

annual
report
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LG Engineering & Construction Corp.



COMPANY PROFILE

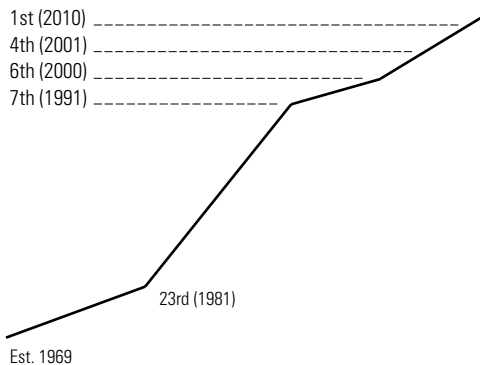


LG Engineering & Construction Corporation has grown into one of Korea's leading construction firms, completing numerous projects inside and outside Korea since its establishment in 1969. The corporate philosophy stresses creating value for customers and maximizing space utilization. Projects are carried out with the aim of bringing people, technology and the environment together in harmony, and on-site safety is paramount. LG E&C currently engages in projects ranging from high-rise office buildings and apartment complexes to civil engineering and industrial plants. The company has moved beyond the domestic market, making inroads into world markets.

LG E&C has remained Korea's most profitable listed construction company since 1999, and net income reached ₩161 billion in 2002.

The corporate goal is to be the best in every field of endeavor, holding the top share of the domestic construction market by 2010.

OUR EXECUTION CAPACITY RANKING



BUSINESS AREA

<i>Civil Engineering</i> Road/Tunnel/Bridge Port & Harbors Underground	<i>Architecture</i> Commercial Buildings Industrial Factories Hotel/Condominium Cultural Center
<i>Plant</i> Oil Refinery Petrochemical Gas Process Power Plants Environmental Facilities	<i>Housing</i> Residential Buildings Apartments Officetels

FINANCIAL HIGHLIGHTS

For the fiscal year ended December 31

(Unit: billions of Won)

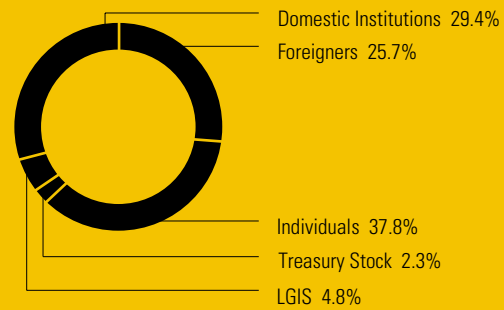
	2000	2001	2002
Sales revenue	2,708	3,153	3,175
Operating profit	225	255	276
Net profit	124	160	161
EPS (Won)	2,458	3,199	3,225
Total assets	2,378	2,645	2,662
Total liabilities	1,610	1,713	1,613
Total shareholders' equity	768	932	1,049

NEW ORDERS

(Unit: billions of Won)



OWNERSHIP



HISTORICAL ROE AND DIVIDENDS



TO OUR SHAREHOLDERS AND INVESTORS

All of our employees have worked as a team to elevate LG Engineering & Construction Corporation qualitatively and quantitatively in the year since my appointment as President in March 2002. Our collective efforts have achieved excellent results, setting the stage for a new round of growth in 2003. I would like to share those results with you here.

2002 Initiatives

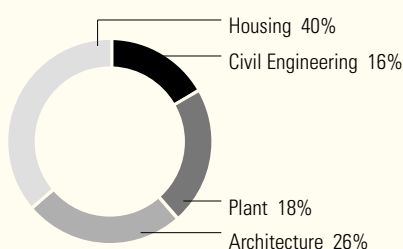
Since becoming President, I have focused on our increasing new orders from the public sector to improve portfolio balance. To this end, we have taken the steps necessary to expand our participation in turnkey and privately funded infrastructure (PFI) projects-areas with high added value. The Housing Division, our largest unit, launched the new "Xi" apartment brand, and an aggressive PR and advertising campaign have been conducted to raise brand awareness and preference.

We strengthened the organization through restructuring. The section of the Civil Engineering Division responsible for environment-related projects such as wastewater treatment plants, water purification systems and incinerators was merged with its counterpart in the Plant Division. The marketing function in the Housing Division was reinforced to better cope with an increasingly difficult domestic housing market. Our overseas operations will focus solely on plant projects, an area where we have a strong competitive edge. Finally, we formed a new Human Resources Development Team to bolster our training activities.

Meanwhile, we continued to upgrade our Project Management System (PMS), integrating the construction and engineering functions. Data access was expanded and improved through the installation of an Enterprise Information Portal(EIP), and we now boast the most efficient IT infrastructure in the domestic construction industry. In October, meanwhile, we became the Korean construction industry's first to launch a dedicated IR homepage, separate from the corporate homepage. Access to the latest data is now available via our new IR homepage.

We received ₩3.63 trillion in new orders during 2002, down 2% from the previous year. Our total sales came to ₩3.17 trillion in 2002, up slightly year on year, while ordinary income totaled ₩245.1 billion, a 9% increase over 2001.

SALES BY DIVISION





I believe that our growing a great company will maximize the returns to you, our shareholders and investors. In the coming year, we aim to achieve our best performance ever and move a step closer to our goal of being the top player in the market.

2002 Performance Results

We received ₩3.63 trillion in new orders during 2002, down 2% from the previous year. The order backlog totaled around ₩7.3 trillion at year's end, with an additional ₩4.5 trillion in housing projects for which we have been named the contractor but still await government approval. Our total sales came to ₩3.17 trillion in 2002, up slightly year on year, while ordinary income totaled ₩245.1 billion, a 9% increase over 2001.

Total sales in 2002 break down as 16% for the Civil Engineering Division, 18% for the Plant Division, 26% for the Architecture Division and 40% for the Housing Division. Although the Housing Division had a little bit of large share of total sales, increased turnkey government orders for the Civil Engineering Division improved our overall business structure. Indeed, we now enjoy one of the most balanced portfolios in the Korean construction industry.

Our 2002 performance was outstanding when compared with that of our domestic competitors. We ranked fourth in Korea in orders received and total sales, but our profitability indicators continued to be the best in the industry. As for financial soundness, our net debt-to-equity ratio stood at 20% at the end of 2002, and we expect to lower this figure further in 2003.

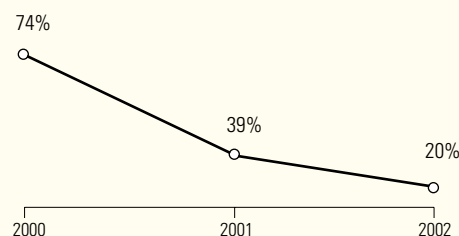
2003 Plans & Strategies

Our target for new orders in 2003 is ₩5 trillion, aggressively going after new contracts to improve our year-on-year performance. Our focus will be on turnkey projects for environmental protection facilities, buildings and civil works in the public sector. We are reconstructing many old apartment complexes, but we are also expanding our involvement in redeveloping private home sites into new apartment complexes.

We have set our 2003 sales target at ₩3.4 trillion. The Housing Division will contribute some 39% of total sales in 2003, but we will continue to improve the balance of our overall business portfolio. Our goal by 2010 is to reduce the Housing Division's share of the sales mix from 40% to 30%, while raising the Civil Engineering Division's share from 16% to 23% and the Plant Division's share from 18% to 23%.

We are confident our ordinary income will be even higher in 2003 as we continue to strengthen internal monitoring functions. Pre-project feasibility studies will be tightened further to minimize losses, and ordinary income from

NET D/E RATIO



overseas projects will be more carefully managed. If necessary, we will dispose of bad debts, inventories and fixed assets quickly to elevate return on invested capital, thereby raising our EVA.

In addition, IR activities for you, our shareholders and investors, will be stepped up in 2003 to help boost our shareholder value. My CFO and I will join a road show that is scheduled to make stops in North America, Europe and Asia in 2003.

In early 2003, we are going to announce a new vision and mid-/long-term strategy for making LG E&C the best in the business. Now, we are moving forward in a clear direction to achieve this goal.

Our vision is to be the most reliable partner by maximizing value through creative solutions. Our performance targets for 2010 are ₩12 trillion in new orders and ₩9 trillion in sales, holding the top share of the Korean market and earning 5% of ordinary margin overseas.

In 2003, the first year of this ambitious new undertaking, we will take on the following key tasks:

Every effort will be made to increase the orders received from the Korean government. We will aggressively pursue redevelopment projects in northern Seoul and promote our "Xi" brand apartments.

We will also move into new fields such as nuclear power plant and harbor construction, while our risk management policy and approach will be tightened further. At the same time, we will continue to secure core personnel, enhance our platform for core technology, upgrade our IT infrastructure and raise our overall competitiveness.

Our HR management capabilities will continue to improve on the one hand, while greater investment will be made in leadership, ethics and foreign language training. At the same time, our personnel evaluation system will include team-based performance incentives and competency at the organizational unit level will be measured.

The domestic and overseas business environment was difficult in 2002, yet we managed to keep growing. The many tasks initiated in 2002 will be continued in the coming year as we strive to break our own performance record and move closer to our stated long-term goal.

The company must grow steadily to ensure maximum returns for shareholders and investors. I can assure you we are committed to this task and want to thank you for your support. I look forward to meeting with many of you in the coming year.

Kab-Ryul Kim ____ President & CEO



2002 HIGHLIGHTS

Qatar Oil Refinery Expansion Completed | In July 1998, LG E&C won an order to expand the capacity of Qatar's QP Refinery (formerly known as the National Oil Distribution Co.) from 57,500 bpd to 137,000 bpd. The US\$700 million project involved the construction of two condensate splitters at a refinery located at Mesaeed, 45 kilometers south of the Doha, the capital of Qatar.

Construction was completed on January 12, 2002.



• **New Apartment Brand Launched** |

Xi 자이 "Xi" (for "eXtra Intelligent") was formally launched September to replace "LG Village" as the appellation for apartments built by LG E&C.



The new brand name suggests state-of-the-art luxury apartments

preferred by society's most sophisticated people. • **Privately Funded Highway Opened** |



LG E&C acted as the lead company of an 11-company consortium that constructed an 81km highway stretch between Chonan and Nonsan, Korea. The project was begun in 1997 and the highway was officially opened to traffic on December 23, 2002. This is the

shortest route linking the capital with the Central Region and Southwest. • **New President Appointed** | The Board of

Directors appointed Executive Vice President Kab-ryul Kim as President & CEO on March 20, 2002 as part of the annual personnel reshuffle. President Kim graduated from Korea University in Business Administration and initially worked at LG Chemical.



He first came to LG E&C as Managing Director and served as the Finance Team Chief of the LG

Restructuring Headquarters before becoming Executive Vice President & CFO for LG E&C. He was formally inaugurated as the company's tenth CEO in a ceremony held on March 21. • **Outstanding Model of Corporate Governance** |



2002 Good Corporate Governance Award was presented to LG E&C by the Korean Stock Exchange in recognition of its contribution to the protection of investors and the development of the securities market by practicing high corporate governance standards.

• **Surge in Housing Projects** | LG E&C was selected as the contractor for apartment reconstruction projects totaling ₩1.34 trillion in 2002. Projects include the ₩331 billion Korea National Housing Corp. (KNHC) Complex 2 in Seoul's Godeok District

awarded in March followed by the ₩104 billion KNHC AID Apartments in Busan's Haeundae District in April. In July, LG E&C won

the ₩369 billion Po-il KNHC Complex 1 & 2 in Euiwang City as well as the ₩363 billion Eunma Apartments in Seoul's Daechi

District. At year's end,



the company was named the contractor a KNHC apartment reconstruction

project in Incheon. • **Kuwait Oil Refinery Order** | On October 28, LG E&C received a US\$140 million order from Kuwait National

Petroleum Co. (KNPC) to expand the ARDS units in an existing refinery.



The turnkey project, which

will include engineering, procurement and construction, began in November and is scheduled for completion in September 2004.



• **Beijing Twin Towers Kicked Off** | A groundbreaking ceremony was held on July 26 to kick off the

construction of the LG Beijing Twin Towers, which will serve as the China Headquarters for LG affiliates

when completed in early 2005. The two buildings will be constructed on a 13,163m² site and be 30 stories (135 meters) tall with

four basement levels. The project will cost an estimated US\$400 million. • **LG Gangchon Resort** | The condominiums at the LG

Gangchon Resort, a year-around getaway for the entire family, were available to the public from July 5, and the ten ski and

snowboard slopes were officially opened on December 7.

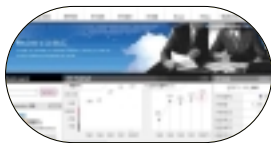


The 15-story condominiums have

222 units and banquet rooms. The resort complex includes a variety of support facilities as well. • **IR Homepage** | The

dedicated LG E&C investor relations homepage (www.lgencir.com), a first in the domestic construction industry, was opened on

October 1.



The move into cyber space expands accessibility and provides an interactive communication

channel. Previously, IR activities were mainly focused on institutional investors and analysts, but now individual investors also

have free access to the latest IR information. • **TFT-LCD Plant** |



LG E&C specializes in the construction

of TFT-LCD plants. LG E&C completed LG Philips LCD's P4 plant project in Gumi, and started the construction of LG Philips LCD's P6

plant project in Gumi, Korea and a TFT-LCD assembly plant project in Nanjing, China.

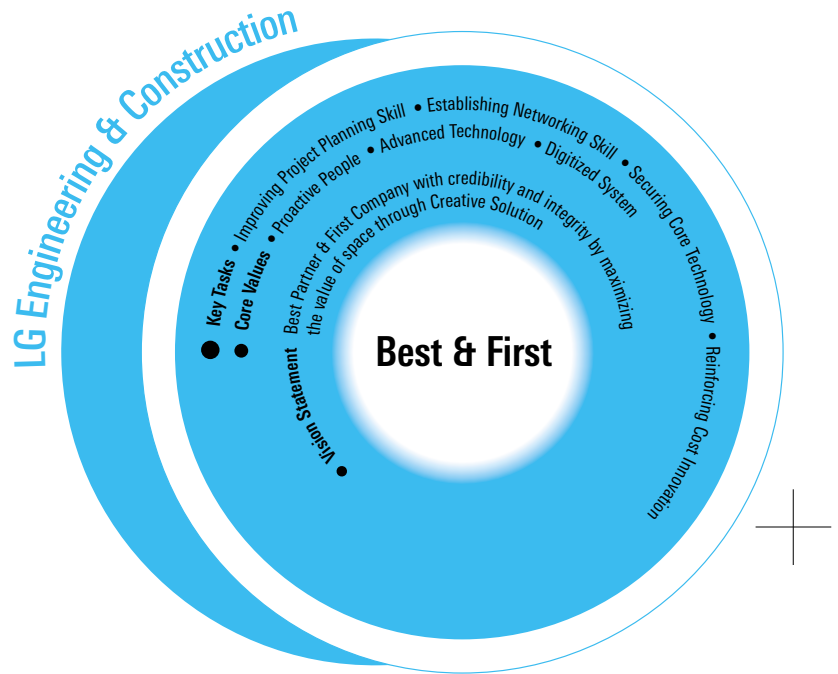
VISION & STRATEGY

Vision

LG E&C envisions providing creative solutions that maximize the value of space. Topnotch human resources, policies and solutions will be employed to achieve the top in brand preference, shareholder value, market share and profitability.

2003 2004 2005 2006 2007 2008 2009

2010



Core Values

The LG E&C corporate philosophy stresses core values to guide conduct in pursuit of corporate goals. Competitiveness in human resources, technology, and systems is essential for realizing the company's ambitious vision.

Proactive People LG E&C encourages innovative thinking and decisive implementation. Internal networks are used as much as possible, and personnel are taught to place the highest priority on teamwork and on-site activities.

Advanced Technology LG E&C is committed to achieving world-class R&D capabilities, and research focuses on technologies for creating new business opportunities.

Digitized Systems Digital systems are being developed to integrate operations globally and serve as the platform for all business activities. Work processes can be carried out more quickly, precisely and transparently as a result.

Key Tasks

Employees focus on innovation to cut costs as well as improve core technology, networking and project-planning skills, thereby raising value in pursuit of the corporate vision.

Improved Project Planning Employees are constantly improving capabilities to conduct feasibility studies, gather data and manage knowledge to offer total solutions.

Better Networking Skills Networks and partnerships are being strengthened to enhance marketing and win more projects.

Core Technology Acquisition The technological competitiveness of current business lines is being raised while overall R&D capabilities are being expanded and core technology developed for new fields.

Greater Cost Innovation The costs of all process are constantly being lowered and process-related infrastructure upgraded to generate greater income.

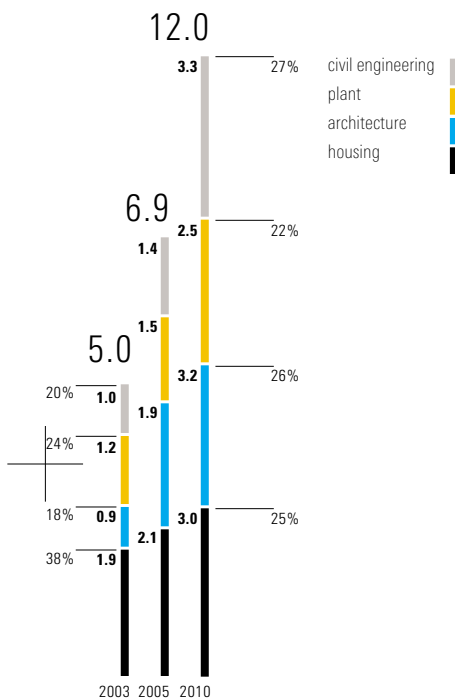
Strategy

Goals

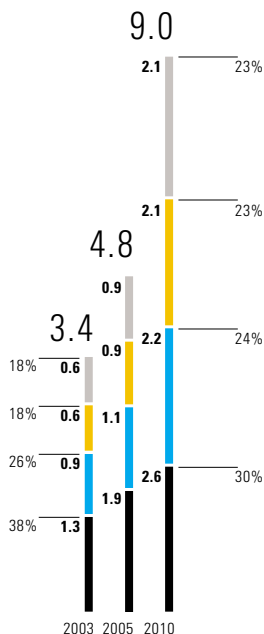
LG E&C aims to receive W12 trillion in new orders a year and W9 trillion in annual sales by 2010.

The goal is to have the top share of the Korean market and to earn 5% of ordinary margin overseas.

(Unit: trillions of Won)



NEW ORDERS



SALES REVENUES

Core Strategies

Restructure Portfolio over Mid-/Long Term

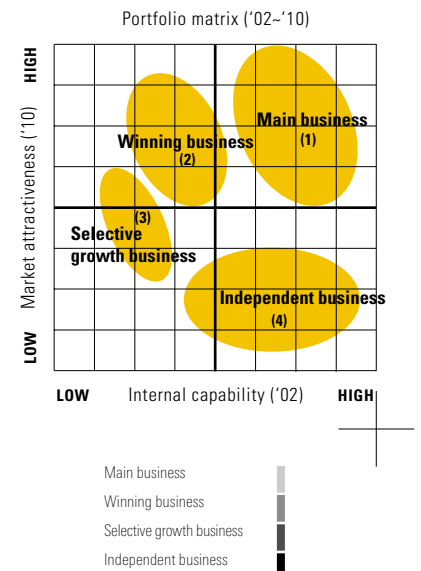
Selectively concentrate company competencies in four areas related to civil engineering, plant, office building and residential projects. These areas include (1) projects with maximum return on investment, (2) development projects as growth engine for existing business lines, (3) selective investment projects, and (4) projects with proper revenue margins.

Increase Specialization

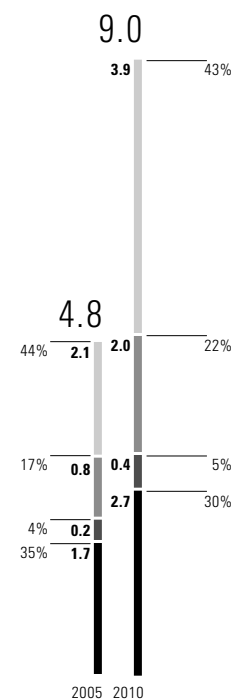
The Civil Engineering Division will expand involvement in turnkey infrastructure projects including highways and railroads. The Plant Division plans to concentrate on profitable overseas refinery and petrochemical plant projects. The Architecture Division will continue raising technology expertise, focusing on high-rise buildings, clean rooms and other high-tech projects. Finally, the Housing Division will maximize the power of its new brand while cultivating marketing capabilities and winning apartment reconstruction projects.

Advance into New Fields

Steady growth of mainstay areas will serve as the business base, while LG E&C works to break into new fields with high potential. The Civil Engineering Division will focus on harbor projects, while the Plant Division will advance into overseas gas production and environmental protection facilities. The Architecture Division will pursue turnkey projects, while the Housing Division strive to win more residential redevelopment projects.



(Unit: trillions of Won)



BUSINESS PORTFOLIO

trust we share

“

I am filled with confidence whenever I work with LG E&C. I am often amazed at their thoroughness every step of the way, from structural design to construction and post-project follow-up. The trust we share upon project completion is a major asset.

”







success is in hand

“

Petrochemical plant projects are both massive and demanding, so selecting the right contractor is extremely important. Our partnering with LG E&C was a very wise decision. Each time I look around the site, I can feel confident success is in my grasp.

”



“

I've gotten into the habit of looking around at the buildings each morning on my way to work. I can feel the presence of LG E&C's fine handiwork everywhere. Hearing a word of praise from a client makes me feel great all day. This building has become a source of pride for me.

”

pride for me





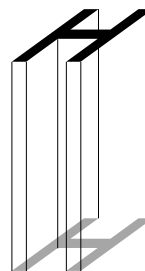


dream come true

I love everything about this place-the bright sunshine on the windowsill, the forest scent wafting on the breeze, the sound of my child laughing. This is the first home for my husband and I. The LG apartment is more than a place to live; it's a dream come true.



Mu-Shung Hwang Executive Vice President, Head of Civil Engineering Division



Steel Forms for High-tension PSC Crossbeams

Steels forms have replaced the plywood forms used for making bridge crossbeams out of high-tension prestressed concrete (PSC). As a result, the number of workers required is reduced and construction period shortened, cutting costs and improving safety.

The Civil Engineering Division, which achieved over ₩1.17 trillion in new orders in 2001, saw new orders drop sharply to ₩471 billion in 2002, while sales dipped from ₩540 billion to ₩514 billion during the same period. By contrast, gross margin improved from 15.5% to 22.6% in 2002, due to the high profitability of our order backlog & rigorous cost-cutting efforts.

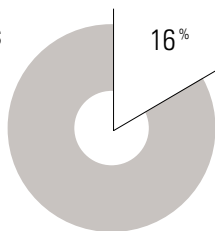
Indeed, we faced numerous difficulties as we

embarked on a new path for growth in 2002. However, our goal for new turnkey project orders, a top priority for the year, was met. Sales were slightly below the original target, but ordinary income was up 148% year on year in 2002, marking the highest profitability ever for the Division. Not satisfied, we have set even more ambitious goals: be ranked third in Korea for sales by 2005 and first in both sales and new orders by 2010.

To this end, our focus is on improving cost competitiveness for government projects, bolstering capabilities to win turnkey project orders, and going after PFI projects by differentiating our project planning and operation capabilities.

civil. engineering

PORTION OF TOTAL SALES





West Sea Grand Bridge

Client: Korea Highway Corporation | Location: Dangjin, Korea
Contract Period: Nov. '93 - Dec. '00 | Project Descriptions: - Bridge length: (FCM & PSM) 3.2km



Seoul Beltway Section No. 6

Client: Seoul Beltway Corp.

Location: Namyangju, Korea

Contract Period: Jun. '01 - Jun. '06

Project Descriptions: - Length: 36.3km, - 5 Tunnels, - 50 Bridges



Chonan-Nonsan Highway Section No.3

Client: Chonan-Nonsan Highway Co.

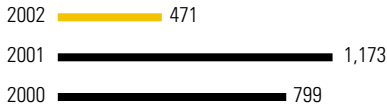
Location: Gongju, Korea

Contract Period: Dec. '97 - Dec. '02

Project Descriptions: - Length: 12.42km, - 14 Bridges, 2 Tunnels

NEW ORDERS

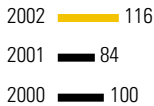
(Unit: billions of Won)



SALES REVENUES



GROSS PROFIT



The Civil Engineering Division in 2002

Amid a lackluster business environment, the Civil Engineering Division focused on expanding opportunities to participate in the turnkey project market, upgrading the marketing system and organization capabilities, and improving the decision-making process. Thanks to these efforts, the Division received ₩185 billion worth of new turnkey project orders, including Section No. 3 of the Yeosu-Yangpyeong Road, Sihwa Multi-Techno Valley Complex site preparation, and Section No. 1 of the new Gyeongsang-Cholla Rail Line in 2002.

Sales for the year totaled ₩514.4 billion. This performance can be attributed in part to the completion of major projects such as the Chonan-Nonsan Highway. In addition, processes were devised to minimize costs from the beginning stage of projects, while all processes at road construction sites were strictly supervised.

Gross profit amounted to ₩116 billion in 2002, up 39% year on year and making this the most profitable year on record for the Division.

The Civil Engineering Division was very successful with turnkey projects, winning three out of the four projects on which it bid. LG E&C's technical capabilities regarding turnkey projects is gaining greater attention from clients, enabling the company to compete head to head with other firms.

2003 Goals and Strategies

The Civil Engineering Division will continue to step up marketing activities and bolster its abilities to win new orders for turnkey projects to expand its hold on public sector contracts. The Division will focus on PFI projects as well.

In the PFI sector, which is engaged mainly in road construction, organizational competencies will be strengthened to increase involvement in harbor & railroad projects.

A new project management system (PMS+) and online approval system are to be adopted at current construction sites for the efficient project management. Costs are also strictly controlled through this efficient project management system to meet the target budget.

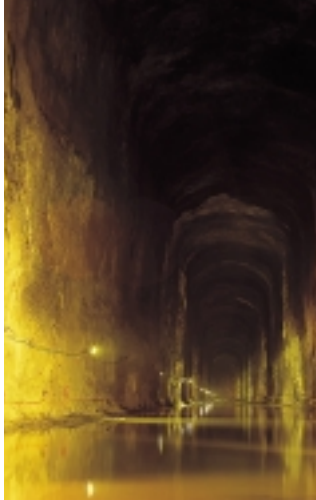
Seoul Subway Section No. 6-10

Client: Municipality of Seoul
Location: Seoul, Korea
Contract Period: Oct. '94 - Jul. '01
Project Descriptions:
- Open Method Tunnel: 2.96km
- Station length: 665m



U-T-1 Oil Storage

Client: Korea National Oil Co.
Location: Yeosu, Korea
Contract Period: Jun. '91 - Oct. '96
Project Descriptions:
- Storage Tunnel: 5.78km



New Airport Highway Section No. 2

Client: New Airport Highway Co.
Location: Incheon, Korea
Contract Period: Apr. '96 - Feb. '01
Project Descriptions:
- Length: 10.6km
- 10 Bridges



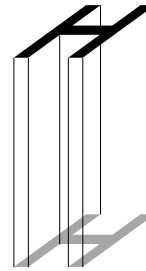
Incheon LPG Storage

Client: LG-Caltex Oil Co.
Location: Incheon, Korea
Contract Period: Dec. '96 - Aug. '00
Project Descriptions:
- Length of Storage Tunnel: 4.28km
- Port Access Facility: 55,000DWT, - Dredging: 2.13 Million m³





Sang-Ryong Woo Executive Vice President, Head of Plant Division



Bar Code System for in pipeline projects Schedule Control

The Plant Division has introduced a unique system that uses bar codes for controlling the schedule of pipeline projects. Schedule control is thorough and in real time, reducing project time and minimizing losses from errors.

We enjoyed a banner year at the Plant Division in 2002, completing major overseas projects such as the US\$700 million oil refinery expansion project in Qatar and a US\$94 million gas oil desulfurization project in Kuwait. Our success in these projects has elevated our status as an engineering, procurement and construction (EPC) contractor.

At the same time, we achieved excellent results in the Korean market for power plants. Our

competencies related to environment protection facilities were also enhanced as we prepare to advance into this field.

We won major new orders overseas, including the OCR revamp of ARDS units in Kuwait and the Tupras Izmir Oil Refinery in Turkey.

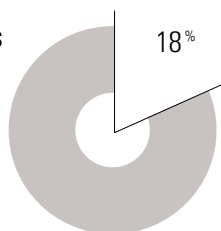
Moreover, we are scheduled to start a project involving gas-processing facilities for Phase 9 & 10 of the Iran South Pars gas field in 2003. A firm foundation is now in place for stable

growth over the mid-/long term.

The employees at the Plant Division will not be complacently satisfied with accomplishments to date. Rather, we are working closely together to further enhance our abilities to win new contracts and carry out projects. Our collective goal is to compete with the world's best as an international EPC contractor.

plant

PORTION OF TOTAL SALES





MMA (YM-2) Project

Client: LG MMA Corp. | Location: Yosu, Korea

Contract Period: Jan. '01 - Jan. '03 | Project Descriptions: - MMA: 50,000 MTPY, - Isobutylene: 44,500 MTPY



Taeon Coal-Fired Power Plant

Client: Korea Western Power Co.
Location: Taeon, Korea
Contract Period: Nov. '97 - Sept. '02
Project Descriptions: - Plant capacity 500MW x 2

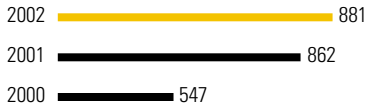


No.3 PX Project

Client: LG-Caltex Oil Corp.
Location: Yosu, Korea
Contract Period: Mar. '01 - Feb. '03
Project Descriptions: - ParaXylene: 400,000 MTPY
- Offsite & Tankage

NEW ORDERS

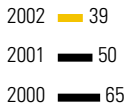
(Unit: billions of Won)



SALES REVENUES



GROSS PROFIT



The Plant Division in 2002

The Plant Division received ₩81.3 billion in new orders during 2002, up 2.2% from the previous year's figure of ₩862.4 billion. Domestic project orders climbed 31% year on year to reach ₩272.1 billion, while delays in major overseas project orders caused new order performance to drop 6.9% to ₩609.2 billion.

Overall 2002 sales amounted to ₩582.9 billion, down 7.6% from 2001. Although domestic sales were brisk, the Division suffered the decline because several major overseas projects were completed and it was forced to wait before starting up new ones.

The completion of major petrochemical plant and oil refinery projects in 2002 elevated the Plant Division's project management and technological capabilities in the eyes of foreign clients. This enhanced recognition has enabled the Division to move into gas processing facilities such as the US\$1.6 billion South Pars Project in Iran.

In Korea, meanwhile, the Plant Division completed Taeon Coal-fired Power Plant No. 5 & 6 and has continued to develop and implement advanced construction methods such as boiler modularization. As a result, the Division is well positioned to win the Incheon Combined-cycle Power Plant Project and has laid the groundwork for entry into the nuclear power plant area.

2003 Goals and Strategies

Favorable market conditions are predicted for 2003. High oil prices are expected to drive facility expansion in the Middle East and increase facility investment in Korea. Rising demand for energy will create greater opportunities in the thermal and nuclear power sectors as well, and the need for environmental protection facilities will continue to grow.

The Division anticipates the recovery of growth and profitability in 2003, given the positive market outlook and the Division's solid revenue structure. A more aggressive business posture will be taken in the days ahead.

Competencies will be enhanced for winning domestic nuclear power plant projects and government contracts, while the scope of the Division's involvement in environment-related facilities will be expanded. The Division will selectively focus on profitable projects overseas as well. Core competitiveness will be boosted; the Six Sigma quality initiative will be promulgated, and project execution will be thorough as part of ongoing efforts to improve project management expertise.

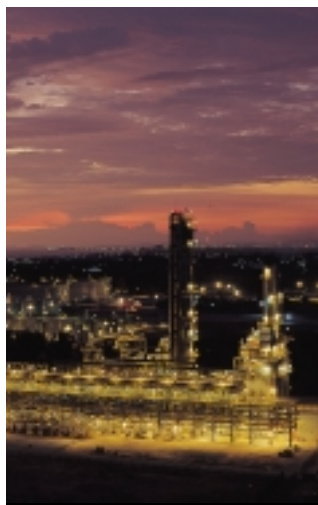
NODCO Refinery Expansion Project

Client: Qatar Petroleum
Location: Mesaieed, Qatar
Contract Period: Jan. '99 - Mar. '02
Project Descriptions:
- Refinery Revamping, - FCC Complex
- Condensate Refinery



TPI 150,000BPSD Refinery Project

Client: Thai Petrochemical Industry Public Co., Ltd.
Location: Rayong, Thailand
Contract Period: Jun. '96 - Oct. '00
Project Descriptions:
- CDU: 150,000 BPSD



LG-Dow Polycarbonate Project

Client: LG-DOW Polycarbonate Ltd.
Location: Yosu, Korea
Contract Period: Aug. '99 - Jan. '01
Project Descriptions:
- Polycarbonate: 65,000 MTPY



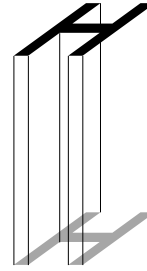
LG.Philips LCD P4 Environmental Project

Client: LG.Philips LCD
Location: Gumi, Korea
Contract Period: Feb. '00 - Jan. '01
Project Descriptions:
- VOC Removal System, - Scrubbing System





Yong-Hwa Kim Executive Vice President, Head of Architecture Division



LG-BAS (Bar-bending Automation System)

A CAD system integrates rebar shop drawings and has an automated quantity calculation function. The program prepares a bar bending schedule, bar list and statistical chart that breaks down quantities according to section, floor, location and building. This system has raised both quality and productivity on-site.

Architecture Division: Message from Top Management

The Architecture Division faced many changes at home and abroad during 2002. The volume of available work fell and competition among construction companies intensified, but we managed to win many new orders and maintain strong sales.

We laid the groundwork for winning more turnkey projects and government contracts, while in the private sector we made profitability the top priority in selecting projects to pursue.

Our completion of the Dongguk University Buddhist Hospital project bolstered our

competitiveness in hospital construction. At the same time, we solidified our leadership in the remodeling market, which continues to grow.

We completed a large-scale TFT LCD plant while winning more orders, thanks to our world-class competitiveness in TFT LCD fabrication and clean room facilities. We are currently in charge of building the LG Beijing Twin Towers and an TFT LCD plant in Nanjing, paving the way for greater involvement in China as the market opens up to foreign players.

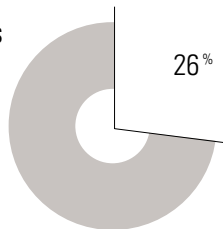
All members of the Architecture Division are committed to building on the past year's performance. We will take maximum advantage of our technological capabilities, break into new business domains, and raise our competitiveness to achieve steady growth and help LG E&C rise to the top of the industry.



architecture

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PORTION OF TOTAL SALES



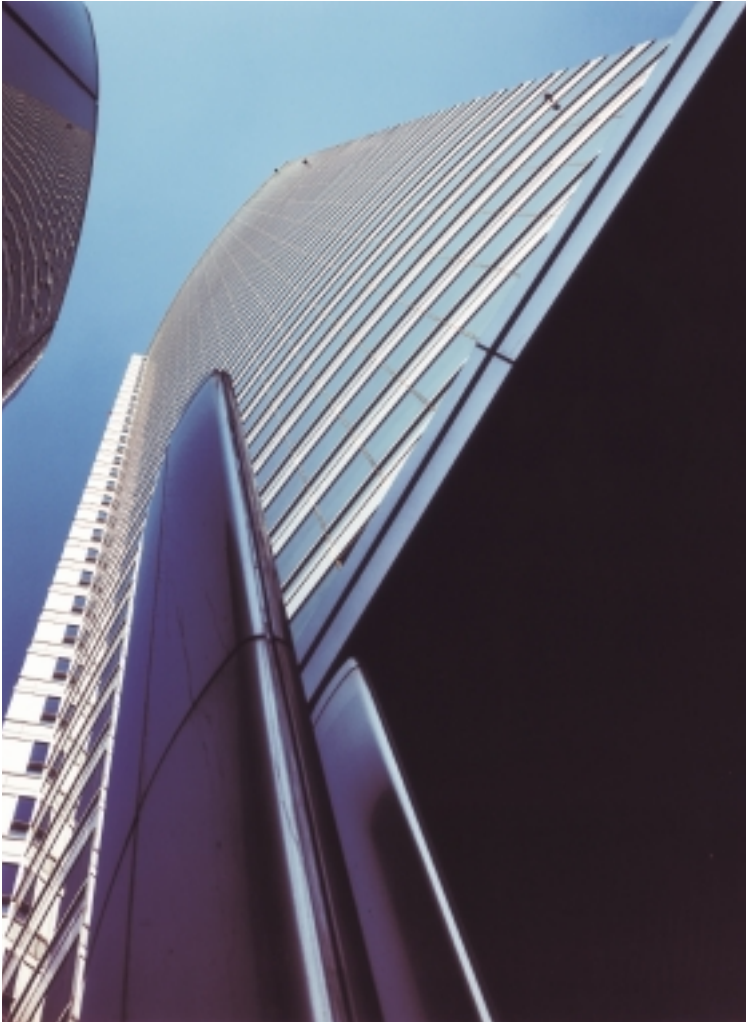


LG Gangnam Tower

Client: LG Mart Co., Ltd. | Location: Seoul, Korea | Contract Period: Dec. '94 - Aug. '99
Project Descriptions: - Total floor area: 141,551.69m² (38 Stories, 6 Underground levels)

Buddhist Hospital

Client: Dongguk University
Location: Koyang, Korea
Contract Period: Nov. '99 - Sept. '02
Project Descriptions: - Total floor area: 91,276m² (12 Stories, 2 Underground levels)



ASEM Convention Center & Expansion of Korea International Trade Center

Client: Korea International Trade Association
Location: Seoul, Korea
Contract Period: Nov. '96 - Mar. '01
Project Descriptions: - Total floor area: 156,174m²

NEW ORDERS

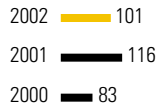
(Unit: billions of Won)



SALES REVENUES

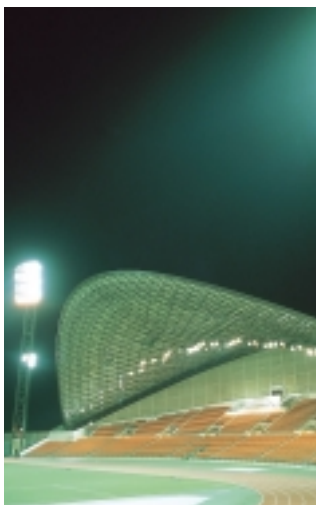


GROSS PROFIT



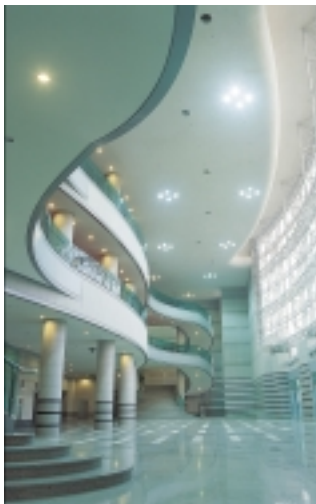
Stadium of Imam University

Client: Imam University
Location: Riyadh, Saudi Arabia
Contract Period: May '84 - Dec. '92
Project Descriptions:
- Total floor area: 88,148m²



Changwon Arts & Cultural Center

Client: Municipality of Changwon
Location: Changwon, Korea
Contract Period: Dec. '93 - Mar. '00
Project Descriptions:
- Total floor area: 40,481.3m² (2 Stories, 3 Underground levels)



LG LCD P4

Client: LG Philips LCD
Location: Gumi, Korea
Contract Period: Mar. '00 - May. '02
Project Descriptions:
- Total floor area: 177,315m² (6 Stories, 2 Underground levels)



Technical Research Institution of LG Chemical

Client: LG Chemical Ltd.
Location: Daejeon, Korea
Contract Period: Nov. '91 - May. '97
Project Descriptions:
- Total floor area: 83,530.59m² (3 Stories, 3 Underground levels)



The Architecture Division in 2002

The Architecture Division received ₩750.1 billion in new orders in 2002, down 5.6% from the ₩794.4 billion figure recorded a year earlier. Fewer government contracts were available, and their value tended to be less than in previous years. New orders from this government sector dropped 39%, from ₩174.8 billion in 2001 to ₩106.5 billion in 2002. Meanwhile, LG E&C made profitability a top priority in the private sector market in 2002, lowering the amount of new orders received 27% year on year, from ₩289.9 billion to ₩212.8 billion. On the other hand, orders received from other LG affiliates rose 38% to ₩430.8 billion, thanks in large part to new projects in China & to TFT-LCD projects.

Sales for the government and private sectors amounted to ₩512.4 billion in 2002, a 7% rise year on year. On the other hand, sales from LG Group projects were down 18% to ₩307.3 billion in 2002, bringing total sales for the year down 4% to ₩819.7 billion. This total breaks down as 94% from domestic projects and 6% from overseas. Gross margin was 12.3% of total 2002 sales, down from 13.5% a year earlier. The drop is attributed to higher costs for raw materials as well as intensified competition for new orders.

The Chinese construction market has vast potential and is forecast to emerge as the world's largest. LG E&C has broken into this market with orders for an TFT LCD plant in Nanjing and the new LG Headquarters in Beijing. Now, preparations are being made in advance of the Chinese market opening to outside competition.

In Korea, meanwhile, the Architecture Division completed the Dongguk University Buddhist Hospital and is building a new hospital for the Eulji University School of Medicine. An increase in specialists and new systemized processes have enhanced the company's competitiveness in hospital construction, enabling the Division to secure additional orders for Sacred Mary's Hospital at Uijeongbu and a hospital in Busan's Namcheon District. The Division is now ready to make hospital construction a specialized, strategic business line.

The Division has also gained a leading position in the remodeling market, completing the Samcheong-Gak Cultural Facility Project and winning an order to upgrade systems at the Korea Export-Import Bank.

LG E&C utilized in-house technology to complete an TFT LCD P4 plant for LG-Philips, establishing a strong position for TFT LCD plant and clean room projects. The company has since received a series of orders for next-generation TFT LCD fabrication facilities as its reputation in this area continues to grow.

2003 Goals and Strategies

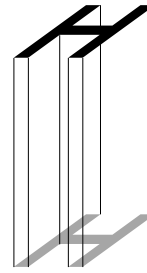
Every effort will be made to further project management experience and technical expertise in the execution of current projects. At the same time, the Architecture Division will aggressively pursue projects that include architectural planning and consulting, an area of growing demand in Korea. The Division will focus on cultivating financing capabilities and skyscraper construction projects, which have an established entry barrier. The long-term objective is to concentrate on high-tech projects.

The Division is also strengthening relations with topnotch design engineers to increase involvement in turnkey government projects, which are less sensitive to ups and downs in the economy.

Cost competitiveness is a key element for securing a comparative advantage as competition for new orders continues to intensify. To this end, on-site risks are being carefully analyzed in cooperation with subcontractors, and the results will be reflected in future project estimates.



Yong-Hwa Kim Executive Vice President, Head of Housing Division



Soundproofing Between Units

Room temperature vulcanizing (RTV) silicon rubber has been developed to replace mortar in floors. This material is more airtight than mortar, preventing noise from passing through cracks in the concrete.

Housing Division: Message from Top Management

The Korean government's diversified housing policy has made the housing market more difficult for builders. Despite the adverse conditions, the Housing Division achieved the best profitability and stability in the industry in 2002.

We have sold off all the units in large apartment complexes and commercial/residential buildings and received a series of new orders for major apartment reconstruction and redevelopment projects. As a result, our new orders in 2002 were up 77.1% year on

year, while we increased our sales by 11.7% over 2001.

In the second half of 2002, we adopted the new "Xi" brand for our apartments, which are designed to satisfy the needs of people who want an ultramodern living environment. This new brand has been very well received by consumers.

The outlook for the Korean housing market is not bright in 2003. However, the Housing Division will aim to secure ₩2 trillion in new orders while making profitability the highest

priority. The market is still feeling the lingering after-effects of Korea's 1997-98 financial crisis and a conservative mood prevails. However, the Division plans to pursue growth and stability simultaneously in the days ahead.

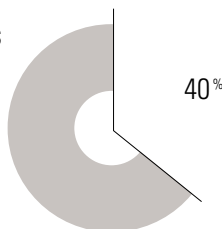
We will continue to develop products with greater added value and market aggressively for new orders. Our goal is to be first in the Korean housing market with annual sales of ₩2 trillion within the next three years.

housing



- "Xi" [Zai] is LG's new brand that will be used on all future apartments.
- "Xi" means "eXtra Intelligent".

PORTION OF TOTAL SALES



40%



Metro City I

Client: LG E&C | Location: Busan, Korea
Contract Period: Nov. '99 - Nov. '02 | Housing Units: 922



Harbor Town

Client: Seil Industry
Location: Busan, Korea
Contract Period: Jan. '97 - May. '99
Housing Units: 86 (Officetel)

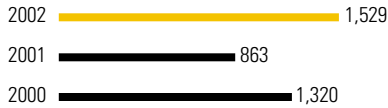


Suji LG Apartment III

Client: Donghoon Int. Co.
Location: Yongin, Korea
Contract Period: Nov. '99 - Aug. '02
Housing Units: 1,234

NEW ORDERS

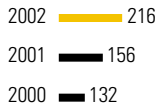
(Unit: billions of Won)



SALES REVENUES



GROSS PROFIT



The Housing Division in 2002

New orders for 2002 exceeded ₩1.53 trillion, a 77.1% increase over the ₩863.2 billion figure for 2001. Annual sales were also up 11.7% year on year to surpass ₩1.26 trillion. Gross margin, which was 13.8% of sales in 2001, improved dramatically to 17.2% for 2002, thanks to a recovering domestic housing market and the completion of large-scale apartment complexes such as Suji LG Apartments III & V in Yongin during the year.

The Division's major apartment sales campaigns, including LG Sinbong Xi II in Yongin and LG Wondang Xi I in Hanam, were highly successful. At the same time, ₩1.34 trillion in new apartment reconstruction projects such as Godeok #2 and Poil Apartment Complexes were received and the Division broke into the apartment redevelopment market by winning four projects.

Competition has risen for the sale of apartments in Seoul and the surrounding vicinity. In response, LG E&C has introduced the "Xi" brand to differentiate its product and image. This cache for luxury living will be used on all future apartments built by LG E&C.

The company has also entered the market for high-rise buildings with both commercial and residential functions, starting with the 37-story LG Yongsan Eclat project. The sale of this building space is proceeding smoothly and most of the units were sold by the end of 2002.

2003 Goals and Strategies

LG E&C must market aggressively to achieve the top position in the Korean housing industry while following new mid-/long-term strategies. The product line will be diversified in 2003 as part of an effort to become the nation's top housing supplier. The Housing Division supplied 6,000 new units in 2002 but plans to offer 15,000 new units in 2003, an increase of 250%.

If the opportunity arises, LG E&C will acquire the land on which to build apartments—something that did not happen in 2002. The company will also aggressively pursue new opportunities in northern Seoul and provincial cities, with special effort focused on apartment redevelopment projects in the Seoul area, and do its best to get permit approval for reconstruction projects.

Munraedong LG Apartment

Client: Seil Industry Co.
Location: Seoul, Korea
Contract Period: May '99 - Dec. '01
Housing Units: 1,302



New Sanbon Apartment II

Client: LG E&C
Location: Gunpo, Korea
Contract Period: May '00 - Apr. '03
Housing Units: 914



Yongsan LG ECLAT

Client: Morgan Adams Korea
Location: Seoul, Korea
Contract Period: Sept. '02 - Dec. '05
Housing Units: 1,272



LG Kaistel

Client: Yeolsung Officetel
Location: Incheon Airport, Korea
Contract Period: Sept. '01 - Jul. '03
Housing Units: 515





Young-Hwa Seo Executive Vice President, Head of Technology Center

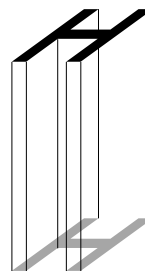
The Technology Center has the specialized R&D capabilities to carry out large-scale, high-tech projects. Each year, we achieve noteworthy results in developing new technologies, supporting new order receipt and providing on-site technical support.

Our main focus in 2002 was on examining drawings and specifications prior to project commencement, inspecting technology on-site, proposing design changes, and providing

technical support to win new orders. These efforts helped to raise company sales significantly while cutting costs. Technology that we develop is applied at the construction sites to raise productivity. In 2002, we also achieved satisfactory results in terms of new technology certification, patents, and theme-based research.

"Core technology acquisition" is our main task for 2003. We will acquire the needed core

technology and build a technical support solution system for advancing into new fields.



Method for Minimizing Overbreak in Tunnel Blasting

A newly-proposed method for classifying blasted rock with respect to overbreak has been utilized with heterogeneous rock masses in tunnels. The blasting pattern of contour holes is designed and a new deck charge method is applied that uses an air deck effect. Overbreak is reduced by 30%, reducing tunnel construction project costs and time.

technology center

The Technology Center in 2002

On-site technical assistance activities included reviewing drawings and specifications prior to work startup to detect any flaws and ensure the projects would both be economically feasible and proceed smoothly. The pre-project reviews help to increase sales, cut costs and shorten project time. The Center carried out special inspections during the spring thaw and rainy season, and reviews were particularly careful on technically difficult projects and projects with low margins to make certain work is carried out flawlessly.

Technical assistance is also offered for turnkey, alternative proposal and general bids. These efforts played an important role in the company's receipt of 4 turnkey orders and 25 general contracts.

R&D activities in 2002 centered on five major themes: (1) optimum design and construction methods for large-diameter PHC (pretensioned-spun, high-strength concrete) pile, (2) vehicles for handling forms used to make bridge deck cantilevers, (3) methods for minimizing overbreak in tunnel blasting, (4) efficient pre-assembly methods for multi-column piers, and (5) centralized water treatment systems. Twelve in-house technologies, including the precast concrete lining (PCL) method, are now in use at 30 construction sites. Two of these technologies have received patents and four more have patents pending. One has been certified as a "new technology" by the Korean government.

Major Accomplishments in 2002

Increase in Sales: ₩48.2 billion

Cost Savings: ₩7 billion

Outsourcing Reduction: ₩6.7 billion

Technical Support for Turnkey Contracts: 4 awarded

Technical Support for General Contracts: 25 awarded

Patents Received and Pending: 7

2003 Goals and Strategies

The Center will focus on securing core technology related to cable suspension bridges and skyscraper construction. New technologies and construction methods will continuously be developed and applied to raise productivity at the construction site.

The Center will expand its network of evaluation committee members needed prior to bidding on turnkey and alternative proposal projects. This will improve technology marketing activities and raise design evaluation scores. In addition, the Center is developing TFCS, a technology feasibility study and cost analysis system that more accurately calculates the costs of PFI and turnkey projects, thereby raising profitability and competitiveness during bidding.

A technical assistance solution system and expert system are being developed to raise the technology competitiveness of current business lines. These new systems will be part of a computerized platform for integrating all work processes.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The Company name was changed from Lucky Development Co., Ltd. to LG Construction Co., Ltd. on February 24, 1995, and LG Engineering Co., Ltd. was merged with the Company on August 1, 1999, prompting the corporate name to be changed again to LG Engineering & Construction Corp. LG E&C performs diverse engineering and construction activities in such areas as office buildings, civil works, apartment complexes and industrial plants. Ongoing management innovation and steady operational growth has made the company one of the new leaders in the Korean construction industry since the nation's foreign exchange crisis in 1997.

Operational Results

New Orders

The Korean construction market, led by the housing construction sector, showed strong growth in 2002 over the previous year. The Company saw a year-on-year increase in new orders for housing projects while orders received for civil engineering and non-residential projects were down from the previous year. Total orders were over ₩3.63 trillion in 2002, a drop of 1.7% from the ₩3.69 trillion recorded in 2001.

Housing projects contributed the most to the increase in private sector contracts. However, the Company is now seeking to enhance portfolio stability by expanding the volume of orders for civil engineering projects from the public sector. New orders outpaced sales revenue in 2002, and the order backlog was over ₩7.27 trillion at year's end, up 7.0% from a year earlier.

The Housing Division did not acquire any new in-house apartment construction projects in 2002. However, the Division did receive government approval to reconstruct several large-scale apartment complexes under contract with property owners in southern Seoul. The Division has aggressively sought additional projects with property owners and received almost ₩1.53 trillion in new orders during 2002, a hefty 77.1% increase year on year. The order backlog for housing projects was over ₩2.3 trillion at the end of 2002.

In addition, the Housing Division has ₩4.5 trillion in provisional orders. This term refers to projects (redevelopment of private residential sites into new apartment complexes or reconstruction of existing apartment complexes) for which the Company has been chosen as contractor but government approval is yet to be given. "Pending contracts" are transferred to the "new orders" category only after receipt of government approval.

The Plant Division received ₩881.3 billion in new orders during 2002, a 2.2% year-on-year increase, while the order backlog at year's end was over ₩1.44 trillion, up 26.3% from the previous year. Overseas orders, which were mainly in the Middle East, totaled ₩609.2 billion, down 6.9% year on year. The decline overseas was compensated by a 31% rise in domestic orders, which reached ₩272.1 billion.

The Civil Engineering Division received ₩417.3 billion in new orders during 2002, a 59.8% year on year drop. During the fourth quarter, however, the Division won three out of the four turnkey projects on which it bid as well as one PFI project. Value-added projects such as these have improved profitability for the Civil Engineering Division, which had more than ₩2.42 trillion in order backlog at the end of 2002.

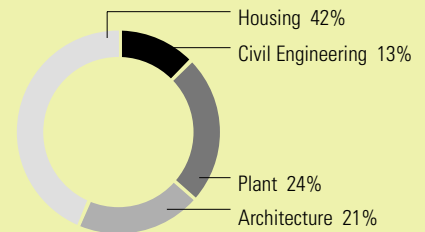
The Architecture Division continues to raise its competitiveness amid fierce competition and has secured a stable supply based on new orders from other LG affiliates. New orders amounted to ₩750.1 billion in 2002, down 5.6% year on year, and the order backlog stood at more than ₩1.08 trillion at year's end.

Sales Revenues

Revenues are recognized by using the percentage-of-completion method, measured principally by the percentage of costs incurred to date to the total estimated contract costs. Sales revenues for the Plant, Civil Engineering and Architecture Divisions were down slightly in 2002 from the previous year. However, a large order balance for the Housing Division raised total company sales revenues sufficiently to surpass ₩3.17 trillion in 2002, up 0.7% from the previous year.

The Housing Division did not supply any new in-house apartments in 2002, and in-house apartment sales dropped from the previous year. However, the Division has been contracted to build several large-scale apartment complexes, with units being sold from 1999. Total sales revenue was

NEW ORDERS BY DIVISION

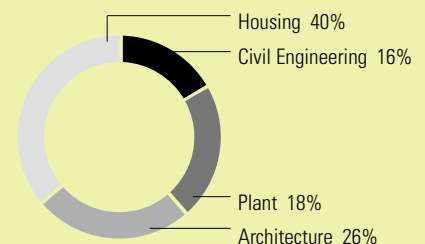


NEW ORDERS

(Unit: billions of Won)



SALES BY DIVISION



boosted 11.7% year on year to almost ₩1.26 trillion.

The Plant Division completed a massive overseas refinery expansion project in early 2002, but since then the commencement of some major new projects has been delayed. Sales revenue from overseas suffered a steep decline as a result. Domestic sales were higher year on year, but total revenue fell 7.6% to ₩582.9 billion.

The Civil Engineering Division experienced a major increase in new orders in the fourth quarter of 2001, boosting the order backlog sharply. By nature, most civil works projects require a long time to complete, and the early project stages are particularly slow. As a result, 2002 sales revenue was down 4.8% to ₩514.4 billion.

The Architecture Division enjoyed 31.1% year-on-year sales growth in 2001 to total ₩856.2 billion. While projects have proceeded smoothly since then, sales in 2002 were down slightly to ₩819.7 billion.

Gross Margin

The costs of construction materials and labor rose across the board in Korea during 2002. Despite this development, highly profitable projects engaged in by the Civil Engineering and Housing Divisions elevated overall gross margin. Cost of sales, which came to 87.2% in 2001, dropped 2.1 percentage points to 85.1% in 2002, raising the gross margin 16.7% to ₩472.5 billion.

The Housing Division has been building large apartment complexes in both the Yongin and Seoul areas. Some of the most profitable projects among these are now reaching their conclusion, driving up sales revenues. As a result, the gross margin has improved significantly from 13.8% in 2001 to 17.2% in 2002. As the Plant Division generates revenue from overseas, the gross margin has dropped from 7.9% in 2001 to 6.7% in 2002. The lower figure is due to the marginal profitability of overseas projects awarded to LG Engineering Co., Ltd. when it was a separate entity, and many of these projects are nearing completion.

The gross margin for the Civil Engineering Division rose from 15.5% in 2001 to 22.6% in 2002. The upsurge in profitability is due to a much greater proportion of PFI projects in the sales mix.

Slow recovery of the private sector caused the Architecture Division to suffer a drop in profitability, with gross margin falling from 13.5% in 2001 to 12.3% in 2002.

Selling & Administrative Expenses

Selling and administrative expenses, which contracted 2.6% in 2001 despite a 16.4% rise in sales revenue, surged 30.9% (₩46.3 billion) to ₩196.4 billion during 2002. This increase reflects spending on mid-/long term strategies to boost competitiveness and profitability rather than on a one-time purchase of supplies.

The Company has adopted a conservative posture and has remained committed to bolstering asset soundness. Bad debt expenses amounted to ₩24.3 billion in 2000, dipped to ₩14.6 billion the following year and then rebounded to ₩32.6 billion in 2002.

A massive campaign, complete with TV commercials, accompanied the launch of the new "Xi" apartment brand, driving up advertising expenses from ₩6.4 billion in 2001 to ₩15.8 billion in 2002. In the second half of the year, moreover, the Company aggressively pursued new government turnkey projects, an effort that drove up R&D outlays and commission expenses.

Non-operating Income & Expenses

As interest expenses continued to fall in 2002, the Company strove to bolster the soundness of inventories, investment securities and other tangible assets. Interest expenses, a salient part of non-operating expenses, have dropped sharply, from ₩54.3 billion in 2000 to ₩30 billion in 2001 and down to ₩14.7 billion in 2002. In addition, financing expenses incurred when purchasing or fabricating and constructing inventories and other tangible assets are treated as asset-related until the asset acquisition is complete. According to this method, capitalized financing expenses have declined from ₩42.2 billion in 2000 to ₩28.4 billion in 2001 and ₩19.6 billion in 2002.

Losses on valuation of inventories, which were not reported through 2000, amounted to ₩14 billion in 2001 and rose to ₩18 billion in 2002. The Company considers inventories to be an acquisition cost, but when the net realizable value of inventories is deemed to fall below acquisition cost, the net realizable value is posted on the balance sheet, and the difference is reflected as a loss on valuation of inventories.

The equity accounting method is applied when evaluating investment securities in which the Company holds least 20% of the total equity. The Company owns the largest share of Han Moo Development Co., which posted successive losses until 2001 but went into the black in 2002. The profitability of Han Moo Development is expected to improve steadily in the future.

The equity method was employed with the PFI firms Chonan-Nonsan Highway Co. and Seoul Highway Co. until 2001. However, Corporate Accounting Principles Interpretation 42-59 states the equity method is excluded when 20% or more of the equity is held but the investor can clearly be shown to not exert significant influence over the investee. For this reason, the equity accounting method was no longer applied the investment securities for the above two firms from 2002. The resulting changes in the equity method loss valuations for 2000 and 2001 required a revision in the ordinary income and net income figures. Discontinuation of the equity method for PFI companies reduced the equity method evaluation losses for 2001 by ₩13.7 billion, thereby raising net income for the year by ₩9.5 billion. The Daejeon Sports Plaza, a tangible asset held by the Company, saw a significant reduction in market value as compared with book value. This drop was shown as a devaluation loss of ₩12.6 billion.

Extraordinary Income and Losses

A debit of ₩14.1 billion in foreign currency translation at overseas operations was amortized as an extraordinary loss in 2002. Independent accounting records are maintained in the local currency at overseas branch offices and construction sites. Assets and liabilities from these records are entered on the corporate balance sheet in Won values converted according to local exchange rates prevailing on the last day of the fiscal year, while the average exchange rate for the entire fiscal year is applied for converting income and expenses into Won. The resulting gains or losses are offset against each other and the net amounts are recorded as an overseas business debit or credit and presented as an addition to or deduction from shareholders' equity. The overseas business translation debits or credits are offset against subsequent overseas business translation debits or credits until they are recognized as gains or losses at the time when the respective foreign branch is closed or the overseas project is completed.

Financial Position

Cash Flows

Cash Generated by Operations

Business operations, which generated a cash flow of ₩300.5 billion in 2000 and ₩306.4 billion in 2001, provided ₩325 billion in 2002, a 6.1% (₩18.6 billion) increase over the previous year. Operating income rose 8.3% year on year while inventories were cut sharply, allowing a stable cash flow to be produced from business activities. Uncompleted buildings represent a large portion of inventories. This category is not generated by contracted projects but by apartment construction on land owned by the Company. The Housing Division did not start any new apartment projects on Company-owned land in 2002, and projects begun in 2001 or earlier are mostly complete. As a result, the uncompleted buildings amount fell to ₩199.8 billion.

Trade accounts and notes receivable showed an increase, but the nature of the construction industry causes them to fluctuate widely depending on project stage. Therefore, collection of trade accounts and notes receivable is not a problem, and the rate of increase for this category is expected to slow in 2003.

Turning to operational liabilities, trade accounts and notes payable increased during 2002, while advances received declined. Thus, the two categories offset one another. In addition, the opening of condominiums and ski slopes at the Gangchon Resort in 2002 caused membership guarantee deposits received to rise by ₩61.1 billion.

Cash Used in Investments

The Company's investment activities in 2002 centered mainly on acquiring securities for PFI projects and building the Gangchon Resort. Funds invested by the company totaled ₩107.1 billion in 2000, fell to ₩29.7 billion in 2001 and then rose to ₩129.5 billion in 2002. Construction companies and other investors establish a joint company for each PFI project, and funds are raised through participants' equity investments, borrowings and government grants. Once the infrastructure (such as a road, railway, harbor, water treatment plant, or power plant) is built, the PFI company usually operates it for 20-30 years, collecting revenue to pay back the investors in proportion to their equity share. The investors may also sell their equity to raise cash. LG E&C's investments in PFI projects totaled ₩80 billion in 2000 and dipped to ₩15.7 billion the following year. Such investments in 2002 reached ₩48.1 billion, with most of the funds being put into Seoul Beltway Corp, the project company for the Seoul Beltway project. The Company plans to invest in additional PFI projects in 2003.

CASH FLOWS FROM OPERATIONS

(Unit: billions of Won)



Debt

Total borrowings were ₩615 billion at the end of 2000 and fell to ₩516.1 billion a year later. The figure dropped an additional ₩170.5 billion to ₩345.6 billion at the end of 2002, indicating a very stable financial structure when compared with sales revenue and total shareholders' equity.

Of the total debt, 9.1% (₩31.4 billion) is made up of short-term borrowings, which includes overdrafts for overseas projects and trade-related borrowings such as construction financing from the Korea Export-Import Bank and usance L/Cs. Long-term debt consists of ₩15.9 billion in loans from Korea Housing Guarantee Co. and ₩298.3 billion in debentures, all of which have fixed interest rates. The Company holds no floating rate notes. Of the long-term debt, ₩119.6 billion matures in 2003 and ₩178.7 billion in 2004.

Equity

Common stock stood at 51,000,000 shares as of December 31, 2002, and no preferred stocks or equity linked securities such as convertible bonds or bonds with warrant were issued.

Chairman Huh Chang-soo and his family members acquired 10.74% of LG Chem Investment (LGC), 8.56% of LG Electronics Investment (LGEI) and 4.81% of LG Cable shares during 2002. Their combined equity holdings totaled 24.11% (12,297,210 shares) at the end of 2002.

Treasury stocks equivalent to 2.26% (1,152,560 shares) of the total issued shares were held by the Company as of December 31, 2002. The Company bought back 241,309 shares as treasury stocks, which are given to employees as performance incentives, in 2001 and an additional 341,344 shares in 2002. Of the treasury stocks purchased, employees received 191,430 shares in 2001 and 307,930 shares in 2002. The Company plans to continue this stock buyback and distribution program in the future.

Dividends

The dividend per share was ₩600 in 2000, increased to ₩800 in 2001 and on to ₩1,000 in 2002, raising the payout ratio from 24.7% to 25.0% and then 31.0% over the three years. Until the end of 2001, accrued dividends-the amount of dividends scheduled to be paid-were treated as a liability and deducted from retained earnings. Starting in 2002, however, accrued dividends are reflected as such at the close of the fiscal year and not deducted from retained earnings until the statement of retained earnings receives final approval at the General Shareholders' Meeting.

Risk Management

Ongoing efforts are made to maintain a balanced and stable business portfolio for each division and market, thereby minimizing the risk of performance fluctuation amid changing economic circumstances. The Company will continue to improve the stability, predictability and effectiveness of project execution in the future.

Foreign Exchange Risk

Foreign exchange risk is minimal. Overseas projects represent only a small portion of sales revenue, and many of the materials used in these projects are purchased locally, limiting foreign exchange exposure. Exchange rate fluctuations, too, have little effect on income.

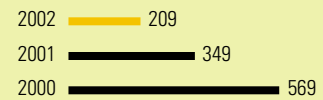
The Company received US\$179 million for overseas projects in 2002 while paying out US\$139 million, leaving a surplus of US\$40 million. However, a US\$29 million shortfall results when the balance of loans and other financing is taken into account. Foreign exchange exposure may increase slightly in 2003 because of large-scale projects overseas.

The Company's foreign exchange policy with regard to overseas projects is to match cash received with cash paid out to minimize foreign exchange exposure. To cover any mismatch or surplus US Dollar payment, however, the Company maintains foreign currency accounts and borrowings as needed. The Company has US\$120 million lines of forward exchange transactions which is used as a derivative hedging instrument between US Dollars received and payments made in other currencies such as Euros or Yen. In 2003, the Company will acquire foreign exchange risk insurance from Korea Export Insurance Corp. to hedge against risk from exchange rate fluctuation, starting from the tender participation stage. Foreign exchange risk management activities will be strengthened as a result.

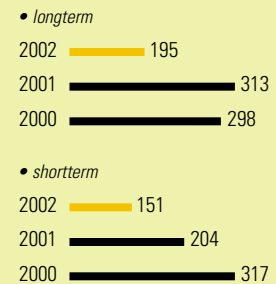
Liquidity Risk

LE E&C's funding strategy seeks to spread out the maturities of borrowings to minimize funding pressure from loan repayment. As of December 31, 2002, loans due within twelve months comprised 43% of the total

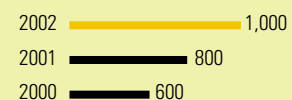
NET BORROWINGS (Unit: billions of Won)



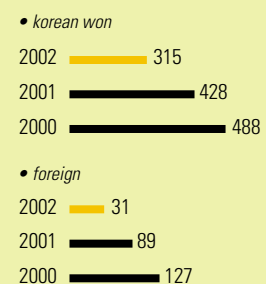
DEBT BY MATURITY (Unit: billions of Won)



DIVIDEND PER SHARE (Unit: Won)



DEBT BY CURRENCY (Unit: billions of Won)



of outstanding loans. Therefore, the Company's loan repayment obligations are relatively small in 2003, and the Company plans to maintain this stable loan maturity structure in the coming year.

Importantly, the Company has a variety of lines of credit to ensure smooth cash management and operations. The Company has ₩72 billion lines of bank overdrafts and ₩1.33 trillion lines of commercial paper to keep Won currency sufficiently liquid. And LG E&C enjoys the best credit ratings of any listed Korean Construction firm. In addition, the Company maintains US\$38.8 million lines of foreign currency overdrafts, US\$208.1 lines to support letters of credit, and US\$319.7 million lines of bank guarantees (performance bonds, etc.) to provide support for various commercial provisions in overseas engineering and construction contracts.

A positive cash flow is maintained as possible for each overseas project to minimize the possibility of non-performing trade receivables. The Company provides major project clients with a project finance structure that allows direct payment from the bank for costs incurred during the project. Korea Export Insurance Corp. insures all overseas projects and short-/long-term exports to cover any possible losses.

Restructuring

No More Overseas Civil Engineering and Building Projects; Plant Projects Now the Focus

Overseas construction firms have grown on the basis of low-cost labor in their local markets, and LG E&C has struggled to compete for overseas civil engineering and building projects on the basis of cost alone. However, the Company will aggressively pursue overseas plant projects, which require project management capabilities covering engineering, procurement and construction as well as technology and financing competencies. The majority of these plant projects will be in the Middle East, where the Company has had long experience, and the focus will be on oil refineries, petrochemical plants and gas processing facilities.

Consolidated Energy and Environmental Operations

The Civil Engineering and Plant Divisions each had units for constructing environmental protection and energy facilities in the past. Now, however, these operations have been consolidated in the Plant Division for greater efficiency.

Improved Pre-project and Post-project Assessment

A new Project Management Team has been formed to carry out feasibility studies before the Company decides to participate in a tender. The new team is separate from the existing Budget Assessment Team, which is responsible for implementing systematic and effective cost control measures and risk management activities once a contract has been received. The new unit improves the Company's project assessment capabilities.

The Plant Division, which engages in many large-scale projects, operates F/S team separately, solely responsible for creating project estimations and budgets, minimizing the risks either before or after tender participation.

Reinforcing the Marketing Organization

Each Division will strive to win more public sector contracts to diversify and stabilize the business portfolio. As part of this effort, marketing support task forces have been established for the Civil Engineering, Architecture and Plant Divisions. In addition, the marketing teams in the Civil Engineering and Architecture Divisions have been strengthened to more aggressively turnkey projects, which provide high margins.

The Housing Division, which already enjoys industry-leading competitiveness, has added four marketing teams to its existing sales organization to secure more orders. The sales staff has been augmented as well. The Division aims to expand its involvement in apartment redevelopment projects in northern Seoul and, if possible, build new apartments on Company-owned land in 2003.

New Personnel Evaluation System and HRD Team

The personnel evaluation system has been revised to put greater emphasis on team effort, thereby raising overall organizational effectiveness. In addition, the Human Resources Development Team has been newly formed to promote internal harmony and improve the personnel training effort.

Ex-Const Activities

"Ex-Const," a phrase derived from "excellent construction," refers to business innovation activities designed to pinpoint and solve chronic problems in day-to-day operations as well as to secure core competencies for the mid-/long term. Each year new cost-cutting measures, construction methods and process innovations are introduced; moreover, individual as well as organizational problem-solving capabilities are constantly improved. The result is a more-competitive workforce that can help make the Company stand apart from its rivals.

In 2002, modular installation of thermal power plant boilers was introduced to shorten project completion time and cut costs while improving work quality and safety. Each year the individual divisions work on selected themes (a total of 87 in 2002), and significant results have been achieved. Ex-Const activities will also be employed in the future to accomplish key tasks identified in the Company's mid-/long-term strategies and vision for 2010.

e-Business

The construction industry has been slow to recognize the value of IT. By nature, however, construction operations are scattered out in many locations, and the use of online systems raises competitiveness by providing ready access to knowledge and tightening controls.

LG E&C was among the first Korean construction firms to realize how online capabilities can provide a core competitive advantage and has pursued this goal since the mid-1990s. An IT master plan formulated in 1997 served as the blueprint for building an integrated construction system in 1999. Subsystems were installed to cover marketing, design, construction, sales, finance, personnel, and general affairs. These various subsystems were integrated into the Project Management System (PMS), which is now being integrated into a knowledge management system for sharing data among the Head Office and all the construction sites and branches around the world in real time.

LG E&C was also one of Korea's first construction firms to install the PMS, which is now used with every project to provide scientific and systematic project management. The PMS is also connected with schedule and cost controls for enhanced productivity. Precise profit and loss data as well as schedule status can be accessed in real time, providing a platform for highly effective risk management. The PMS was upgraded and integrated with the Plant Division's Project Management & Information System (PMIS) in 2002.

The Company also developed eWorks 21, which expands access to all interested parties, including clients, project supervisors, contractors, subcontractors, partners and vendors. The eWorks 21 system has improved both the speed and transparency of communication while minimizing the possibility of error. The result has been lower costs and higher customer satisfaction. Details on each project along with related documents and communications are stored in a database, which serves as the foundation for a highly effective knowledge management system.

MASIC, an automated architectural design system, has also been built to reduce errors and enhance productivity. MASIC is linked with the procurement and project management systems to incorporate cost and schedule controls from the design stage and is connected to eWorks21 for even greater efficiency.

All the new systems are now Web-based, and all employees have ready access anytime and anyplace through an Enterprise Information Portal (EIP). Additional systems will be developed in 2003 and existing systems will be utilized as much as possible to raise the competitive advantage provided by information technology.

New Vision and Mid-/Long-term Strategies

The Korean construction market has recently shown steady recovery from the sharp downturn experienced in the wake of the 1997 financial crisis. However, the high growth rates of the past can no longer be expected, and competition within the industry is intensifying. Companies that have unbalanced portfolios and rely only on simple construction activities will have growth and stability problems over the mid-/long term.

To effectively cope with the changing reality, the Company teamed up with the LG Economic Research Institute for four months, starting in September 2002, to craft a new vision and mid-/long-term strategies for LG E&C. The vision calls for the Company to be ranked first in the Korean market and earn 5% of ordinary margin in overseas markets by 2010. Corporate mid-/long-term strategies have also been devised and key tasks identified to realize this ambitious vision. Detailed action plans will be established for each division during the first half of 2003, and these plans will be aggressively pursued in the coming months.

PMS
eWorks 21
MASIC
EIP

MILESTONE

1969

-Lackhee Development Co. (LDC)
incorporated as the construction arm
of the Lucky-Goldstar Group

1975

-Company name changed to Lucky
Development Co.

1977

-Lucky International Construction Co.
established

1979

-Lucky Development Co. merged with
Lucky International Construction Co.

1981

-Initial public offering issued

1983

-Lucky Development (Arabia) Co.
established in Saudi Arabia

1984

-Company receives Korean government
award for winning US\$1 billion in
international contracts
-Lucky Development International Inc.
established in the US

1989

-Vision adopted for becoming a best all
round developer in the domestic
market and a general construction
company internationally

1991

-Construction license acquired for
Japan
-Medal of Industrial Service awarded
on Tax Day

1992

-Company cited for best safety record
among Korea's 30 largest
construction firms

1993

- Accredited in construction of nuclear power plant by ASME (American Society of Mechanical Engineers)
- Lucky Thai Engineering & Construction Co. established in Bangkok

1994

- ISO 9001 certification received

1995

- Company name changed to LG Construction Co. and announced "The Year of New Construction Era"

1996

- "Suwon Village" selected by Seoul Daily Newspaper as the most popular product for 1st half of 1996
- ISO 14001 certification received

1997

- "LG Chemical Daeduck Institution Building" awarded Grand Prize by Korea government
- 6 awards, including Best CEO, received in '97 Construction Business Award by Korea Management Association

1998

- LG-HP Sunflower International Village awarded by Haiphong People's Committee in Vietnam
- Koyro Polymer HQ Building awarded Grand Prize by Korean government

1999

- LG Engineering Co. merged with LG Construction Co.
- Company given " Outstanding Disclosure Award" by the Korea Stock Exchange

2000

- LG E&C's "BIO-NET" sewage treatment method named "new technology" by Korean government
- West Sea Grand Bridge completed and awarded Presidential Prize

2001

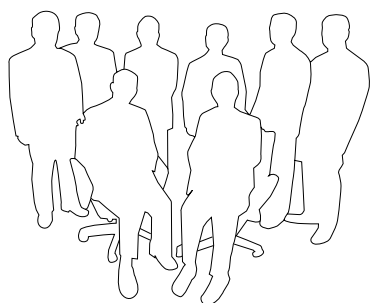
- Korean Stock Exchange cites LG E&C as "outstanding model of corporate governance"
- Company apartments chosen "hit product" by Maeil economic daily newspaper
- PR Division wins award for excellence

2002

- Company receives the Environmental Preservation Grand Prize at the 1st annual Korea Remodeling Awards
- Kim Kab-ryul appointed the company's tenth President & CEO
- US\$700 million oil refinery expansion project completed in Qatar
- Korean Stock Exchange cites LG E&C as "outstanding model of corporate governance"
- New "Xi" brand adopted for LG E&C apartments



BOARD OF DIRECTORS



Chang-Soo Huh CHAIRMAN OF THE BOARD

Myung-Soo Huh EXECUTIVE VICE PRESIDENT & CFO

Yong-Soo Chun OUTSIDE DIRECTOR

Kuen-Ho Kim OUTSIDE DIRECTOR

Kab-Ryul Kim PRESIDENT & CEO

Sang-Ryong Woo EXECUTIVE VICE PRESIDENT

Dong-Heun Kwak OUTSIDE DIRECTOR

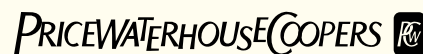
Boo-Sik Yi OUTSIDE DIRECTOR



LG ENGINEERING & CONSTRUCTION CORPORATION
AUDIT REPORT 2002

As of and for the years ended December 31, 2002 and 2001



**Samil Accounting Corporation**

Kukje Center Building 21st Flr.
191 Hangangro 2 ga, Yongsanku
Seoul 140-702, KOREA
(Yongsan P.O.Box 266, 140-600)

To the Shareholders and Board of Directors of LG Engineering & Construction Corporation

We have audited the accompanying non-consolidated balance sheets of LG Engineering & Construction Corporation (the "Company") as of December 31, 2002 and 2001, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG Engineering & Construction Corporation as of December 31, 2002 and 2001, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

Without qualifying our opinion, we drew attention to the following matters.

As discussed in Note 18 to the non-consolidated financial statements, the Company changed its accounting method for investment in securities of companies related to Social Overhead Capital (SOC) from the equity method to the cost method, based on the opinion of the Financial Supervisory Service. The Financial Supervisory Service viewed the cost method as more appropriate since the Company is restricted from exercising a significant influence over Cheonan-Nonsan Highway Co., Ltd. due to an agreement between the creditors committee and the company's shareholders, regardless of the twenty five percent ownership in Cheonan-Nonsan Highway Co., Ltd. As a result of the change in accounting method, the loss on valuation of investment securities using the equity method of accounting decreased by ₩9,510 million and ₩13,710 million in 2002 and 2001, respectively. In addition, net income increased by ₩6,685 million and ₩9,487 million, and unappropriated retained earnings increased by ₩16,212million and ₩9,527 million in 2002 and 2001, respectively.

As discussed in Note 18 to the non-consolidated financial statements, the prior year's non-consolidated financial statements have been restated to correct an error in relation to the capitalized interest expense on the construction in-progress of LG Holdings (HK) Ltd. and its subsidiary, Beijing Lucky Goldstar Building Development Co., Ltd. As a result, net income and shareholders' equity for the year ended December 31, 2001 increased by ₩5 million and ₩5,085 million, respectively.

As discussed in Note 19 to the non-consolidated financial statements, due to the Company's early adoption of Korea Accounting Standards Board ("KASB") Statement No.6 "Events Occurring After the Balance Sheet Date", dividends amounting to ₩49,847 million and ₩39,891 million for the years ended December 31, 2002 and 2001, respectively, were not accounted for as liabilities in the Company's non-consolidated financial statements. Accordingly, the non-consolidated balance sheets as of December 31, 2002 and 2001 show the balances before the appropriation of retained earnings.

As discussed in Note 20 to the non-consolidated financial statements, the Company's total sales to affiliated and related companies, including LG Philips LCD Co., Ltd., amounted to ₩562,533 million in 2002 and ₩668,336 million in 2001, and total purchases from affiliated and related companies amounted to ₩151,016 million in 2002 and ₩130,443 million in 2001. Also, related receivables amounted to ₩470,450 million and ₩400,524 million and payables amounted to ₩166,897 million and ₩125,126 million as of December 31, 2002 and 2001, respectively.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used 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 non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles or auditing standards and their application in practice.

Samil Auditing Corporation

Seoul, Korea
January 24, 2003

LG ENGINEERING & CONSTRUCTION CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Millions of Won	
	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	₩132,783	₩153,225
Short-term financial instruments	3,500	13,433
Trade accounts and notes receivable, net (Notes 5 and 20)	836,125	655,998
Other accounts receivable, net (Note 5)	16,399	19,581
Short-term loans, net (Notes 5, 11 and 20)	55,040	67,343
Inventories (Note 6)	174,520	405,660
Accrued income	5,690	7,916
Advance payments	47,426	54,563
Prepaid expenses	12,135	11,591
Prepaid construction costs	17,555	5,784
Others (Note 11)	130	-
Total current assets	1,301,303	1,395,094
Property, plant and equipment, net (Notes 7, 21 and 22)	651,644	592,168
Investment securities (Note 8)	564,531	527,948
Long-term loans, net (Notes 5 and 11)	15,579	26,865
Long-term financial instruments (Note 4)	38	38
Long-term trade accounts receivable, net (Note 5)	32,101	39,064
Long-term guarantee deposits	25,217	21,414
Deferred income tax assets (Note 15)	62,097	31,968
Intangible assets (Note 21)	9,382	10,016
Total assets	2,661,892	2,644,575

The accompanying notes are an integral part of these non-consolidated financial statements.

Continued;

	Millions of Won	
	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings (Note 9)	₩31,412	₩89,031
Current maturities of long-term debt, net (Note 10)	119,566	114,597
Trade accounts and notes payable (Note 20)	826,986	822,006
Other accounts payable, net (Note 20)	38,694	34,040
Income taxes payable (Note 15)	58,624	62,139
Accrued expenses	20,836	27,503
Dividends payable (Notes 17 and 19)	13	14
Other current liabilities	29,868	25,474
Total current liabilities	1,125,999	1,174,804
Long-term debt, net (Note 10)	194,607	312,465
Accrued severance benefits, net	36,468	32,328
Provision for warranty	19,513	17,584
Provision for foreseeable losses from construction contracts	9,439	11,324
Leasehold guarantee deposits received (Notes 7 and 20)	87,185	85,295
Membership guarantee deposits received (Note 20)	128,796	67,649
Other long-term liabilities	11,217	11,111
Total liabilities	1,613,224	1,712,560
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, ₩5,000 par value per share; authorized, 200,000,000 shares; issued and outstanding, 51,000,000 shares	255,000	255,000
Capital surplus (Note 12):		
Paid-in capital in excess of par value	109,735	109,735
Asset revaluation surplus	75,192	75,192
Others	18,370	22,242
	203,297	207,169
Retained earnings (Notes 13 and 19):		
Legal reserve	17,905	13,916
Other reserves	278,867	172,523
Unappropriated retained earnings	156,099	158,558
(Net income: ₩160,713,651 thousand in 2002 ₩159,561,152 thousand in 2001)		
	452,871	344,997
Capital adjustments:		
Treasury stock (Note 14)	(13,644)	(14,784)
Gain on valuation of investment securities (Note 8)	176,225	176,877
Overseas business translation debit	(25,081)	(37,244)
	137,500	124,849
Total shareholders' equity	1,048,668	932,015
Total liabilities and shareholders' equity	2,661,892	2,644,575

LG ENGINEERING & CONSTRUCTION CORPORATION
NON-CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Millions of Won	
	2002	2001
Sales (Notes 3, 20 and 21):		
Construction operations	₩2,687,055	₩2,566,166
Housing and lotting-out operations	463,161	551,051
Other operations	24,249	35,885
	3,174,465	3,153,102
Cost of sales (Note 20) :		
Construction operations	2,276,298	2,236,716
Housing and lotting-out operations	394,428	472,567
Other operations	31,239	38,892
	2,701,965	2,748,175
Gross profit	472,500	404,927
Selling and administrative expenses (Note 20)	196,436	150,082
Operating income (Note 21)	276,064	254,845
Non-operating income (expense):		
Interest income (expense), net	825	(13,162)
Foreign exchange loss, net	(9,607)	(163)
Loss on valuation of inventories	(17,970)	(13,986)
Loss on disposal of investment assets, net	(11)	(1,195)
Loss on valuation of investment securities	0	0
under the equity method of accounting (Note 8)	(6,602)	(14,382)
Gain (loss) on disposal of property, plant and equipment, net	0	0
	714	(3)
Impairment loss on property, plant and equipment	(12,600)	-
Others, net (Note 11)	14,289	12,866
	(30,962)	(30,025)
Ordinary income	245,102	224,820
Extraordinary income	-	714
Extraordinary loss	14,078	-
Income before income tax expense	231,024	225,534
Income tax expense (Note 15)	(70,310)	(65,973)
Net income	160,714	159,561
Basic ordinary income per share (Note 16) (In Won)	3,424	3,190
Basic earnings per share (Note 16) (In Won)	3,225	3,199

The accompanying notes are an integral part of these non-consolidated financial statements.

LG ENGINEERING & CONSTRUCTION CORPORATION
NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

Dates of appropriations : February 26, 2003 and March 20, 2002
For the years ended December 31, 2002 and 2001, respectively

	Millions of Won	
	2002	2001
Unappropriated retained earnings at the end of the year (Note 13):		
Unappropriated retained earnings carried forward from the prior year	₩8,333	₩1,533
Cumulative effect of an accounting change (Note 18)	-	40
Change in retained earnings under equity method (Note 5)	(12,948)	-
Loss on prior period adjustments	-	(2,576)
Net income	160,714	159,561
	156,099	158,558
Transfer from other reserves	14,088	16,821
	170,187	175,379
Appropriations:		
Transfer to legal reserve	4,985	3,989
Transfer to other reserves	113,776	123,166
Cash dividends (Note 17)	49,847	39,891
(Dividend to par value ratio 20% in 2002 and 16% in 2001)		
	168,608	167,046
Unappropriated retained earnings carried forward to the subsequent year	1,579	8,333

The accompanying notes are an integral part of these non-consolidated financial statements.

LG ENGINEERING & CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Millions of Won	
	2002	2001
Cash flows from operating activities:		
Net income	₩160,714	₩159,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,916	12,956
Provision for severance benefits	20,560	15,468
Loss (gain) on foreign exchange translations, net	12,046	(2,434)
Amortization of discounts on debentures	2,111	5,794
Loss on valuation of inventories	17,970	13,986
Loss (gain) on disposal of property, plant and equipment, net	(714)	3
Loss on disposal of investment assets, net	11	1,195
Loss on valuation of investment securities		
under the equity method of accounting	6,602	14,382
Impairment loss on property, plant and equipment	12,600	-
Increase in trade accounts and notes receivable	(181,217)	(227,980)
Decrease in other accounts receivable	3,182	3,453
Decrease in accrued income	2,226	6,781
Decrease in inventories	219,484	157,370
Decrease (increase) in advance payments	7,137	(18,008)
Increase in prepaid expenses	(544)	(260)
Increase in prepaid construction costs	(11,771)	(3,339)
Increase in deferred income tax assets	(24,658)	(17,944)
Increase in trade accounts and notes payable	5,150	155,763
Increase (decrease) in other accounts payable	4,733	(6,109)
Increase (decrease) in accrued expenses	(6,667)	692
Increase (decrease) in income taxes payable	(3,515)	26,841
Increase in other current liabilities	4,870	4,474
Payment of accrued severance benefits	(10,210)	(7,978)
Increase in membership guarantee deposits received	61,147	6,044
Increase in provision for warranty	1,929	9,509
Increase (decrease) in provision for foreseeable losses		
from construction contains	(1,885)	4,495
Increase in leasehold guarantee deposits received	1,890	3,633
Decrease in other long-term liabilities	-	(5,856)
Others, net	5,815	(6,048)
Net cash provided by operating activities	324,912	306,444

The accompanying notes are an integral part of these non-consolidated financial statements.

Continued;

	Millions of Won	
	2002	2001
Cash flows from investing activities:		
Disposal of short-term financial instruments	₩9,933	₩18,955
Proceeds from short-term loans	-	12,232
Disposal of long-term financial instruments	-	323
Disposal of investment securities	8,192	9,588
Proceeds from long-term loans	7,638	1,296
Proceeds from long-term guarantee deposits	-	1,073
Disposal of property, plant and equipment	1,106	463
Acquisition of long-term financial instruments	-	(180)
Acquisition of investment securities	(51,794)	(21,546)
Short-term loans provided	(4,938)	-
Long-term loans provided	(580)	-
Payment from long-term guarantee deposits	(4,727)	-
Acquisition of property, plant and equipment	(93,199)	(50,164)
Acquisition of intangible assets	(1,022)	(2,041)
Others	-	264
Net cash used in investing activities	(129,391)	(29,737)
Cash flows from financing activities:		
Proceeds from long-term debt	-	127,101
Disposal of treasury stock	2,405	978
Payment of short-term borrowings	(58,003)	(52,859)
Payment of current maturities of long-term debt	(115,000)	(180,369)
Payment of dividends	(39,892)	(29,952)
Payment of long-term debt	-	(494)
Acquisition of treasury stock	(5,473)	(2,017)
Net cash used in financing activities	(215,963)	(137,612)
Net increase (decrease) in cash and cash equivalents	(20,442)	139,095
Cash and cash equivalents at the beginning of the year	153,225	14,130
Cash and cash equivalents at the end of the year	132,783	153,225

The accompanying notes are an integral part of these non-consolidated financial statements.

1. The Company:

LG Engineering & Construction Corporation (the "Company") was incorporated in 1969 under the laws of the Republic of Korea to provide engineering and construction services. In 1979, 1999 and 2000, the Company purchased Lucky Foreign Construction Co., Ltd., LG Engineering Co., Ltd. and Baekyang Development Co., Ltd., respectively, to engage in overseas construction, engineering construction, golf course development and management and other related services.

In August 1981, the Company offered its shares for public ownership and all shares are listed on the Korea Stock Exchange. The Company changed its name from LG Construction Co., Ltd. to LG Engineering & Construction Corporation in 1999.

Upon a resolution of the Board of Directors on November 19, 1999, the Company issued 11,789,000 shares of common stock at ₩7,800 per share generating net cash proceeds amounting to ₩91,954 million, and the Company has outstanding capital stock amounting to ₩255,000 million as of December 31, 2002.

2. Summary of Significant Accounting Policies:

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

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. 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 non-consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. Certain information attached to the Korean language non-consolidated financial statements, that are not required for a fair presentation of the Company's financial position and results of operations, are not presented in the accompanying non-consolidated financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Revenue Recognition

Revenues from construction contracts and housing and lotting-out projects are recognized using the percentage-of-completion method, measured principally by the percentage of costs incurred to date to total estimated contract costs. Other sales revenues are recognized upon delivery of services.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on the aggregate estimated net realizable value of the receivables by using the previous years' experience.

Marketable Securities and Investments

Marketable securities (current assets) and all investments in equity and debt securities are initially carried at cost, including incidental expenses. In the case of debt securities, cost includes the premium paid or discount received at the time of purchase.

Marketable securities (current assets) are carried at market value at the balance sheet date. The unrealized gains and losses on such securities are charged to current operations.

Investments in marketable equity securities of non-controlled investees are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustments account, a component of shareholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustments account.

Investments in non-marketable equity securities of non-controlled investees are carried at cost, except for declines in the Company's proportionate ownership of the underlying book value of the investee which are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

Investments in equity securities of companies over which the Company exerts a significant influence are valued using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. Equity method goodwill is calculated as the difference between the initial purchase price and the Company's initial proportionate share of the net book value of the investee at the date of purchase.

Equity method goodwill is amortized over five years and negative goodwill, arising when the initial purchase price is less than the company's initial proportionate share of net book value of the investee of the date of purchase, is amortized over the weighted average useful lives of the investees depreciable assets using the straight-line method.

Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Investments in debt securities which the Company has the intent and ability to hold to maturity are generally carried at cost, adjusted for the amortization of discounts or premiums (amortized cost). Declines in the fair value of debt securities which are anticipated to be permanent are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

Other investments in debt securities are carried at fair value. Temporary differences between the fair value and amortized cost are accounted for in the capital adjustments account. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustments account.

Investments in the Stock Market Stabilization Fund are carried at fair value, which is the proportionate ownership amount of the Company. The resulting gains and losses are recorded in current operations.

Inventories

Raw materials and supplies for construction projects are stated at the lower of cost or market price, with cost being determined using the weighted average method. All other inventories are stated at actual cost using the specific identification method. Raw materials and supplies used in construction projects are depreciated over their estimated useful lives. The Company capitalizes interest expense incurred on debt used to fund the purchase or construction of inventories in connection with lotting-out projects. Interest expense capitalized in 2002 and 2001 amounted to approximately ₩13,282 million and ₩23,384 million, respectively, of which ₩19,811 and ₩21,098 million was transferred to cost of sales, respectively.

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are recorded at cost, except for certain assets subject to upward revaluation in accordance with the Asset Revaluation Law.

Depreciation is computed using the straight-line method and declining-balance method over the estimated useful lives of the assets as described below.

	Estimated Useful Lives	Depreciation Method
Buildings	40 years	Straight-line method
Structures	40 years	Straight-line method
Machinery and equipment	4 - 12 years	Declining-balance method
Vehicles	4 years	Declining-balance method
Other assets	4 years	Declining-balance method

Maintenance and Repairs

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful lives of the related assets are capitalized.

Capitalization of Interest

The Company capitalizes interest expense incurred on debt used to fund the purchase or construction of property, plant and equipment as a part of the cost of the related assets. The amounts capitalized in 2002 and 2001 are ₩6,330 million and ₩5,017 million, respectively.

Intangible Assets

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

Lease rights are amortized over twenty years using the straight-line method.

Continued;

Research costs are charged to operations as incurred. Development costs incurred for new products or technologies which can be clearly identified and measured and which have probable future economic benefits are capitalized. Other development costs are recognized in the period incurred as normal development expenses. Capitalized development costs are amortized using the straight-line method over the period that the related economic benefits are recognized, not to exceed twenty years, from the initial commercial sale of new products or utilization of such technology. The Company performs periodic assessments of the recoverability of development costs and unrecoverable costs are charged to operations in the period that they are first identified. For the years ended December 31, 2002 and 2001, the Company capitalized ₩1,022 million and ₩2,041 million of development costs, respectively, and recognized ₩45,088 million and ₩31,766 million, respectively, of normal research and development costs.

The details of changes in capitalized development costs are as follows:

	Millions of Won	
	2002	2001
Balance as of January 1	₩1,840	₩276
Increase	1,022	2,041
Amortization	552	477
Balance as of December 31	2,310	1,840

The excess of the price paid over an acquired company's net book value is recorded as goodwill and amortized over five years using the straight-line method. The Company performs periodic assessments of the recoverability of goodwill. Unrecoverable amounts are charged to operations in the period that they are first identified.

The details of changes in goodwill are as follows:

	Millions of Won	
	2002	2001
Balance as of January 1	₩2,718	₩3,495
Increase	-	-
Amortization	777	777
Balance as of December 31	1,941	2,718

Continued;

Provision for Warranty

The Company provides a provision for estimated warranty costs relating to construction defects during the warranty period. Estimated costs of product warranties are charged to operations at the time of sale and are included in the accompanying balance sheet as a provision for warranty.

Provision for Foreseeable Losses from Construction Contracts

When a loss on construction is expected based on cost estimates, the expected loss is charged to operations when first identified and is included in the balance sheet as a reserve for foreseeable losses from construction contracts.

Present Value Discount Account

Trade receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loans (borrowings) are stated at present value. Such differences are presented as present value discounts and directly deducted from the nominal value of the related trade receivable or payable.

The present value discount account is amortized using the effective interest rate method as interest expense or interest income.

Discounts on Debentures

Discounts on debentures are amortized using the effective interest rate method over the term of the debentures and the resulting amortization is recorded as interest expense.

Derivative Financial Instruments

Derivative financial instruments are carried at fair value on the balance sheet date.

Valuation gains and losses from fair value derivative hedging instruments are recognized in a manner consistent with the accounting treatment appropriate for valuation gains and losses of the underlying hedged transactions. The hedging instruments are valued at fair value when the underlying hedged transactions are valued at market and the resulting unrealized valuation gains or losses are recognized currently.

For cash-flow hedging instruments, the effective portion of the change in the fair value of the hedging derivative is recorded as a capital adjustment and recognized in the same period or periods during which the hedged forecasted transaction occurs. Non-effective portions of the change in the fair value of the hedging derivative are recognized in current operations.

Accrued Severance Benefits

Employees and directors with one year or more of employment with the Company are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of employment and rate of pay at the time of termination. Accrued severance benefits represent the amount of severance benefits payable assuming all eligible employees and directors were to terminate their employment with the Company as of the balance sheet date. For the years ended December 31, 2002 and 2001, the Company paid severance benefits amounting to ₩10,210 million and ₩7,978 million, respectively.

Accrued severance benefits are funded at approximately 53.94% and 52.72% as of December 31, 2002 and 2001, respectively, through a group severance insurance plan. The Company accounts for the amounts funded

under the plan as a deduction to accrued severance benefits.

In accordance with the National Pension Act, as of December 31, 2002 and 2001 accrued severance benefits amounting to approximately ₩5,520 million and ₩5,887 million, respectively, were deposited with the National Pension Fund and deducted from accrued severance benefits. The contributed amount shall be refunded from the National Pension Fund to employees and directors upon their retirement.

Asset Impairment Loss

If the expected recoverable amounts of certain assets, except for marketable securities, investments in equity securities and investments in debt securities, are less than the book value of those assets due to obsolescence, physical damage or sudden decline in market value, the impaired amount is accounted for as loss on impairment of assets in the period identified.

Income Tax Expenses

Deferred income taxes are recognized for the tax consequences in future years of the differences between the tax and financial reporting bases of assets and liabilities at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred income tax assets and liabilities.

Continued;

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates in effect at the balance sheet dates. The resulting translation gains and losses are recognized in current operations.

Monetary assets and liabilities, excluding the accounts of overseas business, denominated in foreign currency as of December 31, 2002 and 2001 comprise the following:

		Thousands of Foreign Currency		Millions of Won	
		2002	2001	2002	2001
Cash and cash equivalents	US\$	12,764	-	₩15,322	-
Short-term financial instruments		-	US\$ 5,065	-	6,717
Trade accounts and notes receivable	US\$	50,143	US\$ 27,718	61,229	38,497
	LRK	24,826	LRK 13,958		
	QAR	481	JPY 148,030		
	SAR and others	1,781	QAR and others 2,321		
Other accounts receivables	US\$	12	-	14	-
Short-term loans	US\$	27,800	US\$ 34,000	33,371	43,059
Long-term loans	US\$	23,575	US\$ 23,575	28,299	30,070
Long-term trade accounts receivable	US\$	43,589	US\$ 44,761	52,324	59,358
Trade accounts and notes payable	US\$	32,663	US\$ 1,282	44,234	9,609
	SAR	72	SAR 9,590		
	EUR	1,766	EUR 2,821		
	JPY	216,090	JPY 70,755		
	GBP	151	GBR and others 41		
	LRK and others	24,182			
Other accounts payable	US\$	884	US\$ 625	1,136	842
	JPY and others	7,380	GBP and others 7		
Other current liabilities	US\$	3,491	US\$ 1,469	4,191	2,675

Translation of Foreign Currency Financial Statements

Accounts of overseas business locations are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign currency financial statements of these foreign business branches or offices into Korean Won, income and expenses are translated at the average exchange rates during the year and assets and liabilities are translated at the rate prevailing on the balance sheet date. The resulting translation gains and losses are offset against each other and the net amounts are recorded as overseas business translation debit (credit), presented as an addition to or deduction from shareholders' equity. Overseas business translation debit (credit) are offset against subsequent overseas business translation debit (credit) until they are recognized as gains or losses at the time when the foreign business branches or offices are liquidated.

Continued;

A summary of the Company's overseas operations as of December 31, 2002 and 2001 comprises the following:

	Millions of Won	
	2002	2001
Assets	₩50,281	₩68,085
Liabilities	39,093	48,327

3. Summary of Major Construction Contracts:

Balance of Construction Contracts

		Millions of Won			
		New			
Project	Customer	Beginning Balance	Construction Contracts	Realized Revenue	Ending Balance
LG PHILIPS LCD P4 Project	LG PHILIPS LCD Co., Ltd.	₩69,983	₩144,615	₩156,689	₩57,909
LG Hangang Xi	Isu Engineering & Construction	152,856	-	92,835	60,021
YonginSugi LG Village 6th Stage	Myung Jin Construction Industry Co., Ltd.	105,431	-	80,266	25,165
LG Shinbong Xi	Kyeng Oh Construction Co., Ltd.	211,321	409	76,506	135,224
Bucheon Sangdong Gongmuwon APT.	National Pension Corporation	56,363	-	39,120	17,243
Donghae Highway 2nd Stage	Korea Highway Corporation	65,943	9,541	29,156	46,328
Daegu-Pohang Highway 3rd Stage	Korea Highway Corporation	88,390	8,101	25,765	70,726
Dangjin-Deajeon Highway 4th Stage	Korea Highway Corporation	122,985	9,352	7,774	124,563
Azzawiya Refinery Revamping Project	Azzawiya Oil Refinery Company Inc.	-	372,967	2,962	370,005
OCR Project	Kuwait National Petroleum	-	168,082	397	167,685
Other		5,190,744	1,781,530	2,175,585	4,796,689
2002		6,064,016	2,494,597	2,687,055	5,871,558
2001		4,525,434	4,104,748	2,566,166	6,064,016

Cumulative Balance of Construction Contracts

		Millions of Won			
		Cumulative	Billed Amount	Cumulative Billed	Cumulative
Project	Revenue Realized	In 2002	Amount	Collection Amount	Trade Receivables
LG PHILIPS LCD P4 Project	₩453,782	₩151,279	₩547,371	₩531,877	₩15,494
LG Hangang Xi	156,089	70,818	168,415	138,383	30,032
YonginSugi LG Village 6th Stage	144,432	96,073	110,686	100,686	-
LG Sinbong Xi	85,001	112,047	122,825	122,825	-
Bucheon Sangdong Gongmuwon APT.	67,497	37,079	62,520	62,520	-
Donghae Highway 2nd stage	46,183	31,200	46,575	45,951	624
Daegu-Pohang Highway 3rd Stage	77,965	41,225	100,474	100,474	-
Dangjin-Daejeon Highway 4th Stage	7,801	5,863	5,863	5,863	-
Azzawiya Refinery Revamping Project	2,962	-	-	-	-
OCR Project	397	-	-	-	-

Total billed amounts under construction contracts in 2002 and 2001 are ₩2,702,681 million and ₩2,726,688 million, respectively, and total collected amounts under constructions contract in 2002 and 2001 are ₩2,652,372 million and ₩2,918,210 million, respectively.

Balance of Co-construction

Project	Period of Construction	Customer	Contracts Amount	Portion of the Company	Share of the Company	Representative Company
Cheonan-Nonsan Highway Project	1997.12.26-2003.01.31	Cheonan-Nonsan Highway Co., Ltd.	₩1,328,164	₩332,041	25.0%	LG Engineering & Construction Co., Ltd.
Seoul Outer Circular Highway	2001.06.30-2006.06.29	Seoul Highway Co., Ltd.	1,354,552	365,729	27.0%	"
Kyungchunsun Double track Electric Railway 7th stage	1999.12.28-2007.12.22	Korea National Railroad	216,713	65,014	30.0%	"
Dangjin-Daejeon Highway Project	2001.12.24-2006.02.05	Korea Highway Corporation	147,071	132,364	90.0%	"
Dongbu Electric Train Office Project	1997.02.28-2003.12.30	Korea National Railroad	157,888	107,364	68.0%	"
HyunPung-Kimcheon Construction 1st Stage	2001.11.28-2006.02.09	Korea Highway Corporation	104,570	94,113	90.0%	"
Mapo Recycling Complex	2001.11.30-2005.04.30	Seoul Construction Security Management Center	147,000	89,817	61.1%	"
Ulgjin-Jukbyun Highway Expansion	1996.12.31-2004.12.31	Busan Regional Construction Management office	98,180	93,271	95.0%	"
Donghae Highway Expansion Project	2000.10.05-2004.03.10	Korea Highway Corporation	102,790	92,511	90.0%	"
Chungryangri-Dukso Railroad	1997.10.06-2003.12.31	Korea National Railroad	86,644	47,654	55.0%	"
Iksan-Jangsu Highway	2001.11.01-2005.12.31	Korea Highway Corporation	92,369	83,132	90.0%	"
Subway 9-4 Stage	2001.12.31-2008.03.31	Seoul Subway Construction Center	112,204	57,224	51.0%	"
Others			4,405,074	1,785,111		
2002			8,353,219	3,345,345		
2001			9,431,155	3,824,112		

Summary of Housing and Lotting-Out Construction

Projects	Period of Construction	Realized Revenue	Millions of Won	
			Cumulative Revenue Realized	Unrealized Revenue Carried forward
LG Metrocity 4th Stage	2000.11-2003.8	₩194,860	₩244,267	₩112,474
LG Metrocity 3rd Stage	1999.12-2002.11	82,830	129,310	-
LG Metrocity 2nd Stage	1999.12-2002.11	6,400	34,648	-
Sinsanbon LG Village 1st Stage	2000.5-2003.2	34,739	78,740	8,401
Sinsanbon LG Village 2nd Stage	2000.6-2003.4	70,331	135,796	27,601
Others		74,001	124,992	86,395
2002		463,161	747,753	234,871
2001		551,051	948,532	698,032

4. Restricted Bank Deposits:

As of December 31, 2002 and 2001, long-term financial instruments amounting to ₩38 million are deposited in connection with bank overdrafts. The withdrawal of these deposits is restricted.

5. Receivables:

Receivables and allowance for doubtful accounts as of December 31, 2002 and 2001 comprise the following:

	Millions of Won			
	Trade Accounts		Long-term	
	and Notes Receivable	Other Accounts Receivable	Short-term Loans	Trade Accounts Receivable
Balance as of December 31, 2002	₩866,707	₩17,364	₩68,278	₩29,209
Less: Allowance for doubtful accounts	30,582	965	13,238	13,615
Present value discount	-	-	-	15
	836,125	16,399	55,040	15,579
Balance as of December 31, 2001	677,698	20,586	68,023	33,669
Less: Allowance for doubtful accounts	21,700	1,005	680	6,778
Present value discount	-	-	-	26
	655,998	19,581	67,343	26,865

6. Inventories:

Inventories as of December 31, 2002 and 2001 comprise the following:

	Millions of Won	
	2002	2001
Completed building	₩9,787	₩35,233
Uncompleted building	101,829	301,636
Building lots	48,839	58,723
Raw materials and supplies	10,284	8,211
Materials in-transit	1,622	1,695
Other	2,159	162
	174,520	405,660

7. Property, Plant and Equipment:

Property, plant and equipment as of December 31, 2002 and 2001 comprise the following:

	Millions of Won	
	2002	2001
Buildings	₩228,972	₩175,285
Structures	47,704	19,547
Machinery and equipment	28,363	15,545
Vehicles	8,073	6,276
Tools and furniture	63,619	51,648
	376,731	268,301
Accumulated depreciation	(90,359)	(80,903)
	286,372	187,398
Land	217,360	221,051
Course	105,904	65,872
Trees	12,731	6,749
Construction in-progress	29,277	111,098
	651,644	592,168

A substantial portion of the Company's property, plant and equipment as of December 31, 2002 and 2001 has been pledged as leasehold guarantee deposits up to a maximum of ₩35,918 million and ₩30,836 million, respectively. As of December 31, 2002 and 2001, the government-posted value of land for tax purposes amounted to ₩154,835 million and ₩151,006 million, respectively.

8. Investment Securities:

Investment securities as of December 31, 2002 and 2001 comprise the following:

	Millions of Won						
	Ownership Percentage	Fair Value, Net Asset Value or Value under the Equity Method (**)					
		Acquisition Cost		Book Value			
		2002.12.31	2002	2001	2002	2001	2002
Listed Stocks							
LG Investment & Securities Co., Ltd.	4.26	₩97,534	₩97,534	₩70,830	₩79,351	₩70,830	₩79,351
Hana Bank	-	-	172	-	286	-	286
		97,534	97,706	70,830	79,637	70,830	79,637
Unlisted Stocks							
The Korea Economic Daily	0.01	14	14	14	14	5	7
Pusan Travel & Development Co., Ltd.	2.67	400	400	400	400	146	236
New Airport Highway Co., Ltd.	5.00	21,710	21,710	21,710	21,710	20,133	18,375
Daegu East Inter Circular Road Co., Ltd.	14.58	8,658	8,658	8,658	8,658	8,482	8,564
Daegu West North Road Co., Ltd.	15.07	3,316	2,880	3,316	2,880	2,883	3,156
Manwolsan Tunnel Co., Ltd.	15.00	4,342	600	4,342	765	4,243	610
Korea Housing Guarantee Co., Ltd.	0.18	21,532	21,532	-	-	1,822	1,162
LG Energy Co., Ltd.	10.00	8,100	8,100	10,054	10,054	13,174	12,472
LG Mart Co., Ltd.	1.75	15,402	15,402	11,344	11,344	7,062	7,476
LG CNS Inc.	9.08	3,522	3,522	3,533	3,533	6,974	5,714
LG Sports Co., Ltd.	6.25	375	375	265	265	309	309
POTATO Co. Ltd.	10.00	300	300	300	300	293	299
International Convention Center Jeju	0.65	500	500	500	500	525	591
Public Development Co.,Ltd.	18.98	3,947	2,388	3,947	2,388	3,986	2,441
EzVille Inc.	16.00	1,600	1,600	1,600	1,600	1,217	1,424
Cheonan-Nonsan Highway Co., Ltd.	25.00	112,500	112,500	112,500	112,500	108,984	111,135
Seoul Highway Co., Ltd.	27.00	52,731	9,639	52,731	9,639	51,358	8,957
Kangnam Inter Circular Road Co., Ltd	11.50	978	-	978	-	978	-
Others		2,976	3,055	532	532	427	413
		262,903	213,175	236,724	187,082	233,001	183,341
Investments Accounted for using the Equity Method							
Han Moo Development Co., Ltd.	67.56	85,861	85,861	166,637	159,460	227,667	222,889
LADERA CO., Ltd. (*)	65.52	50,633	50,633	23,621	37,427	23,621	37,428
LG-HP CORP. (*)	30.00	2,196	2,196	-	2,515	1,198	2,502
LG Holdings (HK) Ltd. (*)	25.00	16,065	3,781	9,513	-	7,553	-
LG Construction (Arabia) Ltd. (*)	49.00	874	874	-	-	-	-
LG Properties (S'PORE)Pte Ltd. (*)	30.00	14,349	9,300	-	-	-	-
		169,978	152,645	199,771	199,402	260,039	262,819
Other equity securities		15,597	17,740	15,577	17,096	18,692	19,437
Held-to-maturity securities		41,959	45,060	41,629	44,731	41,629	44,731
		587,971	526,326	564,531	527,948	624,191	589,965

(*) The equity method of accounting was applied to these companies based on recent financial information available.

(**) Net asset value was calculated based on recently obtained financial statements of the investees.

Continued;

As of December 31, 2002 and 2001, the investment securities valued using the equity method are as follows:

	Millions of Won					
	Increase(Decrease)					
	Beginning Balance	Acquisition	Valuation Gain or Loss	Retained Earnings	in Capital Adjustments	Ending Balance
Han Moo Development Co., Ltd.	₩159,460	-	₩7,156	-	₩21	₩166,637
LADERA CO., Ltd.	37,427	-	(12,627)	-	(1,179)	23,621
LG-HP CORP.	2,515	-	(1,626)	-	(889)	-
LG Holdings (HK) Ltd.	-	12,284	495	(13,369)(*)	10,103	9,513
LG Properties (S'PORE) Pte Ltd.	-	5,049	-	(5,049)(*)	-	-
2002	199,402	17,333	(6,602)	(18,418)	8,056	199,771
2001	227,103	-	(14,382)	-	(13,319)	199,402

(*)During 2002, the Company has participated in the capital increase of LG Holdings (HK) Ltd. and LG Properties (S'PORE) PTE, Ltd., whose investment stocks are valued at zero under the equity method. The Company accounted for unrecognized losses amounting to ₩12,948 million, net of deferred tax effect amounting to ₩5,470 million, as a decrease in retained earnings.

As of December 31, 2002, the Company has discontinued applying the equity method of accounting for LG Properties (S'PORE) PTE, Ltd. and LG Construction (Arabia) Ltd. as their book value has reduced to below zero. The unrecognized losses for the investment in LG Properties (S'PORE) PTE, Ltd. and LG Construction (Arabia) Ltd. amounted to ₩5,337 million and ₩176 million, respectively.

The accumulated unamortized differences between the purchase price and the underlying proportionate net book value of equity investments, along with changes in such amounts during 2002 and 2001, are as follows:

	Millions of Won			
	Debit		Credit	
	2002	2001	2002	2001
Beginning balance	-	₩58	₩37,853	₩39,392
Increase	-	-	-	-
Amortization or reversal	-	(58)	(1,536)	(1,539)
Ending balance	-	-	36,317	37,853

The Company removed the intercompany loss from the provision for losses from construction amounting to ₩1,961 million and also recognized the unrealized portion of intercompany gains of ₩721 million from the prior period. As a result, the net income in 2002 increased by ₩2,682 million.

As of December 31, 2002, the Company pledged 2,370 thousand shares (face value amounting to ₩11,850 million) of LG Energy Co., Ltd. as collateral to Kreditanstalt fur Wiederaufbau and Korea Development Bank for the benefit of a related party, LG Energy Co., Ltd.

9. Short-term Borrowings:

Short-term borrowings as of December 31, 2002 and 2001 comprise the following:

	Annual Interest Rate (%)		Millions of Won	
	2002.12.31	2002	2001	
Bank overdrafts	4.50 - 13.00	₩5,643	₩4,046	
Foreign currency loans	2.42 - 13.00	25,769	84,985	
		(US\$ 21,467)	(US\$ 67,137)	
		31,412	89,031	

See Note 11 for collateral arrangements on the above borrowings.

10. Long-term Debt:

Long-term debt as of December 31, 2002 and 2001 comprise the following:

	Millions of Won	
	2002	2001
Debentures(*)	₩178,687	₩296,545
Loans(**)	15,920	15,920
	194,607	312,465

(*) Debentures

	Annual Interest Rate (%)		Millions of Won	
	2002.12.31	2002	2001	
Non-guaranteed debentures	6.00 - 9.00	₩200,000	₩295,000	
Private offered debentures	9.99 - 10.10	100,000	120,000	
		300,000	415,000	
Less : Current maturities		(120,000)	(115,000)	
Discount on debentures issued		(1,313)	(3,455)	
		178,687	296,545	

(**) Loans

	Annual Interest Rate (%)		Millions of Won	
	2002.12.31	2002	2001	
Won currency loans				
Korea Housing				
Guarantee Co., Ltd.	3.50	₩15,920	₩15,920	

Continued;

The annual maturities of long-term debt as of December 31, 2002 are as follows:

Year	Millions of Won		
	Debentures	Loans	Total
2004	₩180,000	₩1,327	₩181,327
2005	-	1,327	1,327
2006	-	1,327	1,327
2007	-	1,327	1,327
2008 and thereafter	-	10,612	10,612
	180,000	15,920	195,920

See Note 11 for collateral arrangements on long-term debt.

11. Commitments and Contingencies:

As of December 31, 2002 and 2001, Korea Housing Guarantee Co., Ltd., Korea Construction Financial Corporation, a government agency and others have provided guarantees amounting to approximately ₩866,510 million and ₩1,554,555 million on behalf of the Company for the performance of construction and contracts, respectively. As collateral for ₩419,867 million of the above guarantees as of December 31, 2002, Kookmin Bank and others have provided securities amounting to approximately ₩213,511 million to Seoul Guarantee Insurance and Korea Construction Financial Corporation.

As of December 31, 2002 and 2001, the Company has provided guarantees amounting to approximately ₩3,531,863 million and ₩5,020,606 million, respectively, on behalf of other construction companies, including ChungAng Construction Co., Ltd.

The Company has guaranteed the performance of construction of other construction companies. The outstanding balance of such construction contracts as of December 31, 2002 and 2001 amounted to ₩3,597,210 million and ₩1,570,751 million, respectively. In addition, outstanding guarantees provided by other construction companies amounted to ₩2,949,566 million and ₩3,823,916 million as of December 31, 2002 and 2001, respectively.

As of December 31, 2002 and 2001, the Company and LG International Corporation have guaranteed the performance of construction for Lurgi. Oil. Gas. Chemie GmbH in connection with the National Oil Distribution Company Project in Qatar. The guaranteed amounts are ₩57,619 million and ₩63,653 million, respectively. Also, Lurgi. Oil. Gas. Chemie GmbH has guaranteed the same amount for the performance of construction for the Company and LG International Corporation.

The Export-Import Bank of Korea and others have guaranteed the performance of construction of the Company in overseas projects. As of December 31, 2002 and 2001, the outstanding guarantees amounted to ₩281,386 million and ₩239,861 million, respectively. As of December 31, 2002 the Company has pledged checks and notes

Continued;

as collateral for borrowings and payment guarantees.

As of December 31, 2002 and 2001, the Company has provided guarantees amounting to ₩223,314 million and ₩209,022 million, respectively, on behalf of related parties, including LG International Corporation. The amount of available guarantees provided by related parties, including LG International Corporation, are ₩36,012 million and ₩151,175 million as of December 31, 2002 and 2001, respectively.

The Company has been named as a defendant and plaintiff in a number of claims arising in the normal course of performing construction and engineering services. As of December 31, 2002, the aggregate amount of these claims as defendant and plaintiff is ₩25,885 million and ₩6,627 million, respectively. In management's opinion, the claims will not have a material adverse impact on the Company's operations or financial position.

The Company provides loans to reconstruction associations for house reconstruction projects. The outstanding balance of long-term and short-term loans to the associations amounted to ₩23,791 million and ₩5,205 million as of December 31, 2002 and 2001, respectively.

As of December 31, 2002 and 2001, the Company provided notes to customers for apartments construction.

As of December 31, 2002, in order to hedge against foreign exchange rate fluctuation, the Company has entered into forward exchange contracts.

The outstanding forward exchange contracts are as follows:

Counterpart	Date of Contract	In Thousands		Maturity Date	Contract Exchange Rate (JPY/USD)
		Sell	Buy		
CREDIT LYONNAIS	2002.10.31	USD1,785	JPY 215,880	2003. 8.29	120.95
SOCIETE GENERALE	2002.10.31	USD2,417	JPY 288,800	2004. 2.27	119.50
		USD4,202	JPY 504,680		

As of December 31, 2002, the Company recognized a net valuation gain in the amount of ₩130 million in relation to forward exchange contracts, and recorded ₩1,524 million as a net gain on forward trading.

In response to the generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these generally unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

12. Capital Surplus:

Capital surplus shall not be used for the payment of cash dividends. However, it may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or may be used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.

In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property, plant and equipment on July 1, 1998, based primarily on the current replacement costs. The revaluation increments amounting to ₩33,833 million, net of revaluation taxes amounting to ₩454 million, were credited to revaluation surplus. Revaluation surplus balance as of December 31, 2002 amounted to ₩75,192 million.

13. Retained Earnings:

Legal Reserve

The Korean Commercial Code requires the Company to appropriate an amount equal to a minimum of 10% of its cash dividends as a legal reserve, until such reserve equals 50% of its paid-in capital. This reserve is not available for the payment of cash dividends. Subject to the approval of the Board of Directors, it may be transferred to common stock or may be used to reduce accumulated deficit, if any.

Other Reserves

Other reserves as of December 31, 2002 and 2001 comprise the following:

	Millions of Won	
	2002	2001
Reserve for improvement of financial structure	₩58,497	₩43,490
Reserve for technological development	61,530	39,450
Reserve for overseas business losses	64,054	36,885
Reserve for overseas investment losses	3,955	10,025
Reserve for loss on disposal of treasury stock	178	90
Reserve for business rationalization	74,653	34,583
Other	16,000	8,000
	278,867	172,523

The Financial Control Regulations for publicly listed companies require the Company to appropriate, as a reserve for improvement of its financial structure, an amount equal to at least 50% of the net gain from the disposal of property, plant and equipment and 10% of net earnings for each year until the Company's net worth equals 30% of total assets. This reserve is not available for the payment of cash dividends but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Pursuant to the Korean tax laws, the Company is allowed to claim the amount of retained earnings appropriated for reserves for technology development, overseas business losses, overseas investment losses and loss on disposal of treasury stock as deductions in its income tax return. These reserves are not available for the payment of dividends until used for the specified purpose or reversed. However, the reserves which are not deducted in its income tax return are available for the payment of dividends.

14. Treasury Stock:

As of December 31, 2002 and 2001, the Company retains 1,152,560 shares and 1,136,174 shares of its issued and outstanding common stock carried at ₩13,644 million and ₩14,784, respectively. The treasury stock was recorded as a capital adjustment and will be sold depending on stock market conditions.

15. Income Tax Expense:

The statutory income tax rates applicable to the Company, including resident tax surcharges, are approximately 29.7% and 30.8% and the effective tax rates are 30.4% and 29.3% for the years ended December 31, 2002 and 2001, respectively.

Income tax expense for the years ended December 31, 2002 and 2001 comprise the following:

	Millions of Won	
	2002	2001
Current income taxes under the tax law	₩94,969	₩86,542
Changes in deferred income taxes(*)	(24,658)	(20,569)
	70,311	65,973

(*) The changes in deferred income tax assets and liabilities are as follows :

	Accumulated Temporary Differences	Income Tax Effects	Deferred Income Tax Assets
January 1, 2002	₩103,792	₩31,968	₩31,968
December 31, 2002	209,079	62,096	62,096
			30,128
Deferred income tax deducted from shareholders' equity			(5,470)
			24,658

Continued;

The differences between income before income tax expenses and income for tax purpose comprise the following:

	Millions of Won	
	2002	2001
Income before income tax expenses	₩231,024	₩225,534
Temporary differences:		
Construction costs	(1,300)	(1,432)
Transfer from reserve for overseas investment loss	3,954	6,071
Transfer from reserve for technological development, net	(12,613)	(12,080)
Provision for warranty, net	1,929	9,509
Capitalized interest expenses, net	35,050	21,950
Loss on valuation of investment securities using the equity method	6,602	14,382
Accrued income, net	(79)	6,834
Provision for foreseeable losses from construction contracts, net	(1,885)	4,495
Allowance for doubtful accounts, net	30,240	(681)
Impairment loss on property, plant and equipment	12,600	-
Loss on valuation of inventories	9,684	13,986
Others	2,687	3,749
	86,869	66,783
Permanent differences:		
Entertainment expenses in excess of tax limit	5,751	3,915
Taxes and other expenses	523	8,020
Others	(3,902)	(259)
	2,372	11,676
Income for tax purposes	320,265	303,993

Continued;

The changes in temporary differences and related income tax effects for the years ended December 31, 2002 and 2001 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Income Tax Effect
Millions of Won					
Provision for warranty	₩17,515	₩1,929	-	₩19,444	₩5,775
Allowance for doubtful accounts	46,713	30,240	-	76,953	22,855
Provision for foreseeable losses					
from construction contracts	11,324	-	1,885	9,439	2,803
Construction costs	1,467	-	1,300	167	50
Loss on valuation of investment securities					
using the equity method	130,189	24,738	-	154,927	46,013
Bonus for directors	5,994	-	849	5,145	1,528
Loss on valuation of inventories	13,986	9,684	-	23,670	7,030
Impairment loss on property, plant and equipment	-	12,600	-	12,600	3,742
Reserve for overseas business losses	(4,054)	-	(2,569)	(1,485)	(441)
Reserve for overseas investment losses	(3,954)	-	(3,954)	-	-
Reserve for technological development	(46,530)	(20,000)	(7,387)	(59,143)	(17,565)
Capitalized interest expenses	(89,529)	-	(35,050)	(54,479)	(16,180)
Accrued income	(5,027)	1,065	1,144	(5,106)	(1,516)
Accumulated depreciation	(1,298)	-	-	(1,298)	(386)
Others	26,996	153	(1,096)	28,245	8,389
2002	103,792	60,409	(44,878)	209,079	62,097
2001	37,009	37,647	(29,136)	103,792	31,968

Temporary differences and the related income tax effects deducted from shareholders' equity are as follows:

	Millions of Won	
	Amount	Income Tax Effects
Loss on valuation of investment securities		
using the equity method (Retained Earnings)	₩18,418	₩5,470

The Company did not recognize the deferred income tax arising from the revaluation increment of land pursuant to the financial accounting standards generally accepted in the Republic of Korea. Gain on valuation of treasury stock fund was not included in the deferred income tax calculation.

16. Earnings Per Share:

Basic ordinary income per share and earning per share represents the ordinary income and net income of one share of common stock. Ordinary income of common stock is calculated by deducting income tax corresponding to ordinary income.

	2002	2001
Ordinary income (A)	₩245,102,428,723	₩224,819,635,058
Income tax effects (B)	74,491,884,968	65,752,853,288
Ordinary income of common stock (C=A-B)	170,610,543,755	159,066,781,770
Net income (D)	160,713,650,840	159,561,152,314
Weighted average number of shares outstanding common stock (E)	49,831,310 shares	49,871,980 shares
Basic ordinary income per share (C/E)	3,424	3,190
Basic earnings per share (D/E)	3,225	3,199

There are no outstanding convertible bonds or other dilutive securities as of December 31, 2002 and 2001. Accordingly, basic and ordinary income per share are equal to fully diluted earnings per share.

17. Dividend:

Dividend

	2002	2001
Common share issued (par value ₩5,000) (A)	49,847,440 shares	49,863,826 shares
Common share dividend per share (ratio) (B)	₩1,000 (20%)	₩800 (16%)
Common share dividend amount (AxB)	₩49,847,440,000	₩39,891,060,800

Dividend Payout Ratio

	2002	2001
Dividend (A)	₩49,847,440,000	₩39,891,060,800
Net income (B)	160,713,650,840	159,561,152,314
Dividend payout ratio (A/B)	31.02%	25.00%

Dividend Yield Ratio

	2002	2001
Dividend per share (A)	₩1,000	₩800
Market value at the end of the year (B)	11,500	14,100
Dividend yield ratio (A/B)	8.70%	5.67%

18. Restatement of Prior Year Financial Statements:

Change in Accounting method

The Company changed its accounting method for investment in securities of companies related to Social Overhead Capital (SOC) from the equity method to the cost method, based on the opinion of the Financial Supervisory Service. The Financial Supervisory Service viewed the cost method as more appropriate since the Company is restricted from exercising a significant influence over Cheonan-Nonsan Highway Co., Ltd. due to an agreement between the creditors committee and the company's shareholders, regardless of the twenty-five percent ownership in Cheonan-Nonsan Highway Co., Ltd. As a result of the change in accounting method, the loss on valuation of investment securities using the equity method of accounting decreased by ~~₩~~9,510 million and ~~₩~~13,710 million in 2002 and 2001, respectively. In addition, net income increased by ~~₩~~6,685 million and ~~₩~~9,487 million, and unappropriated retained earnings increased by ~~₩~~16,212 million and ~~₩~~9,527 million in 2002 and 2001, respectively.

The non-consolidated financial statements as of and for the years ended December 31, 2000 and 1999 have been restated in the current year to show the effects of the change in accounting method.

The significant changes in the restated non-consolidated financial statements as of and for the year ended December 31, 2001 are as follows:

	Millions of Won	
	Before Adjustments	As Adjusted
Balance sheet		
Investment securities	₩ 514,167	₩ 527,948
Deferred income tax assets	36,191	31,968
Unappropriated retained earnings	149,031	158,558
Income statement		
Loss on valuation of investment securities under the equity method of accounting	28,092	14,382
Income tax expenses	61,750	65,973
Ordinary income	211,110	224,820
Net income	150,074	159,561

In addition, the significant changes in the restated non-consolidated financial statements as of and for the years ended December 31, 2000 and 1999 are as follows:

	Millions of Won	
	1999	2000
Ordinary loss	₩ 140,763	₩ 176,163
Net income	99,841	123,646
Ordinary Income per share (In Won)	2,451	2,458
Net Income per share (In Won)	2,448	2,458

Continued;

Prior Period Error Corrections

The prior year's non-consolidated financial statements have been restated to correct an error in relation to the capitalized interest expense on the construction in-progress of LG Holdings (HK) Ltd. and its subsidiary, Beijing Lucky Goldstar Building Development Co., Ltd. As a result, net income and shareholders' equity for the year ended December 31, 2001 increased by ₩5 million and ₩5,085 million, respectively.

The details of the prior period error corrections as of and for the years ended December 31, 2001, 2000, and 1999 are as follows:

	1999		2000		2001	
	Before Adjustments	As Adjusted	Before Adjustments	As Adjusted	Before Adjustments	As Adjusted
Balance sheets						
Investment securities	₩ 475,597	₩ 469,702	₩ 500,680	₩ 495,111	₩ 534,182	₩ 527,948
Deferred income tax assets	11,886	13,038	12,878	14,024	30,819	31,968
Total shareholder's equity	724,389	719,646	772,620	768,198	937,100	932,015
Income Statement						
Ordinary Income	140,761	140,763	176,145	176,163	224,827	224,820
Net Income	99,839	99,841	123,634	123,646	159,566	159,561
Ordinary Income per share (In Won)	2,451	2,451	2,458	2,458	3,190	3,190
Net Income per share (In Won)	2,448	2,448	2,458	2,458	3,190	3,199

19. Early Adoption of the KASB Statement No.6:

Due to the Company's early adoption of Korea Accounting Standards Board ("KASB") Statement No.6 "Events Occurring after the Balance Sheet date", dividends amounting to ₩49,847 million and ₩39,891 million for the years ended December 31, 2002 and 2001, respectively, were not accounted for as liabilities in the Company's non-consolidated financial statements. Accordingly, the non-consolidated balance sheets as of December 31, 2002 and 2001 show the figures before the appropriation of retained earnings.

The Company's non-consolidated financial statements will be approved by the Board of Directors on February 4, 2003.

20. Related Party Transactions:

Significant transactions which occurred in the ordinary course of business with related companies for the years ended December 31, 2002 and 2001 are summarized as follows:

Description	Millions of Won	
	2002	2001
Sales and others	₩562,533	₩868,336
Purchases and others	151,016	130,443
Receivables	470,450	400,524
Payables	166,897	125,126

The Company has guaranteed the repayment of obligations of subsidiaries and related parties. As of December 31, 2002, the balance of guarantees by the Company on behalf of subsidiaries and related parties, including LG International Corporation amounted to ₩40,814 million. In addition, the balance of guarantees the Company received from related parties, including LG Chem Ltd., as of December 31, 2002 amounted to approximately ₩36,012 million (equivalent to US\$30,000 thousand).

The Company has pledged 2,370 thousand shares (face value amounting to ₩11,850 million) of LG Energy Co., Ltd. as collateral to Kreditanstalt für Wiederaufbau and Korea Development Bank for the benefit of a related party, LG Energy Co., Ltd.

The Company has guaranteed the repayment of employees' bank loans to acquire shares of the Company.

21. Segment Information:

Industry Segments

The Company defines its segment by the type of construction as follows:

Type	Products or Services	Major Customers
Architectural Work Division	Building, factory, and others	Kookmin Pension Management Corporation, LG Group of Companies, and others
Civil Work Division	Road, bridge, and others	Korea Highway Corporation, Korea Land Corp., and others
Housing Work Division	Apartment, villa, and others	Various and unspecified persons
Engineering Work Division	Energy plant, industrial facilities, and others	NODCO Project and others
Development Work Division	Golf course, and others	Unspecified
Other	Rental	"

Financial Information on Industry Segments

	Millions of Won						
	Architectural	Civil	Housing	Engineering	Development	Others	Total
1. Sales							
2002	₩815,626	₩508,168	₩1,250,011	₩582,863	₩13,581	₩4,216	₩3,174,465
2001	852,393	533,174	1,122,713	631,153	7,589	6,080	3,153,102
2. Operating income (loss)							
2002	66,909	81,519	149,266	(7,994)	(13,779)	144	276,065
2001	77,789	55,174	115,098	12,649	(4,682)	(1,183)	254,845
3. Tangible and intangible assets							
2002	191,270	3,742	19,646	32,437	352,461	61,470	661,026
2001	195,294	2,707	19,903	31,903	272,014	80,363	602,184
4. Depreciation and amortization							
2002	4,315	553	656	2,230	4,802	624	13,180
2001	3,764	694	807	2,947	2,447	709	11,368

Geographical Segments

Sales by geographical area are summarized as follows:

	Millions of Won	
	2002	2001
Domestic sales	₩2,819,817	₩2,718,231
China	34,594	43,287
Central Asia	246,745	339,399
South East Asia	57,575	20,306
Others	15,734	31,879
	₩3,174,465	₩3,153,102

22. Supplemental Cash Flow Information:

Major transactions not involving an inflow or outflow of cash and cash equivalents are as follows:

	Millions of Won	
	2002	2001
Transfer to current maturities of debentures	₩169,244	₩113,780
Transfer to property, plant and equipment	158,961	15,172
Transfer to inventories	3,669	27,996

23. Reclassification of Prior Year Amounts:

Certain amounts in the 2001 non-consolidated financial statements have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

GLOBAL NETWORK

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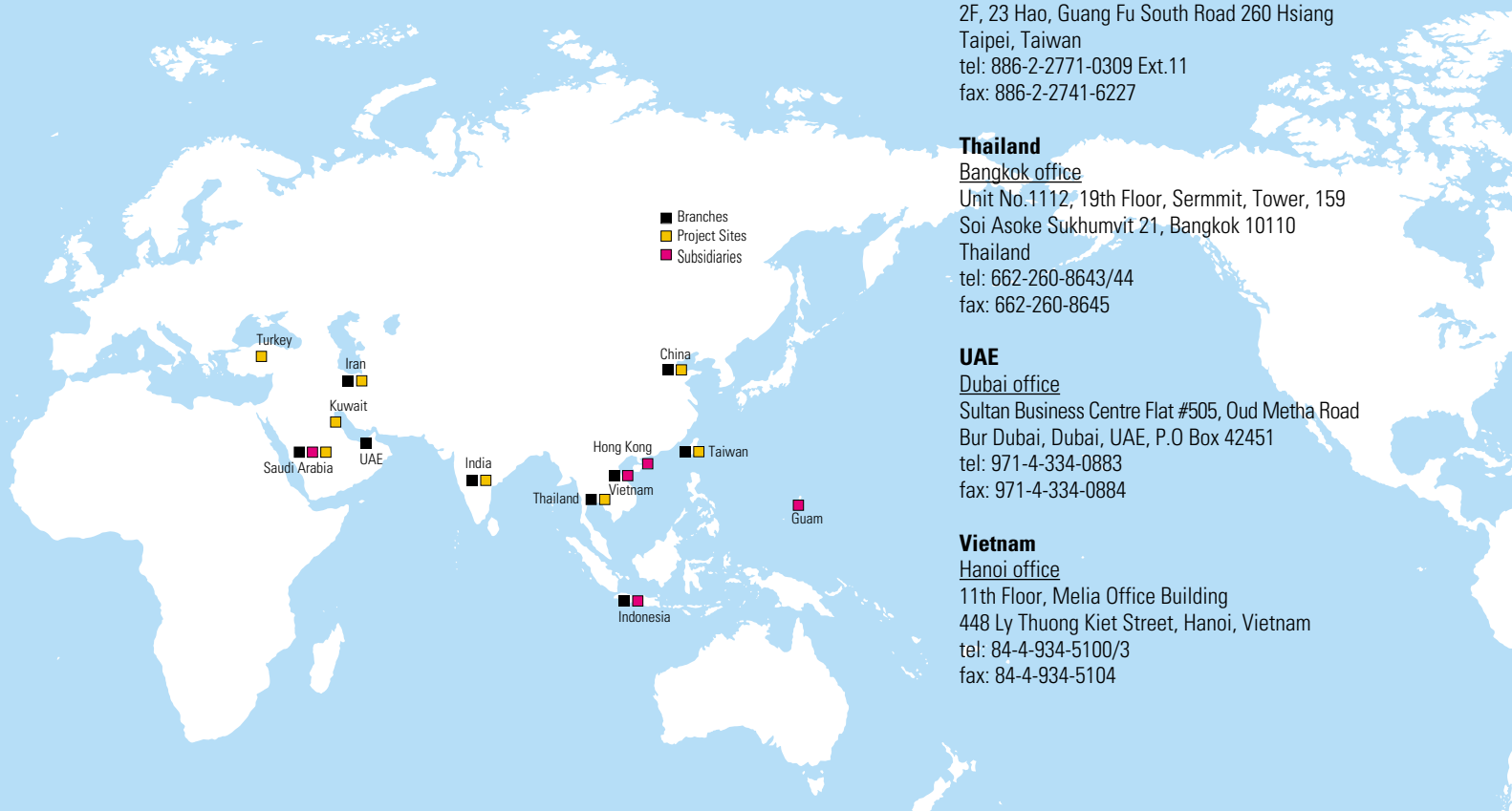
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■ Branches
 ■ Project Sites
 ■ Subsidiaries





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