>(752)</u>	<u>(1)</u>	<u>(752)</u>	<u>(1)</u>
Stocks outstanding for dividends (shares)	<u>19,970,619</u>	<u>3,196,674</u>	<u>19,970,619</u>	<u>3,196,674</u>
Dividend per share	₩ 250	₩ 300	₩ 150	₩ 200
Par value per share	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Dividend rate	<u>5%</u>	<u>6%</u>	<u>3%</u>	<u>4%</u>
Total dividends (Won in millions)	₩ 4,993	₩ 959	₩ 2,996	₩ 639
Net income (Won in millions)	<u>₩ 53,072</u>	<u>₩ 53,072</u>	<u>₩ 23,795</u>	<u>₩ 23,795</u>
Dividend propensity	<u>9.4%</u>	<u>1.8%</u>	<u>12.6%</u>	<u>2.7%</u>
Stock price as of the end of the reporting period	₩ 8,460	₩ 4,080	₩ 5,570	₩ 2,561
Dividends to stock price ratio	3.0%	7.4%	2.7%	7.8%

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, 2009 (Won in millions):

Debts			Pledged assets		
Financial institutions	Description	Amount	Description	Book value	Amount pledged
Korea Exchange Bank (*1)	Overdrafts	₩ 6,730	Land & buildings	₩ 29,976	₩ 29,400
	General loan	26,000	Inventories	35,958	4,500
			Available-for-sale (“AFS”) securities	3,179	3,450
			Investment securities using the equity method	930	-
			Financial instruments	2,660	2,660
Hana Bank	Overdrafts	8,000	Inventories	47,956	60,000
	General loan	22,004	Land	3,977	9,000
	Debentures subscribed	20,000	Land & buildings	6,124	12,900
	CP	40,000	AFS securities	3,804	3,982
			Financial instruments	2,700	2,700
Woori Bank	Overdrafts	10,000	Inventories and building	69,299	150,000
	CP	30,800	Land & building	21,743	15,240
	Industrial equipment general loan	5,250	Investment securities using the equity method	57,662	-
	Debentures subscribed	90,000	AFS securities	272	298
			Financial instruments	6,050	6,050
			Long-term other receivables-other	10,080	10,080
Shinhan Bank	Overdrafts	9,000	Land, building & inventories	10,179	12,000
	CP	17,400	Financial instruments	1,280	1,280
	Debentures subscribed	30,000	AFS securities	71,303	-
Kookmin Bank	Overdrafts	7,000	Inventories	5,894	5,850
	General loan	59,500	Land & buildings	137,755	50,535
			Financial instruments	3,550	3,550
			AFS securities	217	231
Korea Development Bank (“KDB”)	General loan	34,000	Vehicles	2,100	2,100
	Overdrafts	2,000	Land & buildings	16,975	12,100
			AFS securities	4,255	5,047
			Financial instruments	1,139	1,139
			Treasury stock	-	-
			Inventories	11,777	30,000
Korea Securities Finance Corp.	Secured loan of Treasury stock	6,000	Treasury stock	-	-
Dongbu Insurance			Land & buildings	7,730	260
Nonghyup Bank		-	Financial instruments	50	50
Suhyup Bank	Policy loans	7,500	Machinery	10,307	9,750
POSCO		-	Financial instruments	1,000	1,000
		<u>₩431,184</u>		<u>₩ 587,881</u>	<u>₩ 445,152</u>

(*1) In relation to the debts, the Company is provided with repayment guarantee of ₩7,500 million from Junki Kim, the chairman and founder of Dongbu group.

- (2) Collaterals or guarantees, which the Company had provided for others as of December 31, 2009, are as follows (Won in millions):

<u>Provided to</u>	<u>Assets provided</u>	<u>Amount pledged</u>	<u>Related liabilities</u>	<u>Financial institutions</u>
Dongbu Hitek Co., Ltd.	Available-for-sale ("AFS") securities	₩ 20,714	Second syndicated loan	KDB and others
Manwalsan Tunnel	AFS securities	10,050	Project financing	KDB and others
Kongju Environment Co., Ltd.	AFS securities	2,095	Project financing	Shinhan Bank
Incheon Northport	AFS securities	55,001	Project financing	Kookmin Bank and others
Kuyngki highway	AFS securities	32,212	Project financing	Shinhan Bank
Shinbundang Railroad Co., Ltd.	AFS securities	10,305	Project financing	KDB
Chungjung Wonju Co., Ltd.	AFS securities	408	Project financing	Kookmin Bank and others
Kangnam Beltway	AFS securities	1,026	Project financing	KDB and others
Andong Art Center	AFS securities	124	Project financing	Hyundai Marine and others
BILTECH Co., Ltd.	Land & buildings	9,100	Secured loan	Suhyup Bank
Daesung Transportation Co., Ltd.	AFS securities	140	Loan for industrial equipment	IBK
Busan Multipurpose Terminal Company	Land & buildings	11,700	Borrowings	Suhyup Bank
Daesung T.L.S Co., Ltd.	Land	2,100	Borrowings for construction	IBK
Dongbu Co., Ltd.	-	<u>101,839</u>	Joint guarantee of performance of construction & others	Union of Construction
		<u>₩ 256,814</u>		

In addition, the Company has provided SPCs with available-for-sale securities for pledges and entered into the capital supplementation agreement amounting to ₩39.1 billion. The Company also provided joint guarantee of ₩266.8 billion for loans to local residents for construction projects and repayment guarantee of borrowings to PFV for constructing apartment and public work amounting to ₩536.0 billion and ₩10.0 billion, respectively, as of December 31, 2009.

23. COMMITMENTS AND CONTINGENCIES:

- (1) Credit lines provided by financial institutions as of December 31, 2009 are as follows (Won in millions, US\$ in thousands):

	<u>Financial institutions</u>	<u>Credit lines</u>
Overdraft	Hana Bank and others	₩ 47,730
General loans	"	₩ 265,226
Debentures subscriptions	"	₩ 200,042
CP	"	₩ 108,600
Discounting notes and disposal of trade receivables	Lotte Capital and others	₩ 84,000
Electronic notes	Hana Bank and others	₩ 204,000
Usance	Korea Exchange Bank and others	US\$ 7,200
Operating lease	KDB Capital and others	₩ 196,302
Finance lease	Lotte Capital and others	₩ 25,000

(2) 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 Korea Development Bank (“KDB”). The contract grants 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.

- (3) The Company has pledged 66 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.
- (4) As of December 31, 2009, the Company is contingently liable for guarantees of performance of construction by other companies amounting to ₩3,511,817 million. The Company also provided joint guarantee of ₩780 million for loans of C.STEINWEG Dongbu Distripark Pusan Co., Ltd..
- (5) The Company has provided repayment guarantee for loans to local residents of reconstruction projects for financial institutions. In addition, the Company lends money to reconstruction cooperatives and related short-term and long-term loans as of December 31, 2009 are ₩ 94,022 million.
- (6) As of December 31, 2009, the Company is a defendant in 27 lawsuits involving claims of ₩9,892 million. The Company recognized provision for lost cases amounting to ₩ 1,786 million as other non-current liabilities as of December 31, 2009.

24. DERIVATIVE INSTRUMENTS:

In 2008, the Company entered into an interest rate swap contract, which exchanges variable-rate interest with fixed-rate interest. The Company recognized interest swap liabilities of ₩458 million and ₩769 million in 2009 and 2008, respectively. As of December 31, 2009, detail of the above interest rate swap is as follows (Won in millions):

Counter party	Contract period	Receive (%)	Pay (%)	Contract amount	Fair value	Gain on valuation in 2009
Shinhan Bank	2008.11.11~ 2010.07.12	CD + 2.78	7.90	₩ 30,000	₩ 30,458	₩ 311

25. STATEMENTS OF CASH FLOWS:

Transactions not involving cash flows for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	2009	2008
Transfer of construction in progress to other property, plant and equipment or intangible assets	₩ 11,062	₩ 4,118
Transfer of long-term debts to current portion	260,580	79,556
Transfer of long-term other-receivables to current portion	3,360	-
Transfer of inventories and advanced payments for lots to land	28,935	-
Transfer of other receivables to long-term other receivables	-	10,080
Transfer of available-for-sale securities to current portion	21,645	13,379
Acquisition of property, plant and other equipment by capital lease	3,325	-
Transfer of liability from securitization of future receivables to current portion	8,923	9,773
Recognition of revaluation gain on land	-	110,468

26. 4th QUARTER'S FINANCIAL INFORMATION:

The Company's financial information for the three months ended December 31, 2009 and 2008 (unaudited) is as follows (Won in millions, except per share amount).

	<u>2009</u>	<u>2008</u>
Sales	₩ 608,742	₩ 741,787
Net income	29,720	7,677
Net income per share	1,464	362

27. SEGMENT INFORMATION:

Segment information as of and for the years ended December 31, 2009 and 2008 is as follows (Won in millions):

	<u>2009</u>			
	<u>Construction</u>	<u>Transport and logistics</u>	<u>Others</u>	<u>Total</u>
Sales:				
External transactions	₩ 1,650,826	₩ 541,742	₩ 88,585	₩ 2,281,153
Internal transactions	-	4,902	-	4,902
Operating income (loss)	86,775	(18,367)	13,161	81,569
Tangible and intangible assets	73,998	250,149	44,140	368,287
Depreciation and amortization	3,625	14,969	6,136	24,730
	<u>2008</u>			
	<u>Construction</u>	<u>Transport and logistics</u>	<u>Others</u>	<u>Total</u>
Sales:				
External transactions	₩ 1,627,692	₩ 630,864	₩ 90,730	₩ 2,349,286
Internal transactions	-	1,428	-	1,428
Operating income (loss)	111,789	(18,469)	12,325	105,645
Tangible and intangible assets	56,305	243,807	47,195	347,307
Depreciation and amortization	3,559	14,551	6,006	24,116

28. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

The accounts and amounts needed for calculation of value added for the years ended December 31, 2009 and 2008 are as follows (Won in millions):

	<u>2009</u>		<u>2008</u>	
	<u>Cost of sales</u>	<u>Selling and administrative expenses</u>	<u>Cost of sales</u>	<u>Selling and administrative expenses</u>
Salaries	₩ 95,562	₩ 32,092	₩ 99,990	₩ 40,557
Provision for severance indemnities	8,728	4,523	9,669	3,073
Employee benefits	25,045	4,547	23,143	5,450
Rent	62,480	2,642	52,289	1,461
Depreciation	11,086	1,763	10,734	1,911
Taxes and dues	6,653	3,486	4,698	5,315
	<u>₩ 209,554</u>	<u>₩ 49,053</u>	<u>₩ 200,523</u>	<u>₩ 57,767</u>

29. PLAN AND PROGRESS FOR ADOPTION OF K-IFRS:

The Company plans to adopt the Korean International Financial Reporting Standards (the “K-IFRS”) for preparing its financial statements from 2011. The Company organized a special task force team to assess the impact that the adoption of K-IFRS might have on financial statements and to conduct on-the-job and off-the-job training to related employees. In addition, the task force regularly reports the introduction plan and progress to the management of the Company.

The major differences between the K-IFRS and K-GAAP, which are expected to have significant influences on the Company’s financial statements, are summarized below. These differences do not represent all differences and may be subject to change according to subsequent assessment.

	<u>K-IFRS</u>	<u>K-GAAP</u>
Employee benefits	The present value calculated using the actuarial valuation method according to the concept of projected unit credit is recorded as the defined benefit liability.	The payable assuming all eligible employees are to resign at the end of reporting period is recorded as accrued severance indemnities.
Revenue recognition of subscription sale	As subscription sale is not a specifically negotiated contract, revenue is recognized when delivered.	Revenue is recognized by the percentage of completion method for subscription sale.
Financial guarantees	Fair value of financial guarantees is recognized as financial liabilities.	Financial guarantees are disclosed as a note to financial statements.
Capitalization of borrowing cost	Borrowing cost is capitalized.	Borrowing cost can be either capitalized or expensed.

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, 2009. 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, 2009, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2009, 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, 2009, and we did not review its IACS subsequent to December 31, 2009. 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 9, 2010

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, 2009.

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, 2009, in all material respects, in accordance with the IACS Framework.

February 3, 2010

Jae In Yoo, Internal Accounting Control Officer



Dong Il Yim, Chief Executive Officer

