
Best Partner, First Company

FINANCIAL STATEMENTS

Non-Consolidated Financial Statements
December 31, 2008 and 2007

Independent Auditors' Report _ 060

Non-Consolidated Financial Statements _ 062

Non-Consolidated Balance Sheets _ 062

Non-Consolidated Statements of Income _ 064

Non-Consolidated Statements of Appropriations of Retained Earnings _ 065

Non-Consolidated Statement of Changes in Equity _ 066

Non-Consolidated Statements of Cash Flows _ 068

Notes to Non-Consolidated Financial Statements _ 070

Internal Control Over Financial Reporting Review Report _ 126

Report on the Operations of the Internal Control Over Financial Reporting _ 127

INDEPENDENT AUDITORS' REPORT



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The Board of Directors and Stockholders GS Engineering & Construction Corporation

We have audited the accompanying balance sheets of GS Engineering & Construction Corporation (the "Company") as of December 31, 2008 and 2007, and the related statements of income, appropriation 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 financial statements referred to above present fairly, in all material respects, the financial position of GS Engineering & Construction Corporation as of December 31, 2008 and 2007, and the 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.

Without qualifying our opinion, we draw attention to the following matters:

Changes in accounting policies

1) Application of revaluation models for land and buildings

As discussed in Notes 2 and 8 to the financial statements, the Company chose the revaluation models for its land and buildings and revalued them at fair value by early adopting SKAS 5 Amendments - Property, Plant and Equipment. As a result, the Company's net assets increased by ₩279,669 million as of December 31, 2008 and comparative financial statements were not restated for this increase.

2) Application of SKAS 15 Amendments - Investments in Associates

As discussed in Notes 2 and 7 to the financial statements, the Company adopted SKAS 15 Amendments - Investments in Associates to enhance usefulness of financial information. The accumulated effect of changes in accounting policy was reflected in the comparative financial statements.

**The Board of Directors and Stockholders
GS Engineering & Construction Corporation**

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 17, 2009

The logo for Ernst & Young Han Young, featuring the company name in a stylized, cursive script.

This audit report is effective as of February 17, 2009, 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 financial statements and may result in modifications to this report.

NON-CONSOLIDATED BALANCE SHEETS

As of December 31, 2008 and 2007

I Korean won in millions I

	2008		2007	
ASSETS				
Current assets:				
Cash and cash equivalents (Note 13)	₩	759,669	₩	379,649
Short-term financial instruments (Note 3)		49,461		6,161
Short-term investment securities (Note 5)		-		4,220
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩104,079 in 2008 (₩46,631 in 2007) (Notes 13,16 and 21)		2,241,860		2,119,838
Short-term loans receivable, less allowance for doubtful accounts of ₩20,124 in 2008 (₩13,986 in 2007) (Note 13)		234,983		73,576
Prepaid construction costs		202,331		133,840
Other accounts receivable, less allowance for doubtful accounts of ₩4,671 in 2008 (₩4,685 in 2007) (Notes 13 and 16)		182,363		223,589
Inventories (Notes 4 and 10)		457,218		424,439
Accrued income, less allowance for doubtful accounts of ₩5,070 in 2008 (₩3,939 in 2007)		11,569		9,435
Advance payments, less allowance for doubtful accounts of ₩11,002 in 2008 (₩11,551 in 2007)		188,338		292,911
Prepaid expenses		34,255		39,325
Derivative assets (Note 28)		134,506		47,032
Firm commitment assets (Note 28)		431,216		-
Current portion of deferred income tax assets (Note 22)		-		4,227
Total current assets		4,927,769		3,758,242
Non-current assets:				
Long-term financial instruments (Note 3)		298		298
Long-term investment securities (Note 6)		540,107		258,504
Equity method investments (Note 7)		747,953		367,433
Real estate investments		97,424		-
Long-term loans receivable, less allowance for doubtful accounts of ₩95,912 in 2008 (₩13,036 in 2007) (Notes 13 and 25)		353,937		182,048
Long-term trade accounts receivable, less allowance for doubtful accounts of nil in 2008 (₩4 in 2007)		-		347
Long-term guarantee deposits (Note 16)		99,286		78,824
Deferred income tax assets (Note 22)		-		197
Property, plant and equipment, net (Notes 8, 9, 10 and 33)		1,412,320		1,089,422
Intangible assets, net (Notes 11 and 33)		3,168		3,516
Total non-current assets		3,254,493		1,980,589
Total assets	₩	8,182,262	₩	5,738,831

(Continued)
See accompanying notes.

NON-CONSOLIDATED BALANCE SHEETS

As of December 31, 2008 and 2007

I Korean won in millions I

	2008	2007
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts and notes payable (Notes 13 and 16)	₩ 2,561,524	₩ 2,158,569
Short-term borrowings (Note 12)	260,000	401,300
Other accounts payable (Notes 13 and 16)	134,599	117,529
Other advances received	6,091	3,060
Withholdings (Note 13)	103,448	85,994
Guarantee deposits received	11,954	8,717
Accrued expenses	38,792	72,044
Income taxes payable (Note 22)	185,841	82,484
Dividends payable	22	21
Current portion of bonds, less discount of nil in 2008 (nil in 2007) (Note 12)	-	1,327
Current portion of deferred income tax liabilities	14,855	-
Derivative liabilities (Note 28)	465,318	15,523
Firm commitment liabilities (Note 28)	4,886	-
Unearned revenue	1,461	641
Total current liabilities	3,788,791	2,947,209
Non-current liabilities:		
Bonds, less discount of ₩1,722 in 2008 (₩260 in 2007) (Note 12)	499,803	49,740
Long-term borrowings (Note 12)	11,940	10,613
Severance and retirement benefits, net of transfers to the National Pension Fund and severance insurance deposits	63,325	56,662
Leasehold guarantee deposits received (Note 16)	125,799	87,518
Membership guarantee deposits received (Note 16)	336,158	342,404
Provision for construction losses (Note 21)	6,363	24,137
Provision for construction warranty (Note 2)	70,637	74,467
Deferred income tax liabilities (Note 22)	143,266	-
Other long-term liabilities	101,183	659
Total non-current liabilities	1,358,474	646,200
Total liabilities	5,147,265	3,593,409
Commitments and contingencies (Notes 16, 21 and 28)		
Stockholders' equity:		
Capital stock (Note 17)	255,000	255,000
Capital surplus (Note 18)	236,767	238,226
Capital adjustments (Note 20)	[81,881]	11,940
Accumulated other comprehensive income (Note 20)	842,423	156,749
Retained earnings (Note 19)	1,782,688	1,483,507
Total stockholders' equity	3,034,997	2,145,422
Total liabilities and stockholders' equity	₩ 8,182,262	₩ 5,738,831

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2008 and 2007

I Korean won in millions, except per share amounts I

	2008		2007	
Sales (Notes 16, 21 and 32)				
Construction operations	₩	6,535,180	₩	5,752,696
Housing construction and sales operations		262,603		191,137
Other operations		68,065		67,703
		6,865,848		6,011,536
Cost of sales (Notes 16 and 21)				
Construction operations		5,708,156		4,920,604
Housing construction and sales operations		165,192		151,945
Other operations		79,536		79,369
		5,952,884		5,151,918
Gross profit		912,964		859,618
Selling and administrative expenses		434,641		417,574
Operating income (Note 32)		478,323		442,044
Other income (expenses):				
Interest income		60,078		34,505
Interest expense		(29,570)		(153)
Dividend income		2,320		1,274
Gain (loss) on foreign currency transactions, net		130,390		(3,635)
Gain (loss) on foreign currency translation, net		(23,814)		1,367
Equity in earnings of equity method investments, net (Note 7)		431		28,926
Gain on disposal of equity method investments, net		-		11,118
Loss on disposal of long-term investment securities, net		(682)		-
Gain on disposal of property, plant and equipment, net		6,002		73
Gain(loss) on settlement of derivative instruments, net		(41,063)		13,373
Gain(loss) on valuation of derivative instruments, net (Note 28)		(323,288)		860
Donations (Note 29)		(4,259)		(4,189)
Others, net		293,772		41,242
		70,317		124,761
Income before income taxes		548,640		566,805
Provision for income taxes (Note 22)		167,086		167,489
Net income	₩	381,554	₩	399,316
Earnings per share (Note 23)	₩	7,689	₩	7,995

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

Years ended December 31, 2008 and 2007

₩ Korean won in millions ₩

	2008		2007	
Retained earnings before appropriations:				
Unappropriated retained earnings carried forward from the prior year	₩	(11,803)	₩	1,554
Accumulated effects from changes in accounting policies		-		(11,944)
Net income for the year		381,554		399,316
		369,751		388,926
Transfer from reserves:				
Research and human resources development reserve (Note 19)		5,000		8,440
Reserves for losses on sale of treasury stock		1,263		1,203
		6,263		9,643
Appropriations:				
Legal reserve (Note 19)		3,000		9,000
Business rationalization reserve (Note 19)		90,000		90,000
Financial structure improvement reserve (Note 19)		65,000		45,000
Research and human resources development reserve (Note 19)		90,000		90,000
Other reserves (Note 19)		102,000		94,000
Cash dividends (Note 24)		24,739		82,372
		374,739		410,372
Unappropriated retained earnings to be carried forward to the next year	₩	1,275	₩	(11,803)

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2008 and 2007

| Korean won in millions |

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2007 (as previously stated)	₩ 255,000	₩ 207,835	₩ 5,895	₩ 142,069	₩ 1,173,666	₩ 1,784,465
Cumulative effect of changes in accounting policy (Note 2)	-	25,884	(1,975)	1,975	(11,944)	13,940
As of January 1, 2007 (as restated)	255,000	233,719	3,920	144,044	1,161,722	1,798,405
Dividends	-	-	-	-	(77,531)	(77,531)
Acquisition of treasury stock	-	-	(19,324)	-	-	(19,324)
Disposal of treasury stock	-	4,506	5,623	-	-	10,129
Share-based compensation expense	-	-	21,721	-	-	21,721
Gain on valuation of available-for-sale securities	-	-	-	5	-	5
Exchange differences on translation of foreign operations	-	-	-	(88)	-	(88)
Gain on valuation of derivatives instruments	-	-	-	30,654	-	30,654
Loss on valuation of derivatives instruments	-	-	-	(13,590)	-	(13,590)
Credit equity adjustment arising from equity method investments	-	-	-	(4,694)	-	(4,694)
Debit equity adjustment arising from equity method investments	-	-	-	418	-	418
Net income for the year	-	-	-	-	399,316	399,316
As of December 31, 2007 (as restated)	₩ 255,000	₩ 238,225	₩ 11,940	₩ 156,749	₩ 1,483,507	₩ 2,145,421

(Continued)
See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2008 and 2007

I Korean won in millions I

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2008 (as restated)	₩ 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
Retained earnings from revaluation	-	-	-	238,089	-	238,089
Net income for the year	-	-	-	-	381,554	381,554
As of December 31, 2008 (as restated)	₩ 255,000	₩ 236,767	₩ (81,881)	₩ 842,423	₩ 1,782,689	₩ 3,034,998

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

I Korean won in millions I

	2008		2007	
Cash flows from operating activities:				
Net income	₩	381,554	₩	399,316
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Provision for severance and retirement benefits		44,069		40,565
Depreciation of property, plant and equipment		29,782		27,941
Bad debt expense		60,235		7,168
Provision for construction warranty, net		22,350		27,552
Provision for construction losses, net		(17,774)		11,635
Amortization of intangible assets		348		496
Loss on disposal of long-term investment securities, net		682		-
Gain on disposal of property, plant and equipment, net		(6,002)		(73)
Loss (gain) on foreign currency translation, net		30,042		(215)
Equity in earnings of equity method investments, net		(431)		(28,926)
Gain on disposal of equity method investments, net		-		(11,118)
Loss (gain) on valuation of derivative instruments, net		323,288		(860)
Amortization of foreign currency translation adjustments, net		-		4
Share-based compensation expense		-		21,720
Others, net		(236,916)		(1,648)
Changes in operating assets and liabilities:				
Trade accounts and notes receivable		(305,473)		(385,701)
Prepaid construction costs		(71,479)		(17,859)
Other accounts receivable		42,380		(115,133)
Accrued income		(3,262)		(3,558)
Inventories		(60,610)		(232,170)
Advance payments		(51,179)		(90,800)
Prepaid expenses		5,136		296
Current portion of deferred income tax assets		(168)		1,076
Derivative assets		16,638		8,860
Derivative liabilities		(17,853)		(4,210)
Deferred income tax assets		-		9,037
Trade accounts and notes payable		367,634		154,104
Accrued expenses		(33,252)		34,447
Income taxes payable		186,941		(30,019)
Payment of severance and retirement benefits		(44,198)		(30,323)
Provision for construction warranty		(24,908)		(23,468)
Others, net		(18,151)		39,586
Total adjustments		237,869		(591,594)
Net cash provided by (used in) operating activities	₩	619,423	₩	(192,278)

(Continued)

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

I Korean won in millions I

	2008		2007	
Cash flows from investing activities:				
Increase in short-term financial instruments, net	₩	(43,300)	₩	(2,515)
Proceeds from disposal of short-term investment securities		8,354		3,787
Proceeds from disposal of long-term investment securities		48,371		-
Proceeds from disposal of equity method investments		4,252		18,437
Decrease (increase) in short-term loans receivable, net		(104,514)		21,396
Increase in long-term loans receivable, net		(84,083)		(111,219)
Increase in long-term guarantee deposits, net		(20,781)		(14,698)
Acquisition of long-term investment securities		(59,623)		(46,880)
Acquisition of equity method investments		(32,218)		(68,422)
Proceeds from disposal of property, plant and equipment		18,258		314
Acquisition of property, plant and equipment		(36,191)		(77,295)
Net cash used in investing activities		(301,475)		(277,095)
Cash flows from financing activities:				
Proceeds from issuance of bonds		352,552		49,693
Proceeds from disposal of treasury stock		7,474		7,631
Acquisition of treasury stock		(68,036)		(15,053)
Increase in membership guarantee deposits received, net		(6,247)		2,420
Proceeds from short-term borrowings		2,121,026		398,524
Repayment of short-term borrowings		(2,262,326)		-
Redemption of current portion of bonds		-		(50,000)
Payment of dividends		(82,371)		(77,530)
Net cash provided by (used in) financing activities		62,072		315,685
Net increase (decrease) in cash and cash equivalents		380,020		(153,688)
Cash and cash equivalents at the beginning of the year		379,649		533,337
Cash and cash equivalents at the end of the year	₩	759,669	₩	379,649

See accompanying notes.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

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, 2008, the Company maintains overseas business operations in China, Oman, Qatar and other countries.

As of December 31, 2008, 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, 2008 will be approved by the Board of Directors on February 19, 2009.

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.

Certain supplementary information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations and cash flows, is not presented in the accompanying non-consolidated financial statements.

Adoption of new and revised Statements of Korea Accounting Standards ("SKAS"), Korea Financial Accounting Standards ("KFAS"), Korea Financial Accounting Standards Interpretation ("KFAS Interpretation") and Korea Accounting Institute Opinion ("KAI Opinion")

(a) Standards and amendments effective in 2008

The Company has adopted the following new and revised SKAS, KFAS Interpretation and KAI Opinion for the current financial year.

- SKAS 8 Amendments - Investment in Securities
- SKAS 15 Amendments - Investment in Associates
- SKAS 16 Amendments - Income Taxes
- KAI Opinion 06-02 Amendments - Accounting for the Recognition of Deferred Assets/Liabilities Associated with Investments in Subsidiaries, Branches and Associates, and Interests in Joint Ventures
- KFAS Article 70-2 - Special Exemption to Derivatives Accounting

The adoption of the above standards and amendments had no impact on the financial statements of the Company, except for the following.

[SKAS 15 Amendments - Investments in Associates]

The revised standard requires a parent entity's reported net income and shareholder's equity in its non-consolidated financial statements to agree with the net income and shareholder's equity attributable to the parent entity in its consolidated financial statements, except for the case where the carrying amount of the investment in a subsidiary is below zero where the application of the equity method had already been discontinued. The comparative 2007 financial statements shall be restated in accordance with SKAS 1 Accounting Changes and Corrections of Errors and the effects of this change are as follows (Korean won in millions):

	2008		2007	
	Before	After	Before	After
Equity method investments	₩ 349,167	₩ 367,433	₩ 729,687	₩ 747,953
Credit equity adjustment arising from equity method investments	123,004	123,004	402,708	402,708
Debit equity Capital adjustment arising from equity method investments	(2,013)	(38)	(1,975)	-
Other capital surplus	102,607	128,491	101,149	127,033
Other capital adjustments	38,344	36,369	(150)	(2,125)
Income in equity method	31,454	30,493	34,285	33,324
Net income	400,013	399,316	383,210	382,513
Retained earnings	1,496,148	1,483,507	1,795,330	1,782,689
Deferred income tax assets	5,220	197	5,023	-
Income tax expenses	167,754	167,489	166,392	166,086

[SKAS 16 Amendments - Income Taxes]

The revised standard requires an entity to apply the revised disclosures which enable users of the financial statements to better understand the components of income taxes reported in the financial statements. These revised disclosures are presented in Note 21.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

(b) Standards and interpretations that are not yet effective and have been early adopted by the Company

The Company has also early adopted the following revised SKAS and KFAS Interpretation for the current financial year.

- SKAS 5 Amendments - Property, Plant and Equipment

The principal effects of these changes are as follows:

(SKAS 5 Amendments - Property, Plant and Equipment)

This revised standard allows an entity to choose either the revaluation model or cost model as its accounting policy to an entire class property, plant and equipment. The comparative 2007 financial statements shall not be restated. The Company has early adopted the revised standard and revalued its land and buildings at fair value. As a result, the Company's net assets increased by ₩279,669 million as of December 31, 2008.

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

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.

Financing costs on borrowings to finance the purchase or construction of inventories in connection with housing construction and sales operations are capitalized during the period of time that is required to complete and prepare the inventories for its intended use, as part of the cost of the 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 fiscal year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading 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 balance sheet date, except for non-marketable equity securities which 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 are certain to be disposed of within one year from the balance sheet 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 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.

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 balance sheet. If the Company's share of losses of the investee equal or exceed its interest in the investee, it discontinues recognizing its share of further losses. However, if the Company has other long-term interests in the investee (excluding accounts receivable and other receivables collectable through collateral), 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 rational period 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.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

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 profits and losses resulting from transactions between the Company and its investee are eliminated.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the balance sheet date and income and expenses are translated at the weighted-average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in the other comprehensive income within equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except for certain assets acquired from investment in-kind and assets donated by other parties are stated at fair value less accumulated depreciation, and certain assets which were revalued in accordance with the Korean Assets Revaluation Law are stated at revalued amount 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.

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.

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

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

Intangible assets

Intangible assets of the Company consist of development costs and lease rights, 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 for development costs and 20 years for lease rights.

Prepaid construction costs

The Company capitalizes costs incurred in connection with securing a construction order as prepaid construction costs when such

costs can be identified and measured reliably, and when 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.

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.

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 balance sheet 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.

Severance and provision for retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("RBSA") 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 for the years ended December 31, 2008 and 2007 is sufficient to state the liability at the estimated obligation arising from services performed to and at rates of pay in effect as of December 31, 2008 and 2007. Separate funding of this liability is not required by Korean law.

The lesser of 5% of annual payroll expense or 35% of the accumulated severance and retirement benefits provision is deductible for corporate income tax reporting purposes unless benefits are actually paid or the non tax-deducted portion is deposited with financial institutions. Accordingly, the Company has deposited a portion of its severance and retirement benefits obligation with an insurance company. Since the Company's employees are individually nominated as the vested beneficiaries of the deposit in respect of what is due to them as of December 31, 2008 and 2007, such deposit has been offset against the Company's liability for severance and retirement benefits as of such dates.

In accordance with the Korean National Pension Law prior to revision, the Company had prepaid a portion of its severance and retirement benefits obligation to the Korean National Pension Service ("PS") at the rate of 3% of payroll expense up through March 31, 1999. Such prepayments have been offset against the Company's liability for severance and retirement benefits. In accordance with a revision in the Korean National Pension Law, additions to these prepayments are no longer required effective from April 1, 1999.

Actual payments of severance and retirement benefits amounted to ₩44,198 million and ₩30,323 million during the years ended December 31, 2008 and 2007, respectively.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

Translation of overseas financial statements stated in foreign currency

Financial statements of overseas business locations are maintained in the currencies of the countries in which they conduct their operations. In translating the foreign currency financial statements of these foreign business branches or offices into Korean won, assets and liabilities are translated at the current exchange rate on the balance sheet date and income and expenses are translated at the weighted-average exchange rate during the year. All resulting exchange differences are recognized as foreign currency translation adjustments in the other comprehensive income within equity.

Foreign currency translation

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

Assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the balance sheet date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

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 current operations. 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 an other comprehensive income in equity. The ineffective portion of the gain or loss is charged or credited to current operations. 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 current operations.

Capitalization of borrowing cost

As described in Note 2, it is the Company's policy to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalization of the borrowing costs relating to the construction of the Company's premises was suspended in 2007, while the development was delayed as management reconsidered its detailed plans. Capitalization of borrowing costs recommenced in 2008 following the finalization of revised plans, and resumption of the activities necessary to prepare the asset for its intended use. Although construction of the premise was not restarted until May 2008, borrowing costs have been capitalized from February 2008, at which time the technical and administrative work associated with the project recommenced.

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.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered 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 balance sheet. 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.

Treasury Stock

If a treasury stock is acquired by treasury stock fund, the book value will be recorded at the lower of the fair value of the treasury stock and the fair value of treasury stock fund. If a treasury stock is acquired by specified money trust, the acquisition cost will be recorded as book value of the treasury stock.

Per share amounts

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share are 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.

Use of estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restricted deposits

Restricted deposits as of December 31, 2008 and 2007 consist of the following [Korean won in millions]:

	Financial institution	2008	2007	Description
Short-term financial instruments	Shinhan Bank and others	₩ 49,461	₩ 6,161	Collateral
Long-term financial instruments	Shinhan Bank and others	298	298	Collateral and bank overdraft facilities
		49,759	6,459	

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

4. Inventories

Inventories as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Completed buildings	₩	-	₩	219
Uncompleted buildings		318,930		282,438
Land held for development		80,333		116,925
Raw materials and supplies		50,211		17,702
Materials-in-transit		2,815		198
Other		4,929		6,957
	₩	457,218	₩	424,439

5. Short-term investments securities

Details of short-term investments securities, representing held-to-maturity securities as of December 31, 2008 and 2007, are as follows (Korean won in millions):

	2008			2007		
	Acquisition cost	Recoverable value	Book value	Acquisition cost	Recoverable value	Book value
Government and public bonds	₩ -	₩ -	₩ -	₩ 4,220	₩ 4,220	₩ 4,220

6. Long-term investments securities

Details of long-term investments securities as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Available-for-sale securities	₩	540,107	₩	212,420
Held-to-maturity securities		-		46,084
	₩	540,107	₩	258,504

Available-for-sale securities as of December 31, 2008 and 2007 consist of the following (Korean won in millions):

	2008							
	Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Impairment losses	
							Up to 2007	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)	-	-
LG CNS Co., Ltd.	2,603,800	2.99%	1,043	(*)	1,051	-	-	-
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)	₩ -

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

	2007							Impairment losses	
	Number of shares	Percentage of ownership	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss)	Up to 2006	2007	
< 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	(*)	124,200	-	-	-	
Uijeongbu LRT Inc. (**)	3,724,428	47.54%	18,622	(*)	18,622	-	-	-	
Kangnam Inter Circular Road Co., Ltd.	414,000	11.50%	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%	11,381	(*)	11,362	(19)	-	-	
LG CNS Co., Ltd.	2,603,800	2.99%	1,051	(*)	1,051	-	-	-	
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	-	-	-	
Daum Direct Car Insurance Inc.	620,000	4.43%	3,100	(*)	3,100	-	-	-	
Junju Drain Co., Ltd(**)	196,410	7.90%	982	(*)	982	-	-	-	
Nonsan Drain Co., Ltd. (**)	91,868	11.90%	459	(*)	459	-	-	-	
Masan Drain Co., Ltd. (**)	15,792	8.14%	79	(*)	79	-	-	-	
Youngduk&Bio Co., Ltd. (**)	41,270	5.00%	206	(*)	206	-	-	-	
M-Ciety Development Co., Ltd.	396,000	4.40%	1,980	(*)	1,980	-	-	-	
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	313,600	16.00%	1,568	(*)	1,568	-	-	-	
Gaya Railway Co., Ltd (**)	305,490	23.00%	1,527	(*)	1,527	-	-	-	
MILESEUM Co., Ltd.	63,517	12.50%	318	(*)	318	-	-	-	
Dream Hub Project Financial Investment Co., Ltd. (**)	20,000	2.00%	100	(*)	100	-	-	-	
Alpha Dome City Co., Ltd.	1,920,000	4.00%	9,600	(*)	9,600	-	-	-	
Seoul Northern Highway Co., Ltd.	1,408	14.08%	7	(*)	7	-	-	-	
Seoul-Munsan Highway Co., Ltd.	4,550	45.50%	23	(*)	23	-	-	-	
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.			841		841	-	-	-	
Treasury Stock Fund			1,500	(*)	10,057	-	-	-	
Less: treasury stock			-	(*)	(9,912)	-	-	-	
Subtotal			1,500	(*)	145	120	-	-	
Others			2,444	(#)	-	-	(2,444)	-	
			₩ 238,170		₩ 212,420	₩ 101	₩ (24,376)	₩ -	

(*) The fair value of these non-marketable securities could not be measured reliably and therefore, these securities were recorded at acquisition 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, 2008 and 2007.

(#) 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. securities are in the process of being sold by KB Co., Ltd. which is an selling advisory firm. The Company used the proposed sale price as fair value as of December 31, 2008.

Although the Company's ownership of Seoul Highway Co., Ltd., Gaya Railway Co., Ltd, Uijeongbu LRT Inc., Ulsan Green Co., Ltd. and Seoul-Munsan Highway 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.

Available-for-sale securities transferred from held-to-maturity securities as of December 31, 2008 and 2007 are as follows (Korean won in millions):

Maturity	2008			2007		
	Acquisition cost	Recoverable value	Book value	Acquisition cost	Recoverable value	Book value
More than 1 year to 5 years (Government bonds)	₩ 2,217	₩ 2,217	₩ 2,217	₩ -	₩ -	₩ -
More than 1 year to 5 years (Others)	5,200	5,200	5,200	-	-	-
	₩ 7,417	₩ 7,417	₩ 7,417	₩ -	₩ -	₩ -

Held-to-maturity securities as of December 31, 2008 and 2007 are as follows (Korean won in millions):

Maturity	2008			2007		
	Acquisition cost	Recoverable value	Book value	Acquisition cost	Recoverable value	Book value
More than 1 year to 5 years	₩ -	₩ -	₩ -	₩ 37,331	₩ 37,331	₩ 37,331
More than 5 years to 10 year	-	-	-	8,753	8,753	8,753
	₩ -	₩ -	₩ -	₩ 46,084	₩ 46,084	₩ 46,084

Interest income earned from short-term and long-term investment securities amounted to ₩79 million and ₩1,347 million for the years ended December 31, 2008 and 2007, respectively.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

7. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008				
	Number of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
Hanmoo Development 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	36,75
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

(*) This investee has ceased using the equity method. The Company has not been able to obtain the net asset value of the investee as of December 31, 2008, due to unavailability of its financial statements.

2007

	Number of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
Hanmoo Development Co., Ltd.	6,654,675	67.56	₩ 85,862	₩ 242,918	₩ 211,479
EzVille Inc.	1,559,998	78.00	9,385	7,698	8,438
XI Service Co., Ltd.	96,000	100.00	480	501	501
Estech Estimate Corp.	20,000	100.00	100	105	105
Sacheon Resort Co., Ltd.	290,000	29.00	1,450	385	392
GLS Service Co., Ltd.	60,000	100.00	300	296	296
LG Holdings (HK), Ltd.	51,000,000	25.00	54,824	47,554	36,155
GS E&C Nanjing	1	100.00	5,330	8,614	8,994
GS-HP Corp.	1	30.00	2,196	(*)	-
GS E&C Italy S.R.L.	300,000	100.00	430	393	224
LG Properties (S'PORE) Pte. Ltd.	25,944,630	30.00	18,466	(*)	-
GS E&C Thai Co., Ltd.	19,600	49.00	50	847	790
GS E&C Poland SP.ZO.O	100	100.00	17	28,121	27,807
GS E&C India Private Ltd.	11,374,728	100.00	2,354	868	845
GS Construction (Arabia), Ltd.	3,920	49.00	874	(*)	-
GS Cu Chi Development One-member LLC	1	100.00	9,281	(#)	9,281
GS Nha Be Development One-member LLC	1	100.00	18,700	(#)	18,700
GS Saigon Development One-member LLC	1	100.00	37,124	(#)	37,124
GS PP Development Co., Ltd.	490	49.00	2	(#)	2
GCS PLUS Co., Ltd	60,000	100.00	300	(#)	300
Major Development Co., Ltd.	600,000	40.00	6,000	(10,076)	6,000
			₩ 253,525	₩ 328,224	₩ 367,433

(#) The Company has not been able to obtain the net asset value of the investees as of December 31, 2007, due to the unavailability of their financial statements because these companies were newly established in the year ended December 31, 2007.

(*) These investees have ceased using the equity method. The Company has not been able to obtain the net asset value of the investees as of December 31, 2007, due to unavailability of their financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

The summary of financial position of the investees as of December 31, 2008, and the results of their operations for the year then ended, is presented as follows (Korean won in millions):

	2008(*)			
	Assets	Liabilities	Sales	Net income (loss)
Hanmoo Development 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)

(*) LG Properties (S'PORE) Pte. Ltd. has ceased 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, 2008, due to unavailability of their financial statements.

	2007(**)			
	Assets	Liabilities	Sales	Net income (loss)
Hanmoo Development Co., Ltd.	₩ 718,059	₩ 358,477	₩ 189,613	₩ 12,310
EzVille Inc.	30,307	20,437	41,564	2,091
XI Service Co., Ltd.	1,990	1,488	7,470	10
Estech Estimate Corp.	806	701	4,632	9
Sacheon Resort Co., Ltd.	19,027	17,700	-	(2,505)
GLS Service Co., Ltd.	500	204	1,289	-
LG Holdings (HK), Ltd.	190,218	4	-	25
GS E&C Nanjing	16,932	8,317	26,575	2,465
GS E&C Italy S.R.L.	68,641	68,248	13,570	(20)
GS E&C Thai Co., Ltd.	17,678	15,949	43,662	1,377
GS E&C Poland SP.ZO.O.	55,146	27,025	113,799	14,684
GS E&C India Private Ltd.	1,578	710	2,342	(1,009)
Major Development Co., Ltd.	374,409	399,599	-	(24,658)

(**) GS-HP Corp., LG Properties (S'PORE) Pte. Ltd. and GS Construction (Arabia) Ltd. have ceased using the equity method. The Company has not been able to disclose the financial information of these investees in the above table for the year ended December 31, 2007, due to unavailability of their financial statements.

GS E&C Mexico, S.A.DEC.V and Ladera Co., Ltd. have completed their liquidation procedures during the year ended December 31, 2007. The financial information for GCS PLUS Co., Ltd., GS Cu Chi Development One-member LLC, GS Nha Be Development One-member LLC, GS PP Development Co., Ltd. could not be disclosed in the above table for the year ended December 31, 2007, due to the unavailability of their financial statements as these companies were newly established during the year ended December 31, 2007.

Details of adjusted net asset value of the investee which shows 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	₩ 51,980

	2007			
	Net asset value before adjustment	Adjustment	Net asset value after adjustment	Proportionate ownership
LG Holdings (HK), Ltd.	₩ 190,214	₩ (41,477)	₩ 148,737	₩ 37,184

As a result, accounting policies of the above investee have been adjusted to those of the Company in applying equity method.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

The changes in carrying amount of goodwill and (negative goodwill) for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008			
	Jan.1, 2008	Additions	Amortization	Dec.31, 2008
Hanmoo Development 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)

	2007			
	Jan.1, 2007	Additions	Amortization	Dec.31, 2007
Hanmoo Development Co., Ltd.	₩ (10,930)	₩ -	₩ (575)	₩ (10,355)
EzVille Inc.	986	-	247	740
Sacheon Resort Co., Ltd.	7	-	-	7
Metro PFV Co., Ltd.	-	-	-	-
GS Construction (Arabia) Co., Ltd.	-	-	-	-
	₩ (9,937)	₩ -	₩ (328)	₩ (9,608)

The elimination of unrealized gains or (losses) arising from inter-company transactions for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

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

	2007			
	Jan.1, 2007	Additions	Realization	Dec.31, 2007
Hanmoo Development Co., Ltd.	₩ 21,842	₩ -	₩ (721)	₩ 21,121
LG Holdings (HK), Ltd.	1,036	-	-	1,036
	₩ 22,878	₩ -	₩ (721)	₩ 22,157

The details of changes in carrying amount of equity method investments for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008					
	Jan.1, 2008	Acquisition cost	Equity in earnings (loss) of investee	Share of changes in equity adjustments	Others	Dec.31, 2008
Hanmoo Development 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
Total	₩ 367,433	₩ 33,405	₩ 431	₩ 346,684	₩ -	₩ 747,953

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

	2007					
	Jan.1, 2007	Acquisition cost	Equity in earnings (loss) of investee	Share of changes in equity adjustments	Others	Dec.31, 2007
Hanmoo Development Co., Ltd.	₩ 201,383	₩ -	₩ 10,096	₩ -	₩ -	₩ 211,479
EzVille Inc.	7,147	-	1,291	-	-	8,438
XI Service Co., Ltd.	493	-	8	-	-	501
Estech Estimate Corp.	96	-	9	-	-	105
Sacheon Resort Co., Ltd.	962	-	(570)	-	-	392
GLS Service Co., Ltd.	296	-	-	-	-	296
LG Holdings (HK), Ltd.	35,810	-	5	340	-	36,155
Ladera Co., Ltd.	10,503	(10,597)	127	(33)	-	-
GS E&C Nanjing	12,014	(6,574)	2,466	1,088	-	8,994
GS-HP Corp.	-	-	-	-	-	-
GS E&C Italy S.R.L.	1	-	219	4	-	224
LG Properties(S'PORE) Pte. Ltd.	-	-	-	-	-	-
GS E&C Thai Co., Ltd.	150	-	616	24	-	790
GS E&C Poland SP.ZO.O.	8,483	-	15,656	3,668	-	27,807
GS E&C Mexico, S.A.DEC.V.	1,271	(1,302)	-	31	-	-
GS E&C India Private Ltd.	1,708	-	(997)	134	-	845
GS Construction(Arabia) Ltd.	-	-	-	-	-	-
GS Cu Chi Development One-member LLC	-	9,281	-	-	-	9,281
GS Nha Be Development One-member LLC	-	18,700	-	-	-	18,700
GS Saigon Development One-member LLC	-	37,124	-	-	-	37,124
GS PP Development Co., Ltd.	-	2	-	-	-	2
GCS PLUS Co., Ltd.	-	300	-	-	-	300
Major Development Co., Ltd.	-	6,000	-	-	-	6,000
Total	₩ 280,317	₩ 52,934	₩ 28,926	₩ 5,256	₩ -	₩ 367,433

(*) The Company executed the equity method on the basis of non-audited financial statements because it could not obtain audited financial statements of investees as of December 31, 2008. On the other hand, the Company obtained procuring signatures of auditors and the chief executive officers of the investees to check reliability of their non-audited financial statements.

The details of changes in share of equity adjustments of the investees for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008			2007		
	Jan. 1, 2008	Increase/ (decrease)	Dec. 31, 2008	Jan. 1, 2007	Increase/ (decrease)	Dec. 31, 2007
Hanmoo Development Co., Ltd.	₩ 160,703	₩ 304,616	₩ 465,319	₩ 160,703	₩ -	₩ 160,703
EzVille Inc.	-	-	-	-	-	-
LG Holdings (HK), Ltd	3,841	18,310	22,151	3,499	342	3,841
Ladera Co., Ltd. (*)	-	-	-	11,187	(11,187)	-
GS E&C Nanjing	545	3,980	4,525	(542)	1,087	545
GS-HP Corp.	-	125	125	-	-	-
GS E&C Italy S.R.L.	(53)	111	58	(56)	3	(53)
LG Properties (S'PORE) Pte. Ltd.	295	-	295	295	-	295
GS E&C POLAND SP.ZO.O	4,068	3,741	7,809	401	3,667	4,068
GS E&C Mexico, S.A.DEC.V. (*)	-	-	-	(31)	31	-
GS E&C Thai Co., Ltd.	30	211	241	6	24	30
GS E&C India Private Ltd.	179	301	480	45	134	179
GS Construction (Arabia) Ltd.	-	182	182	-	-	-
GS Cu Chi Development One-member LLC	-	2,542	2,542	-	-	-
GS Nha Be Development One-member LLC	-	5,342	5,342	-	-	-
GS Saigon Development One-member LLC	-	7,315	7,315	-	-	-
GS Global Bio Co., Ltd.	-	(92)	(92)	-	-	-
	169,608	346,684	516,292	175,507	(5,899)	169,608
Deferred income tax effect	(46,642)	(66,942)	(113,584)	(48,264)	(144)	(46,642)
	₩ 122,966	₩ 279,742	₩ 402,708	₩ 127,243	₩ (6,043)	₩ 122,966

The details of changes in capital surplus from equity method (capital adjustments from equity method) of the investees for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008			2007		
	Jan. 1, 2008	Increase/ (decrease)	Dec. 31, 2008	Jan. 1, 2007	Increase/ (decrease)	Dec. 31, 2007
Hanmoo Development Co., Ltd.	₩ 35,702	₩ -	₩ 35,702	₩ 35,702	₩ -	₩ 35,702
EzVille Inc.	(2,724)	-	(2,724)	(2,724)	-	(2,724)
	32,978	-	32,978	32,978	-	32,978
Deferred income tax effect	(9,069)	1,814(*)	(7,255)	(9,069)	(144)	(9,069)
	₩ 23,909	₩ -	₩ 25,723	₩ 23,909	₩ -	₩ 23,909

(*) The Company adjusted deferred income taxes as income tax rates of the business year started after January 1, 2010 was decreased to 20% in accordance with revision of income taxes law as of December 26, 2008.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

As of December 31, 2008 and 2007, the respective accumulated losses of the investees from which the application of the equity method of accounting has been suspended due to their accumulated losses are as follows (Korean won in millions):

	2008		2007	
GS Construction(Arabia) Ltd.	₩	-	₩	196
GS-HP Corp.		-		858
LG Properties (S'PORE) Pte. Ltd.		1,070		1,070
GS PP Development Co., Ltd.		4,368		-
Major Development Co., Ltd.		3,335		-
GS Cambodia development Co., Ltd.		223		-
	₩	8,996	₩	2,124

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, 2008 and 2007 are as follows (Korean won in millions):

	Book value		Publicly announced value	
	2008	2007	2008	2007
Land	₩ 688,878	₩ 383,448	₩ 476,441	₩ 422,910

9. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008							Dec.31, 2008
	Jan.1, 2008	Additions	Disposals	Transfers	Depreciation	Overseas business translation adjustment		
Land	₩ 383,448	₩ 279,914 (*3)	₩ 12,123	₩ 37,639 (*1)	₩ -	₩ -	₩ 688,878	
Golf course	171,486	-	-	-	-	-	171,486	
Standing timber	29,000	-	-	265	-	-	29,265	
Buildings	381,354	253	158	36,452 (*2)	11,233	-	406,668	
Structures	92,477	1	-	-	2,585	-	89,893	
Machinery	2,364	783	-	-	1,908	(3)	1,236	
Construction equipment	249	56	-	-	142	(3)	160	
Vehicles	2,713	1,346	89	-	2,054	266	2,182	
Others	17,262	13,060	80	2,924	11,860	79	21,385	
Construction-in-progress	9,068	20,446	-	(28,347)	-	-	1,167	
Total	₩ 1,089,421	₩ 315,859	₩ 12,450	₩ 48,933	₩ 29,782	₩ 339	₩ 1,412,320	

(*1) Amount transferred from receivables from construction contracts, advance payments and lots is included.

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

(*3) Increased amount of ₩305,242 million and decreased amount of ₩25,573 million due to the revaluation of land are included.

Land and part of buildings have been provided as collateral to Hana Bank Co., Ltd. to the extent of ₩123,023 million as of December 31, 2008 in connection with leasehold guarantee deposits received.

2007										
	Jan. 1, 2007	Additions	Disposals	Transfers	Depreciation	Overseas business translation adjustment	Dec. 31, 2007			
Land	₩ 377,808	₩ 3,111	₩ -	₩ 2,529	₩ -	₩ -	₩ 383,448			
Golf course	171,486	-	-	-	-	-	171,486			
Standing timber	28,796	-	-	204	9,779	-	29,000			
Buildings	338,695	517	-	49,370	2,585	2,551	381,354			
Structures	95,128	4	70	-	2,104	-	92,477			
Machinery	4,385	82	-	-	213	1	2,364			
Construction equipment	462	-	-	-	2,103	-	249			
Vehicles	2,558	2,326	65	-	11,157	(3)	2,713			
Others	17,294	9,958	134	1,297	-	4	17,262			
Construction-in-progress	1,170	61,298	-	(53,400)	-	-	9,068			
Total	₩ 1,037,782	₩ 77,296	₩ 269	₩ -	₩ 27,941	₩ 2,553	₩ 1,089,421			

The Company engaged an accredited independent valuer to determine the fair value of its land and buildings. 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 revaluation resulted in revaluation surplus amounting to ₩305,242 million, the Company recognized ₩238,089 million from which income tax effect amounting to ₩67,153 million is deducted as accumulated other comprehensive income and reflected loss on revaluation amounting to ₩25,573 million in the current year's profit and loss.

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

	2008	2007
Cost	₩ 409,209	₩ 383,448
Accumulated depreciation and impairment	-	-
Net carrying amount	₩ 409,209	₩ 383,448

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

	2008	2007
As of January 1,	₩ -	₩ -
Revaluation surplus during the year	305,242	-
Related deferred income tax effect	(67,153)	-
As of December 31,	₩ 238,089	₩ -

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

10. Capitalized financing costs

The Company capitalized certain financing costs of ₩16,721 million and ₩5,931 million for the years ended December 31, 2008 and 2007, 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, 2008 and 2007, and for the years then ended (Korean won in millions):

	2008		2007	
〈 Balance sheet 〉				
Increase in inventories	₩	16,710	₩	4,248
Increase in property, plant and equipment		11		1,683
〈 Statements of income 〉				
Decrease in interest expense		16,721		5,931
Increase in net income		13,042		4,300

11. Intangible assets

Details of intangible assets as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	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

	2007		
	Cost	Accumulated amortization	Net book value
Rights for lease operations	₩ 6,550	₩ (3,057)	₩ 3,493
Development costs	1,212	(1,189)	23
	₩ 7,762	₩ (4,246)	₩ 3,516

Changes in the net book value of intangible assets for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	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

	2007		
	Jan.1, 2007	Amortization (*)	Dec. 31, 2007
Rights for lease operations	₩ 3,821	₩ (328)	₩ 3,493
Development costs	191	(168)	23
	₩ 4,012	₩ (496)	₩ 3,516

(*) Amortization includes transferred cost into development cost

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

	Book value	Remaining estimated useful life	Remarks
Rights for lease operations	₩ 3,166	10 years	Dormitory, Kyunghee University
Development costs	2	1 year	Development of new technologies
	₩ 3,168		

12. Short-term & long-term borrowings

Short-term borrowings as of December 31, 2008 and 2007 consist of the following (Korean won in millions):

Financial institution	Description	Annual interest rate (%) as of Dec. 31, 2008	2008	2007
Shinhan Bank	Commercial paper	7.08	₩ 30,000	₩ 210,000
Woori Bank	General loans	7.38	100,000	-
Woori Bank	Commercial paper	5.98 ~ 6.35	-	91,300
Woori Investment & Securities Co., Ltd.	Commercial paper	5.65 ~ 6.23	-	100,000
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	-
Total			₩ 260,000	₩ 401,300

Long-term loans of the Company as of December 31, 2008 and 2007 are as follows (Korean won in millions):

Financial institution	Annual interest rate as of Dec. 31, 2008 (%)	2008 (**)	2007 (*)
Korea Housing Guarantee Co., Ltd.	1.0	₩ 11,940	₩ 11,940
Less current portion		-	(1,327)
		₩ 11,940	₩ 10,613

(*) In the prior year, method of repayment was deferment of payment for 9 years and then paying separately by the same amount for the next 12 years.

(**) Method of repayment was changed into paying separately on the same amount from 2010.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

The details of bonds issued as of December 31, 2008 and 2007 are as follows (Korean won in millions):

Series	Issuance date	Maturity date	Annual interest rate in 2008 (%)	2008	2007
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	389,825	-
08-1 th privately issued debentures	December, 2008	December, 2011	8.22	61,700	-
Less present value discount				(1,722)	(2)
Less current portion				-	-
Long-term bonds				₩ 499,803	₩ 49,740

The entire principal amount of the above debentures will be redeemed at their maturity after 3 years. 118th - non-guaranteed debentures and 08-1th privately issued 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 loans and bonds are as follows (Korean won in millions):

Year	Long-term loans	Bonds	Total
2009	₩ -	₩ -	₩ -
2010	1,327	50,000	51,327
2011	1,327	451,525	452,852
2012	1,327	-	1,327
2013 and thereafter	7,959	-	7,959
	₩ 11,940	₩ 501,525	₩ 513,465

13. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies excluding those of overseas operations as of December 31, 2008 and 2007 are as follows:

Account	2008		2007		
	Foreign currency	Korean won equivalent (in millions)	Foreign currency	Korean won equivalent (in millions)	
Cash and cash equivalents	EUR	17,377,073	₩	30,866	
	THB	11,000		-	
	USD	303,891,169		382,143	
	JPY	2,052,482,450		28,609	
Trade accounts receivable	EUR	369,290		656	
	SAR	1,207,710		405	
	JPY	173,625,250		2,420	
	USD	55,036,861		69,209	
Short-term loans receivable	USD	27,615,367		34,726	
Other accounts receivable	USD	3,878,666		4,877	
	EUR	229,408		407	
	THB	25,913		1	
Long-term loans receivable	USD	169,592,478		213,263	
Total		₩	767,582		
Trade accounts and notes payable	AED	-		-	
	EUR	15,969,356		28,365	
	GBP	234,566		426	
	JPY	2,741,669,523		38,216	
	USD	46,996,141		59,098	
	BHD	24,978		83	
	THB	33,207,676		1,199	
	CNY	-		-	
Other accounts payable	EUR	11,111		20	
	JPY	1,043,762		15	
	USD	2,070,155		2,603	
	GBP	520		1	
	SGD	32,748		29	
	THB	740,976		27	
	EGP	267,671		61	
Withholdings	EUR	64,575		115	
	IRR	7,971,658,417		1,036	
	USD	11,216,196		14,104	
	JPY	176,000,000		2,453	
	USD	310,000,000		389,825	
Bonds	USD	310,000,000		389,825	
Total		₩	537,676		
				₩	227,986
					77
					20,825
					1,110
					3,781
					26,838
					-
					-
					70
					268
					103
					1,780
					-
					-
					16
					89
					-
					21,112
					1,354
					-
					77,423

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

14. Other provisions

The details of changes in other provisions for liabilities for the year ended December 31, 2008 are as follows (Korean won in millions):

	2008			
	As of January 1		Increase (decrease)	As of December 31
Payment guarantee	₩	-	₩ 98,557	₩ 98,557
Litigation		1,414	571	1,985
Total	₩	1,414	₩ 99,128	₩ 100,542

15. Financial position of overseas operations

Summary of the Company's overseas operations financial position as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Current assets	₩	168,388	₩	82,824
Non-current assets		4,783		2,817
Current liabilities		249,928		142,820
Non-current liabilities		441		336

16. Related party disclosures

The subsidiaries of the Company are as follows:

Company name
Hanmoo Development Co., Ltd.
EzVille Inc.
GS E&C Nanjing
GCS Plus Co., Ltd.
BSM Co., Ltd.
GS E&C Italy S.R.L.
GS E&C POLAND SP.ZO.O
GS Cu Chi Development One-member LLC
GS Nha Be Development One-member LLC
GS Saigon Development One-member LLC

Compensation for key management personnel for the years ended December 31, 2008 and 2007 is as follows (Korean won in millions):

	2008	
Salaries including short-term incentives	₩	37,489
Severance and retirement benefits		4,492
Share-based compensation		-

	2007	
Salaries including short-term incentives	₩	32,537
Severance and retirement benefits		4,367
Share-based compensation		21,720

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, 2008 and 2007 are as follows (Korean won in millions):

	Relationship	Transactions	2008	2007
GS Caltex Co., Ltd.	Affiliate	Sales and other income	₩ 421,911	₩ 529,114
		Cost of sales and purchases	691	3,372
		Other expenses	170	2,639
GS Saigon Development One-member LLC	Subsidiary	Sales and other income	27,156	-
Uijeongbu LRT Inc.	Affiliate	Sales and other income	25,922	8,615
		Cost of sales and purchases	9,556	-
Major Development Co., Ltd.	Affiliate	Sales and other income	18,268	3,348
GS PP Development Co., Ltd.	Investee on equity method	Sales and other income	14,129	-
GS EPS Co., Ltd.	Affiliate	Sales and other income	10,667	41,030
GS Retail Co., Ltd.	Affiliate	Sales and other income	8,769	3,609
		Cost of sales and purchases	935	423
		Other expenses	1,016	2,352
		Sacheon Resort Co., Ltd.	Investee on equity method	Sales and other income
GS E&C POLAND SP.ZO.O	Investee on equity method	Cost of sales and purchase	-	92
		Other expenses	-	2
		Sales and other income	6,008	4,162
Seoul-Munsan Highway Co., Ltd.	Affiliate	Cost of sales and purchases	524	319
		Other expenses	489	-
Gaya Railway Co., Ltd.	Affiliate	Sales and other income	4,660	-
GS Nha Be Development One-member LLC	Subsidiary	Sales and other income	4,261	4,277
		Sales and other income	1,559	-
Chungdori-donghwagong Co., Ltd.	Affiliate	Sales and other income	2,294	9,002

(Continued)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

	Relationship	Transactions	2008	2007
GS E&C India Private Ltd.	Investee on equity method	Sales and other income	₩ 590	₩ 404
		Cost of sales and purchases	1,187	1,877
		Outsourcing costs	5,984	-
		Other expenses	1	-
GS E&C Nanjing	Subsidiary	Sales and other income	434	358
		Cost of sales and purchases	4,621	3,832
Estech Estimate Corp.	Subsidiary	Sales and other income	239	211
		Other expenses	398	799
Samyang International Co., Ltd.	Affiliate	Sales and other income	70	30
		Cost of sales and purchases	10,027	5,458
		Other expenses	2	12
GS Cu Chi Development One-member LLC	Subsidiary	Sales and other income	4,654	1,957
GS O&M Co., Ltd.	Subsidiary	Sales and other income	33	-
		Cost of sales and purchases	1,273	-
Ulsan Green Co., Ltd.	Affiliate	Sales and other income	26	1,968
GS Neotek Co., Ltd.	Affiliate	Sales and other income	13	13
		Cost of sales and purchases	3,139	5,408
		Outsourcing costs	145,162	209,614
		Other expenses	1,392	1,321
GS Holdings Co., Ltd.	Affiliate	Sales and other income	5	-
		Cost of sales and purchases	963	231
		Other expenses	11,338	8,366
GS E&C Italy S.R.L.	Subsidiary	Sales and other income	4	-
		Cost of sales and purchases	1,914	-
		Other expenses	1,131	-
GCS PLUS Co., Ltd.	Subsidiary	Sales and other income	1	-
		Cost of sales and purchases	-	27,505
		Other expenses	40,536	-
EzVille Inc.	Subsidiary	Sales and other income	-	45
		Cost of sales and purchases	27,964	19,921
		Outsourcing costs	13,604	13,437
		Other expenses	1,474	62
XI Service Co., Ltd.	Subsidiary	Cost of sales and purchases	9,693	7,450
		Other expenses	53	21
Cosmo Chemical Co., Ltd.	Affiliate	Cost of sales and purchases	20,203	24,878
GS Sports Co., Ltd.	Affiliate	Other expenses	8,927	8,754
BSM Co., Ltd.	Subsidiary	Other expenses	7,468	-
GLS Service Co., Ltd.	Subsidiary	Cost of sales and purchases	1,465	1,067
		Other expenses	85	45
Others	-	Sales and other income	1,331	1,041
		Cost of sales and purchases	311	97
		Outsourcing costs	-	-
		Other expenses	611	2,187
Total		Sales and other income	₩ 562,622	₩ 740,102
		Cost of sales and purchases	₩ 94,523	₩ 102,032
		Outsourcing costs	₩ 164,750	₩ 223,051
		Other expenses	₩ 75,091	₩ 26,561

Outstanding balances of accounts and notes receivable with related parties as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	Relationship	Transactions	2008	2007
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes receivable	₩ 36,088	₩ 49,260
		Other receivables	5	48
Uijeongbu LRT Inc.	Affiliate	Trade accounts and notes receivable	-	6,695
		Other receivables	239	-
Sacheon Resort Co., Ltd.	Investee on equity method	Trade accounts and notes receivable	6,197	-
Seoul Highway Co., Ltd	Affiliate	Trade accounts and notes receivable	-	16,356
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes receivable	1,407	105
		Other receivables	273	403
GS POWER Co., Ltd	Affiliate	Trade accounts and notes receivable	3,431	4,111
Major Development Co., Ltd.	Affiliate	Trade accounts and notes receivable	12,022	-
		Other receivables	6,658	6,486
SeungSan Co., Ltd.	Affiliate	Trade accounts and notes receivable	552	-
GS PP Development Co., Ltd.	Investee on equity method	Other receivables	200,261	170,770
GS Cu Chi Development One-member LLC	Subsidiary	Trade accounts and notes receivable	-	1,984
		Other receivable	63	-
GS Nha Be Development One-member LLC	Subsidiary	Other receivables	12,666	-
GS Saigon Development One-member LLC	Subsidiary	Other receivables	7,170	-
LG Properties (S'PORE) Pte. Ltd.	Investee on equity method	Other receivables	20,139	15,002
GS E&C POLAND SP.ZO.O	Subsidiary	Other receivables	600	10,433
GS E&C Thai Co., Ltd.	Investee on equity method	Other receivables	8,371	-
GS Global Bio Co., Ltd.	Subsidiary	Other receivables	1,099	-
GS-HP Corp.	Investee on equity method	Other receivables	2,471	1,844
GS E&C India Private Ltd.	Investee on equity method	Other receivables	1,866	1,062
GCS PLUS Co., Ltd.	Subsidiary	Other receivables	-	1,344
Seungsan Leisure Co., Ltd.	Affiliate	Long-term guarantee deposits	600	600
GS Holdings Co., Ltd.	Affiliate	Long-term guarantee deposits	4,943	1,983
GS O&M Co., Ltd.	Subsidiary	Other receivables	1,009	-
GS EPS Co., Ltd.	Affiliate	Trade accounts and notes receivable	-	6,278
Others	-	Trade accounts and notes receivable	11,866	2,520
		Long-term guarantee deposits	64	66
		Other receivables	719	5,028
Total		Trade accounts and notes receivable	₩ 71,563	₩ 87,309
		Long-term guarantee deposits	₩ 5,607	₩ 2,649
		Other receivables	₩ 263,609	₩ 212,420
Provision for bad debts		Trade accounts and notes receivable	₩ 716	₩ 873
		Other receivables	₩ 2,834	₩ 2,124
Reversal of bad debts		Trade accounts and notes receivable	₩ (157)	₩ 307
		Other receivables	₩ 710	₩ 4,846

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

Outstanding balances of accounts and notes payable with related parties as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	Relationship	Transactions	2008	2007
GS Neotek Co., Ltd.	Affiliate	Trade accounts and notes payable	₩ 54,593	₩ 79,385
		Membership guarantee deposits received	1,316	1,316
		Other payables	607	294
EzVille Inc.	Subsidiary	Trade accounts and notes payable	24,678	17,720
		Membership guarantee deposits received	31	31
		Other payables	44	28
Cosmo Chemical Co., Ltd. Samyang International Co., Ltd.	Affiliate	Trade accounts and notes payable	9,146	14,282
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes payable	5,458	2,913
		Membership guarantee deposits received	147	147
GS Retail Co., Ltd.	Affiliate	Trade accounts and notes payable	1,394	1,056
		Advances from construction contracts	72	-
		Leasehold guarantee deposits received	76,400	46,800
		Membership guarantee deposits received	3,325	3,325
BSM Co., Ltd.	Subsidiary	Trade accounts and notes payable	571	-
GS E&C India Private Ltd.	Investee on equity method	Trade accounts and notes payable	367	-
		Other payables	21	-
GS Caltex Co., Ltd.	Affiliate	Trade accounts and notes payable	85	-
		Advances from construction contracts	64,392	22,426
		Membership guarantee deposits received	6,675	6,675
		Other payables	3	4
GS Holdings Co., Ltd.	Affiliate	Membership guarantee deposits received	2,454	2,454
		Other payables	4,654	407
GS Home Shopping Co., Ltd.	Affiliate	Membership guarantee deposits received	1,511	1,511
GCS PLUS Co., Ltd.	Subsidiary	Other payables	2,469	5,251
Cosmo Chemical Co., Ltd.	Affiliate	Membership guarantee deposits received	66	66
		Other payables	1,500	1,500
GS O&M Co., Ltd.	Subsidiary	Trade accounts and notes payable	1,021	-
Chungdoridonghwagong Co., Ltd.	Affiliate	Advances from construction contracts	-	2,294
Others	-	Trade accounts and notes payable	-	616
		Advances from construction contracts	7,422	713
		Membership guarantee deposits received	1,449	1,449
		Other payables	₩ 891	₩ 1,752
Total		Trade accounts and notes payable	₩ 97,313	₩ 115,972
		Advances from construction contracts	₩ 71,886	₩ 25,433
		Leasehold guarantee deposits received	₩ 76,400	₩ 46,800
		Membership guarantee deposits received	₩ 16,974	₩ 16,974
		Other payables	₩ 10,189	₩ 9,236

Details of guarantees provided by the Company on behalf of related parties as of December 31, 2008 are as follows (Korean won in millions):

Related party	Financial institutions	Description	Amount
GS E&C Italy S.R.L.	Banca Nazionale Del Lavoro	Overdraft facility	EUR 300,000
	Servizi Assicurativi del Commercio Estero	Contract performance	USD 224,000,000
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 269,791.95
	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 INNOTEK Poland SP Zo.o.	Contract performance	PLN 4,995,000
	Dong Seo Display Poland SP Zo.o.	Contract performance	PLN 1,660,000
GS E&C Poland SP.ZO.O	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 120,000,000
GS Cu Chi Development One-Member LLC	The Korea Development Bank	Overdraft facility	USD 29,000,000
GS Cambodia Development Co. Ltd.	Australia and New Zealand Banking Group and Bank of Nova Scotia Asia Limited	Overdraft facility	USD 50,000,000
		Offering pledge	USD 16,700,000
Seoul Highway Co., Ltd.	Korea Industrial Bank Co., Ltd and 13 other companies	Offering pledge	₩ 124,200
		Payment guarantee	₩ 258,166
		Offering pledge	₩ 24,374
Uijeongbu LRT Inc.	KB Co., Ltd. and 7 other companies	Payment guarantee	₩ 21,391
		Offering pledge	₩ 1,527
Gaya Railway Co., Ltd.	Kookmin pension and 5 other companies	Offering pledge	₩ 1,527
Major Development Co., Ltd.	Samgsung Life Insurance Co., Ltd. and 2 companies	Payment guarantee	₩ 397,655
		Payment guarantee	₩ 22,000
Sacheon Resort Co., Ltd.	DongYang financial complex Co., Ltd.	Payment guarantee	₩ 22,000
Metro PFV Co., Ltd.	Hanyang securities Co., Ltd.	Payment guarantee	₩ 192,000

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, 2008, 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 for the purpose of acquiring the Company's shares.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

17. Capital stock

There is no change in capital stock of the Company during the years ended December 31, 2008 and 2007. Details of capital stock of the Company as of December 31, 2008 and 2007 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 2008 and 2007

18. Capital surplus

Details of capital surplus of the Company as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Paid-in capital in excess of par value	₩	109,735	₩	109,735
Other capital surplus:				
Asset revaluation surplus		75,192		75,192
Gain on merger		15,002		15,002
Gain on disposal of treasury stock		8,991		12,413
Capital surplus from equity method		27,847		25,884
	₩	236,767	₩	238,226

Paid-in capital in excess of par value

Paid-in capital in excess of par value may not be utilized for cash dividend, but may be used to offset a future deficit, if any, or may be transferred to capital stock.

Asset revaluation surplus

In accordance with the 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, 2008 and 2007 includes revaluation surplus carried forward from revaluation carried out prior to 1998. The asset revaluation surplus may not be available for cash dividends but may be used to offset a future deficit, if any, or may be transferred to capital stock.

Gain on merger

The Company merged LG engineering Co., Ltd. as of August 1, 1999 and recognized this gain on merger as other capital surplus in accordance with accounting standards on business merger and acquisition.

Capital surplus from equity method

The Company recognized investment difference amount by additional purchasing subsidiaries equity in accordance with revision of SKAS 15 Amendments - Investments in Associates.

19. Retained earnings

Retained earnings of the Company as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Appropriated:				
Legal reserve	₩	60,339	₩	51,339
Financial structure improvement reserve		217,849		172,849
Business rationalization reserve		404,653		314,653
Research and human resources development reserve		308,333		226,773
Other reserves		421,762		328,967
		1,412,937		1,094,581
Unappropriated		369,751		388,926
	₩	1,782,688	₩	1,483,507

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 stockholders' equity to total assets equals 30%.

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

20. Capital adjustments and accumulated other comprehensive income

Details of capital adjustments of the Company as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Treasury stock	₩	(79,756)	₩	(24,429)
Other capital adjustments				
Share-based compensation		-		38,344
Capital adjustment form equity method		(2,125)		(1,975)
	₩	(81,881)	₩	11,940

Treasury stock

To stabilize the Company's share price in the KRX, the Company acquired 1,521,151 shares of its issued common stock valued at ₩79,756 million through a treasury stock fund and a specified money trust, and recorded the treasury stock as a capital adjustment in the stockholders' equity as of December 31, 2008.

Details of accumulated other comprehensive income, net of taxes, of the Company as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Gain on valuation of available-for-sale securities	₩	215,801	₩	87
Loss on valuation of available-for-sale securities		(1,186)		(13)
Credit equity adjustment arising from equity method investments		402,708		123,004
Debit equity adjustment arising from equity method investments		-		(38)
Foreign currency translation adjustments		(4,504)		7,533
Gain on valuation of derivative instruments		28,096		41,370
Loss on valuation of derivative instruments		(36,581)		(15,194)
Asset revaluation surplus		238,089		-
	₩	842,423	₩	156,749

21. Construction contracts

Details of cumulative construction revenue, cost and profit of constructions in-progress as of December 31, 2008 are as follows (Korean won in millions):

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	585,442	541,327	44,115
	Power operations	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

Construction losses arising from construction in-progress that are likely to be incurred at the completion of construction as of December 31, 2008 amounting to ₩6,363 million were recorded as provision for construction losses.

Changes in balances of major construction contracts backlog for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

Project name	2008			
	Jan.1, 2008	New contract	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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

Project name	2007			
	Jan.1, 2008	New contract	Realized revenue	Dec.31, 2008
LG Philips LCD P7 Project	₩ 4,101	₩ -	₩ (2,847)	₩ 1,254
LCD P7 Environment Equipment Construction	21,703	-	(21,703)	-
Seoul Outer Circular Highway 4th stage	96,525	1,178	(97,703)	-
Dangjin-Daejeon Highway 4th Stage	54,966	13,875	(33,750)	35,091
Mokpo National Road (Koha-Jukyo)	89,637	3,096	(14,008)	78,725
Jamsil 4th Reconstruction	15,514	(1,079)	(14,413)	22
Banpo Xi	662,522	29,358	(303,520)	388,360
SP 9-10 Project (*)	171,930	(10,938)	(87,536)	73,456
QP LAB Project (*)	3,738	58	(1,472)	2,324
Others	9,190,011	9,933,532	(5,175,744)	13,947,799
	₩ 10,310,647	₩ 9,969,080	₩ (5,752,696)	₩ 14,527,031

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

Balances of receivables from major construction contracts for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

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	-
Uiyeongbu LRT construction	53,015	25,922	25,922	-	27,093	27,093	-
Incheon 2nd complex construction	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

Project name	2007						
	Cumulative revenue realized	Cumulative billed amount	Cumulative collected amount	Accounts and notes receivable			Other advance receipts
				Billed	Non-billed	total	
LG Philips LCD P7 Project	₩ 1,414,022	₩ 1,414,136	₩ 1,414,136	₩ -	₩ -	₩ -	₩ 114
LCD P7 Environment							
Equipment construction	308,777	308,777	308,777	-	-	-	-
Seoul Outer Circular							
Highway 4th Stage	387,218	387,218	376,182	11,036	-	11,036	-
Dangjin-Daejeon Highway							
4th Stage	137,656	134,394	133,879	515	3,262	3,777	-
Mokpo National Road	32,682	25,898	25,898	-	6,784	6,784	-
Jamsil 4th Reconstruction	221,206	213,323	213,323	-	7,883	7,883	-
Banpo Xi	406,139	481,587	481,587	-	-	-	75,448
SP 9-10 Project	575,376	510,926	509,866	1,060	64,450	65,510	-
QP LAB Project	238,868	241,163	240,842	-	-	-	1,974
Other	14,654,022	14,354,706	13,516,246	1,126,082	712,209	1,838,291	700,515
Total	₩ 18,375,966	₩ 18,072,128	₩ 17,220,736	₩ 1,138,693	₩ 794,588	₩ 1,933,281	₩ 778,051

Total billed amount of construction contracts for the years ended December 31, 2008 and 2007 is ₩7,914,864 million and ₩5,750,837 million, respectively, and the total collected amount of construction contracts for the years ended December 31, 2008 and 2007 is ₩6,765,211 million and ₩5,758,515 million, respectively.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

Details of jointly-managed construction contracts as of December 31, 2008 and 2007 are as follows (Korean won in millions):

Project name	2008				
	Period of construction	Customer	Share of contract size (amount)	Share of contract size [%]	Remarks
The South-east Seoul Distribution Center	2006.10.01 ~ 2009.01.31	SH Corporation	272,322	56.00	(*)
IFC SEOUL construction	2008.01.17 ~ 2010.10.31	ALG Global Investment Group	227,427	40.00	(*)
The City Seven Xi	2005.05.01 ~ 2008.12.31	Dosisaram Co., Ltd.	210,272	50.00	(*)
Daegwallyeong Alpensia	2006.10.01 ~ 2009.01.31	Kang-won do Development Corporation	190,092	62.00	(*)
Uijeongbu LRT civil investment business construction	2006.12.01 ~ 2011.08.27	Uijeongbu LRT Co., Ltd.	155,000	52.55	(*)
Buhang Multipurpose Dam	2006.09.30 ~ 2012.01.12	Korea Water Resources Corporation	141,563	60.00	(*)
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2003.07.01 ~ 2013.01.31	Korea Hydro & Nuclear Power Co., Ltd.	126,672	13.50	(@)
Incheon Production Base 2nd Expansion	2004.07.27 ~ 2009.06.30	Korea Gas Corporation	125,977	40.00	(*)
Mokpo National Road	2004.11.01 ~ 2009.01.31	Public Procurement Service	111,406	42.00	(*)
Incheon Grand Bridge	2005.06.16 ~ 2009.10.10	KODA Development Co., Ltd.	109,545	10.00	(#)
Busan~Ulsan Electric Railway	2005.12.26 ~ 2010.09.30	Korea Rail Network Authority	108,990	40.00	(^)
Incheon Free Economic Zone Young Jong Sky City 3rd Stage	2007.12.27 ~ 2011.06.26	Korea Land Corporation	108,468	90.00	(*)
Incheon Free Economic Zone Young Jong Sky City 2nd Stage	2007.12.27 ~ 2011.06.26	Korea Land Corporation	107,243	90.00	(*)
Song do 4th Stage 1st complex apartment construction	2005.05.03 ~ 2008.12.31	Incheon Urban Development Corporation	95,767	63.00	(*)
Gangnam Circular highway 6-1 Stage	2002.11.28 ~ 2013.09.30	Gangnam Circular highway Co., Ltd.	91,794	11.50	(**)
Taebaek line (Jecheon - Ssangyong) 1 st multiple line railway construction	2004.11.25 ~ 2012.10.31	Korea Rail Network Authority	85,208	35.00	(*)
Siltron Third Plant B-dong construction	2007.03.05 ~ 2008.12.31	LG Siltron Co., Ltd.	80,989	70.00	(*)

2007

Project name	Period of construction	Customer	Share of contract size (amount)	Share of contract size (%)	Remarks
Seoul Outer Circular Highway 4th Stage	2001.06.30 ~ 2007.12.31	Seoul Highway Co., Ltd.	387,218	24.00	(*)
The South-east Seoul Distribution Center	2006.10.01 ~ 2008.12.31	SH Corporation	258,647	56.00	(*)
The City Seven Xi	2005.05.01 ~ 2008.12.31	Dosisaram Co., Ltd.	199,472	50.00	(*)
Daegwallyeong Alpensia	2006.10.01 ~ 2008.10.31	Kang-won do Development Corporation	190,092	62.00	(*)
Dangjin-Daejeon Highway 4th Stage	2001.12.24 ~ 2008.12.31	Korea Highway Corporation	172,747	90.00	(*)
Dangjin-Daejeon Highway 5th Stage	2001.12.24 ~ 2008.12.31	Korea Highway Corporation	141,524	90.00	(*)
Dangjin-Daejeon Highway 7th Stage	2001.12.24 ~ 2008.12.31	Korea Highway Corporation	140,709	90.00	(*)
Buhang Multipurpose Dam	2006.09.30 ~ 2011.07.31	Korea Water Resources Corporation	133,795	60.00	(*)
Hyunpung-Kimcheon Construction 1 st Stage	2001.12.28 ~ 2007.12.27	Korea Highway Corporation	131,959	90.00	(*)
Dangjin-Daejeon Highway 6th Stage	2001.12.24 ~ 2008.12.23	Korea Highway Corporation	116,265	90.00	(*)
Shinwolsung Atomic Power Plant main Facility No.1 and 2	2003.07.01 ~ 2010.09.30	Korea Hydro & Nuclear Power Co., Ltd.	113,244	13.50	(@)
Mokpo National Road	2004.11.01 ~ 2008.11.01	Iksan Regional Road Construction Management Office	111,406	42.00	(*)
Hyunpung-Kimcheon Construction 6th Stage	2001.12.28 ~ 2007.12.27	Korea Highway Corporation	110,394	90.00	(*)
Incheon Grand Bridge	2005.06.16 ~ 2009.10.10	KODA Development Co., Ltd	109,545	10.00	(#)
Busan~Ulsan electric railway	2005.12.26 ~ 2010.09.30	Korea Rail Network Authority	108,990	40.00	(^)
Hyunpung-Kimcheon Construction 3rd Stage	2001.12.28 ~ 2007.12.31	Korea Highway Corporation	108,959	90.00	(*)
Incheon Production Base 2nd Expansion	2004.07.27 ~ 2009.06.30	Korea Gas Corporation	107,111	40.00	(*)
Iksan~Jangsu Highway 5th Stage	2001.11.22 ~ 2007.12.31	Korea Rail Network Authority	102,600	90.00	(*)
Songdo Apartment Construction 4th Stage	2005.05.03 ~ 2008.01.31	Incheon City Development Corporation	95,767	63.00	(*)

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

(*) GS Engineering & Construction Co., Ltd.

(#) Samsung Corporation

(@) Daewoo Engineering & Construction Co., Ltd.

(^) Hyundai Engineering & Construction Co., Ltd.

(**) Doosan Engineering & Construction Co., Ltd.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

Details of housing construction and sales contracts as of December 31, 2008 and 2007 are as follows (Korean won in millions):

Project name	2008									
	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

Project name	2007									
	Contract amount		Cumulative revenue realized		Cumulative collected amount		Trade receivables	Advance receipts		
Heights Xi	₩	286,932	₩	227,254	₩	192,248	₩	35,006	₩	-
Susaek Xi		230,918		77,980		44,587		33,393		-
Chungla Xi		519,725		13,100		36,964		-		23,864

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, 2008 and 2007 amounted to ₩18,777 million and ₩45,752 million, respectively.

22. Income taxes

For the financial year ended December 31, 2008, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 12.1% on taxable income of up to ₩200,000 thousand (2007: 14.3% on taxable income of up to ₩100,000 thousand) and 27.5% on taxable income in excess of ₩200,000 thousand (2007: 27.5% on taxable income in excess of ₩100,000 thousand). The aggregate tax rate will be reduced to 24.2% from 2009 and 22% from 2010 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, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Current income taxes (*)	₩	190,076	₩	158,409
Deferred income taxes arising from tax effect of temporary differences		162,713		13,929
Tax effect of temporary differences recognized directly to equity		(185,455)		(4,308)
Total income tax expense		167,334		168,030
Current-income taxes recognized directly to equity		(248)		(541)
Provision for income taxes	₩	167,086	₩	167,489

(*) Current income taxes include additional payment of income taxes arising from tax filing of prior year's tax reconciliation.

The relationship between net income before income tax expense and income tax expense is as follows (Korean won in millions):

	2008		2007	
Net income before income taxes expense	₩	548,640	₩	566,805
Income taxes in accordance with applicable income tax rate of 27.49% (2007: 27.54%)	₩	150,845	₩	156,122
Reconciliation :				
Non-taxable revenue (current year : ₩39,598, prior year : ₩771)		(10,889)		(212)
Non-deductible expense (current year : ₩24,011, prior year : ₩50,275)		6,603		13,826
Tax credit		(3,055)		(1,467)
Others (difference in tax rate, etc.)		23,582		(780)
Income tax expense	₩	167,086	₩	167,489
Effective tax rate		30.45%		29.50%

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

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 cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008			
	As of Jan. 1, 2008	Changes in tax filing	Net increase (decrease)	As of Dec. 31, 2008
Deductible temporary differences:				
Buildings	₩ 14,999	₩ -	₩ (470)	₩ 14,529
Provision for construction losses	24,137	-	(17,774)	6,363
Allowance for doubtful accounts	64,264	-	142,099	206,363
Bonus stock	414	-	-	414
Loss on foreign currency translation	-	-	131,395	131,395
Government grants	104	-	483	587
Equity method investments	92,390	-	3,821	96,211
Land	183	-	-	183
Executive incentives	14,295	-	(14,295)	-
Derivative instruments	-	-	438,986	438,986
Severance and retirement benefits	101,600	-	2,742	104,342
Available-for-sale securities	24,376	-	-	24,376
Investments	1,247	-	-	1,247
Provision for construction warranty	72,985	-	(2,417)	70,568
Provision for other liabilities	1,414	-	99,128	100,542
Gain on valuation of property, plant and equipment	-	-	25,573	25,573
	₩ 412,408	₩ -	₩ 809,271	₩ 1,221,679
Taxable temporary differences:				
Accumulated depreciation	₩ (1,274)	₩ -	₩ -	₩ (1,274)
Appropriated retained earnings for technological development	(13,333)	-	5,000	(8,333)
Accrued income	(9,011)	611	(1,646)	(10,046)
Gain on foreign currency translation	-	-	(107,581)	(107,581)
Available-for-sale securities	(4,371)	-	-	(4,371)
Appropriated retained earnings for loss on sale of treasury stock	(1,263)	-	1,263	-
Inventories	(39,209)	-	(7,788)	(46,997)
Deposits for severance indemnities and retirement benefits	(101,134)	-	6,085	(95,049)
Derivative instruments	(3,988)	-	(535,231)	(539,219)
	₩ (173,583)	₩ 611	₩ (639,898)	₩ (812,870)
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)

	2007			
	As of Jan. 1, 2007	Changes in tax filing	Net increase (decrease)	As of Dec. 31, 2007
Deductible temporary differences:				
Buildings	₩ 15,469	₩ -	₩ (470)	₩ 14,999
Provision for construction losses	12,502	-	11,635	24,137
Allowance for doubtful accounts	63,980	-	284	64,264
Bonus stock	414	-	-	414
Accrued expenses	16,800	-	(16,800)	-
Government grants	74	-	14,324	14,398
Equity method investments	127,801	-	(35,411)	92,390
Land	183	-	-	183
Derivative instruments	675	-	(675)	-
Severance and retirement benefits	86,890	-	14,710	101,600
Available-for-sale securities	24,376	-	-	24,376
Investments	1,247	-	-	1,247
Provision for construction warranty	70,162	1,500	2,738	74,400
	₩ 420,573	₩ 1,500	₩ (9,665)	₩ 412,408
Taxable temporary differences:				
Accumulated depreciation	₩ (1,274)	₩ -	₩ -	₩ (1,274)
Appropriated retained earnings for technological development	(21,773)	-	9,644	(12,129)
Accrued income	(5,998)	-	(3,012)	(9,010)
Available-for-sale securities	(4,371)	-	-	(4,371)
Appropriated retained earnings for loss on sale of treasury stock	(2,467)	-	-	(2,467)
Inventories	(38,748)	-	(461)	(39,209)
Deposits for severance indemnities and retirement benefits	(86,890)	-	(14,244)	(101,134)
Derivative instruments	(4,176)	-	188	(3,988)
	₩ (165,697)	₩ -	₩ (7,885)	₩ (173,582)
Deferred income taxes recognized				
Deferred income tax assets, net	₩ 70,091	₩ 413	₩ (4,827)	₩ 65,677
Deferred income tax liabilities recognized directly to equity, net	₩ (52,150)	₩ -	₩ (9,103)	₩ (61,253)

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.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

Details of gross deferred income tax assets and liabilities as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008					
	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%			

	2007					
	Temporary differences		Reversal of temporary differences		Deferred income taxes	
	2007	2008	2009 and thereafter	Current	Non-current	
Deductible temporary differences:						
Buildings	₩ 14,999	₩ -	₩ 14,999	₩ -	₩ 4,125	
Provision for construction losses	24,137	-	24,137	-	6,638	
Allowance for doubtful accounts	64,264	53,179	11,085	14,624	3,048	
Bonus stock	414	-	414	-	114	
Accrued expense	-	-	-	-	-	
Government grants	14,398	14,398	-	3,959	-	
Equity method investments	92,390	-	92,390	-	25,407	
Land	183	-	183	-	50	
Severance and retirement benefits	101,600	-	101,600	-	27,940	
Available-for-sale securities	24,376	-	24,376	-	6,703	
Investments	1,247	-	1,247	-	343	
Provision for construction warranty	74,400	-	74,400	-	20,460	
	412,408	67,577	344,831	18,583	94,828	
Taxable temporary differences:						
Accumulated depreciation	(1,274)	-	(1,274)	-	(350)	
Appropriated retained earnings for technological development	(12,129)	-	(12,129)	-	(3,335)	
Accrued income	(9,010)	(9,010)	-	(2,478)	-	
Available-for-sale securities	(4,371)	-	(4,371)	-	(1,202)	
Appropriated retained earnings for loss on sale of treasury stock	(2,467)	-	(2,467)	-	(678)	
Inventories	(39,209)	(39,209)	-	(10,782)	-	
Deposits for severance indemnities and retirement benefits	(101,134)	-	(101,134)	-	(27,812)	
Derivative instruments	(3,988)	(3,988)	-	(1,097)	-	
Taxable temporary differences related to equity	₩ (222,736)	₩ -	₩ (222,736)	₩ -	₩ (61,253)	
	(396,318)	(52,207)	(344,111)	(14,357)	(94,630)	
Net	₩ 16,090	₩ 15,370	₩ 720	₩ 4,226	₩ 198	
Applicable tax rate		27.5%	27.5%			

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

The Company's income taxes payable amounted to ₩185,841 million and ₩820,484 million as of December 31, 2008 and 2007, respectively. Deferred income tax assets and liabilities are calculated based on the expected income tax rate of 24.2% for the tax rate that will be in effect when the temporary differences are expected to reverse for the year 2009 and 22.0% for the tax rate that will be in effect when the temporary differences are expected to reverse for the year 2010 and after.

Details of deferred income tax which are charged or credited directly to equity as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008	
	Pretax amount	Tax effect
〈 Recognized in current income taxes 〉		
Gain on disposal of treasury stock	₩ 902	₩ 248
	₩ 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)
Retained earnings on revaluation	(305,242)	(67,153)
	₩ (1,121,398)	₩ (246,708)

	2007	
	Pretax amount	Tax effect
〈 Recognized in current income taxes 〉		
Gain on disposal of treasury stock	₩ 1,969	₩ 541
	₩ 1,969	₩ 541
〈 Recognized in deferred income taxes 〉		
Gain on disposal of treasury stock (treasury stock fund)	₩ (8,437)	₩ (2,320)
Gain on valuation of available-for-sales securities	(101)	(28)
Credit equity adjustment arising from equity method investments	(169,660)	(46,657)
Capital surplus on equity method	(35,701)	(9,818)
Debit equity adjustment arising from equity method investments	2,777	764
Gain on valuation of derivative instruments	(11,614)	(3,194)
	₩ (222,736)	₩ (61,253)

23. Per share amounts

The Company's per share amounts for the years ended December 31, 2008 and 2007 are computed as follows:

Basic earnings per share	2008		2007	
Net income	₩	381,553,875,670	₩	399,315,644,472
Weighted-average number of shares of common stock outstanding (*)		49,623,865 shares		49,943,657 shares
Basic earnings per share	₩	7,689	₩	7,995

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

	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

	2007		
	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	(63,954)	365	(23,343,210)
Additional purchase of treasury stock	(58,579)	285	(16,695,015)
Additional purchase of treasury stock	(58,579)	284	(16,636,436)
Additional purchase of treasury stock	(33,921)	281	(9,531,801)
Additional purchase of treasury stock	(33,921)	280	(9,497,880)
Shares granted to executives under share-based compensation	87,308	280	24,446,240
Shares on treasury stock fund	(915,910)	365	(334,307,150)
			18,229,434,748
			÷ 365
Weighted-average number of shares outstanding			49,943,657

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

24. Dividends

The 2007 dividends were approved at the ordinary stockholders' meeting held on March 7, 2008 and the 2008 dividends are proposed for an approval at the annual common stockholders' meeting to be held on March 20, 2009.

Details of dividends declared for the years ended December 31, 2008 and 2007 are as follows:

	2008		2007	
Dividend per share (A)	₩	500 (10%)	₩	1,650 (33%)
Number of shares (B)		49,478,849 shares		49,922,444 shares
Dividends (AxB)	₩	24,739,424,500	₩	82,372,032,600

The dividend payout ratio for the years ended December 31, 2008 and 2007 are as follows:

	2008		2007	
Dividends (A)	₩	24,739,424,500	₩	82,372,032,600
Net income (B)		381,553,875,670		399,315,644,472
Dividend payout ratio (A/B)	₩	6.48%	₩	20.63%

The dividend yield ratio for the years ended December 31, 2008 and 2007 are as follows:

	2008		2007	
Dividend per share (A)	₩	500	₩	1,650
Market value per share at balance sheet date (B)		58,000		156,000
Dividend yield ratio (A/B)		0.86%		1.06%

25. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Transfer of held-to-maturity securities to current portion	₩	4,134	₩	4,220
Transfer of Bonds and long-term borrowings to current portion		1,327		1,327
Transfer of construction in-progress		28,347		53,401
Transfer of lots		95,606		296,297
Transfer of long-term loans to current portion		52,428		50,221
Transfer of receivables from construction contracts		116,176		-
Transfer of advance payments		172,228		-

26. Insured assets

Details of insured inventories and property, plant and equipment as of December 31, 2008 are as follows (Korean won in millions):

Description	Insured assets	Insurance company	Insurance amount	
Fire insurance, etc.	Buildings, etc.	LIG Insurance Co., Ltd.	₩	742,164

In addition, vehicles of the Company were insured in vehicles indemnity liability insurance and full coverage insurance of LIG Insurance Co., Ltd. and other insurance companies.

27. Commitments and contingencies

As of December 31, 2008, Seoul Guarantee Insurance Company, Korea Construction Financial Corporation, a government agency and other third parties have provided guarantees amounting to approximately ₩5,488,372 million on behalf of the Company, for the construction performance, housing construction and sales performance and construction warranty. Also, as of December 31, 2008, the Company has provided guarantees, jointly and severally with Korea Housing Guarantee Co., Ltd. and other parties, amounting to approximately ₩11,003,317 million on behalf of other construction companies, including ChungAng Construction Co., Ltd. As of December 31, 2008, Samsung Construction and Trading Co., Ltd. and other construction companies have provided guarantees, jointly and severally with Korea Housing Guarantee Co., Ltd. and other parties, in the amount of ₩519,169 million on behalf of the Company.

As a common practice in the Korean construction industry, construction companies exchange mutual guarantees for construction performance. Guarantees that the Company has provided to and has been provided by Lotte Engineering & Construction Co., Ltd. and other parties amounted to ₩1,192,608 million and ₩5,864,459 million, respectively, as of December 31, 2008.

The Company has also provided guarantees of ₩272,668 million for payment guarantees, ₩178,094 million for construction performance and ₩16,071 million for construction warranties on behalf of its overseas corporations as of December 31, 2008.

The Export-Import Bank of Korea and other parties have guaranteed the performance of the Company's overseas construction projects. As of December 31, 2008, the outstanding guarantees amounted to ₩1,587,029 million.

As of December 31, 2008, the Company has pledged 25 blank notes and checks and notes and checks amounting to ₩768,705 million in face value to several banks and financial institutions as collateral for borrowings and construction performance guarantees.

As of December 31, 2008, the Company has provided guarantees amounting to ₩287,169 million on behalf of the Seoul Highway Co., Ltd. and other parties, and has fund supplement duty for Cheonan-Nonsan Highway Co., Ltd. The Company's investment securities (33,315,554 shares) amounting to ₩443,095 million in book value are pledged as collateral.

In relation to project owners during the construction period, the Company has provided guarantees amounting to ₩4,968,508 million to financial institutions and the Company's investment securities of 300,000 shares are pledged as collateral to these institutions as of December 31, 2008.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

In relation to the housing loans and movement cost for future tenants during the construction period, the Company has provided guarantees amounting to ₩6,994,706 million to financial institutions as of December 31, 2008.

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, 2008, the aggregate amount of these claims as a plaintiff and as a defendant amounted to ₩33,124 million (11 cases) and ₩37,114 million (37 cases), respectively. As of December 31, 2008, whether the Company will win or lose in these cases can not be predicted. On the other hand, of the on-going cases as of December 31, 2008, 4 cases amounting to ₩28,168 million in which the Company is a plaintiff and 9 cases amounting to ₩23,740 million in which the Company is a defendant were included in on-going cases as of December 31, 2007.

The Company provides loans to reconstruction associations for house reconstruction projects. The outstanding balance of long-term and short-term loans to those associations amounted to ₩467,531 million as of December 31, 2008.

28. Derivative financial instruments

The outstanding currency forward contracts as of December 31, 2008, are summarized as follows (Korean won in millions, foreign currencies in thousands):

Long position		Short position		Number of Amountcontracts	Guaranteed exchange rate
Currency	unit Amount	Currency	unit Amount		
CHF	23,013	JPY	2,198,957	3	94.98~96.03
EUR	9,927	JPY	1,535,731	3	152.87~156.17
EUR	450,024	USD	625,732	38	1.2771~1.4622
GBP	3,941	USD	6,987	5	1.5567~1.9687
JPY	970,022	CHF	10,025	3	94.05~100.77
JPY	292,699	EUR	1,979	1	147.88~147.88
JPY	25,341,665	USD	254,371	28	88.30~113.35
KRW	17,561	JPY	1,718,562	5	8.53~14.85
KRW	610,677	USD	594,600	24	915.90~1302.80
USD	18,572	EUR	14,000	26	1.2401~1.5372
USD	14	GBP	9	1	1.50~1.50
USD	60,437	JPY	6,303,880	9	9.05~113.35

The outstanding currency swap contracts as of December 31, 2008, are summarized as follows (foreign currencies in thousands):

Date of contract	Maturity date	Contract unit	Amount	Contracted exchange rate	Receiving interest rate	Payment interest rate
January 31, 2008	January 31, 2011	USD	310,000	942.93	USD 6M LIBOR +1.10%	5.426%

The outstanding foreign exchange risk insurance contracts with Korea Export Insurance Corporation as of December 31, 2008 are as follows (U.S. dollars in thousands, except for exchange rate):

Counter party	Contract amount	Guaranteed exchange rate (KRW/foreign currency 1unit)	Date of contract	Maturity date
Korea Export Insurance Corporation	USD 4,442	996.60~1012.90	2005-04-14	2009-02-28
Korea Export Insurance Corporation	USD 157,578	921.00~934.90	2006-12-15	2010-03-31
Korea Export Insurance Corporation	USD 269,538	907.70~932.20	2007-08-14	2011-10-31
Korea Export Insurance Corporation	USD 28,786	914.90~927.90	2007-05-21	2009-12-31
Korea Export Insurance Corporation	USD 261,389	918.50~919.30	2007-10-31	2011-07-31
Korea Export Insurance Corporation	USD 161,030	922.30~938.10	2007-08-31	2011-07-31
Korea Export Insurance Corporation	JPY 2,291,438	7.8980~8.6430	2007-08-06	2010-04-30
Total	USD 882,763			
	JPY 2,291,438			

Details of valuation of derivative instruments as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008								
	Valued amount		Current gain and loss			Accumulated other comprehensive income (*)			
	Assets	Liabilities	Gain	Loss	Total	Gain	Loss	Total	
Currency forward	₩ 188,676	₩ 175,764	₩ 147,054	₩ 146,942	₩ 112	₩ 36,021	₩ 27,900	₩ 8,121	
Currency option	-	-	140	1,598	(1,458)	-	-	-	
Currency swap	82,578	-	101,577	-	101,577	-	18,999	(18,999)	
Foreign exchange risk insurance	294,468	294,440	290,446	290,446	-	-	-	-	
Total	₩ 565,722	₩ 470,204	₩ 539,217	₩ 438,986	₩ 100,231	₩ 36,021	₩ 46,899	₩ (10,878)	

	2007								
	Valued amount		Current gain and loss			Accumulated other comprehensive income (*)			
	Assets	Liabilities	Gain	Loss	Total	Gain	Loss	Total	
Currency forward	₩ 42,424	₩ 11,023	₩ 1,178	₩ 483	₩ 695	₩ 41,410	₩ 10,704	₩ 30,706	
Currency option	1,295	-	184	167	17	-	-	-	
Foreign exchange risk insurance	3,313	4,500	450	302	148	3,155	4,489	(1,334)	
Total	₩ 47,032	₩ 15,523	₩ 1,812	₩ 952	₩ 860	₩ 44,565	₩ 15,193	₩ 29,372	

(*) Before deducting deferred income taxes

[Application of KAI practice opinion on financial report 2008-2]

The Company changed cash flow risk hedge accounting into fair value risk hedge accounting on the date when the forecast foreign currency contracts became firm commitments. As a result, the Company recorded firm commitment assets and firm commitment liabilities amounting to ₩431,216 million and ₩4,886 million in the financial statements for the year ended December 31, 2008.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

29. 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, 2008 and 2007 are ₩76 million and ₩23 million, respectively.

The contributions to society made by the Company for the years ended December 31, 2008 and 2007 amounted to ₩4,259 million and ₩4,189 million, respectively.

30. 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 from the public area or from wheel washers are 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, 2008 and 2007 amounted to ₩12,774 million and ₩9,659 million, respectively.

31. Human resource development

Expenditures incurred for the development of specialization in human resources during the years ended December 31, 2008 and 2007 amounted to ₩4,926 million and ₩5,745 million, respectively.

32. 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., Kyungbang Ltd., etc.
Civil division	Road, railway and others	Korea Land Corp., Korea rail network authority, etc.
Housing division	Apartment, high-rise residential building and others	Korea Real Estate Investment Trust Co., Ltd., Banpo Jugong 3rd Complex Rebuilding Association
Plant division	Oil refinery equipment and others	Aromatics Oman LLC, Qatar Petroleum, etc.
Power division	Power plant, district heating and 74 others	Korea Midland Power Co., Ltd., Korea Hydro & Nuclear Power Co. Ltd.
Environment sustainability division	Wastewater processing facility, waste processing facility and others	Environmental Management Corporation, etc.
Others	Golf course, Condo, Rental and others	Unspecified

The following table presents the financial information of the Company by business segments for the years ended December 31, 2008 and 2007 (Korean won in millions):

Division	2008			
	Sales	Operating Income (loss)	Property, plant and equipment, and intangible assets	Depreciation and amortization
Architecture division	₩ 1,264,942	₩ 42,94	₩ 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	152,456	18,887	2,014	328
Environment sustainability division	237,953	2,054	6,486	362
Others	52,772	[14,753]	776,207	15,219
	₩ 6,865,848	₩ 478,323	₩ 1,415,488	₩ 30,130

Division	2007			
	Sales	Operating Income (loss)	Property, plant and equipment, and intangible assets	Depreciation and amortization
Architecture division	₩ 1,048,081	₩ 42,169	₩ 223,704	₩ 4,395
Civil division	789,560	145,885	18,638	1,389
Housing division	1,941,461	136,840	240,523	3,013
Plant division	1,972,837	144,548	47,299	3,569
Power division	-	-	-	-
Environment sustainability division	212,257	[7,621]	6,370	504
Others	47,340	[19,777]	556,404	15,566
	₩ 6,011,536	₩ 442,044	₩ 1,092,938	₩ 28,436

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

The following table presents the sales of the Company by geographical segments for the years ended December 31, 2008 and 2007 (Korean won in millions):

	2008		2007	
Domestic sales	₩	5,303,202	₩	5,054,534
Central Asia		1,269,817		831,067
China		17,620		21,815
Others		275,209		104,120
	₩	6,865,848	₩	6,011,536

33. 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, 2008 and 2007, are as follows (Korean won in millions):

	Construction costs		Selling and administrative expenses		Total	
	2008	2007	2008	2007	2008	2007
Labor costs	₩ 294,118	₩ 230,228	₩ 127,005	₩ 171,752	₩ 421,123	₩ 401,980
Severance and retirement benefits	30,790	26,834	13,279	13,731	44,069	40,565
Employee benefits	56,350	44,456	24,494	23,684	80,844	68,140
Rental expense	31,701	18,451	12,710	8,119	44,411	26,570
Depreciation	23,601	22,638	6,181	5,303	29,782	27,941
Amortization	-	45	348	451	348	496
Taxes and dues	48,274	40,025	7,863	8,085	56,137	48,110
	₩ 484,834	₩ 382,677	₩ 191,880	₩ 231,125	₩ 676,714	₩ 613,802

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

Summary of operating results (unaudited) for the three months ended December 31, 2008 and 2007 are as follows (Korean won in millions, except per share amounts):

	Three months ended December 31,	
	2008	2007
Sales	₩ 2,052,781	₩ 2,132,916
Cost of sales	1,797,414	1,835,670
Gross profit	255,367	297,246
Operating income	121,030	148,378
Net income	(21,186)	123,914
Earnings per share:	₩ (428)	₩ 2,482

35. Comprehensive income

The details of comprehensive income for the years ended December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008		2007	
Net income	₩	381,554	₩	399,316
Other comprehensive income:				
Gain on valuation of available-for-sale securities		215,714		4
Loss on valuation of available-for-sale securities		(1,173)		-
Credit equity adjustment arising from equity method investments		279,704		(4,694)
Debit equity Capital adjustment arising from equity method investments		38		418
Gain on translation of foreign currency		(12,037)		(88)
Gain on valuation of derivative instruments		(13,274)		30,654
Loss on valuation of derivative instruments		(21,387)		(13,590)
Asset revaluation surplus		238,089		-
		685,674		12,704
Comprehensive income	₩	1,067,228	₩	412,020

INTERNAL CONTROL OVER FINANCIAL REPORTING REVIEW REPORT



ERNST & YOUNG HANYOUNG

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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, 2008. 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 its assessment of the operations of the ICFR as of December 31, 2008, the Company's ICFR has been effectively designed and has operated as of December 31, 2008, in all material respects, in accordance with the ICFR standards established by the ICFR Operations Committee."

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 existence as of December 31, 2008, and we did not review the ICFR subsequent to December 31, 2008. 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 15, 2009

This report is annexed in relation to the audit of the financial statements as of December 31, 2008 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 Corporation

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, 2008.

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, 2008, in all material respects, in accordance with the ICFR standard (name of other standard, if used).

February 9, 2009

Myung-Soo Huh

Chief Executive Officer or President

Jae -Seung Doe

Internal Control over Financial Reporting Officer