

Daelim Industrial Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2009 and 2008

1. The Company

Daelim Industrial Co., Ltd. (the "Company") was incorporated on October 10, 1939, under the Commercial Code of the Republic of Korea to engage in the construction business in both domestic and overseas markets. In 1987, the Company also engaged in the manufacturing of petrochemical products and other related business activities.

In 1999, the Company and Hanwha Petrochemical Corporation spun off their naphtha cracking centers to form Yeochun NCC Co., Ltd. The Company also merged with Daelim Engineering Co., Ltd. for the purpose of operational efficiencies.

In 1976, the Company was listed on the Korean Stock Exchange. In addition, the Company's capital stock, including preferred stock of ₩ 21,000 million, amounts to ₩218,500 million as of December 31, 2009. The largest shareholder of common stock as of December 31, 2009, is Daelim Corporation with 21.67% ownership.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below:

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in 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 from the Korean language financial statements.

The following is a summary of significant accounting policies followed by the Company in the preparation of its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

In 2009, the Company adopted the following new Statements of Korean Financial Accounting Standards (SKFAS) issued by the Korea Accounting Standards Board:

- SKFAS No. 5, *Property, Plant and Equipment (As Revised)*
- Financial Supervisory Service's Accounting Implementation Guide [2009-1], *Guidance criteria for treatment of Property, Plant and Equipment measured under the revaluation model*

Revenue Recognition

The Company recognizes revenues from construction contracts using the percentage-of-completion method to determine the amounts to be recognized as revenues in a given period. The stage of completion is measured using the percentage of the total contract costs incurred up to the statement of financial position date over the total estimated costs for each contract. When the outcome of a construction contract cannot be estimated reliably, the contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable, and contract costs incurred for the period is recognized as an expense.

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Prepaid Construction Costs

Costs incurred for prospective construction projects are accounted for as prepaid construction expense, provided that they are identifiable and can be measured reliably, and when it is probable that the contract for such project will be finalized. These prepaid construction expenses are reclassified to contract costs after construction starts.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts receivable based on the aggregate estimated collectability of the receivables.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the moving-average method, except for materials-in-transit which are stated at actual cost determined using the specific identification method. If the net realizable value of inventory is less than its cost, a contra inventory account representing the valuation loss, is presented to reduce the inventory to its net realizable value. The said valuation loss is recorded as cost of sales. If, however, the circumstances which caused the valuation loss ceased to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The said reversal is a deduction from cost of sales.

Investments in Affiliates and Other Investments

Securities are initially carried at cost, including incidental expenses, with cost being determined using the weighted-average method.

Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at a reasonable interest rate determined considering the credit ratings provided by independent credit rating agencies.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

Equity Method Investments

Investments in equity securities of companies, over which the Company exercises significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as other comprehensive income or as adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee. The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share in the accumulated

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losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Unrealized profit arising from sales by the Company to its consolidated subsidiaries is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity method investees to the Company and vice versa or sales between equity method investees is also eliminated.

The Company assesses the potential impairment of equity method security when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. The carrying value of the asset is reduced to its estimated recoverable value by recording an impairment loss charged to current operations and presenting it as a reduction from the said carrying value. However, any recovery of the impaired asset is recorded in current operations and should not exceed the carrying amount of the asset before impairment.

Foreign currency financial statements of equity method investees are translated into Korean won using the foreign exchange rates in effect as of the statement of financial position date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustment account, a component of comprehensive income and expense.

Property, Plant and Equipment

On January 1, 2009, the Company adopted SKFAS No. 5, *Property, Plant and Equipment (As Revised)* which permits revaluation of land. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period. Other property, plant and equipment are stated at cost which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use.

An increase as a result of a revaluation is credited directly to equity under other accumulated comprehensive income and expense. However, the decrease as a result of a revaluation is deducted directly from equity under other accumulated other comprehensive income and expense to the extent of any balance existing in the revaluation surplus in respect of that asset and the residual is recognized as profit or loss.

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as described below:

	Estimated useful life
Buildings	20 ~ 40 years
Structures	10 ~ 40 years
Machinery and equipment	4 ~ 8 years
Others	4 ~ 12 years

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

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Intangible Assets

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets as described below.

	Estimated useful lives
Goodwill	5 years
Industrial property rights and rights to use pier	5 ~ 10 years
Rights to operate parking lot business, and rights to rent donated buildings	20 ~ 40 years
Others	4 ~ 5 years

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the asset, net of accumulated amortization before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Government grants

The Company recognizes government grants or customers' donations, which are to be repaid, as liabilities. The government grants or customers' donations, which are intended to be used for the acquisition of certain assets, are deducted from the cost of the acquired assets. Before the acquisitions of the assets specified by the grant or donation, the amounts are recognized as a deduction from the account under which the asset to be acquired is to be recorded, or from the other assets acquired as a temporary investment of the grant or donation received. Other government grants are recognized as current income.

Impairment of assets

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

Present Value Discount Account

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar transactions are stated at present value if the difference between the nominal value and present value is material. Such differences are presented as present value discounts and are directly deducted from the nominal value of the related receivables or payables. The present value discount is amortized using the effective interest rate method and the resulting amortization is recorded as interest expense or interest income.

Discounts on Debentures

Discounts on debentures are amortized over the repayment period of the debentures using the effective interest rate method. Amortization is included in interest expense.

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Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the statement of financial position date.

The Company has made deposits to the National Pension Fund in accordance with the National Pension Funds Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying statement of financial position are presented net of this deposit.

Reserve for Loss on Construction

When a loss on construction is expected based on cost estimates, the expected loss is charged to operations when first identified and is included in the non-consolidated statement of financial position as a reserve for loss on construction.

Reserve for Construction Warranty

The Company provides a provision for estimated warranty costs relating to construction defects during the warranty period. Estimated costs of product warranties are charged to operations at the time of completion of construction and are included in the accompanying non-consolidated statement of financial position as a reserve for construction warranty. The Company appropriated ₩ 50,561 million as Reserve for Construction Warranty for completed construction projects whose warranties had not expired.

Reserve for Contingent Liabilities

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the statement of financial position date, and the resulting translation gains and losses are recognized in current operations.

Derivative Financial Instruments

Derivative financial instruments for trading or hedging purposes are valued at the estimated market price, and resulting unrealized gains or losses are recognized in current operations, except for the effective portion of derivative transactions entered into for the purpose of cash-flow hedges, which is recorded as an adjustment to shareholders' equity.

Translation of Foreign Currency Financial Statements

Accounts of overseas construction business units are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign currency financial statements of these overseas construction business units into Korean won, income and expenses are translated at the average exchange rates during the year, and assets and liabilities are translated at the rate prevailing on the statement of financial position date. Resulting translation gains and losses are offset against each other, and the net amount is recorded as overseas operations translation debit (credit), presented as accumulated other comprehensive income in shareholders' equity. Overseas operations translation debit (credit) is offset against subsequent overseas operations translation debit (credit) until they are recognized as non-operating expenses at the time when overseas construction business units are liquidated.

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Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

Reclassification of prior year financial statements

Certain of accounts in the December 31, 2008 non-consolidated financial statements were reclassified to conform with the December 31, 2009 non-consolidated financial statement presentation. These reclassifications have no impact on the previously reported net income or shareholders' equity.

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3. Restricted Bank Deposits

Restricted bank deposits as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Type	Institutions	2009	2008	Remarks
Cash and cash equivalents	Woori Bank and others	₩ 57,735	₩ 469	Pledged for tax payment and others
Short-term financial instruments	Kookmin Bank and others	38,588	3,604	Pledged and others
Long-term financial instruments	Woori Bank and others	29	129	Key money for checking accounts and others
Severance insurance deposit	Kyobo Life Insurance and others	5,303	10,639	Severance insurance deposits
	Kyobo Life Insurance			Severance insurance
Pension plan assets	and others	39,926	24,581	deposits
		₩ 141,581	₩ 39,422	

4. Summary of Major Construction Contracts

Backlog of Contracts

The Company's backlog of contracts as of December 31, 2009, consists of the following:

(in millions of Korean won)

Type	Beginning balance	Contract increase	Revenue recognized	Ending balance
Architecture	₩ 5,989,534	₩ 2,222,290	₩ 1,576,861	₩ 6,634,963
Civil engineering	3,654,040	2,137,977	1,262,105	4,529,912
Lotting-out ¹	2,251,089	(33,189)	460,232	1,757,668
Plant	1,269,011	308,735	555,496	1,022,250
Overseas ²	3,240,987	1,780,721	1,493,380	3,528,328
Others	-	23,720	23,720	-
	₩ 16,404,661	₩ 6,440,254	₩ 5,371,794	₩ 17,473,121

¹The Company's backlog of lotting-out contracts is the total expected revenues from lotting-out contracts.

²As the Kuwait KNPC NRP contract was cancelled on March 20, 2009, due to certain circumstances, the residual contracting amount ₩ 1,405,586 million was deducted from the beginning balance.

In addition, the Company's cumulative construction revenues and costs under construction projects as of December 31, 2009, amount to ₩ 10,463,056 million and ₩ 9,295,358 million, respectively.

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Major Construction Contracts

The Company's major construction contracts as of December 31, 2009, are as follows:

(in millions of Korean won)

Project	Customer	Contract amount	Period of construction
Saudi Kayan PC	Saudi Kayan Petrochemical Company	1,008,645	February 2007 ~ April 2010
Hyundai Oilbank No.2 HOU(E)	Hyundai Oilbank Co., Ltd.	775,302	November 2008 ~ February 2011
Iran Esfahan Refinery	National Iranian E & C Co.	765,759	March 2007 ~ November 2012
Saudi NCP Polymer	Saudi Polymers Company	756,979	December 2007 ~ April 2012
Saudi JER Project team	Saudi aramco total refining and petrochemical	584,077	July 2009 ~ July 2013
Philippines JG SUMMIT NCC	Jg summit petrochemical corporation	488,133	December 2009 ~ July 2013
Singapore MCE	Land Transport Authority	481,715	October 2008 ~ June 2013
Uiwang naeson APT	Uiwang Daewoo company housing rebuilding business	439,621	December 2006 ~ September 2011
Saudi Kayan HDPE	Saudi kayan petrochemical.co.	389,095	September 2008 ~ November 2010
Paju Tongildongsan Condominium	CIT Land Co., Ltd.	374,980	December 2006 ~ March 2010
Pusan-Geoje Highway	GK Marine Load Co., Ltd.	362,998	July 2003 ~ March 2010
Dangjin Thermoelectric Power Plant	Hyundai Green Power Co., Ltd.	337,046	September 2007 ~ December 2010
Sema e-pyunhansesang	Miwon Spinning Co., Ltd.	332,087	December 2006 ~ January 2010
Gajaeul e-pyunhansesang	Gajaeul Newtown Distric 3 Housing Renwal Project	326,588	November 2007 ~September 2012
Singori Nuclear Division #1 and #2	Korea Hydroelectric Power Plant	318,996	June 2003 ~ March 2010
Haan e-pyunhansesang	Haan Union of Korea National Housing Corporation Redevelopment	317,075	January 2006 ~ March 2010
Hantan river dam	Korea Water Resources Corporation	275,531	February 2007 ~ June 2013
Incheon Int'l Airport Equipment #2	Incheon Int'l Airport Train Co., Ltd.	262,844	December 2003 ~ December 2010
Incheon Int'l Airport Equipment #1	Incheon Int'l Airport Train Co., Ltd.	232,260	April 2001 ~ December 2010
Iran LNG	Iran Liquified National Gas Company	230,505	February 2007 ~ September 2011
Gyeongsan e-pyunhansesang	Vlue Holdings Co., Ltd.	204,911	May 2007 ~ February 2010
Gimhae city detour road	Busan Regional Construction Management Administration	194,260	March 2008 ~February 2016

In addition, the Company's retained construction deposits as of December 31, 2009, amount to ₩ 16,528 million (2008: ₩ 23,283 million).

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Details of Major Construction Contracts

The financial information on the Company's major construction contracts as of December 31, 2009, follows:

<i>(in millions of Korean won)</i>	Revenue		Contract amount		Collection	
	Cumulative realized revenue	Revenue for the period	Cumulative billed amount	Billed amount for the period	Cumulative collected amount	Trade receivables
Project						
Saudi Kayan PC	₩ 936,976	₩ 363,355	₩ 997,936	₩ 171,473	₩ 996,776	₩ 1,160
Hyundai Oilbank No.2 HOU(E)	181,537	180,893	192,216	157,430	185,251	6,965
Iran Esfahan Refinery	164,614	131,424	43,316	22,437	28,604	14,712
Saudi NCP Polymer	528,092	388,616	722,737	497,826	702,133	20,604
Saudi JER Project team	5,775	5,775	9,171	9,171	1,313	7,858
Philippines JG SUMMIT NCC	2,581	2,581	3,072	3,072	3,072	-
Singapore MCE	98,662	95,834	63,824	63,824	61,811	2,013
Uiwang naeson APT	28,079	14,063	23,387	23,387	23,387	-
Saudi Kayan HDPE	283,976	278,111	257,994	252,008	212,759	45,235
Paju Tongildongsan Condominium	102,238	10,323	-	-	-	-
Pusan-Geoje Highway	280,064	65,357	312,104	77,279	312,104	-
Dangjin Thermoelectric Power Plant	289,259	137,271	305,958	177,666	305,879	79
Sema e-pyunhansesang	310,880	151,217	168,206	76,565	168,206	-
Gajaeul e-pyunhansesang	9,478	9,478	51,932	51,932	51,932	-
Singori Nuclear Division #1 and #2	288,040	71,525	291,268	92,708	291,268	-
Haan e-pyunhansesang	287,596	130,603	243,288	102,413	243,195	93
Hantan river dam	70,875	28,625	62,371	36,276	62,371	-
Incheon Int'l Airport Equipment #2	211,771	45,903	219,145	56,648	216,461	2,684
Incheon Int'l Airport Equipment #1	232,188	599	241,973	97	241,812	161
Iran LNG	110,508	59,894	139,712	82,555	131,198	8,514
Gyeongsan e-pyunhansesang	189,983	107,510	164,763	101,392	64,165	100,598
Gimhae city detour road	4,182	3,228	2,814	2,244	2,814	-

In addition, the Company recorded a reserve for loss on construction amounting to ₩ 20,619 million for Yeokgok e-pyunhansesang, IFC building and other projects.

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Joint Construction Contracts

The Company's joint construction contracts as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Project	Contract amount	Percentage of ownership (%)	Representative company
Incheon Int'l Airport Equipment	₩ 2,514,498	19.69	Hyundai E&C Co., Ltd.
Pusan-Geoje Highway	1,704,218	21.30	Daewoo E&C Co., Ltd.
Singori Nuclear Division #1 and #2	891,049	35.80	Hyundai E&C Co., Ltd.
Pentaport Project	718,411	25.00	SK E&C Co., Ltd.
IFC buiding	614,695	34.17	GS E&C Corp
Sinbundang line 2 Area	465,542	40.00	The Company
Yeosu Development Complex Road 3rd Phase	448,467	25.00	The Company
Sungnam-Janghowon Road	346,198	20.00	Hyundai E&C Co., Ltd.
Hantan river dam	306,145	90.00	The Company
Han River Restoration Project 3	287,501	47.50	The Company
Korea Armed Forces Athletic Corps	282,255	48.00	The Company
Nakdong River Restoration Project 23	256,005	44.00	The Company
Ulsan-Pohang Subway 2	255,417	51.00	The Company
Honam High-speed railroad 3-3	249,362	50.00	The Company
Songdo cogeneration plant(E)	243,911	30.00	Doosan Engineering Co., Ltd.
Others	9,996,684	-	-
2009	₩ 19,580,358		
2008	₩ 19,044,939		

Uncompleted Construction

The Company's uncompleted construction projects as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Project	Amount	Expected completion date
Gwangju Gwangcheon 2 e-pyunhansesang	₩ 51,686	Jan. 31. 2010
Yeokgok e-pyunhansesang	31,421	Feb. 28. 2010
Pyeongchon e-pyunhansesang	9,035	May. 25. 2010
Yangsan 3 e-pyunhansesang & etc.	88,319	Unsettled
2009	₩ 180,461	
2008	₩ 171,520	

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Summary of Subscribed Sales and Lotting-out Constructions

A summary of the Company's major subscribed sales and lotting-out constructions as of December 31, 2009, follows:

(in millions of Korean won)

Project	Contract amount	Cumulative revenue	Revenue for the year	Cumulative collected amount	Receivables (Advances)
Gwangju Gwangcheon 2 e-pyunhansesang	₩ 349,183	₩ 197,343	₩ 164,498	₩ 134,783	₩ 62,560
Gwangju Opo e-pyunhansesang	191,847	132,566	125,608	93,744	38,821
Yugok e-pyunhansesang	285,054	121,601	106,850	81,058	40,543
Pyeongchon e-pyunhansesang	156,903	79,273	62,348	52,330	26,943

5. Current Receivables

The Company's current receivables as of December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009				2008
	Gross amount	Allowance for doubtful accounts	Discounts on present value	Carrying value	Carrying value
Trade accounts and notes receivable	₩ 98,887	₩ (3,429)	₩ -	₩ 95,458	₩ 101,133
Construction work receivables	1,678,700	(116,114)	-	1,562,586	1,440,733
Lotting-out receivables	170,255	(2,799)	-	167,456	24,877
Short-term loans receivable	167,606	(23,373)	-	144,233	61,120
Other accounts and notes receivable	315,075	(28,590)	-	286,485	266,532
	₩ 2,430,523	₩ (174,305)	₩ -	₩ 2,256,218	₩ 1,894,395

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6. Inventories

The Company's inventories as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

	2009	2008
Finished housing	₩ 3,016	₩ 2,992
Unfinished housing	180,461	171,520
Land	713,952	922,603
Merchandise	-	18
Finished products, net	33,913	37,676
Raw materials, net	6,923	11,909
Work-in-process	4,586	3,417
Supplies	35,610	45,297
Construction supplies and materials	1,260	1,399
Materials-in-transit	29,110	6,003
	<u>₩ 1,008,831</u>	<u>₩ 1,202,834</u>

7. Available-For-Sales Securities

Available-for-sale securities as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

	2009	2008
Current		
Current available-for-sale securities	<u>₩ -</u>	<u>₩ 45,699</u>
Non-Current		
Equity securities		
Marketable equity securities	₩ -	₩ 24,940
Non-marketable equity securities	43,072	28,321
Capital investments	30,138	30,422
SOC equity securities	378,791	692,658
	<u>452,001</u>	<u>776,341</u>
Debt securities		
Government bonds & others	1,270	5,036
Subordinated bonds	2,097	13,138
	<u>3,367</u>	<u>18,174</u>
	<u>₩ 455,368</u>	<u>₩ 794,515</u>

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Marketable Equity Securities

Marketable equity securities as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Investees	2009						2008
	Number of shares	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value	Carrying value	Carrying value
KT Corp.	-	-	₩ -	₩ -	₩ -	-	₩ 23,557
Korea Ratings	-	-	-	-	-	-	1,383
			₩ -	₩ -	₩ -	-	₩ 24,940

The Company disposed of its entire shares in KT Corp and those of Korea Ratings, and recognized a loss on disposal of available-for-sale securities of ₩ 6,872 million and a gain on disposal of available-for-sale securities of ₩ 566 million, respectively, in the year ended December 31, 2009.

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Non-Marketable Equity Securities

Non-marketable equity securities as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Investees	2009					2008
	Number of shares	Percentage of ownership	Acquisition cost	Net asset value	Carrying value	Carrying value
Korea Economic Daily Co., Ltd.	41,806	0.22%	₩ 527	₩ 265	₩ 232	₩ 232
Kihyup Technology Banking Corp.	60,000	1.03%	300	397	300	300
Jeju International Convention Center Co., Ltd.	100,000	0.30%	500	414	500	500
Microglove Co., Ltd.	31,287	1.56%	16	4	16	16
Korea Housing Guarantee Co., Ltd. ¹	1,565,564	0.24%	32,958	7,585	10,935	7,684
South West Coast Leisure Company	-	-	-	-	-	300
Yeosu Petrochemical Logistics Corporation	5,000	5.00%	25	32	25	25
PentaPort Development Co., Ltd.	780,000	6.50%	3,900	175	3,900	3,900
PentaPort Co., Ltd.	3,900	6.50%	20	19	20	20
Metrocorona Co., Ltd.	4,464	7.44%	22	22	22	22
Corona Development Co., Ltd.	490,200	5.70%	2,451	834	2,451	2,451
Alpha Dome City Co., Ltd	2,360,000	4.00%	11,800	10,047	11,800	11,800
Alpha Dome City Asset Management Co., Ltd.	4,000	4.00%	20	18	20	20
Bichae-Nuri Development Co., Ltd.	657,800	11.50%	3,289	2,714	3,289	525
Bichae-Nuri Co.,Ltd.	11,500	11.50%	57	57	57	52
Hwanam Construction Co.,Ltd.	29,268	8.29%	1,171	782	782	474
Seoul Lite Tower Co., Ltd.	1,540,000	5.00%	7,700	6,406	7,700	-
Seoul Lite Asset Management Corporation	14,500	14.50%	73	60	73	-
Gwanggyo Lucky Seven Co., Ltd.	190,000	19.00%	950	(4,127)	950	-
			<u>₩ 65,779</u>	<u>₩ 25,704</u>	<u>₩43,072</u>	<u>₩ 28,321</u>

¹ The Company valued the securities using the appraised value provided by an independent valuation institution, and the difference between book value and fair market value was reflected as the recovery of available-for-sale securities impairment loss.

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Capital Investments

Capital investments as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Investees	2009					2008
	Number of shares	Percentage Of ownership	Acquisition cost	Net asset value	Carrying value	Carrying value
Korea Construction Financial Cooperative ¹	22,887	0.6%	₩ 21,703	₩ 30,715	₩ 30,046	₩ 30,096
Engineering Financial Cooperative	-	-	-	-	-	173
Korea Electric Engineers Association	200	0.15%	20	37	20	20
Electronic Contractors' Financial Cooperative	300	0.01%	57	99	57	57
Information and Communication Financial Cooperative	100	0.01%	15	37	15	76
			₩ 21,795	₩ 30,888	₩ 30,138	₩ 30,422

¹The appraised value per share of Korea Construction Financial Cooperative was used as fair market value.

SOC Equity Securities

SOC equity securities as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Investees	2009					2008
	Number of shares	Percentage of ownership ¹	Acquisition cost	Net asset value	Carrying value	Carrying value
Kyounggi Highway Co., Ltd.	7,732,704	16.00%	₩38,664	₩34,544	₩38,664	₩38,664
Manwolsan Tunnel Co., Ltd. ^{1,2&3}	2,680,000	40.00%	13,400	12,406	23,694	21,033
Sinbundang Railway Project Co., Ltd	4,122,000	10.00%	20,610	18,777	20,610	22,229
GK Marine Load Co., Ltd. ¹	18,318,000	21.30%	91,590	89,546	91,590	91,590
Pohang-Youngil New Harbor Co., Ltd. ¹	4,602,000	29.50%	23,010	19,176	23,010	23,010
Yong-in LHT Co., Ltd.	3,644,987	12.50%	18,225	15,335	18,225	17,222
Airport Railroad Co., Ltd. ⁴	-	-	-	-	-	263,939
Bridge of Ilsan Co., Ltd. ⁴	-	-	-	-	-	27,280
Others. ³			68,452	45,459	162,998	187,691
			₩273,951	₩235,243	₩378,791	₩692,658

¹ The Company classified some SOC equity securities as available-for-sale securities because the Company cannot exercise significant control or influence due to the investees' business nature.

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² The Company valued the securities using the appraised value provided by an independent valuation company.

³ The Company has a contract to sell the SOC equity securities. The Company has recorded the contract payment received from The Korea Development Bank(KDB) and others as advances received since the sales contract did not meet the conditions of a true sale.

(in millions of Korean won)

Investees	Buyer	Sale contracts date	Number of sale shares	Advances received
Manwolsan Tunnel Co., Ltd	Nonghyup	2009-05-04	2,680,000	₩ 13,400
Seoul Highway Co., Ltd.	National Pension Service	2009-10-14	11,040,000	79,488

⁴The Company disposed of its investments in Airport Railroad Co., Ltd and in Bridge of Ilsan Co., Ltd. and recognized a gain on disposal of available-for-sale securities of ₩ 72,242 million and ₩ 14,471 million, respectively, in the year ended December 31, 2009.

The Company has recorded non-marketable equity securities, capital investments, and SOC equity securities which do not have reasonably measurable fair values as their future cash flows could not be estimated since these entities have no historical financial information. Impairment losses are recognized when the decline in the net asset values is significant and recovery is remote. The Company calculated the net asset values using unaudited financial statements as of December 31, 2009, or the latest financial statements of investees which reflect paid-in capital increase and other significant subsequent events.

Debt securities

Debt securities as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

	2009				2008
	Acquisition cost	Fair market value	Loss on Valuation of debt securities	Carrying value	Carrying value
Government and municipal bonds	₩ 1,552	₩ 1,270	₩ (282)	₩ 1,270	₩ 5,036

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The maturities of debt securities as of December 31, 2009, are as follows:

(in millions of Korean won)

Maturity	Investments	Acquisition cost	Fair market Value	Carrying value
1 year ~5 years	National Housing Bond and others	₩ 703	₩ 603	₩ 603
5 year~10 years	SMRT bond	849	667	667
		<u>₩ 1,552</u>	<u>₩ 1,270</u>	<u>₩ 1,270</u>

In addition, interest income in debt securities for the year ended December 31, 2009, amounted to ₩ 495 million.

Subordinated bonds

The subordinated receivables as of December 31, 2009, are as follows:

(in millions of Korean won)

	Acquisition cost	Fair market value	Carrying value	Rate	Period
Jushinbo 2009 1 st Securitization Specialty Co., Ltd.	₩ 959	₩ 959	₩ 959	8.51%	2009.03.27~ 2014.04.27
Jushinbo NH 1 st Securitization Specialty Co., Ltd.	1,138	1,138	1,138	7.37%	2008.12.18~ 2012.01.18
	<u>₩ 2,097</u>	<u>₩ 2,097</u>	<u>₩ 2,097</u>		

Gains or losses on available-for-sales securities as of December 31, 2009, are as follows:

(in millions of Korean won)

Beginning balance	Increase(Decrease)	Tax effect	Ending balance
₩ 190,142	₩ (131,258)	₩ 28,877	₩ 87,761

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8. Equity-Method Investments

Equity-method investments as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won, except the number of shares)

Investees	2009			2008	
	Number of shares	Percentage of ownership (%)	Acquisition cost	Net asset value	Carrying value
Yechun NCC Co., Ltd.	10,000,000	50.00	₩ 300,000	₩ 425,833	₩ 384,308
Daelim Motors Co., Ltd.	13,280,000	100.00	76,377	161,332	160,690
Poly Mirae Co., Ltd.	3,799,610	50.00	56,531	59,813	56,252
Korea Development Corp.	5,950,000	29.75	30,047	103,758	94,053
KR Copolymer Co., Ltd.	2,720,000	40.00	28,226	16,296	16,678
Samho Int'l Co., Ltd.	6,734,109	46.76	30,538	77,502	73,586
Ora Resort Co., Ltd.	10,000,000	100.00	10,002	252,662	252,038
Daelim C&S Co., Ltd.	1,386,964	65.64	20,509	65,046	64,847
Daelim I&S Co., Ltd.	129,375	12.55	3,420	4,889	4,871
Songdo Power Co., Ltd.	8,600,000	100.00	43,000	38,638	16,104
Green Technology Development Co., Ltd.	3,010,000	100.00	15,050	14,931	14,931
Wootoo housing CR-REITS Co., Ltd._CS ¹	5,522,400	56.60	27,612	23,723	23,827
Wootoo housing CR-REITS Co., Ltd._PS ¹	3,983,800	21.65	19,919	19,824	19,899
Daelim Saudi Arabia Co., Ltd.	5,000	50.00	1,148	19,714	19,714
P.T.Daelim Utama Construction	319,999	100.00	114	-	-
Daelim Philippines, Inc.	45,000	25.00	101	839	839
Daelim Malaysia, Sdn. Bhd.	187,500	25.00	57	-	-
Integrated Engineering Ltd.	65,000	100.00	72	19	19
DALIN(Nanjing) Construction Project Mgt. Co., Ltd.	160,000	100.00	162	-	-
			₩ 662,885	₩ 1,284,819	₩ 1,202,656
					₩ 823,160

¹ The Company invested in corporate restructuring real estate investment companies which were established on purpose of real estate securitization pursuant to the real estate investment company law.

In addition, fair market values of Korea Development Corp. and Samho Int'l Co., Ltd. are ₩ 31,833 million and ₩ 25,253 million, respectively, as of December 31, 2009.

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Details of changes in the difference between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investees are as follows:

(in millions of Korean won)

Investees	Beginning balance	Increase	Amortization	Ending balance
Wootoo housing CR-REITS Co., Ltd._CS	₩ -	₩ 131	₩ 28	₩ 103
Wootoo housing CR-REITS Co., Ltd._PS	-	95	20	75
	<u>₩ -</u>	<u>₩ 226</u>	<u>₩ 48</u>	<u>₩ 178</u>

Details of equity-method investment valuations for the year ended December 31, 2009, are as follows:

(in millions of Korean won)

Investees	Beginning balance	Gain(loss) on valuation	Increase (decrease) ¹	Carrying value
Yeochoon NCC Co., Ltd.	₩ 230,278	₩ 127,813	₩ 26,217	₩ 384,308
Daelim Motors Co., Ltd.	97,201	(17,064)	80,553	160,690
Poly Mirae Co., Ltd.	39,612	19,604	(2,964)	56,252
Korea Development Corp.	149,018	(3,507)	(51,458)	94,053
KR Copolymer Co., Ltd.	9,102	6,875	701	16,678
Samho Int'l Co., Ltd. ²	69,758	2,499	1,329	73,586
Ora Resort Co., Ltd.	153,177	3,154	95,707	252,038
Daelim C&S Co., Ltd..	47,307	(350)	17,890	64,847
Daelim I&S Co., Ltd.	3,192	1,678	1	4,871
Songdo Power Co., Ltd.	18,078	(2,045)	71	16,104
Green Technology Development Co., Ltd.	592	(58)	14,397	14,931
Wootoo housing CR-REITS Co., Ltd._CS	-	(3,785)	27,612	23,827
Wootoo housing CR-REITS Co., Ltd._PS	-	(20)	19,919	19,899
Daelim Saudi Arabia Co., Ltd.	4,688	18,830	(3,804)	19,714
Daelim Philippines, Inc.	945	(67)	(39)	839
Integrated Engineering Ltd.	21	-	(2)	19
DALIN(Nanjing) Construction Project Mgt. Co., Ltd.	191	(191)	-	-
	<u>₩ 823,160</u>	<u>₩ 153,366</u>	<u>₩ 226,130</u>	<u>₩ 1,202,656</u>

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Details of equity-method investment valuations for the year ended December 31, 2008, are as follows:

(in millions of Korean won)

Investees	Beginning balance	Gain(loss) on valuation	Increase (decrease) ¹	Carrying value
Yeochoon NCC Co., Ltd.	₩ 429,402	₩ (99,124)	₩ (100,000)	₩ 230,278
Daelim Motors Co., Ltd.	97,793	18	(610)	97,201
Poly Mirae Co., Ltd.	48,763	8,349	(17,500)	39,612
Korea Development Corp.	143,846	5,710	(538)	149,018
KR Copolymer Co., Ltd.	736	(2,034)	10,400	9,102
Samho Int'l Co., Ltd. ²	74,805	(2,352)	(2,695)	69,758
Ora Resort Co., Ltd.	159,677	1,739	(8,239)	153,177
Daelim C&S Co., Ltd.	41,183	7,654	(1,530)	47,307
Daelim I&S Co., Ltd.	4,669	1,923	(3,400)	3,192
Songdo Power Co., Ltd.	-	(24,851)	42,929	18,078
Green Technology Development Co., Ltd	-	42	550	592
Daelim Saudi Arabia Co., Ltd.	-	3,462	1,226	4,688
Daelim Philippines, Inc.	244	616	85	945
Asia Pacific Engineering Ltd.	8	-	(8)	-
Global Industry Trade Ltd.	9	-	(9)	-
Integrated Engineering Ltd.	4	(14)	31	21
DALIN(Nanjing)Construction Project Mgt. Co., Ltd..	-	(9)	200	191
	₩ 1,001,139	₩ (98,871)	₩ (79,108)	₩ 823,160

¹ Increase and decrease amounts represent acquisition (disposal), dividends received and net accumulated comprehensive income of equity method of investees.

² The subsidiary, Samho Int'l Co., Ltd., started its workout process on January 29, 2009, after it was downgraded to 'C' grade in the evaluation of its creditor banks on January 20, 2009. In accordance with resolution of Board of Directors on May 19, 2009, approving the MOU entered into by and between Samho Int'l Co., Ltd. for the Company's financial support of ₩ 145,000 million in asset-backed loans, ₩ 55,000 million was granted right after entering into the contract and ₩ 90,000 million was granted on July 15, 2009. The balance of the financial support is ₩ 123,570 million as of December 31, 2009.

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The changes in net amount of eliminated unrealized losses(gains) arising from transactions among equity method investees for the years ended December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

Investees	2009				2008			
	Beginning balance	Increase (decrease)	Reversal	Ending balance	Beginning balance	Increase (decrease)	Reversal	Ending balance
Yeochoon NCC Co., Ltd.	₩ (50,103)	₩ (3,845)	₩12,423	₩ (41,525)	₩ (70,122)	₩ (166)	₩ 20,185	₩ (50,103)
Daelim Motors Co., Ltd.	(696)	-	55	(641)	(848)	-	152	(696)
Poly Mirae Co., Ltd.	(3,227)	(828)	495	(3,560)	(3,730)	199	304	(3,227)
Korea Development Corp.	(529)	(9,225)	49	(9,705)	(263)	(282)	16	(529)
KR Copolymer Co., Ltd.	387	(2)	(4)	381	377	(1)	11	387
Samho Int'l Co., Ltd.	(4,526)	578	32	(3,916)	(4,372)	-	(154)	(4,526)
Ora Resort Co., Ltd.	(469)	(206)	50	(625)	(512)	-	43	(469)
Daelim C&S Co., Ltd.	(215)	-	16	(199)	(270)	-	55	(215)
Daelim I&S Co., Ltd.	(31)	-	13	(18)	(44)	-	13	(31)
Songdo Power Co., Ltd.	(22,536)	-	-	(22,536)	-	(22,536)	-	(22,536)
	₩ (81,945)	₩ (13,528)	₩13,129	₩ (82,344)	₩ (79,784)	₩ (22,786)	₩ 20,625	₩ (81,945)

The details and adjustments on the investees' net assets which were based on their unaudited financial statements as of December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

Investees	Net Asset Before		Adjustments	Net Assets After		
	Adjustments			Adjustments		
Daelim Philippines, Inc.	₩	839	₩	-	₩	839
Integrated Engineering Ltd.		19		-		19
P.T. Daelim Utama Construction		(2,160)		-		(2,160)
Daelim Malaysia, Sdn. Bhd.		(83)		-		(83)
Daelim Saudi Arabia Co., Ltd.		19,714		-		19,714
DALIN (Nanjing) Construction						
Project Mgt Co., Ltd.		(397)		-		(397)
	₩	17,932	₩	-	₩	17,932

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Details of adjusted net asset value of the investee which shows differences in accounting policies compared to those of the Company are as follows:

(in millions of Korean won)

Investees	Net Asset Before Adjustments	Adjustments	Net Assets After Adjustments
Yeochoon NCC Co., Ltd.	₩ 445,994	₩ (20,161)	₩ 425,833
Poly Mirae Co., Ltd.	56,277	3,536	59,813
KR Copolymer Co., Ltd.	15,546	750	16,296
Korea Development Corp.	106,741	(2,983)	103,758
	<u>₩ 624,558</u>	<u>₩ (18,858)</u>	<u>₩ 605,700</u>

The losses on valuation of equity-method investments which were not reflected by the Company due to capital deficiency of investees as of December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Daelim Malaysia, Sdn. Bhd.	₩ (83)	₩ (1,089)
P.T.Daelim Utama Construction	(2,160)	(1,971)
DALIN (Nanjing) Construction Project Mgt Co., Ltd.	(397)	-

The changes in equity of equity-method investments recorded as an accumulated other comprehensive income for the year ended December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>	Beginning balance	Increase (decrease)	Tax effect	Ending balance
Capital surplus of equity-method	₩ 145,517	₩ (52,562)	₩ 13,034	₩ 105,989
Accumulated equity changes in equity- method investments	30,875	227,642	(48,916)	209,601
Accumulated negative equity changes in equity-method investments	(1,339)	548	51	(740)

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The financial information of investees as of and for the year ended December 31, 2009, follows:

(in millions of Korean won)

Investees	Total assets	Total liabilities	Total shareholders' equity	Sales	Net income (loss)
Yeochun NCC Co., Ltd.	₩ 2,203,740	₩ 1,311,752	₩ 891,988	₩ 4,831,741	₩ 232,741
Daelim Motors Co., Ltd.	324,247	162,915	161,332	221,393	(17,119)
Poly Mirae Co., Ltd.	289,770	177,217	112,553	845,074	39,876
Korea Development Corp.	1,029,851	671,057	358,794	608,671	3,239
KR Copolymer Co., Ltd.	53,745	14,878	38,867	104,404	17,202
Samho Int'l Co., Ltd.	798,541	632,796	165,744	490,458	3,143
Ora Resort Co., Ltd.	306,881	54,219	252,662	40,532	3,309
Daelim C&S Co., Ltd.	223,846	124,751	99,095	93,782	(807)
Daelim I&S Co., Ltd.	80,528	41,574	38,954	211,822	13,271
Songdo Power Co., Ltd.	38,646	9	38,638	-	(2,045)
Green Technology Development Co., Ltd.	15,212	281	14,930	-	(88)
Wootoo housing CR-REITS Co., Ltd. I	185,343	51,877	133,466	578	(6,638)
Daelim Saudi Arabia Co.,Ltd.	338,931	299,503	39,428	547,716	38,278
P.T.Daelim Utama Construction	8,508	10,667	(2,160)	-	(34)
Daelim Philippines, Inc.	3,425	68	3,358	13,188	(266)
Daelim Malaysia, Sdn. Bhd.	75	406	(332)	-	4,016
Integrated Engineering, Ltd.	19	-	19	-	-
Dalin (Nanjing) Construction Project Management Co., Ltd.	180	577	(397)	1,457	(630)
Total	₩ 5,901,488	₩ 3,554,547	₩ 2,346,939	₩ 8,010,816	₩ 327,448

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9. Non-Current Receivables

The Company's non-current receivables as of December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009				2008
	Gross amount	Allowance for doubtful accounts	Present value discount account	Carrying value	Carrying value
Long-term trade accounts and notes receivable	₩ 1,271	₩ (1,271)	₩ -	₩ -	₩ 56
Long-term loans receivable	358,111	(22,204)	-	335,907	201,420
Long-term other accounts receivable	19,116	(15,942)	-	3,174	8,544
	<u>₩ 378,498</u>	<u>₩ (39,417)</u>	<u>₩ -</u>	<u>₩ 339,081</u>	<u>₩ 210,020</u>

10. Property, Plant and Equipment

The Company's property, plant and equipment as of December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009	2008
Land	₩ 628,452	₩ 430,332
Buildings	546,695	366,595
Structures	41,239	17,415
Machinery and equipment	203,734	140,557
Ships	795	795
Vehicles	5,239	4,502
Tools and furniture	41,514	38,204
Construction-in-progress	6,130	47,385
	<u>1,473,798</u>	<u>1,045,785</u>
Less : Accumulated depreciation	(224,395)	(210,291)
Accumulated impairment	(36,327)	(26,880)
Government grants	(387)	(412)
	<u>₩ 1,212,689</u>	<u>₩ 808,202</u>

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As of December 31, 2009 and 2008, the declared values of the Company's land are as follows:

(in millions of Korean won)

	2009		2008	
	Carrying Value	Declared Value	Carrying Value	Declared Value
Property, plant and equipment				
Individual land	₩ 492,718	₩ 333,278	₩ 329,672	₩ 419,234
Land, attached to an apartment ¹	135,734	-	89,284	-
Other investment properties ²	17,227	1,807	33,018	3,200
Total	₩ 645,679	₩ 335,085	₩ 451,974	₩ 422,434

¹ The Company did not appraise the land attached to an apartment building.

² Since the book value of land attached to an apartment building and that of building are non-detachable, the book value of other investment properties includes the book value of the building. The Company recognized impairment loss of ₩ 8,801 million, which is the difference between book value of other investment properties and recoverable value of asset

Insurance coverage as of December 31, 2009 and 2008, consists of the following:

(in millions of Korean won)

Type	Insured assets	Insurance coverage	
		2009	2008
Fire insurance	Inventories	₩ 55,756	₩ 64,407
	Property, plant and equipment	958,727	942,793
		₩ 1,014,483	₩ 1,007,200

The Company is insured by Samsung Fire & Marine Insurance Co., Ltd. and others.

In addition, the Company's construction projects are insured against fire and other casualty losses for up to ₩ 4,721 billion and the Company maintains employers' liability insurance and commercial general liability insurance as of December 31, 2009.

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Changes in the property, plant and equipment for the years ended of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

	2009						
	Land	Buildings and structures	Machinery and equipment	Vehicles	Others	Constructi on-in- progress	Total
Balance as of January 1	₩ 418,956	₩319,103	₩15,702	₩1,340	₩5,716	₩47,385	₩808,202
Revaluation ¹	286,831	-	-	-	-	-	286,831
Acquisition	83,857	220,013	293	233	3,769	59,233	367,398
Disposal	(161,192)	(35,136)	(32)	(8)	(10)	(6,334)	(202,712)
Depreciation ³		(13,046)	(5,810)	(527)	(2,573)	-	(21,956)
Impairment ²		(25,074)	-	-	-	-	(25,074)
Reclassification		27,988	64,112	645	1,409	(94,154)	-
Balance as of December 31	₩ 628,452	₩493,848	₩ 74,265	₩ 1,683	₩ 8,311	₩ 6,130	₩1,212,689
Acquisition cost	₩ 628,452	₩587,934	₩203,734	₩ 5,239	₩42,309	₩ 6,130	₩1,473,798
Accumulated depreciation	-	(57,372)	(129,469)	(3,556)	(33,998)	-	(224,395)
Accumulated impairment	-	(36,327)	-	-	-	-	(36,327)
Government grants	-	(387)	-	-	-	-	(387)

¹ The Company's land was revalued by an independent appraiser as of December 31, 2009. The valuation was conducted based on recent market transactions between independent third parties. The revaluation gain is recognized as other cumulative comprehensive income after deduction of deferred income tax and a loss on revaluation of ₩ 9,730 million was charged against current income.

² The Company recognized impairment loss of building amounting to ₩ 25,074 million, which is the difference between book value of ₩ 108,136 million and recoverable value of ₩ 83,062 million due to the sudden drop in its market value. The recoverable value was determined directly by reference to observable prices in recent market transactions on arm's length terms.

³ Government grants used in acquiring a building amounting to ₩ 25 million were offset against depreciation.

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	2008						
	Land	Buildings and structures	Machinery and equipment	Vehicles	Others	Constructio n-in- progress	Total
Balance as of January 1	₩ 363,861	₩208,471	₩ 20,398	₩ 1,022	₩ 5,088	₩ 27,726	₩ 626,566
Revaluation	-	-	-	-	-	-	-
Acquisition	50,809	124,223	14	686	1,382	50,340	227,454
Disposal	(21,868)	(7,205)	(510)	(17)	(38)	-	(29,638)
Depreciation ¹	-	(8,112)	(5,038)	(551)	(2,473)	-	(16,174)
Impairment	-	-	-	-	-	-	-
Reclassification ²	26,154	1,726	838	200	1,757	(30,681)	(6)
Balance as of December 31	<u>₩ 418,956</u>	<u>₩ 319,103</u>	<u>₩ 15,702</u>	<u>₩ 1,340</u>	<u>₩ 5,716</u>	<u>₩ 47,385</u>	<u>₩ 808,202</u>
Acquisition cost	₩ 430,332	₩ 384,010	₩140,557	₩ 4,502	₩38,999	₩ 47,385	₩1,045,785
Accumulated depreciation	-	(48,991)	(124,855)	(3,162)	(33,283)	-	(210,291)
Accumulated impairment	(11,376)	(15,504)	-	-	-	-	(26,880)
Government grants	-	(412)	-	-	-	-	(412)

¹ Government grants used in acquiring a building amounting to ₩ 24 million were offset against depreciation.

² Transfer amount includes ₩ 6 million, transferred to intangible assets. The residual amount of total ₩ 30,675 million was transferred to other property, plant and equipment accounts.

Changes in accumulated other comprehensive income and expense related to gain on revaluation of land for the year ended December 31, 2009, are as follows:

(in millions of Korean won)

2009

Balance as of January 1, 2009	₩	-
Increase or decrease from revaluation		296,562
Deferred income taxes effect		(65,290)
Balance as of December 31, 2009	<u>₩</u>	<u>231,272</u>

As of December 31, 2009, the book value of the Company's land that would have been carried under the cost model is ₩ 341,621 million.

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Changes in government grants for the years ended of December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009		
	Deduction from buildings account	Others	Total
Balance as of January 1, 2009	₩ 412	₩ -	₩ 412
Offset against depreciation	(25)	-	(25)
Balance as of December 31, 2009	₩ 387	₩ -	₩ 387

<i>(in millions of Korean won)</i>	2008		
	Deduction from buildings account	Others	Total
Balance as of January 1, 2008	₩ 436	₩ -	₩ 436
Offset against depreciation	(24)	-	(24)
Balance as of December 31, 2008	₩ 412	₩ -	₩ 412

In 2009, the Company sold a building in Busan and a land in Seoul and recognized loss on disposal of property and equipment amounting to ₩ 8,922 million and ₩ 17,572 million, respectively.

11. Intangible assets

The changes in intangible assets for the years ended December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009				
	Beginning balance	Increase	Impairment	Amortization	Ending balance
Industrial property rights	₩ 34	₩ -	₩ -	₩ 6	₩ 28
Rights to operate parking lot business	574	-	-	117	457
Rights to use pier	2	-	-	2	-
Rights to rent donated buildings	13,816	-	-	1,256	12,560
Others	1,946	2,029	-	1,117	2,858
	₩ 16,372	₩ 2,029	₩ -	₩ 2,498	₩ 15,903

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(in millions of Korean won)

	2008				
	Beginning balance	Increase	Impairment	Amortization	Ending balance
Goodwill	₩ 154	₩ -	₩ -	₩ 154	₩ -
Industrial property rights	19	21	-	6	34
Rights to operate parking lot business	690	-	-	116	574
Rights to use pier	5	-	-	3	2
Rights to rent donated buildings	15,072	-	-	1,256	13,816
Others	1,576	1,413	-	1,043	1,946
	<u>₩ 17,516</u>	<u>₩ 1,434</u>	<u>₩ -</u>	<u>₩ 2,578</u>	<u>₩ 16,372</u>

Amortization of intangible assets is charged to the following accounts :

(in millions of Korean won)

	2009	2008
Other costs	₩ 1,448	₩ 1,404
Selling and administrative expenses	<u>1,050</u>	<u>1,174</u>
	<u>₩ 2,498</u>	<u>₩ 2,578</u>

The Company recognized research and development costs amounting to ₩ 6,468 million (2008: ₩ 6,091 million) as expense in 2009.

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12. Short-Term Borrowings, Long-Term Borrowings and Debentures

Short-Term Borrowings and Long-Term Borrowings

The Company's short-term borrowings and long-term borrowings as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Type	Creditor	Annual interest rates as of Dec.31, 2009	2009	2008
Short-term borrowings				
General loans	Korea Construction Financial Cooperative	-	₩ -	₩ 68,661
General loans	The Export-Import Bank of Korea	-	-	96,521
Network	The Export-Import Bank of Korea	3.95~4.5%	8,748	-
			₩ 8,748	₩ 165,182
Other short-term borrowings				
Refunding	Korea Land Corporation	-	₩ 27,626	₩ 46,821
ABCP	Inchen Shinhyun/ Inchen Shinhyun-2 nd	-	50,000	-
			₩ 77,626	₩ 46,821
Long-term borrowings				
General loans	Korea Housing Guarantee	1.00%	₩ 20,000	₩ 20,000
Loans for equipment purchases	Korea Development Bank	3.76~7.73%	48,757	19,431
General loans	Nonghyup, others	CD+1.2~6.5%	180,000	180,000
			248,757	219,431
Less: Current maturities			(548)	-
			₩ 248,209	₩ 219,431
Other long-term borrowings ¹				
Project financing	Gwanggyo PF(Gwanggyo A7 Block)		₩ 114,930	₩ -

¹The Company entered into sales agreements to sell the Company's construction work receivables, land and others. Under the agreement, the Company retains effective control over the assets sold, and recognizes the transactions as borrowings, instead of sales.

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Debentures

The Company's debentures as of December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

Series	Issued date	Maturity	Annual interest		2009	2008
			rates	as of Dec. 31, 2009		
Current						
240-1 st private	2008.12.26	2009.12.26	-	₩	-	₩ 50,000
240-2 nd private	2008.12.26	2009.12.26	-		-	50,000
241 private	2009.02.20	2010.02.19	CD+3.90%		30,000	-
242 public	2009.03.09	2010.03.09	8.30 %		150,000	-
245 private	2009.12.26	2010.12.26	CD+3.20%		50,000	-
					230,000	100,000
		Less: Discounts on debentures			(82)	-
				₩	229,918	₩ 100,000
Non-current						
222-2 nd public	2004.11.23	2009.11.23	-	₩	-	₩ 30,000
225 th public	2006.07.20	2009.07.20	-		-	50,000
227-1 st public	2006.11.23	2009.11.23	-		-	50,000
227-2 nd public	2006.11.23	2010.11.23	4.50%		50,000	50,000
230-1 st public	2007.07.11	2009.07.11	-		-	50,000
230-2 nd public	2007.07.11	2010.07.11	5.00%		50,000	50,000
231 st foreign currency public	2007.09.20	2010.09.20	3M Libor+0.6%		35,028	37,725
233-1 st foreign currency public	2007.10.18	2010.10.18	3M Libor+0.6%		35,028	37,725
233-2 nd public	2007.10.18	2009.10.18	-		-	30,000
233-3 rd public	2007.10.18	2010.10.18	5.50%		50,000	50,000
234-1 st public	2008.01.21	2010.07.21	6.60%		10,000	10,000
234-2 nd public	2008.01.21	2011.01.21	6.66%		150,000	150,000
234-3 rd public	2008.01.21	2013.01.21	6.82%		70,000	70,000
235 th foreign currency public	2008.03.20	2010.03.20	6M Libor+1.50%		70,056	75,450
236 th foreign currency private	2008.03.20	2011.03.20	6M Libor+2.00%		81,732	88,025
237-1 st public	2008.05.29	2011.05.29	6.24%		60,000	60,000
237-2 nd public	2008.05.29	2013.05.29	6.43%		90,000	90,000
238 th private	2008.10.06	2010.10.06	CD+1.94%		100,000	100,000
239 th private	2008.12.17	2011.12.16	8.22%		74,400	74,400
243 rd private	2009.03.26	2012.03.24	6.23%		70,000	-
244 th public	2009.06.09	2012.06.09	6.80%		200,000	-
					1,196,244	1,153,325
		Less: Current maturities			(400,112)	(210,000)
		Discounts on debentures			(2,411)	(4,284)
				₩	793,721	₩ 939,041

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The aggregate annual maturities of long-term borrowings and debentures outstanding as of December 31, 2009, exclusive of adjustment relating to discounts and others, are as follows:

(in millions of Korean won)

Year ending December 31	Long-term Borrowings ¹	Debentures	Total
2011	₩ 194,189	₩ 366,132	₩ 560,321
2012	14,189	270,000	284,189
2013	129,119	160,000	289,119
Thereafter	25,642	-	25,642
	<u>₩ 363,139</u>	<u>₩ 796,132</u>	<u>₩ 1,159,271</u>

¹Includes other long-term borrowing

13. Accrued Severance Benefits

Changes in accrued severance benefits for the years ended December 31, 2009 and 2008, consist of the following:

(in millions of Korean won)

	2009	2008
Balance at the beginning of the year	₩ 51,267	₩ 44,465
Actual severance payments	(17,029)	(29,403)
Provision for severance benefits	24,463	36,205
	<u>58,701</u>	<u>51,267</u>
Less: Cumulative deposits to the National Pension Fund	(1)	(6)
Severance insurance deposit (Note 3)	(5,303)	(10,639)
Pension plan assets (Note 3)	(39,926)	(24,582)
Balance at the end of the year	<u>₩ 13,471</u>	<u>₩ 16,040</u>

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14. Assets and Liabilities Denominated in Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies as of December 31, 2009 and 2008, consist of the following:

		2009		2008
		Foreign currency	Korean won Equivalent (in millions)	Korean won Equivalent (in millions)
Assets				
Cash and cash equivalents	USD	157,552,852	₩ 183,959	₩ 137,714
	EUR	20,731,300	34,710	167,836
	JPY	463,697,581	5,856	13,565
	SGD	18,531	15	16
	SEK	64,410,433	10,505	-
	INR	84,672,649	2,124	-
	EGP	22,375	5	-
Construction work receivables	USD	50,440,728	58,895	22,281
	EUR	3,473,444	5,816	4,873
	KWD	4,209	17	38
Trade accounts and notes receivable	USD	2,500,757	2,920	731
	EUR	22,714	38	-
Other accounts receivable	USD	5,936,887	6,932	2,727
	EUR	6,871	12	26
	INR	-	-	5,233
	IRR	4,168,557,341	493	-
Accrued income	USD	355,573	415	9
	EUR	-	-	36
	JPY	-	-	1
Long-term loans receivable	USD	10,772,245	12,578	13,546
Long-term other accounts receivable	USD	275,000	321	346
	SAR	34,540,987	10,752	11,574
	INR	40,242,610	1,009	1,055
			₩ 337,372	₩ 381,607

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		2009		2008
		Foreign currency	Korean won Equivalent (in millions)	Korean won Equivalent (in millions)
Liabilities				
Trade accounts and notes payable	USD	73,327,281	₩ 85,617	₩ 21,890
	EUR	37,677,205	63,082	2,266
	JPY	105,618,964	1,334	-
	GBP	51,291	96	-
	SEK	33,075,609	5,395	-
	SAR	286,428	89	-
Other accounts payable	USD	27,781,261	32,437	2,500
	EUR	1,988,206	3,329	12,409
Short-term borrowings	USD	7,492,559	8,748	-
Long-term borrowings	USD	7,500,000	8,757	9,431
Debentures	USD	190,000,000	221,844	238,925
			₩ 430,728	₩ 287,421

As a result of translation of assets and liabilities denominated in foreign currencies above, the Company recorded gains and losses on foreign currency translation for the year ended December 31, 2009, amounting to ₩ 25,696 million (2008: ₩ 21,742 million) and ₩ 17,755 million (2008: ₩96,051 million), respectively.

Financial Information of Overseas Branch Office

Financial information of overseas branch office as of December 31, 2009 and 2008, follows:

<i>(in millions of Korean won)</i>	2009	2008
Current assets	₩ 80,910	₩ 70,030
Non-current assets	5,186	11,519
Current liabilities	43,136	31,355
Non-current liabilities	395	716

15. Commitments and Contingencies

Pledged Notes

As of December 31, 2009, the Company has pledged 64 notes, consisting of 52 blank notes and 12 notes amounting to ₩ 60,009 million, to financial institutions and others as collaterals for borrowings and indemnification liabilities.

Litigation

As of December 31, 2009, the Company is involved in 82 pending cases as a defendant with aggregate claims of ₩ 144,641 million and SAR 30,180 thousand, including an indemnity claim, and 19 cases as a plaintiff with aggregate amounts of ₩ 86,186 million and SAR 13,108 thousand, including an overdue payment claim.

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As of December 31, 2009, the final outcome of the cases cannot be reasonably ascertained.
The Company records contingent liabilities on cases lost at the first or second trial.

Contingent Liabilities

The Company's contingent liabilities as of December 31, 2009, are as follows:

(In millions of Korean won)

	Litigation¹		Guarantees²		Total
Beginning balance	₩	5,244	₩	99,517	₩ 104,761
Increase		731		104,191	104,922
Decrease		4,899		24,688	29,587
Ending balance	₩	1,076	₩	179,020	₩ 180,096

¹ The Company recorded reserve for contingent liabilities amounting to ₩ 1,076 million on cases lost at the first or second trial.

² As of December 31, 2009, the Company recorded contingent liability amounting to ₩ 168,320 million in case of potential losses from guarantees provided to lenders for the project financing loans. In addition, the Company recorded contingent liability amounting to ₩ 10,700 million, for potential losses from guarantees provided to other institutions for their construction orders.

Collaterals and Guarantees

The Company's pledged assets as of December 31, 2009, are as follows:

(In millions of Korean won)

Investees	Pledged assets	2009	2008
The Korea Development Bank	Land and others	₩ 409,765	₩ 439,306
Korea Construction Financial Cooperative	Susongdong Building	51,000	51,000
Korea Construction Financial Cooperative	Yeouido Building	39,000	39,000
Korea Construction Financial Cooperative	Capital investment	30,046	30,096
Korea Housing Guarantee	stock	10,935	7,684
Kookmin Bank and others	Capital investment	269,207	423,252
Korea Land Corporation	Land and others	27,626	46,821
Korea Housing Guarantee	Land and others	232,144	124,955
Incheon Shinhyun Co., Ltd. & Incheon Shinhyun- 2 nd Co., Ltd.	Construction work receivable	50,000	-
Gwanggyo PF(Gwanggyo A7 Block)	Advances paid(Land)	114,930	-
		<u>₩ 1,234,653</u>	<u>₩ 1,162,114</u>

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As of December 31, 2009, the Company is jointly liable for ₩ 2,247,331 million against the construction guarantee provided by Korea Housing Guarantee Co., Ltd. and Korea Construction Financial Cooperatives to the construction industrial partners, and is providing payment guarantee of ₩ 303,881 million to a corporation established under the Act of Private investment for Social Infrastructure.

As of December 31, 2009, the Company agreed to provide payment guarantees for debts of a project financing of the project administering companies amounting to ₩ 2,845,211 million. The total credit line of borrowings of the said project financing is ₩ 3,612,508 million. The Company also provides payment guarantees of ₩ 695,095 million for the borrowings of the project administering companies for redevelopment and reconstruction, and the related total credit line of borrowings of the said project administering companies amounted to ₩ 906,322 million. This guarantee is secured by real estate for the project of the project administering companies.

The Company recorded a contingent liability amounting to ₩ 168,320 million of the said guaranteed amount as this may not be covered by the security provided by the administering companies.

In addition, as of December 31, 2009, the Company has provided payment guarantees of ₩ 866,269 million for the borrowings of individual housing and members of a housing cooperative. The total credit line of borrowings amount to ₩ 1,107,624 million. The guarantee is secured by the receivables from the individual housing buyers and members of the cooperative.

Korea Housing Guarantee and other parties have guaranteed the performance of the Company's domestic construction.

The Company's provided payment guarantees as of December 31, 2009, are as follows:

(In millions of Korean won)

Investees	2009	2008
Samsung C&T Corporation and others	₩ 93,277	₩ 417,238
Korea Construction Financial Cooperative	591,669	514,515
Korea Construction Financial Cooperative	837,243	450,143
Korea Construction Financial Cooperative	1,348,109	1,458,192
Korea Housing Guarantee	2,287,374	2,239,158
Kookmin Bank and others	465,533	375,764
Seoul Guarantee Insurance Co., Ltd.	1,423,360	1,331,602
SC First Bank	3,354	4,357
Woori Bank	46,995	27,147
Shinhan Bank	12,361	12,361
	<u>₩ 7,109,275</u>	<u>₩ 6,830,477</u>

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The Export-Import Bank of Korea and other parties have guaranteed the performance of the Company's overseas construction.

The Company's provided payment guarantees as of December 31, 2009, are as follows:

(in millions of Korean won, US dollar and Kuwaiti dinar in thousands)

Investees		Guarantees (Foreign currency)	Guarantees (Korean Won)
The Export-Import Bank of Korea	USD	118,165	₩ 137,970
The Export-Import Bank of Korea	EUR	22,972	38,461
The Korea Export Insurance Corporation	USD	91,328	106,635
SCB Abu Dhabi	AED	50	16
SCB Abu Dhabi	AED	3	1
SCB Dubai	AED	6	2
Korea Exchange Bank	USD	33,483	39,095
Korea Exchange Bank	EUR	11,695	19,581
Korea Exchange Bank	KWD	2,100	8,540
Woori Bank	USD	62,104	72,512
Woori Bank	EUR	611	1,023
Nonghyup	EUR	45,000	75,343
Seoul Guarantee Insurance Company	EUR	45,000	75,343
Korea Development Bank.	EUR	18,506	30,984
Petrogen Insurance Corp	USD	7,434	8,680
Arab Bank Singapore	USD	17,992	21,007
NBK	KWD	16,725	68,020
NCB	USD	210,987	246,348
LONPAC	SGD	67,220	55,878
Total			<u>₩1,005,439</u>

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Commitments arising from Financial Transactions

The Company's major agreements with financial institutions as of December 31, 2009, are as follows:

(in millions of Korean won, US dollar and Kuwaiti dinar in thousands)

Type	Financial institutions		Credit limit		Balance outstanding
Bank overdrafts ¹	Woori Bank and others	KRW	23,500	KRW	-
	National Bank of Kuwait	KWD	2,000	KWD	-
General loans	Woori Bank and others	KRW	98,000	KRW	-
Commercial paper discounting	Woori Bank and others	KRW	200,000	KRW	-
Private debentures	Woori Bank and others	KRW	406,132	KRW	406,132
B2B	Woori Bank	KRW	100,000	KRW	68,614
L/C(Sight, Usance)	Woori Bank and others	USD	314,282	USD	185,130
D/A, D/P	Shinhan Bank	USD	500	USD	-
Payment guarantee in foreign currency	Woori Bank and others	USD	714,184	USD	680,451
	Korea Development Bank	EUR	34,133	EUR	18,506
	National Bank of Kuwait	KWD	20,000	KWD	16,725
Payment guarantee in local currency	Woori Bank and others	KRW	43,714	KRW	43,424

¹ Bank overdrafts include Woori Bank for ₩ 10 billion, Shinhan Bank for ₩ 9 billion and Korea Exchange Bank for ₩ 4.5 billion. The aforementioned ₩ 10 billion agreement with Woori Bank includes comprehensive credit limit contracts.

The Company has entered into comprehensive credit limit agreements with Woori Bank for ₩210 billion and USD112,410,000, and with Korea Exchange Bank for ₩ 24.5 billion.

As of December 31, 2009, the Company entered into a mortgage borrowing agreement with Korea Land Corporation(KLC) which includes transfer of land of the Company.

The Company entered into a mortgage borrowing agreement with Gwanggyo PFV which includes transfer of advance payment on land. According to the said agreement, the Company provides conditional guarantee and has fund supplement duty for Gwanggyo PFV up to ₩ 450,000 million.

The Company has asset backed securitization transactions including transferring certain construction work receivables in a mortgage borrowing agreement.

Foreign Exchange Fluctuation Insurance

In order to reduce the impact of changes in foreign exchange rates on future cash flows regarding expected bill, the Company enters into a foreign exchange fluctuation insurance contract with Korea Export Insurance Company.

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A summary of the terms of outstanding foreign exchange fluctuation insurance contracts as of December 31, 2009, follows:

(in thousands)

		Total coverage amount	Remaining coverage amount	Contracted exchange rate	Termination date
Korea Export	USD	143,999	USD 25,097	966.60 ~ 972.00	November 2010
insurance Company	USD	176,494	USD 31,174	917.30 ~ 931.70	December 2011

Currency Forward Contracts

The Company has 79 foreign currency forward contracts with Standard Chartered First Bank to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. The use of foreign currency forward contracts allows the Company to reduce its exposure to the risk that the eventual Korean won cash outflows, resulting from operating expenses, capital expenditures, purchasing materials and debt service, will be adversely affected by changes in exchange rates.

A summary of the terms of outstanding foreign currency forward contracts as of December 31, 2009, follows:

(in thousands)

	Buying amount		Paying amount	Contracted exchange rate	Number of contracts
USD	7,568	KRW	9,077,252	1,165.50~1,250.70	4
KRW	217,229,313	USD	178,349	894.73~1,235.50	36
KRW	1,183,838	EUR	678	1,742.75~1,751.05	14
EUR	31,343	USD	45,132	1.43564~1.44817	23
SEK	24,950	KRW	3,562,860	142.80	2

Interest Rate Swap Contracts

In order to reduce the impact of changes in interest rates, the Company has interest rate swap contracts as of December 31, 2009.

A summary of the terms of outstanding interest rate swap contracts as of December 31, 2009, follows:

(in millions of Korean won)

	Amount	Effective date	Termination date	Paying interest rate	Receiving interest rate	Settlement period
Kookmin Bank	₩ 50,000	2007.11.21	2011.05.21	6.48%	CD+1.2%	1 month
Nonghyup	50,000	2007.11.21	2011.05.21	6.49%	CD+1.2%	1 month
Kookmin Bank	30,000	2009.02.20	2010.02.19	6.64%	CD+3.9%	3 month

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Currency swap

In order to reduce the impact of changes in interest rates and exchange rate, the Company entered into currency swap contracts.

A summary of the terms of outstanding currency swap contracts as of December 31, 2009, follows:

(in millions of Korean won, in thousands of US dollars)

	Buying Amount	Paying Amount	Paying interest rate	Receiving interest rate	Settlement period	Period of contract
Calyon	\$ 30,000	₩ 28,200	Libor 3M+0.60%	4.80%	3 months	2007.09.20~ 2010.09.20
Standard Chartered First Bank	30,000	27,654	Libor 3M+0.60%	5.50%	3 months	2007.10.18~ 2010.10.18
Standard Chartered First Bank	30,000	28,410	Libor 6M+1.50%	5.13%	6 months	2008.03.20~ 2010.03.20
Hana Bank	30,000	28,740	Libor 6M+1.50%	5.13%	6 months	2008.03.20~ 2010.03.20
Shinhan Bank	70,000	72,100	Libor 6M+2.00%	3.90%	6 months	2008.03.20~ 2011.03.20

Derivatives Instrument

The Company applied the contracted derivatives for trading and hedging purpose. The purpose is to hedge a variation in fair value and cash flow of a bond.

Summary of derivative transactions as of December 31, 2009, follows:

(in millions of Korean won)

	Trading		Hedging			
	Gain on valuation	Loss on valuation	Gain on valuation	Loss on valuation	Settled Assets	Settled Liabilities
Foreign exchange fluctuation insurance ¹	₩ -	₩ -	₩ -	₩ 6,923	₩ 7,701	₩ -
Currency forward	7,533	285	89	-	1	1,932
Interest swap	2,335	-	-	-	-	-
Currency swap	-	14,903	-	-	-	-
	₩ 9,868	₩ 15,188	₩ 89	₩ 6,923	₩ 7,702	₩ 1,932

¹The Company applied the fair value hedge accounting as the outstanding foreign contracts included firm commitments representing the hedged items, satisfying the criteria set by the Guide [2008-2] *Guidance criteria for treatment of cash flow hedge to fair value hedge if hedged item is firm commitment.*

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16. Capital Stock

The Company is authorized to issue 90 million shares of common stock and 30 million shares of preferred stock with par value of ₩5,000 per share.

As of December 31, 2009, capital stock consists of the following:

<i>(in millions of Korean won)</i>	Number of shares issued and outstanding	Amount
Common stock	34,800,000	₩ 197,500
Preferred stock	3,800,000	21,000

The Company retired 4,700,000 shares of common treasury stock and 400,000 shares of preferred treasury stock on January 28, 2004 and November 3, 2004, respectively.

17. Capital Surplus

The Company's capital surplus as of December 31, 2009 and 2008, consists of the following:

<i>(in millions of Korean won)</i>	2009	2008
Additional paid-in capital	₩ 296,044	₩ 296,044
Revaluation reserve ¹	695,189	695,189
Other capital surplus	352,173	391,701
	<u>₩ 1,343,406</u>	<u>₩ 1,382,934</u>

¹ In accordance with the Asset Revaluation Law, effective January 1, 1995 and July 1, 1999, the Company revalued a substantial portion of its property, plant and equipment.

18. Accumulated Other Comprehensive Income

The Company's capital adjustments as of December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009	2008
Accumulated other comprehensive income		
Accumulated overseas operations translation	₩ (25,669)	₩ (21,289)
Accumulated gain on valuation of available-for-sale securities	87,761	190,142
Accumulated comprehensive income of equity method investees	209,601	30,875
Accumulated comprehensive expense of equity method investees	(740)	(1,339)
Accumulated gain on revaluation of land	231,272	-
	<u>₩ 502,225</u>	<u>₩ 198,389</u>

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19. Retained Earnings

The Company's retained earnings as of December 31, 2009 and 2008, consist of the following:

<i>(in millions of Korean won)</i>	2009	2008
Legal reserve	₩ 65,051	₩ 64,646
Voluntary reserve	67,322	76,322
Retained earnings before appropriations	1,597,575	1,249,837
	<u>₩ 1,729,948</u>	<u>₩ 1,390,805</u>

Legal Reserve

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification by the Company's majority shareholders.

Reserve for Improvement of Financial Structure

According to revision of the regulations regarding securities issuance and disclosure (formerly the provisions of the Financial Control Regulation for publicly listed companies), the Company has been exempted to appropriate a reserve for improvement of financial structure, and the reserve can be also available for dividends and was reclassified as a voluntary reserve from the current year.

Research and human resources development reserve

Pursuant to the Korean Tax Incentives Limitation Law, the reserve for research and human development reserve are provided in order to obtain tax benefits with respect to the year for which the appropriations are proposed. These reserves may be utilized for cash dividends after the expiration of specified grace period.

20. Income Tax

Income tax expense for the year ended December 31, 2009, consists of:

<i>(in millions of Korean won)</i>	Amount
Current income tax expense	₩ 92,040
Deferred income tax from temporary differences	74,197
Deferred income tax liabilities directly charged to the shareholders' equity ¹	(72,244)
Income tax refunds and others	24
Income tax expense	<u>₩ 94,017</u>

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¹ Deferred income tax liabilities directly charged to the shareholders' equity consist of:

<i>(in millions of Korean won)</i>	Amount
Valuation gains of available-for sale securities	₩ 28,877
Net equity changes in equity-method-investments	(48,865)
Capital surplus	13,034
Revaluation gains of land	(65,290)
	<u>₩ (72,244)</u>

The reconciliation between financial income before income tax and taxable income for the year ended December 31, 2009, follows:

<i>(in millions of Korean won)</i>	Amounts
Income before income tax expense	₩ 437,210
Income tax	₩ 105,781
Add (deduct):	
Exclusion from gross income	(606)
Exclusion from gross expenses	2,674
Deferred income taxes of current temporary difference	(18,003)
Tax credits	(10,108)
Tax rate change effect	7,682
Foreign tax credit	5,887
Others(income tax refunds and others)	710
Income tax expense	<u>₩ 94,017</u>
Effective tax rate	21.5%

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The significant changes in accumulated temporary differences and the related tax effect for the year ended December 31, 2009, are as follows:

(in millions of Korean won)

	Beginning balance	Adjustment ¹	Increase/decrease	Ending balance	Deferred income tax assets (liabilities)	
					Current	Non-current
Equity-method investments	₩(270,994)	₩ 146	₩ (295,694)	₩ (566,542)	₩ -	₩ (95,807)
Available-for-sale securities	(243,772)	-	131,258	(112,514)	-	(24,753)
Revaluation	-	-	(286,831)	(286,831)	1,686	(64,620)
Valuation of derivative instruments	(19,617)	-	(13,538)	(33,155)	-	(7,294)
Property, plant & equipment	13,398	-	(3,853)	9,545	-	2,100
Reserve for contingent liabilities	(58,863)	-	79,293	20,430	-	4,495
Impairment loss	39,535	-	27,728	67,263	7,452	8,091
Reserve for research & human resources development	(30,000)	-	(6,667)	(36,667)	(2,200)	(5,867)
Limit exceeded of bad debts expense	174,251	-	15,903	190,154	33,761	12,256
Gain(Loss) of foreign exchange translation	74,617	-	(36,879)	37,738	6,932	2,201
Accrued income	(13,439)	-	(923)	(14,362)	(3,160)	(316)
Others	(25,510)	(24)	(1,568)	(27,102)	(13,240)	5,316
	<u>₩(360,394)</u>	<u>₩122</u>	<u>₩ (391,771)</u>	<u>₩ (752,043)</u>	<u>₩ 31,231</u>	<u>₩ (164,198)</u>

¹ Beginning balance was adjusted to reflect final corporate income tax return.

The gross balances of deferred tax assets and liabilities are as follows:

(in millions of Korean won)	Current	Non-current	Total
Deferred income tax assets	₩ 49,831	34,459	₩ 84,290
Deferred income tax liabilities	(18,600)	(198,657)	(217,257)
Total	<u>₩ 31,231</u>	<u>(164,198)</u>	<u>₩ (132,967)</u>

The cumulative income tax effect as of December 31, 2009, was calculated based on the tax rate of the year when the temporary difference is expected to reverse. According to the revision of tax law, the effective tax rate of the year 2010 and 2011 is 24.2% and 22% thereafter. As a result, deferred income tax assets and deferred income liabilities were increased by ₩ 9,138 million and ₩ 4,243 million, respectively.

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The Company expects that deferred income tax assets will be realized. The Company did not recognize the temporary difference amounted to ₩ 33,565 million which resulted from the revaluation of land according to the Asset Revaluation Law because the sale of the land in the near future is remote. In addition, the Company did not recognize the income tax effect of temporary differences of ₩ 13,470 million based on equity-method investments, because the possibility of realizing deferred income tax assets is remote.

21. Earnings Per Share

Basic Earnings Per Share

Basic earnings per share is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the year

Basic earnings per share for the years ended December 31, 2009 and 2008, is calculated as follows:

(in millions of Korean won, except per share amounts and number of shares)

	2009	2008
Net income as reported on the statements of income	₩ 343,193	₩ 101,488
Less: Preferred stock dividends	570	570
Less: Supplementary income allocated to preferred stock ¹	33,387	9,592
Net income allocated to common stock	309,236	91,326
Weighted average number of common shares outstanding during the year ²	34,800,000	34,800,000
Basic earnings per share in Korean won	₩ 8,886	₩ 2,624

¹ Supplementary income allocated to preferred stock which could be divided for the year ended December 31, 2009, is calculated as follows:

Supplementary income: 343,193,353,347-570,000,000-3,480,000,000 = 339,143,353,347

Supplementary income allocated to preferred stock:

339,143,353,347×3,800,000 shares ÷ (3,800,000 shares + 34,800,000 shares) = 33,387,169,500

² The weighted-average number of common shares outstanding for the year ended December 31, 2009, is calculated as follows:

	Number of shares issued	Number of days outstanding	Weighted number of shares
January 1, 2009	34,800,000	365	12,702,000,000

Weighted-average number of common shares outstanding:

12,702,000,000 shares÷365 days = 34,800,000 shares

Diluted earnings per share is the same as basic earnings per share since the Company has no diluted securities.

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22. Dividends

Details of dividends declared for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won, except dividend per share)</i>	2009		2008	
	Common stock	Preferred Stock	Common stock	Preferred stock
Total dividends	₩ 3,480	₩ 570	₩ 3,480	₩ 570
Number of shares	34,800,000	3,800,000	34,800,000	3,800,000
Dividend per share	₩ 100	₩ 150	₩ 100	₩ 150
Dividend ratio	2%	3%	2%	3%
Dividend payout ratio ¹	1.01%	0.17%	3.43%	0.56%
Dividend yield ratio ²	0.12%	0.54%	0.22%	0.97%

¹ Dividend payout ratio = Total dividends ÷ net income

² Dividend yield ratio = Dividend per share ÷ market price at the date of statement of financial position

23. Related Party Transactions

The significant transactions which occurred in the normal course of business with related companies for the year ended December 31, 2009, and the related account balances as of December 31, 2009, are as follows:

<i>(in millions of Korean won)</i>				
Type¹	Sales	Purchases	Receivables²	Payables
Companies which exercise significant control or influence over the Company	484,612	75,940	49,055	8,827
Subsidiaries	36,338	21,375	132,340	8,302
Equity-method investees	186,998	800,600	42,642	141,817
Other related parties	246	-	151	480
Total for 2009	<u>₩ 708,194</u>	<u>₩ 897,915</u>	<u>₩ 224,188</u>	<u>₩ 159,426</u>
Total for 2008	<u>₩ 680,551</u>	<u>₩ 1,014,011</u>	<u>₩ 60,940</u>	<u>₩ 101,961</u>

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¹ Details of related party type are as follows:

Type	Name
Companies which exercise significant control or influence over the Company	Daelim Corporation
Subsidiaries	Samho International Co., Ltd., Daelim Motor Co.,Ltd. Daelim C&S Co., Ltd., ORA Resort Co., Ltd., Daelim Saudi Arabia Co.,Ltd., Songdo Power Co., Ltd.
Equity-method investees	Korea Development Corp ⁽¹⁾ , Yeochun NCC Co., Ltd, Poly Mirae Co., Ltd., KR Copolymer Co., Ltd, Daelim I&S Co., Ltd, Green Technology Development Co.,Ltd., Daelim Philippines, Inc, Daelim Malaysia, Sdn. Bhd., Integrated Engineering Ltd., P.T. Daelim Utama Construction, DALIN (Nanjing) Construction Project Management Co., Ltd., Wootoo housing CR-REITS Co., Ltd.
Other related parties	Web-Tech Venture Capital Co., Ltd., Manwolsan Tunnel Co., Ltd., Echo Hall Co., Ltd., Yeongcheon-Sangju Expressway Co., Ltd., Sudogwon Seobu Expressway Co., Ltd., Gimhea Dongseo Tunnel Co.,Ltd., Epyunse (Shanghai) Trade Agency Co., Ltd., Daelim Vietnam Ltd., HHVC Shipping Ptd., Ltd., WBLC Shipping Ptd., Ltd.

⁽¹⁾ Korea Development Corp is reclassified from subsidiary to equity method investee since the Company's share in the investee was reduced during the current year.

² Receivables are presented before deducting allowance for bad debts of ₩ 15,082 million as of December 31, 2009 (2008 : ₩ 14,091 million).

For the year ended December 31, 2009, the Company recorded short-term benefits of ₩ 10,957 million (2008 : ₩ 15,189 million) as key management compensation. Key management consists of executive officers who have the authority and responsibility in the planning, directing and control of the Company's operations.

The Company is contingently liable for construction performance guarantees of its associated companies. The details of guarantees as of December 31, 2009 and 2008, are as follows:

(in thousands of US dollars)

Associated company	Project	2009	2008	Period of guarantee
Dalin(Nanjing) Construction Project Management Company	China BASF-YPC IPS Expansion Project	\$ 9,150	\$ 324	2008.11.01 ~ Expiration of obligation
Daelim Philippines Inc.	Philippines Petro FCC Project and others	-	74,160	2006.02.16 ~ Expiration of obligation
Daelim Philippines Inc.	BTX Project	30,715	28,547	2008.04.05 ~ Expiration of obligation
Daelim Saudi Arabia Co.,Ltd.	Alwaha PDH/PP Plant and others	1,775,958	1,048,792	2006.10.09 ~ Expiration of obligation

The Company has provided payment guarantees amounting to ₩ 42,750 million on behalf of related parties, Manwolsan Tunnel Co., Ltd and Echo Hall Co., Ltd., which were established pursuant to Private Participation in Infrastructure law (Note 15).

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24. Sales, Cost of Sales, and Selling and Administrative Expenses

Details of sales, cost of sales, and selling and administrative expenses for the years ended December 31, 2009 and 2008, are as follows:

<i>(in millions of Korean won)</i>	2009	2008
Sales		
Construction revenue	₩ 4,911,562	₩ 4,806,716
Lotting-out revenue	460,232	132,652
Sales of finished products	832,158	921,030
Other revenues	70,900	31,814
	<u>₩ 6,274,852</u>	<u>₩ 5,892,212</u>
Cost of sales		
Cost of construction	₩ 4,313,558	₩ 4,154,413
Cost of lotting-out	419,667	104,014
Cost of finished products	683,019	844,628
Other costs	83,574	34,009
	<u>₩ 5,499,818</u>	<u>₩ 5,137,064</u>
Selling and Administrative Expenses		
Payroll	₩ 88,406	₩ 106,000
Commission	87,705	78,041
Transportation expenses	26,938	33,017
Provision for severance benefits	8,527	9,661
Welfare expenses	13,577	16,462
Warranty expenses	7,985	4,112
Bad debts expense	4,082	21,547
Others	107,194	96,991
	<u>₩ 344,414</u>	<u>₩ 365,831</u>

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25. Value Added Information

Value added information for the year ended December 31, 2009, includes the following:

(in millions of Korean won)

	Cost of construction	Cost of lotting-out	Cost of finished products	Other costs	Selling, general and administrative expenses	Ordinary research and development costs	Total
Payroll	₩ 161,161	₩ 4,293	₩ 16,358	₩ 1,176	₩ 88,406	₩ 2,117	₩ 273,511
Provision for							
severance benefits	11,241	391	1,756	2,385	8,527	163	24,463
Welfare expenses	30,374	769	2,428	161	13,577	375	47,684
Rental expenses	76,453	2,338	-	452	9,066	-	88,309
Depreciation	1,709	10	7,645	9,378	2,166	1,048	21,956
Amortization of							
intangible assets	-	-	-	1,448	1,050	-	2,498
Taxes and dues	25,259	2,769	582	2,662	14,490	44	45,806
	₩ 306,197	₩ 10,570	₩ 28,769	₩ 17,662	₩ 137,282	₩ 3,747	₩ 504,227

26. Segment Information

The Company is classified into two business segments, namely, construction and petrochemical divisions. The construction division is divided into civil engineering, architecture, plant, lotting-out, overseas construction and others.

Financial information of the business segments as of and for the years ended December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

	2009							Total
	Civil engineering	Architecture	Plant	Lotting-out	Overseas construction	Petro-chemical	Others	
External sales	₩1,262,105	₩1,576,861	₩555,496	₩460,232	₩1,493,380	₩855,960	₩70,818	₩6,274,852
Operating income (loss)	138,633	9,993	(1,859)	(2,134)	263,168	105,823	(83,004)	430,620
Plant, property & equipment and intangible assets	-	-	-	-	709	307,603	920,280	1,228,592
Depreciation /amortization	-	-	-	-	208	10,063	14,183	24,454

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(in millions of Korean won)

	2008							
	Civil engineering	Architecture	Plant	Lotting-out	Overseas construction	Petro- chemical	Others	Total
External sales	₩ 1,012,035	₩ 2,034,792	₩ 558,100	₩132,652	₩ 1,180,510	₩ 943,304	₩ 30,819	₩ 5,892,212
Operating income (loss)	88,973	142,763	318	13,828	202,540	25,529	(84,634)	389,317
Plant, property & equipment and intangible assets	-	-	-	-	710	206,807	617,057	824,574
Depreciation /amortization	-	-	-	-	277	9,440	9,035	18,752

A summary of information of the Company's sales by geographic area for the year ended December 31, 2009, follows:

	Domestic	Middle East	Asia	Others	Total
Sales	₩ 4,342,358	₩ 1,374,654	₩ 347,412	₩ 210,428	₩ 6,274,852

27. Employee Welfare

The Company's contribution to employees' welfare and contribution for social activity amounted to ₩ 41,078 million (2008: ₩ 37,796 million) for the year ended December 31, 2009.

28. Operating Results for the Final Interim Period

Significant operating results for the three-month periods ended December 31, 2009 and 2008, are as follows:

(in millions of Korean won, except earnings per share)

	2009	2008
Sales	₩ 1,971,737	₩ 1,710,587
Net income (loss)	90,608	(211,873)
Earnings (loss) per share	2,346	(5,489)

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29. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2009 and 2008, are as follows:

(in millions of Korean won)

	2009	2008
Acquisition of current portion of available-for-sale securities related to borrowings	₩ (46,821)	₩ 46,821
Increase in gain or loss on valuation of available-for-sale securities	(51,912)	244,566
Change in deferred income tax directly effected to shareholders' equity	(72,244)	(34,699)
Acquisition of equity-method investment through investment in kind	-	37,884
Reclassification to other accounts in property, plant and equipment from construction-in-progress	94,154	30,675
Reclassification of the current portion of debentures	416,012	210,000
Acquisition of property and equipment as payment for construction work receivables	291,422	163,322
Revaluation on land	296,561	-

30. Comprehensive Income

Comprehensive income for the year ended December 31, 2009 and 2008, consists of:

(in millions of Korean won)

	2009	2008
Net income	₩ 343,193	₩ 101,488
Cumulative effect reflected in retained earnings	-	7,045
Other comprehensive income		
Overseas operations translation	(4,380)	25,674
Valuation gains(losses) of available-for sale securities	(102,382)	189,883
Net equity changes in equity-method-investments	179,325	(500)
Gain on revaluation of land	231,272	-
Comprehensive income	<u>₩ 647,028</u>	<u>₩ 323,590</u>

31. Approval of Financial Statements

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

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32. Adoption of K-IFRS

According to roadmap for the adoption of K-IFRS announced by the Financial Supervisory Commission in March 2007, the Company is required to prepare its financial statements in accordance with K-IFRS from 2011. The Company has organized a Task Force Team consisting of a total 7 in June 2008 and appointed external advisor in September 2008 to conduct internal training and analyze the effects of adopting K-IFRS.

In March 2009, the Company has organized overall plan for adoption of K-IFRS after analyzing the effects of adopting K-IFRS on its business and conducted internal training from March to June 2009. Also, the Company has a regular training course conducted by professional education institutes, such as KASB, since 2008 for employees.

In May 2009, the Company completed analyzing the extent of changes in accounting system related to K-IFRS adoption and is currently updating its accounting system, which is expected to be completed by June 2010.

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of Daelim Industrial Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Daelim Industrial Co., Ltd. (the "Company") as of December 31, 2009. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2009, the Company's IACS has been designed and is operating effectively as of December 31, 2009, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. 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 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 management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2009, and we did not review management's assessment of its IACS subsequent to December 31, 2009. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 11, 2010

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
Daelim Industrial Co., Ltd.

I, as the Internal Accounting Control Officer ("IACO") of Daelim Industrial Co., Ltd. ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("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 effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2009, in all material respects, in accordance with the IACS standards.

January 29, 2010

Han Jip Shon
Internal Accounting Control Officer

Jong In Kim
Chief Executive Officer