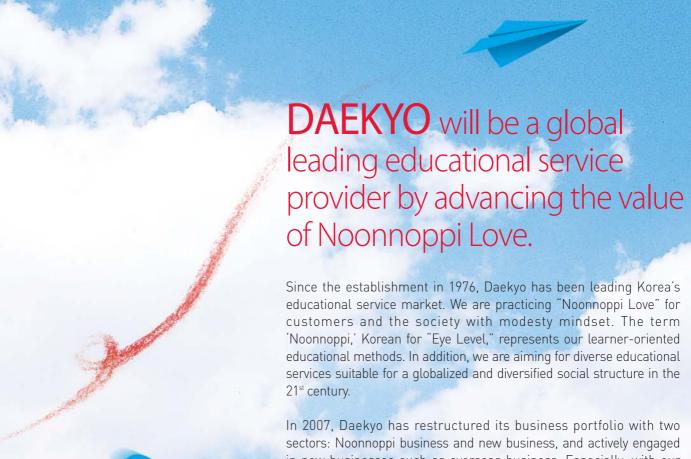
# We are advancing for a future







In 2007, Daekyo has restructured its business portfolio with two sectors: Noonnoppi business and new business, and actively engaged in new businesses such as overseas business. Especially, with our unrivaled capability to develop a home tutoring solution including textbooks and programs and business know-how, we have focused on securing a foundation for entering into educational service markets in advanced countries by making a stepping-stone of Korea-US FTA (Free Trade Agreement).

Daekyo will advance towards a more far-reaching and better future. To this end, the company is determined to implement innovative and human-oriented management, and create cooperative corporate culture in 2008. The company will also make a significant progress by developing educational contents, laying the foundation for life-long learning and accelerating the convergence of on and off-line learning.

All the employees of Daekyo will not spare efforts to achieve the goal with one accord. We will provide the life-long educational services adding value to people's lives and become a global leader in the 21st century knowledge-based information society through offering world-class educational services.

# We are advancing for a BRAND POVER













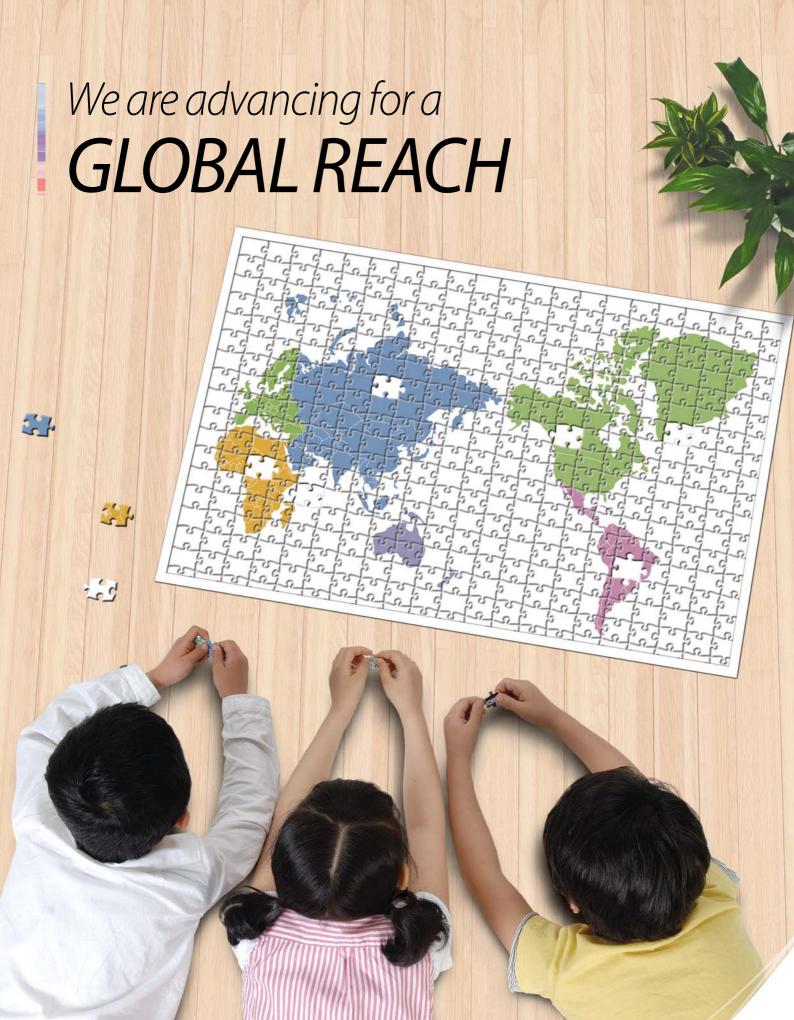


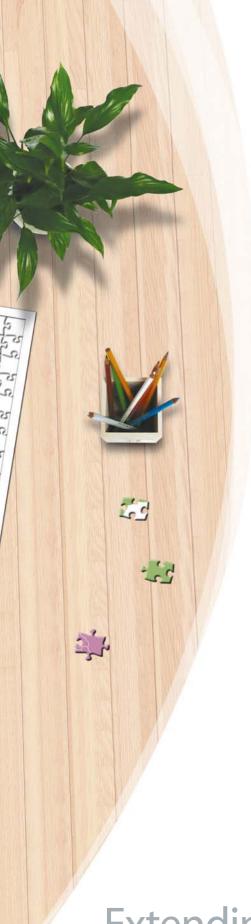


With the corporate motto of 'Noonnoppi Love, Noonnoppi Education,' we are providing premium educational services by individual ability. Guided by our singular philosophy and customer-first principle, we have been recognized for our capabilities and value in the market for a long time.

- Our Noonnoppi Education was selected as the No.1 brand in the worksheet with tutoring sector for 10 consecutive years by the 2008 K-BPI (Korea Brand Power Index) sponsored by the Korea Management Association Consultant (KMAC).
- We were also selected as one of the 'Children's Cognitive Ability Enhancement Service' providers of Voucher program which started in July 2007 as a social service sponsored by the Ministry of Health, Welfare, and Family Affairs. In relation to this business, Daekyo has newly developed 'Noonnoppi Creative Reading' program which was designed to help each child upgrade reading ability according to his/her cognitive development stage.
- Furthermore, Daekyo received the grand prize for three consecutive years in the 'Educational Brand Awards by the Parents' sponsored by the Women Newspaper and ranked first in the 'Brand Olympics' sponsored by the Institute for Industrial Policy Studies. We also won the grand prize for four consecutive years in the 'Brand of the Year' co-sponsored by the Korea Economic Daily and the Korean Consumers' Forum, and topped the 'NBCI (National Brand Competitiveness Index)' measured by the Korea Productivity Center. Our excellence in education services will be wisely recognized in 2008.

# ... Creating Future Value





We are expanding our business abroad through establishing local branch offices in the US, Hong Kong, China, Asia Pacific and Southeast Asian countries. Particularly, our integrated brand 'E.nopi' for overseas business boasts high competitiveness in the global markets.

- On the strength of our know-how we gained from home for more than thirty years, Daekyo is actively cultivating overseas markets and recognized as a world-class educational service provider.
- In 2007, we expanded our business into Indonesia, Vietnam, Thailand and India through introducing diverse business ways such as joint ventures with local business partners and franchises.
- For the US and other English-speaking countries, we have developed localized tutoring materials such as E.nopi-MATH, E.nopi-KOREAN and E.nopi-ENGLISH for local customers. In 2008, we will keep fostering our overseas business with more improved educational services.

... Extending Future Opportunities

# We are advancing for a DIVERSE POTENTIAL





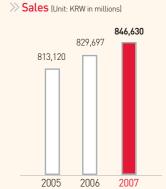


Daekyo achieved sales of 135 billion won in new businesses in 2007 thanks to rapid growth of each sector. It represented 16% of company's total sales. Our new businesses are expected to grow more than 60% in sales and profits in 2008 and will be evolved as future growth engines.

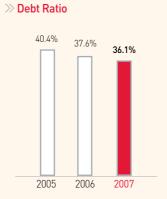
- In 2007, Daekyo restructured its business organization into 2 areas of Noonnoppi business and new business. 'Soluny' and 'CAIHONG Chinese', which were parts of Noonnoppi business until the previous year, were incorporated into the new business area.
- Sobics', a specialized brand for children, has entered the online educational service market for elementary school students in cooperation with MOL and launched book collection products in early 2008, which are expected to contribute to sales growth in this year. Furthermore, 'CAIHONG Chinese,' a home tutoring solution including textbooks and programs for Chinese language, has attained rapid growth in just 3 years. Its subscribers reached at 59,126 persons as of the end of 2007.
- In addition to the above brands, we will also focus on strengthening the competitiveness of other brands such as 'Gongbuwarac,' the online learning program for middle school students equipped with a video on demand system, 'Edupia,' the Korea's best e-learning portal website, 'After-School Classes,' which will be expanded from being a computer class to English class, 'Soluny,' a small group debate learning program, 'G-CAMP' and 'Calritz,' the advanced individualized clinic institutes, and 'Future kids,' a project-type learning program for solving tasks.

... Discovering Future Business

	1	(Unit: KRW in millions)
2007	2006	2005
882,440	839,344	779,790
234,245	229,528	224,555
648,195	609,816	555,234
846,630	829,697	813,120
190,875	178,522	183,968
78,518	63,932	69,139
48,111	51,451	60,650
9.2%	7.7%	8.5%
5.7%	6.2%	7.5%
7.6%	8.8%	12.4%
36.1%	37.6%	40.4%
	882,440 234,245 648,195 846,630 190,875 78,518 48,111 9.2% 5.7% 7.6%	882,440       839,344         234,245       229,528         648,195       609,816         846,630       829,697         190,875       178,522         78,518       63,932         48,111       51,451         9.2%       7.7%         5.7%       6.2%         7.6%       8.8%







Daekyo, with over 30 years' experience, has set the goal of two trillion won in revenue and an operating margin of fifteen percent by 2010. To this end, we will develop new growth engines while enhancing the competitiveness of existing businesses.

VISION 2010
"World-class Education and Culture Company"

Two Trillion Won in Sales and Operating Margin of 15.0% by 2010

- Restore lost market share by reinforcing Noonnoppi business
- Seek distribution channel diversification
- Draw up comprehensive marketing and competition strategies

- Upgrade growth strategies for newly launched businesses
- Redefine business portfolio based on the selective focus of resources
- Expand overseas presence and investment

- Expand business areas from educational services (e.g. culture
- Step up investment in promising new businesses
- · Implement aggressive growth strategies
- Actively pursue partnership and M&A



# With constant change and innovation, Daekyo will make broad and significant progress toward the better future.

Founded in 1976, Daekyo has written a new chapter of educational service businesses for children during the past three decades and grown into a top-tier educational service company in Korea. Our success was attributable to our devoted employees and great supports of our shareholders.

Noonnoppi Love, the core value of Daekyo, is a singular educational philosophy centered on learners, not educators. It also represents the mind to create a healthy company and society and grow together with them.

We at Daekyo pledged ourselves to take another leap by returning to the basics while welcoming the beginning of 2008 at Sadang Headquarter where we had attained significant growth. To this end, we will establish an integrated marketing strategy and secure future growth engines by focusing on promising new businesses as well as further expand the market share of Noonnoppi business. On top of that, we determined to realize two trillion won in sales revenue with an operating margin of fifteen percent by 2010.

Now, Daekyo aims to leapfrog into a true global company with sustainable growth potential on the back of its singular management philosophy of 'Gyohaksangjang,' which means one grows through learning while teaching. We are exploring overseas markets to find profitable new businesses that will continue to deliver steady performances. In addition, we will reinforce the competitiveness in our flagship educational service business and promising new businesses, while actively entering into cultural sectors that are able to create synergy effects.

Daekyo will positively implement knowledge management, innovative management, and ethical management along with growth. We are now committed to fulfilling social responsibilities through widening our sponsorship programs for scholarship, education, academy and literature sectors. The company will also contribute to public health and balanced development of sports through the operation of our women's badminton team and women's soccer team.

I want to thank you all for the support and interest that you have shown in us over the years and I look forward to growing with you further in the future.

Young-Joong Kang
Founder & Chairman



Q: Please tell us the overall market conditions in 2007 and the keys to the growth of Daekyo. CEO Heui - Yong Song Looking back upon last year, business conditions at home and abroad were very unstable. The global economy has suffered from the instability of international finance market and skyrocketing oil prices and raw material prices. Domestically, it was, in fact, an eventful year in all aspects of politics, economy, and society including increasing commodity prices, signing of Korea-US FTA. South and North Korean Summit, and the Presidential Election. Under these difficult circumstances, our company also experienced a reduction in Noonnoppi membership during the same period. However, Daekyo has reinforced the competitiveness of Noonnoppi business, carried out new businesses, and actively practiced responsible management by divisions. As a result of these efforts, the subscriber to our Noonnoppi business turned the tides into growth from the 4th quarter. In addition, our new businesses grew up sharply in sales, which contributed to the improvement of operating margin.

Q: Could you explain the operating results in 2007?

HY Song

Sales for 2007 amounted 846.6 billion won, an increase of 2.0% or 16.9 billion won compared to the previous year, thanks to the growth of CAIHONG Chinese and After-School Class businesses. Operating income was 78.5 billion won, increased by 22.8% or 14.6 billion won from the previous year, which resulted mainly from the improvement of profitability in Noonnoppi business, decrease of deficit in new businesses and reduction of labor costs. Total shareholders' equity also rose by 6.3% from 609.8 billion won in the previous year to 648.2 billion won in 2007, due to the increase of gains on valuation of available-for-sale securities including Shinhan Financial Group shares. Debt-to-equity also dropped by 1.5%p from 37.6% in the last year.

Q : Could you elaborate on your awards in 2007?

CEO Tae - Young Park

In early 2008, Daekyo had the honor of winning about 20 prizes. Our Noonnoppi Education was selected as the No.1 brand in the worksheet with tutoring sector for 10 consecutive years by the K-BPI (Korea Brand Power Index) and we received the grand prize in the 'Educational Brand Awards Chosen by the Parents'. We were also selected as the most respectable company in Korea, as the No.1 brand in NBCI (National Brand Competitiveness Index) and as the Good Company by women customers. Thanks to these remarkable achievements, we were able to not only win customers' love and confidence but enhance our corporate value. Particularly, winning the 'Good Educator Award' of our chairman Young-joong Kang has set a model for all employees of Daekyo.

# CEO's Message

Q: What are the significant changes in the educational service market in 2008?

TY Park

We expect a bumpy road ahead at home and abroad due to high oil prices, exchange-rate concerns and increasing commodity prices. In fact, the market conditions of the educational service business are rapidly changing with the launch of new administration. In particular, the new government's educational policies including the liberalization of college entrance exams and reinforcement of English education are expected to stir up big changes in the education market. We will aggressively meet the changes and strive for achieving our goals and vision.

Q: What is your plan to expand Noonnoppi business in 2008?

HY Song

We set total sales target at 912 billion won in 2008, an increase of 7.7% from the previous year: 720 billion won, up 1.1%, from Noonnoppi business and 192 billion won, up 42.5%, from new businesses and others. To secure a sustainable growth platform in the Noonnoppi business, we will expand the number of branches from 163 as of the end of 2007 to 200 throughout the year. Just in January 2008, 23 branches were newly established. In addition, Daekyo was selected as one of nationwide service providers for the 'Children's Cognitive Ability Enhancement Service' for 2008 by the Ministry of Health & Welfare, which is expected to contribute to sales growth of Noonnoppi business. We also plan to achieve net increase of 100 thousands subjects including the results from Voucher subscribers in the same period.

Q: How were the results from new businesses including CAIHONG Chinese in 2007, and what are your goals for 2008? TY Park

Our new businesses earned 132.1 billion won in sales, accounting for approximately 16% of company's total sales. CAIHONG Chinese business has nearly come to the break-even point backed by sharp increase of subscribers and improvement of cost competitiveness. Our After-School Classes business is also expected to generate profits sooner or later aided by the increase of new contracts. Our new businesses are the most important for future growth. We set a goal to achieve more than 60% growth in new business sales in 2008 and will continue to create a larger profit.

Q: What is your plan to meet the market changes including the magnification of educational service companies and the expansion of online education services? TY Park

Today, the private educational service companies are getting bigger backed by surging investments from major home and foreign investors, and the online education business, started from SAT lectures for high school students, is also being expanded into the areas of English education, employment and reeducation. Under these market changes, Daekyo will further reinforce the competitiveness of mainstay businesses by promoting M&A with promising companies.

Q: Do you have special plans for employees in 2008?

HY Song We intend to realize creative and passionate corporate culture. To this end, we will give an impetus to our GWP activities, and strengthen our capabilities. Also, we will upgrade our human resources and performance-based management system and actively practice 'Noonnoppi Love.'

Q: Last, we ask for your message to customers and shareholders.

HY Song & TY Park

In 2008, we at Daekyo will do our best to achieve the goal of 1 trillion won in sales. We will be committed to boosting operating performances fulfilling the expectation of shareholders as well as implementing social responsibilities and transparent management. We appreciate your continued interests and encouragement, and ask for your unwavering supports in 2008 as well.

**Heui - Yong Song** Vice President & CEO Tae - Young Park Vice President & CEO



# Young-Joong Kang (Chairman of the Board of Directors/ Group Chairman, Executive) [1]

B.S. in Agricultural Chemistry, Konkuk University
M.A. in Educational Administration,
Yonsei Univ. Graduate School of Education
CEO, Daekyo Co.,Ltd. (Current)
Director, Federation of Korean Industries (FKI) (Current)
President, Badminton Korea Association (Current)
President, Badminton World Federation (BWF) (Current)
Chairman of the Organizing Committee for the 38th World Scout
Conference and 10th World Scout Youth Forum (Current)
14th President, Korea Scout Association (Current)

# Heui-Yong Song (CEO, Executive) [2]

B.S. in Mechanics, Inha University
MBA, Cyber KAIST
Northwest/North of Han river Center head
Logistic Center Director, Daekyo Co., Ltd.
Noonnoppi Business CEO, Daekyo Co., Ltd. (Current)

# Tae-Young Park (CEO, Executive) [3]

B.S. in French Literature, Seoul National University MBA, Helsinki School of Economics SK/Oasis Records Strategic Planning Director/CFO, Daekyo Co., Ltd. New Business CEO, Daekyo Co., Ltd. (Current)

# Jong-Cheon Yoon (Management Advisor, Executive) [4]

B.S. in Agricultural Chemistry, Konkuk University
Shinpoong Metal Co., Ltd. / Kirin Co., Ltd.
Director, Clover Plastics Corporation
CEO, Daekyo Co., Ltd.
CEO, Alphome E&C Corp.
CEO, Daekyo Holdings Co., Ltd. (Current)
Executive Council Chairman, Daekyo Co., Ltd. (Current)

## Myung-Woan Noh (Managing Director, Executive) [5]

B.A. in History, Soongsil University
Seoul National University CFO Academy
Innovation Management Team head, Daekyo Co., Ltd.
Marketing Strategy Team head, Daekyo Co., Ltd.
Strategic Planning Director/CFO, Daekyo Co., Ltd. (Current)

## Soo-Wan Park (Managing Director, Executive) [6]

B S. in Mechanics, Inha University
Hyundai Motor Company
Strategic Planning Team head, Daekyo Co., Ltd.
CFO, Daekyo D&S Co., Ltd. (Current)
CFO, Daekyo Holdings Co., Ltd. (Current)
Investment Strategy Director, Daekyo Co., Ltd. (Current)





# Yoon-Hee Chung (Director, Non-executive) [7]

B.S. in Mechanics, Sungkyunkwan University MBA, Wharton School of the University of Pennsylvania Samsung Aerospace/Samsung Electronics CEO, Daekyo Holdings Co., Ltd. (Current)

# Jung-Kyoo Park (Outside director, Non-executive) [8]

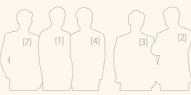
Seoul National University Business School Director, Securities Supervisory Board (now FSS) CEO, Hyundai Investment Consulting Co., Ltd. Advisor, Deloitte Anjin LLC Certified Public Accountant (Current)

# Ji-Won Kang (Ouside director, Non-executive) [9]

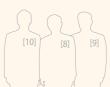
B.A. in Political Science, Seoul National University Prosecutor, Seoul District Prosecutor's Office First Chairman, National Youth Commission Attorney at law (Current) Co-chair, Korea Manifesto Center (Current) Publisher of monthly youth magazine, Keunbawui Eolqul (Current)

# Jeong-Tak Kim (Director, Non-executive) [10]

Ph.D. in Journalism, University of Missouri
Journalist, JoongAng Daily/Dong-A Broadcasting System
Visiting editorial writer, Segye Daily
Visiting commentator, Korea Broadcasting System
Commissioner, Seoul City Urban Planning Committee
Director, College of Journalism and Mass Communication,
Sungkyunkwan University
Professor, Sungkyunkwan University (Current)







## **Duties and Authorities**

— The Board of Directors makes decisions on management, company affairs, and other issues defined by statute and Daekyo by-laws. The Board is responsible for ensuring that members fulfill their duties. It has the authority to convene shareholders' meetings, draw up and change mid-/long-term business plans, and make final decisions on primary investments. The Board can also request information on major management issues and check their development.

# Operation

— The Board convenes regular and special meetings. Regular Board meetings are held once a month, usually on the second or third Monday. At least seven days prior to each meeting, all directors and Audit Committee members are provided with the time, venue and agenda. This procedure can be omitted if there is a unanimous consent of directors and Audit Committee members. At these meeting, a quorum, defined as at least 50% of the directors, is necessary to conduct the official business of the Board. Decisions are made by the majority vote of the quorum. Any director who has special interest in the topic to be discussed cannot participate in the voting.

## Formation and Activities

— Daekyo's Board of Directors consists of ten directors, among which seven are inside and three are outside. Two of the three outside directors are non-executive. In 2007, a total of fifteen Board meetings were convened and fifty eight issues were discussed.

# **Outside Directors**

— There are a total of 3 outside directors, In 2007, Jeong-woo Seo, Jeong-gyu Park, and Ji-won Kang served as our outside directors. Among them, Mr. Jeong-woo Seo handed over his position to Mr. Jeong-tak Kim during the general shareholders' meeting on March 21, 2008. The outside directors participated in Board activities with an annual attendance rate of 83.3 percent.

## **Committees**

Daekyo's Board of Directors operates five committees, including the Audit Committee. The Audit Committee is comprised of the three outside directors. Our four registered directors serve on the administrative committees such as the Investment Policy Committee and Compensation Committee. The Audit Committee is responsible for auditing Daekyo's accounting and financial affairs by statute, and has the authority to request any related information and inspect the financial status of the company. In 2007, the five committees convened 38 meetings, where 77 issues were resolved.

# **Emphasis on Transparency and Ethical Management**

Recognizing that corporate governance is a major determining factor in company valuation for global investors, Daekyo is closely observing all facets of corporate rules and regulations. While the company's board makes important management decisions, its senior executives, managers, and employees are expected to contribute to good governance through self-monitoring and sound practices. The company thus emphasizes transparency in governance and ethical behavior in practice. Daekyo has emphasized the "Three Cs' - Code of conduct, Compliance checks, Consensus by ethics education - in management and operations.

### Code of Ethics

— Daekyo has adopted a Code of Ethics to maintain the highest possible workplace standards. We believe that the company and its employees should strive for shareholder as well as stakeholder value creation by pursuing excellence in developing quality products, delivery of services to customers, and overall management and operations. The Code is written to help the company in its ongoing efforts to emerge as a prestigious global education service provider.

# Compliance

Daekyo has installed an operational system to ensure that all it business activities comply fully with the company's own internal rules and public laws and regulations.

# The Code of Ethics pledges to:

- Put the customer first and satisfy all customers.
- Win the confidence of shareholders through the practice of sound management principles, employing proper operational processes and procedures, and ensuring full transparency in management.
- Maximize shareholder value through steady and profitable business growth, as well as building competitive strength.
- Respect the individuality of each employee and evaluate his/her performance fairly on the basis of creative competence, capability and contribution to the company.
- Promote co-prosperity with business partners by ensuring mutual trust and guaranteeing fairness and transparency in all transactions and procedures.
- Encourage employees to share ideas with management and motivate them to work voluntarily with management toward a common objective.
- Contribute to the community and national prosperity, cultivating talent and advancing the education industry through fair competition and the fulfillment of corporate citizenship.



# Korea's No.1 Education Brand

Our flagship education brand 'Noonnoppi' was selected as the No.1 brand in the worksheet with tutoring sector for 10 consecutive years by the K-BPI (Korea Brand Power Index) sponsored by the Korea Management Association Consultant (KMAC). With the corporate motto of Noonnoppi Love and Noonnoppi Education, Daekyo has established an advanced learning system and is providing individualized and premium education services.

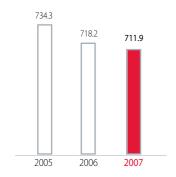
— The Noonnoppi business is Daekyo's flagship division. It is one of the largest and most established membership tutoring brands in Korea.

Noonnoppi members receive tutoring textbooks and materials every week, and Noonnoppi tutors regularly visit them at home for one-on-one tutoring sessions. By adopting the worksheet with tutoring system, our Noonnoppi programs effectively provide customers with learner-centered knowledge, information and learning services. Daekyo has greatly invested in nurturing talented and skilled tutors. Moreover, exceeding 200 researchers are striving to develop advanced educational materials, and we are operating systematic evaluation methods.

As of the end of 2007, the Noonnoppi division operated 456 regional sales offices and contracted with 11,700 Noonnoppi tutors, boasting the largest business volume among the weekly home tutoring service providers in Korea. Also, more than 1 million subscribers are taking over 2 million subject, the greatest level in Korea. In 2007, it recorded 711.9 billion won in sales and 94.5 billion won in operating profit. We plan to boost operating profit by reducing costs and upgrading our competitiveness.

# Noonnoppi Business Sales Revenue

(Unit: Billion of Korean Won)





— Daekyo has been improving the management efficiency in collaboration with McKinsey & Company, of which the CRM system and ERP system will serve as significant foundations for providing customers with advanced educational services and offering effective tools to employees for work process innovation.

As the market competition is intensifying, we are implementing strategies to differentiate the company from competitors by upgrading existing products, developing new programs and adjusting products to the changing education environments using our vast contents. In addition, we are utilizing information and communication technologies to improve customer satisfaction. For example, Daekyo's IT-based CRM system allows Daekyo parents to check their kids' progress, test results and fee payment status anytime. We are also increasing the number of services delivered through a mobile platform and will expand the learning management system, which plans and adjusts each Daekyo kid's program according to changing needs.



# We are also taking the lead in Voucher program of the Ministry of Health and Welfare.

Daekyo was selected as one of nationwide service providers for the 'Children's Cognitive Ability Enhancement Service' for 2008 by the Ministry of Health & Welfare. The Ministry started the Voucher program in July 2007 as a social welfare service, of which the 'Children's Cognitive Ability Enhancement Service' included the supply of books and one-on-one reading guidance to children under 6 years old of low-income families with below 3.53 million won per month for four members. It also provides their parents with reading information and methods on how to guide them. For the revitalization of this program, the Ministry of Health & Welfare is supporting 25,000 won a month to Voucher service recipients.

# Daekyo developed a new brand, 'Noonnoppi Creative Reading.'

With respect to this service, Daekyo developed and launched a new product, 'Noonnoppi Creative Reading.' As a singular customized reading program for individuals, it helps children enhance their language and thinking ability according to cognitive development level. For more effective service, it also provides specialized psychology tests for them in advance.

The Noonnoppi Creative Reading contains our heart and will to foster children's creativity through reading. It consists of 150 books, 150 workbook sets and 38 educational instrument sets to be committed to stirring up children's imagination.



# We are getting ready for the future with singular ideas and market leadership.

In 2007, we have laid a solid foundation for sustainable growth in Noonnoppi business by reinforcing brand competitiveness and service system and creating new growth engines. We also endeavored to develop various and differentiated educational materials, and secure an advanced learning system for kids. The customer relationship management system was further upgraded and overseas businesses were vitalized during the same period.

The company has set the goal of achieving 720 billion won in sales and a net increase of 340,000 subjects in 2008. To accomplish this goal, we will focus on implementing four strategies and their sub tasks.

First, we will lay a foundation for innovative membership management system through taking up the concept of consultation into our programs and integrating online and offline service systems. We will also give our priority to increasing the tutors' value by recruiting skilled tutors and benefiting them.

**Second,** we will support individual branches to achieve qualitative growth, and innovate on their work processes by transferring Noonnoppi mobile works to them.

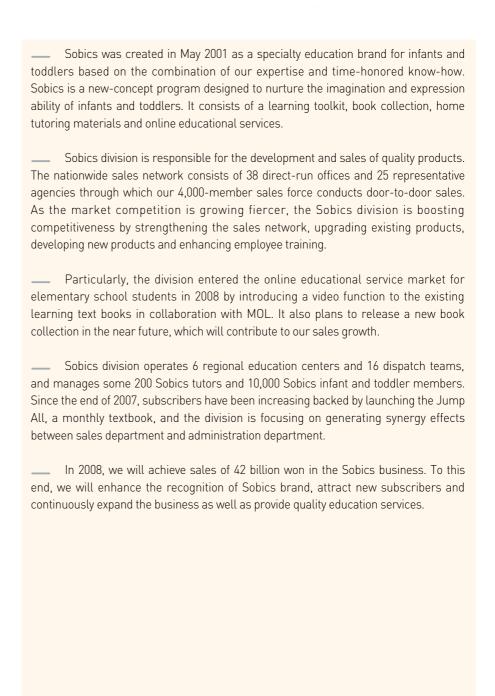
**Third,** we will nurture talented tutors through improving our introductory training system for the beginners and fostering in-house trainers.

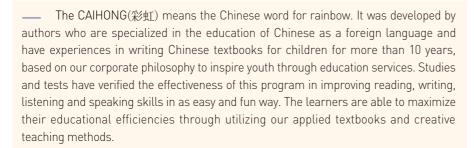
**Fourth,** we will actively engage in marketing activities and focus on launching new services, expanding distribution channels and creating synergy effects with new businesses.





# A New-Concept Educational Program for Infants and Toddlers





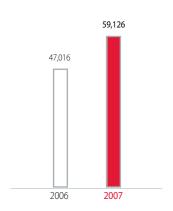
— Sales of CAIHONG Chinese sharply increased 76.38% from the previous year and the number of CAIHONG tutors in 2007 reached at 1,100. The CAIHONG Chinese membership also increased 25.76% compared to the previous year to 59,126. In 2006, the CAIHONG Chinese division was selected as the official Korean administrator of Chinese Test for Young Learners (YCT), and the number of test takers amounted to 6,500 persons through three tests in 2007. The goal is to increase the number of test takers to 20,000 in 2008 and 40,000 in 2009. In addition, the CAIHONG Chinese division intends to open two Chinese language institutions in Seoul, solidifying its position as the leading Chinese language brand in Korea.



Premium Chinese Language Program



# **CAIHONG Chinese Membership**





# The Highest Quality Online Educational Contents

— The brand name 'Gongbuwarac' literally means 'pouring study' or 'hugging study' in Korean language. It is our online educational service business which was opened in January 2007. Gongbuwarac provides online educational services to students from elementary to middle schools. In 2007, the division achieved sales of 6.6 billion won and 31.000 chargeable memberships. The targets for 2008 were arranged to 20 billion won in sales and 44,000 chargeable memberships.

— Recently, the educational service market is rapidly growing backed by the government's policies for revitalizing e-learning education including the expansion of special-purpose high schools and English education. And the convergence of e-learning services and high technology has accelerated the market growth. According to these market changes, our Gongbuwarac division will also develop new programs fulfilling customer needs.

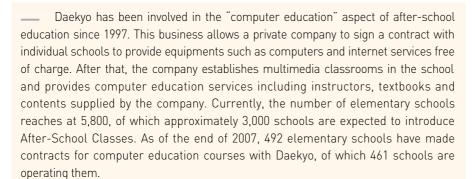
— Our Gongbuwarac division operates e-learning website and sells or leases our education contents to companies, institutions and private academies. In early 2008, we entered into contracts for offering online education contents with major companies including LG Telecom, SK Telecom, Hanhwa Non-Life Insurance and First Fire & Marine Insurance and had tie-ups with Hanaro Media and IBiz Media for IPTV and PMP package product sales.



# Korea's Leading E-learning Site

Edupia started off in 2000 with the task of creating a second Noonnoppi legend as 'the leading player in the online education market.' Edupia has grown to be the nation's biggest education portal site, with over 2.47 million members.

This website provides three-dimensional and high quality online and offline linked e-learning educational services through our joint parent-teacher tailored system. It includes audio-visual learning system, homework service and trouble-shooting counselors as well our community centered on the various clubs and blogs. Also, the 'Jadu School,' a fee-based individually tailored textbook study program, is emerging as a new leader in the school support e-learning business. Edupia, the heart of Daekyo's e-business, has swept various Web Awards and has established itself as the best portal site in the nation. As the frontrunner, we will continue to grow, stay a step ahead of the competition by constantly changing and taking on every challenge.



— Furthermore, we are planning to expand the English Classes throughout the nation to meet increasing demands for English education services which were stirred from the policy changes of new government. Daekyo intends to establish and operate about 60 English Classes in the nation and expects to achieve sales of more than 5 billion won in 2008 from this business.

— Daekyo has set the After-School Class sales target at 52 billion won in sales and over 700 contracted schools for 2008. To this end, we will devote all the strength to improving sales network, engaging in advanced strategies and developing efficient after-school curriculums. In addition, we will expand the operation of Computer Classes and English Classes throughout the nation to realize sales of 100 billion won in 2009, and actively seek out new potential businesses such as essay writing class.

# 스쿨버스100

The Leader in After-School Classes





# A Special Program for Children to Gain Thinking Ability

— Soluny is a small-group reading and debate program that helps children develop the ability to convey to others what they have learned and think. Soluny was born out of Daekyo's learner-oriented education philosophy. A lot of prominent schools overseas have introduced forum-style education services, which has contributed to nurturing the leadership from childhood. Soluny's participatory education method and supports of specialized instructors will also pave the way for the development of children's abilities to grow future leaders.

— Since the spin-off and the incorporation as a part of new business division in February 2007, we have focused on expanding business, enhancing customer relationships and upgrading brand power through a variety of marketing activities for the Soluny business. We have also recruited and trained specialty tutors for reading essay, and secured enough tutors through operating independent online and offline learning academies. As a result, as of the end of 2007, about 1,100 private tutors are in active and we accomplished sales of 18.5 billion won and 18,239 memberships from Soluny business.

In 2008, we will develop and launch a new program called 'A Weekly Reading Forum,' and focus on diversifying sales channels. Promotional events will also be held for prospective customers to improve brand recognition.



G-CAMP means 'a fun place to learn,' suggesting 'a lively and self-motivating learning spaces.' and the name "知" the Chinese word, represents the knowledge. This is an integrated brand of G-CAMP Class, an academy specializing in middle school English and Math educations, and Calritz, an English language school.
In 2007, G-CAMP brought in revenue of over 3.9 billion won, thanks to continuous improvement and efforts to solidify our place in the market. Also, operating income improved from a loss of 4.36 billion won in 2004 to a gain of 63 million won in

In 2007, G-CAMP brought in revenue of over 3.9 billion won, thanks to continuous improvement and efforts to solidify our place in the market. Also, operating income improved from a loss of 4.36 billion won in 2004 to a gain of 63 million won in 2007, establishing G-CAMP as a stable institute business in Daekyo. At the end of 2007, total enrollment reached 19,204 students, 18,998 in G-CAMP Class and 206 in Calritz. In 2007, we modified the franchise royalty system to increase the enrollment.

— Our slogan for 2008 is "MUST 2008," which means that we will pursue continued growth and development by seizing market opportunities. We will also make a lot of progress this year through reviewing new business models as well as strengthening the competitive edge of existing businesses.





efficient Blending of On/Off-line English and Math Education

— Futurekids, which is headquartered in the United States, was established in 1983 and is now a franchise brand providing course curriculum and curriculum development to 65 countries worldwide. Our company has concluded a license franchise agreement with Futurekids, giving us exclusive business rights in Korea for ten years. The advantage of Futurekids is a curriculum that can be adapted for use in a variety of businesses and a 'Problem Solving Project' education system that helps students develop their conversation, debate and public speaking skills.

In 2007, we recorded revenue of 2.4 billion won and as of the end of last year, there were 2,306 students studying at our 24 learning centers. Even in 2008, we will engage in aggressive marketing with the goal to satisfy our students by carrying out the restructuring of curriculums. We have set the Futurekids sales target at 3 billion won in sales and a net gain in operating income, and will develop this business as a Korean-style learning business item.

# **FUTUREKIDS**°

Creative Thinking Education Based on Problem-Solving Projects

# Differentiated Reference Books Business

— Our reference books business began in 1997 with a collection of problems for primary school children. Today we offer 175 volumes in eleven series for primary school and 48 volumes in four series for middle school students. Teachers link these tailored materials for students in primary and middle school to work done in class. Our superb sale force and distribution network covers more than 100 exclusive agents and major bookstores around the country.

According to the reorganization of curriculum in primary and middle schools across the country in 2009, Daekyo has completed its 1st verification of a total of 3 types of school textbooks including 2 types of math textbooks and an English textbook, and they will be released by particular periods. At the same time, we are creating distinctive, highly competitive materials that cover special topics for niche markets. Thus, we are confident of assembling the product line that will make us the future market leader.

# Educational R&D Institute

— The Daekyo Educational R&D Institute was established in 1985 and specializes in the development of educational services. It will further strive to develop more advanced quality control systems and customer-centered educational programs. It won a excellent reputation as a leading R&D institute in the area of educational service industry once again by acquiring ISO 9001 (Quality Management System) certification in the R&D sector for the first time in the industry in 2008.

— The Institute is operating KETC (Korean Education Test Center) as an attached organization, organizing the Science Olympiad for Gifted Students, and conducts psychological diagnosis & evaluation and counseling, and educational evaluation research & tool development. In addition, it is also conducting ACT (American College Test) in Korea.

Daekyo's overseas operations serve two main segments: the Noonnoppi Education for Korean children living outside Korea and the E.nopi Education for local children. For the globalization of Noonnoppi Education, the most authoritative brand that contains its singular know-how cumulated for the past 30 years, the company is expanding the business into the world by establishing local subsidiaries, franchises and joint ventures.



Building Our Brands in the World

# The Americas

Daekyo penetrated into the American market in 1991 with the establishment of the LA subsidiary, and merged 3 local subsidiaries in 2007 for a more efficient management. We have two branches in the East and the West regions, and plan to open another branch in Chicago in May 2008. We have been selected as a service provider for SES (Supplemental Educational Services) by the US government and have been providing E.nopi products to US public and private schools for their after school use. Also Daekyo America is expediting the franchise business expansions for Canadian, Central and South American market.

### China

— Our operations in China started in 1997 with the establishment of Hongkong subsidiary. Now we are expanding the business through establishing joint ventures with world-renowned multinational companies since 2006, and services are being targeted at Chinese users. This market is all the more attractive because as yet no single player dominates the education services sector.

## Southeast Asia

Daekyo paved the way for entry into the Southeast Asian markets as it supplied educational materials to local service provider in Singapore in 2000. Since then, we have established subsidiaries and franchises in Malaysia, Philippines and Indonesia and are expanding our presence in the local markets. Daekyo is gaining confidence and accumulating know-how by successfully operating the business in local education markets in Southeast Asia.

# Asia-Pacific and Other Regions

— Daekyo entered the New Zealand market in 2000 and moved into Australia and the UK in 2002, Germany in 2005, Thailand in 2006 and Vietnam in 2007. We are not just entering new markets directly and then hiring local staff to run the business. Instead, we are diversifying our approaches by forming joint venture partnerships with major local players.

# E. nopi, the Brand for Overseas Markets

E.nopi-MATH, first released in April 2003, not only brings out potential in children through mathematics, but also broadens and deepens their range of thinking. The program reflects the eight math courses in the US recommended by the National Council of Teachers of Mathematics (NCTM). In 2006, the Ohio State University mathematics faculty edited and revised the program, enhancing its effectiveness still more. Now, E.nopi-MATH is firmly established as a world-class training material for math students around the world. (Website: www.enopi.com)

# Sharing Individual's Know-how and Knowledge

# Laying a foundation for the knowledge management

Daekyo established the master plan for introducing the knowledge management for three months from July 2007. Based on this plan, the task force team and staffs reported on the direction of the implementation of knowledge management to the group chairman and executives in October 2007 and received an approval. After that, we have carried out and completed the KM project to provide TO-BE image and information management system to implement the actual knowledge-based management for 3 months from January 2008.

# Our strategies for the knowledge management

We have proposed the needs of knowledge management to branch managers, heads of training departments and tutors and received their needs in the spot market. As a result of these preliminary inspections, we concluded that Daekyo's strategies for the knowledge management should make spot-centered and tutor-centered approaches for the enhancement of competitiveness rather than the establishment of knowledge management system itself. Thus, we will first implement the CoP Pilot through the six education headquarters of Noonnoppi business and each branch of Soluny, Sobics, After-School Classes, CAIHONG Chinese and R-Project sectors, prior to the establishment of electric knowledge portal website.

# Motivations for efficient operation

Our knowledge management operation division is designing an effective exercise plan to motivate all employees to participate in the knowledge management voluntarily, which includes overseas training program, reasonable evaluation system and a variety of compensation methods. And we will continue to communicate with spot employees and tutors through training, marketing and events. Other motivation programs such as CEO sponsorship will be delivered to them.



# Reinforcement of Effectiveness of Sales Support System

# Integration of companywide strategies and IT Infra

Daekyo has realized the enterprise architecture (EA) by the successful launch of the DREAMS 2.0, an integrated IT infra. And now we are able to immediately support the following tasks through upgrading the systems for sales support division.

**First,** it enables us to rapidly introduce new businesses and expand mainstay businesses. By doing so, we can develop new products meeting rapidly changing customer needs and adopt other businesses with new-concept approach.

**Second,** we are able to establish and implement advanced marketing strategies facing with market changes and customer needs. If the marketer plans a new marketing strategy for satisfying consumers based on processed data from the system, the system supports the marketer to properly carry it out.

**Third,** a variety of data by the system make it possible to quickly and easily analyze and establish countermeasures. All individual data are made into information and the management can devise accurate strategies and make decisions based on this information.

As a result, thanks to the DREAMS 2.0 that makes it possible to integrate our companywide business strategies and the infrastructure of information technology sector, we will be able not only to formulate proper business strategies but secure future growth engines in line with the rapidly changing market environments.



# Business Innovation through the R-Project

# Upgrading ways of businesses and creating customer value

Daekyo organized the R-Project team in February 2007 to innovate on the Noonnoppi business into specialized educational service sector beyond educational materials. The R-Project is expected to generate our competitive edges and increase customer value. To achieve this, we established a new business rule, a new vision and the direction of innovation for the business, and are now carrying out pilot tests through 6 branches.

# >> New Business Rule for the Innovation of Customer Value

- 1. We will provide customers with a wide range of selection by launching multi service models.
- 2. We will provide customized services meeting the characteristics of customers.
- 3. We will expand our services into the areas of in-depth consultations.
- 4. We will specialize in the 3 dimensionally restructured services by specialty area of tutors.
- 5. We will train tutors to be education consultants.
- 6. We will integrate in-house educational services and contents for the management of lifelong learning.
- 7. We will maximize synergetic effect by linking up Noonnoppi and new businesses.
- 8. We will transform the spaces at each branch to be centered on customer services.

The purpose of new business rule is to expand our Noonnoppi business into the comprehensive educational consultation business. To this end, we will foster our Noonnoppi tutors as specialized educational consultants, and transform the spaces of each branch into not a mere office spaces but a learning center where customers are able to be provided a variety of educational services. Consequently, we aim to differentiate ourselves from competitors through integrating our existing rich educational contents with the support system.

### Performance in 2007 and the future plans

In 2007, we achieved the following performances through the R-Project.

**First,** the reformation of work environments at each branch has contributed to the step toward mutual confidence with employees and tutors, which has also laid a foundation for vigorously promoting our innovative tasks.

**Second,** the inactive membership ratio improved from the 19th at the end of August 2007 to 5th at the end of December 2007 thanks to reinforced customer relationship management activities, and the percentage of inactive memberships led by tutors also dropped. Meanwhile, the membership management by our mobile system and customer satisfaction were significantly increased.

**Third,** our marketing capacity was further strengthened and the analysis of customer needs was also substantially conducted. Through this progress, we were able to provide customers with differentiated services, and as a result, the brand value of our Noonnoppi business sharply increased.

By continuously operating this project, we have led the organization of customer communities and utilized them for the spread of gossip strategy.

To apply our innovation tasks which were verified and modified during the project period to the entire company, we will conduct the final verification of cumulated performances in April 2008 by designating an education head quarter as a project execution unit. Upon the completion, we will expand the tasks over the company and ultimately make a success of innovation of Noonnoppi business. From now on, our R-Project will become the foundation of another Daekyo's Noonnoppi myth through a clear vision and roadmap to innovation.



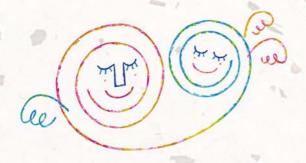


## Building Trust with Customers, Society and Employees

Based on the strong commitment of our all executives and employees to implement ethical and transparent management, Daekyo is engaging in a wide variety of efforts to build a healthy, clean and energetic corporate culture. We are also winning infinite confidence from customers and society. To further practice advanced management system and evolve as a global leading educational service provider, we have enacted Daekyo's code of ethics and are making it our criteria of work and value judgment.

#### >> Progress of Ethical Management

- Daekyo declared the Code of Ethics in January 2004.
- Our COO released a letter on the subject of 'At the Time of Practicing Ethical Management,' and the company conducted education ethical management through the website in April 2004. An interactive communication channel, 'Open Voice' was also installed.
- All executives discussed the plans to uproot dishonest behaviors at the management strategy meeting in May 2004.
- Our COO released a special letter for the prohibition of weekend work and dishonest behaviors in June 2004.
- A TF team was organized to exterminate dishonest behaviors and cyber education course on self-examination was introduced in July 2004.
- The company conducted cyber education on ethical management to newcomers and experienced employees in October 2004.
- The website for ethical management was opened in September 2007.



# Nurturing Talented People with Creative Thinking and Challenging Spirit

#### Reinforcement of education infra to nurture talented human resources

Daekyo provides all employees with opportunities to develop themselves by operating a learning website with its Human Resource Development Center. In addition, Daekyo Educational R&D Institute provides a wide range of educational information including education theories, and shares research and statistical data to enable them acquire recent market trend. We also support them to foster their capabilities by delivering expert knowledge they need in the business.

#### Establishment of Direction for Mid-Long Term Talent Promotion Strategy

For the development of talent capacity, you need to take a gradual approach according to the capacity of an organization. For this purpose, Daekyo has established the direction of mid-long term talent development strategy, and is giving everything we have to become a world-class education & culture corporation living up to its reputation after 5 or 10 years.



#### Won the grand prize at the Korea HRD Awards

Our HRD Center won the grand prize at the 6<sup>th</sup> Korea HRD Awards in early 2008. The HRD Awards was introduced to nurture talented people and contribute to the development of domestic HRD sector, and it has presented awards by selecting excellent educational programs, educational institutes, training centers and solutions. Daekyo HRD Center was recognized its superiority of equipments and facilities which took into account practicability, convenience and the latest training techniques.

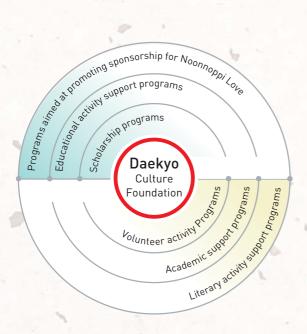
## Daekyo Culture Foundation

#### Creating a heart-warming society full of love and sharing

Founded in 1992, Daekyo Culture Foundation has conducted various social contribution activities for the communities. Our major activities include scholarship programs to provide more educational opportunities, academic supports to organizations and individuals devoting themselves for public interest, award programs and competition events to motivate children and younger people to realize their dreams.







- \* Scholarship programs: We support talented people who can contribute to the nation and society.
- \* Educational activity support programs : We are creating an educational environment that is full of affection and enthusiasm.
- \* Literary activity support programs : We identify and support writers who can give hope and dreams to children.
- \* Academic support programs : We support academic research for the interests of society.
- \*Volunteer activity programs : We are making efforts to create a brighter society where people live in harmony and share their happiness.
- \* Programs aimed at promoting sponsorship for Noonnoppi Love : We give little ones big hopes for the future.

## Public Service Activities

#### Giving back corporate profits to society

Daekyo has joined the Federation of Korean Industries (FKI) 1% Club in 2001 to take part in the FKI campaign, which uses 1% of profits before tax of the corporation on social contribution activities. The member of the FKI 1% Club must have the intention to voluntarily pay over 1% of the ordinary income for social contribution activities, and report details of activities upon occasion. Daekyo receives information for social contribution activities through this club, and provides it to Noonnoppi Love Community Service Team. On top of that, it is engaging in sponsorships and contribution activities covering a wide range of areas such as opinion leaders, culture & arts sector, women's groups, the press, schools, children & youth groups, sports activities, and welfare foundations.

#### Daekyo's Contribution Results

(Unit: KRW 1 million)

Year	2007	2006	2005	2004	2003
Ordinary Income	64,514	74,604	87,168	101,294	89,265
Donations	20,907	1,797	3,038	2,695	3,317
		101			- 100



## Noonnoppi Love Community Service Team

#### Sharing love with communities

Founded in June 2000, the Noonnoppi Love Community Service Team consists of around 10,000 members in 25 local branches nationwide. They lay aside a part of their monthly wage to actively engage in social contribution activities.

The Noonnoppi Love Community Service Team has voluntarily provided free educational services to children with autism since 2004, and about 140 children are currently benefited from our services. We plan to consistently provide more services to more underprivileged children. The team also took part in the "Spending Warm Winter Campaign" conducted by the Community Chest of Korea in February 13, 2008, and donated 1 million won to Seoul Gwanak district office. In May, we took a special event named as 'Rounded Rice Cake with Small Cheese' to help the Mongolian school students in Korea and foreign worker in commemoration of the Family Month. In addition to these activities, our Noonnoppi Love Community Service Team has set up sisterhood relations with and is regularly sponsoring Gwangmyeong House of Love, Mindullae Arbor and House of Jesus Christ.

Our Noonnoppi Love is delivered to not only domestic sponsoring organization but also overseas. All staffs of the local branch in Indonesia visited an orphanage and delivered rice, daily necessities and school supplies for children.







## Safe Kids Korea

#### Taking the head in preventing children's safety concerns

Daekyo founded the 'Safe Kids Korea' in joint cooperation with Citizen's Coalition for Safety to prevent children's safety concerns in 2001, and since then, we have been supporting major programs. We started this from the desire to deliver a big hope for our children to grow up brightly and safely in consideration of our presence that the death rate from children's safety concerns are four to five times higher than developed nations among OECD members.

Daekyo and the Safe Kids Korea are holding 'Children's Traffic Safety Campaign' throughout the year since 2002. More than 10,000 advisors for children's safety and Noonnoppi Love Community Service Team members are voluntarily participating in the campaign. They regularly distribute 'Mommy's Hand' made in the shape of a yellow plastic hand with the letters, 'STOP', and 'Children's Traffic Safety Pocketbook' containing details of traffic safety, and provide guidance to children through practical education of a safe way to cross the street on an actual road.



## Sports Activities

#### Daekyo Noonnoppi Women's Badminton Team

Daekyo Noonnoppi Women's Badminton Team, founded in 1997, boasts the top-level in Korea. Su-Hyeon Bang and Gyeong-Min Ra, Korea's two representative female badminton players, had made the big impact in the team.

Daekyo Noonnoppi Women's Badminton Team won the first and second place in both women's single and mixed matches at the Canadian Open Badminton competition in December 2007. One of our major players, Jae-yeon Jeon won the semi-finals in women's singles at the 2007 Macau Badminton Open World Championships and won the final victory at the 2008 Germany Badminton Grand Prix. Yeon-hwa Lee also ranked the first at the 2007 Suwon Korea Challenge.

#### Daekyo Kangaroos Women's Soccer Team

Founded in 2002, Daekyo Kangaroos Women's Soccer Team took place the first at the Reunification Cup Women's Soccer Competition, the National Women's Soccer Championship, and the Fall Women's Soccer League in 2007. By substantially supporting the team, Daekyo will play a key role in revitalizing women's soccer which is under poor conditions and leading the healthy and balanced growth of national sports.







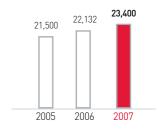
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#### Market Overview

Korea's private education service industry was valued at around 23.4 trillion won in 2007, an increase of 5.73% from the year earlier. The industry has registered solid growth since 2000 at a compound annual growth rate of 9.4%, which has resulted from most customers' important and affirmative approaches to private education services.

\_ Market volume of private education services (Source: Company data, unit: in billion won)



The weekly worksheet with tutoring market, our mainstay business, has expanded steadily, spearheaded by the top four providers: Daekyo, JEI Corporation, Woongjin, and Kumon. The combined revenue of these four companies amounted to 2.03 trillion won as of the end of 2007.

Nowadays most public and private education services are converging offline programs with online offerings. At the same time, private education service providers are enthusiastically investing to diversify their business from home tutoring to toddler education (learning centers and learning tool kits), private learning institutions for test-prep and languages, door-to-door sales (book collections and learning toolkits) and others (reading & debate, after-school classes, school textbooks, learning-aid books, and e-learning). In addition, they are focusing on and investing in new businesses such as life long education for adults, education services aimed for the aged and foreign language level test.

Our own survey estimated the value of the entire education service market at 23.4 trillion won as of the end of 2007, a 5.73% growth year-on- year. The makeup of the private education service industry are educational institutes (34.2%), worksheet (19.0%), publishing (9.1%), e-learning (7.9%), home schooling (4.2%) and the others (25.6%) such as private tutoring and after-school classes. (As of 2007, source: Daekyo)

Backed by new government's educational policies pursuing autonomous and creative competition, the private education service industry is expected to continue to grow stably. Because customer basis will be expanded to kids, middle and high school student and adults. Education methods and quality will be also diversified and upgraded.

\_ Breakdown of private education spending in 2007
(Source: in-house data, unit: in trillion won)

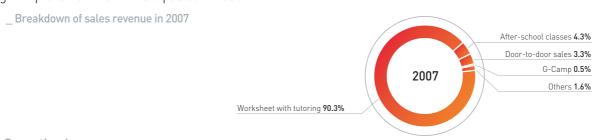


#### **Profitability**

#### Sales revenue and gross profit

(Unit: in million won)	2007	2006	2005
Sales revenue	846,630	829,697	813,120
Worksheet with tutoring	764,938	761,944	750,379
After-school classes	36,242	27,559	20,762
Door-to-door sales (Book collection)	27,829	29,070	28,127
G-Camp (Education institute)	3,906	4,777	9,093
Others	13,715	6,346	4,758
Cost of sales	655,755	651,175	629,152
Gross profit	190,875	178,522	183,968

In 2007, Daekyo achieved 846.6 billion won in sales revenue, an increase of 2.0% from 829.7 billion won in the previous year. Worksheet with tutoring represented 90.3% of total sales revenue with 764.9 billion won, which was 1.5%p lower than the 91.8% in 2006. The proportions of other areas were 4.3% for after-school classes, 3.3% for door-to-door sales, 0.5% for G-Camp and 1.6% for other services. Cost of sales was 655.8 billion won and grow profit was 190.9 billion. The gross profit margin was 22.5% and cost of sales to total sales revenue was 77.5%, a slight improvement from 78.5% posted in 2006.

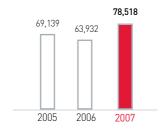


#### Operating income

2007	2006	2005
190,875	178,522	183,968
112,357	114,590	114,829
78,518	63,932	69,139
	190,875 112,357	190,875 178,522 112,357 114,590

The company paid 112.4 billion won in selling and administrative expenses and realized an operating income of 78.5 billion won in 2007, an increase of 14.6 billion won from 63.9 billion in 2006. The increase of operating income resulted mainly from the improvement of profitability in Noonnoppi business and the shortage of losses in new businesses. The decrease of 2.2 billion won in sales and administrative expenses from 114.6 billion in the previous year was attributable to the decrease of labor costs.

\_ Operating income trend (Unit: in million won)



### MANAGEMENT'S DISCUSSION & ANALYSIS

#### Net income

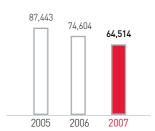
(Unit: in million won)	2007	2006	2005
Operating income	78,518	63,932	69,139
Non-operating income	26,045	23,303	27,756
Non-operating expense	40,049	12,631	9,453
Income from continuing operations before tax	64,514	74,604	87,443
Income tax expense	14,117	21,472	26,594
Income from continuing operations	50,396	53,132	60,849
Income (loss) from discontinued operations	(2,286)	(1,681)	(199)
Net income	48,111	51,451	60,650

Daekyo earned 26.0 billion won in non-operating income and spent 40.0 billion won in non-operating expense, leaving 14.0 billion won in net non-operating losses in 2007. It had recorded 10.7 billion won in net non-operating gains in the previous year. The sharp increase of non-operating expense in 2007 mainly was led by donation, loss on equity methods, loss on disposal of tangible assets and loss on impairment of intangible assets. As a result, our income from continuing operations before tax recorded 64.5 billion won in 2007, a decrease of 8.6% year-on-year.

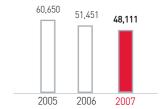
As of the end of 2007, 15 subsidiaries were under the equity method investments, of which The First CS Academy, Daekyo SOBICS and Daekyo Indonesia were newly applied in 2007. Meanwhile, as Daekyo USA was merged to Daekyo America as of December 31, 2007, the equity method was not applied to the company. The gain on valuation using equity method of 15 companies was 168 million won, and the loss on valuation using equity method reached 8.0 billion won, with 3.3 billion won from Daekyo Bertelsmann Korea, 3.7 billion won from Fermatedu, 1.2 billion won from Daekyo Books and 0.8 billion won from others.

As a result, our income from continuing operations reached at 64.5 billion won in 2007, a decrease of 13.5% from 74.6 billion won in 2006. Net income was 48.1 billion in 2007, a decrease of 6.5% from 51.5 billion in 2006.

\_ Income from continuing operations before tax (Unit: in million won)



\_ Net income (Unit: in million won)



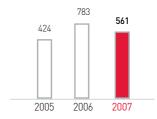
#### Financial status

(Unit: in million won)	2007	2006	2005
Total assets	882,440	839,344	779,790
Total liabilities	234,245	229,528	224,555
Total shareholders' equity	648,195	609,816	555,234

As of the end of 2007, Daekyo's total assets were 882.4 billion won, increased 5.1% from 839.3 billion won in 2006. Current assets were 222.8 billion won, an increase of 8.6% from 205.1 billion won in the previous year, and non-current assets also rose by 4.0% from 634.2 billion won in 2006 to 695.6 billion won in 2007. Liabilities edged up from 229.5 billion won in 2006 to 234.2 billion won in 2007. Total shareholders' equity rose by 6.3%, from 609.8 billion won to 648.2 billion won, thanks mainly to the 19.8 billion won in gain on valuation of marketable securities from the increased value of Shinhan Financial Group shares held by the company.

Capital expenditure was 56.1 billion won, down 28.4% compared to the 78.3 billion won figure for 2006. CAPEX for tangible assets was 22.2 billion won, of which 11.4 billion won was spent on remodeling HRD training center with 5.2 billion won and headquarter building in Sadang-dong with 3.5 billion won. CAPEX for intangible assets was 33.9 billion won, of which 19.6 billion won was spent on usable and profitable donation assets for the business of after-school classes. Backed by this investment, 73 schools newly introduced our program in 2007, reaching at 492 schools at the end of the year.

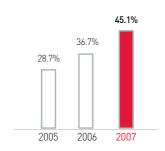
\_ CAPEX
(Unit: in million won)



#### Dividend

Daekyo is committed to boosting shareholder value. Solid business results have allowed the company to pay out dividends twice a year. In 2006 and 2007, the dividend payout ratio reached at nearly 40 percent. Cash dividends were 2,100 won per common share and 2,200 won per preferred share in 2007. The dividend payout ratio came to 36.7% in 2006, or 18.9 billion won in dividends from 51.4 billion in net income, and rose by 8.4%p to 45.1% in 2007, with 21.7 billion won being paid out from a net income of 48.1 billion won.

\_ Dividend payout ration by year



#### INDEPENDENT AUDITORS' REPORT

#### To Shareholders and the Board of Directors of Daekyo Co., Ltd.

We have audited the accompanying non-consolidated balance sheet of Daekyo Co., Ltd. (the "Company") as of December 31, 2007 and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year ended December 31, 2007, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 2006, which are presented for comparative purposes, were audited by Sam II Accounting Corporation(PwC Korea), whose report dated March 5, 2007, expressed an unqualified opinion on those statements.

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

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and the results of its operations, the changes in its retained earnings and shareholders' equity, and its cash flows for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the Republic of Korea.

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

Seoul, Korea March 11, 2008

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This report is effective as of March 11, 2008, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

## NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2006

	(in thousands of Korean won)	
	2007	2006
Assets		
Current assets		
Cash and cash equivalents (Note 8)	₩ 67,670,719	₩ 45,330,613
Short-term financial instruments (Notes 3, 8 and 15)	58,418,960	56,562,938
Short-term investment securities (Note 4)	44,277,964	44,508,573
Trade accounts receivable, net	23,486,235	23,313,373
Other accounts receivable, net	3,324,674	1,502,371
Short-term loans	1,974,786	5,659,974
Accrued income	2,838,692	2,307,706
Advanced payments	2,130,913	509,297
Prepaid expenses	1,832,101	1,419,531
Deferred income tax assets (Note 14)	1,609,315	2,325,568
Inventories, net (Note 6)	15,277,876	21,703,214
Total current assets	222,842,235	205,143,158
Non-current assets		
Long-term financial instruments (Note 3)	2,500	2,500
Long-term loans	8,446,145	6,780,307
Long-term investment securities (Note 4)	292,525,126	268,677,364
Investment securities accounted for using the equity method		
(Notes 5 and 15)	35,068,133	36,912,161
Other investment assets	6,337,025	6,712,577
Property and equipment, net (Note 6)	200,041,766	198,494,531
Intangible assets, net (Note 7)	62,585,031	60,211,510
Non-current guarantee deposits	54,592,455	56,410,272
Total non-current assets	659,598,181	634,201,222
Total assets	₩ 882,440,416	₩ 839,344,380

### NON-CONSOLIDATED BALANCE SHEETS



(in thousands of Korean won) 2007 2006 Liabilities and shareholders' equity Current liabilties ₩ 6,713,274 ₩ 13,833,331 Trade accounts payable 16,422,277 15,487,689 Other accounts payable Accrued expenses 38,028,836 39,596,946 Withholdings 7,627,021 6,573,664 47,177,181 Advances received 42,221,137 Income tax payable 12,528,465 4,465,361 680,815 Provision for returns 521,781 Total current liabilities 129.177.869 122,699,909 Long-term liabilities 5,031,472 5,835,035 Long-term accrued expenses 3,000,000 3,000,000 Long-term accounts payable 12,379,729 12,105,469 Long-term deposits received 108.829 236.591 Provision for mileage Accrued severance benefits, net of payment to National Pension Fund of ₩ 1,103,614 thousand in 2007 and ₩ 1,423,721 thousand in 2006, and severance insurance deposits for employees of ₩ 43,987,751 thousand in 2007 and ₩ 42,363,530 thousand in 2006 (Note 2) 22,396,567 29,501,849 Deferred income tax liabilities (Note 14) 62,425,179 55,875,050 105,067,516 106,828,254 Total long-term liabilities Total liabilities 234,245,385 229,528,163 Shareholders' equity 52,064,920 52,064,920 Capital stock (Note 9) 72,265,629 71,723,241 Capital surplus (Note 10) [12,293,466] Treasury stock (Note 12) (2,472,637) 168,589,429 148,816,807 Gain on valuation of available-for-sale securities (Note 4) (502,869) (206, 189)Loss on valuation of available-for-sale securities (Note 4) 666,681 724,935 Changes in equity using the equity method (Note 5) (1,421,538) Negative changes in equity using the equity method (Note 5) (318,832) 368.826.245 339,483,972 Retained earnings Total shareholders' equity 648,195,031 609,816,217 ₩ ₩ Total liabilities and shareholders' equity 882,440,416 839,344,380

See accompanying notes to non-consolidated financial statements.

## NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(in thousands of Korean won, except for net income per share)

		except for net income per snare,
	2007	2006
Sales (Note 17)	₩ 846,630,204	₩ 829,697,058
Cost of sales ( Note 17)	655,755,294	651,174,905
Gross profit	190,874,910	178,522,153
Selling and administrative expenses [Note 22]	112,357,370	114,590,340
Operating income	78,517,540	63,931,813
Non-operating income		
Interest income	7,275,742	7,513,542
Dividend income	4,999,115	4,734,921
Reversal of allowance for doubtful accounts	22,220	-
Foreign exchange gains	1,131	2,756
Gain on disposal of property and equipment	1,125,909	668,868
Gain on foreign currency translation	117,902	1,872
Gain on valuation of investment securities accounted for using the		
equity method (Note 5)	235,050	380,810
Gain on disposal of short-term investment securities	9,782,559	466,032
Gain on disposal of long-term investment securities	1,371,637	7,946,397
Reversal of loss on impairment of long-term investment securities	-	104,720
Gain on disposal of investment assets	-	133,685
Gain on disposal of investment securities accounted for using the		
equity method (Note 5)	70,185	128,068
Others	1,043,214	1,220,899
	₩ 26,044,664	₩ 23,302,570



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(in thousands of Korean won, except for net income per share)

				et income per snare)
		2007	2006	
Non-operating expenses				
Foreign exchange losses	₩	20,707	₩	36,254
Loss on foreign currency translation		125,433		67,814
Donations		20,907,044		1,796,521
Other bad debt expenses		199,381		-
Loss on valuation of inventories		1,660,935		1,477,902
Loss on valuation of investment securities accounted for using the		0.407.007		4 0 4 5 0 0 5
equity method (Note 5)		8,106,336		1,317,237
Loss on disposal of short-term investment securities		-		984,055
Loss on disposal of long-term investment securities		-		161,088
Loss on disposal of property and equipment		292		6,488
Loss on removal of property and equipment		7,069,332		927
Loss on impairment of intangible assets (Note 7)		304,928		2,461,524
Loss on disposal of investment assets		-		5,150
Loss on impairment of other non-current assets		-		500,000
Retirement bonus		-		1,765,101
Loss on disposal of investment securities accounted for using the				
equity method		149,810		65,917
Others		1,504,382		1,984,635
		40,048,580		12,630,613
Income before income tax -continuing operations		64,513,624		74,603,770
Income tax expense - continuing operations (Note 14)		14,117,295		21,471,714
Net income - continuing operations		50,396,329		53,132,056
Loss on discontinued operations (Note 19)		2,285,631		1,681,104
Net income	₩	48,110,698	₩	51,450,952
Net income per common share - continuing operations (Note 16)	₩	4,933	₩	5,092
Net income per common share (Note 16)	₩	4,671	₩	4,930

See accompanying notes to non-consolidated financial statements.

## NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

			(in thous	ands of Korean won)
		2007		2006
Unappropriated retained earnings				
Unappropriated retained earnings carried over from prior year	₩	4,093,397	₩	6,517,084
Interim dividends (Note 11)		(7,182,874)		(7,289,089)
Net income		48,110,698		51,450,952
		45,021,221		50,678,947
Appropriations				
Reserve for financial structure improvement		-		10,000,000
Voluntary reserve		25,000,000		25,000,000
Cash dividends (Note 11)		14,490,098		11,585,550
		39,490,098		46,585,550
Unappropriated retained earnings to be carried forward				
to subsequent year	₩	5,531,123	₩	4,093,397

See accompanying notes to non-consolidated financial statements.



## NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2007

(in thousands of Korean won)

		Capital stock		Capital surplus	ac	Capital ljustments	Accumulated other comprehensive income	Retained earnings	Total
Balance at January 1, 2007	₩	52,064,920	₩	71,723,241	₩	(2,472,637)	₩ 149,016,721	₩ 339,483,972	₩ 609,816,217
Dividends		-		-		-	-	(11,585,550)	(11,585,550)
Balance after appropriations		52,064,920		71,723,241		(2,472,637)	149,016,721	327,898,421	598,230,666
Interim dividends		-		-		-	-	(7,182,874)	(7,182,874)
Net income		-		-		-	-	48,110,698	48,110,698
Acquisition of treasury stock		-		-		(9,820,829)	-	-	(9,820,829)
Gain on disposal of treasury stock		-		542,388		-	-	-	542,388
Gain on valuation of available-for									
sale securities		-		-		-	19,772,622	-	19,772,622
Loss on valuation of available-for									
sale securities		-		-		-	(296,680)	-	(296,680)
Changes in equity using the equity									
method		-		-		-	(58,254)	-	(58,254)
Negative changes in equity using									
the equity method		-		-		-	(1,102,706)	-	(1,102,706)
Balance at December 31, 2007	₩	52,064,920	₩	72,265,629	₩	[12,293,466]	₩ 167,331,703	₩ 368,826,245	₩ 648,195,031

See accompanying notes to non-consolidated financial statements.

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

			(in thous	ands of Korean won
		2007		2006
Cash flows from operating activities				
Net income	₩	48,110,698	₩	51,450,952
Additions of expenses not involving cash outflows				
Depreciation		11,219,455		10,933,479
Amortization of intangible assets		30,717,293		27,613,770
Provision for severance benefits		12,255,611		16,974,057
Loss on valuation of investment securities accounted for using the				
equity method		8,106,336		1,317,237
Loss on disposal of property and equipment		292		6,488
Loss on removal of property and equipment		6,402,732		927
Loss on impairment of intangible assets		304,928		2,461,524
Loss on disposal of investment assets		-		5,150
Loss on impairment of other non-current assets		-		500,000
Loss on valuation of inventories		1,660,935		1,477,902
Bad debt expenses		-		461,462
Other bad debt expenses		199,381		-
Commissions		-		43,868
Loss on foreign currency translation		5,717		6,240
Loss on disposal of short-term investment securities		-		984,055
Loss on disposal of long-term investment securities		-		161,088
Loss on disposal of investment securities accounted for using the				
equity method		149,810		65,917
Miscellaneous losses		11,234		-
Loss on discontinued operations		521,854		-
		71,555,579		63,013,164
Deduction of items not involving cash inflows				
Interest income		-		481,894
Gain on valuation of investment securities accounted for using the				
equity method		235,050		380,810
Gain on foreign currency translation		4,573		-
Gain on disposal of property and equipment		1,125,909		668,868
Gain on disposal of short-tern investment securities		9,782,559		466,032
Gain on disposal of long-tern investment securities		1,371,637		7,946,397
Gain on disposal of investment securities accounted for using the				
equity method		70,185		128,068
Gain on disposal of investment assets		-		133,685
Reversal of allowance for doubtful accounts		22,220		-
Reversal of loss on impairment of long-term investment securities		-		104,720
Miscellaneous losses		-		290,770
	₩	12,612,133	₩	10,601,244





FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

		(in thousands of Korean won)
	2007	2006
Changes in operating assets and liabilities related to operating activities		
Increase in trade accounts receivable	₩ (150,641)	₩ (2,557,016)
Increase in accrued income	(530,986)	(315,685)
Decrease (increase) in other accounts receivable	(2,171,684)	422,511
Decrease (increase) in advanced payments	(1,237,147)	52,236
Decrease (increase) in prepaid expenses	(412,569)	269,068
Decrease (increase) in inventories	4,764,403	(6,675,136)
Decrease (increase) in deferred income tax assets	(648,037)	5,683,012
Increase (decrease) in trade accounts payable	(7,120,057)	6,488,242
Increase in other accounts payable	934,588	840,490
Increase (decrease) in accrued expenses	(1,804,700)	879,652
Increase in withholdings	1,053,357	2,354,009
Increase in advances received	4,956,044	3,186,611
Increase (decrease) in income tax payable	8,063,104	(3,248,665)
Increase (decrease) in provision for returns	159,034	(485,743)
Payment of severance benefits	(18,056,779)	(14,123,801)
Decrease (Increase) in severance insurance deposits	(1,624,221)	449,200
Decrease in contributions to the National Pension Fund	320,107	315,629
Decrease in long-term deposits received	(274,260)	(788,227)
Decrease in long-term accrued expenses	(803,563)	(22,111,815)
Decrease in deferred income tax liabilities	(2,273,533)	=
Increase in provision for mileage	108,829	-
	(16,748,711)	(29,365,428)
Net cash provided by operating activities	90,305,433	74,497,444
Cash flows from investing activities		
Cash inflows from investing activities		
Proceeds from disposal of short-term financial instruments	53,057,783	5,001,000
Proceeds from disposal of trading securities	61,687,638	4,031,532
Proceeds from disposal of available-for-sale securities	6,513,298	99,213,732
Proceeds from investment securities accounted for using the equity method		123,384
Collection of short-term loans	5,093,276	4,591,389
Collection of long-term loans	1,720	4,371,307
Proceeds from non-current quarantee deposits	20,580,813	10,089,957
Proceeds from other investment assets	3,120	90.000
Proceeds from disposal of property and equipment	3,904,833	2,048,130
Proceeds from disposal of intangibles  Proceeds from disposal of intangibles	3,904,633	۷,040,130
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	γγ 131,077,337	vv 125,107,124

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	(in thousands of K			
	2007	2006		
Cash outflows from investing activities				
Acquisition of short-term financial instruments	₩ 54,914,950	₩ 19,049,178		
Acquisition of trading securities	51,000,000	-		
Acquisition of available-for-sale securities	-	54,442,875		
Acquisition of investment securities accounted for using the equity				
method	7,279,079	27,071,411		
Extension of short-term loans	107,144	580,000		
Extension of long-term loans	2,818,503	400,000		
Payments for non-current guarantee deposits	18,762,995	21,049,635		
Acquisition of other investment assets	6,000	1,218,626		
Acquisition of property and equipment	22,185,157	43,554,841		
Acquisition of intangible assets	33,921,990	34,794,835		
	190,995,818	202,161,401		
Net cash used in investing activities	(39,918,461)	(76,972,277)		
Cash flows from financing activities				
Cash inflows from financing activities				
Disposal of treasury stock	5,829,762	-		
Cash outflows from financial activities				
Cash dividends	18,768,424	17,896,342		
Acquisition of treasury stock	15,108,204	2,472,637		
	(33,876,628)	(20,368,979)		
Net cash used in financing activities	(28,046,866)	(20,368,979)		
Net increase (decrease) in cash and cash equivalents	22,340,106	(22,843,812)		
Cash and cash equivalents - beginning of the year	45,330,613	68,174,425		
Cash and cash equivalents - end of the year	₩ 67,670,719	₩ 45,330,613		

See accompanying notes to non-consolidated financial statements.



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

#### 1. GENERAL

Daekyo Co., Ltd. (the "Company") was incorporated in December 1986 under the Commercial Code of the Republic of Korea to provide educational services for children. The Company changed its name from Daekyo Munhwa Co., Ltd. to Daekyo Co., Ltd. in January 1991.

As of December 31, 2007, the Company's shareholders for common stock are as follows:

Name of shareholder	Number of shares owned	Percentage of ownership (%)	
Daekyo Holdings Co., Ltd.	4,617,120	54.51	
Daekyo Culture Foundation	297,842	3.52	
Kang, Young Jung	183,234	2.16	
Others	3,372,089	39.81	
	8,470,285	100.00	

On February 3, 2004, the Company offered its shares for public ownership by listing its common shares on the Korean Stock Exchange, and the Company's capital is \\$\\$52,064,920\$ thousand (common stock - \\$\\$42,351,425\$ thousand and preferred stock - \\$\\$9,713,495\$ thousand) through several paid-in capital increase and free issue of new shares.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company in the preparation of 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 the Korean language 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. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

#### Implementation of the Statements of Korean Accounting Standards

The Company prepared its non-consolidated financial statements as of December 31, 2007 in accordance with the existing Korea Financial Accounting Standards and Statements of Korea Accounting Standards ("SKAS"). The Company's accounting policies have not been changed since the preparation of the non-consolidated financial statements for the year ended December 31, 2006 except for changes due to the application of new SKAS No.11, No. 21 through No. 24 which are effective from January 1, 2007. Certain reclassifications and changes of presentation have been made in the prior year's non-consolidated financial statements according to SKAS No. 21. Such reclassifications and changes of presentation have no effect on previously reported net assets and net income. Non-consolidated statement of changes in shareholders' equity in the prior year is not prepared pursuant to specific transitional provision of SKAS No. 21.

The financial statements in 2007 were approved by the board of directors on March 10, 2008.

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

#### Revenue Recognition

Sales of products are recognized when delivered, and revenues from construction contracts are recognized using the percentage-of-completion method.

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

#### Allowance for Doubtful Accounts

The Company sets up allowance for doubtful accounts for account receivable and bonds based on past experience, taking into account current collection trends.

#### Reserve for Returns

Reserve for returns is estimated and provided. The related estimated cost of goods sold is deducted from sales and cost of goods sold, respectively.

#### Inventories

Inventories are stated at cost being determined by the moving-average method. The Company maintains perpetual inventory method, which is adjusted through physical count. If deterioration, obsolescence and damage occur, the inventories is impaired. If the net realizable value of inventories is less than its cost, inventories are adjusted to the net realizable value. Valuation loss incurred, which is the difference between the quantity on the inventory list and the quantity physically counted, is recorded as a contra inventory account and added to the cost of sale.

#### Valuation of Securities (Excluding Equity Securities Accounted for Using the Equity Method)

Securities are recognized initially at cost, which includes the market value of the consideration given to acquire them and incidental expenses. If the market value of the consideration given is not available, the acquisition cost is measured at the best estimates of its fair value. When the Company disposes of securities, the gross average method is used to calculate the realized profit or loss.

At acquisition, the Company classifies securities into one of the three categories: trading, held-to-maturity or available-for-sale. Trading securities are classified under current assets, whereas available-for-sale securities and held-to-maturity securities are classified under non-current assets, except for those whose maturity dates or whose likelihood of being disposed of are within one year from the balance sheet date, which are classified under current assets.

Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized holding gains or losses recognized in cumulative other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of cumulative other comprehensive income (loss) is reflected in current operations.

#### Investment Securities Accounted for Using the Equity Method

Equity securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. If the cost of the acquisition exceeded the acquirer's interest in the fair value of the identifiable assets and liabilities at the date of acquisition, the difference is amortized over the period during which future economic benefits are expected to flow to the enterprise. However, if the cost of the acquisition is less than the acquirer's interest in the fair value of the identifiable assets and liabilities, [1] the difference that relates to expectations of future losses and expenses that are identified in the acquirer's plan for the acquisition is recognized as income in the income statement when the future losses and expenses are recognized, [2] the difference not exceeding the fair values of acquired identifiable non-monetary assets is recognized as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable or amortizable assets, and [3] the difference in excess of the fair values of acquired identifiable non-monetary assets is immediately recognized as income.

The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to related capital accounts.

The Company's portion of profits and losses resulting from inter-company (not subsidiary company) transactions that are recognized in assets, such as inventories and fixed assets, are eliminated and charged to equity securities accounted for using the equity method. However, unrealized profits and losses resulting from sales of assets from the Company to investee are eliminated in full.

For overseas affiliates whose financial statements are prepared in foreign currencies, assets and liabilities are translated at the exchange rate at the balance sheet date, shareholder's equity is translated at the historical exchange rate and the items in the statement of income



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

are translated at the weighted average exchange rate for the reporting period. Net translation adjustments are recorded as a component of shareholders' equity.

#### Property and Equipment and Related Depreciation

Property and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method for buildings and structures, and the declining-balance method for other property and equipment over the estimated useful lives of the related assets as described below.

	Useful lives (Years)
Buildings	40 - 60 years
Structures	3 - 40 years
Machinery	4 years
Vehicles	2 - 5 years
Tools	2 - 6 years
Equipment	2 - 17 years

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals, which enhance the value of the assets over their recently appraised value, are capitalized.

The Company assesses the potential impairment of property and equipment 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 assets, net of accumulated depreciation before impairment.

#### Intangibles Assets and Amortization Method

Intangible assets are recorded at the production cost or purchase cost, plus incidental expenses. Intangible assets are amortized using the straight-line method over the estimated useful lives as follows:

	Useful lives (Years)
Goodwill	5 years
Industrial property rights	5 - 10 years
Development costs	4 years
Intellectual property rights	5 years
Franchise	5 years
Right to use donated assets	1 - 4 years
Software	4 years

Development costs, directly relating to a new technology or new products of which the estimated future benefits are probable, are capitalized as intangible assets.

If the recoverable amount of intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

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#### Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the balance sheet date ( $$\scrt{\psi}$938.20 to US$1.00, $\scrt{\psi}$833.33 to $\geq$100.00, $\scrt{\psi}$956.91 to Canadian $1.00, $\scrt{\psi}$727.15 to NZ$1.00, $\scrt{\psi}$1.00, $\scrt{\psi}$1.00, $\scrt{\psi}$822.85 to AUS$1.00, $\scrt{\psi}$1,874.10 to GBP1.00, $\scrt{\psi}$1,381.26 to EUR1.00 and $\scrt{\psi}$648.94 to SG$1.00 at December 31, 2007), and the resulting translation gains and losses are recognized in current operations.$ 

#### **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 balance sheet 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 balance sheet are presented net of these deposits.

Accrued severance benefits are funded through a group severance insurance plan and are presented as a deduction from accrued severance benefits.

#### Long-Term Accrued Expenses

The Company entered into contracts with freelance instructors to manage its educational service members. In accordance with the contracts, the Company pays instructors a certain amount based on cumulative cash collection amounts from its educational service members during the period of the contract. Long-term accrued expenses represent the amount which would be payable assuming all instructors were to terminate their contracts as of the balance sheet date.

#### **Provisions**

A provision is a liability of uncertain timing or amount and is recognized when all of the following conditions are met:

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

#### Income Tax Expense and Deferred Income Tax Assets (liabilities)

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carry forwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.



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#### 3. RESTRICTED FINANCIAL INSTRUMENTS

Long-term financial instruments amounting to  $\mbox{$W2,500$}$  thousand represent key money deposits required to maintain checking accounts and, accordingly, withdrawal of these deposits is restricted as of December 31, 2007 and 2006, respectively. Short-term financial instruments amounting to  $\mbox{$W3,534,073$}$  thousand (2006:  $\mbox{$W3,520,000$}$  thousand) were provided as collateral in connection with guarantees on affiliated companies and others as of December 31, 2007.

#### 4. INVESTMENT SECURITIES

(1) The Company's short-term investment securities as of December 31, 2007 and 2006 consist of the following (Unit : Korean Won in thousands):

	2007	2006
Government and public bonds	2,146,594	1,011,398
Beneficiary certificates	42,131,370	43,497,175
	44,277,964	44,508,573

Among the government and public bonds above, securities with maturities of less than one year or securities which are almost certain to be disposed of are classified as current assets. The beneficiary certificates are classified as current assets because the certificates mature within one year or are almost certain to be disposed of within one year.

Beneficiary certificates were valuated at fair value. Gain and loss on valuation of available-for-sale securities, net of deferred income tax as of December 31, 2007 was accounted for as accumulated other comprehensive income (loss).

(2) The Company's long-term investment securities as of December 31, 2007 and consist of the following (Unit: Korean Won in thousands):

Available-for-sale securities	2007	2006
Marketable equity securities	286,431,069	260,576,915
Government and public bonds	5,594,057	7,600,499
Convertible bonds	500,000	500,000
	292,525,126	268,677,364

Government bonds and convertible bonds are classified as held-to-maturity securities. The maturities of these securities as of December 31, 2007 and 2006 are within 5 years.

(3) The Company's marketable equity securities classified as available-for-sale as of December 31, 2007 consist of the following (Unit: Korean Won in thousands):

		2007				
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value	
Marketable equity securities						
Shinhan Financial Group Co., Ltd.	5,344,397	1.460	54,690,402	285,925,239	285,925,239	
CJ Home Shopping Corp.	9,004	0.078	655,373	471,810	471,810	
Inzi Controls Co., Ltd.	6,000	0.066	67,503	34,020	34,020	
			55,413,278	286,431,069	286,431,069	

The investments in marketable equity securities were valuated at fair value. Gain on valuation of available-for-sale securities, net of deferred income tax as of December 31, 2007 was accounted for as accountated other comprehensive income.

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(4) The Company's marketable equity securities classified as available-for-sale as of December 31, 2006 consist of the following (Unit: Korean Won in thousands):

			2006		
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Fair value	Carrying value
Marketable equity securities					
Shinhan Financial Group Co., Ltd.	5,344,397	1.460	54,689,402	253,858,857	253,858,857
LG Electronics Inc.	13,000	0.010	907,399	715,000	715,000
Daeshin Securities Co., Ltd.	61,200	0.230	999,959	966,960	966,960
Binggrae Co., Ltd	8,700	0.080	291,191	370,620	370,620
Hyundai Mobis Co., Ltd	5,000	0.005	362,566	429,500	429,500
Cheil Communications Inc.	200	0.004	21,305	46,200	46,200
CJ Home Shopping Corp.	9,004	0.078	655,373	693,308	693,308
Hana Tour Service Inc.	2,500	0.180	79,631	177,250	177,250
Donga Pharmaceutical Co, Ltd	10,400	0.100	377,723	903,760	903,760
GS Home Shopping Inc.	5,900	0.080	487,750	489,700	489,700
Inzi Controls Co., Ltd	6,000	0.066	67,502	40,020	40,020
Duzon Digital Ware Co., Ltd.	27,000	0.240	393,948	580,500	580,500
Shinsegae Co., Ltd.	500	0.002	231,226	290,000	290,000
Jinro Distillers Co., Ltd.	7,000	0.100	126,468	134,400	134,400
Korea Zinc Co., Ltd.	4,400	0.020	451,996	434,280	434,280
Kangwon Land Co., Ltd.	4,000	0.000	80,357	80,800	80,800
Daewoong Pharmaceutical Co., Ltd.	3,700	0.030	214,576	217,560	217,560
LG Household & Health Co., Ltd.	1,200	0.000	115,568	148,200	148,200
			60,553,940	260,576,915	260,576,915

The investments in marketable equity securities were valuated at fair value. Gain on valuation of available for sale securities, net of deferred income tax as of December 31, 2006 was accounted for as accounted other comprehensive income.

(5) Among the above short-term and long-term investment securities, \(\psi\)345,302 thousand are recognized as interest income relating to debt securities including government bonds.



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

#### 5. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

(1) Investment securities accounted for using the equity method as of December 31, 2007 consist of the following (Unit: Korean Won in thousands):

			2007		
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market or net asset value	Carrying value
Daekyo Bertelsmann Korea Co., Ltd.	307,467	60.59	4,165,550	2,042,936	1,339,889
Daekyo America, Inc. [*1]	535	66.54	2,605,622	1,984,284	1,920,614
Daekyo Hong Kong Co., Ltd.	2,272,727	47.89	250,000	279,414	270,343
Beijing Daekyo Co., Ltd.	-	100.00	445,142	386,379	386,379
Daekyo Book Center Co., Ltd.					
(Former: Daekyo Educonsulting					
Co., Ltd.)	276,138	82.15	2,901,800	2,635,240	2,635,246
Interesting Creative Co., Ltd.	64,738	20.00	680,000	-	-
Daekyo EOL Co., Ltd.	12,210	56.53	842,490	173,504	173,504
Daekyo Malaysia Sdn. Bhd.	1,940,988	100.00	599,793	252,009	239,379
Sanghai Daekyo Co., Ltd.	-	100.00	274,843	283,414	269,321
Daekyo Bertelsmann Educational					
Service Limited	483,000	50.00	591,939	263,280	263,280
Fermatedu Co., Inc.	480,000	51.00	26,564,000	10,842,912	23,396,706
Child-Care Consortium [*2]	1,600	16.44	1,728,068	863,963	863,963
The First CS Academy Co., Ltd.	200,000	50.00	1,000,000	957,310	957,310
Daekyo Sobics Co., Ltd.	502,300	83.72	2,511,500	2,262,775	2,262,685
P.T Daekyo Indonesia	297,000	99.00	281,170	89,940	89,514
·			45,441,917	23,317,360	35,068,133

<sup>(\*1)</sup> Daekyo America, Inc. merged with Daekyo USA as of December 31, 2007.

The Company used non-audited financial statements when applying the equity method of accounting. The Company performed additional procedures to obtain reliance on the financial statements not audited by an external auditor. Accordingly, it is possible that differences may arise in the value of equity securities accounted for using the equity method if audited financial statements were used. Management believes that the ultimate differences will not have a material adverse effect on the financial statement of the Company.

The Company calculated the loss on disposal of investment securities accounted for using the equity method amounting to \\daggeq 444,428 thousand due to nonreciprocal transfer of securities of Yanbian Daekyo Co., Ltd. Also, as Daekyo Book Center Co., Ltd. has issued new shares to be purchased during 2007, the Company calculated the loss on disposal of investment securities accounted for using the equity method amounting to \dagged 105,382 thousand due to difference between paid-in capital and increase in the investor's share of net assets of the investee. In addition, the Company calculated the increase on negative change in equity using the equity method amounting to \dagged 1,138,178 thousand due to difference between reduction of capital and decrease in the investor's share of net assets of the investee, as Daekyo Bertelsmann Korea Co., Ltd. has reduced it shares by 292,533 shares without any refund during 2007.

The Company acquired shares of The First CS Academy Co., Ltd., Daekyo Sobics Co., Ltd. and P.T Daekyo Indonesia in 2007.

<sup>(\*2)</sup> Although its ownership percentage is less than 20%, the Company has applied the equity method since 2007 because it is able to exercise significant influence over the operating and financial policies of the investees

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Investment securities accounted for using the equity method as of December 31, 2006 consist of the following (Unit: Korean Won in thousands):

			2006		
	Number of shares owned	Percentage of ownership (%)	Acquisition cost	Market or net asset value	Carrying value
Daekyo Bertelsmann Korea Co., Ltd.	600,000	75.00	4,165,550	7,439,863	5,746,173
Daekyo America, Inc.	209	63.53	960,656	678,602	650,875
Daekyo Hong Kong Co., Ltd.	2,272,727	47.89	250,000	247,919	242,362
Beijing Daekyo Co., Ltd.	-	100.00	445,142	354,741	354,741
Yanbian Daekyo Co., Ltd.	-	84.62	166,390	44,428	44,428
Daekyo Educonsulting Co., Ltd. [*1]	36,138	100.00	501,800	1,612,266	1,612,266
Interesting Creative Co., Ltd.	64,738	20.00	680,000	-	-
Daekyo EOL Co., Ltd.	12,210	56.53	842,490	70,610	70,610
Daekyo Malaysia Sdn. Bhd.	1,940,988	100.00	599,793	219,722	206,094
Sanghai Daekyo Co., Ltd.	-	100.00	274,843	245,027	243,430
Daekyo U.S.A Inc.	333	66.60	558,557	493,283	491,657
Daekyo Bertelsmann Educational					
Service Limited	483,000	50.00	591,939	263,280	263,280
Fermatedu Co., Inc.	480,000	51.00	26,564,000	9,999,113	26,056,291
Child-Care Consortium	1,600	18.32	1,728,068	929,954	929,954
			38,329,228	22,598,808	36,912,161

<sup>(\*1)</sup> Daekyo Corein Co., Ltd. and Daekyo Eduvision Co., Ltd. entered into a business combination on July 3, 2006, after which the company's name changed to Daekyo Educonsulting Co., Ltd.

The Company used non-audited financial statements when applying the equity method of accounting. The Company performed additional procedures to obtain reliance on the financial statements not audited by an external auditor.



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(3) The details of investment securities accounted for using the equity method as of December 31, 2007 consist of the following (Unit: Korean Won in thousands):

	2007					
	Acquisition cost	Retained earnings	Gain (loss) on valuation	Capital adjustment	Gain (loss) on sale	Carrying value
Daekyo Bertelsmann Korea Co., Ltd.	4,165,550	1,580,622	(3,253,375)	(1,152,908)	-	1,339,889
Daekyo America, Inc.	2,605,622	(376,680)	(308,186)	[142]	-	1,920,614
Daekyo Hong Kong Co., Ltd.	250,000	(7,638)	26,302	1,679	-	270,343
Beijing Daekyo Co., Ltd.	445,142	(90,401)	17,094	14,544	-	386,379
Yanbian Daekyo Co., Ltd.	166,390	(110,727)	-	(11,235)	(44,428)	-
Daekyo Book Center Co., Ltd.						
(Former:Daekyo Educonsulting						
Co., Ltd.)	2,901,800	1,110,466	(1,205,426)	(66,212)	(105,382)	2,635,246
Interesting Creative Co., Ltd.	680,000	(680,000)	-	-	-	-
Daekyo EOL Co., Ltd.	842,490	(771,879)	102,893	-	-	173,504
Daekyo Malaysia Sdn. Bhd.	599,793	(393,699)	16,481	16,804	-	239,379
Sanghai Daekyo Co., Ltd.	274,843	(31,412)	5,437	20,453	-	269,321
Daekyo Bertelsmann						
Educational Service Limited	591,939	(328,660)	-	-	-	263,280
Fermatedu Co., Inc.	26,564,000	(507,710)	(2,659,585)	-	-	23,396,706
Child-Care Consortium	1,728,068	(798,114)	(136,176)	-	70,185	863,963
The First CS Academy Co., Ltd.	1,000,000	-	(42,690)	-	-	957,310
Daekyo Sobics Co., Ltd.	2,511,500	-	(248,815)	-	-	2,262,685
P.T Daekyo Indonesia	281,170	-	(185,240)	(6,416)	-	89,514
	45,608,307	(1,405,832)	(7,871,286)	(1,183,433)	(79,625)	35,068,133

(4) The details of investment securities accounted for using the equity method as of December 31, 2006 consist of the following (Unit: Korean Won in thousands):

			20	06		
	Acquisition cost	Retained earnings	Gain (loss) on valuation	Capital adjustment	Dividends	Carrying value
Daekyo Bertelsmann Korea Co., Ltd.	4,165,550	1,396,060	185,126	(563)	-	5,746,173
Daekyo America, Inc.	960,656	(481,001)	29,411	141,809	-	650,875
Daekyo Hong Kong Co., Ltd.	250,000	(30,102)	(35,407)	57,871	-	242,362
Daekyo Japan Co., Ltd.	258,748	(229,865)	(28,883)	-	-	-
Beijing Daekyo Co., Ltd.	445,142	(67,847)	46,928	(69,482)	-	354,741
Yanbian Daekyo Co., Ltd.	166,390	(110,727)	-	(11,235)	-	44,428
Daekyo Educonsulting Co., Ltd.	501,800	681,488	(96,277)	525,255	-	1,612,266
Interesting Creative Co., Ltd.	680,000	(680,000)	-	-	-	-
Daekyo EOL Co., Ltd.	842,490	(842,490)	70,610	-	-	70,610
Daekyo Malaysia Sdn. Bhd.	599,793	(301,331)	(24,309)	(68,059)	-	206,094
Sanghai Daekyo Co., Ltd. [*1]	274,843	7,619	12,323	(51,355)	-	243,430
Daekyo U.S.A Inc.	558,557	(56)	36,412	(103,256)	-	491,657
Daekyo Bertelsmann						
Educational Service Limited	591,939	-	(313,777)	(14,882)	-	263,280
Fermatedu Co., Inc.	26,564,000	-	(507,709)	-	-	26,056,291
Child-Care Consortium	1,728,068	(487,239)	(310,875)	-	-	929,954
	38,587,976	(1,145,491)	(936,427)	406,103	_	36,912,161

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(5) Changes in the differences between the initial acquisition costs and the Company's initial proportionate ownership in the net book value of the investee for the years ended December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

		2007						
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance				
Fermatedu Co., Inc.	(1,693,691)	-	(990,644)	(703,047)				
Daekyo America, Inc.	-	13,505	-	13,505				
Daekyo Bertelsmann Korea Co., Ltd.	16,057,178	-	3,503,384	12,553,794				
	14,363,487	13,505	2,512,740	11,864,252				

	2006					
	Beginning balance	Increase (decrease)	Amortization (reversal)	Ending balance		
Fermatedu Co., Inc.	(4,348,364)	-	(2,654,673)	(1,693,691)		
Daekyo Bertelsmann Korea Co., Ltd.	-	17,516,922	1,459,744	16,057,178		
	(4,348,364)	17,516,922	(1,194,929)	14,363,487		

(6) The elimination of unrealized gains or losses relating to the valuation of equity method investments as of December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

	2007	2006
Daekyo America, Inc.	77,174	27,727
Sanghai Daekyo Co., Ltd.	14,093	1,597
Daekyo Malaysia Sdn. Bhd.	12,630	13,628
Daekyo U.S.A Inc.	-	1,626
Daekyo Hong Kong Co., Ltd.	9,070	5,557
, ,	112,967	50,135



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(7) Condensed financial information of the affiliates as of and for the year ended December 31, 2007 is as follows (Unit: Korean Won in thousands):

	Assets	Liabilities	Net assets	Sales	Net income (loss)
Daekyo Bertelsmann Korea Co., Ltd.	17,493,654	14,121,836	3,371,818	17,319,053	(6,533,367)
Daekyo America, Inc.	4,484,976	1,505,031	2,979,946	2,039,201	(341,152)
Daekyo Hong Kong Co., Ltd.	1,262,161	678,712	583,449	639,926	62,274
Beijing Daekyo Co., Ltd.	425,154	38,775	386,379	488,063	3,205
Daekyo Book Center Co., Ltd.					
(Former:Daekyo Educonsulting					
Co., Ltd.)	9,309,905	6,102,066	3,207,839	4,097,550	(1,338,216)
Daekyo EOL Co., Ltd.	625,705	318,783	306,923	2,284,858	184,165
Daekyo Malaysia Sdn. Bhd.	287,687	35,678	252,009	298,801	20,739
Sanghai Daekyo Co., Ltd.	318,673	35,260	283,414	766,676	17,934
Daekyo Bertelsmann					
Educational Service Limited	677,173	150,614	526,559	18,865	(509,937)
Fermatedu Co., Inc.	29,380,071	8,119,460	21,260,611	44,406,990	1,756,437
Child-Care Consortium	5,813,123	557,871	5,255,251	3,577,596	(828,315)
The First CD Academy Co., Ltd.	2,195,723	281,103	1,914,619	1,483,470	(85,381)
Daekyo Sobics Co., Ltd.	3,262,362	559,573	2,702,789	3,171,493	(297,211)
P.T Daekyo Indonesia.	119,511	28,664	90,848	88,853	(186,682)

#### **6. PROPERTY AND EQUIPMENT**

[1] Changes in property and equipment for the year ended December 31, 2007 are as follows (Unit: Korean Won in thousands):

	2007							
Land	Buildings	Structures	Machinery	Vehicles				
57,525,506	95,454,775	2,544,182	-	292,366				
3,250,797	2,120,615	515,911	-	91,304				
(609,895)	(6,727,283)	(213,665)	-	(4,124)				
-	(3,766,406)	(74,308)	-	(205,465)				
5,603,677	36,155,059	-	-	-				
65,770,085	123,236,760	2,772,120		174,081				
	24,668,563	403,825	468,200	857,254				
-	-	-	-	-				
Tools	Equipment	Other	Construction-in- progress	Total				
9	11,560,118	213,081	30,904,494	198,494,531				
-	4,768,648	-	11,437,882	22,185,157				
-	(1,556,981)	(70,000)	-	(9,181,948)				
(9)	(7,173,267)	-	-	(11,219,455)				
-	219,121	128,000	(42,342,376)	(236,519)				
	7,817,639	271,081		200,041,766				
28,256	71,144,737	-	-	97,570,835				
	5,975			5,975				
	57,525,506 3,250,797 (609,895) - 5,603,677 65,770,085 - Tools  9 - (9) - (9)	57,525,506 95,454,775 3,250,797 2,120,615 (609,895) (6,727,283) - (3,766,406) 5,603,677 36,155,059 65,770,085 123,236,760 24,668,563	Land         Buildings         Structures           57,525,506         95,454,775         2,544,182           3,250,797         2,120,615         515,911           (609,895)         (6,727,283)         (213,665)           -         (3,766,406)         (74,308)           5,603,677         36,155,059         -           65,770,085         123,236,760         2,772,120           -         24,668,563         403,825           -         -         -           Fools         Equipment         Other           9         11,560,118         213,081           -         4,768,648         -           -         (1,556,981)         (70,000)           (9)         (7,173,267)         -           -         219,121         128,000           -         7,817,639         271,081           28,256         71,144,737         -	Land         Buildings         Structures         Machinery           57,525,506         95,454,775         2,544,182         -           3,250,797         2,120,615         515,911         -           (609,895)         (6,727,283)         (213,665)         -           -         (3,766,406)         (74,308)         -           5,603,677         36,155,059         -         -           -         24,668,563         403,825         468,200           -         -         -         -           Tools         Equipment         Other         Construction-in-progress           9         11,560,118         213,081         30,904,494           -         4,768,648         -         11,437,882           -         (1,556,981)         (70,000)         -           (9)         (7,173,267)         -         -           -         219,121         128,000         (42,342,376)           -         7,817,639         271,081         -           28,256         71,144,737         -         -				

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[2] Changes in property and equipment for the year ended December 31, 2006 are as follows [Unit: Korean Won in thousands]:

			2006		
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	39,643,396	93,481,917	2,618,386	-	76,836
Acquisition / Capitalized costs	18,344,210	5,568,820	-	-	334,754
Disposal	(462,100)	(835,059)	-	-	-
Depreciation	-	(2,760,903)	(74,204)	-	[119,224]
Others (transfer)	-	-	-	-	-
Ending balance	57,525,506	95,454,775	2,544,182	-	292,366
Accumulated depreciation	_	22,756,539	349,816	468,200	874,040
Accumulated impairment	-	-	-	-	-
	Tools	Equipment	Other	Construction-in- progress	Total
Beginning balance	18	10,456,742	70,000	20,215,298	166,562,593
Acquisition / Capitalized costs	-	8,474,781	143,081	10,689,196	43,554,842
Disposal	-	(89,520)	-	-	[1,386,679]
Depreciation	(9)	(7,979,138)	-	-	(10,933,478)
Others (transfer)	-	697,253	-	-	697,253
Ending balance	9	11,560,118	213,081	30,904,494	198,494,531
Accumulated depreciation	28,248	67,863,131	_	_	92,339,974

[3] As of December 31, 2007, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, approximates  $\frac{1}{2}$  107,700,503 thousand (2006:  $\frac{1}{2}$  496,491,514 thousand).

5,975

Accumulated impairment

(4) As of December 31, 2007, the Company's inventories and property, plant and equipment are insured as follows (Unit: Korean Won in thousands):

Account	2007	Reason of impairment
Buildings and equipment Inventories	129,469,937 10,552,219 140,022,156	Insurance against fire and other casualty losses

In addition, the Company is insured against casualty losses relating to its vehicles and donated assets, over which the Company holds the right to use for a certain period.

5,975



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#### 7. INTANGIBLE ASSETS

(1) The Company's intangible assets as of December 31, 2007 consist of the following (Unit: Korean Won in thousands):

		2007								
	Goodwill	Industrial property rights	Right to use Donated assets	Development costs	Intellectual property rights	Software	Franchise	Total		
Beginning balance	4,568,368	155,854	20,733,930	31,439,721	289,171	2,887,676	136,790	60,211,510		
Acquisition	19,000	41,777	19,988,368	14,077,850	-	168,243	-	34,295,238		
Transfer	-	-	-	(1,422,158)	-	1,274,208	-	(147,950)		
Disposal	-	-	-	(17,791)	-	(217,085)	-	(234,876)		
Amortization	(1,233,640)	(76,295)	(15,208,581)	(11,879,890)	(183,072)	(2,064,446)	(71,369)	(30,717,293)		
Impairment	(102,003)	-	-	(202,924)	-	-	-	(304,927)		
Others [*1]	-	-	-	(516,671)	-	-	-	(516,671)		
Ending balance	3,251,725	121,336	25,513,717	31,478,137	106,099	2,048,596	65,421	62,585,031		
Accumulated										
amortization	3,474,978	571,748	32,006,492	47,016,638	3,109,263	5,155,118	291,423	91,625,660		
Accumulated										
impairment loss	153,667	-	-	3,677,924	142,523	298,043	-	4,272,157		

<sup>(\*1)</sup> Others amounting to \\$16,671 thousand are development costs relating to the discontinued product, and are included in the loss on discontinued operations.

(2) The Company's intangible assets as of December 31, 2006 consist of the following (Unit: Korean Won in thousands):

	2006								
	Goodwill	Industrial property rights	Right to use Donated assets	Development costs	Intellectual property rights	Software	Franchise	Total	
Beginning balance	4,259,766	150,057	13,691,445	32,573,096	740,577	3,884,190	208,159	55,507,290	
Acquisition	1,573,479	80,656	18,121,353	14,726,764	-	248,715	-	34,750,967	
Transfer	-	-	401,663	(2,277,642)	-	1,904,525	-	28,546	
Disposal	-	-	-	-	-	-	-	-	
Amortization	(1,264,877)	(74,859)	(11,480,531)	(11,419,017)	(451,406)	(2,851,711)	(71,369)	27,613,770	
Impairment	-	-	-	(2,163,480)	-	(298,043)	-	(2,461,523)	
Ending balance	4,568,368	155,854	20,733,930	31,439,721	289,171	2,887,676	136,790	60,211,510	
Accumulated									
amortization	2,323,213	495,453	16,797,910	36,244,590	2,926,191	3,167,062	220,054	62,174,473	
Accumulated									
impairment loss	51,663	-	-	3,475,000	142,523	298,043	-	3,967,230	

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### 8. MONETARY ASSETS DENOMINATED IN FOREIGN CURRENCIES

Monetary assets denominated in foreign currencies as of December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

		2007			2006	
	Korean Won equivalent	Foreign	currencies	Korean Won equivalent	Foreign	currencies
Cash and cash	208,330	USD	222,053	748	USD	805
equivalents	-	CAD	-	71	CAD	89
	1	HKD	2	113	HKD	943
	1	NZD	2	180	NZD	274
	-	JPY	-	155	JPY	19,825
	7	AUD	8	57	AUD	78
	1,489	GBP	795	27	GBP	15
	-	EUR	-	101	EUR	83
	7,606	SGD	12,326	77	SGD	128
Short-term	13,810	USD	15,000	-	USD	-
financial						
instruments						
Total	231,244			1,529		

## 9. CAPITAL STOCK

### (1) Capital stock

The details of capital stock as of December 31, 2007 are summarized below.

The number of authorized shares of common stock	Par value	Type of stock	The number of issued share of common stock	Amount of capital stock (In thousand won)
150,000,000 shares	5,000 won	Common stock	8,470,285 shares	42,351,425
1,942,699 shares	5,000 won	Preferred stock [*1]	1,942,699 shares	9,713,495

<sup>[\*1]</sup> If the dividend ratio of common stock exceed that of preferred stock, that is, 9% determined by a board of directors, the preferred stock is eligible to equally share on the additional dividend of surplus.

### 10. CAPITAL SURPLUS

(1) Other capital surplus arose from the disposal of treasury stock which is acquired for the purpose of M&A. This capital surplus is not available for the payment of cash dividends, but may be used to offset losses on disposal of treasury stock, may be transferred to capital stock or may be used to reduce any accumulated deficit.

Additionally, the gain on disposal of treasury stock (61,600 shares of common stock) amounting to  $$\frac{1}{2}$$  42,388 thousand, which is the net of effect of deferred income tax directly added or subtracted to shareholders' equity, was recognized as other capital surplus.

(2) In accordance with the regulations regarding securities issuance and disclosure, the Company is required to appropriate, as a reserve for improvement of financial structure besides the legal reserve. Such reserve is not available for the payment of cash dividends, but may be transferred to capital stock or may be used to reduce any accumulated deficit.



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

## 11. DIVIDENDS

Details of cash dividends and dividend payout ratio for the years ended December 31, 2007 and 2006 are as follows:

### (1) Interim dividends

	20	007	2006		
	Common stock	Preferred stock	Common stock	Preferred stock	
Par value per share	5,000	5,000	5,000	5,000	
Dividend ratio	14%	14%	14%	14%	
Dividend per share	700	700	700	700	
Number of shares					
outstanding	8,389,550	1,871,699	8,470,285	1,942,699	
Amount of dividends	5,872,685	1,310,189	5,292,200	1,359,889	

### (2) Year-end dividends

	20	007	2006	
	Common stock	Preferred stock	Common stock	Preferred stock
Par value per share	5,000	5,000	5,000	5,000
Dividend ratio	28%	30%	22%	24%
Dividend per share	1,400	1,500	1,100	1,200
Number of shares				
outstanding	8,381,035	1,837,766	8,463,738	1,896,199
Amount of dividends	11,733,449	2,756,649	9,310,112	2,275,439

## (3) Dividend payout ratio

2007		2006
Total dividends	21,672,972	18,874,639
Net income	48,110,698	51,450,952
Dividend payout ratio	45.05%	36.68%

## (4) Dividend yield ratio

	20	2007		006
	Common stock	Preferred stock	Common stock	Preferred stock
Dividend per share [*1] Market price as of	90,850	53,225	87,050	43,513
balance sheet date	2,100	2,200	1,800	1,900
Dividend yield ratio	2.31%	4.47%	2.07%	4.47%

<sup>[\*1]</sup> The closing price before dividend is determined by an arithmetical average of the closing price in an open market from the basic day to the last week.

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006



As of December 31, 2007, the Company holds treasury stock consisting of 89,250 shares of common stock and 104,933 shares of preferred stock.

### 13. COMPREHENSIVE INCOME STATEMENT

The details of comprehensive income for the years ended December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

	21	007		2006
Net income		48,110,698		51,450,952
Accumulated other comprehensive income (loss):				
Gain on valuation of available-for-sale securities				
(tax effect: <del>W</del> 7,499,960 thousand in 2007 and				
₩8,413,029 thousand in 2006)	19,772,622		22,179,804	
Loss on valuation of available-for-sale securities				
(tax effect: ₩112,534 thousand in 2007				
₩469,771 thousand in 2006)	(296,680)		1,238,487	
Changes in equity arising on application of the				
equity method [*1]	(58,254)		143,090	
Negative changes in equity arising on application				
of the equity method [*1]	(1,102,706)	18,314,982	(61,451)	23,499,930
Comprehensive income		66,425,680		74,950,882

<sup>[\*1]</sup> Regarding the changes in equity using the equity method and negative changes in equity using the equity method, the Company did not recognize deferred income tax assets (liabilities) since the probability of its realization is uncertain.

### 14. INCOME TAX

[1] Income tax expense for the years ended December 31, 2007 and 2006 is computed as follows (Unit: Korean Won in thousands):

	2007	2006
Current income tax	19,614,858	15,151,127
Changes in deferred tax assets (liabilities) of		
temporary differences	7,266,384	62,052,472
Deferred tax deducted to shareholders' equity	(7,387,426)	(56,369,545)
Tax credit	(205,733)	-
Income tax refund [*1]	(6,043206)	-
Additional tax payment	5,454	-
Total income tax expense	13,250,331	20,834,054
Income tax expense of continuing operations	14,117,295	21,471,714
Income tax benefits of discontinuing operations	(866,964)	(637,660)
Net income of continuing operations before income tax	64,513,624	74,603,770
Effective tax rate		
(Income tax expense of continuing operations / Net		
income of continuing operations before income tax)	21.88%	27.93%

<sup>(\*1)</sup> As the Company won the lawsuit related to tax in 2007, the Company received tax refund amounting to ₩5,665,486 thousand. This tax refund is added to non-trade receivables and deducted from income tax expense. In addition, the difference of actual payment in 2007 from non-trade payables in 2006 is deducted from income tax expense.



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(2) The differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows (Unit: Korean Won in thousands):

	20	2007		2006	
	Temporary differences	Permanent differences	Temporary differences	Permanent differences	
Addition	46,430,237	5,237,439	41,344,961	4,927,228	
Deduction	40,155,578	1,498,372	61,250,495	2,709,095	
Net reconciliation	6,274,659	3,739,067	(19,905,534)	2,218,133	

(3) Changes in temporary differences for the years ended December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

		20	007	
	January 1, 2007	Difference	Increase (Decrease)	December 31, 2007
Long-term accrued service fee payable	5,835,035	-	(803,563)	5,031,472
Accrued income	(2,307,706)	-	(530,986)	(2,838,692)
Interest income (MMF)	(51,328)	-	(28,531)	(79,859)
Valuation of marketable securities	(5,070,666)	-	-	(5,070,666)
Accrued severance benefits	42,549,739	-	213,802	42,763,541
Severance insurance expenses	(42,363,530)	-	(400,012)	(42,763,542)
Allowance for doubtful accounts	4,950,098	-	141,440	5,091,538
Bad debt expense	290,408	-	(290,408)	-
Depreciation	313,148	(174,107)	246,426	385,467
Equity method investments	1,799,770	72,461	7,906,484	9,778,715
Accrued expenses (remuneration)	2,490,000	-	815,606	3,305,606
Reserve for returned goods	521,781	-	159,034	680,815
Accrued expenses (mileage)	236,591	-	(127,762)	108,829
Impairment of intangible assets	2,687,602	-	(1,026,872)	1,660,730
Inventories	19,061	-	-	19,061
Deferred income taxes deducted				
from shareholders' equity	(204,980,163)	-	(26,863,368)	(231,843,531)
Gain on valuation of equity-method				
investments	-	-	754,857	754,857
Others	2,400,635	-	· =	2,400,635
Accumulated temporary difference	(190,679,525)	(101,646)	(19,833,853)	(210,615,024)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

		2	006	
	January 1, 2006	Difference	Increase (Decrease)	December 31, 2006
Long-term accrued service payable	27,946,850	-	(22,111,815)	5,835,035
Accrued income	(1,992,020)	-	(315,686)	(2,307,706)
Interest income (MMF)	-	-	(51,328)	(51,328)
Valuation of marketable securities	(5,120,160)	-	49,494	(5,070,666)
Accrued severance benefits	40,523,956	-	2,025,783	42,549,739
Severance insurance expenses	(40,523,956)	-	(1,839,574)	(42,363,530)
Allowance for doubtful accounts	4,509,735	-	440,362	4,950,098
Bad debt expense	290,408	-	-	290,408
Depreciation	118,001	-	195,147	313,148
Equity method investments	1,338,591	(72,735)	533,914	1,799,770
Accrued expenses (remuneration)	3,150,508	-	(660,508)	2,490,000
Reserve for returned goods	1,007,524	-	(485,743)	521,781
Accrued expenses (mileage)	13,076	-	223,515	236,591
mpairment of intangible assets	1,315,340	-	1,372,262	2,687,602
nventories	23,603	-	(4,542)	19,061
mpairment of available-for-				
securities	103,906	814	(104,720)	-
Option with short position	133,685	-	(133,685)	-
Gain on evaluation of trading				
securities	(37,243)	-	37,243	-
Goodwill	30,573	-	(30,573)	-
oss on evaluation of trading				
securities	-	13,500	(13,500)	-
Deferred income taxes deducted				
from shareholders' equity	(172,679,072)	-	(32,301,091)	(204,980,163)
Others	1,432,216	-	968,419	2,400,635
Accumulated temporary difference	(138,414,479)	(58,421)	(52,206,626)	(190,679,525)



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(4) Changes in deferred tax assets and liabilities for the years ended December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

			2007		
	January 1 2007	Increase	December 31, 2007	Current	Non-current
Long-term accrued service fee payable	1,604,635	(220,980)	1,383,655	-	1,383,655
Accrued income	(634,619)	(146,021)	(780,640)	(780,640)	-
Interest income (MMF)	(14,115)	(7,846)	(21,961)	(21,961)	-
Valuation of marketable securities	(1,394,433)	-	(1,394,433)	-	(1,394,433)
Accrued severance benefits	11,701,178	58,796	11,759,974	-	11,759,974
Severance insurance expenses	(11,649,971)	(110,003)	(11,759,974)	-	(11,759,974)
Allowance for doubtful accounts	1,361,277	38,896	1,400,173	1,400,173	-
Bad debt expense	79,862	(79,862)	-	-	-
Depreciation	86,116	19,888	106,004	-	106,004
Equity method investments	494,937	2,194,210	2,689,147	-	2,689,147
Accrued expenses (remuneration)	684,750	224,292	909,042	909,042	-
Reserve for returned goods	143,490	43,733	187,223	187,223	-
Accrued expenses (mileage)	65,063	(35,135)	29,928	-	29,928
Impairment of intangible assets	739,090	(282,391)	456,699	-	456,699
Inventories	5,242	-	5,242	5,242	-
Deferred income taxes deducted from					
shareholders' equity	(56,369,545)	(7,387,426)	(63,756,971)	(89,764)	(63,667,207)
Gain on valuation of equity-method					
investments	-	207,586	207,586	-	207,586
Others	660,175	-	660,175	-	660,175
Accumulated temporary difference	(52,436,868)	(5,482,263)	(57,919,131)	1,609,315	(59,528,446)
Equity method investments [*1]	1,112,613		2,896,733	-	2,896,733
Deferred income tax assets					
(liabilities) [*2]	(53,549,480)		(60,815,864)	1,609,315	(62,425,179)

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			2006		
	January 1 2006	Increase	December 31, 2006	Current	Non-current
Long-term accrued service fee payable	7,685,384	(6,080,749)	1,604,635	-	1,604,635
Accrued income	(547,806)	(86,813)	(634,619)	-	(634,619)
Interest income (MMF)	-	(14,115)	(14,115)	(14,115)	-
Valuation of marketable securities	(1,408,044)	13,611	(1,394,433)	-	(1,394,433)
Accrued severance benefits	11,144,088	557,090	11,701,17	-	11,701,178
Severance insurance expenses	(11,144,088)	(505,883)	(11,649,971)	-	(11,649,971)
Allowance for doubtful accounts	1,240,177	121,100	1,361,277	1,361,277	-
Bad debt expense	79,862	-	79,862	79,86	-
Depreciation	32,450	53,666	86,116	-	86,116
Equity method investments	368,113	126,824	494,937	-	494,937
Accrued expenses (remuneration)	866,390	(181,640)	684,750	684,750	-
Reserve for returned goods	277,069	(133,579)	143,490	143,490	-
Accrued expenses (mileage)	3,596	61,467	65,063	65,063	-
Impairment of intangible assets	361,719	377,372	739,090	-	739,091
Inventories	6,491	(1,249)	5,242	5,242	-
Impairment of available-for-sale					
securities	28,574	(28,574)	-	-	-
Option with short position	36,763	(36,763)	-	-	-
Gain on evaluation of trading securities	(10,242)	10,242	-	-	-
Goodwill	8,408	(8,408)	-	-	-
Loss on evaluation of trading securities	-	-	-	-	-
Deferred income taxes deducted from					
shareholders' equity	(47,486,745)	(8,882,800)	(56,369,545)	-	(56,369,545)
Others	393,859	266,316	660,175	-	660,175
Accumulated temporary difference	(38,063,982)	(14,372,885)	(52,436,868)	2,325,568	(54,762,436)
Equity method investments	(919,688)		(1,112,613)	-	(1,112,613)
Deferred income tax assets (liabilities)	(37,144,294)		(53,549,480)	2,325,568	(55,875,050)

<sup>(\*1)</sup> The realization of the temporary differences on equity method investments is uncertain excepted.

### 15. COMMITMENTS AND CONTINGENCIES

(1) As of December 31, 2007, the Company has credit agreements with Woori Bank amounting to  $\frac{1}{2}$ 25,000 million for the corporate purchase card.

(2) As of December 31, 2007, the Company provides guarantees amounting to  $\mbox{$W$}3,520$  million for certain lessees in relation to the lessees' guarantee deposits and also guarantees amounting to  $\mbox{$W$}15,000$  million for YTC (Chinese Test for Young Learners) in relation to business guarantee deposits. Seoul Guarantee Insurance has provided the Company with a guarantee for performance and others up to  $\mbox{$W$}1,128$  million as of December 31, 2007.

(3) The Company shall pay a certain percentage of sales as royalties to Two Hands Media Co., Ltd. (formerly Daekyo Global Associate) relating to the use of intellectual property rights over 'Noon-no-pi Math'. Based on this contract, the Company paid \text{\psi}2,193 million and \text{\psi}2,143 million to Two Hands Media Co., Ltd. in 2007 and 2006, respectively.

(4) The Company entered into contracts with free-lance instructors to manage its educational service members. In accordance with the contracts, the Company pays instructors a certain percentage of monthly cash collections from its educational service members. Expenses

<sup>(\*2)</sup> The tax effect of accumulation temporary differences when corresponding temporary differences are expected to be reversed or realized.



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in relation to these contracts amounted to \\$\forall 356,847\$ million (2006: \\$\forall 360,050\$ million) for the year ended December 31, 2007. The Company is required to adjust the instructors' monthly fees of educational service depending on net increase or decrease in number of educational service members. The Company is also required to pay instructors a certain amount based on cumulative cash collections from its educational service members upon the cancellation of the contracts between the Company and the instructors.

(5) On March 30, 2005, the Company acquired 75% ownership in Bertelsmann Korea Co., Ltd., after which this investee changed its name to Daekyo Bertelsmann Korea Co., Ltd. As committed by the Company, if the said investee incurs cumulative losses totaling ₩4 billion, its shareholdings in the investee may be reduced to 50% and if the said cumulative losses exceed ₩4 billion, the Company must exercise its preemptive rights to purchase the investee's new shares for up to ₩3 billion. Should the investee be eventually liquidated, the Company will shoulder all liquidation costs.

(6) The Company and Daekyo America, Inc. were named as defendants in a lawsuit filed in the District Court of California, U.S.A. by Kumon U.S.A. Inc. in 2003. The plaintiff seeks claims for the alleged illegal use of the plaintiff's intellectual properties. The outcome of these lawsuits is uncertain.

[7] Daekyo Bertelsmann Korea Co., Ltd. did an unequal curtailment of capital (\text{\psi}2,900 million, 292,533 shares) without compensation for the reduction of accumulated deficit, and the ratio of shareholding of the Company became 60.59%.

### 16. EARNING PER SHARE

(1) The weighted-average number of common stocks outstanding in 2007 is calculated as follows (Unit: Korean Won in thousands, except per share amount):

	Number of shares issued	Number of days outstanding	Weighted number of shares
January 1, 2007	8,470,285	365	3,091,654,025
Treasury stock	(82,203)	365	(20,274,509)
December 31, 2007	8,381,035		3,071,379,516
			365 days
The weighted average number of shares			8,414,738

(2) The weighted-average number of preferred stocks outstanding in 2007 is calculated as follows (Unit: Korean Won in thousands, except per share amount):

	Number of shares issued	Number of days outstanding	Weighted number of shares
January 1, 2007	1,942,699	365	709,085,135
Treasury stock	(56,903)	365	(27,374,163)
December 31, 2007	1,837,766		681,710,972
			365 days
The weighted average number of shares			1,867,701

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(3) The net income for common stocks and preferred stocks for the years ended December 31, 2007 and 2006 is as follows (Unit: Korean Won in thousands):

	2007	2006
Net income	48,110,698	51,450,952
Net income for preferred stocks	(8,803,033)	(9,694,175)
Net income for common stocks	39,307,665	41,756,777

The net income for preferred stocks for the years ended December 31, 2007 is calculated as follows (Unit: Korean Won in thousands):

Net income		48,110,698
	Common stocks	11,733,449
Dividends	Preferred stocks	2,756,649
	Total	14,490,098
Surplus after dividends	_	33,620,600
Surplus of the preferred stocks	₩ 33,620,600 thousand	
after dividends of the preferred stocks	*1,837,766/(1,837,766+8,381,035)	6,046,384
Net income of the preferred stocks	Dividend for preferred stocks plus	
'	surplus of the preferred stocks after dividends	8,803,033

(4) The earning per common share for the years ended December 31, 2007 and 2006 is as follows (Unit: Korean Won in thousands, except per share amount):

	2007	2006
Net income for common shares	39,307,665	41,756,777
The weighted average number	8,414,738	8,469,444
Earning per common share	4,671	4,930

(5) The earnings per share for preferred stocks for the years ended December 31, 2007 and 2006 is as follows (Unit: Korean Won in thousands, except per share amount):

2007	2006
8,803,033	9,694,175
1,867,701	1,935,142
4,713	5,010
	1,867,701

(6) The earning per common share for the years ended December 31, 2007 and 2006 relating to continuing operations is  $\pm$ 4,933 and  $\pm$ 5,092, respectively.



## 17. RELATED PARTY TRANSACTIONS

(1) The Company's ultimate parent company is Daekyo Holdings Co., Ltd.

(2) Significant transactions, which occurred in the normal course of business with affiliated companies for the years ended December 31, 2007 and 2006, are as follows (Unit: Korean Won in thousands):

	2007		20	2006	
	Sales	Purchases	Sales	Purchases	
Parent company					
Daekyo Holdings Co., Ltd.	1,488	-	1,395	972,400	
Subsidiaries					
Daekyo Book Center Co., Ltd.	1,345,498	1,593,907	165,284	4,527,321	
Daekyo Bertelsmann Korea Co., Ltd.	-	3,134,572	795,654	1,461,317	
Daekyo EOL Co., Ltd.	749	2,489,579	710	2,530,893	
Daekyo America, Inc.	272,660	616	230,377	17,701	
P.T Daekyo Indonesia	51,793	-	-	-	
Daekyo Hong Kong Co., Ltd.	132,087	-	47,212	-	
Daekyo Japan Co., Ltd.	-	-	2,540	-	
Beijing Daekyo Co., Ltd.	213,244	-	183,728	5,000	
Sanghai Daekyo Co., Ltd.	139,473	-	59,712	-	
Daekyo Malaysia Sdn. Bhd.	148,500	-	125,372	-	
Fermatedu Co., Inc.	891,089	562,849	71,712	40,707	
The First CS Academy Co., Ltd.	-	1,477,498	-	-	
Daekyo Sobics Co., Ltd.	1,017,242	1,370	-	-	
Other related parties	1,748,322	61,783,273	1,210,690	74,754,933	
-	5,962,145	71,043,664	2,894,386	84,310,272	

(3) The related account balances outstanding as of December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands).

	2007		200	06
	Receivables	Payables	Receivables	Payables
Parent company				
Daekyo Holdings Co., Ltd.	182	155,250	127	155,250
Subsidiaries				
Daekyo Book Center Co., Ltd.	1,475,411	130,230	3,961	692,401
Daekyo Bertelsmann Korea Co., Ltd.	278,098	312,874	487,108	935,691
Daekyo EOL Co., Ltd.	355	2,756	315	6,735
Daekyo America, Inc.	107,551	-	105,290	-
P.T Daekyo Indonesia	27,652	-	-	-
Daekyo Hong Kong Co., Ltd.	50,126	-	390	-
Beijing Daekyo Co., Ltd.	111,872	10,000	47,386	10,000
Yanbian Daekyo Co., Ltd.	-	-	18,671	-
Sanghai Daekyo Co., Ltd.	44,754	-	20,640	-
Daekyo Malaysia Sdn. Bhd.	174,912	-	62,487	-
Fermatedu Co., Inc.	912,487	-	13,880	39,970
The First CS Academy Co., Ltd.	-	361,487	-	-
Daekyo Sobics Co., Ltd.	1,001,758	1,005,762	-	-
Other related parties	10,236,743	8,212,034	10,329,873	15,550,203
	14,421,901	10,190,393	11,090,128	17,390,250

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(4) The compensation costs to key management (directors and internal auditors who have significant control and responsibilities on the Company's operation and business) for the year ended December 31, 2007 are summarized below (Unit: Korean Won in thousands):

	2007
Salaries	4,049,928
Post-retirement benefit [*1]	438,783
	4,488,711

<sup>(\*1)</sup> Estimated amount of accrued severance benefits for key management as of December 31, 2007. Provision for severance benefits for key management is \\ \psi 667,283 \\ \text{thousand.}

### 18. STATEMENTS OF CASH FLOWS

Significant transactions not affecting cash flows for the years ended December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

	2007	2006
Reclassification of the inventories to other investment assets	-	1,312,831
Reclassification of the inventories to right to use donated assets	-	401,663
Current maturities of long-term loans	-	5,845,246
Current maturities of available-for-sale securities	2,157,232	-
Reclassification of the construction-in-progress to land,		
buildings and others	42,342,376	-
Reclassification of the development costs to software,		
equipments and others	3	-
Reclassification of the initial throw-in equipment to right to use		
donated assets	19,923,304	-
Current maturities of long-term accounts payable	-	3,000,000

### 19. LOSS ON DISCONTINUED OPERATIONS

(1) On April 30, 2007, the board of directors approved the transfer of Sobics school business and Sobics institution business ("Sobics business segment") to Daekyo Sobics Co., Ltd., for the concentration on the Noonnoppi Education business, which is the Company's main business.

As of April 30, 2007, the total assets and liabilities of the Sobics business segment are  $\[Milling]$ 1,901,018 thousand and  $\[Milling]$ 345,988 thousand, respectively. Operating loss amounting to  $\[Milling]$ 4,230,259 thousand, loss on inventory removal amounting to  $\[Milling]$ 451,146 thousand, impairment loss on development costs and loss on inventory obsolescence amounting to  $\[Milling]$ 47 thousand are included in the loss on discontinued operations. Relating to the loss on discontinued operations amounting to  $\[Milling]$ 2,231,428 thousand, the income tax effect is  $\[Milling]$ 4613,643 thousand.

(2) On April 30, 2007, the board of directors approved the transfer of Sobics library business ("Library business segment") to Daekyo Book Center Co., Ltd., for the concentration on the Noonnoppi Education business, which is the Company's main business.

As of April 30, 2007 the total assets and liabilities of the Library business segment are 44,481,068 thousand and 43,661,322 thousand, respectively. Relating to the loss on discontinued operations amounting to 4921,166 thousand, the income tax effect is 4253,320 thousand.



FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

## 20. VALUE ADDED INFORMATION

Value added information for the years ended December 31, 2007 and 2006 are as follows (Unit: Korean Won in thousands):

	2007	2006
Salaries	119,070,664	125,472,336
Provision for severance benefits	12,255,611	16,974,057
Employee benefits	26,238,480	25,690,135
Rental charges	16,093,753	16,397,703
Depreciation	11,219,455	10,933,478
Taxes and dues	1,896,073	1,693,178
	186,774,036	197,160,887

## 21. CONDENSED FINANCIAL INFORMATION FOR THE FOURTH QUARTER PERIOD

Condensed financial information (based on unaudited financial statements) for the fourth quarter period ended December 31, 2007 and 2006 is as follows (Unit: Korean Won in thousands, except per share amounts):

Description	2007. 4Q	2006. 4Q	
Sales	209,996,128	210,705,251	
Cost of sales	167,748,927	170,710,908	
Operating income	10,759,444	8,784,248	
Net income (loss)	(6,170,520)	5,842,861	
Net income (loss) per common share	(604)	563	

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

## 22. SELLING AND ADMINISTRATIVE EXPENSES

The Company's selling and administrative expenses for the years ended December 31, 2007 and 2006 consist of the following (Unit: Korean Won in thousands):

	2007	2006
Salaries and wages	15,466,470	17,553,060
Severance benefits	2,596,753	1,702,218
Employee benefits	5,176,788	5,736,155
Travel	407,791	330,851
Communication	597,894	642,504
Utilities	958,838	733,746
Taxes and dues	1,697,737	1,515,512
Rental	109,783	342,692
Depreciation	6,033,166	5,105,404
Repairs	751,355	210,940
nsurance	463,712	418,685
Entertainment	511,272	691,973
Advertising	39,345,430	39,103,467
=reight	1,909,887	2,042,085
Commissions	27,475,119	27,233,351
Research and development	236,572	391,007
Bad debt	-	461,462
Supplies	293,829	523,056
Publication	857,725	1,072,794
Training	1,287,470	1,682,928
/ehicles maintenance	145,957	168,591
Broadcasting within the firm related expenses	468,252	473,158
Amortization expenses on intangible assets	5,565,507	6,454,363
Miscellaneous	63	338
	112,357,370	114,590,340

# INDEPENDENT ACCOUNTANT'S REVIEW REPORT ON INTERNAL ACCOUNTING CONTROL SYSTEM ("IACS")

English Translation of a Report Originally Issued in Korean

## To the Representative Director of Daekyo Co., Ltd.

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Daekyo Co., Ltd. (the "Company") as of December 31, 2007. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2007, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2007, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2007, and we did not review its IACS subsequent to December 31, 2007. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

March 11, 2008

Daloitte amjin Luc

# REPORT ON THE OPERATIONS OF THE INTERNAL ACCOUNTING CONTROL SYSTEM

## To the Board of Directors and Auditors of Daekyo Co., Ltd.

I, as the Internal Accounting Control Officer ("IACO") of Daekyo 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, 2007.

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, 2007, in all material respects, in accordance with the IACS standards.

February 18, 2008

Deloitte anjin LLC

## STOCK INFORMATION

## IR Activities in 2007

### Conference for earning release

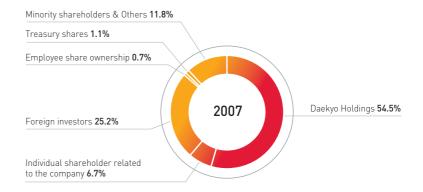
- At end of quarter (April, July and October)
- Presented quarterly operating performances

### Overseas non-deal road show

- From June 26 to 29 (Europe), from September 10 to 14 (the US)
- Visited foreign shareholders, analysts and institutions
- Presented operating performances and overall business status

### Participation in the IR Conferences

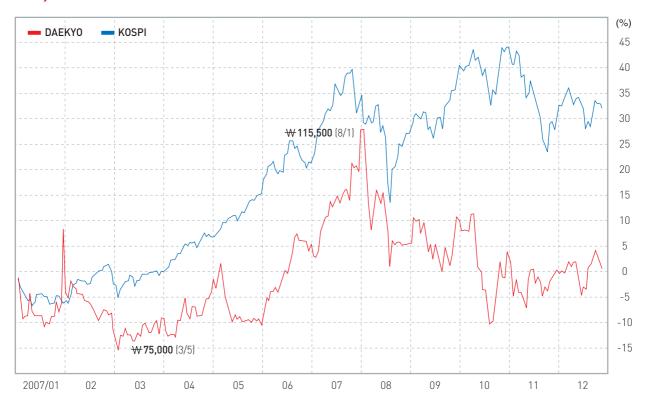
- KRX IR Conference in Hong Kong and Singapore (from May 30 to June 1)
- Global Investors Conference sponsored by Samsung Securities (from May 10 to 11)



## Ownership Structure (common skock, as of Dec. 31, 2007)

Shareholders	No. of Shares	Ownership(%)	
Daekyo Holdings	4,617,120	54.5	
Individual shareholder related to the company	567,708	6.7	
Foreign investors	2,138,505	25.2	
Employee share ownership	63,386	0.7	
Treasury shares	89,286	1.1	
Minority shareholders & Others	994,280	11.8	
Total	8,470,285	100.0	

## **Yearly Share Price**



## Major Investment Indices (common Stock)

(KRW, multiple, share)	2007	2006	2005
No. of shares	8,470,285	8,470,285	8,470,285
Share price (H/L)	115,500 / 75,000	93,500 / 65,400	90,600 / 56,600
Earnings per share	4,671	4,930	5,806
PER (H/L)	24.7 / 16.0	18.9 / 13.2	15.6 / 9.7
Book value per share	54,466	52,426	47,664
PBR (H/L)	2.1 / 1.4	1.8 / 1.2	1.9 / 1.2
Dividends	2,100	1,800	1,650
Propensity to dividend(%)	45.05	36.68	28.64

## History

1075		2000	
1975	The first state of the state of	2000	
January	- The founder opened Jong-am Class	January June	- Singapore franchise opened - Noonnoppi Love Team created
1976		July	- Noonhoppi Love Team Created - Edupia.com, an Internet education portal, opened
July	- Korea Gongmoon Math Center opened	October	- Daekyo receives Grand Prize in the service sector
-			from Korea Standards Association
1986		November	- New Zealand franchise opened
December	- Daekyo Co., Ltd. founded	December	-Daekyo receives Grand Prize in Customer
1987			Satisfaction category from KMA
September	- Daekyo membership exceeded the 100,000 mark	2001	
	Backyo membership exceeded the 100,000 mark	April	- Daekyo Network Co., Ltd. renamed into Daekyo
1989		r	Holdings
July	- Daekyo held the first Math Olympiad for Children	December	- Daekyo joins "1%Club" of Federation of Korean
1990			Industries
			- Safe Kids Korea founded as part of Corporate Social
February	- Daekyo Publishing Co., Ltd. founded		Responsibility Program
1991		2002	
February	- Daekyo Educational R&D Institute established	February	- UK franchise opened
	- Daekyo membership exceeded the 500,000 mark		- Edupia.com membership exceeds the one million
August	- L.Abased Daekyo America founded		mark
1992		May	- Calritz Language Schools opened
January	- Daekyo Culture Foundation established	July August	- Australia franchise opened - Daekyo Japan Inc. established
	- Daekyo Culture i ounuation established	September	- Yanbian Human Resources Training School
1993			established
June	- Daekyo membership surpassed the one million		- Sobics, a brand for infants/toddlers, developed
	mark	October	- Beijing Daekyo Skills Learning Co., Ltd. established
September	- Daekyo Network Co, Ltd. launched	November	- Kangaroos women's soccer team formed
October	- Noonnoppi Awards for Children's Books established	December	- Philippine franchise opened
1995		2003	
December	- Daekyo moved to Noonnoppi Boramae Center, the	April	- E. nopi, Daekyo's overseas brand, launched
	new headquarters building		- Hawail franchise opened
1997		May	- Soluny (English language forum/reading forum)
	- Daekyo Hongkong Inc. founded	luno	launched Malaysia franchisa ananad
March	- Noonnoppi Women's Badminton Team formed	June August	<ul> <li>Malaysia franchise opened</li> <li>Shanghai &amp; Daekyo Consulting Co., Ltd. established</li> </ul>
May	- Daekyo Canada founded	September	- Edupia.com membership exceeds the 1.5 million
October	- Yong-in Distribution Center constructed		mark
1999			- Tianjin office of Shanghai & Daekyo Consulting Co.,
March	- Noonnoppi brand ranked 1st in the brand power	October	Ltd. opened - Indonesia franchise opened
Mai Cii	survey by Korea Management Association	December	- Indonesia franchise opened - Daekyo USA founded
June	- Noonnoppi Math, selected as a Long-Lived Hit		, , , , , , , , , , , , , , , , , , ,
	Product by KMA		
	- Noonnoppi membership surpasses the two million		
	mark		

February June	<ul> <li>- Daekyo listed on the Korea Stock Exchange</li> <li>- Sobics Headquarters launched</li> </ul>	November	<ul> <li>- Daekyo wins Prime Minister Prize and Excellent CEO</li> <li>Prize at Korea Innovative Company Awards</li> </ul>
2005	'		- Soluny ad wins Excellence Prize in Broadcasting category at Korea Advertising Awards
Мау	- Chairman Young-joong Kang assumed Chairman- ship of Badminton World Federation	December	- Gongbuwarac, a on-line junior-high education site launched
September	- Edupia.com membership breaks the 2 million mark - CAIHONG Chinese launched	2007	
2006		January	<ul> <li>Noonnoppi and CAIHONG Chinese win Grand Priz at Parents' Education Brand Awards, organized b</li> </ul>
January	<ul> <li>Noonnoppi, CAIHONG Chinese and Futurekids receives Grand Prize in the Parents' Choice of Educational Brand Awards sponsored by the Women's Newspaper</li> </ul>	February	Women's Newspaper  - Daekyo, selected as official Korean administrator of Chinese Test for Young Learners (YCT)  - Daejeon Noonnoppi Center opened
March	- Daekyo ranked first in brand power (K-BPI) for eighth consecutive year	March	- Reorganized the outfit into Noonnoppi busines division and new business division for responsible
May	- Daekyo won Grand Prize in Korea's Most Trusted Company Awards co-hosted by the Korea Economic Daily and Korean Consumers' Forum		management - CAIHONG Chinese membership exceeded 50,000 persons
	<ul> <li>Noonnoppi, chosen as one of the best brands by women in a survey conducted by the Women's</li> </ul>	May	<ul> <li>Established a local branch in Indonesia</li> <li>Daekyo Sobics Launched</li> </ul>
July	Newspaper - Daekyo wins fourth Korean Educational Industry	June	<ul> <li>Established the Bongam Institute, an educational foundation</li> </ul>
	Award from the Ministry of Education and Human Resources Development (Noonnoppi, CAIHONG Chinese and Sobics)  - Daekyo celebrates 30th anniversary	July August October December	<ul> <li>Opened the first Noonnoppi Learning Center</li> <li>Opened the Daekyo Vietnam (Franchise)</li> <li>Grand Opening of Daekyo HRD Center</li> <li>Moved the head office from Noonnoppi Borama</li> </ul>
	<ul> <li>Fermatedu Co., Ltd. acquired</li> <li>Daekyo wins Korea Great Workplace Award from the Korea Economic Daily and Eltech Trust Management</li> </ul>	2008	Center to Noonnoppi Sadang Center
	Institute - Gongbuwarac studio and website opened	January	- Selected as a national service provider fo 'Children's Cognitive Ability Enhancement Service' b
August	- Daekyo stroke a deal on the Public Education Program of the US's California Education District		the Ministry of Health & Welfare - Daekyo Educational R&D Institute acquired ISO 900
September	<ul> <li>Sobics Mungo, Korea's biggest bookstore, opened</li> <li>Daekyo tops Korean Customer Satisfaction Index (KCSI) of KMA</li> <li>Daekyo wins Grand Prize in Women-Chosen Good Company Awards sponsored by Women's Newspaper</li> <li>Noonnoppi and Soluny win Grand Prize in Brand of the Year Awards co-hosted by Korea Economic Daily and Korean Consumers' Forum</li> <li>Noonnoppi wins Grand Prize in the 6th Best Womenfriendly Company Awards of Womantimes</li> </ul>	February March	<ul> <li>(Quality Management System) certification</li> <li>Edupia wins Grand Prize in 8th Korea Web Awards</li> <li>Daekyo ranked 1st in Korea Brand Power Index (KBPI) in the area of worksheet with tutoring for 1 consecutive years</li> <li>Evaluated as qualified for middle school's 1st Grad text book (2 types in Math, 1 type in English)</li> </ul>
	- Noonnoppi Education tops Education Services category in National Brand Competitiveness Index (NCBI), compiled by Korea Productivity Center		



## Daekyo Holdings (www.edaekyo.net)

Daekyo Holding is the holding company of Daekyo group. Its major business includes the efficient investments in subsidiaries, and development, investment, merger & acquisition of promising new businesses.

## Daekyo D&S (www.daekyodns.co.kr)

Daekyo D&S is a company specializing in real-estate development and asset management. The company is expanding its business areas from building management into the operation of golf courses.

## Daekyo CNS (www.daekyocns.com)

Daekyo CNS provides comprehensive IT services such as system integration (SI), system management (SM), IT consulting and IT infra services.

### Daekyo ENC (www.kids17.net)

Daekyo ENC provides high-tech video contents suitable for the multimedia age through the only cable channel for children & toddlers, Daekyo Children's TV and the digital satellite broadcasting, KIDS SKY. It also provides learning programs of various genres and intends to strategically engage in video-related businesses.

### **Daishin Leisure**

Daishin Leisure was established in 2005 by Daekyo C&S for the purpose of operating leisure business. It pursues the creation of eco-friendly cultural spaces with various composite leisure facilities, and is developing a leisure spot that can be loved by people from all over the world.

## Gangwon Deep Sea Water

Gangwon Deep Sea Water was established to enter the environment & biotechnology related sector and health & leisure business. The company is engaging in research, development, manufacturing and sales of deep sea water products and considering Therasophia (sea water treatment facility) business.

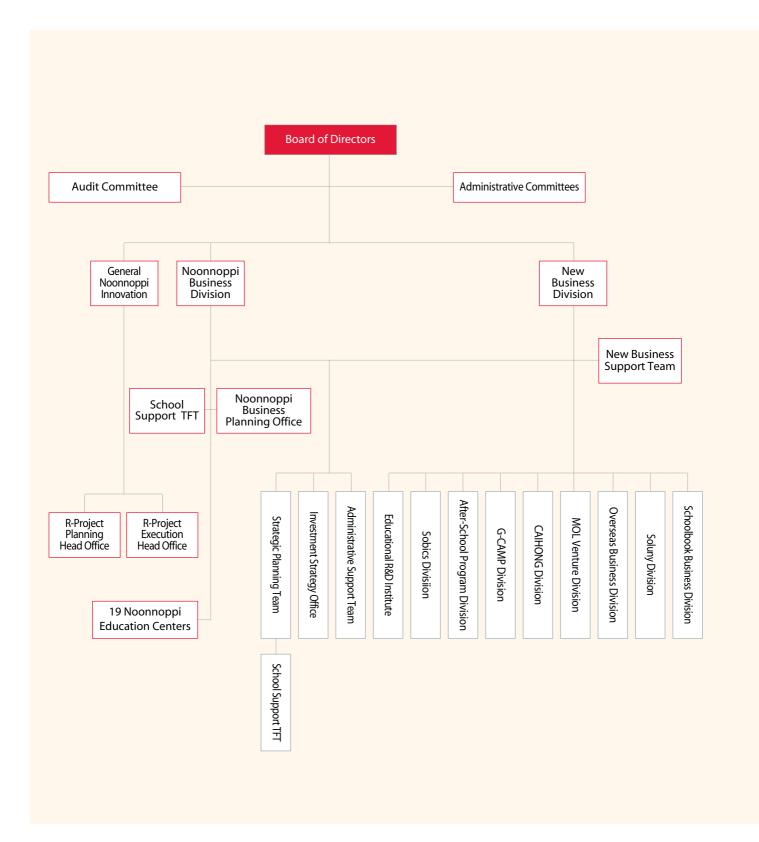
### Daekyo Publishing (www.daekyobook.co.kr)

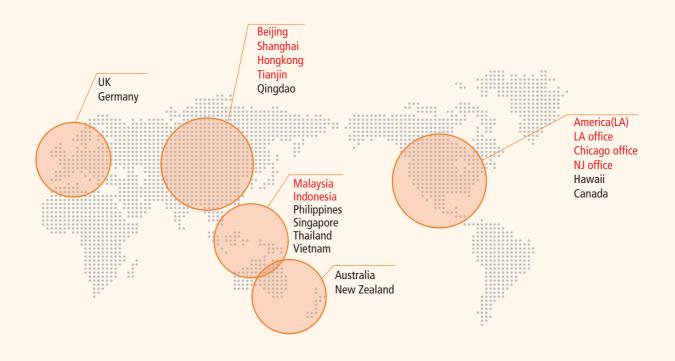
Daekyo Publishing, a specialty publishing company for children's books, contributes to their emotional and intelligent development. It leads the way in an ever-changing educational environment, and is cultivating a proper educational principle and genuine publishing culture through good books instilled with substantial knowledge and bright dreams.

### Daekyo Culture Foundation (www.dkculture.org)

The Daekyo Culture Foundation was established on December 27. 1991, based on the wishes of Daekyo Inc. and its subsidiaries to create a sound education and culture environment by returning profits to society and to create healthy families and a healthy society.

## Daekyo Holdings Co., Ltd. Daekyo D&S Co., Ltd. (90.06%) Daekyo Co., Ltd. (54.51%) Daekyo Bertelsmann Korea Co., Ltd. (60.59%) Daekyo Book Center Co., Ltd. (82.15%) Daekyo EOL Co., Ltd. (56.53%) Daekyo Fermatedu Co., Inc. (50.99%) Daekyo First CS Academy Co., Ltd. (50.00%) Daekyo Sobics Co., Ltd. (83.72%) Daekyo P.T Daekyo Beijing Daekyo Co., Ltd. Shanghai Daekyo Malaysia Sdn. Indonesia. (100%) Co., Ltd. (100%) Bhd. (100%) (99.00%) Daekyo America Inc. DBES Limited. Daekyo Hongkong (66.54%) (50%) Co., Ltd. (47.89%) Daekyo CNS Co., Ltd. (100%) Daekyo ENC Co., Ltd. (100%) Gangwon Deep Sea Water Co., Ltd. (50.00%) Daishin Leisure Co., Ltd. (90.06%) Daekyo Publishing Co., Ltd. (62.40%) Daekyo Culture Foundation





• Overseas Subsidiaries

Franchises

Descriptions	Company Name	Daekyo's Ownership(%)
	Daekyo America Inc.	66.5
	DBES Limited.	50.0
	Daekyo Hongkong Co.,Ltd.	47.9
Overseas Subsidiaries	Beijing Daekyo Co.,Ltd.	100.0
	Shanghai Daekyo Co.,Ltd.	100.0
	Daekyo Malaysia Sdn.Bhd.	100.0
	P.T Daekyo Indonesia.	99.0

