

BEST
PARTNER &
FIRST
COMPANY

ANNUAL REPORT 2009

GS E&C CORPORATION

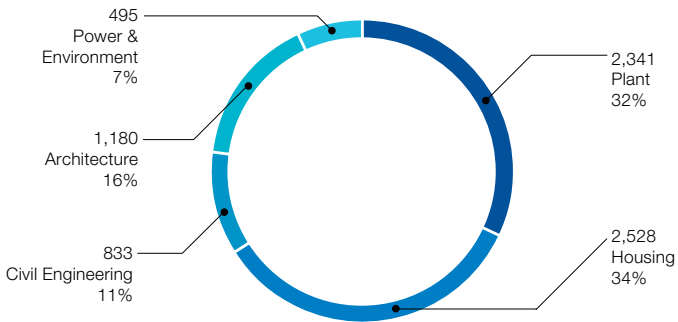
KEY FINANCIAL DATA

I Unit : Billions of Won I

	2009	2008	2007
Sales Revenue	7,377	6,866	6,012
Gross Profit	955	913	860
Operating Profit	568	478	442
Ordinary Profit	508	549	567
Net Profit	383	382	399
Earning Per Share (₩)	7,737	7,689	7,995
Dividend Per Share (₩)	1,000	500	1,650

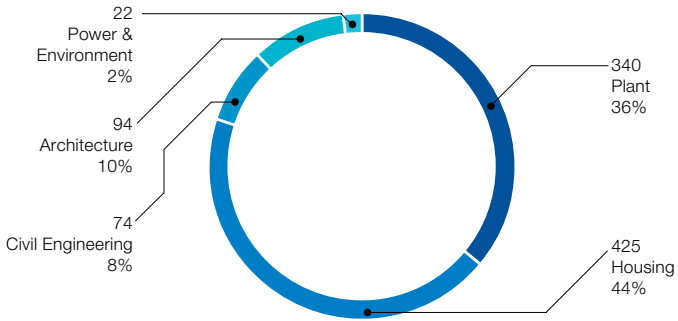
SALES REVENUE BY DIVISION

I Unit : Billions of Won I



GROSS PROFIT BY DIVISION

I Unit : Billions of Won I



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SEGMENTS

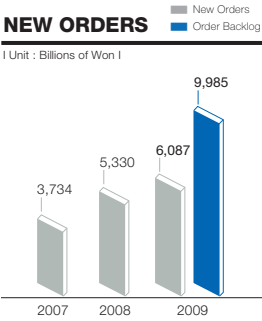
The GS E&C organization is divided into six Business Divisions (Plant, Housing, Civil Engineering, Architecture, Power & Environment, and Technology). These units provide a well-balanced business portfolio, allowing the company to grow continuously all over the world.



PLANT

The Division has established a solid portfolio by advancing into oil refineries, gas processing plants and petrochemical plants for clients mainly in the Middle East, Southeast Asia and Korea. Profitability is a key factor in bidding on new projects, while gas sector projects are being cultivated as new growth engines that will bolster the competitiveness of the plant construction business. Better global sourcing, risk management systems and human resources development are paving the way for the Division to join the ranks of the world's leading players.

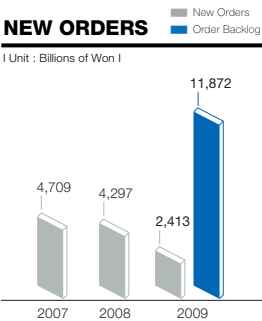
- Oil Refineries • Gas Processing Plants • Petrochemical Plants



HOUSING

The Division is maximizing competitiveness in apartment reconstruction, redevelopment and apartment projects for other developers. Profitability is being increased by diversifying into private home construction, residential land development and overseas projects. In addition, the remarkable features of GS E&C-built apartments and Koreans' quest for more elegant lifestyles have firmly established "Xi" as a power brand, while allowing GS E&C to be the best and set technology trends for the construction industry.

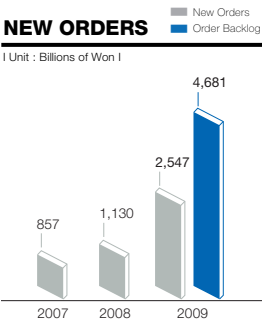
- Residential Complexes • Apartments • Mixed-use Buildings



CIVIL ENGINEERING

The Division builds roads, railroads, port facilities, industrial complexes and underground storage facilities. The focus is on profitability and cash flow stability by expanding involvement in public contracts to keep pace with the economic stimulus packages now in effect by governments around the world. Overseas contracts with government guarantees in Vietnam, Singapore, India and Middle East are helping to diversify business areas and secure new growth engines.

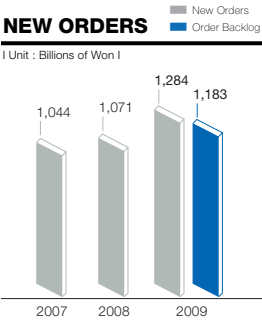
- Roads • Tunnels & Bridges • Railroads
- Ports & Dredging • Underground Space



ARCHITECTURE

Current projects are underway in Korea as well as in China and UAE. The Division boasts the superior technology and human resources to undertake a wide range of projects (education and training facilities, sporting facilities, high-rise buildings, high-tech factory buildings) anywhere in the world at any time.

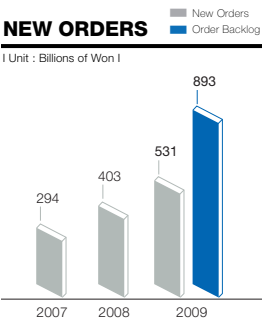
- Office Buildings • Education Facilities • Research Centers
- Hospitals • Culture • Leisure • Sports • Clean Rooms
- Manufacturing Plants • Logistics • Remodeling



POWER & ENVIRONMENT

The Power & Environment Business Division is developing new growth engines and creating new value for GS E&C going forward. Project execution capabilities continue to be honed and business areas developed so that GS E&C can stand shoulder to shoulder with the top-tier contractors for power and environment plants.

- Power & Energy • Water & Sewage, Wastewater Treatment
- Waste Treatment & Recycling



TECHNOLOGY

The Technology Division acquires core technologies through research and development, helps to create new businesses for the company, and supports efforts to improve overall productivity. The Division also provides the optimal technology for each business division and technical support to individual construction sites.

- R&D • Site Technical Support • Support for Order-taking • Technology Management



COMPANY OVERVIEW

GS Engineering & Construction was established as LG Construction Co. in 1969 and since then has achieved remarkable results in many fields, thanks to an outstanding workforce and topnotch technologies. The business portfolio has expanded steadily to include large-scale residential and plant projects inside and outside Korea as well as growing involvement in environmental and power plant projects. As a result, the groundwork has been laid for becoming a major global player.

In 2005, corporate name was changed to GS Engineering & Construction, and a concerted effort has been made to get off to a powerful new start. The company achieved the highest sales of any Korean builder in 2006, solidly establishing a leadership position. At the beginning of 2008, Vision 2015 was announced as an ambitious plan for offering top value to customers on the global stage. To this end, people, technology and systems are being harmonized, while innovative thinking and bold action plans are being pursued to advance steadily forward.

GLOBAL BEST & FIRST

Business opportunities for GS E&C are sought in Korea as well as in strategically important regions outside Korea.



Egypt E-LAB



Daejeon-Dangjin Highway Section 5



Banpo Xi

America

04

05



LG Beijing Tower

GS E&C operate confidently as a global player in cultivating growth engines for the future. Internally we work with engineers from various countries, and our current overseas projects span fifteen nations.

Our goal is to be a top-tier global player and trusted partner for customers, employees, investors and the general public alike. To this end, we creatively and passionately provide value that enriches people's lives.

MESSAGE FROM THE CEO

OVERVIEW
MESSAGE
FROM THE CEO



In the coming year, we will further our standing in the domestic and overseas markets by proceeding with ever-greater insight and prudence.

06

07

To Our Shareholders:

In 2009, we successfully overcame a market environment that became increasingly difficult as the year progressed. Our operation control system was upgraded and our priorities were adjusted to ensure unshakable soundness no matter how severe the crisis.

These efforts paid off with a record-breaking performance: new orders valued at over ₩12.86 trillion, sales surpassing ₩7.38 trillion, and operating profit of ₩568 billion. I believe these noteworthy results were made possible because of not only our own hard work but also your support for GS E&C.

We expect the business environment to continue to be difficult in 2010. Intense competition is seen both overseas and in the Korean market for government contracts, while recovery in the private construction sector is likely to be delayed. However, we believe we can maintain our robust growth momentum through our own concerted effort and your ongoing support.

Therefore, we expect to achieve ₩14.12 trillion in new orders, ₩595 billion in operating profit on ₩7.58 trillion in sales in 2010. We have decided on "value growth based on financial soundness" as our management directive for this year. Detailed action plans are being implemented according to this directive so that our performance targets can be attained.

Let me briefly describe for you, our customers and shareholders, the resolve we all share at GS E&C to realize our performance goals:

First, we are focused on internalizing the "value management" concept. By this we mean, internalizing the methods for managing cash flow, risk, cost and safety—the fundamentals that affect corporate performance profoundly. In the process, the company is strengthened overall.

MESSAGE FROM THE CEO

OVERVIEW MESSAGE FROM THE CEO



On the one hand, we will bolster financial soundness by monitoring cash flow tightly and striving for constant improvement of cash flow. On the other hand, we will enhance our system for predictable operation by managing risk preemptively and managing performance targets under specific scenarios.

Securing cost competitiveness is another important consideration if we are to retain absolute superiority amid intensifying competition. Each business division has established quantitative targets, is increasing task execution capabilities, and continues to lower costs.

Building a platform for long-term growth is another key matter on our agenda. We will never allow ourselves to become complacently satisfied with our present stature. Instead, we are working to realize a dynamic vision for the future so that we can continue to satisfy your expectations of us.

To begin we will pursue balanced growth among our business divisions to ensure a stable portfolio. We will also devote our strengths to elevating our abilities to perform ultra-large-scale projects overseas.

Technology R&D at GS E&C is not simply research for research's sake. Rather we are working toward world-class technologies that can themselves be products. Our goal, therefore, is to increase the effectiveness of our search for future growth engines by building a system of close collaboration between our technologies and our business areas.

NEW ORDERS

[Unit : Trillions of Won]



SALES REVENUE

[Unit : Trillions of Won]



Meanwhile, the platform for long-term growth will be strengthened as we accelerate our technology commercialization. At the same time we are honing our ability to execute new growth projects that are being pursued as part of a master plan for future growth engines. “Green” projects represent an important market trend and are counted among the future growth areas. Therefore, we are expanding our involvement in such areas as nuclear power plants, tidal power plants, green buildings and green transportation networks.

Last but not least, our organizational culture continues to evolve. We never cease in our efforts to foster an organization culture that is both flexible and creative so that we can best adapt to a fast-changing business environment. Over the mid-/long term, a management philosophy of “empowerment and responsibility” will become deeply embedded in our organizational culture. Our people will be able to carry out their duties in a style unique to GS E&C, building the foundation for sustainable corporate growth.

In the coming year, we will further our standing in the domestic and overseas markets by proceeding with ever-greater insight and prudence. I can assure you that we are firmly committed to repaying your loyalty and trust by making shareholder and corporate value our top priority.

President & CEO
Myung-Soo Huh

BOARD OF DIRECTORS

OVERVIEW
BOARD OF
DIRECTORS

CORPORATE
GOVERNANCE

The GS E&C Board of Directors, the highest decision-making body in the company, consists of four standing members and five outside members. The Board freely discusses and then decides on important corporate governance issues, including how the General Shareholders' Meeting and BOD meetings are conducted. The BOD members also oversee major investment decisions, management plans, accounting and finances, and key personnel and organization policies. As a result, operational transparency is raised, the accountability of top management is reinforced, and the internal oversight and control functions are faithfully performed.



CHANG-SOO HUH

- ◉ Chairman of the Board
- ◉ Presently Chairman of GS E&C
- ◉ Presently Chairman of GS Holdings
- ◉ Chairman of LS Cable (Former LG Cable)



MYUNG-SOO HUH

- ◉ Presently President & CEO of GS E&C
- ◉ COO of GS E&C
- ◉ CFO of GS E&C
- ◉ Senior Vice President of LG Electronics



SANG-RYONG WOO

- ◉ Presently President & CGO of GS E&C
- ◉ Head of Plant Business Division
- ◉ Senior Executive Vice President of GS Caltex



HWI-SUNG LEE

- ◉ Presently Senior Executive Vice President of GS E&C
- ◉ Presently Head of Domestic Business Div.
- ◉ Head of Civil Engineering Business Div.



JONG-BIN KIM

- ◉ Outside Director
- ◉ Presently Of Counsel, Yoon Yang Kim Shin & Yu
- ◉ The 34th Prosecutor General



CHUNG-MAN KIM

- ◉ Outside Director
- ◉ Presently Full-time Counselor of LS Industrial System
- ◉ Vice Chairman of LS Industrial System
- ◉ CEO of LS Industrial System



DUK-HOON LEE

- ◉ Outside Director
- ◉ Presently In-house Advisor of Professional Law Firm Youngjin
- ◉ President of the Woori Bank
- ◉ Member of Monetary Policy Committee



CHONG-KUN PYUN

- ◉ Outside Director
- ◉ Presently Professor of Myongji University
- ◉ Chairman of Korean Society of Civil Engineering



KYUNG-SUH PARK

- ◉ Outside Director
- ◉ Presently Professor of Korea University
- ◉ Vice Chairman of Korean Finance Association

CORPORATE GOVERNANCE

GS E&C strictly maintains corporate transparency and managerial accountability by applying an advanced corporate governance structure that is centered on the Board of Directors. The Board supports the top executives, enabling them to exercise their creative and progressive enterprising spirit. Ultimately, corporate value can be maximized and the shareholder first policy can be implemented thoroughly. Moreover, the company takes various steps to ensure that operational results and corporate value are returned to shareholders in the form of real benefits.

COMMITTEE of BOD

Audit Committee	
Outside Director	Duk-Hoon Lee Chung-Man Kim Kyung-Suh Park
Outside Director Recommendation Committee	
Inside Director	Chang-Soo Huh
Outside Director	Chong-Kun Pyun

BOD ACTIVITIES

The GS E&C Board of Directors is responsible for interpreting issues regarding the law and Articles of Incorporation. Other BOD duties include making important decisions on policy implementation and the basic direction of corporate operations, as well as examining the performance of senior executives. The nine-member Board, which includes five outside directors, convened nine times during 2009 and deliberated on twenty-three agenda items.

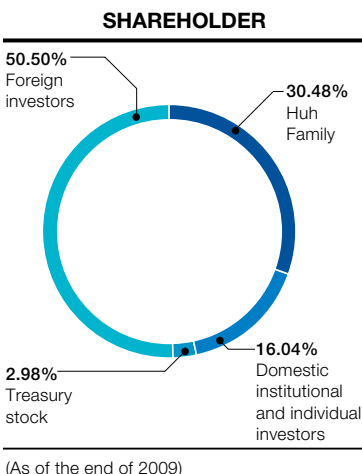
In conformity with the regulations, the BOD has also established two subcommittees, one for Audit and the other for Outside Director Recommendation committee, for faster and more efficient decision-making. Part of the BOD's authority is delegated to these subcommittees, which consist of the directors who are most experienced and knowledgeable in the area concerned.

AUDIT & OUTSIDE DIRECTOR RECOMMENDATION COMMITTEE

The Audit committee performs an oversight and support function that brings restraint and balance to the internal auditing of performance results, thereby maximizing corporate value. The three persons on the Committee are all outside directors, and they held six meetings in 2009. The Outside Director Recommendation Committee was established to ensure independence and impartiality in the outside director selection process. One of the two members is an outside director, and the Committee convened once during 2009.

CORPORATE GOVERNANCE

2001	2002	2003	2004
Best Corporate	Good Corporate	-	Best Corporate



EXTERNAL ASSESSMENT OF CORPORATE GOVERNANCE

The corporate governance structure at GS Engineering & Construction was ranked the highest of all domestic construction companies by the Korea Corporate Governance Service. GS E&C was the only Korean builder to receive a "Very Good" evaluation in the 2008 KCGS rating, and the company's corporate governance was also judged to be excellent by the Korean Stock Exchange in 2001, 2002 and 2004.

SHAREHOLDER COMPOSITION

As of the end of 2009, foreign investors held 51 percent of the total shares issued by GS Engineering & Construction while domestic institutional and individual investors held 16 percent. Another 34 percent of the shares were either owned by major shareholders[Huh Family] or by GS E&C as treasury stock.

SHARE DATA

OVERVIEW SHARE DATA



THE STOCK MARKET

The global financial crisis that started in 2008 caused global stock markets to plunge. Governments around the world managed to stop the precipitous descent implementing various economic stimulus packages, and many Korean companies performed better than expected in 2009. As a result, foreign investors rushed to buy Korean stocks. These factors combined to drive the Korea Stock Price Index (KOSPI), the country's benchmark index, which closed the year 49.7 percent higher than it had been at the end of 2008.

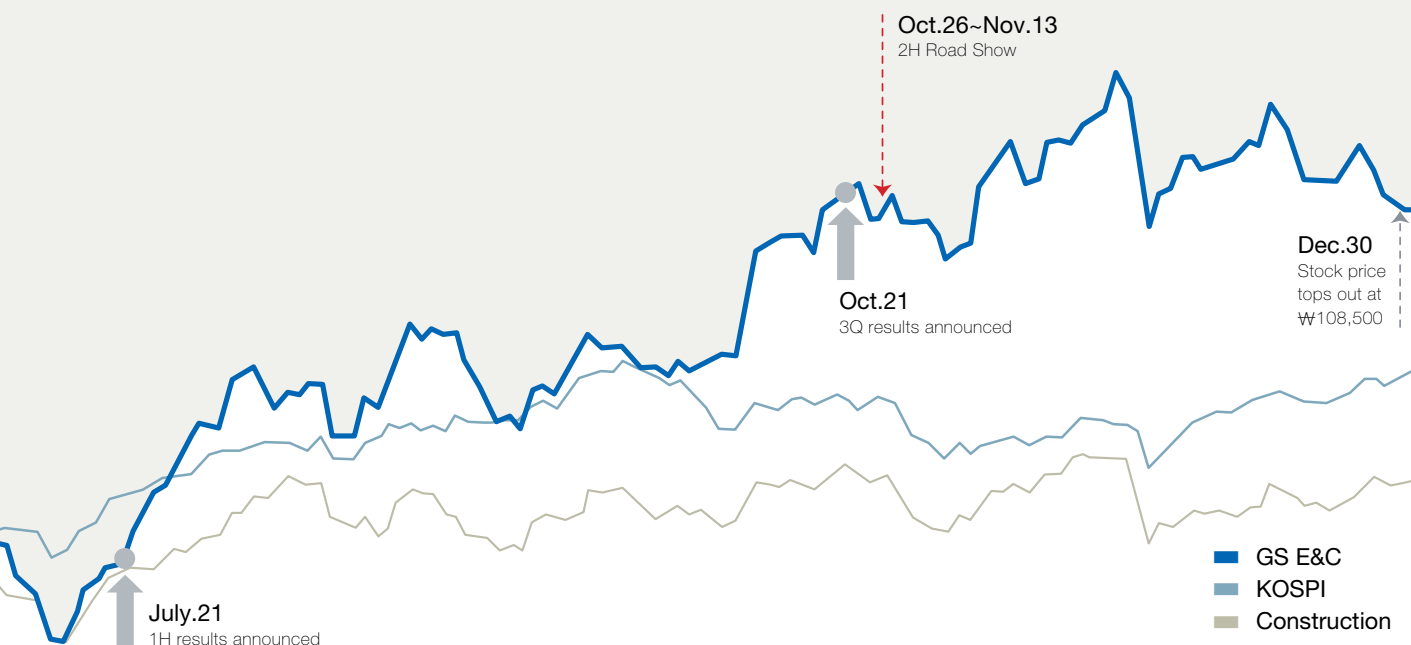
Considering developments in 2009 and the lingering uncertainties, many market watchers expect the 2010 stock market to be extremely volatile, peaking high and bottoming out low for the year. Some positive factors are also expected to come into play in the first half of 2010: (1) a global economic recovery, (2) liquidity-driven rally thanks to ongoing low interest rates and a weak Dollar, and (3) under-valued stocks. By contrast, possible negatives may appear in the second half. These include (1) a weak recovery, (2) increased volatility of price variables, (3) drops in corporate profits and earnings revision ratios, and (4) declining PER.

In conclusion, the rally that started in late 2008 is likely to

continue through the first half of 2010 at least. However, in the second half, various factors such as the sustainability of a private sector recovery, uncertainties of the Korean government's policy direction and increased volatility in price variables will determine the overall performance of the Korean stock market for the year. The effects of the current rally should be able to withstand a market correction, because a "double dip" recession is unlikely in Korea and systemic risk in the Korean financial market is low.

CONSTRUCTION STOCKS

The prices of construction stocks rose faster than the KOSPI average between March and May 2009, thanks to low interest rates and mitigated credit risks. However, the gains in share prices for construction companies during the year ended up being lower than the KOSPI average because of concerns over slowing growth and falling profitability for Korean construction companies. One of the main reasons for this skepticism involves the drop in the presale of yet-to-be-built residences. This drop, which began in 2008, was expected to erode sales in the highly profitable housing segment. Another cause for concern was the falling profitability of overseas construction projects, which had been very lucrative but were facing inten-



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The price for GS E&C shares closed at ₩108,500 on December 30, 2009, which was 87 percent higher than the ₩58,000 figure a year earlier. In addition to the price increase itself, the rate of growth is higher than that for any other Korea construction company and outperforming the KOSPI average.

sified competition amid a decrease in new order volume.

Observers say construction industry shares as a whole will need time to recover, as Korean builders must make up for losses in the housing sector and improve their earnings. However, prospects for the large construction companies are positive, because they can gain earnings momentum from overseas projects, and their losses in the housing sector will be mostly recouped by the end of 2010.

GS ENGINEERING & CONSTRUCTION

The price for GS E&C shares closed at ₩108,500 on December 30, 2009, which was 87 percent higher than the ₩58,000 figure a year earlier. In addition to the price increase itself, the rate of growth is higher than that for any other Korea construction company and outperforming the KOSPI average. The foreign ratio of shareholding, which was 33 percent at the beginning of 2009, was just over 50 percent at year's end.

The reasons for the share price increase are as follows: Domestically, the company's worries over the housing segment, which had been its main risk factor, subsided. Construction costs were expected to soar during the second half of 2009 and throughout 2010, as many large

apartment complex projects come to completion. However, the presales volume turned around, significantly lowering the backlog of unsold apartment units, easing concerns over construction costs.

Overseas, meanwhile, reaching the 2009 sales target appeared doubtful because Kuwait National Petroleum Co. cancelled a massive order and overseas orders were weak in the first half of 2009. However, GS E&C was awarded a US\$3.11 billion order for an RFCC unit at the Ruwais Refinery in the UAE. This is the main program for the refinery's expansion project and represents the largest overseas project ever for a Korean builder.

In addition, the company received the US\$1.2 billion GASCO 4th NGL Recovery Train project in the UAE and two subway construction contracts in Singapore, helping to boost new orders to US\$6 billion for the year. As a result, GS E&C improved its global stature, and its share price soared.

The solid domestic performance and strong advance overseas boosted the stock price 87 percent from the beginning of 2009 to year's end. The price of GS E&C shares has many reasons to continue rising in the coming year, as the company will pursue "value-oriented growth" supported by fiscal soundness.

Business Highlights 2009



Record Overseas Orders Received

New orders received in 2009 surpassed US\$6 billion for the first time. This total includes the US\$3.1 billion Ruwais Refinery #2 in the UAE, the largest single contract ever won by the company, as well as significant advances into the Singapore market.



"Xi" Brand Power Unsurpassed

The Xi brand won fifteen awards in 2009, showing that Korean consumers prefer apartments constructed by GS E&C to those from any other builder.



*CSR Credentials Recognized

GS E&C believes that environmental protection and sustainable profitability go hand in hand. The "Green Smart Xi" model house was opened to the public, and the company won the Green Construction Award and Korea Environmental Award in 2009.

*CSR : Corporate Social Responsibility

2009 AT A GLANCE

OVERVIEW 2009 AT A GLANCE



01 Most Respected Company in 2009

GS E&C was honored at the 2009 Korea's Most Respected Companies and CEO's Awards by KCEOA in recognition of the Total Project Management System (TPMS). The system monitors progress at construction sites on a daily basis, enhancing operational transparency. As a result, a solid framework is in place for mutually-beneficial relationships with subcontractors.



02 Best "Quality-of-life Apartment" for Banpo Xi

The Banpo Xi apartment complex received the President's Prize (Grand Prize) at the 13th "Quality-of-life Apartment Awards," sponsored by the Korea Economic Daily. The program is famous for its thorough on-site evaluations. Quality was the theme for 2009. Banpo Xi was recognized for improvements in all areas, including landscaping of the grounds and community facilities.



03 "Green Smart Xi" Model House

The "Green Smart Xi" model house opened at Xi Gallery in Seogyo-dong, Seoul. The model house is divided into four parts: gallery, garden, energy-efficient home showroom, and corporate PR hall. In the gallery, a floor video warns visitors of the threats posed by global warming. In addition, a media table helps visitors to learn more about smart grid basics. One can experience first-hand the advanced energy management system of Xi at the energy-efficient home showroom, the highlight of the model house.



04 Top Prize at Korea Environmental Awards

GS E&C received the Environment Minister's Prize and the top prize in the Environment-friendly Plant segment at the 2009 Korea Environmental Awards. Six Korean government ministries (Environment; Education & Science Technology; Public Administration & Security; Agriculture, Fisheries and Food; Knowledge Economy; and Homeland & Maritime Affairs) sponsor the ceremony, now in its fourth year. The Awards recognize superior environment friendliness and sustainable development, and are presented in four categories: Private Companies, Local Governments, Public Sector and Other.



05 Joint Wind Power Generation Project

GS E&C signed an MOU with Suzlon Energy and Mitsui & Co. for cooperation in the wind power generation segment. Initially, the three companies will jointly bid on wind farm contracts in Korea. In the future, they plan to work together on developing the wind power industry inside and outside Korea.



06 Customer Satisfaction Lauded at Global Excellent Awards

The “Xian Manager” services of GS E&C received the top prize in the Customer Satisfaction category at the 2009 Global Excellent Awards. The after-sales service program was praised for helping build close relationships with customers by meeting their rapidly changing needs. These prestigious Awards were first introduced by the Japan Management Association Consulting, a multinational consulting group, in 2003. They endorse excellence in companies, institutions and products, helping promising global players exercise their competencies to the full.



07 Partnership for Smart Grid-applied Energy-efficient Buildings

GS E&C signed an MOU with LS Industrial Systems for smart grid and energy-efficient building projects. GS E&C CEO Myung-Soo Huh and LS IS CEO Ja-Kyun Koo were among the participants at the signing ceremony. The MOU sets out a partnership for developing “green buildings,” where newly built or retrofitted structures adopt smart grid technology to maximize energy efficiency.



08 Times Square Wins Grand Prize in Architecture Segment

Times Square, constructed by GS E&C, received the grand prize in the architecture segment at the 5th Korea Civil Engineering and Architecture Awards. The hybrid shopping mall in southwestern Seoul was recognized for demonstrating the advance technologies and construction expertise of GS E&C. More than six million people visited there in the first month after opening in September 2009. The complex is now established as a new Seoul landmark, with about 250,000 visitors a week. The residents include the Marriott Hotel, completely renovated Shinsegae Department Store, CGV Multiplex Cinemas, two office buildings, and various other shops.



09 \$3.1 billion Contract for Ruwais Refinery

GS E&C won the contract for a residue fluid catalytic cracking unit at the Ruwais refinery in the UAE. Takreer, an affiliate of the UAE’s state-run Abu Dhabi National Oil Company, issued the \$3.1 billion-worth order. The project is the single largest (in contracted amount) ever received by a Korea builder. This is also the largest RFCC constructed by a sole contractor, with a daily capacity of 127,000 barrels, a world record.



10 Top Prize at 2009 Green Housing Award

The Poil Xi apartment complex received the top prizes in the Landscaping category at the Third Green Housing Awards. The Awards honor companies and local governments who are committed to developing eco-friendly housing and maximizing energy efficiency. This year, nine “green” housing brands were named.

SUSTAINABLE
OPERATION

OVERVIEW
SUSTAINABLE
OPERATION

SUSTAINABLE OPERATION

GS Engineering & Construction is committed to fulfilling all obligations to customers, shareholders, employees, local communities, the nation and society as a whole. Thus, management is proactively adjusting to the changing corporate environment in order to be a world-class enterprise that can continue to grow and advance.





ETHICAL MANAGEMENT

GS E&C is committed to being an ethically upright company that can be trusted. Therefore ethical management activities are broadly based, encompassing organizational, systemic and educational elements.

HOMEPAGE FOR ETHICAL MANAGEMENT

A dedicated homepage introduces the company's ethical management activities to all stakeholders. It also serves as a channel for internal whistle-blowers and outside observers to report irregularities by GS E&C employees.

TRAINING ON ETHICAL MANAGEMENT

GS E&C has a series of training programs that cover ethical issues encountered in specific job situations. The lectures cover theoretical aspects as well as actual case studies. Some courses are available online, while others are regularly scheduled offline for persons in key positions of authority such as construction site supervisors and manager. Newly hired employees are all required to take a basic course on business ethics as well.

PLEDGE TO COMPLY WITH ETHICAL CODE

All employees sign a pledge to comply with the company Code of Ethics. In so doing they express their resolve to be part of a corporate culture that does not tolerate wrongdoing of any kind.

GIFT REFUSAL CAMPAIGN

Starting in 2003, the company has strictly banned the practice of giving and receiving gifts in the process of doing business.

REWARDS FOR WHISTLE-BLOWERS

Employees or outsiders who report acts of bribery, theft or other sorts of abuse are given a reward in cash.

COLLECTIVE RESPONSIBILITY FOR WRONGDOING

If once member of a unit is found guilty of wrongdoing, his or her co-workers and superiors will also be implicated.

PUNISHMENT FOR OUTSIDE BRIBE GIVERS

A subcontractor that bribes a GS E&C employee will lose the right to work with the company. On the other hand, the subcontractor who reports a bribe demand by a GS E&C employee will receive a payment and other benefits according to the whistle-blower reward program.

BAN ON POSSESSION OF SUBCONTRACTOR SHARES

GS E&C employees are prohibited from owning shares in listed or unlisted companies that do business with GS E&C.

CORPORATE SOCIAL RESPONSIBILITY

The "Xi Love Sharing" community service corps was launched in 2006 as part of a CSR program that helps the disadvantaged in society. This organization integrates and systematically oversees the diverse public service activities performed by GS E&C and has chapters at the Head Office as well as at worksites around the country. The recipients of the activities are selected in cooperation with local government agencies.

IR ACTIVITIES

Investor trust is fostered by transparent management practices that involve the Board of Directors and Audit Subcommittee. The Board directly and openly decides issues of major importance each quarter. To maximize shareholder value, top managers have also taken part in an overseas road show each of the past two years, and they attend various international conferences in order to provide investors with the latest updates on the company and strengthen communication links with investors. In the process, investors from around the world are kept informed of developments at GS E&C. An IR homepage is also maintained to provide global investors with performance data in real time.

SUSTAINABLE OPERATION

OVERVIEW SUSTAINABLE OPERATION



SOCIAL RESPONSIBILITIES

Companies today can no longer focus solely on profit making as their primary goal. Rather, corporate social responsibility (CSR) has become a key factor for ensuring continuous customer satisfaction and sustainable corporate growth. Moreover, they recognize that polishing the corporate image is an effective way to build up intangible assets.

In February 2006, GS E&C launched "Xi Love Sharing," a voluntary community service organization that operates on the basis of matching grants. As a result, employee volunteer activities, which had previously been sporadic and small scale, could be coordinated and integrated for greater effectiveness. The customized volunteering activities by the new organization were inspired by the social welfare policies practiced in the United States or Europe. Instead of simply dictating services to be provided, the matching grant concept links the volunteer with the recipient one-on-one. The former can comprehend

exactly what the latter needs and then provide for those needs accordingly.

GS E&C employees have been divided into 123 volunteer units, including 103 at construction sites and 20 at the Head Office. These teams collectively engage in community service activities around 400 times a year. They offer their assistance in the communities near the construction sites in cooperation with local government organizations. For example, workers at the Goha-Jukgyo Expressway construction site regularly visited a work rehabilitation center in the vicinity during 2007 and 2008. The service unit at a government housing

reconstruction project in Cheolsan-dong (Gyeonggi Province) papered the walls and ceilings of a local nursing home. In 2008, the LG Telecom Sangam DMC Office project volunteers handed out rice cake soup packages to elderly persons living alone in the area, and employees at the Nonsan sewage line repair site helped in the effort to clean up a massive oil spill at Taean, on the west coast. Moreover, the community service unit of the Tong-yeong LNG terminal construction site guided handicapped people on tours of local cultural heritages.

The kinds of community service activi-



ties were expanded in 2009. In August, for example, GS E&C held a children's English camp in collaboration with Korea Food for Hungry International. The camp was for middle school students who want to learn English but lack the economic resources for private lessons. Some GS E&C employees served as teachers for the program.

Lee Min-gyu (age 28, HR Dept.), one of the volunteers, lectured on secrets to effective English study. He said: "I was truly honored to tell the kids about my experience as a student and help them to develop their own learning skills. It was rewarding to feel their passion and ambition."

Meanwhile, "Xi Love Sharing" organized a wide range of programs in 2009 such as working with the Korean Federation for Environmental Movement to clean up the Han River and building or repairing homes with Habitat for Humanity to help low-income families in

Hwaseong County (Gyeonggi Province). Other activities of note include a charity kimchi-making event cosponsored by the J K Huh Foundation and Save the Children, and the "Children Invitation Night," held in cooperation with the J K Huh Foundation and Save the Children.

Meanwhile, the Head Office established "sisterhood" ties with the Ward Office, which introduces elders without families and other underprivileged people who need help. Each of the 20 employee volunteer units at the Head Office is assigned to five families, who are visited at least once a month and provided for. This means a total of 100 families receive regular support each month. In addition, one unit visits elderly persons living alone in the immediate vicinity of the Head Office every Wednesday, delivering side dishes prepared by the company cafeteria. GS Engineering & Construction has also promoted "joint volunteer" programs for

people at construction sites and those at the Head Office to provide ample opportunities for everyone to get involved. The employees share their best practices via the in-house magazine, helping to build a consensus on CSR.

Moreover, the company has stepped up the number of substantial and ongoing care-related activities for recipients to bolster the tailored volunteer service programs. At the same time, volunteers are repairing homes or improving other aspects of local environments as part of activities that best use the strengths of each work site.



HR MANAGEMENT

The GS E&C employee is cultivated to be proactive and globally competent, for people are seen as the essential foundation for all corporate competencies. A scientific personnel approach is followed at the company, and substantial investments are made to attract, train and manage employees. Personnel infrastructure is now being expanded outside Korea to improve HR management and lay the groundwork for a truly global operation.



As part of these efforts, the company has completed the development of the position profile system and a training-oriented performance management scheme. These programs are designed to secure "key HR levers," a key mid-/long-term HR management goal. In addition, an action plan is being introduced in stages to improve essential competencies.

Organization culture innovation, a companywide task for 2010, will serve as the basis for further progress. The main purpose is to promote the organization culture more systematically and embed it deeply. To this end, 14 detailed tasks will be carried out.

GS E&C takes corporate responsibilities seriously and engages seriously in CSR activities through "Xi Love Shar-

ing," a voluntary community service organization for employees. CSR programs will be expanded continuously in the future.

PERSONNEL STATUS

GS E&C has hired foreign technical advisors to secure global competitiveness and business capabilities as quickly as possible. Meanwhile, major overseas subsidiaries are recruiting key personnel locally to accelerate localization of operations.

Highly-skilled professionals are being recruited constantly to lay the groundwork for long-term growth, and they continue to represent a greater percentage of the workforce. Specialized technical competencies are needed to elevate the competitiveness of new growth businesses and succeed in hotly contested areas.

To expand the talent pool, GS E&C now operates an engineering subsidiary in Delhi with a staff of 300. By 2015, the subsidiary will become a major engineering center staffed by 1,000 experts in architectural design. The Indian engineers are invited to the Korea Head Office for OJT to promote their sense of belonging to the GS E&C organization. An "Early Adaptation Program" and "Friend Mentor Program" have been implemented to help non-Koreans overcome cultural differences and facilitate the acclimatization of newly-hired Koreans to the organization.

PERSONNEL MANAGEMENT GOING FORWARD

GS E&C has established a position profile system to serve as a foundation for improving the capabilities of all employees and cultivating multi-functional specialists. One of the first tasks for this new system was to reorganize the company's performance management system, a key management process. The new management scheme is designed to enhance HR quality by guiding employees systematically and supporting their work. Moreover, the company can evaluate employee performance more fairly and compensate that performance more appropriately, resulting in a more rational and productive organizational culture. The company and the employees can grow together as a result.

The company will implement mid-/long-term action plans for HR management to foster corporate personnel and to reinforce organizational competencies. These plans include developing a system to foster core personnel, further innovating the organizational culture, and adopting the HR executive information system.

PERSONNEL TRAINING & CAREER MANAGEMENT

A snapshot of the personnel training system can be seen by examining the GS Construction Academy, which consists of three major components: the



"Best School," "First School," and "G-School." The Best School is imparting the specialized capabilities required by each business division and the technology competitiveness essential for the construction industry. This knowledge is being provided in a format that can be applied immediately at the construction sites. Meanwhile, the First School offers classes on all the processes undertaken by a construction company, including sales, engineering, construction work, and facility O&M. The trainees thereby come to understand work flows outside their own area of expertise, helping overall operations to proceed

more smoothly. Individual employees are also allowed to selectively learn the topics that best accommodate their individual capabilities. Finally, the "G-School" is a special program for grooming key personnel from each organizational level and work position into future leaders.

Other programs include the Executive Training System; GBC, an extensive foreign language curriculum that provides the required skills for working globally; foreign language classes before and after work hours; and the Global Business Skills Development Course. Online course are also offered

for English, Japanese, Chinese, Vietnamese, Russian and Arabic.

GS E&C will adopt various HR development approaches based on the position profile, including job rotation and expert training, for sustainable growth. In this process, the profile system will help achieve individual and organizational growth at the same time.



SAFETY & ENVIRONMENTAL MANAGEMENT

Protecting workers and the environment at construction sites is a fundamental obligation for all construction companies. It is also an essential element for corporate competitiveness. GS E&C safety management directives must be followed in every task without exception to ensure basic safety. Regulations require that accident prevention measures be a priority when deciding budgets, assigning personnel, and devising work approaches. In addition, environmental management is conducted thoroughly because it is fundamental for being a "green" company and is an obligation to society.

SAFETY MANAGEMENT

Successful accident prevention and constant worker safety begin with education, and a concerted effort has been made to raise safety awareness among the entire workforce. GS E&C was the first Korean builder to establish a "Safety Innovation School." The school provides various training courses cus-



tomized for positions ranging from executives, site chiefs and team leaders to construction managers, safety engineers, subcontractor heads and crew chiefs. The Safety Innovation School offers various programs that reconstruct accident and workplace situations for practical training. Employees from the Head Office, which is far away from the actual construction work, are also required to strap on safety gear and experience working conditions at construction sites. This way, they can realize the importance of adhering to safety regulations at all times. They also learn cardiopulmonary resuscitation (CPR) techniques so that they can be ready to

respond in emergencies.

The in-house safety management program continues to raise the standard for the industry as a whole. GS E&C became the first builder in Korea to require technical people to be qualified as construction safety engineers. That certification is reflected in performance evaluations for promotion. Technical cooperation is being pursued with Kajima of Japan in order to establish the most advanced safety management system at GS E&C. In addition, Incident & Injury Free (IIF), an international program by Bovis Lend Lease to encourage a positive mindset towards health and safety, was adopted while near-miss

SUSTAINABLE OPERATION

OVERVIEW SUSTAINABLE OPERATION

management helps prevent accidents.

GS E&C complies with the international OHSAS 18001 and domestic KOSHA 18001 requirements, bolstering the safety and health management program. All construction equipment is regularly inspected, and a Safety Inspection Team was established to find and address all risk factors on construction sites.

ENVIRONMENTAL MANAGEMENT

GS E&C received ISO 14001 certification back in 1996 and has maintained a robust environmental management program, pursuing "green growth" projects and increasing environmental performance.

The company continues to improve the eco-friendliness of designs, construction methods and materials to address global warming and protect the environment. In addition, detailed action plans are currently being implemented to determine and reduce GHG emission volumes at construction sites.

Every effort is being made to raise the effectiveness of the environment management program as well. GS E&C is the first domestic builder to implement a budgeting system that can automatically collect and total environmental expenses, and has adopted environmental accounting ahead of everyone else.

An Environmental Conflict Prediction Program has been developed to anticipate, avoid or settle immediately any civil complaints over environmental issues. Data on the construction equipment being used, the project schedule, the noise barriers and all other relevant details for each process are inputted, and the program offers the optimal environmental management plan based on that data.

GS E&C is training workers and monitoring construction sites to minimize the impact on the environment and local ecosystem. The company regularly designates an "Environmental Day," where employees of GS E&C and subcontractors at a specific construction site volunteer to clean up the local streams, mountains, and community.

The Total Project Management System (TPMS) provides the essential information in real time needed to ensure environmental management is conducted thoroughly during each process at construction sites.

Meanwhile, the company is developing environment-friendly technologies and runs a subcontractor mentoring system that promotes "win-win" relations. All subcontractors are being integrated into the TPMS, and training is provided on its implementation. GS E&C regularly holds the "Xi CEO Forum"



and continues to support environmental management training at subcontractors. These efforts have been recognized publicly, as GS E&C was selected for the First Prize in the Green Management category at the Global Green Management Awards, hosted by the Korea Management Association and Korea Management Association Registrations & Assessments Inc.

STRONGER COMPETITIVENESS THROUGH ECO-FRIENDLY CONSTRUCTION

Sustainable environmental management		A global environment protection system	
Eco-friendly construction site	Upgraded environmental work	Intensive environmental training & technical support	Intensified effort to lower environmental risk
• GHG reduction activities • Compliance to environmental laws • Development & use of eco-friendly construction methods	• Improved environmental work processes • Standardized environmental facilities in-house • Upgraded environmental information system	• Environmental videoconferences with HQ • Cultivation of environmental management experts • Technical support for problem sites	• Operation of environmental conflict prediction program • Environment manager (deputy site manager) • Participation in outside environmental activities (government/NGO)



REVIEW OF OPERATIONS

Our operation control system was upgraded and our priorities were adjusted to ensure unshakable soundness no matter how severe the crisis. These efforts paid off with a record-breaking performance: new orders valued at over ₩12.86 trillion, sales surpassing ₩7.38 trillion, and operating profit of ₩568 billion.

26 PLANT 30 HOUSING 34 CIVIL ENGINEERING 38 ARCHITECTURE 42 POWER & ENVIRONMENT
46 TECHNOLOGY 50 COMPANY MILESTONES 52 MANAGEMENT'S DISCUSSION AND ANALYSIS

24

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PLANT

REVIEW OF
OPERATIONS
PLANT

PLANT

We are advancing toward greater global prominence by seeking out new markets, developing future growth engines.





Sohar Aromatics

[Client] Aromatics Oman LLC

[Location] Sohar, Oman

[Contract Period] Jun. 2006–Nov. 2009

[Project Description] BTX 1,000,000 MTPY

6,087

NEW ORDERS

Billions of Won

26

27



HMC PP

[Client] HMC Polymers Co.

[Location] Map Ta Phut, Thailand

[Contract Period] Jul. 2007–Nov. 2009

[Project Description] Polypropylene 300,000 MTPY



LG-Daesan NCC Revamping

[Client] LG Chemical

[Location] Daesan, Korea

[Contract Period] Oct. 2005~Sept. 2007

[Project Description]

Capacity Increase

Ethylene : 450,000 → 650,000 Tons/year

BRU : 180,000 → 260,000 Tons/year

Butadiene : 65,000 → 115,000 Tons/year



Laffan Refinery

[Client] Laffan Refinery Co.

[Location] Ras Laffan, Qatar

[Contract Period] May. 2005~Dec. 2008

[Project Description]

Condensate Refinery 146,000 BPSD



Salalah Methanol

[Client] Salalah Methanol Company

[Location] Salalah, Oman

[Contract Period] Apr. 2007~Apr. 2010

[Project Description]

Methanol 1,000,000 Tons/year



PLANT

REVIEW OF OPERATIONS PLANT



MESSAGE FROM THE PLANT DIVISION HEAD

MOO-IK CHANG

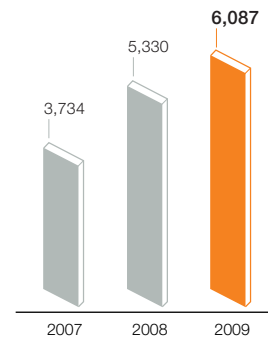
Senior Executive Vice President

Major contracts such as the Refinery Expansion and GASCO 4th NGL Train projects at the Ruwais in Abu Dhabi boosted the 2009 new order total to more than ₩6 trillion. As a result, our annual growth rate has averaged 44 percent since 2005. GS E&C is committed to diversifying the overseas plant segment, which is currently concentrated in oil exporting countries in the Middle East. To this end, we are augmenting our sales force in Latin America and Africa, regions with abundant natural resources and great development potential. In addition, we've strived to participate in new gas plant projects in the Middle East in order to strengthen our position in this sector.

Our Division will not be complacently satisfied with the achievements to date. Rather we will continue to work on ensuring internal stability and stimulating external growth by seeking out new markets, developing future growth engines, and cultivating capable engineers as we advance toward greater global prominence.

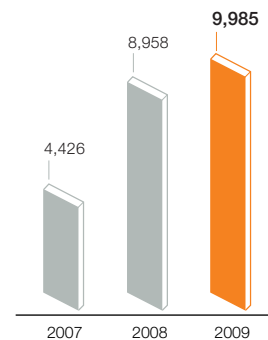
NEW ORDERS

[Unit : Billions of Won]



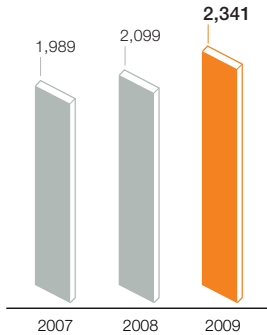
ORDER BACKLOG

[Unit : Billions of Won]



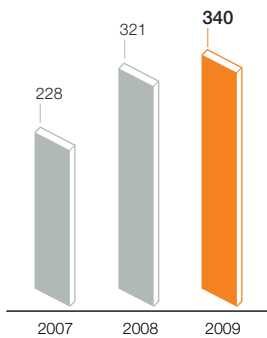
SALES REVENUES

(Unit : Billions of Won)



GROSS PROFIT

(Unit : Billions of Won)



2009 PERFORMANCE SUMMARY

The Plant Business Division outperformed all targets (new orders, sales and profit) set in early 2009. Two of the most important new orders came from the UAE: the Ruwais Refinery Expansion, the single largest contract taken by any Korean contractor to date, and the GASCO Fourth NGL Train. As a result, new orders for the year surpassed ₩6.1 trillion, which was 160 percent of the original goal. Annual sales surpassed the ₩2 trillion mark for the first time in 2008, and in 2009 they were up an additional 10 percent to ₩2.3 trillion.

2010 OUTLOOK AND PLANS

Major clients in the Middle East, who had delayed or cancelled several projects due to the global financial crisis, are expected to resume investments. Middle Eastern and African clients will be a steady source of new orders for refineries and petrochemical plants. Moreover, increased demand for clean energy will provide uninterrupted growth momentum in the gas processing sector.

Risk management competencies will be bolstered to ensure that the major new orders received in 2009 are carried out with optimal profitability. Ongoing efforts are also being made to make GS E&C a top player in projects that support green growth and other future business.



HOUSING

REVIEW OF
OPERATIONS
HOUSING

HOUSING

Our success in 2009 was made possible by our commitment to constant improvement and the very latest technology.





Banpo Xi

[Client] Banpo Jugong 3 Danji Reconstruction Association

[Location] Seoul, Korea

[Contract Period] Apr. 2006~Jan. 2009

[Project Description]

3,410 Units, Total floor area 837,302m²

2,413

NEW ORDERS

Billions of Won

30

31



Seocho Art Xi

[Client] Samjong Gwith Construction

[Location] Seoul, Korea

[Contract Period] Jan. 2007~Jun. 2009

[Project Description]

190 Units, Total floor area 68,878m²



Gwangjang Xi

[Client] HNH Development Co.

[Location] Seoul, Korea

[Contract Period] Jul. 2006~Nov. 2008

[Project Description]

122 Units, Total floor area 24,227 m²



Susaek Xi

[Client] GS E&C

[Location] Seoul, Korea

[Contract Period] Oct. 2006~Sept. 2009

[Project Description]

324 Units, Total floor area 114,241 m²



Poil Xi

[Client] Poil Jugong

Reconstruction Association

[Location] Gyeonggi, Korea

[Contract Period] May 2007~Nov. 2009

[Project Description]

2,540 Units, Total floor area 449,512m²



HOUSING

REVIEW OF OPERATIONS HOUSING



MESSAGE FROM THE HOUSING DIVISION HEAD

CHUNG-HEE LIM
Executive Vice President

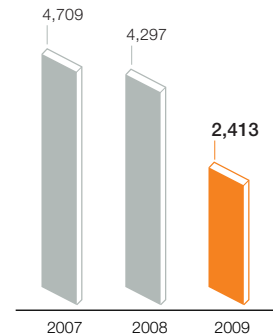
Our Division experienced a very difficult year as a result of the global financial crisis and slumping housing markets inside and outside Korea. Despite the adversity, our apartments continued to win numerous awards, and our presales performance was outstanding. Making this possible was our commitment to constantly upgrading our apartments and ensuring that they feature the very latest technology.

Presales were outstanding at the Poil Xi apartment complex and elsewhere. We also received fifteen awards in total at home and abroad, bolstering our stature as Korea's No. 1 apartment brand. We became the first builder to win the Korean government's Patented Technology Award, and Banpo Xi received the President's Prize at the 2009 "Quality-of-life Apartment Awards." In addition, our "Boutique Monaco" received the Korean Architecture Awards. Other honors include the top awards at the Korea Luxury Brand and World Power Brand competitions. Moreover, we ranked first in Korea's Global Brand Capability and Global Customer Satisfaction Indices.

Last year, we unveiled "Green Smart Xi," our eco-friendly, energy-efficient apartments. As such, we are a frontrunner in developing new technology to accommodate the government's green growth policy and reflect customers' changing needs. Our Division is establishing an early lead in the green home segment and laying a solid foundation for future growth. We have moved up our timetable for "Green Smart Xi" availability, while we continue to offer homes of great value that are in step with domestic and overseas market requirements.

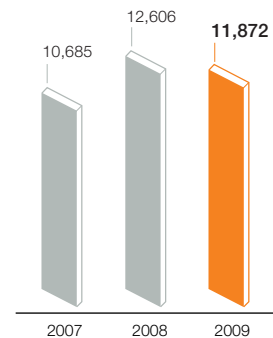
NEW ORDERS

[Unit : Billions of Won]



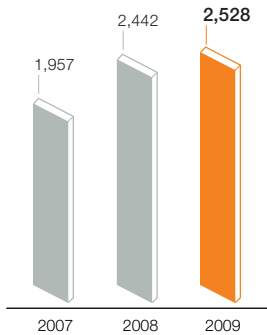
ORDER BACKLOG

[Unit : Billions of Won]



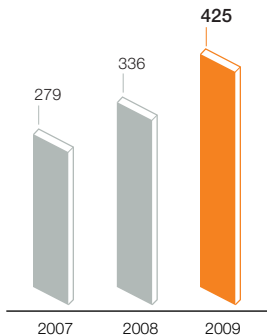
SALES REVENUES

(Unit : Billions of Won)



GROSS PROFIT

(Unit : Billions of Won)



2009 PERFORMANCE SUMMARY

Despite the unfavorable market conditions, new orders totaled ₩2.4 trillion, providing an order backlog to ₩11.9 trillion at year's end. This is the largest figure posted by any Korean homebuilder, providing a solid platform for future growth. A surge in sales for the large Ilsan Xi and Poil Jugong projects as well as the expanded construction work resulting from newly started projects brought sales to over ₩2.5 trillion. In 2010, presales should drop because of the lingering effects of the global economic downturn. However, the Division expects to achieve about the same sales volume as in 2009 by completing the projects at Wangsimni District #1 and #2, Gongdeok Xi and Gajae-ul District #4.

2010 OUTLOOK AND PLANS

The priority in 2010 will be fiscal soundness. To this end, the Division will capitalize on a stronger economy to accelerate the presale of unsold units and will decide new projects on the basis of their presale potential. Growth stability will also be enhanced through ongoing cost reduction efforts. The priority for new construction starts will be placed on the most profitable redevelopment and reconstruction projects in the Greater Seoul Area, thereby maintaining a solid business base.

The Division aims to achieve ₩3.8 trillion in new orders and ₩2.4 trillion in sales during the coming year. Profitable growth will be pursued through an aggressive response to new market conditions, systematic project execution and thorough risk management. In addition, "Green Smart Xi" will provide new residential environments to meet the changing needs of customers, bolstering GS E&C's position in the global housing construction industry.

***Green Smart Xi is low-energy housing made possible with the Xi Energy Management System. New and renewable energy sources as well as energy-saving technologies are used to curb the consumption of conventional fossil fuel economically and efficiently.**



CIVIL
ENGINEERING

REVIEW OF
OPERATIONS
CIVIL
ENGINEERING

CIVIL ENGINEERING

We maintain a healthy volume of domestic orders while continuing to expand overseas.





2nd Namhae Grand Bridge

[Client] Busan Regional Construction
Management Office

[Location] Namhae, Kyeongnam, Korea

[Contract Period] Oct. 2009–Sept. 2016

[Project Description]

Total Length: 3.1km

(990m Suspension Bridge) , 4 lanes

2,547

NEW ORDERS

Billions of Won

34

35



Daejeon-Dangjin Highway Section 5

[Client] Korea Expressway Corporation, Korea

[Location] Gongju, Chungnam Korea

[Contract Period] Dec. 2001 - Dec. 2009

[Project Description]

- Total Length : 8.5km, 4 lanes

Bridges : 9 (Total Length : 2,642m)

Tunnel : 1 (610m)



Goha-Jukgyo Cable-stayed Bridge

[Client] Iksan Regional Construction
Management Office

[Location] Mokpo, Jeonnam, Korea

[Contract Period] Oct. 2004–Dec. 2012

[Project Description]

Total Length : 3.1km(4 lanes, Cable Stayed)



PyeongTaek Port

[Client] EUKOR-Car Carriers Ins.

[Location] Pyeongtaek, Gyeonggi, Korea

[Contract Period] Apr. 2006~Oct. 2008

[Project Description]

- Berth : 290m(8,600 PCEU)

- Casin : 29

- Dredging & Reclamation : 1.7Mil m³



Seoul Metro Subway Line No. 9 Section No.904

[Client] Seoul Metropolitan Government Office
of Subway Construction

[Location] Seoul, Korea

[Contract Period] Jul. 2001 - Aug. 2009

[Project Description]

Total Length : 1.95km, 2 Stations



CIVIL ENGINEERING

REVIEW OF OPERATIONS CIVIL ENGINEERING



MESSAGE FROM THE CIVIL ENGINEERING DIVISION HEAD

JONG-IN PARK

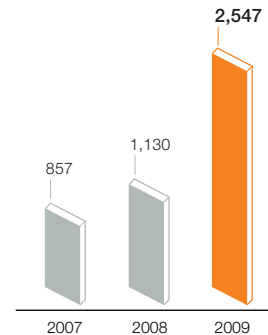
Senior Executive Vice President

In the year 2009, GS E&C's Civil Engineering Division managed to make considerable strides as governments around the world adopted expansionary fiscal plans to overcome the current global economic crisis. We bolstered our business portfolio by increasing the ratio of new orders for government projects. Domestically, our division won a contract for the Second Namhae Grand Bridge, the world's first suspension bridge with inclined pylons. We were also able to diversify our project portfolio through new orders overseas, including a subway construction contract from the Singaporean government and the Ruwais Refinery expansion project (Package #7) from the Abu Dhabi National Oil Company (ADNOC) in the UAE. The ADNOC contract presents a particular significance because it recognizes our EPC capabilities in the port construction sector, well known for its high entry barriers. The contract helps to open the door to other future projects of this type in the Middle East.

In Korea, fewer government projects are expected in 2010 than in the previous year. However, we will maintain our market share by seeking out mid-/long-term business opportunities such as privately funded infrastructure projects and "green growth" projects, promoted by the Korean government. Meanwhile, we will strive to augment our new order volume in the overseas. Prospects are particularly strong in Vietnam where we have been firmly established, as well as our newly entered markets in Singapore and the Middle East. Civil Engineering Division is committed to building competencies and implementing thorough risk management over new projects.

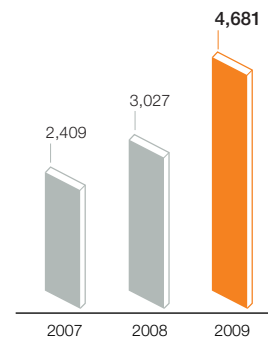
NEW ORDERS

[Unit : Billions of Won]



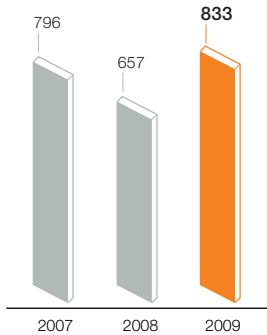
ORDER BACKLOG

[Unit : Billions of Won]



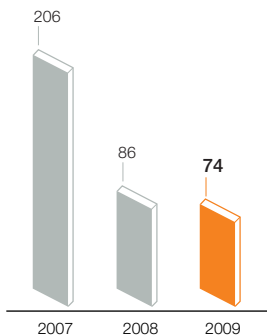
SALES REVENUES

(Unit : Billions of Won)



GROSS PROFIT

(Unit : Billions of Won)



2009 PERFORMANCE SUMMARY

The Division won a healthy volume of domestic orders and performed successfully overseas as well. As a result, total new orders exceeded the ₩2 trillion mark, following last year's record of over ₩1 trillion. The growth of last year was well balanced, to include turnkey projects, privately funded infrastructure projects, government contracts awarded based on lowest bids, and overseas contracts. In 2009, the Division posted ₩833 billion in sales, a 27 percent increase over the ₩657 billion in 2008. New orders reached ₩2.5 trillion, up 125 percent from a year ago.

2010 OUTLOOK AND PLANS

New orders for civil engineering projects are expected to be lesser in 2010 than the previous year. However, expanded business opportunities are anticipated in the low carbon green growth business. For instance, next-generation growth engines will be secured as the Division goes forward with the new Incheon Bay Tidal Power Plant, the largest project of its kind ever. At the same time, the Division will maintain its current share of domestic government contracts by strengthening technology competitiveness.

Overseas operations, on the other hand, will be heightened by ongoing participation in the huge petrodollar-driven infrastructure investments in the Middle East. The Division is committed to enhancing project execution competencies and to training engineers to work abroad, such that overseas contracts continue to make up a greater portion of the business portfolio.

The Division will leverage the improved financial soundness achieved in 2009 to focus on value-oriented growth in 2010. The 2010 goal for new orders has been set at ₩2.2 trillion, while sales are expected to reach ₩1.3 trillion, up 50 percent from 2009. For the mid-/long-term, the Division will help to reinforce GS E&C's status as a globally competitive EPC contractor.



ARCHITECTURE

REVIEW OF
OPERATIONS
ARCHITECTURE

ARCHITECTURE

We won more domestic public projects year on year, and laid the groundwork for overseas expansion.



**Times Square
(Kyungbang K-Project)**

[Client] Kyungbang Corporation

[Location] Seoul, Korea

[Contract Period] Jun. 2006–May 2009

[Project Description]

Total floor area 308,597m², B5–20F

1,284

NEW ORDERS

Billions of Won

38

39



Alpensia

[Client] Gangwondo Development Corporation

[Location] Pyeongchang, Korea

[Contract Period] Jan. 2007 ~Dec. 2010

[Project Description]

Total floor area 151,800m²,

Hotel/Condominium/Waterpark



Garden 5 (Shopping Complex)

[Client] Seoul Housing Corporation

[Location] Seoul, Korea

[Contract Period] Oct. 2006-Mar. 2009

[Project Description]

Total floor area 426,743m², B5-11F



LG Electronics
Seocho R&D Center

[Client] LG Electronics

[Location] Seoul, Korea

[Contract Period] Feb. 2006~Feb. 2009

[Project Description]

Total floor area 125,070m², B5~25F



LG Display Paju LCD Cluster

[Client] LG Display

[Location] Paju, Korea

[Contract Period] Mar. 2004–Aug. 2008

[Project Description]

Total floor area 668,547 m², B2~7F,

Total floor area 519,126 m², B4~9F



ARCHITECTURE

REVIEW OF OPERATIONS ARCHITECTURE



MESSAGE FROM THE ARCHITECTURE DIVISION HEAD

IN-SEOUG SON

Executive Vice President

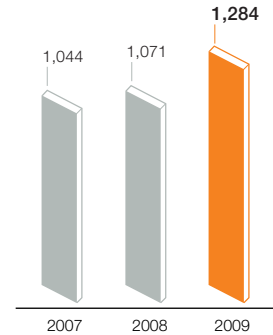
Demand for new office buildings contracted sharply in the private sector as a result of the economic slowdown in 2009. Therefore, we focused on winning more public projects. We also strengthened our marketing effort with GS, LG and LS affiliates to secure a solid revenue platform and worked hard to acquire the competencies necessary to expand our presence overseas.

Aggressive marketing enabled us to win highly significant government contracts, including the Gwang-gyo "Edu Town" Apartments, Sangrok Apartments and National Ecological Park. Our marketing effort enjoyed success in the private sector as well as we received an order to build dormitories for Hyecheon University. Our partnerships with major players in strategic overseas markets allowed us to participate in several projects outside Korea. We have thus laid the groundwork for winning new orders as a prime contractor in 2010.

Our work on Time Square, a new landmark in Seoul's Yeongdeungpo district, received the top prize at the Korea Architecture Awards, demonstrating once again our advanced technology and construction capabilities.

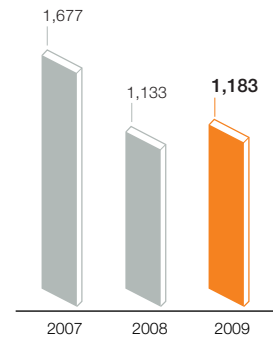
NEW ORDERS

[Unit : Billions of Won]



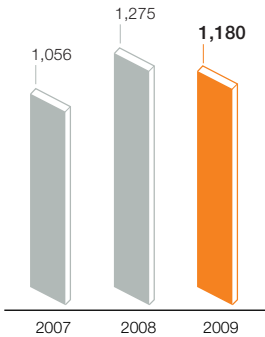
ORDER BACKLOG

[Unit : Billions of Won]



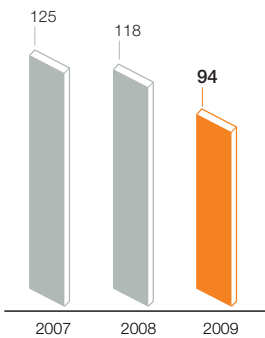
SALES REVENUES

(Unit : Billions of Won)



GROSS PROFIT

(Unit : Billions of Won)



2009 PERFORMANCE SUMMARY

The Division fared well in the public sector market and received additional orders from GS, LG and LS affiliates, with new orders exceeding ₩1.28 trillion for the year, up 20 percent from the ₩10.7 trillion figure posted in 2008. On the other hand, sales came to just under ₩1.2 trillion, slightly (5%) lower than the 2008 figure. The surge in new orders, notwithstanding, the Division saw sales fall because the large-scale Gyeongbang K-Project and new facilities at the LG Display complex in Paju, Korea were completed in 2009.

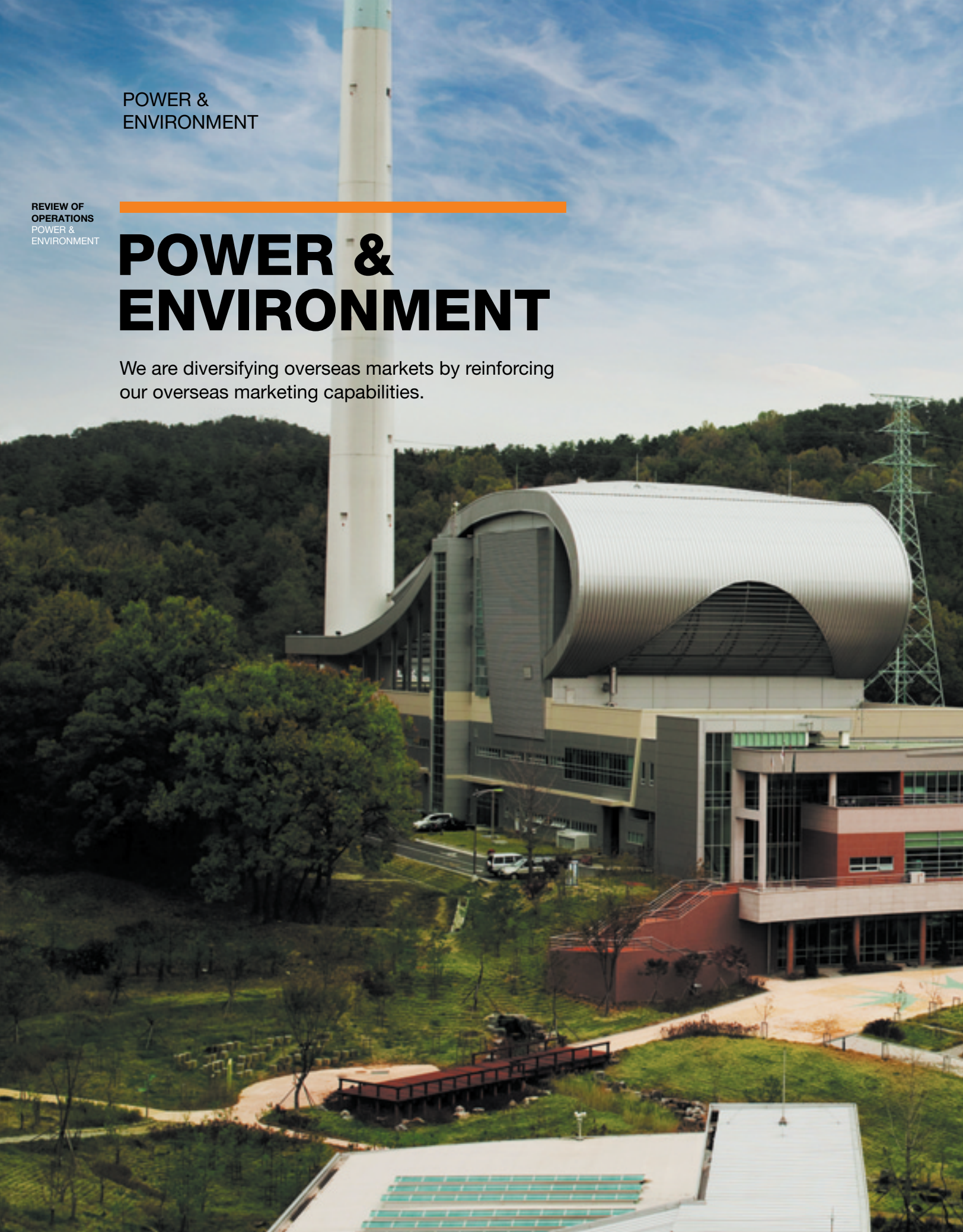
The Division reinforced marketing activities in the strategic regions of the Middle East and Southeast Asia, participating in projects in collaboration with major local contractors. Marketing for turnkey projects was also strengthened to reestablish a platform for leadership in the segment.

The Division continued to diversify the business portfolio in Korea as well. Progress was made in two budding segments: build-transfer-lease (BTL) projects and so-called "Ubiquitous City" urban development projects, where all major information systems (residential, medical, business, governmental and the like) share data, and computers are built into the houses, streets and office buildings. At the same time GS E&C broke into the public electrical business market as well.

2010 OUTLOOK AND PLANS

The Architecture Business Division will build on the improved financial soundness achieved in 2009 to acquire the competitiveness needed to make a "growth breakthrough." The Division will improve its chances for winning new orders in all segments. The Division's overall competencies will be reinforced by expanding the range of revenue-generating projects and building the capability to execute EPC contracts. The focus in 2010 will be winning additional government orders at home and achieving tangible results abroad. The target for new orders has been set at ₩1.2 trillion and sales are expected to total ₩1.08 trillion. Orders from the Korean government are expected to increase in 2010, and the Division will aggressively pursue this segment to boost profitability. Construction of the LG Display fabrication facility in Guangzhou, China, and other projects from GS, LG and LS affiliates will reaffirm the Division's competencies.





POWER &
ENVIRONMENT

REVIEW OF
OPERATIONS
POWER &
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POWER & ENVIRONMENT

We are diversifying overseas markets by reinforcing our overseas marketing capabilities.

**Cheongju Municipal Solid
Waste Treatment Plant**

[Client] Municipality of Cheongju

[Location] Cheongju, Korea

[Contract Period] Sept. 2006~Mar. 2009

[Project Description]

Incineration Plant 200 ton/day, Stoker Type

531

NEW ORDERS

Billions of Won

42

43



Incheon Combined Cycle Power Plant(Phase #2)

[Client] Korea Midland Power Co. Ltd.

[Location] Incheon, Korea

[Contract Period] Mar. 2007~Jun. 2009

[Project Description]

Total 500MW (Gas Turbine 160MW x 2,

Steam Turbine 180MW x 1)



Jeju Advanced Sewage Treatment Plant

[Client] Environmental Management Corporation

[Location] Jeju, Korea

[Contract Period] Sept. 2006–May 2009

[Project Description]

Advanced Sewage Treatment 130,000m³/day,

CNR Process



Masan Municipal Solid Waste Treatment Plant

[Client] Municipality of Masan

[Location] Masan, Korea

[Contract Period] Sept. 2006~Sept. 2009

[Project Description]

Incineration Plant 200 ton/day, Stoker Type



Eunpyung MSW Management System

[Client] SH Corporation Co. Ltd

[Location] Seoul, Korea

[Contract Period] Sept. 2006~Oct. 2009

[Project Description]

Capacity 48 ton/day, Pyrolysis melting type

MSW Automation Collecting pipe: 29.1km



POWER & ENVIRONMENT

REVIEW OF OPERATIONS POWER & ENVIRONMENT



MESSAGE FROM THE POWER & ENVIRONMENT DIVISION HEAD

JUNG-JAE HUH

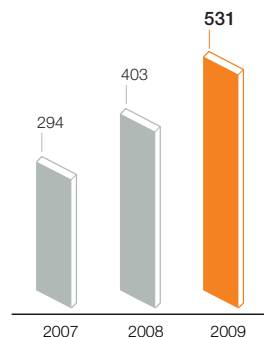
Senior Executive Vice President

Our operation in 2009 was mainly focused on ensuring financial soundness so that we could overcome the global financial turmoil. At the same time, we worked to advance overseas and develop new market segments domestically. We acquired new partners for building power plants and environmental facilities and reinforced our overseas marketing capabilities. As a result we are now ready to engage in overseas projects as a prime contractor. We also diversified our overseas markets, expanding beyond the Middle East to make inroads into Southeast Asia and Latin America.

The business environment in 2010 is expected to be difficult because of the lingering effects of the global financial crisis. In response, we will acquire greater marketing capabilities in the new regions overseas and strengthen our project management and execution capabilities. In the process, we can establish a solid record as an overseas EPC contractor. Over the mid-/ long-term, we will hire foreign experts in power and environmental plants, and we will secure the competencies required to operate and maintain the facilities we build. In the process we will continue to rise on the global stage.

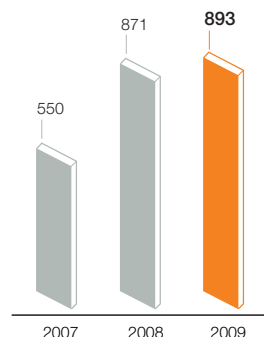
NEW ORDERS

[Unit : Billions of Won]



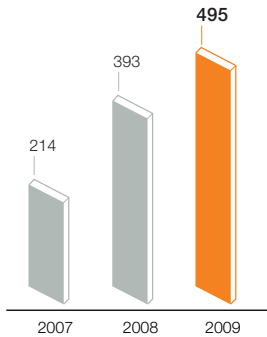
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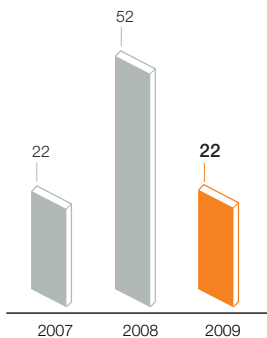
SALES REVENUES

(Unit : Billions of Won)



GROSS PROFIT

(Unit : Billions of Won)



2009 PERFORMANCE SUMMARY

In the power plant business area, the Division bolstered through binding with a Japanese trading company, major equipment makers and local contractors overseas. In Korea, meanwhile, a contract was won from Yeongheung Wind Farm, paving the way for further involvement in the renewable energy sector. The nuclear power generation Task Force established a roadmap for acquiring the competencies necessary to act as the lead company in a consortium.

In the environment business area, the Division saw tangible results in domestic turnkey and infrastructure projects. At the same time, the regions of overseas involvement were expanded beyond the Middle East to Southeast Asia and Latin America, and new partnerships were pursued with leading foreign players.

Meanwhile, basic capabilities for green growth projects were obtained by adding recycling to wastewater treatment and energy generation to solid waste disposal.

2010 OUTLOOK AND PLANS

In the power plant business area, contracts for nuclear power plants are expected to increase gradually. While the market for thermal power plants will be decreased at home. Power plant orders from the Middle East and Latin America will be expected mainly for independent power producers.

In the environment business area, the Division must be needed to be changed by the outside environments such as changing in domestic market and law changes in order to have solid opportunities for project participation.

Overseas, continuous marketing efforts are needed along with a localization strategy. Thus, GS E&C will strengthen project execution and marketing capabilities for nuclear plants. Plans also call for stepping up involvement in new and renewable energy as well as district heating projects.

The Division will further improve competitiveness in domestic environmental projects while expanding involvement overseas. To this end, new overseas partners will be secured, and the overseas marketing network will be enhanced.

The Division will then build on these accomplishments, focusing in the short term on securing opportunities in overseas EPC projects to improve competencies.

TECHNOLOGY

REVIEW OF
OPERATIONS
TECHNOLOGY

TECHNOLOGY

Our mission is to acquire world-class technologies
and differentiated technology products.





TECHNOLOGY

REVIEW OF OPERATIONS TECHNOLOGY



MESSAGE FROM THE TECHNOLOGY DIVISION HEAD

YOUNG-NAM LEE

CTO & Senior Executive Vice President

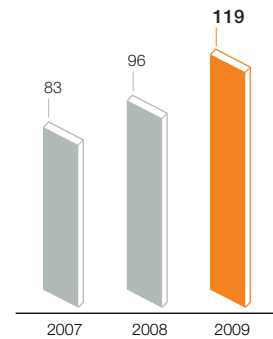
The Technology Division is committed mainly to two areas for generating the best value in technology: the creation of differentiated technology products through R&D and the improvement of internal productivity through technical support.

Our R&D unit carefully selects, for intensive development, world-class technology products that can compete successfully in the global market. In the process, we help GS E&C strengthen its platform for sustained growth. In addition, we are stepping up our development of low-carbon technologies to be ahead of the game in the “green growth” sector.

Meanwhile, our Technology Support people have worked to secure core engineering technologies that can elevate the abilities of each Division to execute both current and new projects. We also have concentrated on increasing productivity and preventing accidents at the construction sites.

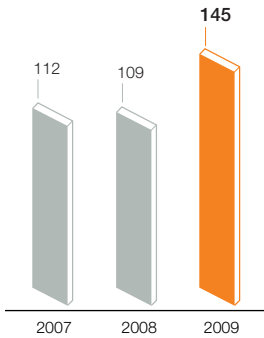
We will take the advantage of our global technology network to secure core technologies and further enhance our engineering abilities. In the process, GS E&C's stature will continue to rise as a world-class contractor.

NO. OF PATENTS REGISTERED



R&D INVESTMENT

[Unit : Billions of Won]



2009 PERFORMANCE SUMMARY

The Technology Division worked hard in 2009 to achieve three main tasks: (1) secure and commercialize core technologies, (2) provide technical support services to reduce cost, and (3) bolster technology infrastructure.

The R&D unit drew up roadmaps for acquiring world-class technologies and technology products. In addition, the Division increased its involvement in joint research with overseas partners and in the government's R&D projects. Another priority for the year was the development of technologies that can enhance the construction productivity.

Fifty-three research projects were carried out, including those for the world-class technology products. The work resulted in fifty-two registered patents and five "new excellent technologies" certified by government.

Safety management processes developed by the Division have helped to prevent accidents on the job. Noteworthy among them are the pre-project design reviews and construction risk management. Furthermore, the Value Engineering campaign and the commercialization of in-house technologies have helped GS E&C win new contracts and reduce costs.

2010 OUTLOOK AND PLANS

In the coming year, the Technology Division will add more world-class technology products to its portfolio and endeavor to secure the technologies necessary for future growth. At the same time, efforts will be focused on securing "green" technologies to be ready for new opportunities in the green growth sector.

The priority for R&D will be to secure more world-class technology products as quickly as possible. To this end, the Division aims to expand joint research projects with overseas partners; hire more foreign experts; and secure the international technological network.

In terms of technical support, pre-construction management and the technical support activities will be bolstered to enhance both worker safety and construction productivity for the most challenging projects in Korea as well as at overseas construction sites.



COMPANY MILESTONES

REVIEW OF
OPERATIONS
COMPANY
MILESTONES



- 1969** • Lackhee Development Co., Ltd. (the Company's predecessor) established
- 1975** • Company name changed to Lucky Development Co., Ltd.
- 1977** • Lucky International Construction Co., Ltd. established
- 1979** • Lucky International Construction Co., Ltd. merged into Lucky Development Co., Ltd.
 - The Company designated a housing contractor by the Ministry of Construction
- 1981** • Initial public offering issued
- 1983** • Lucky Development (Arabia) Co., Ltd. established
- 1984** • Company received Korean government's export award for winning US\$1 billion in international contracts
 - Lucky Development International Inc. established in the US
- 1989** • Lucky Development Inc. established in Saipan
 - 21st Century Vision adopted for becoming a best all round developer in the domestic market and a general construction company globally
- 1991** • Construction license acquired for Japan
 - Medal of Industrial Service awarded on Tax Day
 - Company 20 Year Almanac published
- 1993** • American Society of Mechanical Engineers accredited the Company in construction of nuclear power plant
 - Lucky Thai Engineering & Construction Co., Ltd. established in Bangkok
- 1994** • ISO 9001 quality management certificate acquired
- 1995** • Company name changed to LG Construction Co., Ltd.
 - "The Year of New Construction Era" announced
- 1996** • ISO 14001 environmental management certificate acquired

- 1998**
 - Soo-Kee Min appointed the Company's 9th President & CEO
 - LG-HP Sunflower International Village awarded by Haiphong People's Committee in Vietnam
- 1999**
 - LG Engineering Co., Ltd. merged into LG Construction Co., Ltd.
 - Grand prize received as the Superior Company and the Best Apartment by Women Consumer Survey
- 2000**
 - Construction of the West Sea Grand Bridge completed
- 2001**
 - Best Corporate Governance Award received by the Korea Stock Exchange
 - LG apartment chosen Hit Apartment Product in the 2nd half of 2001 by the Korea Daily News
 - Outstanding Corporate PR Award received in the World Advertisement Awards
- 2002**
 - Silver Industrial Medal received on Tax Day
 - Kap-Ryul Kim appointed the Company's 10th President & CEO
 - Good Corporate Governance Award received by the Korea Stock Exchange
 - LG E&C's new apartment brand identity "Xi (eXtra intelligent)" introduced
- 2003**
 - Vision 2010 announced
 - US\$ 1.6 billion South Pars 9 & 10 gas treatment project awarded in Iran
 - Grand prize received in the cyber IR field at the 5th Korea Economic Daily IR Awards, and in the construction and cement fields at the 1st Money Today IR Awards
 - Charter for Corporate Governance enacted
- 2004**
 - Environmental Management Grand Prize received in Construction Industry category
 - Good Corporate Governance Award received from Korea Stock Exchange
 - Grand prize received in the cyber IR field at the 6th Korea Economic Daily IR Awards, and in the construction and cement fields at the 2nd Money Today IR Awards

- 2005**
 - Changed corporate name to GS E&C Corporation
 - Awarded a "Analyst Prize" at 7th Annual Hankyung IR Award by the Korean Economic Daily
 - Awarded a "Best IR Prize for Construction / Cement Sector" at 3rd Moneytoday IR Award by Money Today
- 2006**
 - 31st in Engineering News-Record (ENR) Rankings
 - Prizes for Best CFO, Financial Innovation
 - CMMI Maturity Level 4
- 2007**
 - Top Award at the 7th annual IR Conference
 - Ranked 31st among Top 225 Global Contractors by *Engineering News Record*
 - Investment grade credit ratings from both Moody's and Standard & Poor's
 - Presidential Award for Xi Gallery in Seogyodong (Seoul) at Good Design Expo
- 2008**
 - Vision 2015 publicly announced
 - "Xi" wins 2008 First Brand Award, the third straight year for this honor.
 - The ₩100B Taxpayers' Tower is received on the 42nd annual Taxpayers' Day.
 - First Prize is received in the Green Management category at the 2008 Global Green Management Awards
 - The Korea IR Award is received at the 8th annual IR Conference & Korea IR Awards
- 2009**
 - President's Prize for Banpo Xi at 13th Excellent Apartment Awards
 - First Prize in CSR category at 1st Asia Today Green Construction Awards
 - First Prize for Customer Satisfaction Management at Global Management Awards
 - Times Square General Contractor Prize at 5th Korea Civil Engineering & Architectural Awards
 - "Most Trusted Company" designation at 2009 Korea's Most Admired Businesspeople & Most Respected Companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF
OPERATIONS
MD & A

CONSTRUCTION MARKETS

1. DOMESTIC

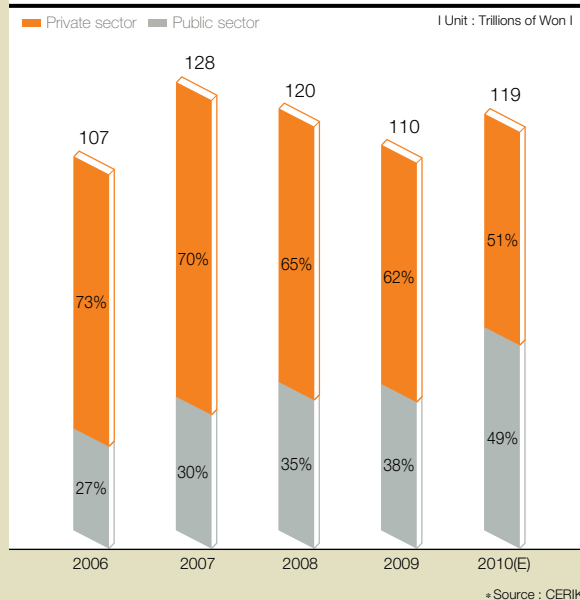
The Construction & Economy Research Institute of Korea (CERIK) reported that the value of new contracts in Korea totaled ₩118.7 trillion in 2009, 1.1 percent lower than the figure for the year before. The lackluster domestic economy caused a drop in new private sector orders. The Korean government increased its budget for infrastructure investment and frontloaded it but was still unable to reverse this decline.

Despite a drop in new orders overall, the value of new contracts in the public sector rose 39.8 percent year on year in 2009, as the government continuously issued new orders for the construction of public infrastructure such as public roads, bridges and railroads. An important contributor was the Four Major Rivers Restoration plan, a countrywide aqua-engineering project that promises such benefits as flood control, improved water quality and ecosystem restoration. The private sector saw the volume of new contracts fall 23 percent in 2009 compared with the figure for the previous year. The residential construction segment briefly showed some signs of recovery, thanks to the easing of the financial crisis and a lowered transfer income tax. However, this turnaround did not last because the government clamped down on bank mortgages by toughening the debt-to-income (DTI) rule and lowering the loan-to-value (LTV) ratio. Meanwhile, the economic slump curbed investment in plant, equipment and other non-residential construction, causing an overall market slowdown.

Many market watchers predict that the value of new government contracts will be about 20 percent lower in 2010 than they were the year before. This projection is based on the fact that most of the government budget was already spent to stimulate economic activities in 2009. A similar pattern was seen in 1998 and 1999, when a surge in public contracts for road and railway construction in 1998 was followed by a sharp drop in government orders the following year. According to reports, an estimated ₩15 trillion worth of new contracts was frontloaded in 2009. Although public projects in 2010 will be down year on year their total should

still be bigger than in 2008, suggesting favorable market conditions in the coming year. This positive outlook is based on an increase in major national policy projects such as the Four Rivers, and the trend is likely to last at least through 2011.

NEW CONSTRUCTION ORDERS



2. HOUSING

The 2009 housing market recovered faster than expected from the shock of the global financial crisis, dispelling concerns expressed earlier that year. The regions and products that suffered the sharpest decline were relatively quicker in recouping their losses. The US-triggered financial crisis caused world property prices to plummet and remain low. Analysts say, however, the real estate market in Korea underwent a comparatively smaller correction and has recovered relatively faster (in just six months) than those in other major countries have.

During the first half of 2009, the Korean government's real estate policy was aimed at helping to resolve the backlog of unsold apartments and stabilizing the housing market. In the second half, however, the policy direction shifted somewhat as the government announced measures for controlling liquidity-driven housing market fluctuation while maintaining the economic stimulus program.

Factors that can possibly influence the real property market

in 2010 include: (1) economic conditions inside and outside Korea, (2) real economic indicators, (3) interest rates and financial market conditions, and (4) supply and demand for individual segments. Market analysts say these variables can determine the real estate market trends. Both positive and negative influences exist. However, for the following reasons, those factors that stimulate activity are likely to outweigh those that stifle it:

Real economic indicators show a rising trend and the world economy is still in recovery territory, positively influencing property markets. However, a temporary shock may hit the market if the problems in US commercial real estate turn out to be larger than expected. Domestically, a supply shortage is driving up the amount of "key money" (a lump sum deposit) required when renting a home. Expectations for local development plans to be announced in the May 2010 local government elections, and various local development projects already publicized can also be good news for the real estate market. On the other hand, builders' ability to sell off unsold apartments and the scope and magnitude of the government's exit strategies will determine the degree of adverse effects on the market.

Despite the current economic recovery, rising unemployment rates, decreasing household income, and growing household debt may impair the full recovery of housing demand. Considering the surge in "key money" rates and lingering concerns over a supply shortage, however, speculative demand will likely grow.

Housing and land prices have bottomed out in Korea, yet the current supply situation is no better than it was in the wake of the foreign exchange crisis at the end of the 1990s. Financial institutions have increased their risk aversion since the onset of the global financial crisis, seriously reducing the amount of financing available for real estate development. Making matters worse, the Korean National Assembly is still debating legislation that has been on the table since February 2009 to rescind a price cap on pre-sold apartments. Abolition of the law remains uncertain, causing an increasing number of apartment complex projects to be delayed. Market watchers say these various cyclical and institutional factors will weaken the supply in the housing

sector for the time being.

Moreover, the capital flow into real estate development projects will likely shrink because financial companies are likely to continue their risk avoidance for the foreseeable future. Incentives for domestic contractors to supply housing in the private sector are insufficient, so long as the Korean legislative body postpones its decision on lifting the presale price ceiling. In the near future, construction companies are expected to accept new orders selectively, for example, redevelopment and reconstruction projects in urban areas or well-located public housing site development. Thus, rapid recovery is not likely to happen.

3. OVERSEAS

In the 2009 overseas market, 428 Korean construction companies received 559 new orders, valued at a total of US\$49.1 billion, in 81 countries, a slightly higher figure than the annual record posted in 2008. In fact, domestic constructors received new orders worth only US\$13.1 billion in the first half of 2009 as the economic crisis continued its spread worldwide and hit the construction market particularly hard. However, worries over a severe decline in new overseas orders received were eased after new orders from the Middle East started to rise in the second half. As a result, the 2009 figure outperformed the International Contractors Association of Korea (ICAK)'s initial projection of US\$41 billion and surpassed last year's record US\$47.6 billion.

To break down the project portfolio by region, the Middle East accounted for US\$35.7 billion, up more than 30 percent year on year. The proportion of the region in total overseas orders for Korean builders also rose 13 percentage points from 60 percent in 2008 to 73 percent in 2009. This shows how, unlike other areas, the Middle Eastern countries leveraged petro-dollars to avoid the brunt of the economic crisis and commence a good volume of new projects.

By project type, 73 percent, or US\$35.7 billion, of new overseas orders received in 2009 were for plant projects, up 16 percentage points from a year ago. This figure demonstrates how highly weighted the project portfolios of Korean builders are on that segment. The reason is that the economic crisis adversely affected the civil engineering and building construction sectors in Southeast Asia and the former CIS in

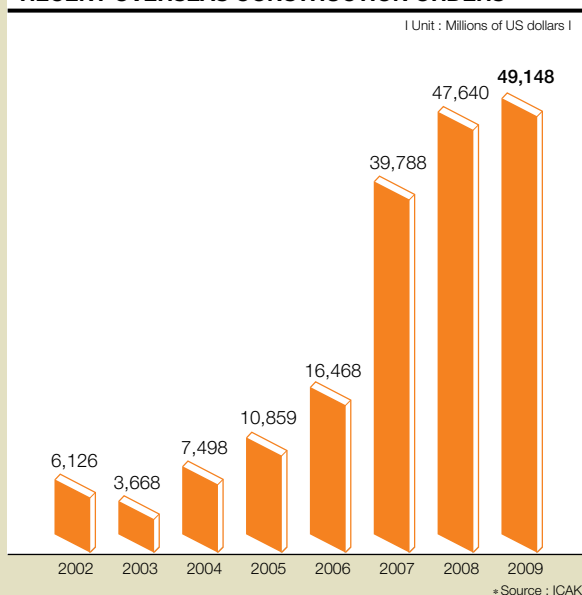
MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

MD & A

2009, areas where vigorous activity was seen through 2008. On the other hand, oil-producing countries in the Middle East and Northern Africa continued to issue new orders for oil and gas processing facilities, refineries and power plants. More specifically, massive oil and gas processing facilities around the Ruwais Refinery and other plant projects in the UAE totaled over US\$14 billion. The value of Saudi Arabian plant projects received in 2009 was \$6.9 billion, including the US\$1.3 billion Karan Gas Field Development. Korean construction companies received a total of US\$2.9 billion in new orders from Algerian clients, out of which a US\$2.6 billion refinery project was the largest.

RECENT OVERSEAS CONSTRUCTION ORDERS



In the overseas market as a whole, the resumption in new orders, which started from the second half of 2009, is expected to continue in the coming year. For example, Korean contractors will receive a steady stream of oil, gas, and petrochemical plant projects from oil-producers in the Middle East and North Africa. In addition, if the value of the recently contracted UAE nuclear power plant project is added, the 2010 performance is expected to reach the \$70 billion mark, 50 percent higher than the figure for the previous year. Also noteworthy, about 40 percent of the predicted value will originate from areas outside the Middle East, signaling that Korean builders' high dependence on the Middle East will abate somewhat in 2010.

Major Korean construction companies working abroad agree that the slump in overseas projects began to turn around in the second half of 2009 and the trend will last during the coming year. The reason is that Korean companies participate mainly as subcontractors in overseas projects, which are supported by petro-dollars. Major markets are planning to invest more in infrastructure in the coming year. The ICAK conducted a study on the top 30 domestic construction companies in terms of overseas contracts received, and found out that their combined new order target for 2010 could be as much as \$80 billion. Thus, aggressive overseas marketing activities are predicted from the very beginning of the year.

SUMMARY OF OPERATIONS

NEW ORDERS

The value of new orders GS E&C received in 2009 surpassed ₩12.86 trillion, which was up 5 percent from a year ago. Domestic construction activity has remained weak because of government real estate policies first implemented in 2008, while the global financial crisis also contributed to a slump in construction activity. Despite these unfavorable conditions, however, the company has continued to post the highest growth in the Korean construction industry, on the strength of new orders overseas as well as in the domestic civil engineering and housing sectors.

The order backlog at year's end, including ₩13.4 trillion in pending contracts, totaled ₩42 trillion, enough work to keep the company operating at full capacity for the next six years. In 2009, the value of new civil engineering orders rose 125 percent, while Middle Eastern plant projects were up 14 percent year on year. New overseas projects were a main factor in the growth of total new orders. The 2009 figure in that segment exceeded ₩6.46 trillion, which was far better than the figures for 2007 (over ₩3.08 trillion) and 2007 (over ₩4.96 trillion). Such growth is mainly due to the excellent track record that GS E&C has amassed in the construction of oil refineries and gas processing plants outside Korea. In addition, the company was able to win the \$3.1 billion Ruwais Refinery expansion project, the single largest contract ever received by any Korean constructor, as well as the

GASCO 4th NGL Recovery Train projects in the UAE. The expected target for the year has been set at ₩14.1 trillion, pursuing value-oriented growth and focusing on financial soundness.

SALES REVENUE

Sales rose 7.5 percent to more than ₩7.38 trillion in 2009, exceeding the original goal of ₩6.94 trillion. This strong showing amid an overall slump in construction activity is attributable to a balanced portfolio that spans five sectors - civil engineering, industrial plants, power environmental facilities, office buildings, and housing.

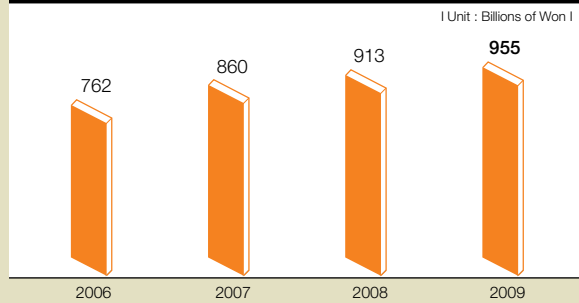
Breaking down the sales total by business division, the Civil Engineering Business Division recorded ₩833 billion, up 17 percent from the previous year, as an increase in new orders received in 2009 led to a surge in sales. The Plant Business Division saw sales rise 12 percent year on year to ₩2.34 trillion, as the domestic HOU project and overseas plant projects proceeded on schedule. The Housing Business Division performed well considering the instability in the housing market as a whole. Sales for the Division rose 4 percent from a year ago to over ₩2.52 trillion in 2009, thanks to large-scale subcontracted work as well as to housing projects on company-owned land.

PROFITS

GROSS PROFIT

Gross profit rose 5 percent, from ₩913 billion in 2008 to ₩955 billion in 2009, but the gross margin fell 0.4 percentage points, from 13.3 percent to 12.9 percent, over the same period. The decline in profitability was due to higher prices for raw materials, and a fall in the gross margin for government contracts. On the other hand, the Housing Business Division enjoyed an improved cost-to-sales ratio of 16.8 percent, up 3%p than the 2008 figure, as the ratio in completed projects turned upward. Even if improving profitability will be difficult, the 2010 performance is likely to be similar to that for 2009. Conservatively calculating profits in plant projects that are in the beginning stage, a temporary drop will occur in the gross margin. Therefore, the 2010 projection has been set at 12.9 percent, down 0.1%p from 2009.

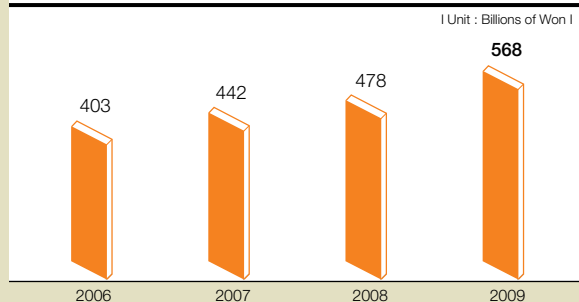
GROSS PROFIT



OPERATING PROFIT

Operating profit reached ₩568 billion in 2009, up 19 percent from 2008 despite the overall difficulties in the construction industry. The main gains in this section came from the reduction of selling, general and administrative expenses (SG&A). The reason was that the allowance for bad debt to cover the risk related to unsold apartments was set at a lower level than it was in 2008, and advertising and commission expenses were reduced significantly. The operating profit target for 2010 has been set at ₩595 billion, given the constant emphasis on fiscal soundness will lead to cuts in operating costs and other expenses.

OPERATING PROFIT



ORDINARY PROFIT

Ordinary profit dropped 6 percent in 2009 to ₩508 billion, from the 2008 figure of ₩549 billion. In non-operating expenses, an additional allowance was set for bad debt related to privately-funded infrastructure projects, of which construction work has not started yet but land prices are expected to fall. An additional reserve was established to cover the risk of loan defaults by some cooperative members of housing repair projects. In addition, foreign-exchange losses were expanded, as the exchange rates

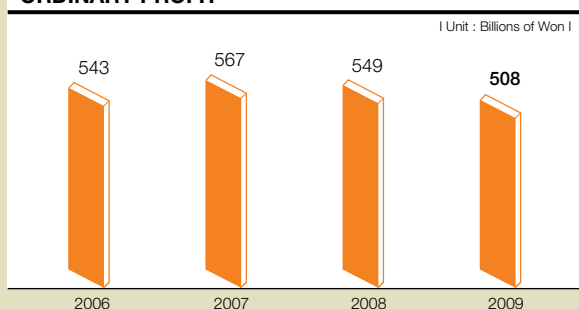
MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS MD & A

fluctuated. On the other hand, gain on valuation using equity method of accounting and other income in 2009 were larger than those were in 2008.

Pre-tax net income in 2010 is expected to reach ₩606 billion, reflecting gains from the sales of Seoul Outer Beltway shares and allowance for bad debt to cover additional privately-funded projects that cannot start construction work.

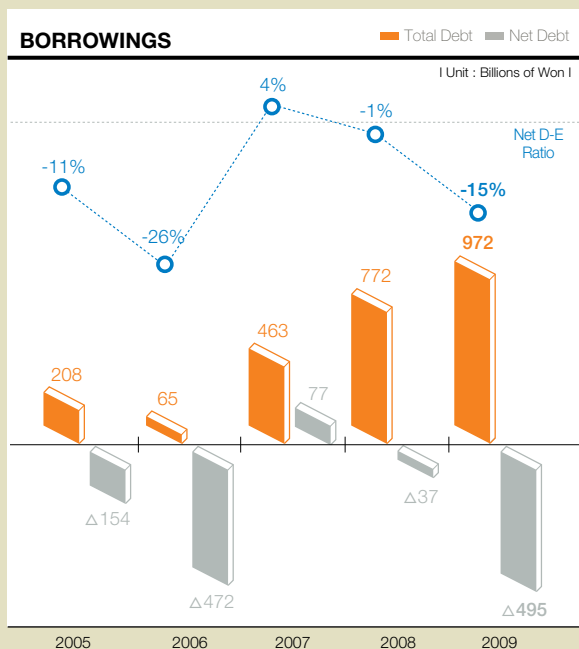
ORDINARY PROFIT



FINANCIAL POSITION

BORROWINGS

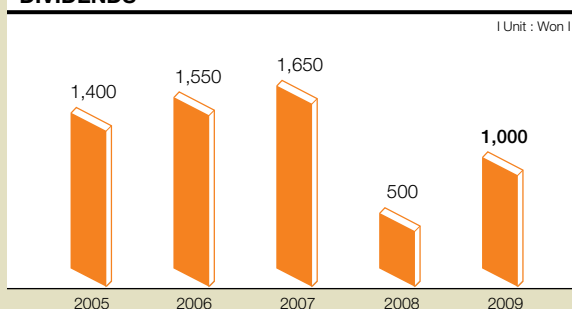
Borrowings at the end of 2009 totaled ₩972 billion, up slightly from the ₩772 billion figure posted a year earlier.



DIVIDENDS & INVESTMENTS

The dividend per share, which was ₩500 for 2008, was set at ₩1,000 for 2009, increasing the total dividend payout from ₩25 billion to ₩49 billion. After distributing some profits in the form of dividends, the company will invest most of the retained earnings to elevate shareholders' future value.

DIVIDENDS



CASH FLOW

Cash & cash equivalents rose to ₩1,445 billion in 2009, from ₩760 billion in the previous year. The changes in cash flow are detailed by activity type as follows:

First, operating cash flow totaled ₩551 billion. Contributing factors included ₩383 billion in net profit, ₩164 billion in non-cash income and expenses, and ₩4 billion in cash outflow resulting from changes in operating assets and liabilities. Second, cash flow from investment activities generated a cash outflow of ₩111 billion. These activities included investments for future development projects. Third, cash flow from financing activities increased by ₩245 billion during the year and ₩25 billion was paid out in dividends.

EQUITY

As of December 31, 2009, the company had 51 million outstanding shares of common stock; no preferred stocks, convertible bonds or bonds with warrant have been issued. Chairman Chang-Soo Huh and other members of the Huh family are the major shareholders, with 30.48% of the total shares issued. An additional 2.98% are in the form of treasury stock or part of the employee stock sharing program. At year's end, foreign investors owned 50.50% of the total shares issued.

FINANCIAL STATEMENTS

Non-Consolidated Financial Statements
Years ended December 31, 2009 and 2008
with independent auditors' report

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INDEPENDENT AUDITORS' REPORT

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The Board of Directors and Stockholders GS Engineering & Construction Corporation

We have audited the accompanying non-consolidated statements of financial position of GS Engineering & Construction Corporation (the "Company") as of December 31, 2009 and 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in equity and cash flows for the years then ended. 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 non-consolidated financial position of GS Engineering & Construction Corporation as of December 31, 2009 and 2008, and the non-consolidated results of its operations, its changes in retained earnings and equity, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

February 18, 2010



This audit report is effective as of February 18, 2010, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to this report.

NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2009 and 2008

I Korean won in millions I

FINANCIAL
STATEMENTS

	2 0 0 9		2 0 0 8	
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2 and 13)	₩	1,444,743	₩	759,669
Short-term financial instruments (Notes 2 and 4)		22,390		49,461
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩106,538 in 2009 (₩104,079 in 2008) (Notes 13, 16 and 22)		2,429,475		2,241,860
Short-term loans receivable, less allowance for doubtful accounts of ₩66,184 in 2009 (₩20,124 in 2008) (Note 13)		375,853		234,983
Prepaid construction costs		265,424		202,331
Other accounts receivable, less allowance for doubtful accounts of ₩5,542 in 2009 (₩4,671 in 2008) (Notes 13 and 16)		254,453		182,363
Inventories (Notes 2, 5 and 10)		428,986		457,218
Accrued income, less allowance for doubtful accounts of ₩12,188 in 2009 (₩5,070 in 2008)		25,313		11,569
Advance payments, less allowance for doubtful accounts of ₩6,100 in 2009 (₩11,002 in 2008)		186,965		188,338
Prepaid expenses		49,204		34,255
Derivative assets (Note 29)		107,051		134,506
Firm commitment assets (Note 29)		299,818		431,216
Current portion of deferred income tax assets (Note 23)		4,513		-
Total current assets		5,894,188		4,927,769
Non-current assets:				
Long-term financial instruments (Notes 2 and 4)		26		298
Long-term investment securities (Note 6)		600,528		540,107
Equity method investments (Notes 2 and 7)		604,647		747,953
Real estate investments		48,699		97,424
Long-term loans receivable, less allowance for doubtful accounts of ₩118,421 in 2009 (₩95,912 in 2008) (Notes 13 and 30)		251,730		353,937
Long-term guarantee deposits (Note 16)		121,903		99,286
Deferred income tax assets (Note 23)				-
Property, plant and equipment, net (Notes 8, 9, 10, 27 and 33)		1,421,696		1,412,320
Intangible assets, net (Notes 11 and 33)		2,838		3,168
Total non-current assets		3,052,067		3,254,493
Total assets	₩	8,946,255	₩	8,182,262

(Continued)
See accompanying notes.

I Korean won in millions I

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	2 0 0 9		2 0 0 8	
LIABILITIES AND EQUITY				
Current liabilities:				
Trade accounts and notes payable (Notes 13, 16 and 22)	₩	3,102,733	₩	2,561,524
Short-term borrowings (Notes 12 and 13)		200,240		260,000
Other accounts payable (Notes 13 and 16)		70,233		134,599
Other advances received		192,934		6,091
Withholdings (Note 13)		124,116		103,448
Guarantee deposits received		7,132		11,954
Accrued expenses		29,489		38,791
Income taxes payable (Note 23)		59,804		185,841
Dividends payable		18		22
Current portion of debentures, less discount of ₩95 in 2009 (nil in 2008) (Note 12)		149,905		-
Current portion of deferred income tax liabilities (Note 23)		-		14,855
Derivative liabilities (Note 29)		211,926		465,318
Firm commitment liabilities (Note 29)		40,212		4,886
Unearned revenue		5,398		1,461
Total current liabilities		4,194,140		3,788,790
Non-current liabilities:				
Debentures, less discount of ₩1,619 in 2009 (₩1,722 in 2008) (Notes 12 and 13)		610,361		499,803
Long-term borrowings (Note 12)		11,940		11,940
Severance and retirement benefits		46,013		63,325
Leasehold guarantee deposits received (Note 16)		135,410		125,799
Membership guarantee deposits received (Note 16)		339,792		336,158
Provision for construction losses (Notes 2 and 22)		15,822		6,363
Provision for construction warranty (Note 2)		62,018		70,637
Deferred income tax liabilities (Note 23)		104,679		143,266
Other provisions (Note 14)		126,826		100,542
Other non-current liabilities		243		641
Total non-current liabilities		1,453,104		1,358,474
Total liabilities		5,647,244		5,147,264
Equity:				
Capital stock (Note 17)		255,000		255,000
Capital surplus (Note 19)		239,268		236,767
Capital adjustments (Notes 18 and 19)		(86,233)		(81,881)
Accumulated other comprehensive income (Notes 9, 21, 23, 29 and 36)		750,226		842,423
Retained earnings (Note 20)		2,140,750		1,782,689
Total equity		3,299,011		3,034,998
Total liabilities and equity	₩	8,946,255	₩	8,182,262
See accompanying notes.				

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2009 and 2008

I Korean won in millions, except per share amounts I

FINANCIAL STATEMENTS

	2 0 0 9		2 0 0 8	
Sales (Notes 16, 22 and 33)				
Construction operations	₩	7,061,206	₩	6,535,180
Housing construction and sales operations		256,797		262,603
Other operations		58,922		68,065
		7,376,925		6,865,848
Cost of sales (Notes 16 and 22)				
Construction operations		6,128,699		5,708,156
Housing construction and sales operations		221,539		165,192
Other operations		71,742		79,536
		6,421,980		5,952,884
Gross profit		954,945		912,964
Selling and administrative expenses		387,019		434,641
Operating income (Note 33)		567,926		478,323
Other income (expenses):				
Interest income		71,671		60,078
Interest expense		(56,862)		(29,570)
Dividend income		873		2,320
Gain (loss) on foreign currency transactions, net		(61,846)		130,390
Gain (loss) on foreign currency translation, net		(7,773)		(23,814)
Equity in earnings of equity method investments, net (Note 7)		21,925		431
Gain on disposal of equity method investments, net		10,291		-
Gain on disposal of long-term investment securities		55,257		5,032
Loss on disposal of long-term investment securities		(2,319)		(5,714)
Gain (loss) on disposal of property, plant and equipment, net		(9,711)		6,002
Gain (loss) on settlement of derivative instruments, net		27,314		(41,063)
Gain (loss) on valuation of derivative instruments, net		13,329		(323,288)
Gain (loss) on valuation of firm commitment, net		(51,822)		423,520
Donations (Note 30)		(5,230)		(4,259)
Others, net		(64,822)		(129,748)
		(59,725)		70,317
Income before income taxes		508,201		548,640
Provision for income taxes (Note 23)		125,400		167,086
Net income	₩	382,801	₩	381,554
Basic earnings per share (Notes 2 and 24)	₩	7,737	₩	7,689

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

For the years ended December 31, 2009 and 2008

[Korean won in millions]

	2 0 0 9	2 0 0 8
Retained earnings before appropriations:		
Unappropriated retained earnings (undisposed accumulated deficit)carried forward from the prior year	₩ 1,275	₩ (11,803)
Net income	382,801	381,554
	384,076	369,751
Transfer from other reserves:		
Research and human resources development reserve (Note 20)	3,333	5,000
Reserves for losses on sale of treasury stock	-	1,263
	3,333	6,263
Appropriations (2009-proposed):		
Legal reserve (Note 20)	5,000	3,000
Business rationalization reserve (Note 20)	90,000	90,000
Financial structure improvement reserve (Note 20)	65,000	65,000
Research and human resources development reserve (Note 20)	90,000	90,000
Other reserves (Note 20)	87,000	102,000
Cash dividends (Note 25)	49,479	24,739
	386,479	374,739
Unappropriated retained earnings to be carried forward to the next year	₩ 930	₩ 1,275

See accompanying notes.

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STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2009 and 2008

I Korean won in millions I

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	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2008	₩ 255,000	₩ 238,225	₩ 11,940	₩ 156,749	₩1,483,507	₩2,145,421
Dividends	-	-	-	-	(82,372)	(82,372)
Acquisition of treasury stock	-	-	(67,750)	-	-	(67,750)
Disposal of treasury stock	-	(3,422)	12,423	-	-	9,001
Changes in capital surplus in equity method	-	1,964	-	-	-	1,964
Share-based compensation expense	-	-	(38,344)	-	-	(38,344)
Changes in capital adjustments in equity method	-	-	(150)	-	-	(150)
Gain on valuation of available-for-sale securities	-	-	-	215,714	-	215,714
Loss on valuation of available-for-sale securities	-	-	-	(1,173)	-	(1,173)
Exchange differences on translation of foreign operations	-	-	-	(12,037)	-	(12,037)
Gain on valuation of derivatives instruments	-	-	-	(13,274)	-	(13,274)
Loss on valuation of derivatives instruments	-	-	-	(21,387)	-	(21,387)
"Credit equity adjustment arising from equity method investments"	-	-	-	279,704	-	279,704
"Debit equity adjustment arising from equity method investments"	-	-	-	38	-	38
Asset revaluation surplus	-	-	-	238,089	-	238,089
Net income	-	-	-	-	381,554	381,554
As of December 31, 2008	₩ 255,000	₩ 236,767	₩ (81,881)	₩ 842,423	₩1,782,689	₩3,034,998

See accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2009 and 2008

I Korean won in millions I

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2009	₩ 255,000	₩ 236,767	₩ (81,881)	₩ 842,423	₩1,782,689	₩ 3,034,998
Dividends	-	-	-	-	(24,739)	(24,739)
Acquisition of treasury stock	-	-	(3,297)	-	-	(3,297)
Disposal of treasury stock	-	2,501	-	-	-	2,501
Changes in capital adjustments in equity method	-	-	(1,055)	-	-	(1,055)
Gain on valuation of available-for-sale securities	-	-	-	743	-	743
Loss on valuation of available-for-sale securities	-	-	-	1,171	-	1,171
Exchange differences on translation of foreign operations	-	-	-	1,317	-	1,317
Gain on valuation of derivatives instruments	-	-	-	(770)	-	(770)
Loss on valuation of derivatives instruments	-	-	-	(12,484)	-	(12,484)
"Credit equity adjustment arising from equity method investments"	-	-	-	(81,704)	-	(81,704)
Transfer of asset revaluation surplus due to disposal of land	-	-	-	(470)	-	(470)
Net income	-	-	-	-	382,800	382,800
As of December 31, 2009	₩ 255,000	₩ 239,268	₩ (86,233)	₩ 750,226	₩2,140,750	₩ 3,299,011

See accompanying notes.

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NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

I Korean won in millions I

FINANCIAL
STATEMENTS

	2 0 0 9		2 0 0 8	
Cash flows from operating activities:				
Net income	₩	382,801	₩	381,554
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Provision for severance and retirement benefits		41,769		44,069
Depreciation of property, plant and equipment		27,682		29,782
Bad debt expense		2,338		60,235
Provision for construction warranty		8,540		23,871
Reversal for construction warranty		(2,710)		(1,521)
Provision for construction losses		19,247		11,024
Reversal for construction losses		(9,788)		(28,798)
Amortization of intangible assets		330		348
Loss (gain) on disposal of long-term investment securities, net		(51,501)		682
Loss (gain) on disposal of property, plant and equipment, net		9,711		(6,002)
Loss on foreign currency translation, net		320		30,042
Equity in earnings of equity method investments, net		(21,924)		(431)
Gain on disposal of equity method investments, net		(10,291)		-
Loss (gain) on valuation of derivative instruments, net		(13,329)		323,288
Loss (gain) on valuation of firm commitment, net		51,822		(423,520)
Amortization of foreign currency translation adjustments, net		2,679		-
Others, net		108,705		186,604
Changes in operating assets and liabilities:				
Trade accounts and notes receivable		(331,660)		(305,473)
Prepaid construction costs		(64,975)		(71,479)
Other accounts receivable		(82,040)		42,380
Accrued income		(20,861)		(3,262)
Inventories		28,828		(60,610)
Advance payments		(23,287)		(51,179)
Prepaid expenses		(15,129)		5,136
Current portion of deferred income tax assets		-		(168)
Derivative assets		98,511		16,638
Derivative liabilities		(328,113)		(17,853)
Trade accounts and notes payable		555,326		367,634
Accrued expenses		(9,303)		(33,252)
Income taxes payable		(138,655)		186,941
Payment of severance and retirement benefits		(48,698)		(44,198)
Provision for construction warranty		(14,417)		(24,908)
Others, net		398,725		(18,151)
Total adjustments		167,852		237,869
Net cash provided by (used in) operating activities	₩	550,653	₩	619,423

(Continued)
See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

I Korean won in millions I

	2 0 0 9		2 0 0 8	
Cash flows from investing activities:				
Decrease (increase) in short-term financial instruments, net	₩	27,344	₩	(43,300)
Proceeds from disposal of short-term investment securities		-		8,354
Proceeds from disposal of long-term investment securities		82,486		48,371
Proceeds from disposal of equity method investments		58,559		4,252
Decrease (increase) in short-term loans receivable, net		(54,828)		(104,514)
Increase in long-term loans receivable, net		(120,509)		(84,083)
Payment of long-term guarantee deposits		(69,489)		(50,841)
Proceeds from guarantee deposits		46,641		30,060
Acquisition of long-term investment securities		(69,106)		(59,623)
Acquisition of equity method investments		(8,943)		(32,218)
Proceeds from disposal of real estate investments		6,453		-
Proceeds from disposal of property, plant and equipment		8,411		18,258
Acquisition of property, plant and equipment		(18,085)		(36,191)
Net cash provided by (used in) investing activities		(111,066)		(301,475)
Cash flows from financing activities:				
Proceeds from issuance of debentures		299,790		352,552
Proceeds from re-issuance of treasury stock		-		7,474
Acquisition of treasury stock		-		(68,036)
Decrease (increase) in membership guarantee deposits received, net		3,634		(6,247)
Proceeds from short-term borrowings		754,368		2,121,026
Repayment of short-term borrowings		(774,008)		(2,262,326)
Redemption of current portion of debentures		(13,554)		-
Payment of dividends to stockholders		(24,743)		(82,371)
Net cash provided by (used in) financing activities		245,487		62,072
Net increase (decrease) in cash and cash equivalents		685,074		380,020
Cash and cash equivalents at the beginning of the year		759,669		379,649
Cash and cash equivalents at the end of the year	₩	1,444,743	₩	759,669

See accompanying notes.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL
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1. Corporate information

GS Engineering & Construction Corporation (the "Company") was incorporated on December 19, 1969 under the laws of the Republic of Korea to provide engineering and construction services, on-site building maintenance, as well as residential and industrial construction services within Korea and abroad. The Company merged with Lucky Foreign Construction Co., Ltd., on January 4, 1979, LG Engineering Co., Ltd., on August 1, 1999 and Baekyang Development Co., Ltd., on October 1, 2000. Subsequent to the mergers, the Company expanded its business activities to include overseas engineering construction, golf course development and other related construction services. In August 1981, the Company listed its shares on the Korea Exchange (KRX). The Company was formerly operating under the name of Lucky Development Co., Ltd. and changed its name to LG Engineering & Construction Co., Ltd. on February 24, 1995. The Company changed its name to GS Engineering & Construction Corporation from LG Engineering & Construction Corporation by virtue of a resolution of the common stockholders' meeting held on March 18, 2005. The Company then became an affiliate of the GS group of companies on April 4, 2005, subject to the Limitation on Mutual Investment Rule set forth by the Fair Trade Commission.

As of December 31, 2009, the Company maintains overseas business operations in China, Oman, United Arab Emirates and other countries.

As of December 31, 2009, the capital stock of the Company amounts to ₩255,000 million subsequent to several paid-in capital increase during the prior years including ₩91,954 million of common stock issued (11,789 thousand shares of common stock issued at ₩7,800 per share) on November 19, 1999.

The financial statements of the Company for the year ended December 31, 2009 are scheduled to be approved by the Board of Directors on February 18, 2010.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Republic of Korea, including Statements of Korea Accounting Standards ("SKAS") 1 to 23, and the summary of significant account policies used for the preparation of the financial statements are as follows:

Revenue recognition

Revenue for construction contracts is recognized using the percentage-of-completion method, under which revenue

is recognized as work progresses in the ratio of actual costs incurred to estimated total costs. Revenue, for which the Company constructs and sells residential or commercial properties, is recognized using the percentage-of-completion method starting after the sales contracts are made. The estimation of total construction costs is made by a systematic, reasonable and consistent method and the Company reflects information newly obtained during the course of its construction activities.	
Cash equivalents	
Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.	
Financial instruments	
Financial instruments, such as time deposits and restricted bank deposits, which are traded by financial institutions and are held for short-term cash management purposes or which will mature within one year, are accounted for as short-term financial instruments. Financial instruments other than cash equivalents and short-term financial instruments are recorded as long-term financial instruments.	
Allowance for doubtful accounts	
The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.	
Inventories	
Inventories are stated at the lower of cost or net realizable value, with cost being determined using the gross average method for raw materials and stored goods, and the specific identification method for other inventories. A perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.	
When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales. When the circumstances that previously caused the inventories to be written down cease to exist or there is an increase in net realizable value, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value.	
Borrowing costs directly attributable to the acquisition, construction or production of inventories that necessarily takes more than a year to get ready for their intended use or sale are capitalized as part of the cost of the respective assets.	
Investments in securities	
Investments in securities within the scope of SKAS 8 Investments in Securities are classified as either trading, held-to-maturity and available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.	
Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trad-	

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

FINANCIAL STATEMENTS

ing securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the statement of financial position date. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency. If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or that are certain to be disposed of within one year from the statement of financial position date are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to the statement of income.

Equity method investments

Investments in entities over which the Company has control or significant influence are accounted for using the equity method of accounting.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the statement of financial position. If the Company's share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

At the date of acquisition, the excess of the cost of the investment over the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill which is amortized over its useful life of 5 years using the straight-line method. Conversely, negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The

amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company's share in the investee's unrealized gains and losses resulting from transactions between the Company and its investee are eliminated to the extent of the interest in the investee.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for certain assets that were revalued in accordance with the previous Korean Assets Revaluation Law and land and buildings that were revalued in accordance with the current revised SKAS 5 are stated at fair value less accumulated depreciation.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided, using the straight-line method for buildings and structures and the declining-balance method for all other assets, over the estimated useful life of the assets as follows:

	Years
Buildings	40
Structures	40
Machinery	4 to 6
Construction equipment	4 to 12
Vehicles	4
Other assets	4

Land and buildings that are revalued in accordance with the revised SKAS 5 are measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the date of revaluation. Valuation is performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to other comprehensive income. However, the increase shall be recognized in the statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in the statement of income. However, the decrease shall be debited directly to other comprehensive income to the extent of any credit balance existing in the revaluation surplus with respect to that asset.

The Company records an impairment loss on the carrying amount of an item of property, plant and equipment when there is an indication that the asset is impaired. Impairment is measured by comparing the carrying amount of the asset with its recoverable amount. An impairment loss is charged to the statement of income immediately.

Borrowing costs directly attributable to the construction of an item of qualifying property, plant and equipment that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets.

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Intangible assets

Intangible assets of the Company consist of rights for lease operations and development costs, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 5 years.

Capitalization of borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of inventories, property, plant and equipment, intangible assets and investments that necessarily takes more than a year to get ready for their intended use or sale are capitalized as part of the cost of the respective assets.

Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

Discount on bonds

Discount on bonds is presented as a direct deduction from the nominal value of the bonds and is amortized using the effective-interest-rate method over the life of the bonds.

Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision is determined based on the amount that would be payable assuming all employees were to terminate their employment as of the reporting date.

The Company's severance and retirement benefits are partly funded through insurance plans with LIG Insurance Co., Ltd. and 5 other financial institutions. Up to March 1999, the Company had previously prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS"). The insurance deposits and prepayments are presented as a deduction from the provision for severance and retirement benefits. Actual payments of severance and retirement benefits amounted to ₩48,698 million and ₩44,198 million during the years ended December 31, 2009 and 2008, respectively.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

A contingent liability is disclosed, but not recognized when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the statement of financial position. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the statement of financial position date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

Translation of foreign operation financial statements

Financial statements of foreign branches and foreign equity method investees (collectively “foreign operations”) are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign operation financial statements into Korean won, assets and liabilities are translated at the year-end exchange rate at the date of the statement of financial position and income and expenses are translated at the average exchange rate during the year. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

Derivative financial instruments

Derivative financial instruments are presented as assets or liabilities valued principally at the fair value of the rights or obligations associated with the derivative contracts. The unrealized gain or loss from a derivative transaction with the purpose of hedging the exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitment is recognized in net income. For a derivative instrument with the purpose of hedging the exposure to the variability of cash flows of a recognized asset or liability or a forecasted transaction, the hedge-effective portion of the derivative instrument’s gain or loss is deferred as other comprehensive income in equity. The ineffective portion of the gain or loss is charged or credited to net income. Derivative instruments that do not meet the criteria for hedge accounting, or contracts for which the Company has not elected hedge accounting are measured at fair value with unrealized gains or losses reported in net income.

Pre-contract costs

The Company capitalizes costs incurred in connection with securing a construction order as pre-contract costs when such costs can be identified and measured reliably, and that the Company is reasonably certain that the contract will be awarded. The prepaid construction costs are expensed as part of construction costs upon the commencement of the related construction contract.

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Provision for construction losses

From the commencement of the construction contract, the Company records the estimated construction losses expected to be incurred as a provision for construction losses and reflects such estimated losses in current construction costs immediately.

Provision for construction warranty

The Company records a provision for the estimated warranty costs relating to construction defects during the warranty period. Estimated warranty costs are charged to current operations at the time of completion of projects and are included in the statement of financial position as provision for construction warranty. The provision for construction warranty made will be offset against the actual amount of rectification expense incurred on the defects in subsequent period. The actual rectification expense incurred in excess of the provision made is accounted for as an expense in the current period.

Per share amounts

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the year plus the weighted-average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

3. Impact of adoption of Korea International Financial Reporting Standards ("K-IFRS")

Preparation plan and status for adoption of K-IFRS

The Company is required to adopt K-IFRS in preparation of its financial statements for the financial period beginning January 1, 2011. Accordingly, the Company has established a task force team ("TFT") in August 2008, commissioned an external advisory service provider and has completed the identification and analysis of the major differences between K-IFRS and the current Korean GAAP. In addition, the Company has established a plan for the reconfiguration of its accounting information system based on K-IFRS.

Details of key areas identified and their related differences between Korean GAAP and K-IFRS that are expected to give rise to significant impact on the Company's financial statements are as follows:

	Current Accounting Standards	K-IFRS
Primary financial statements	-Non-consolidated financial statements	-Consolidated financial statements
Presentation of financial statements	-Statement of financial position, statements of income, statements of appropriations of retained earnings, statements of changes in equity, statements of cash flows and notes	-Statements of financial position, statements of comprehensive income, statements of cash flows, statements of changes in equity and notes.
Scope of consolidated subsidiaries	-In accordance with Law on external audit for joint stock company, a subsidiary is excluded from being consolidated if the subsidiary's total assets are less than ₩10 billion at the end of the preceding year	-Consolidate all the subsidiaries to which the Company exercises control regardless of their size.
Revenue recognition of housing construction and sales operations	-Revenue recognition by percentage-of-completion method	-Revenue recognition by delivery basis
Retirement benefits liability	-Employees with at least one year of service are entitled to retirement benefits. The provision for retirement benefits is measured based on the assumption that all employees will leave as of the reporting date.	-Present value of forecasted retirement benefits liability to be calculated by actuarial technique and discounted in accordance with concept of projected unit credit method (defined benefit obligation)
Accumulated paid absences and bonuses	-Recognized as expense when obligation of cash payment is determined.	-Recognized as expense when employees' services are rendered

4. Restricted deposits

Restricted deposits as of December 31, 2009 and 2008 consist of the following (Korean won in millions):

	Counterparty	2009	2008	Description
Short-term financial instruments	Shinhan Bank and others	₩ 22,390	₩ 49,461	Collateral
Long-term financial instruments	Shinhan Bank and others	26	298	Bank overdraft facilities
		₩ 22,416	₩ 49,759	

5. Inventories

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

	2009	2008
Uncompleted apartments and commercial industrial buildings	₩ 245,259	₩ 318,930
Land held for development	80,209	80,333
Raw materials and supplies	96,577	50,211
Materials-in-transit	47	2,815
Other	6,894	4,929
	₩ 428,986	₩ 457,218

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6. Long-term investments securities

Details of long-term investments securities as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Available-for-sale equity securities	₩	580,280	₩	532,690
Available-for-sale debt securities		20,247		7,417
	₩	600,527	₩	540,107

Available-for-sale equity securities as of December 31, 2009 and 2008 consist of the following (Korean won in millions):

	2009							
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Impairment loss	
							Up to 2008	2009
< Non-marketable securities >								
The Korea Economic Daily	646	0.00%	₩ 14	(*)	₩ 14	₩ -	₩ -	₩ -
Pusan Travel & Development Co., Ltd.	80,000	2.67%	400	(#)	-	-	(400)	-
Seoul Highway Co., Ltd. (**) (***)	24,840,000	27.00%	124,200	(*)	400,719	276,519	-	-
Uijeongbu LRT Inc. (**)	5,449,275	42.00%	27,246	(*)	27,246	-	-	-
Kangnam Inter Circular Road Co., Ltd. (**)	414,000	2.84%	2,070	(*)	2,070	-	-	-
Y-S highway Co., Ltd.	51,000	10.00%	255	(*)	255	-	-	-
Manwolsan Tunnel Co., Ltd. (**)	1,005,000	15.00%	5,025	(*)	5,025	-	-	-
GS Retail Co., Ltd.	270,106	1.75%	15,420	(*)	11,362	(19)	(4,039)	-
Public Development Co., Ltd.	394,655	17.09%	3,947	(*)	3,947	-	-	-
Potato Co., Ltd.	60,000	10.00%	300	(*)	300	-	-	-
International Convention Center Jeju	100,000	0.30%	500	(*)	500	-	-	-
Junju Drain Co., Ltd. (**)	207,060	7.90%	1,035	(*)	1,035	-	-	-
Nonsan Drain Co., Ltd. (**)	91,868	11.90%	459	(*)	459	-	-	-
Masan Drain Co., Ltd. (**)	107,010	8.14%	535	(*)	535	-	-	-
Youngduk&Bio Co., Ltd. (**)	41,270	5.00%	206	(*)	206	-	-	-
M-Ciety Development Co., Ltd.	448,800	4.40%	2,244	(*)	2,244	-	-	-
M-Cieta Co., Ltd.	2,640	4.40%	13	(*)	13	-	-	-
Corona Development Co., Ltd.	653,600	7.60%	3,268	(*)	3,268	-	-	-
Metro Corona Co., Ltd.	5,952	9.92%	30	(*)	30	-	-	-
Lippo Incheon Development Co., Ltd. (**)	1,809,760	12.60%	9,049	(*)	9,049	-	-	-
Jei Youngdong Highway Co., Ltd.	809,600	16.00%	4,048	(*)	4,048	-	-	-
Eumseong Sewage Pipe Co., Ltd. (**)	67,210	6.48%	336	(*)	336	-	-	-
Kangreung Sewage Pipe Co., Ltd. (**)	50,682	3.30%	253	(*)	253	-	-	-
Gaya Railway Co., Ltd. (**)	305,490	12.10%	1,527	(*)	1,527	-	-	-
Ulsan green Co., Ltd. (**)	701,368	39.47%	3,507	(*)	3,507	-	-	-
MILESEUM Co., Ltd.	64,172	1.25%	321	(*)	321	-	-	-
Dream Hub Project Financial Investment Co., Ltd. (**)	4,000,000	2.00%	20,000	(*)	20,000	-	-	-
Alpha Dome City Co., Ltd.	2,360,000	4.00%	11,800	(*)	11,800	-	-	-

	2009							
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Impairment loss	
							Up to 2008	2009
Alpha Dome City Asset Management Co., Ltd.	4,000	4.00%	20	(*)	20	-	-	-
Seoul Northern Highway Co., Ltd.	45,056	14.08%	225	(*)	225	-	-	-
Seoul-Munsan Highway Co., Ltd.	159,632	45.50%	798	(*)	798	-	-	-
Daejeon Sewage Pipe Co., Ltd. (**)	108,456	4.00%	830	(*)	830	-	-	-
Bichaenoori Development Co., Ltd.	657,800	11.50%	3,289	(*)	3,289	-	-	-
Bichaenoori Co., Ltd.	11,500	11.50%	58	(*)	58	-	-	-
Alpharos PFV Co., Ltd.	1,341,200	9.58%	6,706	(*)	6,706	-	-	-
Alpharos Mixed-use Development Co., Ltd.	9,580	9.58%	48	(*)	48	-	-	-
Mugung Hwa Trust Co., Ltd.	190,000	8.97%	950	(*)	950	-	-	-
Clean Gimpo Co., Ltd. (**)	365,597	21.42%	1,828	(*)	1,828	-	-	-
Oksan Ochang Highway Corporation	5,000	50.00%	25	(*)	25	-	-	-
Eun Pyung New Road Corp.	54,400	54.40%	272	(*)	272	-	-	-
FN New Housing CR-REIT 2	879,874	19.47%	28,195	(*)	28,195	-	-	-
Gyeonggi Highway Co., Ltd.	1,130	11.30%	6	(*)	6	-	-	-
Green Energy Development Co., Ltd.	81,000	27.00%	405	(*)	405	-	-	-
Engineering Construction Financial Cooperative	1,449	0.30%	180	(*)	180	-	-	-
Korea Electric Engineers Association	200	0.16%	20	(*)	20	-	-	-
Electric Construction Financial Cooperative	600	0.02%	98	(*)	98	-	-	-
Construction Guarantee Information & Communication Financial Cooperative	12,801	0.34%	12,092	(*)	12,092	-	-	-
Korea Housing Guarantee Co., Ltd.	440	0.06%	61	(*)	61	-	-	-
Type stock fund	1,038,490	0.16%	21,532	(#)	-	-	(21,532)	-
Treasury Stock Fund			13,000	(*)	14,090	1,090	-	-
Less: treasury stock			1,500	(*)	7,335	-	-	-
Subtotal			-	(*)	(7,320)	-	-	-
Subtotal			1,500	(*)	15	12	-	-
Others			2,444	(#)	-	-	(2,444)	-
			₩ 332,590		₩ 580,280	₩ 277,602	₩ (28,415)	₩ -

(*) The fair value of these non-marketable securities could not be measured reliably and therefore, these securities were recorded at cost.

(**) These available-for-sale securities are pledged as collateral for borrowings or rights for commercial operations of tunnel or roads as of December 31, 2009 and 2008.

(#) The Company has recorded full impairment loss on these available-for-sale securities due to significant decline in net asset value of the investments.

(***) Seoul Highway Co., Ltd. are in the process of being sold by KB Co., Ltd. which is a corporate transaction advisory firm. The Company used the proposed sale consideration as fair value as of December 31, 2009.

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Although the Company's ownership of Seoul Highway Co., Ltd., Uijeongbu LRT Inc., Ulsan Green Co., Ltd., Seoul-Munsan Highway Co., Ltd, Clean Gimpo Co., Ltd., Oksan Ochang Highway Corporation, Eun Pyung New Road Corp. and Green Energy Development Co., Ltd. exceeds 20%, the Company classified these securities as available-for-sale securities as the Company is not able to exercise significant influence on the investees.

	2008									
	Number of shares	Ownership (%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Impairment loss			
							Up to 2008		2008	
< Non-marketable securities >										
Pusan Travel & Development Co., Ltd.	80,000	2.67%	₩ 400	(#)	₩ -	₩ -	₩ (400)	₩ -		
Seoul Highway Co., Ltd. (**)	24,840,000	27.00%	124,200	400,719	400,719	276,519	-			
Uijeongbu LRT Inc. (**)	4,874,800	47.54%	24,374	(*)	24,374	-	-			
Kangnam Inter Circular Road Co., Ltd. (**)	414,000	8.63%	2,070	(*)	2,070	-	-			
Manwolsan Tunnel Co., Ltd. (**)	1,005,000	15.00%	5,025	(*)	5,025	-	-			
GS Retail Co., Ltd.	270,106	1.75%	15,420	(*)	11,362	(19)	(4,039)			
LG CNS Co., Ltd.	2,603,800	2.99%	1,043	(*)	1,051	8	-			
Public Development Co., Ltd.	394,655	17.09%	3,946	(*)	3,946	-	-			
Potato Co., Ltd.	60,000	10.00%	300	(*)	300	-	-			
International Convention Center Jeju	100,000	0.30%	500	(*)	500	-	-			
Junju Drain Co., Ltd (**)	207,060	7.90%	1,035	(*)	1,035	-	-			
Nonsan Drain Co., Ltd. (**)	91,868	11.90%	459	(*)	459	-	-			
Masan Drain Co., Ltd. (**)	53,562	8.14%	268	(*)	268	-	-			
Youngduk & Bio Co., Ltd. (**)	41,270	5.00%	206	(*)	206	-	-			
M-Ciety Development Co., Ltd.	448,800	4.40%	2,244	(*)	2,244	-	-			
Corona Development Co., Ltd.	653,600	7.60%	3,268	(*)	3,268	-	-			
Lippo Incheon Development Co., Ltd (**)	1,809,760	12.60%	9,049	(*)	9,049	-	-			
Jei Youngdong Highway Co., Ltd	585,600	16.00%	2,928	(*)	2,928	-	-			
Gaya Railway Co., Ltd (**)	305,490	23.00%	1,527	(*)	1,527	-	-			
Mileseum Co., Ltd.	64,172	1.25%	321	(*)	321	-	-			
Dream Hub Project Financial Investment Co., Ltd. (**)	4,000,000	2.00%	20,000	(*)	20,000	-	-			
Alpha Dome City Co., Ltd.	2,360,000	4.00%	11,800	(*)	11,800	-	-			
Seoul Northern Highway Co., Ltd.	45,056	14.08%	₩ 225	(*)	₩ 225	₩ -	₩ -	₩ -		
Seoul-Munsan Highway Co., Ltd.	59,530	45.50%	298	(*)	298	-	-			
Bichaenoori Development Co., Ltd.	105,000	10.50%	525	(*)	525	-	-			
Eunpyoung Newtown centered commercial area PF	1,341,200	9.58%	6,706	(*)	6,706	-	-			
Korea Construction Financial Cooperative	12,801	0.34%	12,092	(*)	12,092	-	-			
Korea Housing Guarantee Co., Ltd.	1,038,490	0.16%	21,532	(#)	-	-	(21,532)			
Other companies			1,651	(*)	1,651	-	-			
Type stock fund			10,000	8,498	8,498	(1,502)				
Treasury Stock Fund			1,500	(*)	4,266	-	-			
Less: treasury stock			-	(*)	(4,023)	-	-			
Subtotal			1,500	(*)	243	252	-			
Others			2,444	(#)	-	-	(2,444)			
			₩ 287,356		₩ 532,690	₩ 275,258	₩ (28,415)	₩ -		

Available-for-sales debt securities as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Maturity	2009			2008		
	Acquisition cost	Recoverable value	Book value	Acquisition cost	Recoverable value	Book value
Later than 1 year but no later than 5 years (Government bonds)	₩ 12,460	₩ 12,460	₩ 12,460	₩ 2,217	₩ 2,217	₩ 2,217
Later than 5 year but no later than 10 years (Government bonds)	2,587	2,587	2,587	-	-	-
No maturity (Others)	5,200	5,200	5,200	5,200	5,200	5,200
	₩ 20,247	₩ 20,247	₩ 20,247	₩ 7,417	₩ 7,417	₩ 7,417

Interest income earned from long-term investment securities amounted to ₩245 million and ₩79 million for the years ended December 31, 2009 and 2008, respectively.

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7. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009				
	Number of shares	Ownership (%)	Proportionate acquisition cost	Net asset value	Book value
Parnas Hotel Co., Ltd.(**)	6,654,675	67.56%	₩ 85,862	₩ 502,334	₩ 473,451
EzVille Inc.	1,560,000	78.00%	9,385	11,883	12,130
XI Service Co., Ltd.	96,000	100.00%	480	588	588
Estech Estimate Corp.	20,000	100.00%	100	137	137
Sacheon Resort Co., Ltd.	290,000	29.00%	1,450	51	52
GLS Service Co., Ltd.	60,000	100.00%	300	305	305
GS E&C Nanjing	1	100.00%	8,880	20,152	20,152
GS-HP Corp.	1	30.00%	2,196	1,864	1,864
GS E&C Italy S.R.L.	300,000	100.00%	430	(172)	-
LG Properties (S'pore) Pte. Ltd.	25,944,630	30.00%	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00%	50	1,734	1,734
GS E&C Poland SP.ZO.O	100	100.00%	17	2,000	2,000
GS E&C India Private Ltd.	19,376,228	100.00%	4,243	1,510	1,510
GS Construction (Arabia), Ltd.	15,680	98.00%	3,195	912	917
GS Cu Chi Development One-member LLC	1	100.00%	12,402	12,799	12,304
GS Nha Be Development One-member LLC	1	100.00%	38,836	36,519	36,519
GS Saigon Development One-member LLC	1	100.00%	40,762	21,919	20,243
GS PP Development Co., Ltd.	490	49.00%	2	(44,067)	-
GS Cambodia Development Co., Ltd	1,000	100.00%	987	(7,806)	-
GS Global bio Co., Ltd.	5,000	100.00%	1,319	(1,343)	-
GS O&M Co., Ltd.	100,000	100.00%	500	795	795
GCS Plus Co., Ltd.	60,000	100.00%	300	2,263	2,263
Major Development Co., Ltd.	600,000	40.00%	6,000	(21,080)	-
BSM Co., Ltd.	20,000	100.00%	100	134	134
Metro PFV Co., Ltd.	469,000	46.90%	12,194	10,961	16,877
Sanglak Food Co., Ltd.	37,500	96.15%	394	616	672
			₩ 248,850	₩ 555,008	₩ 604,647

(*) This investee has been suspended from being accounted for using the equity method. The Company has not been able to obtain the net asset value of the investee as of December 31, 2009, due to unavailability of its financial statements.

(**) As of July 1, 2009, Hanmoo Development Co., Ltd. changed its name to Parnas Hotel Co., Ltd.

	2008				
	Number of shares	Ownership (%)	Proportionate acquisition cost	Net asset value	Book value
Parnas Hotel Co., Ltd.	6,654,675	67.56%	₩ 85,862	₩ 561,228	₩ 531,048
EzVille Inc.	1,560,000	78.00%	9,385	10,125	10,618
XI Service Co., Ltd.	96,000	100.00%	480	541	541
Estech Estimate Corp.	20,000	100.00%	100	122	122
Sacheon Resort Co., Ltd.	290,000	29.00%	1,450	482	485
GLS Service Co., Ltd.	60,000	100.00%	300	298	298
LG Holdings (HK), Ltd.	51,000,000	25.00%	54,824	51,979	50,969
GS E&C Nanjing	1	100.00%	5,330	16,717	16,717
GS-HP Corp.	1	30.00%	2,196	1,732	1,732
GS E&C Italy S.R.L.	300,000	100.00%	430	395	395
LG Properties (S'pore) Pte. Ltd.	25,944,630	30.00%	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00%	50	838	838
GS E&C Poland SP.ZO.O	100	100.00%	17	36,753	36,753
GS E&C India Private Ltd.	19,376,228	100.00%	4,243	2,274	2,274
GS Construction (Arabia), Ltd.	8,160	51.00%	1,893	255	262
GS Cu Chi Development One- member LLC	1	100.00%	12,402	14,410	14,411
GS Nha Be Development One- member LLC	1	100.00%	31,590	34,929	34,929
GS Saigon Development One- member LLC	1	100.00%	40,762	32,785	32,785
GS PP Development Co., Ltd.	490	49.00%	2	(4,365)	-
GS Cambodia Development Co., Ltd.	1,000	100.00%	987	(223)	-
GS Global Bio Co., Ltd.	5,000	100.00%	1,319	1,010	1,010
GS O&M Co., Ltd.	100,000	100.00%	500	218	218
GCS Plus Co., Ltd	60,000	100.00%	300	1,457	1,457
Major Development Co., Ltd.	600,000	40.00%	6,000	(13,194)	-
BSM Co., Ltd.	20,000	100.00%	100	116	116
Metro PFV Co., Ltd.	469,000	46.9%	12,194	2,088	9,975
			₩ 291,182	₩ 752,970	₩ 747,953

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The summary of financial position of the investees as of December 31, 2009, and the results of their operations for the year then ended, is presented as follows (Korean won in millions):

	2009 (*)			
	Assets	Liabilities	Sales	Net income (loss)
Parnas Hotel Co., Ltd.	₩ 1,150,714	₩ 407,129	₩ 191,528	₩ 18,651
EzVille Inc.	24,599	9,364	61,454	4,069
XI Service Co., Ltd.	2,069	1,481	12,455	49
Estech Estimate Corp.	910	773	4,849	15
Sacheon Resort Co., Ltd.	33,548	33,373	-	(1,361)
GLS Service Co., Ltd.	668	363	1,538	12
GS E&C Nanjing	32,002	11,850	56,135	8,270
GS-HP Corp.	11,425	5,212	4,641	1,283
GS E&C Italy S.R.L.	284	456	6	(715)
GS E&C Thai Co., Ltd.	9,399	5,860	34,079	2,651
GS E&C Poland SP.ZO.O	3,906	1,906	3	3,514
GS E&C India Private Ltd.	3,074	1,564	9,105	(701)
GS Construction (Arabia), Ltd.	15,708	14,778	13,724	532
GS Cu Chi Development One-member LLC	45,855	33,056	-	(14)
GS Nha Be Development One-member LLC	55,873	19,354	-	(501)
GS Saigon Development One-member LLC	248,771	226,852	-	(7,803)
GS PP Development Co., Ltd.	146,029	235,961	-	(8,616)
GS Cambodia Development Co., Ltd.	49,710	57,516	-	(2,485)
GS Global Bio Co., Ltd.	89	1,432	-	(2,455)
GS O&M Co., Ltd.	2,612	1,817	16,784	586
GCS Plus Co., Ltd	7,008	4,745	39,239	789
Major Development Co., Ltd.	407,886	460,586	99,349	(13,594)
BSM Co., Ltd.	645	511	8,691	19
Metro PFV Co., Ltd.	24,241	869	191,300	18,920
Sanglak Food Co., Ltd.	4,970	4,329	31,131	308

(*) LG Properties (S'pore) Pte. Ltd. has been suspended from being accounted for using the equity method. The Company has not been able to disclose the financial information of this investee in the above table for the year ended December 31, 2009, due to unavailability of their financial statements.

	2008 (*)			
	Assets	Liabilities	Sales	Net income (loss)
Parnas Hotel Co., Ltd.	₩ 1,171,390	₩ 340,656	₩ 199,745	₩ 22,056
EzVille Inc.	39,521	26,540	55,771	3,154
XI Service Co., Ltd.	1,928	1,387	10,011	39
Estech Estimate Corp.	690	568	5,029	17
Sacheon Resort Co., Ltd.	31,732	30,069	-	(983)
GLS Service Co., Ltd.	519	221	1,478	1
LG Holdings (HK), Ltd.	254,986	8	-	24
GS E&C Nanjing	25,772	9,055	49,913	6,664
GS-HP Corp.	11,392	5,619	3,388	5,357
GS E&C Italy S.R.L.	8,823	8,428	3,370	61
GS E&C Thai Co., Ltd.	13,031	11,320	55,616	(885)
GS E&C Poland SP.ZO.O	53,196	16,443	10,076	3,231
GS E&C India Private Ltd.	3,719	1,445	6,296	(749)
GS Construction (Arabia), Ltd.	2,082	1,582	80	(1,516)
GS Cu Chi Development One-member LLC	50,015	35,605	-	(142)
GS Nha Be Development One-member LLC	47,297	12,368	-	(360)
GS Saigon Development One-member LLC	187,609	154,824	-	(6,496)
GS PP Development Co., Ltd.	236,650	245,558	-	(4,728)
GS Cambodia Development Co., Ltd.	63,099	63,322	-	(1,298)
GS Global Bio Co., Ltd.	2,125	1,115	-	(217)
GS O&M Co., Ltd.	1,717	1,499	1,220	(282)
GCS Plus Co., Ltd	6,284	4,827	41,508	701
Major Development Co., Ltd.	418,717	451,702	36,483	(14,777)
BSM Co., Ltd.	822	707	7,468	16
Metro PFV Co., Ltd.	157,747	153,294	-	(526)

Details of adjusted net asset value of the investee to account for the differences in accounting policies compared to those of the Company are as follows (Korean won in millions):

	2008			
	Net asset value before adjustment	Adjustment	Net asset value after adjustment	Proportionate ownership
LG Holdings (HK), Ltd.	₩ 254,978	₩ (47,060)	₩ 207,918	₩ 51,979

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The changes in carrying amount of goodwill and (negative goodwill) for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			
	Jan.1, 2009	Additions	Amortization	Dec.31, 2009
Parnas Hotel Co., Ltd.	₩ (9,780)	₩ -	₩ 575	₩ (9,205)
EzVille Inc.	493	-	(247)	246
Sacheon Resort Co., Ltd.	3	-	(1)	2
Metro PFV Co., Ltd.	7,887	-	(1,972)	5,915
GS Construction (Arabia) Co., Ltd.	7	-	(2)	5
Sanglak Food Co., Ltd.	-	70	(14)	56
	₩ (1,390)	₩ 70	₩ (1,661)	₩ (2,981)

	2008			
	Jan.1, 2008	Additions	Amortization	Dec.31, 2008
Parnas Hotel Co., Ltd.	₩ (10,355)	₩ -	₩ 575	₩ (9,780)
EzVille Inc.	740	-	(247)	493
Sacheon Resort Co., Ltd.	7	-	(4)	3
Metro PFV Co., Ltd.	-	9,859	(1,972)	7,887
GS Construction (Arabia) Co., Ltd.	-	8	(1)	7
	₩ (9,608)	₩ 9,867	₩ (1,649)	₩ (1,390)

The elimination of unrealized gains or (losses) arising from inter-company transactions for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			
	Jan.1, 2009	Additions	Realization	Dec.31, 2009
Parnas Hotel Co., Ltd.	₩ 20,400	₩ -	₩ (721)	₩ 19,679
GS Cu Chi Development One-member LLC	-	495	-	495
GS Saigon Development One-Member LLC	-	1,677	-	1,677
	₩ 20,400	₩ 2,172	₩ (721)	₩ 21,851

	2008			
	Jan.1, 2008	Additions	Realization	Dec.31, 2008
Parnas Hotel Co., Ltd.	₩ 21,121	₩ -	₩ (721)	₩ 20,400
LG Holdings (HK), Ltd.	1,036	-	(26)	1,010
	₩ 22,157	₩ -	₩ (747)	₩ 21,410

The details of changes in carrying amount of equity method investments for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009					
	Jan. 1, 2009	Acquisition (disposal / dividends)	Equity in earnings of investee	Share of changes in		Dec. 31, 2009
				Retained earnings	Other comprehen- sive income	
Parnas Hotel Co., Ltd.	₩ 531,048	₩ (1,331)	₩ 11,123	₩ -	₩ (67,389)	₩ 473,451
EzVille Inc.	10,618	-	1,512	-	-	12,130
XI Service Co., Ltd.	540	-	48	-	-	588
Estech Estimate Corp	122	-	15	-	-	137
Sacheon Resort Co., Ltd.	485	-	(433)	-	-	52
GLS Service Co., Ltd.	298	-	7	-	-	305
LG Holdings (HK), Ltd	50,969	(28,818)	-	-	(22,151)	-
GS E&C Nanjing	16,718	(3,366)	8,240	-	(1,440)	20,152
GS-HP Corp.	1,732	-	392	-	(260)	1,864
GS E&C Italy S.R.L.	395	-	(395)	-	-	-
GS E&C Thai Co., Ltd.	838	-	1,011	-	(115)	1,734
GS E&C Poland SP.ZO.O	36,753	(34,557)	3,210	-	(3,406)	2,000
GS E&C India Private Ltd.	2,273	-	(700)	-	(63)	1,510
GS Construction (Arabia) Ltd.	262	(50)	804	-	(99)	917
GS Cu Chi Development One-member LLC	14,411	-	(319)	-	(1,788)	12,304
GS Nha Be Development One-member LLC	34,929	7,246	(699)	-	(4,957)	36,519
GS Saigon Development One-Member LLC	32,786	-	(9,428)	-	(3,115)	20,243
GS Global Bio Co., Ltd.	1,010	-	(1,010)	-	-	-
GS O&M Co., Ltd.	218	-	577	-	-	795
GCS Plus Co., Ltd.	1,457	-	806	-	-	2,263
BSM Co., Ltd.	116	-	18	-	-	134
Metro PFV Co., Ltd.	9,976	-	6,901	-	-	16,877
Sanglak Food Co., Ltd.	-	394	244	-	34	672
	₩ 747,954	₩ (60,482)	₩ 21,924	₩ -	₩(104,749)	₩ 604,647

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	2008					
	Jan. 1, 2008	Acquisition (disposal / dividends)	Equity in earnings of investee	Share of changes in		Dec. 31, 2008
				Retained earnings	Other comprehen- sive income	
Parnas Hotel Co., Ltd.	₩ 211,479	₩ (1,331)	₩ 16,283	₩ -	₩ 304,617	₩ 531,048
EzVille Inc.	8,438	-	2,180	-	-	10,618
XI Service Co., Ltd.	501	-	39	-	-	540
Estech Estimate Corp	105	-	17	-	-	122
Sacheon Resort Co., Ltd.	392	-	93	-	-	485
GLS Service Co., Ltd.	296	-	2	-	-	298
LG Holdings (HK), Ltd	36,155	-	(3,497)	-	18,310	50,968
GS E&C Nanjing	8,994	(2,921)	6,664	-	3,981	16,718
GS-HP Corp.	-	-	1,607	-	125	1,732
GS E&C Italy S.R.L.	224	-	60	-	111	395
GS E&C Thai Co., Ltd.	790	-	(162)	-	210	838
GS E&C Mexico, S.A.DEC.V.	27,807	-	5,205	-	3,741	36,753
GS E&C India Private Ltd.	845	1,889	(761)	-	300	2,273
GS Construction(Arabia) Ltd.	-	1,019	(939)	-	182	262
GS Cu Chi Development One-member LLC	9,281	3,121	(533)	-	2,542	14,411
GS Nha Be Development One-member LLC	18,700	12,890	(2,003)	-	5,342	34,929
GS Saigon Development One-member LLC	37,124	3,638	(15,291)	-	7,315	32,786
GS PP Development Co., Ltd.	2	-	(2)	-	-	-
GCS Plus Co., Ltd.	300	-	1,157	-	-	1,457
Major Development Co., Ltd.	6,000	-	(6,000)	-	-	-
BSM Co., Ltd.	-	100	16	-	-	116
Metro PFV Co., Ltd.	-	12,194	(2,218)	-	-	9,976
GS Cambodia development Co., Ltd.	-	987	(987)	-	-	-
GS Global Bio Co., Ltd.	-	1,319	(217)	-	(92)	1,010
GS O&M Co., Ltd.	-	500	(282)	-	-	218
	₩ 367,433	₩ 33,405	₩ 431	₩ -	₩ 346,684	₩ 747,953

(*) The Company applied the equity method by using unaudited financial statements because it could not obtain audited or reviewed financial statements of investees as of December 31, 2009 and 2008. The Company applied certain procedures on the unaudited or unreviewed financial statements of the investees signed by the investees' management to access the reliability of such financial statements.

The details of changes in share of other comprehensive income adjustments of the investees for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			2008		
	Jan.1, 2009	Net changes	Dec. 31, 2009	Jan.1, 2008	Net changes	Dec. 31, 2008
Parnas Hotel Co., Ltd..	₩ 465,319	₩ (67,389)	₩ 397,930	₩ 160,703	₩ 304,616	₩ 465,319
LG Holdings (HK), Ltd	22,151	(22,151)	-	3,841	18,310	22,151
GS E&C Nanjing	4,525	(1,440)	3,085	545	3,980	4,525
GS-HP Corp.	125	(260)	(135)	-	125	125
GS E&C Italy S.R.L.	58	-	58	(53)	111	58
LG Properties (S'PORE) Pte. Ltd.	295	-	295	295	-	295
GS E&C Poland SP.ZO.O	7,809	(3,406)	4,403	4,068	3,741	7,809
GS E&C Thai Co., Ltd.	241	(115)	126	30	211	241
GS E&C India Private Ltd.	480	(63)	417	179	301	480
GS Construction (Arabia) Ltd.	182	(99)	83	-	182	182
GS Cu Chi Development One-member LLC	2,542	(1,788)	754	-	2,542	2,542
GS Nha Be Development One-member LLC	5,342	(4,957)	385	-	5,342	5,342
GS Saigon Development One-member LLC	7,315	(3,115)	4,200	-	7,315	7,315
GS Global Bio Co., Ltd.	(92)	-	(92)	-	(92)	(92)
Sanglak Food Co., Ltd.	-	34	34	-	-	-
	516,292	(104,749)	411,543	169,608	346,684	516,292
Deferred income tax effect	(113,584)	23,044	(90,540)	(46,642)	(66,942)	(113,584)
	₩ 402,708	₩ (81,705)	₩ 321,003	₩ 122,966	₩ 279,742	₩ 402,708

The details of share of changes in capital surplus from equity method or capital adjustments from equity method of the investees for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009			2008		
	Jan.1, 2009	Net changes	Dec. 31, 2009	Jan.1, 2008	Net changes (*)	Dec. 31, 2008
Parnas Hotel Co., Ltd.	₩ 35,702	₩ -	₩ 35,702	₩ 35,702	₩ -	₩ 35,702
GS Construction Arabia Co. Ltd.	-	(1,353)	(1,353)	-	-	-
EzVille Inc.	(2,724)	-	(2,724)	(2,724)	-	(2,724)
	32,978	(1,353)	31,625	32,978	-	32,978
Deferred income tax effect	₩ (7,255)	₩ 297	₩ (6,958)	₩ (9,069)	₩ 1,814	₩ (7,255)
	25,723	(1,056)	24,667	23,909	1,814	25,723

(*) The Company adjusted deferred income tax due to the change in income tax rates.

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As of December 31, 2009 and 2008, the respective accumulated losses of the investees from which the application of the equity method of accounting has been suspended as their losses exceeded the Company's interest in the investees are as follows (Korean won in millions):

	2009		2008	
GS PP Development Co., Ltd.	₩	44,067	₩	4,368
Major Development Co., Ltd.		21,080		3,335
GS Cambodia development Co., Ltd.		7,806		223
GS E&C Italy S.R.L.		172		-
GS Global Bio Co., Ltd.		1,343		-
LG Properties(S'pore) Pte. Ltd		(*)		(*)
	₩	74,468	₩	7,926

(*) LG Properties (S'pore) Pte. Ltd. was not accounted for using the equity method. The financial information of this investee is not disclosed in the above table for the years ended December 31, 2009 and 2008, due to unavailability of its financial statements.

8. Government posted value of land owned

The book value of the Company-owned land and the value of land officially announced by the Korean government for tax and land policy purposes as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	Book value		Publicly announced value	
	2009	2008	2009	2008
Land	₩ 694,569	₩ 688,878	₩ 473,766	₩ 476,441

9. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009							
	Jan.1, 2009	Additions	Disposals	Transfers from construction-in-progress	Transfers (*1)	Depreciation	Overseas business translation adjustment	Dec. 31, 2009
Land	₩ 688,878	₩ -	₩ (14,498)	₩ -	₩ 20,189	₩ -	₩ -	₩ 694,569
Golf course	171,486	-	-	4,209	72	-	-	175,767
Standing timber	29,265	18	-	-	-	-	-	29,283
Buildings	406,668	4,595	(3,304)	2,955	17,085	(11,914)	1	416,086
Structures	89,893	483	-	11	-	(2,588)	-	87,799
Machinery	1,236	14	-	-	-	(891)	(3)	356
Construction equipment	160	-	-	-	-	(102)	(1)	57
Vehicles	2,182	323	(99)	-	-	(1,265)	(64)	1,077
Others	21,385	4,159	(223)	-	(147)	(10,922)	(35)	14,217
Construction-in-progress	1,167	8,493	-	7,125	-	-	-	2,485
Total	₩1,412,320	₩ 18,085	₩ (18,124)	₩ -	₩ 37,199	₩ (27,682)	₩ (102)	₩1,421,696

(*1) Amount transferred from uncompleted apartments and commercial industrial buildings, advance payments and land held for development is included.

Land and part of buildings have been provided as collateral to Hana Bank Co., Ltd. to the extent of ₩36,124 million as of December 31, 2009 in connection with leasehold guarantee deposits received.

2008										
	Jan.1, 2008	Additions	Revaluation	Loss on revaluation	Disposals	transfers	Depreciation	Overseas business translation adjustment	Dec. 31, 2008	
Land	₩ 383,448	₩ 245	₩ 305,242	₩ (25,573)	₩ (12,123)	₩37,639(*1)	₩ -	₩ -	₩ 688,878	01
Golf course	171,486	-	-	-	-	-	-	-	171,486	02
Standing timber	29,000	-	-	-	-	265	-	-	29,265	03
Buildings	381,354	253	-	-	(158)	36,452(*2)	(11,233)	-	406,668	04
Structures	92,477	1	-	-	-	-	(2,585)	-	89,893	05
Machinery	2,364	783	-	-	-	-	(1,908)	(3)	1,236	06
Construction										07
equipment	249	56	-	-	-	-	(142)	(3)	160	08
Vehicles	2,713	1,346	-	-	(89)	-	(2,054)	266	2,182	09
Others	17,262	13,060	-	-	(80)	2,924	(11,860)	79	21,385	10
Construction-in-progress	9,068	20,446	-	-	-	(28,347)	-	-	1,167	11
Total	₩1,089,421	₩ 36,190	₩ 305,242	₩ (25,573)	₩ 12,450	₩ 48,933	₩ (29,782)	₩ 339	₩1,412,320	12

(*1) Amount transferred from receivables on construction contracts, advance payments and land held for development is included.

(*2) Amount transferred from receivables on construction contracts and advance payments is included.

The Company adopted the revised SKAS 5 *Amendments - Property, Plant and Equipment* in the prior year and revalued its land at fair value. The Company engaged an accredited independent valuer to determine the fair value of its land. Fair value is determined by reference to market-based evidence. This means that valuation performed by the valuer is based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the valuation was December 31, 2008.

As the revaluation had resulted in a revaluation surplus amounting to ₩305,242 million, the Company recognized ₩238,089 million, after deducting income tax effect amounting to ₩67,153 million, in other comprehensive income after deducting, and reflected loss on revaluation amounting to ₩25,573 million in the prior year's statement of income. As of December 31, 2009, the amount of revaluation surplus recognized in accumulated other comprehensive income is ₩237,619 million due to disposal of some land during the current year.

If land was measured using the cost model, the carrying amounts would be as follows (Korean won in millions):

	2009	2008
Cost	₩ 415,502	₩ 409,209
Accumulated depreciation and impairment	-	-
Net carrying amount	₩ 415,502	₩ 409,209

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The movements in the accumulated other comprehensive income are as follows (Korean won in millions):

	2009	2008
As of January 1,	₩ 238,089	₩ -
Revaluation surplus during the year	-	305,242
Related deferred income tax effect	-	(67,153)
Changes of accumulated other comprehensive income arising from disposal	(603)	-
Related deferred income tax effect of disposal	133	-
As of December 31,	₩ 237,619	₩ 238,089

10. Capitalized financing costs

The Company capitalized certain financing costs of ₩10,728 million and ₩16,721 million for the years ended December 31, 2009 and 2008, respectively, as part of the cost of the related property, plant and equipment and inventories. Such capitalized financing costs have the following effects on the Company's financial statements as of December 31, 2009 and 2008, and for the years then ended (Korean won in millions):

	2009	2008
<Statements of financial position>		
Increase in inventories	₩ 10,490	₩ 16,710
Increase in property, plant and equipment	238	11
<Statements of income>		
Decrease in interest expense	10,728	16,721
Increase in net income	₩ 8,132	₩ 13,042

11. Intangible assets

Details of intangible assets as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		
	Cost	Accumulated amortization	Net book value
Rights for lease operations	₩ 6,550	₩ (3,712)	₩ 2,838
Development costs	30	(30)	-
	₩ 6,580	₩ (3,742)	₩ 2,838

	2008		
	Cost	Accumulated amortization	Net book value
Rights for lease operations	₩ 6,550	₩ (3,384)	₩ 3,166
Development costs	190	(188)	2
	₩ 6,740	₩ (3,572)	₩ 3,168

Changes in the net book value of intangible assets for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		
	Jan.1, 2009	Amortization	Dec. 31, 2009
Rights for lease operations	₩ 3,166	₩ (328)	₩ 2,838
Development costs	2	(2)	-
	₩ 3,168	₩ (330)	₩ 2,838

	2008		
	Jan.1, 2008	Amortization	Dec. 31, 2008
Rights for lease operations	₩ 3,493	₩ (327)	₩ 3,166
Development costs	23	(21)	2
	₩ 3,516	₩ (348)	₩ 3,168

Details of intangible assets as of December 31, 2009 are as follows (Korean won in millions):

	Book value	Remaining estimated useful life	Remarks
Rights for lease operations	₩ 2,838	9 years	Dormitory, Kyunghee University

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12. Short-term & long-term borrowings

Short-term borrowings as of December 31, 2009 and 2008 consist of the following (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2009	2009	2008
Shinhan Bank	Commercial paper	7.08	₩ -	₩ 30,000
Woori Bank	General loans	7.38	-	100,000
Kookmin Bank	Usance	2.08~2.41	9,250	-
Hana Bank	Usance	2.24~3.80	5,705	-
ANZ	Usance	2.28~2.68	641	-
SK Securities Co., Ltd.	Commercial paper	7.35	-	80,000
HMC Investment Co., Ltd.	Commercial paper	8.23	-	20,000
Hi Securities Co., Ltd.	Commercial paper	8.23	-	30,000
	General loans			
Korea Eximbank	(Foreign currency)	LIBOR 3M	59,501	-
Korea Eximbank	General loans	5.25	₩ 125,143	₩ -
			200,240	260,000

Long-term borrowings of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2009	2009 (*)	2008	Repayment term
Korea Housing Guarantee Co., Ltd.	Long-term borrowings in Korean won	1.0	₩ 11,940	₩ 11,940	Deferred for 10 years and repayment by 12 yearly equal installments

(*) The 12 yearly installments repayment will begin in 2012

The details of debentures issued as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Series	Issuance date	Maturity date	Annual interest rate in 2009 (%)	2009	2008
118 th - non-guaranteed Debentures	July, 2007	July, 2010	5.6	₩ 50,000	₩ 50,000
119 th - non-guaranteed debentures (Issued in foreign currency)	January, 2008	January, 2011	LIBOR+1.1	350,280	389,825
08-1 th privately issued Debentures	December, 2008	December, 2011	8.22	61,700	61,700
120 th - non-guaranteed Debentures	February, 2009	February, 2010	8.5	100,000	-
121 th - non-guaranteed Debentures	April, 2009	April, 2011	7.6	100,000	-
122 th - non-guaranteed Debentures	October, 2009	October, 2012	5.7	100,000	-
Less present value discount				(1,714)	(1,722)
Less current portion				(149,905)	-
Long-term bonds				₩ 610,361	₩ 499,803

The entire principal amount of the above debentures will be redeemed at their respective maturity dates. 118th - non-guaranteed debentures, 08-1th privately issued debentures, 120th - non-guaranteed debentures, 121th - non-guaranteed debentures and 122th - non-guaranteed debentures' interests are due at the end of each quarter and 119th - non-guaranteed debentures' interest is due every 6 months. Amortization of discount is calculated over the term of the bonds using the effective interest rate method as part of interest expense.

The repayment schedules of long-term borrowings and debentures are as follows (Korean won in millions):

Year	Long-term borrowings	Debentures	Total
2010	₩ -	₩ 150,000	₩ 150,000
2011	-	511,980	511,980
2012	1,327	100,000	101,327
2013	1,327	-	1,327
2014 and thereafter	9,286	-	9,286
	₩ 11,940	₩ 761,980	₩ 773,920

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13. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies excluding those of overseas operations as of December 31, 2009 and 2008 are as follows:

Account	2009			2008		
	Foreign currency		Korean won equivalent (in millions)	Foreign currency		Korean won equivalent (in millions)
Assets:						
Cash and cash equivalents	EUR	4,343,707	₩ 7,273	EUR	17,377,073	₩ 30,866
	THB	11,000	-	THB	11,000	-
	USD	316,878,962	369,988	USD	303,891,169	382,143
	JPY	697,359,718	8,806	JPY	2,052,482,450	28,609
	SGD	13,478,407	11,204	SGD	-	-
Trade accounts receivable	EUR	5,195,793	₩ 8,699	EUR	369,290	656
	SAR	1,207,710	376	SAR	1,207,710	405
	JPY	-	-	JPY	173,625,250	2,420
	USD	98,878,687	115,451	USD	55,036,861	69,209
Short-term loans receivable	USD	182,073,367	212,589	USD	27,615,367	34,726
Other accounts receivable	USD	3,286,761	3,838	USD	3,878,666	4,877
	EUR	-	-	EUR	229,408	407
	CNY	844,320	144	CNY	-	-
	THB	670,702	23	THB	25,913	1
Long-term loans receivable	USD	8,562,788	9,998	USD	169,592,478	213,263
Total			748,389			₩ 767,582
Liabilities:						
Trade accounts and notes payable	AED	30,805	10	AED	-	₩ -
	EUR	3,753,700	6,285	EUR	15,969,356	28,365
	GBP	22,700	43	GBP	234,566	426
	JPY	38,997,720	492	JPY	2,741,669,523	38,216
	USD	38,561,427	45,024	USD	46,996,141	59,098
	CHF	78,240	88	CHF	-	-
	BHD	-	-	BHD	24,978	83
	THB	4,506,310	158	THB	33,207,676	1,199
Other accounts payable	EUR	41,385	69	EUR	11,111	20
	JPY	38,000	1	JPY	1,043,762	15
	USD	399,275	466	USD	2,070,155	2,603
	GBP	-	-	GBP	520	1
	SGD	-	-	SGD	32,748	29
	THB	-	-	THB	740,976	27
Withholdings	EGP	-	-	EGP	267,671	61
	EUR	32,188	54	EUR	64,575	115
	IRR	-	-	IRR	7,971,658,417	1,036

Account	2009			2008		
	Foreign currency		Korean won equivalent (in millions)	Foreign currency		Korean won equivalent (in millions)
Withholdings	USD	7,691,548	₩ 8,981	USD	11,216,196	₩ 14,104
	JPY	215,050,000	2,716	JPY	176,000,000	2,453
	EUR	525,240	879	EUR	-	-
Short-term borrowings	USD	56,717,259	66,223	USD	-	-
	JPY	633,068,165	7,995	JPY	-	-
Debentures	USD	300,000,000	350,280	USD	310,000,000	389,825
Total			₩ 489,764			₩ 537,676

14. Other provisions

The details of changes in other provisions for liabilities for the year ended December 31, 2009 are as follows (Korean won in millions):

	2009			
	As of January 1		Increase (decrease)	As of December 31
Payment guarantee	₩	98,557	₩ 27,593	₩ 126,150
Litigation and others		1,985	(1,309)	676
Total	₩	100,542	₩ 26,284	₩ 126,826

15. Financial position of overseas operations

Summary of the Company's overseas operations financial position as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Current assets	₩ 192,860	₩ 168,388
Non-current assets	4,957	4,783
Current liabilities	186,914	249,928
Non-current liabilities	410	441

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16. Related party disclosures

The related parties of the Company and nature of their relationship with the Company are as follows:

Company name	Parent company	Relationship with the Company
Parnas Hotel Co., Ltd.	The Company	Subsidiary
EzVille Inc.	The Company	Subsidiary
XI Service Co., Ltd.	The Company	Subsidiary
Estech Estimate Corp	The Company	Subsidiary
GLS Service Co., Ltd.	The Company	Subsidiary
GS E&C Nanjing	The Company	Subsidiary
GS E&C Italy S.R.L.	The Company	Subsidiary
GS E&C Poland SP.ZO.O	The Company	Subsidiary
GS E&C India Private Ltd.	The Company	Subsidiary
GS Construction Arabia Co., Ltd.	The Company	Subsidiary
GS Cu Chi Development One-member LLC	The Company	Subsidiary
GS Nha Be Development One-member LLC	The Company	Subsidiary
GS Saigon Development One-Member LLC	The Company	Subsidiary
GS Cambodia Development Co., Ltd.	The Company	Subsidiary
GS Global Bio Co., Ltd.	The Company	Subsidiary
GS O&M Co., Ltd.	The Company	Subsidiary
GCS Plus Co., Ltd.	The Company	Subsidiary
BSM Co., Ltd.	The Company	Subsidiary
Sanglak Food Co., Ltd.	The Company	Subsidiary

Compensation for key management personnel for the years ended December 31, 2009 and 2008 is as follows (Korean won in millions):

	2009		2008	
Salaries	₩	19,821	₩	37,489
Severance and retirement benefits		21,055		4,492
	₩	40,876	₩	41,981

Key management personnel include standing directors and outside directors who have the authority and responsibilities for planning, operation and control of the business of the Company.

Significant transactions with related parties for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	Relationship	Transactions	2009	2008
GS Co., Ltd.	Affiliate	Sales and other income	₩ 11	₩ 5
		Cost of sales and purchases	3,589	963
		Other expenses	18,299	11,338
GS Home Shopping Co., Ltd.	Affiliate	Sales and other income	76	-
		Cost of sales and purchases	20	-
		Other expenses	8	-
GS Sports Co., Ltd.	Affiliate	Cost of sales and purchases	4	-
		Other expenses	7,538	8,927
Daejeon Sewage Pipe Co., Ltd.	Affiliate	Sales and other income	13,104	-
Sanglak Food Co., Ltd.	Subsidiary	Sales and other income	970	-
		Cost of sales and purchases	41	-
Estech Estimate Corp.	Subsidiary	Sales and other income	239	239
		Cost of sales and purchases	3,719	4,621
		Other expenses	1,295	398
XI Service Co., Ltd.	Subsidiary	Sales and other income	8	-
		Cost of sales and purchases	11,978	9,693
		Other expenses	476	53
Junju Sewage Pipe Co., Ltd.	Affiliate	Sales and other income	15,639	-
		Cost of sales and purchases	215	-
GS Retail Co., Ltd.	Affiliate	Sales and other income	22,072	8,769
		Cost of sales and purchases	744	935
		Other expenses	2,502	1,016
GS Caltex Co., Ltd.	Affiliate	Sales and other income	718,006	421,911
		Cost of sales and purchases	1,070	691
		Other expenses	4,062	170
GS O&M Co., Ltd.	Subsidiary	Sales and other income	203	33
		Cost of sales and purchases	15,613	1,273
GS Neotek Co., Ltd.	Affiliate	Sales and other income	58	13
		Cost of sales and purchases	6,437	3,139
		Outsourcing costs	147,867	145,162
		Other expenses	1,095	1,392
GS EPS Co., Ltd.	Affiliate	Sales and other income	1	10,667
GS POWER Co., Ltd.	Affiliate	Sales and other income	2,549	1,429
		Cost of sales and purchases	190	-
Parnas Hotel Co., Ltd	Subsidiary	Sales and other income	8	-
		Cost of sales and purchases	297	-
		Other expenses	195	-

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Related party disclosures (cont'd)

	Relationship	Transactions	2009	2008
GS Cambodia Development Co., Ltd.	Subsidiary	Sales and other income	₩ 173	₩ -
GS Construction Arabia Co., Ltd	Subsidiary	Sales and other income	893	-
		Cost of sales and purchases	851	-
GS Cu Chi Development One-member LLC	Subsidiary	Sales and other income	3,359	4,654
GS E&C India Private Ltd.	Subsidiary	Sales and other income	580	590
		Cost of sales and purchases	3,865	1,187
		Outsourcing costs	4,743	5,984
		Other expenses	-	1
GS E&C Italy S.R.L.	Subsidiary	Sales and other income	1	4
		Cost of sales and purchases	-	1,914
		Other expenses	-	1,131
GS E&C Nanjing	Subsidiary	Sales and other income	440	434
GS E&C Poland SP.ZO.O	Subsidiary	Sales and other income	739	6,008
		Cost of sales and purchases	-	524
		Other expenses	46	489
GS E&C Thai Co., Ltd.	Equity method investee	Sales and other income	194	-
		Cost of sales and purchases	5,579	-
GS Global Bio Co., Ltd.	Subsidiary	Sales and other income	46	-
GS Nha Be Development One-Member LLC	Subsidiary	Sales and other income	362	1,559
GS PP Development Co., Ltd.	Equity method investee	Sales and other income	5,053	14,129
GS Saigon Development One-member LLC	Subsidiary	Sales and other income	22,820	27,156
GS-HP Corp.	Equity method investee	Sales and other income	168	-
Uijeongbu LRT Inc.	Affiliate	Sales and other income	44,151	25,922
		Cost of sales and purchases	-	9,556
Major Development Co., Ltd.	Equity method investee	Sales and other income	610	18,268
Sacheon Resort Co., Ltd.	Equity method investee	Sales and other income	736	6,147
Seoul-Munsan Highway Co., Ltd.	Affiliate	Sales and other income	-	4,660
Gaya Railway Co., Ltd.	Affiliate	Sales and other income	18,070	4,261
Lidong Chemical Co., Ltd.	Affiliate	Sales and other income	-	2,294
Seoul Highway Co., Ltd.	Affiliate	Sales and other income	-	2,041
		Cost of sales and purchases	-	57

	Relationship	Transactions	2009	2008
Samyang International Co., Ltd.	Affiliate	Sales and other income	₩ 53	₩ 70
		Cost of sales and purchases	14,668	10,027
		Other expenses	2	2
Ulsan Green Co., Ltd.	Affiliate	Sales and other income	-	26
EzVille Inc.	Subsidiary	Sales and other income	1	-
		Cost of sales and purchases	25,750	27,964
		Outsourcing costs	17,020	13,604
		Other expenses	1,440	1,474
GCS Plus Co., Ltd.	Subsidiary	Sales and other income	-	1
		Cost of sales and purchases	38,229	-
		Other expenses	-	40,536
Cosmo Industry Co., Ltd.	Affiliate	Cost of sales and purchases	25,689	20,203
BSM Co., Ltd.	Subsidiary	Other expenses	8,621	7,468
GLS Service Co., Ltd.	Subsidiary	Cost of sales and purchases	-	1,465
		Other expenses	-	85
LG Properties (S'pore) Pte. Ltd.	Equity method investee	Sales and other income	687	-
Mileseum Co., Ltd.	Affiliate	Sales and other income	16,420	-
Youngduk&Bio Co., Ltd.	Affiliate	Sales and other income	2,370	-
Kangnam Inter Circular Road Co., Ltd.	Affiliate	Sales and other income	10,656	-
Others		Sales and other income	30,330	1,332
		Cost of sales and purchases	492	311
		Other expenses	346	611
Total		Sales and other income	₩ 931,856	₩ 562,622
		Cost of sales and purchases	₩ 159,040	₩ 94,523
		Outsourcing costs	₩ 169,630	₩ 164,750
		Other expenses	₩ 45,925	₩ 75,091

Outstanding balances of accounts and notes receivable with related parties as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	Relationship	Accounts	2009	2008
GS Co., Ltd.	Affiliate	Long-term guarantee deposits	₩ 10,720	₩ 4,943
GS Home Shopping Co., Ltd.	Affiliate	Other receivables	18	-
EzVille Inc.	Subsidiary	Long-term guarantee deposits	2	-
GS Sports Co., Ltd.	Affiliate	Other receivables	772	-
Mileseum Co., Ltd.	Affiliate	Trade accounts and notes receivable	734	-
Sanglak Food Co., Ltd.	Subsidiary	Other receivables	203	-
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes receivable	4,400	1,407
		Other receivables	215	273
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes receivable	41,412	36,088
		Other receivables	5	5

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	Relationship	Accounts	2009	2008
GS O&M Co., Ltd.	Subsidiary	Other receivables	₩ 1,010	₩ 1,009
GS Neotek Co., Ltd.	Affiliate	Other receivables	1,371	-
GS Power Co., Ltd	Affiliate	Trade accounts and notes receivable	1,588	3,431
Parnas Hotel Co., Ltd.	Subsidiary	Long-term guarantee deposits	62	-
GS Construction Arabia Co., Ltd	Subsidiary	Other receivables	2,504	-
GS Cu Chi Development One-member LLC	Subsidiary	Other receivables	160	63
GS E&C India Private Ltd.	Subsidiary	Other receivables	2,775	1,866
GS E&C Italy S.r.l	Subsidiary	Other receivables	3	-
GS E&C Nanjing	Subsidiary	Other receivables	221	-
GS E&C Poland SP.ZO.O	Subsidiary	Other receivables	170	600
GS E&C Thai Co., Ltd.	Equity method investee	Other receivables	3,658	8,371
GS Global Bio Co., Ltd.	Subsidiary	Other receivables	1,428	1,099
GS Nha Be Development One-member LLC	Subsidiary	Other receivables	4,683	12,666
GS PP Development Co., Ltd.	Equity method investee	Other receivables	194,139	200,261
GS Saigon Development One-member LLC	Subsidiary	Other receivables	7,150	7,170
GS-HP Corp.	Equity method investee	Other receivables	2,294	2,471
LG Properties (S'PORE) Pte. Ltd.	Equity method investee	Other receivables	19,662	20,139
Uijeongbu LRT Inc.	Affiliate	Other receivables	-	239
Sacheon Resort Co., Ltd.	Equity method investee	Trade accounts and notes receivable	5,817	6,197
Major Development Co., Ltd.	Equity method investee	Trade accounts and notes receivable	60,212	12,022
		Other receivables	6,361	6,658
SeungSan Co., Ltd.	Affiliate	Trade accounts and notes receivable	552	552
Seungsan Leisure Co., Ltd.	Affiliate	Long-term guarantee deposits	-	600
Others		Trade accounts and notes receivable	2,311	11,866
		Long-term guarantee deposits	-	64
		Other receivables	567	719
Total		Trade accounts and notes receivable	₩ 117,206	₩ 71,563
		Long-term guarantee deposits	₩ 10,784	₩ 5,607
		Other receivables	₩ 249,369	₩ 263,609
Provision for bad debts		Trade accounts and notes receivable	₩ 1,112	₩ 716
		Other receivables	₩ 68,104	₩ 2,834
Bad debt expense		Trade accounts and notes receivable	₩ 396	₩ (157)
(reversal of bad debt)		Other receivables	₩ 65,270	₩ 710

Outstanding balances of accounts and notes payable with related parties as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	Relationship	Accounts	2009	2008
GS Co., Ltd.	Affiliate	Membership guarantee deposits received	₩ 2,454	₩ 2,454
		Other payables	168	4,654
Major Development Co., Ltd.	Equity method investee	Other payables	3	-
GS Home Shopping Co., Ltd.	Affiliate	Membership guarantee deposits received	1,511	1,511
Sanglak Food Co., Ltd.	Subsidiary	Trade accounts and notes payable	35	-
Estech Estimate Corp.	Subsidiary	Other payables	1,149	-
XI Service Co., Ltd.	Subsidiary	Trade accounts and notes payable	2	-
		Advances from construction contracts	12	-
		Leasehold guarantee deposits received	60	-
		Other payables	35	-
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes payable	1,132	1,394
		Advances from construction contracts	-	72
		Leasehold guarantee deposits received	76,400	76,400
		Membership guarantee deposits received	3,325	3,325
		Other payables	214	-
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes payable	84	85
		Advances from construction contracts	4,483	64,392
		Membership guarantee deposits received	6,675	6,675
		Other payables	77	3
GS O&M Co., Ltd.	Subsidiary	Trade accounts and notes payable	1,790	1,021
GS Neotek Co., Ltd.	Affiliate	Trade accounts and notes payable	18,773	54,593
		Membership guarantee deposits received	1,616	1,316
		Other payables	24,277	607
GS EPS Co., Ltd.	Affiliate	Membership guarantee deposits received	300	-
Parnas Hotel Co., Ltd.	Subsidiary	Trade accounts and notes payable	247	-
		Membership guarantee deposits received	400	-
		Other payables	6	-
GS E&C India Private Ltd.	Subsidiary	Trade accounts and notes payable	85	367
		Other payables	-	21
EzVille Inc.	Subsidiary	Trade accounts and notes payable	18,604	24,678
		Membership guarantee deposits received	31	31
		Other payables	-	44
Cosmo Industry Co., Ltd.	Affiliate	Trade accounts and notes payable	7,516	9,146

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Relationship		Accounts	2009	2008
Cosmo Chemical Co., Ltd.	Affiliate	Membership guarantee deposits received	₩ 66	₩ 66
		Other payables	1,494	1,500
BSM Co., Ltd.	Subsidiary	Trade accounts and notes payable	360	571
GS Saigon Development One-Member Limited	Subsidiary	Advances from construction contracts	12,854	5,704
GS Cu Chi Development One-Member LLC.	Subsidiary	Advances from construction contracts	1,337	1,716
GCS Plus Co., Ltd	Subsidiary	Other payables	4,968	2,469
Samyang International Co., Ltd.	Affiliate	Trade accounts and notes payable	9,280	5,458
		Membership guarantee deposits received	147	147
		Other payables	2	-
Others		Trade accounts and notes payable	87	-
		Advances from construction contracts	-	2
		Leasehold guarantee deposits received	48	-
		Membership guarantee deposits received	510	1,449
		Other payables	53	891
Total		Trade accounts and notes payable	₩ 57,995	₩ 97,313
		Advances from construction contracts	₩ 18,686	₩ 71,886
		Leasehold guarantee deposits received	₩ 76,508	₩ 76,400
		Membership guarantee deposits received	₩ 17,035	₩ 16,974
		Other payables	₩ 32,446	₩ 10,189

Details of guarantees provided by the Company on behalf of related parties as of December 31, 2009 are as follows (Korean won in millions):

Related party	Financial institutions	Description	Amount
GS E&C Italy S.R.L.	Servizi Assicurativi del Commercio Estero	Contract performance	USD 224,000,000
GS Construction Arabia Co., Ltd.	Saudi Arabian Oil Company	Contract performance	USD 228,000,000
	The Saudi British Bank	Credit guarantee	SAR 42,800,000
	Woori Bank Bahrain branch	Credit guarantee	USD 15,600,000
GS E&C Poland SP.ZO.O	LG Electronics Wroclaw SP Zo.o.	Contract performance	EUR 1,950,000
	LG Electronics Wroclaw SP Zo.o.	Contract performance	EUR 269,791.75
	LG Electronics Wroclaw SP Zo.o.	Contract performance	EUR 399,335.75
	LG CHEM Poland SP Zo.o.	Contract performance	PLN 2,258,000
	LG Display Poland Sp Zo.o	Contract performance	PLN 42,895,678
	Heesung Electronics Poland SP Z.O.O.	Contract performance	EUR 4,290,000
	Nordea Bank Ploska S.A.	Credit guarantee	PLN 1,067,000
	Nordea Bank Ploska S.A.	Credit guarantee	PLN 1,026,000
GS Saigon Development One-Member LLC	Australia and New Zealand Banking Group Limited Ho Chi Minh Br.	Overdraft facility	USD 90,000,000
	HSBC	Overdraft facility	USD 30,000,000
GS Cu Chi Development One-Member LLC	Korea Development Bank	Overdraft facility	USD 29,000,000

Related party	Financial institutions	Description	Amount
GS Cambodia Development Co., Ltd.	Australia and New Zealand Banking Group and Bank of Nova Scotia Asia Limited	Overdraft facility	USD 50,000,000
Seoul Highway Co., Ltd.	Industrial Bank of Korea and 13 other companies	Offering pledge	₩ 400,719
		Payment guarantee	₩ 257,014
Uijeongbu LRT Inc.	KB Co., Ltd. and 7 other companies	Offering pledge	₩ 27,246
		Payment guarantee	₩ 21,391
Gaya Railway Co., Ltd.	Kookmin pension and 5 other Companies	Offering pledge	₩ 1,527
Major Development Co., Ltd.	Dreamcity primary private company and 2 other companies	Payment guarantee	₩ 163,506
Sacheon Resort Co., Ltd.	DongYang Financial Complex Co., Ltd.	Payment guarantee	₩ 19,328
Ulsan green Co., Ltd.	Woori Bank and 5 other companies	Offering pledge	₩ 3,507
		Payment guarantee	₩ 11,250

The Company has provided promissory notes and checks to various financial institutions as security in connection with construction performance and other related performance guarantees for its related parties.

As of December 31, 2009, there are no guarantees and collateral provided to the Company by any subsidiaries or related parties.

In addition to the guarantees mentioned above, the Company has guaranteed the repayment of its employees' bank loans that were used to purchase the Company's shares.

17. Capital stock

There is no change in capital stock of the Company during the years ended December 31, 2009 and 2008. Details of capital stock of the Company as of December 31, 2009 and 2008 are as follows:

Number of shares authorized : 200,000,000 shares
Par value per share : ₩5,000
Number of common shares issued : 51,000,000 shares in 2009 and 2008

18. Treasury stock

As of December 31, 2009, the Company holds 1,521,151 shares of common stock with carrying amount of ₩83,053 million, which was repurchased by the Company to stabilize its stock price. The repurchased shares are recognized as capital adjustments.

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19. Capital surplus and capital adjustments

Details of capital surplus and capital adjustments of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Capital surplus				
Paid-in capital in excess of par value	₩	109,735	₩	109,735
Other capital surplus:				
Asset revaluation surplus (*1)		75,192		75,192
Gain on merger (*2)		15,002		15,002
Gain on disposal of treasury stock		11,492		8,991
Capital surplus from equity method (*3)		27,847		27,847
	₩	239,268	₩	236,767
Capital adjustments				
Treasury stock	₩	(83,053)	₩	(79,756)
Other capital adjustments:				
Capital adjustment from equity method (*3)		(3,180)		(2,125)
	₩	(86,233)	₩	(81,881)

(*1) In accordance with the prior Korean Assets Revaluation Act, the Company revalued certain of its property and equipment as of July 1, 1998, resulting in a gain on revaluation of ₩34,287 million and ₩33,833 million being transferred to revaluation surplus, net of revaluation tax. The total balance of revaluation surplus amounting ₩75,192 million as of December 31, 2009 and 2008 includes revaluation surplus carried forward from revaluation carried out prior to 1998.

(*2) The Company merged with LG Engineering Co., Ltd. on August 1, 1999 and recognized this gain on merger as other capital surplus in accordance with KFAQ Article 90 - *Merger and Acquisition*.

(*3) The Company recognized positive and negative investment difference between the additional costs of investments in subsidiaries and fair value of identifiable net assets acquired as capital surplus from equity method valuation and capital adjustment from equity method valuation, respectively.

20. Retained earnings

Retained earnings of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Appropriated:				
Legal reserve	₩	63,339	₩	60,339
Financial structure improvement reserve		282,849		217,849
Business rationalization reserve		494,653		404,653
Research and human resources development reserve		393,333		308,333
Other reserves		522,500		421,762
		1,756,674		1,412,936
Unappropriated		384,076		369,751
	₩	2,140,750	₩	1,782,687

Legal reserve

In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

Financial structure improvement reserve

The Korean Financial Control Regulation for listed companies requires that an amount equal to at least 10% of net income, plus a 50% of net gain, if any, on extraordinary disposal of property, plant and equipment (after related income taxes), be appropriated as reserve for improvement of financial position until the ratio of equity to total assets equals 30%. Effective from December 2008, such reserve is no longer required by the revised TILL.

Business rationalization reserve

Prior to December 2004, in accordance with the Korean Tax Incentives Limitation Law ("TILL"), the amounts of tax credits or exemptions taken under this law were appropriated as a reserve for business rationalization. Such reserve could not be utilized for cash dividends but could be used to offset an accumulated deficit, if any, or be transferred to paid-in capital. Effective from December 2004, such reserve is no longer required by the revised TILL.

Research and human resources development reserve

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

21. Accumulated other comprehensive income

Details of accumulated other comprehensive income, net of taxes, of the Company as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009		2008	
Gain on valuation of available-for-sale securities	₩	216,545	₩	215,801
Loss on valuation of available-for-sale securities		(15)		(1,186)
Credit equity adjustment arising from equity method investments		321,003		402,708
Foreign currency translation adjustments		(3,187)		(4,504)
Gain on valuation of derivative instruments		27,326		28,096
Loss on valuation of derivative instruments		(49,065)		(36,581)
Asset revaluation surplus		237,619		238,089
	₩	750,226	₩	842,423

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22. Construction contracts

Details of cumulative construction revenue, cost and profit of constructions in-progress as of December 31, 2009 are as follows (Korean won in millions):

		2009		
Activity	Work type	Cumulative construction revenue	Cumulative construction cost	Cumulative construction profit
Construction operations	Architectural operations	₩ 6,439,049	₩ (5,623,760)	₩ 815,289
	Civil operations	3,367,888	(2,973,729)	394,159
	Housing operations	6,780,370	(5,827,522)	952,848
	Plants operations	7,181,014	(6,435,988)	745,026
	Environment operations and power operations	1,132,849	(1,059,185)	73,664
Housing construction and sales operations		837,424	(631,068)	206,356
		₩ 25,738,594	₩(22,551,252)	₩ 3,187,342

Construction losses arising from construction in-progress that are probable to be incurred at the completion of construction as of December 31, 2009 amounting to ₩15,822 million were recorded as provision for construction losses.

		2008		
Activity	Work type	Cumulative construction revenue	Cumulative construction cost	Cumulative construction profit
Construction operations	Architectural operations	₩ 6,028,421	₩ (5,236,866)	₩ 791,555
	Civil operations	2,608,594	(2,277,972)	330,622
	Housing operations	5,202,861	(4,559,472)	643,389
	Plants operations	6,660,779	(6,005,845)	654,934
	Environment operations Power operations	585,442	(541,327)	44,115
		324,833	(280,948)	43,885
Housing construction and sales operations		580,562	(409,528)	171,034
		₩ 21,991,492	₩(19,311,958)	₩ 2,679,534

Changes in balances of major construction contracts backlog for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

Project name	2009			
	Jan.1, 2009	Contract change order	Realized revenue	Dec.31, 2009
Kyongbang K-Project	₩ 67,859	₩ 60,562	₩ (128,313)	₩ 108
Il san Xi complex 2	463,826	-	(222,541)	241,285
Uijeongbu LRT construction	101,985	4,129	(44,151)	61,963
Poil Joogong Apartment reconstructions	200,922	12,698	(186,782)	26,838
Green Diesel Project (*)	1,297,667	(76,693)	(336,536)	884,438
IFC	215,386	-	(30,918)	184,468
Yerevan CAPP (*)	247,070	(18,761)	(161,582)	66,727
Salalah Methanol Project (*)	414,493	(34,951)	(271,414)	108,128
Sohar Aromatics Project (*)	387,751	1,861	(322,344)	67,268
Ruwais 4th NGL Train Project	-	1,403,605	(16,214)	1,387,391
Ruwais Refinery Expansion Project (Package 2) (*)	-	3,594,797	(6,371)	3,588,426
Others	15,686,979	1,124,204	(5,334,040)	11,477,143
	₩ 19,083,938	₩ 6,071,451	₩ (7,061,206)	₩ 18,094,183

Project name	2008			
	Jan.1, 2008	Contract change order	Realized revenue	Dec.31, 2008
Kyongbang K-Project	₩ 183,412	₩ -	₩ (115,553)	₩ 67,859
The South-east Seoul Distribution Center	123,805	13,675	(122,375)	15,105
Banpo Xi	388,360	135,480	(395,103)	128,737
Uijeongbu LRT construction	150,227	-	(48,242)	101,985
Incheon 2nd complex construction	66,059	1,455	(51,491)	16,023
Poil Joogong Apartment reconstructions	382,079	(1,348)	(179,810)	200,921
LCD P8 Environmental facilities construction	46,822	18,826	(61,331)	4,317
ERC Refinery Project (*)	1,855,044	625,486	(74,129)	2,406,401
Salalah Methanol Project (*)	601,785	134,287	(321,579)	414,493
Sohar Aromatics Project (*)	730,177	124,974	(467,400)	387,751
Others	9,999,261	10,039,252	(4,698,167)	15,340,346
	₩ 14,527,031	₩ 11,092,087	₩ (6,535,180)	₩ 19,083,938

(*) Changes in value of contract are due to adjustments arising from changes in foreign currency exchange rates.

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Balances of receivables from construction contracts and advance receipts from construction contracts for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

Project name	2009						
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Accounts and notes receivable			Other advance receipts (*)
				Billed	Non-billed	Total (*)	
Kyongbang K-Project	₩ 359,654	₩ 316,735	₩ 316,735	₩ -	₩ 42,919	₩ 42,919	₩ -
Il san Xi complex 2	307,765	435,783	314,925	-	-	-	7,160
Uijeongbu LRT construction	97,167	64,266	64,266	-	32,901	32,901	-
Poil Joogong							
Apartment reconstructions	428,093	438,738	306,791	121,302	-	121,302	-
Green Diesel Project	466,533	537,812	571,345	28,935	-	28,935	133,747
IFC SEOUL	42,959	36,971	29,851	7,121	5,988	13,108	-
Yerevan CCPP	225,559	259,560	259,369	-	-	-	33,810
Salalah Methanol Project	665,889	750,321	745,580	-	-	-	79,691
Sohar Aromatics Project	1,191,681	1,256,021	1,249,864	-	-	-	58,183
Ruwais 4th NGL Train Project	16,214	-	-	-	-	-	148,277
Ruwais Refinery							
Expansion Project (Package 2)	6,371	-	-	-	-	-	529,047
Others	21,089,160	21,721,526	20,414,624	2,078,576	-	2,078,577	704,132
Total	₩ 24,897,045	₩ 25,817,733	₩ 24,273,350	₩ 2,235,934	₩ 81,808	₩ 2,317,742	₩ 1,694,047

Project name	2008						
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Accounts and notes receivable			Other advance receipts (*)
				Billed	Non-billed	Total (*)	
Kyongbang K-Project	₩ 231,341	₩ 201,939	₩ 75,439	₩ 126,500	₩ 29,402	₩ 155,902	₩ -
The South-east Seoul Distribution Center	257,217	244,810	244,810	-	12,407	12,407	-
Banpo Xi	801,243	915,520	574,194	227,049	-	227,049	-
Uijeongbu LRT construction	53,015	25,922	25,922	-	27,093	27,093	-
Incheon 2nd complex constructor	62,702	64,698	53,014	9,688	-	9,688	-
Poil joogong apartment reconstructions	241,311	203,990	203,990	-	37,321	37,321	-
LCD P8 Environmental facilities construction	90,390	92,199	91,745	-	-	-	1,355
ERC Refinery Project	77,040	132,477	122,719	-	-	-	45,679
Salalah Methanol Project	394,475	524,997	471,020	-	-	-	76,545
Sohar Aromatics Project	869,337	1,137,705	1,117,323	-	-	-	247,986
Others	18,332,859	18,385,678	17,294,811	1,714,642	-	1,714,642	676,594
Total	₩ 21,410,930	₩ 21,929,935	₩ 20,274,987	₩ 2,077,879	₩ 106,223	₩ 2,184,102	₩ 1,048,159

(*) The amount of receivables and advance receipts are included in trade accounts receivable and trade accounts payable as of December 31, 2009 and 2008, respectively.

Total billed amount of construction contracts for the years ended December 31, 2009 and 2008 is ₩8,430,737 million and ₩7,914,864 million, respectively, and the total collected amount of construction contracts for the years ended December 31, 2009 and 2008 is ₩8,297,097 million and ₩6,765,211 million, respectively.

Details of jointly-managed construction contracts as of December 31, 2009 and 2008 are as follows (Korean won in millions):

Project name	2009				
	Period of construction	Customer	Share of contract size (amount)	Share of contract size (%)	Lead contractor
IFC Seoul construction	2008.01.17 ~ 2012.02.07	AIIG Global Investment Group	₩ 227,427	40.00%	(*)
Uijeongbu LRT civil investment business construction	2006.12.01 ~ 2011.08.27	Uijeongbu LRT Co., Ltd.	159,129	52.55%	(*)
Buhang Multipurpose Dam	2006.09.30 ~ 2012.01.12	Korea Water Resources Corporation	149,431	60.00%	(*)
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2003.07.01 ~ 2013.01.31	Korea Hydro & Nuclear Power Co., Ltd.	131,397	13.50%	(@)
Incheon Production Base 2nd Expansion	2004.07.27 ~ 2010.07.31	Korea Gas Corporation	127,323	40.00%	(*)
Incheon Grand Bridge	2005.06.16 ~ 2010.01.31	KODA Development Co., Ltd.	125,704	10.00%	(#)
Mokpo National Road	2004.11.01 ~ 2012.12.18	Public Procurement Service	119,796	42.00%	(*)
Jungrang Advanced Sewage Treatment Plant	2009.02.13 ~ 2014.01.18	Seoul Metropolitan Infrastructure	114,135	50.00%	(*)
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2007.12.27 ~ 2011.06.26	Korea Land Corporation	113,689	90.00%	(*)
Busan~Ulsan Electric Railway	2005.12.26 ~ 2010.09.30	Korea Rail Network Authority	112,921	40.00%	(^)
Incheon Free Economic Zone Young Jong Sky City 2nd Stage	2007.12.27 ~ 2011.06.26	Korea Land Corporation	111,968	90.00%	(*)
Honam High Speed Rail Section 5-3	2009.12.17 ~ 2014.01.23	Korea Rail Network Authority	96,661	60.00%	(*)
Seongmun National Industrial Complex Section No.1	2008.06.16 ~ 2011.10.15	Korea Land Corporation	95,364	90.00%	(*)
Taebaek line (Jecheon-Ssangyong) 1 st multiple line railway construction	2004.11.25 ~ 2012.10.31	Korea Rail Network Authority	92,945	35.00%	(*)
Section 3 of Samcheok Tonghae Expressway	2009.03.31 ~ 2016.03.31	Korea Expressway Corporation	92,275	90.00%	(*)
Gangnam Circular highway 6-1 Stage	2002.11.28 ~ 2013.09.30	Gangnam Circular Highway Co., Ltd.	91,794	11.50%	(**)
Kyungchun Double Track Railway Section7	1999.12.28 ~ 2010.01.31	Public Procurement Service	82,844	30.00%	(*)

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Project name	2008				
	Period of construction	Customer	Share of contract size (amount)	Share of contract size (%)	Lead contractor
The South-east Seoul Distribution Center	2008.01.17 ~ 2012.02.07	SH Corporation	₩ 272,322	56.00%	(*)
IFC SEOUL construction	2006.12.01 ~ 2011.08.27	AIG Global Investment Group	227,427	40.00%	(*)
The City Seven Xi	2006.09.30 ~ 2012.01.12	Dosisaram Co., Ltd.	210,272	50.00%	(*)
Daegwallyeong Alpensia	2003.07.01 ~ 2013.01.31	Kang-won do Development Corporation	190,092	62.00%	(*)
Uijeongbu LRT civil investment business construction	2004.07.27 ~ 2010.07.31	Uijeongbu LRT Co., Ltd.	155,000	52.55%	(*)
Buhang Multipurpose Dam	2005.06.16 ~ 2010.01.31	Korea Water Resources Corporation	141,563	60.00%	(*)
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2004.11.01 ~ 2012.12.18	Korea Hydro & Nuclear Power Co., Ltd.	126,672	13.50%	(@)
Incheon Production Base 2nd Expansion	2009.02.13 ~ 2014.01.18	Korea Gas Corporation	125,977	40.00%	(*)
Mokpo National Road	2007.12.27~ 2011.06.26	Public Procurement Service	111,406	42.00%	(*)
Incheon Grand Bridge	2005.12.26 ~ 2010.09.30	KODA Development Co., Ltd.	109,545	10.00%	(#)
Busan~Ulsan Electric Railway	2007.12.27~ 2011.06.26	Korea Rail Network Authority	108,990	40.00%	(^)
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2009.12.17 ~ 2014.01.23	Korea Land Corporation	108,468	90.00%	(*)
Incheon Free Economic Zone Young Jong Sky City 2nd Stage	2008.06.16 ~ 2011.10.15	Korea Land Corporation	107,243	90.00%	(*)
Song do 4 th Stage 1st complex apartment construction	2004.11.25~ 2012.10.31	Incheon Urban Development Corporation	95,767	63.00%	(*)
Gangnam Circular Highway 6-1 Stage	2009.03.31 ~ 2016.03.31	Gangnam Circular Highway Co., Ltd.	91,794	11.50%	(**)
Taebaek line (Jecheon - Ssangyong) 1 st multiple line railway construction	2002.11.28~ 2013.09.30	Korea Rail Network Authority	85,208	35.00%	(*)
Siltron Third Plant B-dong construction	1999.12.28 ~ 2010.01.31	LG Siltron Co., Ltd.	80,989	70.00%	(*)

The legends represent the following representative (project owner) companies:

(*) GS Engineering & Construction Co., Ltd.
 (#) Samsung C & T Corporation
 (@) Daewoo Engineering & Construction Co., Ltd.
 (^) Hyundai Engineering & Construction Co., Ltd.
 (**) Doosan Engineering & Construction Co., Ltd.

Details of housing construction and sales contracts as of December 31, 2009 and 2008 are as follows (Korean won in millions):

2009					
Project name	Contract amount	Cumulative revenue realized	Cumulative collected amount	Trade receivables	Advance receipts
Heights Xi	₩ 307,328	₩ 295,198	₩ 303,952	₩ 34	₩ 8,788
Susaek Xi	273,214	205,638	229,930	920	25,212
Chungla Xi	523,644	336,588	337,964	6,949	8,325

2008					
Project name	Contract amount	Cumulative revenue realized	Cumulative collected amount	Trade receivables	Advance receipts
Heights Xi	₩ 307,982	₩ 299,089	₩ 290,927	₩ 8,162	₩ -
Susaek Xi	230,918	121,188	89,154	32,034	-
Chungla Xi	524,382	160,285	190,467	-	30,182

The accounts receivable arising from construction contracts include certain amounts billed to project owners where payments are retained until all the conditions specified under the contracts are met and any construction related issues during course of construction, if any, are resolved. Retention sums on construction contracts as of December 31, 2009 and 2008 amounted to ₩32,901 million and ₩18,777 million, respectively.

23. Income taxes

For the year ended December 31, 2009, the Company is subject to corporate income taxes, including resident sur-tax, at the aggregate rates of 12.1% (11% from 2012 and thereafter) on taxable income of up to ₩200,000 thousand and 24.2% (22% from 2012 and thereafter) on taxable income in excess of ₩200,000 thousand.

The major components of provision for income taxes for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Current income taxes (*)	₩ 157,414	₩ 190,076
Deferred income taxes arising from tax effect of temporary differences	(57,983)	162,713
Tax effect of temporary differences recognized directly to equity	25,969	(185,455)
	125,400	167,334
Current income taxes recognized directly to equity	-	(248)
Provision for income taxes	₩ 125,400	₩ 167,086

(*) The amount of current income taxes includes additional income taxes paid and tax refunds.

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A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company is as follows (Korean won in millions):

	2009		2008	
Income before income taxes	₩	508,200	₩	548,640
Tax at the statutory income tax rate	₩	122,960	₩	150,845
Adjustments :				
Income not subject to tax (2009: ₩576 million, 2008: ₩39,598 million)		(139)		(10,889)
Expenses not deductible for tax purposes (2009: ₩46,026 million, 2008: ₩24,011 million)		11,138		6,603
Tax credit(*)		(16,289)		(3,055)
Others (difference in tax rate, etc.)		7,730		23,582
Provision for income taxes	₩	125,400	₩	167,086
Effective tax rate		24.68%		30.45%

(*) Foreign tax credit and others

Deferred income taxes reflect the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes.

Significant changes in tax loss carryforwards, cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

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	2009					
	As of Jan. 1, 2009	Changes in tax filing	Net Changes	As of Dec. 31, 2009	Deferred income taxes	
Deductible temporary differences:						
Buildings	₩ 14,529	₩ 859	₩ (2,434)	₩ 12,954	₩ 2,850	01
Provision for construction losses	6,363	-	11,280	17,643	3,881	02
Allowance for doubtful accounts	206,363	-	70,177	276,539	64,412	03
Bonus stock	414	-	(414)	-	-	04
Loss on foreign currency translation	131,395	-	6,891	138,286	31,378	05
Government grants	587	-	(102)	484	117	06
Equity method investments	96,211	-	(5,124)	91,088	20,039	07
Land	183	-	-	183	40	08
Derivative instruments	438,986	-	(106,229)	332,757	80,527	09
Severance and retirement benefits	104,342	(992)	2,636	105,985	23,317	10
Available-for-sale securities	24,376	-	-	24,376	5,363	11
Investments	1,247	-	-	1,247	274	12
Provision for construction warranty	70,568	-	(8,619)	61,950	13,629	13
Provision for other liabilities	100,542	-	26,375	126,918	27,922	14
Gain on valuation of property, plant and equipment	25,573	-	(24)	25,549	5,621	15
	₩ 1,221,679	₩ (133)	₩ (5,587)	₩ 1,215,959	₩ 279,370	16
Taxable temporary differences:						17
Accumulated depreciation	₩ (1,274)	₩ -	₩ -	₩ (1,274)	₩ (280)	18
Appropriated retained earnings for technological development	(8,333)	-	(1,667)	(10,000)	(2,200)	19
Accrued income	(10,046)	-	(13,517)	(23,563)	(5,702)	20
Gain on foreign currency translation	(107,581)	-	66,397	(41,184)	(9,358)	21
Available-for-sale securities	(4,371)	-	-	(4,371)	(962)	22
Inventories	(46,997)	-	(241)	(47,239)	(11,432)	23
Deposits for severance and retirement benefits	(95,049)	-	(10,936)	(105,985)	(23,317)	24
Derivative instruments	(539,219)	-	103,071	(436,147)	(105,547)	25
	₩ (812,870)	₩ -	₩ 143,107	₩ (669,763)	₩ (158,798)	26
Deferred income taxes recognized :						27
Deferred income tax assets, net	₩ 88,587	₩ (29)		₩ 120,572		28
Deferred income tax liabilities recognized directly to equity, net	₩ (246,708)	₩ -		₩ (220,739)		29
Deferred income tax liabilities recognized in statement of financial position, net	₩ (158,121)	₩ (29)		₩ (100,167)		30

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	2008					
	As of Jan. 1, 2008	Changes in tax filing	Net Changes	As of Dec. 31, 2008	Deferred income taxes	
Deductible temporary differences:						
Buildings	₩ 14,999	₩ -	₩ (470)	₩ 14,529	₩ 3,196	
Provision for construction losses	24,137	-	(17,774)	6,363	1,400	
Allowance for doubtful accounts	64,264	-	142,099	206,363	47,938	
Bonus stock	414	-	-	414	91	
Loss on foreign currency translation	-	-	131,395	131,395	29,659	
Government grants	104	-	483	587	142	
Equity method investments	92,390	-	3,821	96,211	21,166	
Land	183	-	-	183	40	
Executive incentives	14,295	-	(14,295)	-	-	
Derivative instruments	-	-	438,986	438,986	106,235	
Severance and retirement benefits	101,600	-	2,742	104,342	22,955	
Available-for-sale securities	24,376	-	-	24,376	5,363	
Investments	1,247	-	-	1,247	274	
Provision for construction warranty	72,985	-	(2,417)	70,568	15,525	
Provision for other liabilities	1,414	-	99,128	100,542	22,119	
Gain on valuation of property, plant and equipment	-	-	25,573	25,573	5,626	
	₩ 412,408	₩ -	₩ 809,271	₩ 1,221,679	₩ 281,729	
Taxable temporary differences:						
Accumulated depreciation	₩ (1,274)	₩ -	₩ -	₩ (1,274)	₩ (280)	
Appropriated retained earnings for technological development	(13,333)	-	5,000	(8,333)	(1,833)	
Accrued income	(9,011)	611	(1,646)	(10,046)	(2,431)	
Gain on foreign currency translation	-	-	(107,581)	(107,581)	(24,861)	
Available-for-sale securities	(4,371)	-	-	(4,371)	(962)	
Appropriated retained earnings for loss on sale of treasury stock	(1,263)	-	1,263	-	-	
Inventories	(39,209)	-	(7,788)	(46,997)	(11,373)	
Deposits for severance and retirement benefits	(101,134)	-	6,085	(95,049)	(20,911)	
Derivative instruments	(3,988)	-	(535,231)	(539,219)	(130,491)	
	₩ (173,583)	₩ 611	₩ (639,898)	₩ (812,870)	₩ (193,142)	
Deferred income taxes recognized :						
Deferred income tax assets, net	₩ 65,678	₩ 168		₩ 88,587		
Deferred income tax liabilities recognized directly to equity, net	₩ (61,254)	₩ -		₩ (246,708)		
Deferred income tax assets (liabilities) recognized in statement of financial position, net	₩ 4,424	₩ 168		₩ (158,121)		

The Company did not recognize the deferred income tax effect for temporary differences of ₩28,528 million arising from land revaluation surplus as the Company has no firm commitment to dispose of the land.

The Company recognized fully the deferred income tax assets for all the deductible temporary differences as the aggregate amount of the total of taxable temporary differences and the expected future taxable income before reflecting tax adjustment items exceed the total of all the deductible temporary differences.

Details of gross deferred income tax assets and liabilities as of December 31, 2009 and 2008 are as follows (Korean won in millions):

	2 0 0 9					
	Temporary differences		Reversal of temporary differences		Deferred income taxes	
	2009	2010	2011 and thereafter	Current	Non-current	
Deductible temporary differences:						
Allowance for doubtful accounts	₩ 276,539	₩ 162,439	₩ 114,101	₩ 39,310	₩ 25,102	
Derivative instruments	332,757	332,757	-	80,527	-	
Government grants	484	484	-	117	-	
Loss on foreign currency translation	138,286	43,418	94,868	10,507	20,871	
Provision for construction warranty	61,950	-	61,950	-	13,629	
Provision for other liabilities	126,918	-	126,918	-	27,922	
Provision for construction loss	17,643	-	17,643	-	3,881	
Severance and retirement benefits	105,985	-	105,985	-	23,317	
Equity method investments	91,088	-	91,088	-	20,039	
Available-for-sale securities	24,376	-	24,376	-	5,363	
Investments	1,247	-	1,247	-	274	
Impairment on property, plant and equipment	12,954	-	12,954	-	2,850	
Loss on valuation of property, plant and equipment	25,549	-	25,549	-	5,621	
Non deductible purchasing tax amount of land	183	-	183	-	40	
	₩ 1,215,959	₩ 539,098	₩ 676,862	₩ 130,461	₩ 148,909	
Taxable temporary differences						
Accrued interest on securities	(23,563)	(23,563)	-	(5,702)	-	
Derivative instruments	(436,147)	(436,147)	-	(105,547)	-	
Inventories	(47,239)	(47,239)	-	(11,432)	-	
Gain on foreign currency translation	(41,184)	(13,500)	(27,684)	(3,267)	(6,091)	
Available-for-sale securities	(4,371)	-	(4,371)	-	(962)	
Appropriated retained earnings for technological development	(10,000)	-	(10,000)	-	(2,200)	
Depreciation	(1,274)	-	(1,274)	-	(280)	
Deposits for severance and retirement benefits	(105,985)	-	(105,985)	-	(23,317)	
Deferred income taxes recognized directly to equity	(1,003,363)	-	(1,003,363)	-	(220,739)	
	₩(1,673,126)	₩ (520,449)	₩(1,152,677)	₩ (125,948)	₩ (253,589)	
Net	₩ (457,167)	₩ 18,649	₩ (475,816)	₩ 4,513	₩ (104,680)	
Applicable tax rate		24.20%	22.00%			

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	Temporary differences		Reversal of temporary differences		Deferred income taxes	
	2008	2009	2010 and thereafter	Current	Non-current	
Deductible temporary differences:						
Allowance for doubtful accounts	₩ 206,363	₩ 115,362	₩ 91,001	₩ 27,918	₩ 20,020	
Derivative instruments	438,986	438,986	-	106,235	-	
Government grants	586	586	-	142	-	
Loss on foreign currency translation	34,179	34,179	-	8,271	-	
Bonus Stock	414	-	414	-	91	
Loss on foreign currency translation (designated)	97,216	-	97,216	-	21,388	
Provision for construction warranty	70,568	-	70,568	-	15,525	
Provision for other liabilities	100,542	-	100,542	-	22,119	
Provision for construction loss	6,363	-	6,363	-	1,400	
Severance and retirement benefits	104,342	-	104,342	-	22,955	
Equity method investments	96,211	-	96,211	-	21,166	
Available-for-sale securities	24,376	-	24,376	-	5,363	
Investments	1,247	-	1,247	-	274	
Impairment on property, plant and equipment	14,528	-	14,528	-	3,196	
Loss on valuation of property, plant and equipment	25,573	-	25,573	-	5,626	
Non deductible purchasing tax amount of land	183	-	183	-	40	
	₩ 1,221,677	₩ 589,113	₩ 632,564	₩ 142,566	₩ 139,163	
Taxable temporary differences						
Accrued interest on securities	₩ (1,184)	₩ (1,184)	₩ -	₩ (287)	₩ -	
Loans	(8,862)	(8,862)	-	(2,145)	-	
Derivative instruments	(539,218)	(539,218)	-	(130,491)	-	
Inventories	(46,997)	(46,997)	-	(11,373)	-	
Gain on foreign currency translation	(54,235)	(54,235)	-	(13,125)	-	
Available-for-sale securities	(4,371)	-	(4,371)	-	(962)	
Appropriated retained earnings for technological development	(8,333)	-	(8,333)	-	(1,833)	
Gain on foreign currency translation (designated)	(53,346)	-	(53,346)	-	(11,736)	
Depreciation	(1,274)	-	(1,274)	-	(280)	
Deposits for severance indemnities and retirement benefits	(95,050)	-	(95,050)	-	(20,911)	
Deferred income taxes recognized directly to equity	(1,121,398)	-	(1,121,398)	-	(246,708)	
	(1,934,268)	₩ (650,496)	₩(1,283,772)	₩ (157,420)	₩ (282,430)	
Net	₩ (712,591)	₩ (61,383)	₩ (651,208)	₩ (14,854)	₩ (143,267)	
Applicable tax rate		24.2%	22.0%			

The tax effects relating to the components of other comprehensive income and other equity items recognized directly in equity for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	
	Pretax amount	Tax effect
< Recognized in deferred income taxes >		
Loss on valuation of available-for-sales securities	₩ 19	₩ 4
Debit equity adjustment arising from equity method investments	4,077	897
Gain on valuation of available-for-sales securities	(277,621)	(61,077)
Credit equity adjustment arising from equity method investments	(411,543)	(90,539)
Gain on disposal of treasury stock	(5,823)	(1,281)
Capital surplus	(35,702)	(7,854)
Loss on valuation of derivative instruments	62,904	13,839
Gain on valuation of derivative instruments	(35,034)	(7,707)
Asset revaluation surplus	(304,640)	(67,021)
	₩ (1,003,363)	₩ (220,739)

	2008	
	Pretax amount	Tax effect
< Recognized in current income taxes >		
Gain on disposal of treasury stock	₩ 902	₩ 248
< Recognized in deferred income taxes >		
Loss on valuation of available-for-sales securities	₩ 1,521	₩ 335
Debit equity adjustment arising from equity method investments	2,724	599
Gain on valuation of available-for-sales securities	(276,668)	(60,867)
Credit equity adjustment arising from equity method investments	(516,292)	(113,584)
Gain on disposal of treasury stock	(2,617)	(576)
Capital surplus	(35,701)	(7,855)
Loss on valuation of derivative instruments	46,899	10,318
Gain on valuation of derivative instruments	(36,022)	(7,925)
Asset revaluation surplus	(305,242)	(67,153)
	₩ (1,121,398)	₩ (246,708)

24. Per share amounts

The Company's per share amounts for the years ended December 31, 2009 and 2008 are computed as follows:

Basic earnings per share	2009	2008
Net income	₩ 382,800,689,798	₩ 381,553,875,670
Weighted-average number of shares of common stock outstanding (*)	49,478,849 shares	49,623,865 shares
Basic earnings per share	₩ 7,737	₩ 7,689

(*) Weighted-average number of shares of common stock outstanding

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	2009		
	Number of shares outstanding	Days	Accumulated number of shares outstanding
Number of issued shares	51,000,000	365	18,615,000,000
Purchased shares of treasury stock	(605,241)	365	(220,912,965)
Treasury stock trust agreement	(834,040)	56	(46,706,240)
Treasury stock	(834,040)	309	(257,718,360)
Treasury stock fund	(81,870)	365	(29,882,550)
			18,059,779,885
			÷ 365
Weighted-average number of shares outstanding			49,478,849

	2008		
	Number of shares outstanding	Days	Accumulated number of shares outstanding
Number of issued shares	51,000,000	366	18,666,000,000
Purchased shares of treasury stock	(161,646)	366	(59,162,436)
Additional purchase of treasury stock	(80,000)	314	(25,120,000)
Additional purchase of treasury stock	(80,000)	311	(24,880,000)
Additional purchase of treasury stock	(30,000)	310	(9,300,000)
Additional purchase of treasury stock	(9,739)	309	(3,009,351)
Additional purchase of treasury stock	(30,000)	308	(9,240,000)
Additional purchase of treasury stock	(20,261)	307	(6,220,127)
Shares granted to executives under share-based compensation	56,405	295	16,639,475
Additional purchase of treasury stock	(100,000)	195	(19,500,000)
Additional purchase of treasury stock	(50,000)	192	(9,600,000)
Additional purchase of treasury stock	(50,000)	191	(9,550,000)
Additional purchase of treasury stock	(50,000)	190	(9,500,000)
Shares on treasury stock fund	(915,910)	366	(335,223,060)
			18,162,334,501
			÷ 366
Weighted-average number of shares outstanding			49,623,865

25. Dividends

The 2008 dividends were approved by the stockholders at the ordinary stockholders' meeting held on March 20, 2009 and the 2009 dividends will be proposed for the stockholders' approval at the annual ordinary stockholders' meeting to be held on March 19, 2010.

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

	2009	2008
Dividend per share (A)	₩ 1,000 (20%)	₩ 500 (10%)
Number of shares (B) (*)	49,478,849 shares	49,478,849 shares
Dividends (A x B)	₩ 49,478,849,000	₩ 24,739,424,500

(*) Treasury stocks (including treasury stock fund) as of December 31, 2009 and 2008 are deducted

The dividend payout ratio for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Dividends (A)	₩ 49,478,849,000	₩ 24,739,424,500
Net income (B)	382,800,689,798	381,553,875,670
Dividend payout ratio (A/B)	12.93%	6.48%

The dividend yield ratio for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Dividend per share (A)	₩ 1,000	₩ 500
Market value per share at statement of financial position date (B)	108,500	58,000
Dividend yield ratio (A/B)	0.92%	0.86%

26. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Transfer of long-term investments securities to current portion	₩ -	₩ 4,134
Transfer of debentures and long-term borrowings to current portion	50,000	1,327
Transfer of construction in-progress to other property, plant and equipment	7,174	28,347
Transfer of land held for development to land	49,086	95,606
Transfer of short-term loans and receivables from construction contracts to land held for development	43,178	-
Transfer of long-term loans to current portion	206,246	52,428
Transfer of receivables from construction contracts to real estate investments	92,071	116,176
Transfer of advance payments to land and loans	24	172,228
Repayment of borrowings with land (included in real estate investments)	49,086	-
Reclassification of equity method investments	35,023	-

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27. Insured assets

Details of insured inventories and property, plant and equipment as of December 31, 2009 are as follows (Korean won in millions):

Description	Insured assets	Insurance company	Insurance amount
Fire insurance and others	Buildings and others	LIG Insurance Co., Ltd.	₩ 832,238

In addition, vehicles of the Company are insured with automobile third party liability insurance and comprehensive insurance by LIG Insurance Co., Ltd. and other insurance companies.

28. Commitments and contingencies

(1) As of December 31, 2009, Korea Construction Financial Corporation, other construction companies and others have provided guarantees amounting to ₩12,386,325 million on behalf of the Company, for its construction performance, housing construction and sales performance and construction warranty. Also, as of December 31, 2009, the Company has provided guarantees amounting to ₩6,538,999 million for other construction companies.

(2) As of December 31, 2009, the Company has provided guarantees for construction performance amounting to ₩726,176 million. Also, the Export-Import Bank of Korea and others have guaranteed the performance of the Company's overseas construction projects. As of December 31, 2009, the outstanding guarantees amounted to ₩3,672,638.

(3) In relation to housing loans and temporary relocation cost for future tenants during the construction period, the Company has provided guarantees amounting to ₩3,069,341 million to financial institutions as of December 31, 2009. In addition, in relation to reconstruction, the Company has provided reconstruction project cooperative with loans amounting to ₩385,845 million and payment guarantees amounting to ₩387,206 million as of December 31, 2009.

(4) As of December 31, 2009, the Company has provided payment guarantees amounting to ₩285,483 million for a company incorporated in accordance with the Private Investment Law for social overhead capital and the Company's investment securities amounting to ₩454,632 million in book value are pledged as collateral.

(5) As of December 31, 2009, the company has provided payment guarantees amounting to ₩3,091,348 million to financial institutions for project owners.

(6) In relation to the securitized borrowings, the Company has provided payment guarantees amounting to ₩109,800 million to Hana The Dream First Ltd. and other parties.

(7) As of December 31, 2009, the Company has pledged 23 blank notes and checks amounting to ₩705,299 million in face value and certain assets amounting to ₩61,700 million in book value to several banks and financial institutions as collateral for construction contract guarantees.

(8) The Company has been named as a defendant and a plaintiff in a number of legal claims in the normal course of business. As of December 31, 2009, the aggregate amount of these claims as a plaintiff and as a defendant amounted to ₩25,725 million (8 cases) and ₩74,427 million (64 cases), respectively. As of December 31, 2009, the ultimate outcome of these legal claims cannot be presently determined. In addition, the Company has made a provision for liability for claims that has met the criteria for provisioning where the Company has lost its first and second trials in the court that were ruled in favor of the defendants.

(9) Trade accounts receivable sold to financial institutions under factoring arrangements with recourse guarantee, which are still outstanding as of December 31, 2009, amounted to ₩210,368 million, and the Company is liable to the non-recoverability of these factored receivables after the reporting date.

29. Derivative financial instruments

Purpose, nature of risks and the Company's strategy

(1) Currency forward

The contract is entered into to hedge foreign exchange risk of the Company's construction revenue. The Company is exposed to foreign currency risk of construction accounts receivable and construction accounts payable denominated in foreign currency. The Company hedges the risk through currency forward contracts.

(2) Currency swap

The contract is entered into to hedge foreign exchange risk and interest rate risk of debentures with floating interest rate denominated in foreign currency. The Company is exposed to floating interest rate risk and foreign exchange risk of its debentures denominated in foreign currency. The Company hedges these risks through currency swap contracts.

(3) Foreign exchange risk insurance

The contract is entered into to hedge foreign exchange risk of the Company's construction revenue. The Company is exposed to foreign currency risk of construction accounts receivable denominated in foreign currency and the risk consequently causes fluctuations in cost ratio estimated for bidding. The Company hedges the risk through foreign exchange risk insurance.

Early termination and settlement

(1) Currency forward and currency swap

Early termination is allowed for currency forward and currency swap without early termination fees through early settlement with the counterparties using the interest rate or currency rate at the date of early settlement through net or gross settlement.

(2) Foreign exchange risk insurance

Early termination is allowed without early termination fees only if the causes of termination agree with the terms of contract with the counterparty settlement.

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Measurement method and relevant accounting treatment

(1) Measurement method

Currency forwards, currency swaps, and foreign exchange risk insurance hedge instruments are measured using relevant interest rates and currency rates based on the Company's in-house derivative valuation system and process. Fair-value hedge and cash-flow hedge accounting are applied to currency forwards and foreign exchange risk insurance contracts.

(2) Relevant accounting treatment

The Company recognized ₩52,329 million and ₩25,015 million as gain and loss on derivatives transactions in statement of income, respectively, for the year ended December 31, 2009. The Company also recognized ₩72,044 million and ₩58,715 million as gain and loss on valuation of derivatives, respectively, for the year ended December 31, 2009 in the statement of income. The Company recognized ₩46,128 million and ₩97,950 million as gain and loss on valuation of firm commitments as of December 31, 2009, respectively.

The outstanding currency forward contracts as of December 31, 2009, are summarized as follows (Korean won in millions, foreign currencies in thousands):

Long position		Short position		Number of contracts	Forward rate
Currency unit	Amount	Currency unit	Amount		
EUR	137	SGD	285	1	2.0754
EUR	483,614	USD	697,490	37	1.3680~1.5010
GBP	1,133	USD	1,867	2	1.6363~1.6539
JPY	111,854	KRW	1,443	2	12.79~13.12
JPY	2,252,601	SGD	35,456	2	63.40~63.70
JPY	24,966,169	USD	271,655	36	86.94~104.36
KRW	12,454	JPY	1,044,083	2	11.21~13.06
KRW	48,579	SGD	56,900	4	834.50~865.24
KRW	2,298,596	USD	1,944,231	56	924.00~1,276.10
USD	8,085	EUR	5,603	35	1.3900~1.5020
USD	21,407	JPY	2,100,488	4	89.57~100.60
USD	263,161	KRW	316,677	14	1,158.80~1,338.02
VND	682,410,405	USD	36,841	28	17,972~19,894

The outstanding currency swap contracts as of December 31, 2009, are summarized as follows (foreign currencies in thousands):

Date of contract	Maturity date	Contract unit	Notional Amount	Contracted exchange rate	Receiving interest rate	Payment interest rate
January 31, 2008	January 31, 2011	USD	300,000	942.90	USD 6M LIBOR +1.10%	5.426%

The outstanding foreign exchange risk insurance contracts with Korea Export Insurance Corporation as of December 31, 2009 are as follows (U.S. dollars in thousands, except for exchange rate):

Counter party	Contract amount	Contracted exchange rate (KRW/foreign currency 1unit)	Date of contract	Maturity date
Korea Export Insurance Corporation	USD 2,325	922.90-922.65	2006-12-15	2010-03-31
Korea Export Insurance Corporation	USD 265,096	913.50-907.80	2007-08-14	2011-10-31
Korea Export Insurance Corporation	USD 170,800	917.30-917.60	2007-10-31	2011-07-31
Korea Export Insurance Corporation	USD 131,977	929.20-923.20	2007-08-31	2011-07-31
Korea Export Insurance Corporation	JPY 448,317	8.4620-8.5220	2007-08-06	2010-04-30
Total	USD 570,198 JPY 448,317			

Details of valuation of derivative instruments as of December 31, 2009 and 2008 are as follows (Korean won in millions):

		2009								
Hedge instrument		Fair value		Current year valuation gain and loss			Accumulated other comprehensive income (*)			
		Derivative assets	Derivative liabilities	Gain	Loss	Total	Gain	Loss	Total	
Derivatives	Currency forward	₩ 45,768	₩ 67,718	₩ 35,967	₩ 31,348	₩ 4,619	₩ 35,034	₩ 53,132	₩ (18,098)	
	Foreign exchange risk insurance	-	144,208	36,077	105	35,972	-	9,772	(9,772)	
	Currency swap	61,283	-	-	27,262	(27,262)	-	-	-	
	Total	₩ 107,051	₩ 211,926	₩ 72,044	₩ 58,715	₩ 13,329	₩ 35,034	₩ 62,904	₩ (27,870)	
Firm commitment	Currency forward	₩ 155,610	₩ 40,213	₩ 41,226	₩ 52,839	₩ (11,613)	₩ -	₩ -	₩ -	
	Foreign exchange risk insurance	144,208	-	4,902	45,111	(40,209)	-	-	-	
	Total	₩ 299,818	₩ 40,213	₩ 46,128	₩ 97,950	₩ (51,822)	₩ -	₩ -	₩ -	

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		2008							
	Hedge instrument	Fair value		Current gain and loss			Accumulated other comprehensive income (*)		
		Derivative assets	Derivative liabilities	Gain	Loss	Total	Gain	Loss	Total
Derivatives	Currency forward	₩ 51,928	₩ 172,563	₩ 10,937	₩ 143,898	₩(132,961)	₩ 36,021	₩ 27,900	₩ 8,121
	Foreign exchange risk insurance	-	292,755	-	290,446	(290,446)	-	-	-
	Currency option	-	-	140	1,598	(1,458)			
	Currency swap	82,578	-	101,577	-	101,577	-	18,999	(18,999)
	Total	₩ 134,506	₩ 465,318	₩ 112,654	₩ 435,942	₩(323,288)	₩ 36,021	₩ 46,899	₩ (10,878)
Firm commitment	Currency forward	₩ 136,748	₩ 3,201	₩ 136,117	₩ 3,044	₩ 133,073	₩ -	₩ -	₩ -
	Foreign exchange risk insurance	294,468	1,685	290,446	-	290,446	-	-	-
	Total	₩ 431,216	₩ 4,886	₩ 426,563	₩ 3,044	₩ 423,519	₩ -	₩ -	₩ -

(*) Before deducting deferred income taxes

30. Employee welfare benefits and contributions to society

The Company lends housing-loans up to ₩40 million per employee subject to the individual employees' service periods as welfare benefits for the employees. The Company records those benefits as long-term loans and the amounts granted to employees as of December 31, 2009 and 2008 amounted to ₩11 million and ₩76 million, respectively.

Contributions to society made by the Company for the years ended December 31, 2009 and 2008 amounted to ₩5,230 million and ₩4,259 million, respectively.

31. Environmental consideration

The Company is committed to the strict observance of the law and maintenance of a cleaner environment. This is achieved by managing the environmental team and their programs at each site, which are dedicated to systematic and effective prohibition of pollution in the air, water and soil.

In an effort to eliminate various kinds of pollutants, the Company draws up certain goals to improve the environment. This includes continuously measuring and evaluating the effects of fuel usage by each process of its construction activities and the level of pollutant emission, noises and vibrations. For water management purposes, discharge of contaminated water within the public area or from wheel washers is kept under control below the industry standard. Other wastes are sorted out by common wastes, recyclable, inflammable, etc. before being processed by outsourced

waste management companies.

Expenditures relating to environmental matters during the years ended December 31, 2009 and 2008 amounted to ₩14,357 million and ₩12,774 million, respectively.

32. Human resource development

Expenditures incurred for the development of specialization in human resources during the years ended December 31, 2009 and 2008 amounted to ₩1,838 million and ₩4,926 million, respectively.

33. Segment information

The Company has six major reportable business segments - architectural work division, civil work division, housing work division, plant work division, environment work division and power work division - with each segment representing a strategic business unit that offers different services.

Division	Main products and services	Major customers
Architecture division	Office building, factory and others	LG Philips LCD Co., Ltd. , AIG Global investment and others
Civil division	Road, railway and others	Korea Water Corporation, Korea rail network authority and others
Housing division	Apartment, high-rise residential building and others	Korea Real Estate Investment Trust Co., Ltd., DSD Samho Co., Ltd. and others
Plant division	Oil refinery equipment and others	Aromatics Oman LLC, Takreer and others
Power division & environment sustainability division	Power plant, district heating and others	Yerevan Thermal Power, Seoul Metropolitan City and others
Others	Rental and others	Unspecified

The following table presents the financial information of the Company by business segments for the years ended December 31, 2009 and 2008 (Korean won in millions):

Division	2009			
	Sales	Operating income (loss)	Property, plant and equipment, and intangible assets	Depreciation and amortization
Architecture division	₩ 1,172,129	₩ 45,591	₩ 272,710	₩ 3,881
Civil division	827,005	12,781	18,492	1,269
Housing division	2,511,114	154,451	309,567	3,655
Plant division	2,325,628	261,959	45,723	6,266
Power division & environment sustainability division	491,332	(31,787)	7,988	1,245
Others	49,717	(11,368)	770,054	11,696
	₩ 7,376,925	₩ 567,925	₩ 1,424,534	₩ 28,012

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Division	2008			
	Sales	Operating income (loss)	Property, plant and equipment, and intangible assets	Depreciation and amortization
Architecture division	₩ 1,264,942	₩ 42,944	₩ 275,954	₩ 4,227
Civil division	651,711	12,781	18,559	1,285
Housing division	2,423,396	154,451	287,758	3,424
Plant division	2,082,618	261,959	48,510	5,285
Power division & environment sustainability division	390,409	20,941	8,500	690
Others	52,772	(14,753)	776,207	15,219
	₩ 6,865,848	₩ 478,323	₩ 1,415,488	₩ 30,130

The following table presents the sales of the Company by geographical segments for the years ended December 31, 2009 and 2008 (Korean won in millions):

	2009	2008
Domestic sales	₩ 5,658,846	₩ 5,303,202
Central Asia	1,275,336	1,269,817
China	2,516	17,620
Others	440,227	275,209
	₩ 7,376,925	₩ 6,865,848

34. Value added information

In accordance with SKAS 21 Preparation and Presentation of Financial Statements, the “value added” items as defined by the standard, which are required to be disclosed by the Company for the years ended December 31, 2009 and 2008, are as follows (Korean won in millions):

	Construction costs		Selling and administrative expenses		Total	
	2009	2008	2009	2008	2009	2008
Labor costs	₩ 284,191	₩ 294,118	₩ 138,721	₩ 127,005	₩ 422,912	₩ 421,123
Severance and retirement benefits	28,287	30,790	13,482	13,279	41,769	44,069
Employee benefits	59,923	56,350	24,309	24,494	84,232	80,844
Rental expense	39,715	31,701	16,825	12,710	56,540	44,411
Depreciation	20,634	23,601	7,048	6,181	27,682	29,782
Amortization	29	-	301	348	330	348
Taxes and dues	35,773	48,274	10,837	7,863	46,610	56,137
	₩ 468,552	₩ 484,834	₩ 211,523	₩ 191,880	₩ 680,075	₩ 676,714

35. Operating results of the final interim period (unaudited)

Summary of operating results (unaudited) for the three months ended December 31, 2009 and 2008 are as follows (Korean won in millions, except per share amounts):

	Unaudited Three months ended December 31,	
	2009	2008
Sales	₩ 1,543,783	₩ 2,052,781
Cost of sales	1,330,258	1,797,414
Gross profit	213,525	255,367
Operating income	93,044	121,030
Net income (loss)	104,271	(21,186)
Earnings (loss) per share	₩ 2,107	₩ (428)

36. Comprehensive income

The details of comprehensive income for the years ended December 31, 2009 and 2008 are as follows (Korean won in millions):

	2009	2008
Net income	₩ 382,801	₩ 381,554
Other comprehensive income (loss):		
Gain on valuation of available-for-sale securities (Income tax effect : 2009 : ₩(209), 2008 : ₩(60,834))	744	215,714
Loss on valuation of available-for-sale securities (Income tax effect : 2009 : ₩(330), 2008 : ₩(329))	1,172	(1,173)
Credit equity adjustment arising from equity method investments (Income tax effect : 2009 : ₩23,045, 2008 : ₩(66,928))	(81,704)	279,704
Debit equity Capital adjustment arising from equity method investments (Income tax effect : 2009 : - , 2008 : ₩(764))	-	38
Gain (loss) on translation of foreign currency	1,317	(12,037)
Gain on valuation of derivative instruments (Income tax effect : 2009 : ₩218, 2008 : ₩(4,731))	(770)	(13,274)
Loss on valuation of derivative instruments (Income tax effect : 2009 : ₩3,521, 2008 : ₩(10,318))	(12,484)	(21,387)
Asset revaluation surplus (Income tax effect : 2009 : ₩132, 2008 : ₩(67,153))	(470)	238,089
	(92,195)	685,674
Comprehensive income	₩ 290,606	₩ 1,067,228

INTERNAL CONTROL OVER FINANCIAL REPORTING REVIEW REPORT

FINANCIAL
STATEMENTS



ERNST & YOUNG HAN YOUNG

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The Chief Executive Officer **GS Engineering & Construction Corporation**

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of GS Engineering & Construction Corporation (the "Company") as of December 31, 2009. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "Based on the assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2009, in all material respects, in accordance with the ICFR standard."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that management's report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

We conducted our review of the ICFR in place as of December 31, 2009, and we did not review the ICFR subsequent to December 31, 2009. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

February 18, 2010

This report is annexed in relation to the audit of the financial statements as of December 31, 2009 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

REPORT ON THE OPERATIONS OF THE INTERNAL
CONTROL OVER FINANCIAL REPORTING



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The Board of Directors and internal auditor
(Audit Committee) of GS Engineering & Construction

I, as the internal control over financial reporting officer(“ICFR Officer”) of GS Engineering & Construction Corporation(“the Company”), assessed the status of the design and operations of the Company’s internal control over financial reporting(“ICFR”) for the year ended December 31, 2009.

The Company’s management including the ICFR Officer is responsible for the design and operations of its ICFR, I, as the ICFR Officer, assessed whether the ICFR has been effectively designed and has operated to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes. I, as the ICFR Officer, applied the ICFR standards for the assessment of design and operations of the ICFR.

Based on the assessment of the operations of the ICFR, the Company’s ICFR has been effectively designed and has operated as of December 31, 2009, in all material respects, in accordance with the ICFR standard(name of other standard, if used).

February 18, 2010

Myung-Soo Huh
Chief Executive Officer or President

Jae -Seung Doe
Internal Control over Financial Reporting Officer

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Three-year Summary

Balance Sheet

| Unit : Billions of Won |

	2009	2008	2008
Current assets	5,894	4,928	3,758
Non-Current assets	3,052	3,254	1,981
Total assets	8,946	8,182	5,739
Current liabilities	4,194	3,789	2,947
Non-Current liabilities	1,453	1,358	646
Total liabilities	5,647	5,147	3,593
Paid-in capital	255	255	255
Capital surplus	239	237	238
Capital adjustments	-86	-82	12
Accumulated other comprehensive income	750	842	157
Retained earnings	2,141	1,783	1,484
Shareholders' equity	3,299	3,035	2,146
Total liabilities & shareholders' equity	8,946	8,182	5,739

Income Statement

| Unit : Billions of Won |

	2009	2008	2007
Sales	7,377	6,866	6,012
Cost of sales	6,422	5,953	5,152
Gross profit	955	913	860
SG&A	387	435	418
Operating profit	568	478	442
Non-operating income	557	1,200	172
Non-operating expense	617	1,129	47
Ordinary income	508	549	567
Income tax expense	125	167	168
Net profit	383	382	399

Cash Flow

| Unit : Billions of Won |

	2009	2008	2007
Cash flows from operating activities	551	619	-192
Cash flows from investing activities	-111	-301	-277
Cash flows from financing activities	245	62	315
Net change in cash and cash equivalents	685	380	-154
Cash and cash equivalents			
Beginning of the year	760	380	533
End of the year	1,445	760	379

Number of Employees

| Unit : Person |

	2009	2008	2007
At year end	4,248	4,348	4,027

Key data GS E&C 2009

Sales

| Unit : Billions of Won |

Sales	7,377
Sales by segment	
Civil Engineering	833
Plant	2,341
Power & Environment	495
Architecture	1,180
Housing	2,528

Earnings

| Unit : Billions of Won |

Gross Profit	955
Operating Profit	568
Ordinary Profit	508
Net Profit	383

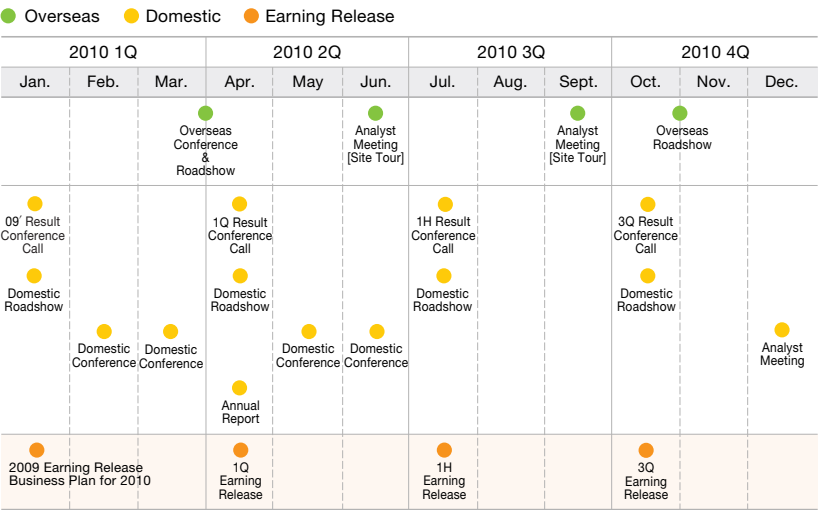
Key GS E&C Share Data

Total number of shares[issued] (Million)	51
Total market cap (Billion of Won)	5,534
Share price[high] (Won)	120,500
[low] (Won)	45,450

Per Share Information

EPS (Won)	7,737
Dividend per share (Won)	1,000

GS E&C IR Plan 2010



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