

LAND Land holds every living creature. **IS** There is no alternative to land. **PLAYGROUND** Land is home to life.

Human beings can be self-centered when they perceive and judge everything from their own perspective. Consequently, every living creature except humans is under serious threats. Now is the time for the human race to make efforts to realize the co-existence of every living entity. All the living creatures in water, mountains, fields and cities deserve a happy life.

Take a moment to think of planktons, fish and other creatures in water; birds, trees and grass in the mountains; grains and fruits in the fields; and people and animals in cities and towns. All the living creatures need to co-exist. It is KLC's philosophy that land is a playground for every life.

Human beings have made economic development in pursuit of their own happiness. However, dark shadows have formed under the tree of economic growth, human relationships have become complicated, and the environment has degraded. We need to pursue sustainable growth where economic development, human relationships and the environment exist in harmony. KLC will continue to do its best to achieve sustainable development in order to ensure that the future generations will prosper on healthy land.

| Purpose of the Sustainability Report |

Since its founding in 1975, Korea Land Corporation (KLC) has been striving to advance the national economy and enhance the welfare of the Korean people. Dedicated to the "Gardner of the National Territory" philosophy derived from a belief that gardening of our land is none other than our own responsibility, KLC is committed to taking a good care of our one and only land that will be shared with our future generations.

The Sustainability Report 2006 is the second Sustainability Report that shares our commitment to society as well as KLC's business, environmental and social performance.

In this Report, KLC has documented its corporate strategies, systems, operations and results in the three main pillars enabling sustainability: economy, environment and society.

Compared to the first Sustainability Report issued in April 2005, the Report of 2006 was enriched by incorporating opinions and suggestions from civic groups and independent reviewers.

| Criteria of Reporting |

The Report was drawn up following the Global Reporting Initiative (GRI) 2002 (GRI G2) with reference to the revised GRI 2006 (GRI G3). A priority was given to accuracy and objectivity of data and information contained in the Report.

| Scope of the Report |

The Report covers KLC's performance in sustainability management from January 2005 to July 31, 2006.

| Independent Verification of the Report |

A third-party was invited to verify the Report to ensure its reliability. The structure and contents of the Report was reviewed by the Independent Verification Council and the details of the review are included on page 94.

| For More Information |

A variety of information on KLC's management activities is available on the KLC website. You can also access this Report as well as the previous Sustainability Report on the website.

For further information concerning the Report, please contact us at the numbers or email address as the following:

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"We look forward to your continued interest and support to help us become a trusted public corporation with world class services for our customers."





"We borrow the land from our future generations."

We are committed to enhancing quality of life of the people by developing 'sustainable land' and creating 'cities with high standards of living'.

Land is a living ground that we share with our future generations. We develop land for housing and business to have a prosperous life. In this process of development, it is important to gain trust of people and create a shared vision for beautiful living grounds by reaching a social consensus, resolving conflicts and preserving the environment

In 2005, Korea Land Corporation (KLC) developed "strategies for sustainable management" to ensure environment-friendly and socially responsible management practices. To this end, KLC has established sustainable development systems where preservation and development are achieved in parallel. Also, a comprehensive land information database has been built to manage information on geography, land suitability, land transactions, environmental impact and cultural properties. Based on such information, KLC has strictly zoned areas for development and areas for preservation. Furthermore, KLC has been creating world-class towns and cities where residents can enjoy quality of life. Also, transparent TOMATO management practices and continuous innovations have granted KLC with recognition and trust from the gen-

The year 2006 witnessed growing conflicts of interests between development and preservation. In an attempt to deal with resistance to expropriation of land and conflicts in the process of development, the Role Play System was introduced. This system allows people to analyze particular development projects from multiple interest group perspectives and identify potential issues and problems. In addition, customer committees are formed to discuss issues related to development, and customers can inspect the quality of the final products before they move in. These are part of the TOMATO Transaction System where customers take part in the entire process from contract signing to moving in.

KLC is one of few public corporations to establish the "environmental performance" system and manage 21 environmental indicators, including a greener supply chain, environment-friendly designs and green partnership. The Onnuri Volunteer Group has formed partnership with the Korean Red Cross to perform social services. In addition, KLC has been carrying out the 'Green Society' campaign together with the environmental groups, in which old parks and playgrounds are repaired and environment-friendly recreational facilities are built.

KLC will continue to practice sustainable management to remain responsible for the nation and the society and put priority on interests of the people. We hope that the general public will recognize our efforts for

This report is the second of its kind and is an expression of KLC's commitment to sustainable management. We aspire to gain trust of the people, the society and the world by disclosing our efforts for sustainable management. Based on the trust gained, KLC will continue to offer quality land services entrusted by the nation and contribute to the economic growth and efficient use of the land.

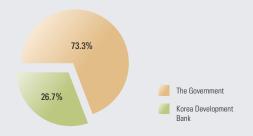
Jae Hyun Kim, President and CEO

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31 years of caring for national land

The history of KLC goes back to 1975 when Land Fund was established. In 1979, it was expanded to the Korea Land Development Corporation, which was renamed into the Korea Land Corporation in 1996. Throughout its history, KLC has been dedicated to national economic development and welfare of the people. The goal of creating KLC was to make contributions to the nation's economic growth through comprehensive development and conservation of the national territory and efficient use of land resources. KLC performs acquisition, management, development and supply of land in an efficient manner, thus increasing value-added of land resources.



As of July 31, 2006, KLC's equity is worth 5 trillion won and its paid-in-capital is 2.42 trillion won. KLC makes profits on its own without receiving financial support from the government or incurring additional burden on tax payers. The organization consists of central headquarters and 12 regional divisions, where 2,662 professionals in the areas of land and real estate development are implementing national land policies.

Category	Executives	Rank 1	Rank 2	Rank 3	Rank 4&5	Rank 6	Contract professionals	Total
Number of people	8	38	241	661	1,473	104	137	2,662

Category	Total	The government	Korea Development Bank
Paid-in Capital	2,420,000	1,774,735	645,265
Equity Ratio (%)	100	73.34	26.66

(Unit: million won)



Best Practices in Sustainable Management

Sustainability 2006

Gimpo Yangchon New Town

A green area originally designated for full conversation was transformed into a hilly park, thereby saving 125.8 billion won, or 1.3% of the total cost.

Yangju Okjeong New Town

By implementing alternative measures such as expansion of disposable area, the actual cost went below the target cost (3,874,000 won per pyeong).

As a specialist in land development, KLC improves competitiveness of the national land resources and creates quality urban environment.

We have accelerated management innovation and restructured our business organizations centered on customers in order to develop creative living spaces.

Driving the National Economic Growth through Continuous Land Development

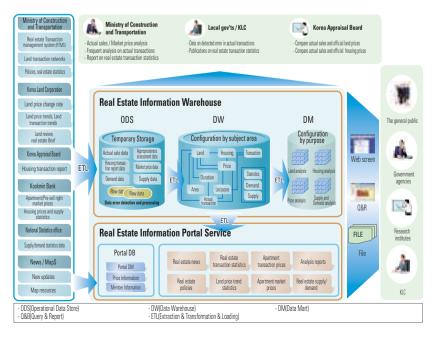
- As of 2005, KLC has invested 53.532.2 billion won to develop 516.93 million m² of land
- KLC has invested 40,731.9 billion won to develop 239.04 millionm² of residential land in 250 development sites. One tenth of the nation's population has been provided with new residences.
- KLC has invested about 8 trillion won to develop 131.5 million m² of land in 51 industrial complexes. As a result, 7,249 companies have been provided with a new place to work and a total of 750,000 jobs created.

KLC has secured stronger capabilities to carry out national projects based on continuous improvement of the financial structure with sales over 6 trillion won and debt ratio below 100% for three consecutive years.

- Rated A by S&P through efforts to improve international credit rating (July 2005)
- Efficient management of financial risks by linking the enterprise risk management system with the financial risk management system
- Continuous cost saving through the target cost management system
 - Areas for cost saving are not only limited to the production phase but encompass the entire process from planning, production, sales and customer services
 - · Real-time tracking and monitoring on the project site through links with KOPAS(KOLAND PROJECT PROPRIETY ANALYSIS SYSTEM)
 - · Introduction of a construction cost analysis system in order to reasonably assess cost and profit on each project site

A dedicated team named Innovation planning office has been established under the CEO's Office to drive KLC's innovation efforts and develop sustainable growth strategies. These strategies have been linked with key mid- to long-term business strategies of KLC.

- KLC created a team to manage environment and social performance indicators and improve management practices in this regard.
- KLC has established procedures to extract and manage data on KLC's management and environmental activities.



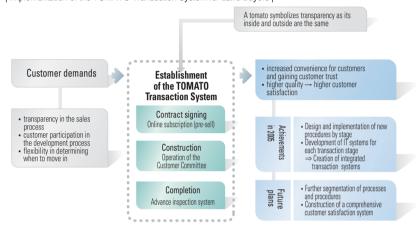
Strengthened Communications with Stakeholders

- Establishment of the "TOMATO Transaction System"

 The entire process of land transactions and production, ranging from information on properties for sale, bidding and defect inspection, is disclosed in a transparent manner. Customers are welcome to take part in the process as well.
- KLC has carried out 'a greener society' campaign to minimize side effects of rapid industrialization and ensure co-prosperity of nature and human beings. Also, a Committee on a Green Society was inaugurated with its membership of outside experts such as journalists, scholars and social activists.

- Resolved an issue over preservation of toads in Chungju Sannam 3rd Site - Discussed and supported efforts to preserve fire flies in Pyeongtaek - Resolved environment-related conflicts in Chungju Yulrang 2nd Site

| Implementation of the TOMATO Transaction System for Land Buyers |

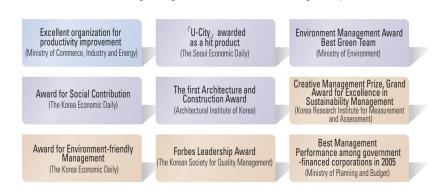


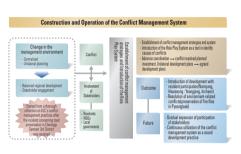
- Establishment of the Conflict Management System KLC has adopted a pro-active conflict management system where prevention of conflicts takes priority. To this end, a committee was established to manage conflicts with environment groups. Also, a conflict management manual was created and the Role Play System was built for conflict management.
- KOrea Real Estate Information System (KOREIS)

 Instead of providing information on speculative properties for sale, KOREIS discloses information on actual prices of real estate transactions reported to the authorities in accordance with the Act on Realtor Business and Real Estate Transaction Report, thereby contributing to stabilizing real estate prices.

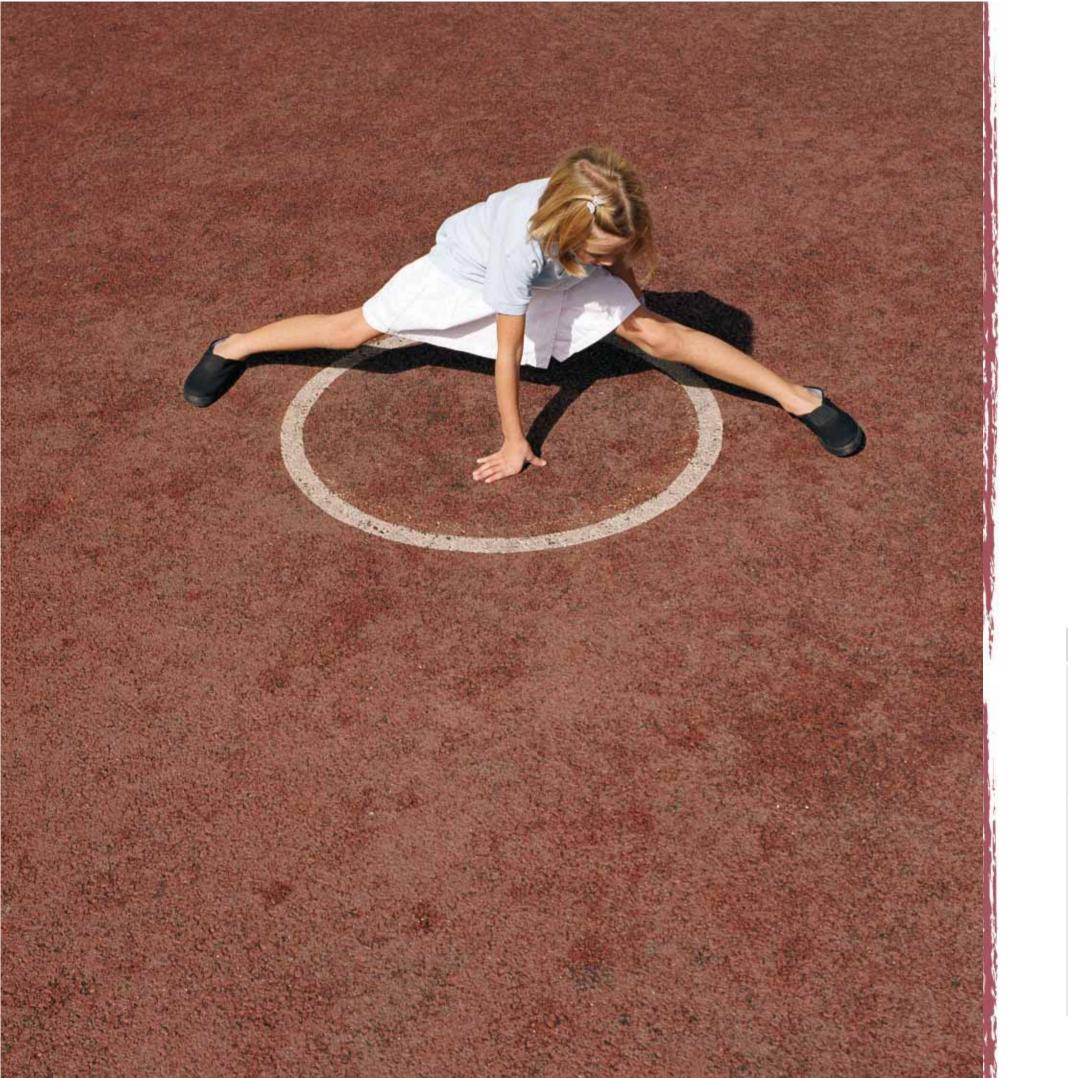
Evaluations on KLC's Sustainability

For the past year, KLC acquired 37.83 million m², developed 17.11 million m² and provided 17.64 million m² of land, generating a net profit for the current period of an impressive 607.8 billion won. Also, thanks to efforts for management innovation such as the introduction of the Role Play System and a wage peak system, KLC was ranked number one in the government management evaluation of 2005. In addition, KLC was designated by the Ministry of Commerce, Industry and Energy as a model for productivity improvement. These accolades showcase a high recognition for KLC's excellent management performance.









Our **Creative**ground

The national land is a valuable asset for us and our future generations.

"Love for humanity, nature and culture is expressed through our devotion to the national land and the people."

KLC is pursuing the value of creating a living space where human and nature co-exist and residents appreciate quality culture. We are offering a world where residents enjoy convenient and pleasant facilities while sharing culture and art with neighbors.

	Business Area	Key Strategies
The National Land Policy Project	Free Economic Zone Project New Town Construction Project Inter-Korean Project Multifunctional Administrative City Construction Project Innovation City Construction Project Overseas Development Project	- Strengthening the status of the corporation through successful implementation of policy projects and expansion of market shares in profitable businesses - Responding actively to market demands in the metropolitan areas - Dedication to inter-Korean economic cooperation initiatives based on industrial complex development - Close collaboration with the government as the official implementer of the project - Working closely with local governments for regional development - Building a ground for expanding overseas businesses and identifying new business opportunities overseas
Balanced Development of the National Land	Housing Estate Development Project Industrial Complex Development Project Comprehensive Regional Development Project Public Compensation Trust Regional Cooperation Commission Business	Delegating small-scale development to local authorities while KLC continues to carry out large-scale development projects Promoting innovation clusters by providing infrastructure for regional innovation Pursuing an efficient and balanced use of the national land based on a thorough and comprehensive planning Continuous operation of the public compensation trust to strengthen KLC's responsibility as a public corporation Expansion of commission businesses through closer cooperation with the local governments
The National Land Management	Land Banking National Land Information Project Government Land Management	- Active development of the land banking business - Serving as the main control tower where a comprehensive National Land Information Database is managed - Expanding government-owned lands, improving business profitability and identifying potential business opportunities

The National Land Policy Project

Sustainability 2006

| Development of Cheongla Free Economic Zone |



| Cheongla District Land Usage Plan |

We are building an oceanic and futuristic urban activity axis while making the area serve multi-functions in the area of globalization.

KLC drives the nation's development by undertaking national policy projects.

As a public corporation leading national development, KLC carries out large-scale national policy projects exclusively. They include projects to promote a balanced development between the Seoul metropolitan area and other regions and initiatives for inter-Korean economic cooperation. We are focused on creating pleasant living space and meeting the global standards of land management. Thus, KLC establishes the foundation for Korea to become an economic hub of Northeast Asia in the 21st century and beyond.

Free Economic Zone Project

"The free economic zone projects are instrumental in Korea's transformation into an economic hub of Northeast Asia."

The Korean peninsula is located at the center of Northeast Asia. Taking full advantage of the nation's geographical position, KLC is pushing for projects to create free economic zones that will accelerate Korea's transformation into an economic hub of the region.

New Town Construction Project

"We build new towns for residents that provide pleasant and convenient living space with natural beauty and cutting edge technology."

With the participation of local residents, we are building high-tech new towns that are environment-friendly, self-sufficient and multi-functional. The four new towns in Bundang, Seongnam; Ilsan, Goyang; Pyeongchon, Anyang; and Jungdong, Bucheon were created by making the most of their respective local characteristics in accordance with the principle of respect for humans. Outfitted with convenient amenities, public facilities and green districts, they serve as a perfect model of new town development. Additional projects for building new towns of more advanced level are currently under way in Dongtan, Pangyo and Gimpo. Furthermore, in an effort to support the government's "8.31 Policy for Stable Real Estate Market" aimed at providing additional public housing and strengthening the public nature of the housing market, KLC has decided to construct three more new towns in an area of 10.91 million pyeong.

	Hwaseong Dongtan	Songpa Geoyeo	Pyeongtaek Inter- national City	Gimpo Yangchon
Area	18,843,0000 m ²	6,768,0000 m ²	17,461,0000 m ²	11,850,0000 m ²
Function	Spreading population concentrated in the Metropolitan area	Stabilizing housing prices and attracting residents of the southern part of Seoul	A regional center for the south- ern part of Gyeonggi Province	Facilitating inter-Korean cooperation in preparation for reunification
Characteristics	Reorganization of the Metropolitan area	Creation of an environment-friendly and upscale town	Specialized in international trade, education and business support functions	A center in Northeast Asia and a major source of water resources

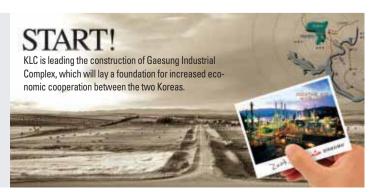
Inter-Korean Project

"Looking forward to a unified Korea, we build a foundation for closer inter-Korean relations." KLC is actively engaging in inter-Korean economic cooperation projects that are aimed at promoting

mutual prosperity of the two Koreas and laying a foundation for a unified Korea through increased inter-Korean exchanges. We have invested 222.6 billion won for the first phase of the development of Gaesung Industrial Complex, which will transform the area into an economic hub of Northeast Asia and a business platform for SMEs to expand their operations into North Korea. We are also seeking prospects for additional development projects in the North.

| Development of Gaesung Industrial Complex |

- · Companies who move in will be guaranteed with 50 years of land use as well as property rights.
- KLC has built communication infrastructure and lowered telecom charges in order to help enhance competitiveness of companies. We also have established legal measures and policies to ensure a stable investment environment.
- \cdot KLC has built a closer relationship with the North Korean authorities by providing heaters and winter fuels to local residents.
- (Winter fuel support: a total of 3.53 billion won (KLC: 2.01 billion won, The South Korean government: 1.52 billion won))



Multifunctional Administrative City Construction Project

"We will build a world class city that will lead a balanced development of Korea."

Excessive centralization of the population and competitiveness in the Seoul Metropolitan Area has resulted in a sharp increase in social and economic costs as well as a widening gap among the regions. In an attempt to address this regional imbalance, the government decided to build a multifunctional administrative city in 22.12 million pyeong of land. KLC has been chosen as the sole executor of this project.



A view of the site for multifunctional administrative city projects I



l Bird view of the multifunctional administrative city



Our Creative ground Our Creative ground



| Collaboration in developing a new town in Mongolia |

Overseas Development Project

"We are laying a foundation for Korean companies to expand their operations abroad."

With growing economic cooperation in Northeast Asia, KLC is building overseas industrial complexes to support Korean companies expanding their business abroad. They include a project to build an industrial complex in Hanoi, Vietnam, joint projects to develop new towns in Mongolia, Algeria and Azerbaijan, as well as cooperation with the Ministry of Territory and Resources in China. These programs are intended to support Korean companies entering overseas markets and identify new growth potentials of KLC.

Innovation City Construction Project

"KLC is realizing the vision of a balanced development of the national territory by creating innovation cities that reflect unique characteristics of respective regions."

An innovation city refers to a future-oriented city where relocated public agencies, industry, universities, research institutes, and the government work together to bring about innovation while residents eniov quality living conditions, education and culture. Parties involved in innovation efforts are connected through networks, thereby learning from each other and promoting innovative capacities. An innovation city is also a knowledge-based city where knowledge is created and technological innovations are made. Finally, it is an environment-friendly city that offers pleasant living environment.

A total of 10 innovative and dynamic cities will be built nationwide by relocating public agencies. KLC plans to complete the creation of 6 innovation cities by 2012, except those in Jeju Island, Gyeongnam, Chungbuk and Busan. Innovation cities will be designed to maximize exchanges and collaborations among industry, research centers, universities and public organizations. They will also be equipped with cutting-edge infrastructure for residence, culture, transportation and telecommunications. These cities of innovation are expected to enhance global competitiveness of respective regions and drive the nation's economic growth.

For the past four decades, Korea achieved an enormous economic growth through concentrated development strategies in the Seoul metropolitan area. However, such an approach produced undesirable side effects such as excessive centralization of the metropolitan area while other regions have been left out in the process. The government decided to relocate public agencies in an effort to resolve this imbalance and provide other regions with a basis for economic self sufficiency and innovation.



| Bird View of an Innovation City |

U-City Development Project

For the first time in the world, KLC is building digital cities called "U-City", which is a future-oriented city equipped with a "ubiquitous" IT environment, Currently, the U-City projects are under way in Dongtan Hwansung, Heungduk Yongin, Pangyo Seongnam and multifunctional administrative cities. Cutting-edge IT infrastructure and ubiquitous information services will be available so that residents can enjoy a convenient and pleasant life through ubiquitous network connections.



		Yongin Heungduk District	Hwasung Dongtan New Town	Pangyo New Town
Loc	Location	Ilwon, Youngduk-ri, Giheung- eup, Yongin City	Dongtan-myeon, Taean-eup, Hwasung City	Pangyo-dong, Hasanun-dong, Sampyeong- dong, Bundang-gu, Sungnam City
Business	Area	2,146,000m²	9,037,000m ²	9,307,000m ²
District Overview	Project period	February 2004 ~ December 2008	December 2001 ~ December 2007	December 2003 ~ December 2009
Target popu lation Number of	Target popu- lation	29,000	120,730	80,412
	Number of households	9,180	39,825	26,804
	roach to levelopment	With high-quality wired and wireless telecommunication services provided in the entire area, information gaps with other cities will be bridged and the vision for an information-based city can be realized.	This digital city will be equipped with advanced IT and communications infrastructure to realize the vision of an ubiquitous environment. A central office for public information will provide useful information to the residents on a real time basis by using high quality IT networks.	By utilizing rich natural environ- ment, such as parks and green areas, in the district, KLC is trying to create "U-Ecotopia" where the residents can enjoy convenient urban life and IT technologies as well as appreciating nature.

Plans for Innovation City Construction

Gangwon Innovation City

Location Bangok-dong, Wonju City, Gangwon

Area 3,458,000m² (1,046,000 pyeong) Public agencies to be relocated 13 agencies including the National Health Insurance Corporation **Target population** 25,000 (No. of housing units to

Gwangju/Jeonnam Innovation City

Location Geumcheon and Sanpo, Naju City, Jeonnam Province **Area** 7,581,000m² (2,291,000 pyeong) Public agencies to be relocated 17 agencies including Korea Electric Power Corporation **Target population** 50,000 (No. of housing units to be built: 20,000)

Gyeongbuk Innovation City

Location Nam-myeon and Nongso-myeon, Gimcheon City, Gyeongbuk Province **Area** 3,477,000m² (1,051,000 pyeong) Public agencies to be relocated 13 agencies including the Korea Highway Corporation **Target population** 25,000 (No. of housing units to

Daegu Innovation City

Location Sinseon and Dongnae Districts, Dong-gu, Daegu City **Area** 4,390,000m² (1,328,000 pyeong) Public agencies to be relocated 12 agencies including the Korea Gas Corporation **Target population** 29,000 (No. of housing units to

Jeonbuk Innovation City

Location Mansung-dong, Jeonju City and Iseo-myeon, Wanju-gun, Jeonbuk Province **Area** 9,260,000m² (2,800,000 pyeong) Public agencies to be relocated 14 agencies including the Korea Land Corporation and the Rural Development Administration **Target population** 29,000 (No. of housing units to be built: 10,000)

Ulsan Innovation City

Location Ujung-dong, Jung-gu, Ulsan City Area 2.771,000m² (838,000 pyeong) Public agencies to be relocated 11 agencies including the Korea Labor Welfare Corporation Target population 22,000 (No. of housing units to be built: 7.300)

| Innovation City Exhibition Center |





| Bird view of Jeonbuk Innovation City |

| Yulha, Gimhae |





| Bird view of Gwangju/Jeonnam Innovation City | Bird view of Gangwon Innovation City |

| Innovation City Exhibition Center |

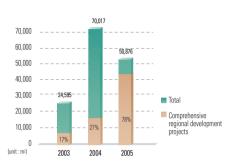






Sustainability 2006

The ratio of comprehensive regional development projects



| No. of comprehensive regional development projects |

2004	2005
10	11

| Regional Governments that signed agreements with KLC |



KLC pursues co-prosperity of the Metropolitan area and other regions thorough a balanced approach to regional development.

Balanced development of the national land will remedy the imbalance resulting from growth-oriented policies of the past. Each region will focus on developing its own strategic businesses, and create a regional innovation system through networking and interaction between drivers of innovation. Local governments and residents will be joining hands to attain comprehensive development of their respective localities, which will bring about co-prosperity of the Seoul metropolitan area and the other regions of the nation.

Comprehensive Regional Development Project

"Together with local governments and residents, KLC pursues comprehensive development strategies tailored to respective regions.

KLC has adopted a new approach to regional development, in which KLC cooperates with local governments and residents to design and develop their own regions in a more comprehensive and systematic manner by utilizing KLC's extensive experience and expertise in land development. Unlike the previous approach which centered on separate projects, KLC signs an agreement with the individual local government and works together to design a comprehensive development plan that covers various development needs such as housing, industry and distribution. This approach aims at a more balanced utilization of the national land. KLC plays a role of helping local municipalities to develop their own plans based on its years of expertise in land development. In this process, KLC also targets to remedy regional imbalance in terms of development and environment preservation. In short, KLC aspires to be an 'Enabler' for the central government, local governments and the private sector by establishing social infrastructure and helping local governments carry out their development plans.

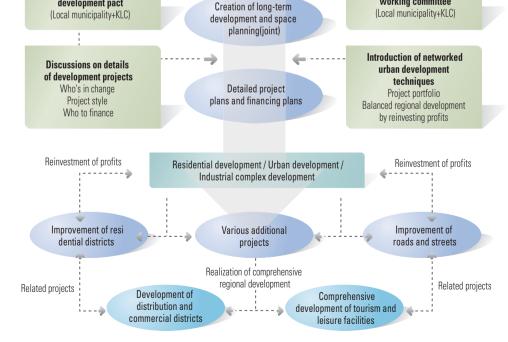
Masterplan for comprehensive regional development

Signing a basic

development pact

Creation of a joint

working committee



Housing Estate Development Project

"We are building quality residential complexes with a convenient and pleasant living environ-

KLC is building quality residential complexes nationwide for the purpose of stabilizing housing prices and supplying housing to low income families. As of 2005, KLC has invested 40,731.9 billion won to develop 72.31 million pyeong in 250 development sites. As a result, we have provided as many as 5.4 million citizens, or one tenth of the nation's total population, with new residences.

Industrial Complex Development Project

"We are building industrial complexes in accordance with the concept of innovation clusters to satisfy diverse needs of corporations."

KLC is creating industrial complexes based on eco-friendly innovation clusters where industry, universities and research institutes can create synergy thorough collaboration and interaction. This approach is suitable for the changing business environment at home and abroad in the direction of knowledge-based industries. Also, these industrial complex projects are designed in consideration of particular characteristics of each region to satisfy various needs of residents, industry and local governments and promote a balanced regional development. To this end, KLC has offered completed industrial complexes at 96% of the original production cost. As of today, KLC has invested 6,868.1 billion won to develop 39.47 million pyeong of land. As a result, over 7,000 companies and 750,000 workers have been provided with a new place to work.

Distribution Complex Development

"Advanced logistics network will be built centered on key logistics bases nationwide."

Producers and consumers need to be connected through distributors in a more organic and efficient manner. In recognition of this need, KLC is building advanced logistics complexes in major distribution bases in Cheonan, Eumseong, Ulsan and Andong, where advanced logistics systems will be established to cut down excessive logistics cost. National logistics bases, inland distribution centers and local distribution complexes will be connected to create an efficient nationwide logistics network that ensures fast and accurate transport.



Sustainability 2006

As an expert land developer, KLC enhances the nation's competitiveness.

We create new values for national land resources through professional and comprehensive research, information gathering and efficient management. We also engage in locating and discovering cultural property and treasures scattered through the nation, and protect and preserve them with a sincere affection for nature and culture.

Public Compensation Trust

"KLC supports efficient implementation of public projects by carrying out specialized commission services."

Efficient implementation of public projects and efficient budget management by local governments require specialized compensation service. KLC has a specialty in providing compensation service and performs a wide range of commissioned business for compensation trust, development, sales, projects, cultural asset investigation and quality testing. A leader in the compensation trust market, KLC has acquired the breadth and depth of skills and know-how through its experience of performing a variety of tasks on commission.

Project Financing

"In project financing, KLC carries out funding and development jointly with the private sector."

In project financing provided by KLC, the public developer provides the land, the constructor from the private sector joins the public developer with funds to pay for part of the construction costs and find a public/private joint venture. The joint venture, then, assumes responsibility for construction as well as funding for the project. Project financing will diversify the methods of property development and funding, making the property market more transparent.

Land Banking

"KLC is contributing to stabilizing supply and demand of land and promoting a sound real estate market."

KLC purchases and manages idle or underused land, and then sells it to respectable buyers, thereby stabilizing supply of and demand for land. The land lots in reserve are developed as a whole or in stages as is deemed appropriate for promoting a sound real estate market.

| Trends in land purchase |

2001	2002	2003	2004	2005
232	389	1,777	507	3,909

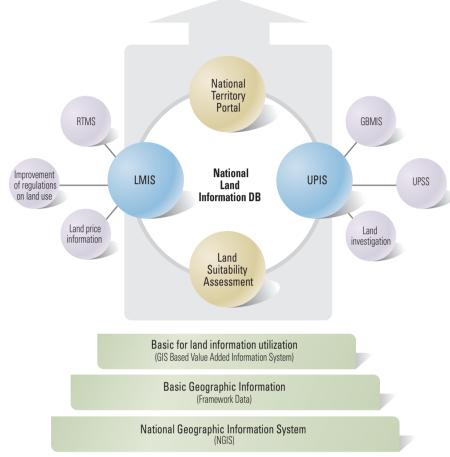
(Unit: hundred million won)

National Land Information Project

"As a comprehensive land service provider, KLC performs systematic planning and management of the national land resources."

Under the National Land Information Project, various types of analogue land information will be digitalized based on newest technologies such as GIS and Web in order to manage the land resources more effectively and address various issues related to land management. The resulting comprehensive land information system will strengthen the nation's competitiveness and improve administrative productivity. As a corporation specializing in land services, KLC carries out the government's land information project and provides training, consulting and technology support to local governments in order to support administrative efficiency and improve competitiveness of the nation's land resources.

Efficient planning, development and management of the national land



| Current Status of the Land Information Project |

Land suitability assessment - Authorized inspection agency - Specialized agency in regulation implementation - Specialized agency in assessment Specialized agency in assessment Establish DB on national policy issues - Agency in charge of building land use regulation DB - Agency in charge of building real estate transaction management system

LMIS, UPIS - Agency in charge of LMIS

- Agency in charge of land use information system - Agency in charge of operating the Land Portal website

Land Portal

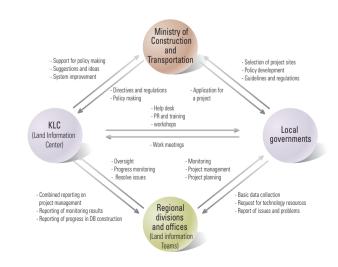
New land information

- Agency in charge of GBMIS
- Research institute in charge of studying infrastructure integration

Land policy support and land price information

- Territory investigation - Urban planning statistics
- Research institute in charge of improving Green Belt regulations
 Agency in charge of official statistics related to land

| Organic Collaboration Among Relevant Organizations |



| Purchase of land in reserve in 2005 | 2,006,000m², 390.9 billion won (771% growth compared to the previous year in terms of value)

For residential development

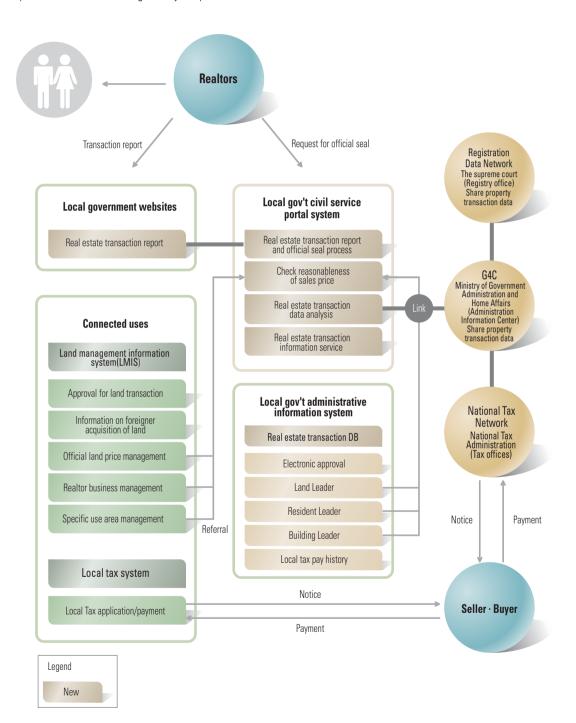
747,000m², 160 billion won

For market control

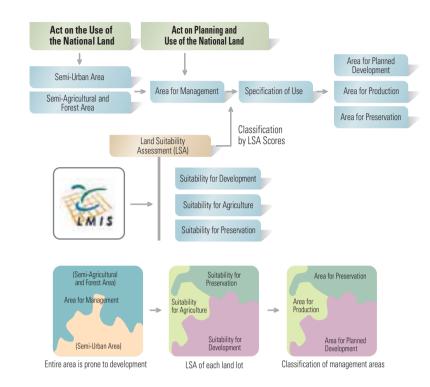
1,259,000m², 230.9 billion won

Our Creative ground

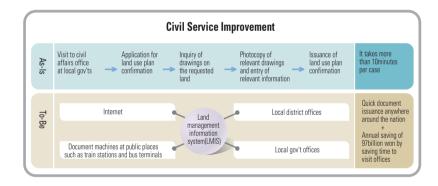
| Real Estate Transaction Management System |

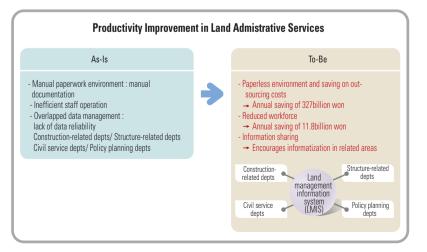


| Land Suitability Assessment |



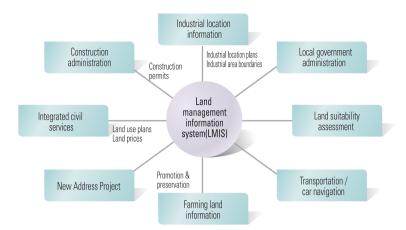
| Expected Benefits of Comprehensive Land Network |



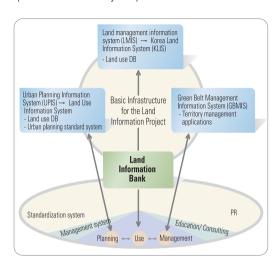


Our Creative ground Our Creative ground

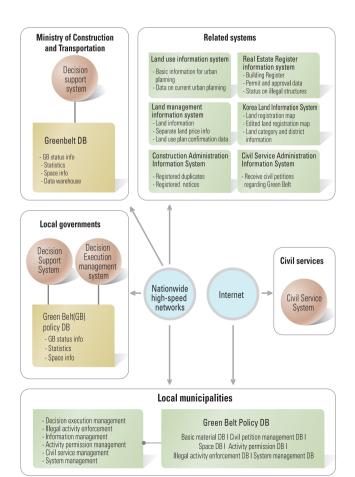
I Implications of the Land Information Project I



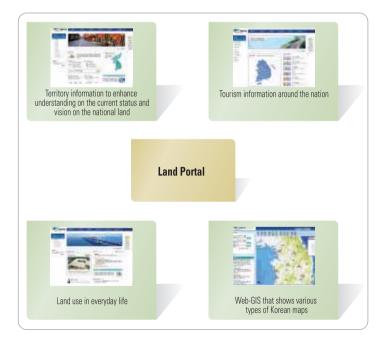
Land Use Information System I



| Green Belt Management Information System |



Land Portal



Government Land Management

"We are improving efficiency and profitability of underused land owned by the government through advanced management."

For efficient management of government-owned land, KLC has introduced advanced management measures by establishing specialized management strategies and top-notch IT systems. By adding new values to idle or underused land, KLC improves quality of life for many people. Government-owned land is managed in parallel with the land held by the corporation, which helps reduce management expenses and allows KLC's professional knowledge and practices in land management to be applied to governmentowned land as well. In particular, KLC is the first public organization to have its employees use digitalized land registration maps and PDAs during on-site inspection and investigation for higher work efficiency.

Preservation of Cultural Assets

"KLC's care for culture is demonstrated through advance investigation of cultural assets and preservation efforts."

As a public corporation in charge of carrying out nationwide development projects for a balanced land development, KLC became the first public corporation to establish a dedicated team for cultural assets in order to prevent damages to cultural assets while protecting and managing them. At the stage of basic inspection for potential development sites, a "review of impact on cultural assets" is carried out to study potential impact of development on cultural property and develop proper preservation plans. Then, KLC builds cultural villages. creates parks on historic sites, and sets up exhibition halls to preserve and nurture a unique cultural environ-

ment within local communities. KLC operates a land museum at corporate headquarters building to showcase the history of land development, Also, KLC is engaged in efforts to investigate geograph-

ic features of the Namhan Mountain Fortress and carry out academic research on the value of cultural assets in the surrounding area.



Type of Measure	Content of Measure
Review of the project	Re-investigation after readjustment of one district
Re-measurement and creation of a park	Change of plan to use 13 districts as green districts without alteration
Step-by-step investigation	Investigation of 13 districts in each stage of the project

Research and Development

"KLC is committed to improving quality of life of the people by offering better quality land policies through advanced land research."

KLC's Land Research Institute studies laws and regulations concerning land policies, researches trends in the real estate market, and recommends effective and systematic land policies. It also designs balanced national land development and management strategies through research on relocation of public agencies and a balanced regional development. Eco-friendly residential complexes are planned and designed and most efficient urban design techniques are developed, thereby contributing to enhancing quality of life. Furthermore, the Land Research Institute assists SMEs with technology development and promotes purchase of new processes and materials. Also, as a national certification agency, the Institute is in charge of testing the quality of various technologies.

| Vision and Goal of the Land Research Institute |





Efficient site investigations by use of LMIS



Land registration maps





Cadastral maps and address survey documents printed on paper would be scanned and attached afterward.





Site investigations by use of map printouts



Site investigations by use of PDAs

| Process of Cultural Heritage Protection |



Thorough investigations of cultural assets by a specialized agency Reflection on planning for cultural heritage sites and park area

Field investigation of a site for excavation and prospecting Preservation of records and major cultural heritage site, restoration of it in a safe place

Construction of an exhibition hall to display



Building a research foundation (2006~2007)

- 1 Innovating research system
- 2 Restructuring the organization centered on research
- 3 Expansion of research personnel and competence 4 Increased exchange with other research institutes at home and abroad
- 6 Improving its brand value through specialization
- 6 Developing mid- to long-term growth plan

Growth (2008~2009)

- Supporting the development of the government's land management strategies
- Forming a research forum
- Building an Eco-friendly Business Research Center

Maturation (after 2010)

- Establishing a graduate school of land and territory
- 1 Improving self-sufficiency of the Land Research
- ② Operating an urban management and consulting cen-



Our Progressive ground

We strive to be a public enterprise trusted and loved by the Korean people by demonstrating a true value of business management.

"KLC is set to fulfill its role as a public land developer by turning our nationa land into a pleasant and comfortable living space where human, nature and culture are appreciated together."

In an attempt to gain trust and recognition from the general public, KLC promotes great work place, improves efficiency of work processes and continues to create new values and achievements.

Mission

Beautiful and Livable

dates the needs of the customers

environment-friendly and accommo- abroad for residential, industrial through creative use of land and other purposes

Land

Planning, Development and

Aiming for creating land space that is

Encompassing lands at home and

Realizing high value-added

Seeking the balance between planning, development and management in executing projects

Vision

World Excellence

Management efficiency and expertise comparable to the level of world class private corporations

Land Service Company Comprehensive one-stop solutions in the areas of land services

Mid- to Long-Term Direction of the Management Strategy

- · Efficient support of national policy projects
- · Active promotion of land management projects

Strengthening core competencies

· Building optimal management systems · Improving capabilities to carry out key

Establishing sustainable manage-

- ment systems

 · Management for customer satisfaction
- · Environment management
- · Ethical management



Mission and Management Strategy

Sustainability 200

Land is an incubator that nurtures a nation.

National land is likened to an incubator that nurtures the nation because a nation is built on the territory as well as breathing and growing together. KLC is devoted to taking care of this valuable land and developing it in a creative manner so as to improve quality of life of the people. Based on this commitment, KLC's vision and mid- to long-term management strategies have been developed and implemented.

Mission: Creative planning, development and management of a beautiful and livable land

KLC is committed to fulfilling its responsibilities as an entrusted land service provider by expanding its public role of driving a balanced development of the national land and promoting a comprehensive and efficient utilization of the land resources.

Vision: To become a land service company of world excellence

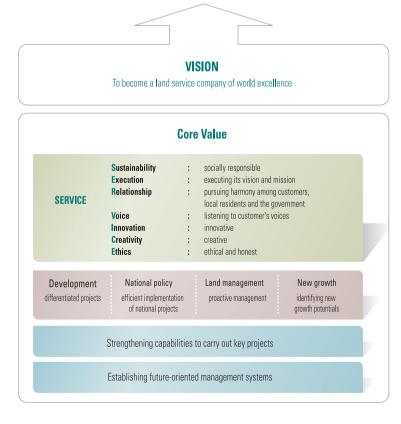
With world best management efficiency and expertise, KLC will provide extensive one-stop services in the areas of planning, development and management of land resources.

Core Value : SERVICE

By taking the spirit of service as a core value of all the executives and employees, KLC will continue to live up to its social responsibilities as a trusted public corporation.

MISSION

Creating planning, development and management of a beautiful and livable land



Mid- to Long-Term Business Strategies

To strengthen our public role as well as planning, development, coordinating and managing functions, we have adopted three key business strategies: reorganizing business portfolio to improve public role, strengthening core business capabilities, and establishing a sustainable management system.

Category	Business Strategies	Strategic Initiatives
	Efficient implementation of national policy projects	- Successful construction of administrative multifunctional cities - Efficient relocation of public agencies - Expansion of free economic zone projects - Expansion of inter-Korean economic cooperation projects
Reorganization of the business port- folio	Active implementation of land management projects	Fostering public land banking business Building a foundation for land bank by increasing national land management business Increasing the scope of land information project Expansion of cultural asset excavation and management activities
	Diversification of development projects	- Expansion and restructuring of the comprehensive regional development project - Developing an innovative model of complex development - Differentiated services for commissioned businesses - Specialized development of residential estate and new towns - Expansion of overseas development projects - Strengthening PF (project financing) business
Strengthening core business capabili- ties	Establishment of innovative management systems	- Improving a strategic management system - Innovation of performance management - Introduction of an enterprise risk management system - Building an advanced HR management system - Enhancing the competitiveness of the corporation
	Strengthening core business capabilities	- Expansion of planning and coordinating functions - Improving capacity for real estate financing business - Developing real estate consulting functions - Strengthening research capabilities
	Customer satisfaction manage- ment	- Establishing partnership for customer sustainability - Strengthening partnership with suppliers - Integrated social contribution
Establishing a sustainable management system	Environment management	Construction of an integrated environment management system Strengthening eco-friendly design and development capabilities Improving eco efficiency at the stage of development Promoting environment-friendliness in managing suppliers Facilitation of eco-communication
	Ethical management	-Establishment of an accurate ethical management system - Innovation of the corporate culture - Promoting ethics among employees

Our **Progressive**ground Our **Progressive**ground

Five Power Link Management Strategies

KLC announced a new vision and mid- to long-term strategies in 2005 and has been successfully carrying out major national policy projects for a balanced development of the national land. Its efforts for management innovation, such as the introduction of the wage peak system, helped KLC rank at the top in the government management assessment.

However, KLC will not be complacent of these achievements and will continue to assess the current management foundation in order to identify growth potentials in the future as a leading public corporation. Continuous reflection and thorough review of the management practices have provided insights to KLC concerning how to strengthen key links among major management components.

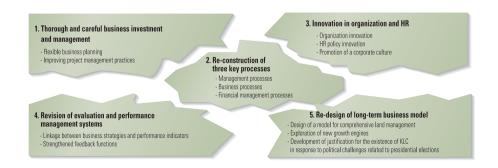
The five Power Link management strategies intend to establish a link between short-term innovation management plans for 2006 and the long-term Vision 2020 strategies. The link strategies based on internal change management are aimed at realizing KLC's vision of a land service company of world excellence.

| Structure of the Strategies |



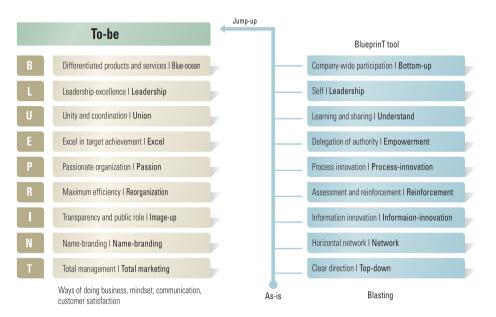
Innovation: Change management

| Five Power Link Strategies |



Innovation Management

"BlueprinT" is KLC's blueprint for innovation to earn trust and recognition of the general public. We have been implementing the BluerprinT innovation strategy based on bottom-up participation and role modeling of the management. Also, KLC is pursuing innovative branding to incorporate innovation in its corporate culture in a short period of time, demonstrating a blueprint for the future of KLC and building a consensus for innovation among executives and employees.



In 2005, campaigns to innovate perspectives and communication were carried out across the corporation. According to the government evaluation on innovation efforts, on a scale of six levels, KLC jumped up from level three to level five, which was a remarkable achievement as a leader in innova-

In 2006, BlueprinT innovation campaigns have focused on abolishing outdated customs and unreasonable management practices while instilling new core values such as fairness and transparency, customer satisfaction and social responsibility in the management. This is an indication of KLC's commitment to management improvement to become a more customer-oriented and socially responsible corporation.

BlueprinT stands for bottom-up participation, leadership, understanding, empowerment, process innovation, reinforcement of management system, information innovation, network and top-down support. The letters B and T are in upper case to emphasize a participatory nature of innovation efforts from both "B" ottom-up and "T" op-down.

KLC's Vision for Innovation

Power-Link Strategy

"We strive for innovation to develop an exciting work culture, improve work efficiency and create new values and performance continuously, thereby gaining respect and trust from the people."



Enterprise Risk Management System

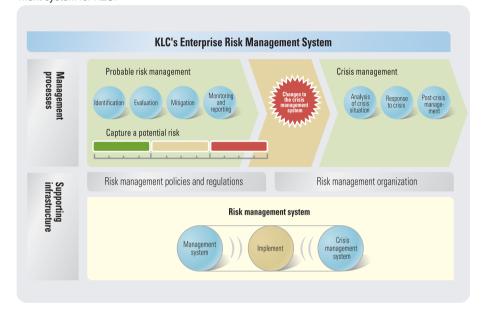
Sustainability 2006

KLC has implemented the Enterprise Risk Management (ERM) system to effectively respond to rapidly changing business environment.

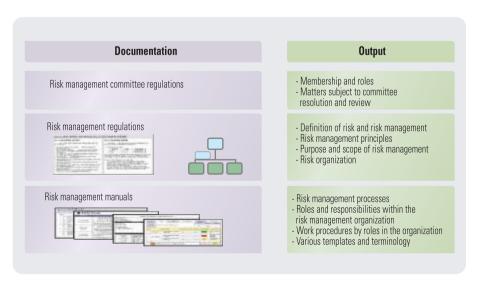
Not only are financial risks involved in carrying out large-scale policy projects such as Administrative Multifunctional City project and the Free Economic Zone projects but also overall management risks such as strategic/business risks and operational risks need to be identified, managed and alleviated in an effective and efficient manner. This explains why KLC has established an Enterprise Risk Management system.

To manage financial and non-financial risks simultaneously, the Enterprise Risk Management system connects with the Financial Risk Management system established in 2005, and the Mid-to Long-term Management Planning system, which is designed to manage financial risks associated with new land development projects.

In particular, risk management is centered on preventive measures while crisis management is focused on effective response to unexpected risks. Together, they serve as a strong risk management system for KLC.



Furthermore, the risk management committee has been formed to oversee risk management activities. A risk management manual has been created to educate executives and employees on how to respond to risk situations.



With the construction of the ERM system, KLC is now capable of responding to a changing business environment more effectively, which serves as a foundation for successful execution of the nation's land policies.

KLC has established a sustainable development system to endow quality land resources to future generations.

Based on environment-friendly and socially sound "sustainability management strategies", territory geographic data, land suitability information, transaction data, environmental impact data and information on cultural assets are stored in the National Land Information Database in order to determine areas that have been developed and areas that require preservation. This is KLC's approach to sustainable development and conservation.

Sustainability Management

Sustainability 2006

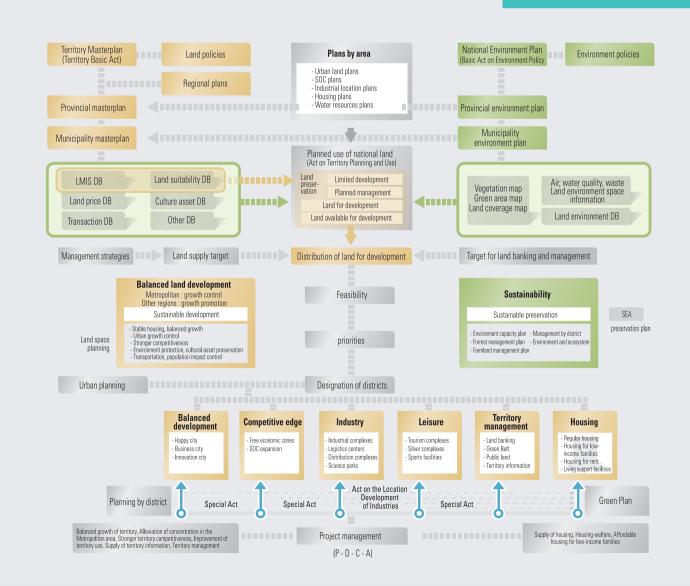
Sustainable Development System of KLC

KLC strives for balance between development and preservation as it carries out land development projects for sustainable growth of the nation.

In accordance with the comprehensive land development plan and the national environment, KLC puts environment before development. With strict and systematic management and analysis of a variety of information such as geographic data, land prices, transaction information and cultural asset data, KLC selects and manages areas that have minimum level of environmental, social and human impact as areas for potential development.

We are putting in place effective planning and development processes that maximize the value of land resources while responding to development needs for a better quality of life such as industrial growth, quality of living, bipolarization between the metropolitan area and other regions in addition to the creation of pleasant living space.

KLC's Sustainable Development Scheme





| ERM System Configuration |

4

Development of

response

measures

J RISK Map RISK production assessment bact, frequency) T Farly warning KRI calculation

> Mid- to long - term financial planning

| Risk Management Implementation Plan |

Stage 1: 2004 Financial Risk Management (FRM) system J Stage 2: 2005 Introduction of Enterprise Risk Management (ERM) system

Stage 3: 2006 Stable operation of the ERM system

| KRI (Key Risk Indicator) |

Key risk indicators need to be closely monitored and managed as they show a possibility of the outbreak of certain risks.

Goal of Sustainability Management

As part of KLC's efforts to realize Vision 2020, sustainable management is a mid- to long-term strategy that is future-oriented and encompasses customer-oriented management, environment management, clean and transparent management and social contribution.

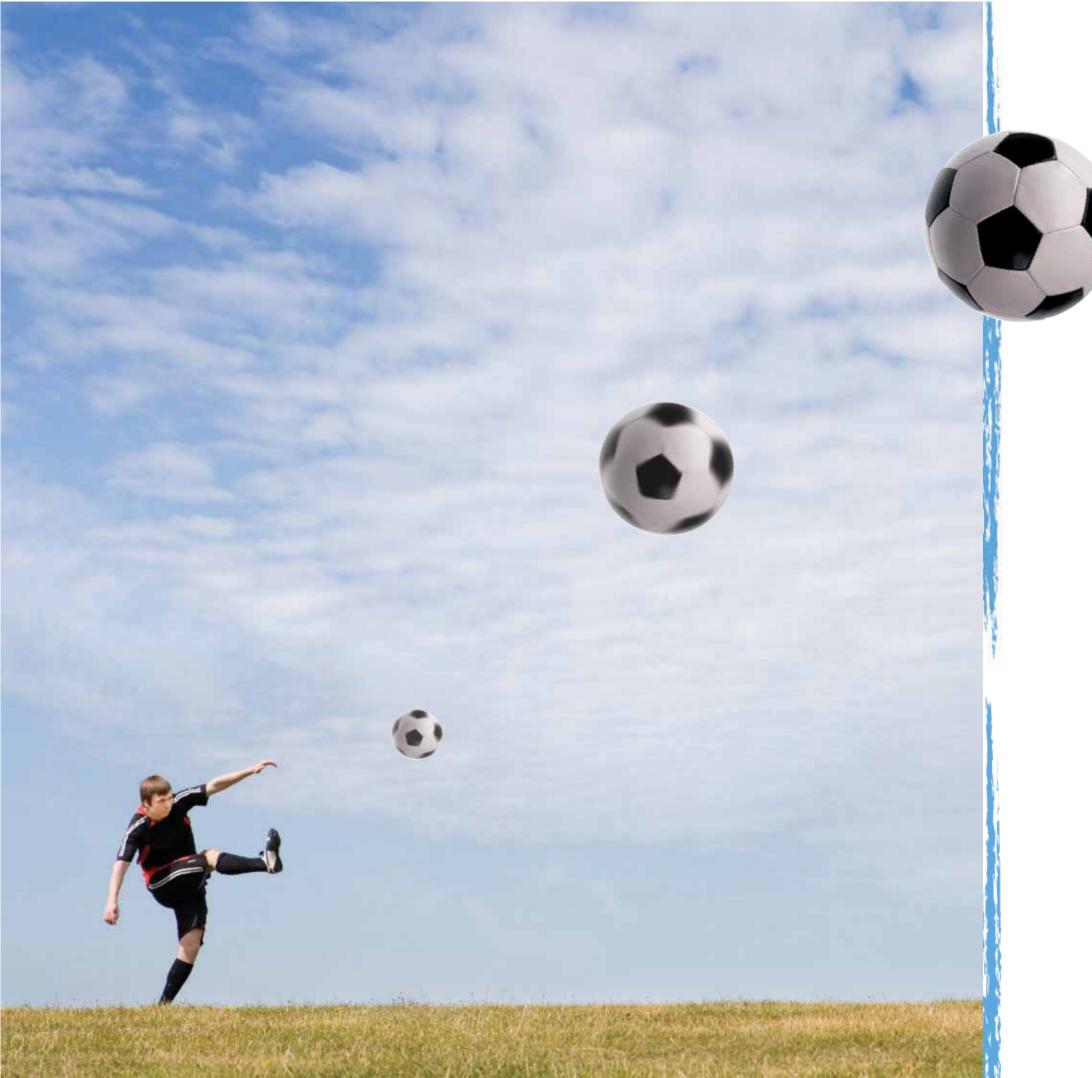




Three-staged Sustainability Management Implementation Roadmap

We are committed to becoming a respectful leader in sustainable management by considering various interest parties such as customers and assessing, evaluating and reflecting on management activities in a comprehensive manner.

Category	Aspect	SM infrastructure: 2005-2006	SM core value: 2007-2008	Leadership development: 2009-2010
Strategies	HR management and human rights management (9 initiatives)	- Establishing human rights policies - Increased employment of the handicapped	- Introducing alternative work systems (such as work at home)	- Retiree support program
Strategies in the social aspect (22 initiatives)	Customer satisfaction management (7 initiatives)	- Improving customer complaint response systems - Completing the construction of e-commerce system	Consistent improvement of the customer conflict management Improving customer royalty management	- Continuous improvement of customer satisfaction management
t (22 initiatives)	Integrated social contribution (3 initiatives)	Creating a dedicated organization for social contribution Establishing social contribution strategies Social contribution communication	- Social contribution, evaluation and feed- back on social performance	- Expansion of social performance evaluation and reward system
	Ethical management and partner- ship with suppliers (3 initiatives)	Fair bidding system Developing an ethical management roadmap Strengthening ethical management infrastructure	- Expanding ethical management within KLC and with suppliers	
Strategies in the	Implementing an integrated envi- ronment management system (9 initiatives)	Improving capacities of organizations in charge of environment management Environment performance evaluation system Increased education and training on environment	Researching compensation measures based on environment performance Constructing an environment accounting system	Expansion of environment perform- ance evaluation and reward system Introduction of environment accounting system
) environmental	Eco-friendly design and development capability improvement (7 initiatives)	- Establishing R&D strategies for environment-friendly development	- Developing eco-friendly land development evaluation system	- Application of eco-friendly land development evaluation system
Strategies in the environmental aspect (25 initiatives)	Improving eco-efficiency in the stage of development (2 initiatives)	Continuous implementation of measures to manage resources efficiently Continuous implementation of measures to manage environmental issues such as water pollution		
	Strengthening eco-friendliness in supplier management (2 initiatives)	- Increasing the ratio of purchasing eco-friend- ly products - Development plans to increase the purchase of eco-friendly products	- Sharing information with suppliers and sup- porting them with education on environ- mental issues and green information net- works	
	Facilitation of eco-communication (5 initiatives)	- Continued issuance of sustainability reports - Strengthening activities to preserve the eco system	- Strengthening environment R&D support	- Facilitation of environment communication



Our **Business**ground

Free Economic Zone project: KLC's New Challenges and Hopes

"Free Economic Zone projects give new hopes for the country and new challenges for KLC, as we strive to be the world's best land service provider."

Northeast Asia has emerged as one of the three major trading blocks in the world. Consequently, neighboring countries are in fierce competition to serve as logistics and business hubs in the region. In response to these challenges, Korea needs to develop new strategies and improve its economic structure. Korea Land Corporation intends to attract global corporations by conducting transparent management, promoting foreigner-friendly living conditions and implementing global standard policies and procedures. These efforts and other initiatives to enhance the nation's global competitiveness will help Korea establish itself as the key business center of the region.





- 3

Our **Business**ground

Sustainable Growth

Sustainability 200

KLC is committed to creating innovative and vibrant cities by identifying and fostering sustainable business growth engines.

KLC has been devoted to creating high quality living spaces and strong industrial foundations for the past 31 years. Furthermore, KLC is proud of its excellent business performances for the last five years. We will give back to the people by developing a comprehensive administrative city, free economic zones and innovative cities.

Business Outcomes

By the year 2005, KLC has invested a total of 53,532.2 billion won to supply 516,930,000m² of land. Such efforts have contributed to national economic growth.

				Unit: hundred million won, 10,000 m ² (10,000 pyeong))
Category	Number of districts	Investment	Area of land supplied	Effect
Total	309	535,322	51,693 (15,637)	
Housing complexes	250	407,319	23,904 (7,231)	5,400,000 people provided with new homes
Industrial complexes (including overseas projects)	51	77,500	13,150 (3,978)	Creating 750,000 jobs
Distribution and other projects	8	3,177	79 (24)	
Land in reserve, Corporate land	-	47,326	14,559 (4,404)	

For residential complexes, KLC has invested 40,731.9 billion won in 250 residential districts, including New Towns such as Bundang, Ilsan, Pyungchon and Jungdong. It amounts to 239,040,000m² land for residential purposes. Now one out of 10 households live in residential complexes developed by KLC, which has contributed to more stable housing market and improving residential environments. Exclusively in charge of developing large-scale national industrial complexes, KLC spent about 8 trillion won in 51 industrial districts to supply 131,500,000m² land. As a result, 7,249 companies moved in the newly developed industrial zones and created around 750,000 new jobs.

Business Outcome by Area

| Land development |

Based on thorough development license and permission procedures and strict process management, KLC developed 17,110,000m² (5,180,000 pyeong) in 2005 alone, which is worth 2,102 billion won. It exceeded the original development plan. In addition, comprehensive sales activities allowed KLC to supply 17,640,000m² (4,880,000 pyeong) last year, which amounted to 6,602.6 billion won.

	Land development		Land	Collection	
Year	Area (10,000m²)	Amount (hundred million won)	Area (10,000m²)	Amount (hundred million won)	of payment (hundred million won)
2005	1,711	21,026	1,764	66,026	60,799
2004	1,326	12,832	1,954	63,810	46,749
2003	840	10,372	2,123	66,683	48,691

| Efforts to provide affordable housing |

In line with the government's policies to expand the supply of affordable long-term rent housing, KLC supplied 1,275,000m² (390,000 pyeong) in 2005 for prices less than actual costs. As a result, housing sites provided at prices below cost accounts for 24 percent of the total area of land sold

Category	2003	2004	2005
Area of land provided at prices below cost(A)	1,131	1,445	1,275
Area of land sold at full prices (B)	6,671	6,039	5,343
Ratio (A/B)	17.0%	23.9%	23.9%
			/ 1/ 4 000 11

since 2004. Through this price reduction, KLC has lived up to responsibilities as a public corporation to stabilize the housing market.

| Economic Performance |

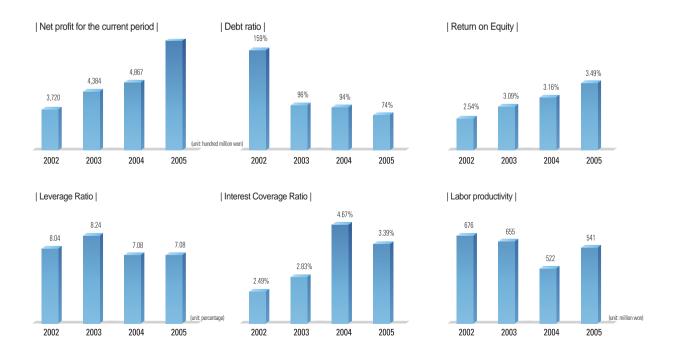
KLC has made consistent efforts to dispose of overstocked inventory land in reserve for a long time. They include continuous sales efforts, promotions through the Internet, early development of planned sites, and improvement of land sale processes. As a result, KLC has recorded sales of more than 6 trillion won for three consecutive years since 2002. In addition, thanks to persistent efforts to improve its financial structure, the corporation achieved a debt ratio lower than 100% for three consecutive years, which allowed KLC to receive an international credit rating of A from S&P (July 2005). These achievements have provided KLC with financial capabilities to carry out large-scale national policy projects and the creation of multifunctional administrative city.

Furthermore, since 2003, KLC has invested a portion of its profits in public projects to enhance the nation's land competitiveness and create high value-added living environments.

			2000	2001	2002	2003	2004	2005
팖	Credit rating	Domestic corporate bonds	AA+	AA+	AAA	AAA	AAA	AAA
ancia		Overseas bonds (S&P)	-	-	-	-	А	A
Financial Highlights		Financial debts (hundred million won)	78,325	67,239	55,895	37,953	41,690	37,139
nlight	Liabilities	Debt-to-equity ratio (%)	261	214	159	96	94	74
S		Dependence on borrowing (%)	55	46	38	27	27	23
	Calaa	Sales (hundred million won)	33,845	35,352	49,331	44,595	42,339	42,714
	Sales	Sales per person (hundred million won)	19.3	20.3	28.3	25.0	19.3	18.8
		Net profit for the current period (hundred million won)	1,160	1,010	3,720	4,384	4,867	6,078
	Operating profit	Net profit per person (hundred million won)	0.66	0.58	2.13	2.45	2.39	2.68
		Interest coverage ratio(-fold)	1.22	1.34	2.49	2.83	4.67	3.39
		Cost saving (hundred million won)	-	-	_	5,776	1,797	1,523
	Value	EVA (hundred million won)	▲1,611	▲990	4,454	4,484	4,944	1,422
	Manage- ment	ROIC (%)	3.86	3.45	10.57	14.24	13.15	8.8

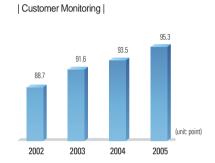
ROIC(Return On Invested Capital)

= (operating income after tax /average invested capital)



| Customer Satisfaction |

Considering that much of KLC's business activities have to do with property rights, it has been challenging to improve customer satisfaction. However, customer satisfaction has improved consistently through various efforts in this regard, including customer suggestion system, employee service evaluations by the customer, a pre-check by customers, a supply of land use manuals, and a monthly customer day event attended by the CEO.





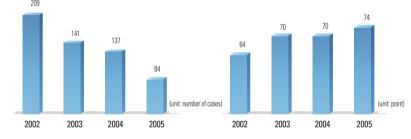
| Customer satisfaction survey by KLC |

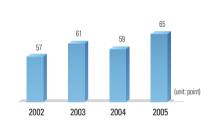


| Number of customer complaints |

| Customer satisfaction as a public corporation |

| Customer loyalty as a public corporation |





KLC has built the Korea Real Estate Information System (KOREIS, www.koreis.co.kr) to enhance its internal business processes as well as support the government's real estate policies more effectively.

There are seven main content sites, including real estate market news, real estate policies, trends and statistics on real estate transactions, land information, housing information, and a bulletin board. The information available on this site amounts to 350 pages. The types of information available on this website are: data produced by KLC such as trends on land prices and land transactions, statistical information on land, structures and apartments provided by the Real estate Transaction Management System (RTMS) of the Ministry of Construction and Transportation (MOCT), data on apartment market provided by Kookmin Bank, and other materials provided by the Ministry of MOCT, the National Statistics Office and the Ministry of Commerce, Industry and Energy.

It has been criticized that information on inflated prices of certain real estate properties on sale resulted in real estate speculations. In order to respond to this issue, KOREIS provides information on real estate transactions, immediately after they are reported in accordance with the Act on Realtor Business and Report of Real Estate Transactions.



Land related information is available to customers on a real-time basis.

Customers can receive certain types of information provided by KLC, which are tailored based on individual customer's needs.

Since its launch on September 30, 2005, membership grew to 50,000 people in just two months. As of July 31, 2006, about 160,000 members are subscribed to KLC Land News services. The website was benchmarked by Fressia Homes Co., a Japanese IT solution provider, for its excellent services.



KLC has lowered interest rate on land purchase receivables.

Digital KCL Land News provides real-time information services to customers.

Category			After				
		Before	Before the land can be used		After the land can be used		
			Within 30 days	After 30 days	Within 30 days	After 30 days	
Land for sale	Residential land to move in and residential land subject to ownership transfer by agreement	14%	7.8%	9.6%	9%	12%	
	Other land	14%	9%	10.8%	11%	14%	
Rer	t for industrial land	14%	-	-	9	%	

Starting from July 1, 2006, KLC has lowered interest rates on delayed receivables of land purchases by as much as 5 percent. Customers who fail to make payments for their land purchases need to pay extra interest. So far, the rate was a flat 14 percent per annum for every customer. However, KLC decided to lower the rate to help lessen financial burdens on customers.

Customers can save time by using one-stop service for property ownership transfers.

When a customer purchases a piece of land developed by KLC and wishes to complete land ownership transfer process through full-payment or collateral, one-time visit is sufficient thanks to one-stop service.

When conditions for ownership transfer are met, a customer representative calls the customer to express gratitude for full-payment of the purchase. Also, the customer is informed of the one-stop service for transfer as well as land acquisition related taxes and transfer procedures. When the customer faxes a copy of Certificate of National Registration, the person in charge will prepare all required documentation to complete the internal approval procedures for ownership transfer. Then, the customer or a legal representative would visit KLC office to pick up ownership transfer document. In addition, each regional office carries out application for pre-sell through the Internet on behalf of customers.

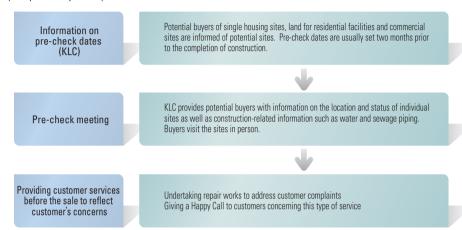


KLC puts customers a priority with customer services before and after sales.

- Land buyers may check land quality and their complaints are taken care of for free.

Program for customer pre-check-up allows customers to verify the quality of products and have their complaints taken care of without charge. This program intends to prevent customer complaints and provide high quality products.

| The pre-check process |



The number of pre-check cases was 30 in Pyeongtaek Jangdang, Yongin Jukjeon, Daegu Chilgok 4 and Paju Gyoha district. This helped KLC to identify customer complaints in advance, minimize them and produce high quality products, resulting in improved customer satisfaction.

| R&D |

R&D outcomes in the areas of national land, urban studies and land technology have supported KLC's management innovation, enhancement of the nation's competitiveness and pursuit of balanced regional development. In particular, research results in the field of land technology has led to application of patents and built a basis for information-based management. KLC's R&D capabilities have improved dramatically in the recent years. The average number of R&D projects 1995~2002 was only 18.2. However, in 2005, 47 research projects were carried out.

From 2005, more specialized research efforts are under way in the areas of basic academic research, management strategies and support for national policies in order to strengthen KLC's research competence in management strategies and national policy support. In particular, the Land Research Institute is highly recognized for its R&D capacity, which has been assigned 15 research projects from government ministries such as MOCT in 2006. Also, the internal Testing Laboratory is an accredited quality certification agency equipped with advanced technology.

| Quality tests conducted by the Testing Laboratory |



| Number of R&D projects by year |

1995~2002	2003	2004	2005	Note
12.8	21	28	47	68% growth compared to the previous year

| Intellectual Property Rights (2005) |

IPR	Patent rights	Utility patent rights	Design rights	Rights of trademark	Copyrights	Registered programs
42	10	15	3	6	1	7

Continuous Improvement of Management Transparency

Committed to fulfilling social responsibilities as a public enterprise, KLC is improving policies and regulations and establishing systems to ensure transparent management.

The Board of Directors of KLC consists of 7 standing directors and 8 non-standing directors. Specialized sub-committees under the Board of Directors have been made to allow the suggestions of non-standing directors to be reflected in the company policies. Also, small group discussions for non-standing directors are held to facilitate a practical contribution of non-standing directors to KLC's decisions on key policies.

Furthermore, the Board of Directors held meetings at development sites (Pangyo and Dongtan), and visited Gyesung Industrial Complex, overseas administrative capitals and New Towns. These on-site meetings have helped the Directors share understanding on key aspects of major national projects.

| Procedures to appoint a Board Director |

Category	Appointment Process	Regulations on the appointment of board members (laws and regulations, articles of incorporation, internal regulations, etc.)
President	Open search — nominated by president selection committee → recommended by the Minister of MOCT → appointed by the President	The Basic Act on Management of Government-Financed Organizations
Auditor	Decided by the government-financed organization operating committee \rightarrow recommended by the Minister of Planning and Budget \rightarrow appointed by the President	The Basic Act on Management of Government-Financed Organizations
Standing director	Recommended by KLC's president for standing directors → appointed by the Minister of MOCT	The Basic Act on Management of Government-Financed Organizations
Non-standing director	Recommended by KLC's president for non-standing directors → decided by the government-financed organization operating committee → appointed by the Ministry of Planning and Budget	The Basic Act on Management of Government-Financed Organizations

| Compensations for executives |

Compensations for executives include base salary, performance-based pay and retirement allowance. Performance-based pay is determined based on evaluations on fulfillment of management contracts and evaluation of management performance.

| Shareholders |

KLC is a government-invested company, whose shares are owned by the government and the Korea Development Bank. The two shareholders have invested 1,319.8 billion won and 482.6 billion won to hold 73.2% and a 26.8% stake, respectively, in the corporation.

| Disclosure and Transparency |

To ensure accounting transparency, KLC has hired outside consultants and auditors: by aligning the corporation's accounting with corporate accounting standards, KLC will be able to improve the transparency of its accounting practices. In addition, KLC has expanded the implementation of the electronic bidding scheme to include the electronic bidding system of the Public Procurement Service. An e-commerce system for land sale has been launched to increase the transparency of the procedures in the application for land purchase. As for land up for a competitive bid, an electronic bidding system was established to ensure transparency of the process.

Improvement of policies and establishment of systems to increase management transparency

Improvement of Procedures

Disclosure of management information Enactment of regulations for disclosure Disclosure of documents on HR procedures, including the ones on promotions and roles and responsibilities of each job Development of ways to disclose construction costs

Establishment of IT systems

- TOMATO Transparent Transaction System
- Land Subscription System
- Construction Project Management System Information Notice System
- Home Page on Ethical Management

Fulfillment of social responsibilities as a public corporation

Improvement of Corporate Value

Expansion of development for affordable housing Increase of SOC (329.8 billion won per year) Introduction of Social Mix city creation techniques Strengthened management of land in reserve

Sustainable development

- Implementation of mid and long-term social contribution program
- Partnership with the Korean Red Cross for social
- Operation of 'Share' fund, participated by CEO
- Increased Mesenat activities for support of arts and culture

Corporate Governance



Sustainability 2006



Sustainability 2006

Nurturing our living spaces

KLC is living up to responsibilities as a public enterprise by developing the national land efficiently and creating pleasant living and working spaces.

Starting from 1975, KLC's land development projects have continued to be carried out under the framework of national land development policies, which is the backbone of fast-paced economic growth of Korea. KLC's total business performance in 1975-2005 included a supply of 516.93 million m² of land through the development of 309 sites with a total investment of 53,532.2 billion won. For housing complexes, KLC invested a total of 40,731.9 billion won in developing 250 sites and provided 72.31 million pyeong of land. As a result, 5.4 million people have been provided with new homes, thereby increasing the national home ownership rate . For industrial complexes, the corporation invested a total of 7,750 billion won in developing 51 sites to supply 131.5 million m² of land. This has created 750,000 new jobs and provided business space to 7,249 companies.

| Total Business Performance (1975 ~ December 2005) |

(Unit: hundred million won, 10,000m²(10,000 pyeong))

Category	No. of sites	Funds invested	Land area provided	Effect
Total	309	535,322	51,693(15,637)	
Housing complex	250	407,319	23,904 (7,231)	5.4 million new homes
Industrial complex (including overseas projects)	51	77,500	13,150 (3,978)	Creation of 750,000 jobs
Redevelopment, distribution, etc.	8	3,177	790,000 (24)	
Land under management, corporate land	-	47,326	14,559 (4,404)	

KLC accounts for 35.8% of public land for residential purposes. It has also increased the share of free land and area for road construction to foster pleasant living conditions and expand SOC.

| Contribution to a stable housing supply (Share of supply in the public sector) |

Category	2002		2003		2004		2005	
outogory	Area	Share	Area	Share	Area	Share	Area	Share
Total	890	100.0	737	100.0	1,256	100.0	1,222	100.0
KLC	389	43.7	323	43.8	465	37.0	438	35.8

(Unit: 10,000 pyeong, %)

| SOC Construction (1975 ~ 2005) |

Category	2002	2003	2004	2005
Share of land provided free of charge	43.1	41.3	49.9	47.1
Percentage of road	17.4	21.6	19.0	22.4
				(Unit: %)

KLC has invested 12.2 trillion won to construct SOC facilities, and has paid corporate taxes, ranging 300~500 billion won annually.

| SOC Construction (1975 ~ 2005) |

SOC	Capacity	Monetary value (Unit: hundred million won)
Total	-	122,112
Road	513km	62,763
Subway and Railway	117km	22,815
Water supply system	3.3 million tons/day	7,342
Sewage system	5.04 million tons/day	18,059
Waste treatment facilities	2,901 tons/day	4,717
Other	Transportation infrastructure, etc.	6,416

| Total Tax Paid |

2003	2004	2005
4,142	4,867	3,182

(Unit: hundred million won)





Our **Environment**ground

KLC's commitment to the future, New Town development

"We will develop cities and towns of world quality where human and nature exist in harmony and a variety of culture and technology is thriving."

The splendid economic growth of Korea has been possible thanks to KLC's commitment to quality urban development. We have offered a new model of land development by building 4 major new towns in Bundang, Ilsan, Pyeongchon and Jungdong, where residents enjoy convenient facilities, public facilities and green areas.





We borrow the land from our future generations.

Environment-Friendly Management

Sustainability 2006

KLC is well aware that investment in the environment is the driver of sustainable land development.

We continue to assess and improve environmental impacts in the entire process of land development. We will also increase investment in the environment in an attempt to create an environment-friendly living space.

History of Environmental Management

1996. 7	Declaration of policies on environment and quality
1996. 11	Acquisition of ISO14001 as the first public enterprise and renewal (First in 1999, second in 2003)
2004. 8. 26	Implementation of integrated environmental management and sustainability strategies
2005. 4. 15	Completion of registration for sustainability report (GRI under UNEP)
2005. 4. 28	Establishment of sustainability strategies and implementation plans by department
2006. 8. 28	Incorporation of environmental strategies into mid- to long-term management strategies, and implementation of environmental performance evaluation system

- KLC became the first public enterprise to obtain ISO14001 in 1996 and establish an environmental management system.
- In 2005, KLC established an integrated environmental management system to support its commitment to environmental management and developed sustainability strategies that encompass both environmental and social aspects of its business.
- In 2006, KLC incorporated sustainable management into its three mid- to long-term strategies.
 Furthermore, we constructed an environmental performance evaluation system to assess the level of environmental management at KLC and identify measures for improvement.

Strategies for Environment-Friendly Development of the National Land

KLC seeks to build an environment-friendly national land by implementing environment-friendly development and management practices throughout its entire business. To this end, we laid out 5 strategies for sustainability management in matters relating to the environment.

Strategy Area	Contents	
Establishment of integrated environ- mental management system	To realize systematic and proactive environment management, KLC will establish an integrated environmental management system that encompasses an environmental management system, environmental audit, environmental performance assessment, and environmental training and education.	
Improvement of environment-friendly design and development capabilities	The environmental impacts of KLC's development projects are identified at the design stage. In order to develop land in an environmentally sound manner, therefore, KLC will continuously improve its environment-friendly design and development capabilities.	
Improvement of eco-efficiency during development	KLC will make continuous efforts to provide quality land while minimizing the environmental impacts caused during the development stage.	
Enhancement of environmental performance in supply chain management	KLC will promote the environmentally sound management practices at suppliers, and protect the environment through environment-friendly ways of managing construction sites.	
Promotion of eco-communication	KLC will publish a sustainability report annually and strive to enhance transparency and gain trust through routine dialogue with outside stakeholders.	

Environmental Management System

KLC acquired ISO14001 certification in November 1996, the first such certification for a state-owned company in Korea. With the certification as a basis, KLC has taken a systematic approach to put in place an environmental management system.

In June 2000, KLC was designated as a "Great Company with ISO14001/9001 Certification". In June 2002, the corporation received the Environmental Management Award, and in 2003, the corporation was awarded the Prime Minister's Prize for Environmental Protection on the Environment Day. Also, KLC received the Environmental CEO Award in 2004, Best Green Team Award in 2005 and the Grand Prize for Eco-Friendly Management in 2006.

The current environmental management system of KLC, along with its Quality Management System, is being utilized to minimize the environmental impacts arising from all project stages, ranging from land acquisition to development, supply, management and construction. KLC will make the utmost effort to garner in public trust and support for our quality assurance and environmental management system.

Dev	relop environment-friendly land products	Implementation measures
Environmental Policy	Step up effort for environmental preservation and improvement Lead development of environment-friendly technologies Create a pleasant living environment respectful of humankind	First, all staff will be fully aware of their roles and responsibilities for effective implementation of the environmental policy, and make an effort to put it into practice. Second, we will do our best to conserve the environment and to prevent possible environmental degradation from the project planning stage.
	Share and utilize environment-related information and knowledge	Third, we will sincerely comply with environment-related laws and meet other relevant requirements. Fourth, through regular reviews and improvements, we will ensure that our environmental management system is relevant, sufficient effective and efficient.

Environmental Organizations

KLC established a dedicated environmental organization under its wings in January 2002 to effectively manage the environmental impacts of projects and to assess the results.

Planning & Coordination Office and Administration Management Office are in charge of advancing the sustainability management and environmental management system. Environment & Traffic Office deals with matters relating to the environment, traffic, population, and disaster impact assessment. Facilities Project Office is responsible for drawing up energy use plans for development projects and designing environment-friendly eco space. Research & Development Office conducts environment-related research. Project Offices, including Residential Project Office, Equitable Regional Development Office, Complex Project Office and New Town Office, are focused on preventing haphazard development and upholding the principle of "planning first, development later." Also, regional divisions and project field offices are in charge of preserving the environment at project sites.

Environmental Audit

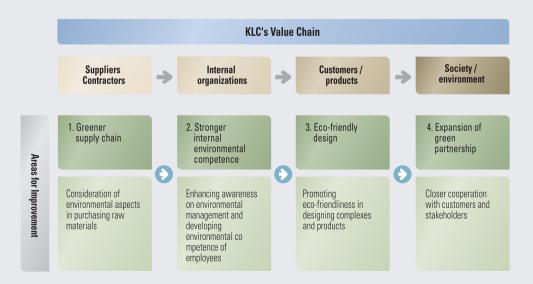
Once a year, KLC receives an external audit from the Korea Productivity Center Quality Assurance, which examines the performance of four offices of Headquarters (Administration Management Office, Customer Support & Marketing Office, Environment & Traffic Office, Quality Control Office) as well as regional divisions and branches on continued implementation of quality control and environment management system, modification of the organization and system documents, continuous fulfillment of certification requirements, as well as compliance with environmental laws and other relevant regulations. In addition, KLC also performs an annual environmental audit internally to regularly monitor the current status and performance of its environmental management. In doing so, KLC seeks continuous enhancement in matters relating to the environment and quality.

Education and Training

KLC conducts environmental training aimed at nurturing an environment-conscious mindset among all staff, developing specialized capabilities required for environmental management, and encouraging the staff to voluntarily participate in the activities for improving the environmental performance of the corporation. We conduct annual collective training on building capabilities in the theory and practice of impact assessment for the employees in charge. KLC invites experts from outside to lecture on environment-related regulations and technological aspect. Also, people from environment groups give special lectures to enhance employees' awareness on environmental protection.

Environmental Performance Evaluation System

In an attempt to improve environmental management consistently, KLC has established an optimal evaluation system by developing appropriate environment performance indicators and evaluation methods.



| Environmental Training |

	2003	2004	2005
Number of People Enrolled	287	314	483
Completion Rate	16.6	15.4	21.8

Compliance with Relevant Laws and Regulations

In all business management activities, KLC strictly complies with laws and regulations on the environ-

KLC applies stricter criteria than relevant regulations in consideration of the level of environmental pollution in surrounding areas. For instance, we adopt stricter water quality criteria for sewage treatment facilities if water quality at the downstream is poor.

Category	Performance Indicator (Office in charge)	
Greener supply chain	Contract amount in consideration of environmental impacts (Environment and Transportation Office) Amount of green purchase (Construction Administration Office, Customer Service Office) Rate of green information utilization (Balanced Regional Development Office) Rate of use of eco-friendly materials (Construction Administration Office)	
Stronger internal environmental competence	(\$) Rate of enrollment in environmental education (Environment and Transportation Office, HR Management Office) (\$) R&D investment in environmental research (R&D Office) (\$) Awareness of environmental management (Innovation Planning Division)	
Eco-friendly design	Number of cases that apply eco-friendly development techniques (Construction Administration Office) Investment in the environment (Environment and Transportation Office) Preliminary evaluation of environmental aspects of development (Balanced Regional Development Office) Pleasantness (Customer Service Office) Ratio of green parks (Housing Estate Project Office, Industrial Complex Project Office) Efficiency of resource usage (Housing Estate Project Office, Industrial Complex Project Office) Proportion of ecosystem (Housing Estate Project Office, Industrial Complex Project Office)	
Expansion of green partner- ship	(§) Supply of public facilities free of charge (Housing Estate Project Office, Industrial Complex Project Office) (§) Contribution to SOC (Housing Estate Project Office, Industrial Complex Project Office) (§) Investment in SOC installation (Housing Estate Project Office, Industrial Complex Project Office) (§) Events with local residents (Customer Service Office) (§) Cooperation with civil groups (Customer Service Office) (§) Investment in social contribution (Customer Service Office) (§) Number of civil petitions related to environment (Customer Service Office)	

Category	2004	2005
Contract amount in consideration of environmental impacts (million won)	568,744	1,080,998
Green purchase (%) (Green purchase/total purchase)	-	23% (1,857/79,472,000)
Use of eco-friendly materials (%) (Purchase of eco-friendly materials/total purchase of materials)	-	30.3% (1,440/4,751)
Enrollment in environmental education (%) (Enrollment/annual number of employees)	15.4% (314/2,033)	21.8% (483/2,220)
Investment in environmental research (million won)	5,967	6,240
Application of environment-friendly development techniques (number of approved districts)	456(11)	318(11)
Evaluation of environmental aspects (1,000 m²)	46,887	34,682
Pleasantness of buyers (score)	71	72
Green parks (1,000 m²)	386	411
Supply of public facilities free of charge (1,000 m²)	790	1,202
Investment in SOC (million won)	77,427	71,910
Investment in social contribution (million won)	1,001	1,199
Environment-related civil petitions (number of cases)	2	0

- *Based on industrial complexes and residential estate completed in the respective year
- 2004: Jecheon Industrial Park, Yongin Sinbong, Namyangju Pyeongnae (residential)
- 2005: Waegwan 2 Industrial Complex, North Jeju Hamdeok, Pyeongtaek Jangdang, Naejun Noeun 2, Daegu Chilgok 4



Environment-Friendly Development

Sustainability 2006

Our National Land is Priceless Asset.

KLC will continue to enhance value of the national land by developing and managing our valuable land and make decisions in consideration of the global environment.

Endeavor for Environment-Friendly Development of the National Land

By adopting an environment-friendly paradigm of comprehensive regional development, KLC seeks to adhere to the principle of "planning first, development later" and prevent environmental degradation resulting from unplanned development of the national land. With the opening of the National Land Portal, KLC is providing a wide range of useful information on land and provide a venue for the general public to engage in activities to care for the national land.

In order to establish land use system based on the principle of "planning first, development later." KLC introduced the Land Suitability Assessment Program, and its guidelines have been revised and a standard program was developed for a more efficient implementation. In addition, KLC has built the Land Management Information System (LMIS) as part of its effort to establish an efficient land management system.

In an attempt to create an ecological urban environment, for the first time in Korea, KLC has made it mandatory to establish ecological city development plans when planning for residential and industrial complex development projects.

Creation of cities with beautiful landscape

In order to develop world-class ecological cities, KLC seeks opinions of NGOs and outside experts and incorporates them in our environmental planning.

| Establishment of environmental plans with participation of outside experts and NGOs |



Pyeonghwa, Pyeongtaek | Consideration of aircraft noise and habitats for migratory birds

Okjung, Yangju | Maximization of Dok-Rock

| Environmental Plans by District |



Geoyeo, Songpa | Green/Blue Network

KLC NGO Experts Identification of ecological Development of ways to apply Suggestion of alternatives in resources and environmental them in development planning consideration of environmental impacts

Construction of Environment-Friendly Residential Complexes

KLC is vigorously pushing for construction of environment-friendly complexes by establishing an ecocity planning model, building an eco-friendly system, planning complexes with waterfront areas, and introducing design methods for ecosystem restoration.

| Human-centered Design |

KLC provides a safe and pleasant pedestrian environment for children, senior citizens, pregnant women, people with disability and other pedestrians. Also, a green traffic system is built to minimize traffic noise, which accounts for 80% of environment-related civil petitions.

KLC has expanded the application of the traffic calming method, which entails the installation of various traffic facilities to reduce vehicle speed and traffic volume. Also, Gimpo New Town is being developed as a pilot transportation city.

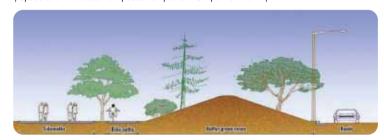
Before	After
Partial implementation of traffic calming approach • Speed bumps • Colored pavement	Expanded use of traffic calming approach Haga District, Jeonju: Half-closure, raised intersections Cheongbuk, Pyeongtaek: Stone payment, narrowing, raised intersections Baesan, Iksan: Choker, colored pavement, hump crossing Others: Hwasung Cheonggye, Dongji Hwasung, Janghang Gunsan, etc.

| Plans to Create Transportation City in Gimpo New Town |

	City of convenient transportation
Light Rail Transit (LRT)	Introduction of an advanced transit system to maximize passenger convenience Extensive mass transit system that connects Gimpo and Seoul
	\Rightarrow Creating a city with state-of-the-art transportation means
Safe streets for pedestri-	Promotion of environment-friendly means such as walking and cycling
ans and bicycle riders	Pursuit of a life style that allows people to stay healthy and enjoy the surrounding landscap
and and stoyers made	\Rightarrow Establishing eco-friendly, energy saving and sustainable transportation systems
TOD	Land use planning in consideration of locations of LRT stations
TOD	Land use planning centered on public transportation
	⇒ Maximum convenience of public transit and minimum driving

| Incheon Cheongra District Green Transportation System |

| Space to divide roads from pedestrian paths in Gimpo New Town |



| Hump-type crossing |



| Ece-Friendly Theme-Based Urban Creation |

Through theme-based complex planning, human-oriented complex design, designing of street lights and traffic lights tailored to meet the needs of the residents, and research on advanced techniques for residential complex design, KLC is exploring, developing and applying a variety of ways to build environment-friendly complexes, including the creation of various waterfront areas such as brooks, eco lakes and ecological wetlands.



Park Branding Plan

Pilot project: park areas in Yongin Dongbaek District Brand selected: Blue Creek Brand scope: brooklets Specific implementation plan: Applied when issuing order for landscaping: 'Yongin Dongbaek Blue Creek Landscaping Project' Incorporating the brand in designing park facilities (Moonju, Pagora, etc.)

Sustainability 2006

Project Site	Theme	Content
Multi-functional administrative city	A world-class city that leads a bal- anced national development	Pursuing a Barrier Free City Creation of a major ecological park (called Green Heart) Preservation of cultural heritage / city of cultural information
Yeongjong, Incheon	Aeropolis	High value-added air logistics city in connection with the airport An international business center where the airport and industrial logistics complexes are connected
Cheongra, Incheon	New Frontier-City	International business and tourism, quality floriculture, sports leisure complex Convenient business center with quality housing, culture and leisure
Heungdeok, Yongin	U-City	Digital city with a ubiquitous IT environment High-speed Internet network throughout the city The use of advanced IT systems for building maintenance
Sosabeol, Pyeongtaek	District for renewable energy sources	The establishment of renewable energy systems to create a pleasant ecological city Eco park and community center
Okjeong, Yangju	LOHAS-City	City in pursuit of sustainable, environment-friendly life with a focus on health, environment diverse housing, education and culture
Byeolnae, Namyangju	Community-based welfare city	Archives Creation of Cyber Village Museum Specialized space programs and open schools
Gimpo New Town	SWEET-City	Housing and other amenities are combined, urban style silver town, traditional town, habitat for migratory birds Waterfront commercial area, water taxies and musical water fountain
Goeup, Yangju	Green culture city with traditional appeal	2 community parks Alternative farming lad in the district Cultural square to enjoy culture and history
Mulgeum, Yangsan	Water Park	Creation of open square, observatory deck, parking lots and hiking paths in Lake Park Ecological learning center, a small spring, a field of reeds
Suwan, Gwangju	ART River - City	Green, environment-friendly and ecological city with Pungyeongjeong River at its heart Creative rest area with environmental sculptures and structures
Gyoha, Paju	Paju in the world	7 country gardens (theme park): Korea, China, Japan, India, France, Italy, UK Special streets: cherry blossoms, piling of natural stones, clay blocks
Jinjeop, Namyangju	Jinjeop with human in nature	Installation of sewage treatment facility in underground Specialized parks: Water Spring park, Water Splash park
Pungsan, Hanam	Ecological city with water and music	5-sense park (theme park) Creation of a brooklets network at Bangtaengi River Greening of roof of buildings, utilization of complex land
Cheongbuk, Pyeongtaek	City of fragrance	Creation of a public golf course in connection with suburban houses Building a central park and green streets
Cheonggye, Hwaseong	Pure space for new life	Landscaping plan to symbolize a mother womb and a water fountain to symbolize the birth of life Plan to develop streams in the district
Dongji, Hwaseong	Embracing nature	Introduction of the Green Finger System Brooklets
Jinyeong, Gimhae 2	Breathing with the nature (winds, water, fields, human)	Creation of an ecological residential complex by utilizing a well-preserved wetland Development of the urban image by managing a sky line over Jinyeong 1 District
Sannam, Cheongju 3	Toad Eco-Park	Creation of a toad eco-park where people can observe habitat and the life of toads at the project site
Samhwa, Jeju	A city where human and nature live in	Eco park around a natural stream, theme park with cultural heritage related to dolmen The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heildings upgetable patch and contact The parking let and ready graphing of heilding upgetable patch and contact The parking let and ready graphing of heilding upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and ready graphing upgetable patch and contact The parking let and the patch and contact The parking let and the patc

• Eco parking lot and roads, greening of buildings, vegetable patch park and eco pond

harmony

KLC is doing its best to minimize environmental impacts caused during development projects.

We will enhance environment efficiency and save resources by establishing an environmental accounting system that assesses and manages environmental costs.

Efficient Use of Environmental Impact Assessment

KLC systematically implements an environmental impact assessment (EIA) to minimize the environmental impacts from a development project. Under the responsibility of the on-site head of construction as well as supervisors and environment managers, KLC undertakes a thorough environmental impact assessment in order to prevent serious environmental impacts from occurring.

Furthermore, KLC has carried out various researches on environmental maps, prediction and improvement of traffic noise, review of environmental aspects of complex development projects and ways to minimize traffic noise during construction.

What is Environmental Impact Assessment

Environmental Impact Assessment (EIA) is a management technique or environmental investigation aimed at finding ways to reduce adverse impacts of development activities on the environment by predicting and evaluating possible environmental impacts resulting from development projects. Thus, the goal of EIA is to protect the environment through environmentally sound development. Since the environment, once polluted and destructed, is difficult to be restored, any development project that may cause adverse effects on the environment should be reviewed by the EIA, which aims to identify and minimize the social, economic, ecological and physical impacts of the project in advance. The EIA can be conducted for a range of development activities, including urban development, water resource development, construction of industrial complexes, roads, harbors, railway, and airports, and installation of waste treatment and incineration facilities.

| Research on Prediction and Mitigation of Traffic Noise in Residential Complexes |

With rising concerns over the reliability of traffic noise prediction models, KLC is undertaking various researches to develop new prediction models in order to minimize damage caused by traffic noise, create a pleasant living environment, and develop effective land use plans.

Review of traffic noise theory and prediction models

→ Fiel

Field investigation and measuring

Development of measures to utilize prediction models and reduce traffic noise

Establishment of guidelines and utilization of the evaluation results

| Research on Measures to Reduce Traffic Noise during Urban Development |

KLC has been conducting various researches to find ways to reduce traffic noise occurring during urban development. Research areas include methods for calculating traffic volume and vehicle running speed, quantitative analysis of noise reduction facilities, landscape analysis of the surrounding areas, arrangement of apartment houses in consideration of noise conditions, and measures to secure the optimum ratio of green districts.

Traffic noise survey and landscape analysis



Analysis of noise reduction effect of different types of noise reduction facilities Analysis of noise for apartment house level

Parameters for calculating the adjustment level for each floor in apartment building Criteria for arranging apartment houses with consideration for noise and environment

Creation of environment-friendly complexes in consideration of noise and landscape

Our Environmentground

| DGN Research for Environment-Friendly Complex Planning |

The traditional methods for grading the degree of green naturality (DGN) largely depended on subject observations by the persons in charge of examination. In an effort to address this shortcoming, KLC has developed objective, reasonable and quantitative DGN grading criteria through DGN research. The new criteria will help prevent degradation of well-preserved vegetation, resolve disputes arising from EIAs between project operators, the government and environmental groups, and expedite the execution of development projects.

Analysis of concepts of DGN and case studies

Identification of issues

Establishment of criteria items and examination methods

Establishment of guidelines and policy suggestions

| Research on the Environmental Aspects of Complex Development Projects |

KLC operates a working group composed of working-level officials of the Ministry of Construction and Transportation, Ministry of Environment and the corporation. The working group is responsible for reviewing environmental aspects of a development project in advance and analyzing issues arising from the implementation of EIA to ensure objectivity and effectiveness of the EIA criteria. The group has also developed EIA guidelines and completed research to reflect the findings to related policies.

Review of environmental aspects in advance and analysis of EIA case studies

Identification of issues

Establishment of assessment goals, methods and criteria

Development of guidelines and policy suggestions

Review of environmental aspects in advance

2003	2004	2005	As of July, 2006
4 districts including Hwaseong Cheonggye	17 districts including Yangyang Mulchi, Gimpo Yangchon	21 districts including Daeju Sinseo, Donghae Weolso	17 districts including Goyang Jichuk
4,664,000m ²	30,832,000m ²	33,197,000m²	43,990,000m ²

| Investment in Environmental Research |

In response to increasing demand for environment-friendly development, KCL has engaged in extensive research efforts, ranging from basic research for applying eco-friendly, energy saving development techniques to test-bed application on site. KLC has invested more than 5 billion won each year in this effort.

| Environmental Research Topics (January 1, 2000 ~ July 31, 2006) |

2000	Research on measures for reducing water pollution caused by releases from non-point sources in complexes
2001	Research on prediction and mitigation of traffic noise in complexes Research on DGN for establishing environment-friendly complex development plan
2002	Research on environmental assessment of soil and restoration techniques Research on measures for building a natural water circulation system in a residential complex
2003	Research on assessment of environmental aspects of a complex development project Examination of the sewage pipes installed and review of raw material suitability
2004	Research on measures for reducing environmental impacts of a complex development project Development of base technologies for creating an environment-friendly space Research on measures for fugitive dust control and construction waste disposal
2005	Research on environment-friendly indicators for developing a sustainable city Research on traffic calming techniques in residential land development Research on classifying construction waste by characteristic and source and ways to recycle them
2006	Research on direction and indicators for sustainable town development Research to develop ecological environment creation plans and landscaping plan indicators

Research on ecological restoration in areas that are damaged already

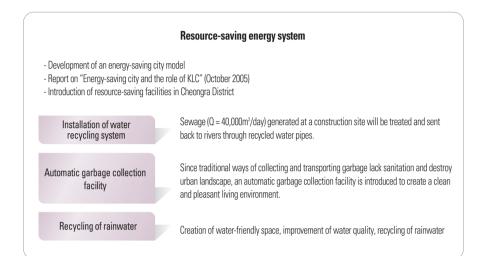
| Investment in Environmental Research |

Unit: million won	2003	2004	2005
No. of studies	2	6	6
Research expense	3,851	5,640	5,011
Ordinary R&D expense	2,918	6,967	6,240

Complex Design for Saving Resources

KLC focuses on creating resource-saving districts by establishing energy-efficient city models and improving drinking water supply facilities.

| Resource-saving energy system |





| Improvement of Tap Water Quality |

In maintaining the quality of drinking water, it is not only important to purify tap water but also systematically maintain relevant facilities and structures. Therefore, KLC makes efforts to install tap water quality facilities and use eco-friendly products while developing a residential land in order to ensure that residents can be supplied with clean tap water.



Model to utilize rain water:

Rain water on building roofs \rightarrow gutters \rightarrow infiltration pipes \rightarrow brooklets, eco ponds, etc.

| Energy saving in 2005 |

District	Area	Energy saving
6 districts including Daejun Seonambu	12.36 million pyeong	18.48 billion won

| Introduction of the solar generator system |

Project site	Achievement in 2005	Plan in 2006
Company buildings in multifunctional administrative cities	30KW	Will be expand- ed to 6 disc-
Project management office at Dongtan, Hwaseong	3KW	tricts, including Gimhae Yulha
Newly constructed build- ings at Ganghwa tradi- tional market	35KW	and Seongnam Pangyo

| Mandatory installation of openings for pipe cleaning and mandatory pipe cleaning |

Openings for water pipe cleaning

Installed to remove various harmful substances accumulated inside old water pipes

Purpose and effect

- Removal of soil, rust and micro organic films inside old water pipes
- Regular pipe cleaning to ensure that residents are always supplied with clean water

| Openings for water pipe cleaning |







| Before pipe cleaning |

| After pipe cleaning |

| Establishment of criteria for pipe cleaning and design of openings for pipe cleaning: criteria for design of water pipe cleaning |

- Incorporation of complex construction designs
- Standardization of openings for water pipe cleaning in residential lands
- Leading the drive to introduce and establish pipe cleaning facilities in Korea

| Mandatory use of eco-friendly products for water supply system: mandatory review of the environment-friendliness of materials in use to build the water supply system |

- Selection of materials after examining their eco-friendliness such as proportion of pollution-causing harmful substances (heavy metals, environmental hormones) and antibiotic property of materials
- · Better quality of residential complexes by actively identifying and using new eco-friendly technologies and products

We continue to make efforts to save resources such as water, energy and supplies.

KLC focuses on minimizing environmental impact of its development projects by saving environmental costs such as water, energy and other supplies while reducing air pollution, water pollution, noise, vibration and waste discharge.

Efforts for Reducing Water Consumption

To reach a goal of efficient water use, we have established water resource consumption targets for Headquarters, Daequ-Gyeongbuk Regional Division, Gyeongnam Regional Dvision, Land Research Institute and Seoul Regional Division, and monitor their assessment on a regular basis. With continued monitoring, KLC is determined to consistently reduce water consumption.

Category	2003	2004	2005
Headquarters	30,254	35,530	33,793
Daegu-Gyeongbuk Regional Division	4,556	4,576	4,593
Land Research Institute	8,206	9,7151	1,675
Seoul Regional Division	10,516	12,165	14,026

(unit: ton)

| Utilization of Groundwater from Buildings |

KLC has prepared measures to efficiently re-use the groundwater collected at its buildings. These measures are aimed at preventing overloading of river capacity and wasting of groundwater resources, thereby creating a more environment-friendly architectural space.

| Measures for groundwater re-use |

Groundwater collected at buildings

Released to rivers

River capacity overload and waste of groundwater resources

Groundwater re-use for indoor fountains and landscaping, toilets and cleaning, cooling and heating

Water-friendly and environment-friendly architectural space

| Determining Optimal Level of Water Supply |

Despite the fact that the ratio between peak day and annual average day demand (the peak factor) has recently fallen significantly due to improvements in the water supply systems and rising living standards, the old standards are still being applied, producing many problems. To address this issue, KLC has carried out field examination to calculate the optimal peak factor. It has resulted in an over 10% reduction in the amount of water supplied to a newly developed residential complex, which is translated into 2.3 billion won per year in saving per 1 million pyeong of land developed.

Category	Current	Revised
Water Flow Rate	75~80%	Over 85%
Peaking Factor	1.25	1.1~1.15

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Efforts for Energy Saving

KLC is running a variety of energy saving programs aimed at reducing greenhouse gas emissions and increasing efficiency in resource usage. Every year, we set energy consumption targets and monitor the performance. The findings are used as input for establishing energy saving targets for the following year. With these targets and plans, KLC is committed to reducing energy consumption by Headquarters and the regional divisions.

| Energy Use Performance |

Categ	Category		2004	2005
Headquarters	Fuel (kgoe)	249,830	269,033	298,003
	Energy (kgoe)	1,395,962	1,555,934	1,651,378
	Electricity (kWH)	4,584,528	5,147,604	5,413,500
Daegu-Gyeongbuk	Fuel (kgoe)	40,188	41,300	47,005
Regional Division	Energy (kgoe)	172,953	166,512	178,078
	Electricity (kWH)	531,339	500,846	524,290
Gyeongnam Regional	Fuel (kgoe)	106,534	110,555	129,195
Division	Energy (kgoe)	311,721	316,117	340,670
	Electricity (kWH)	820,748	822,249	845,899
Land Research	Fuel (kgoe)	160,332	156,867	178,633
Institute	Energy (kgoe)	354,671	359,826	437,767
	Electricity (kWH)	777,355	811,834	1,036,537
Seoul Regional	Fuel (kgoe)	110,748	109,226	101,739
Division	Energy (kgoe)	526,539	551,026	495,832
	Electricity (kWH)	1,663,163	1,767,198	1,576,371

| Greening of Energy Use |

KLC is vigorously carrying out activities to improve energy efficiency and conserve energy to ensure continued use of environmentally safe and sustainable energy resources.

Install high-efficiency Set up an Energy Saving fluorescent lamps, Committee to oversee activities for reducing energy energy-saving stabilizers, and use at each company water-saving facets and building lavatory facilities Energy Greening Establish a routine Operate a building management plan for each management team at each company building and company building (supervised execute in-house monitoring by Building Management of energy management team at the Office of nerformance

| Energy Saving Activities |

KLC is proactively carrying out a variety of activities to reduce energy consumption as much as possible: the introduction of SI system and electronic approval system to use less paper, voluntary program for food waste reduction where employees take only as much to eat at the company cafeteria, a digit-based No-Drive program, car-pooling, installation of bicycle stands to encourage commuting by bicycle, turning off power switches when they are not used, paper recycling boxes, daily turn-taking to be in charge of energy use, and assignment of one employee to one lighting switch.

Promoting efficient management of office supplies

KLC has established and implemented "Plus 1, Minus 10" campaign since 2001, which is aimed at preventing waste of resources and improving efficiency use of goods by creating a culture of saving office goods in workplaces.

Plus 1, Minus 10 Campaign

- Durable goods worth more than 500,000 won will be used one more year after the expiration of product life (10,638 goods)
- Target of saving 10% of budget for office supplies through planned purchase, avoiding unnecessary purchase, and coordination between divisions and branches
- Use of recycled printer toners and drums
- Increased use of recycled copier paper, folders and document envelopes
- Creation of boxes of common supplies to promote the sharing of stationary items such as scissors and glue within departments
- Recycling of scrap photocopies which do not contain confidential information
- Implementation of regular surveys on corporate-owned goods
- Introduction of office supply stock management serial numbers and a stock management system

| Development of goods management performance indicators, evaluation and rewards |

Development of Fair composition of the Objective evaluation evaluation indicators evaluation committee - Quantitative indicators: Ouantitative indicators: The evaluation committee is comprised 5-levels with 10 perfect of 5 representatives from audit, budget Qualitative indicators: budget scores per each indicator and contract related departments. saving examples / cases of - Qualitative indicators: 5-level Quantitative and qualitative scores are efficient management of evaluations in four areas such combined to decide the best division for office supplies, etc. as creativity and commitment efficient use of office goods, which will be rewarded with commendation and reward money.

Recognized for continuous efforts for efficient supply management, KLC received the Prime Minister's prize in 2001 for managing and saving materials. Also, purchase of goods past shelf life resulted in 4.5 billion won budget saving. Planned purchases also achieved a saving of 160 million won in the purchase budget.

KLC saved 40 million won by increasing the use of recycled products and sharing office supplies. Also, the implementation of goods saving indicators has helped us achieve our saving targets and instill awareness on cost saving among employees, thus contributing to maximum management efficiency.

60 Our **Environment**ground

Our **Environment**ground

| Prevention and Management of Air Pollution |

In an attempt to reduce adverse environmental impacts caused by particle matters and dust from vehicles driving to and from construction sites, KLC makes it mandatory for suppliers and contractors to install vehicle and tire washing equipment on site. Also, vehicle speed limit is imposed during earthwork to prevent the creation of fugitive dust at the source. In order to prevent the generation of arsenic acid dust at the source, KLC requires contractors to obtain permission or approval in accordance with relevant laws and regulations before they build and operate aggregate storage and distribution facilities. Also, KLC installs temporary dust nets around a construction site and regularly sprays water in places where dust and particles are generated.

| Prevention and Management of Water Pollution |

KLC monitors and oversees whether suppliers and contractors discharge excrement, animal bodies or waste to public waters or wash vehicles at public areas. We make it mandatory to apply plastic covers and temporary sandbags to prevent damage to soil structures. We also ensure that grit chambers and temporary drainage gutters are installed to prevent sediment runoff into the rivers.

| Prevention and Management of Noise and Vibration |

In order to reduce noise caused by moving vehicles, KLC has developed a variety of measures, including vehicle speed limits and the adjustment of construction equipment operation hours. Also, we support contractors to develop vibration and noise mitigation plans concerning the use of explosives, dosage, blasting time table and blasting technique improvement.

As for surrounding areas prone to damage, temporary noise panels are installed and the noise level is regularly monitored to develop response measures.

| Soil Management |

In an attempt to prevent soil pollution in and around a construction site, KLC ensures that waste oil storage facilities are installed on site and that the waste oil is collected in its entirety and sent out by a specialized contractor.

Environmental Management of Construction (Example)

The Regulations on Environmental Management of Construction provide general guidelines concerning the implementation of EIA, environmental conversation, settlement of environmental disputes, and matters related to the natural, living, social and economic environment.

To prevent environmental impacts resulting from construction, the contractor is required to establish plans concerning general environmental management, training on environmental management, waste treatment and recycling, air quality preservation, the prevention of noise and vibration, and water quality preservation within 60 days after the commencement of construction.

To comply with the commitments agreed in the plans mentioned above, the contractor is required to keep a compliance management log as well as the construction site waste management log, and is also required to report its performance on recycling and disposal of construction waste by the end of February each year.

During construction, the contractor must be aware of the contents of the impact assessment report, keep the compliance management log on site, and appoint a compliance manager who is responsible for checking and reporting the progress on the implementation of the agreed requirements.

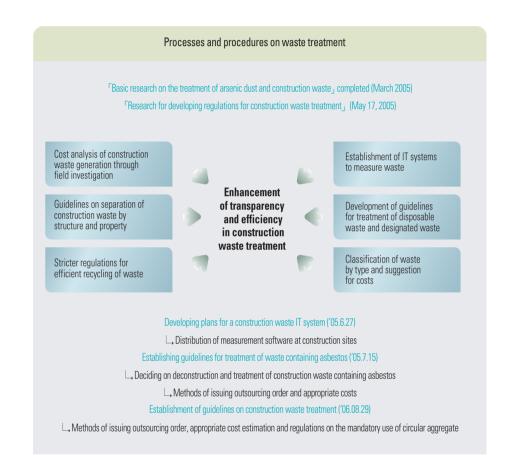
The contractor must place the compliance management log at the main office on the construction site, maintain an updated record. When doing so, the contractor needs to keep photos and documents that can prove their compliance.

The contractor must notify the supervisor without delay when the compliance manager is designated or changed. Upon notification, the supervisor should report it to the head of the authorizing agency and the head of the local environmental agency within 10 days after designation.

| Waste Management |

To minimize environmental impacts by garbage and excrement generated by construction workers, garbage collection boxes for source separation are in place at the site office and movable toilets are installed.

As for waste oil generated by construction equipment, waste oil storage facilities are installed where all the waste oil is collected and treated by a specialized outsourcing company, in order to prevent adverse impacts of waste on the environment.



| Classified treatment of waste containing asbestos |

At a construction site, equipment or structures that contain more than 1% of asbestos are separately treated.

General construction waste

Solid waste containing asbestos

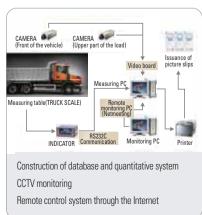
Designated waste

Waste containing asbestos with possibility of generating asbestos dust

| Treatment of waste containing asbestos |



| Waste treatment IT system |



Sustainability 2006

logue and understanding.

KLC is working together with people who care for the national land by building a mutual understanding for the environment.

Conflicts between development and preservation are resolved through dia-

| Natural Environment Management |

KLC oversees efforts to protect nature from pollution or destruction caused by construction activities and to restore the original functions of an ecosystem in case it is already damaged. To this end, KLC makes sure that contractors and suppliers fully comply with related regulations concerning landslides, ground settlement, groundwater protection and protection of animals and plants.

Considering that landslides usually occur on slopes, slope protection measures are implemented in accordance with design sketches and directives from the authorizing agency in order to maintain slope stability. As ground subsidence may occur in areas with weak foundation, it is necessary to strengthen the foundation of the ground during construction and avoid construction in winter.

Also, in order to prevent groundwater pollution caused by construction, unused drill pipes at construction sites are strictly monitored and managed in accordance with "Directive 16200 on Closed Drill Hole Management".

Construction may separate habitats of wild life. In an attempt to protect animals around construction sites, KLC ensures that suppliers and contractors develop measures to protect habitats of wide animals and implement them during construction.

As for plant preservation, access road to a construction site and other temporary facilities are built in a selected area where damages to plants are minimal. When land incision takes place, consultations with the authorizing agency are made to ensure that green areas are created on slopes.

| Environmental and Safety Education |

Environmental and safety education and training is conducted on site for one hour a month to ensure health and safety of field officials, suppliers, construction workers, and contractors. The education and training is intended to encourage them to participate in the efforts to minimize environmental impacts during construction. During the session, participants are educated on matters related to onsite safety as well as the corporation's environmental policy, site targets and major impacts on the environment.

Key Contents of Environmental Education for Suppliers

KLC's environmental policy and goal for construction sites / Detailed targets

Major environmental impacts and roles and responsibilities

Related laws and regulations and other requirements

How to act in emergency situations

Building a Strong Partnership with Environmental and Civic Groups

In cooperation with environmental and civic groups (NGOs), KLC is carrying out a variety of activities aimed at setting a reasonable direction for development projects and garnering support from the general public.

In an attempt to establish a strong partnership with NGOs, KLC employees have become members of 16 environmental and civic groups, including Citizens' Movement for Environmental Justice, Citizens' Coalition for Economic Justice, the National Trust of Korea and the Citizens' Movement for Forests of Life. The partnership and exchanges with these groups have helped KLC develop a productive relationship with them based on mutual cooperation and dialogue. Also, this has been a channel to actively promote KLC's efforts to fulfill its public role.

Promotion of Environmental Communication

| Management of the Conflict Management System |

KLC has introduced the Role Play System to identify and address potential conflicts concerning development projects by engaging various stakeholders such as local residents, environmental groups and government officials.

It has become more difficult to achieve targets for profit and social contribution due to rising business risks caused by project delays and confrontations with local residents and NGOs. In this background, it is critical to understand behaviors, background and emotions of stakeholders such as NGOs and civic groups in order to carry out development projects in a safe and efficient manner. Also, various factors that may influence the project are identified in advance, which have not been reflected in development plans. In this way, development related risks are minimized and customer complaints concerning development projects are reduced by incorporating positions of stakeholders such as civil groups, customers and people who are compensated.

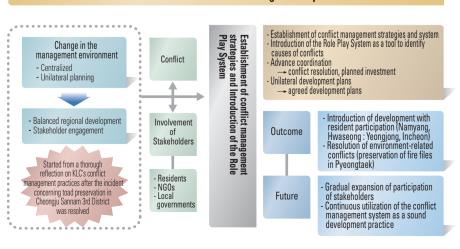
| Introduction of Role Play System |



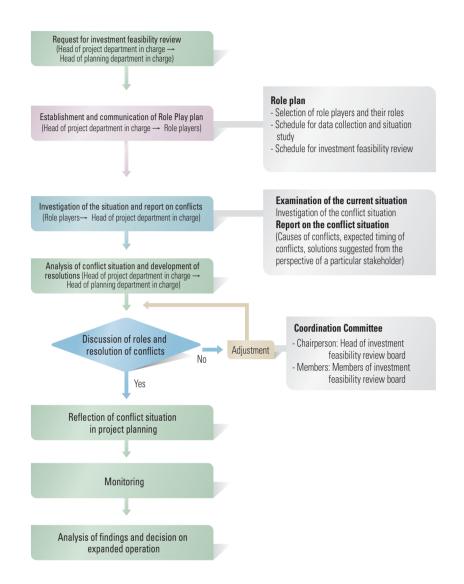
Composition General Manager level- representing each stakeholder
Time of operation during review of investment feasibility of development plans

| Conflict Management System |

Construction and of the Conflict Management System



Our **Environment**ground







Ecological Preservation

| Example of Harmony between Preservation and Development |

KLC successfully resolved conflicts with environmental groups concerning preservation of habitat for toads in Residential complex No. 3 in Sannam, Cheongju, Chungbuk. KLC created a passage for toads and a park for egg-laying, and allowed environmental groups to monitor each construction stage. This case was highly evaluated by the media and environmental groups as a good example of conflict resolution through a harmony between development and environmental protection. Also, Korea's first Toad Ecology Center was built in Sannam Residential Complex No. 3, which will serve as a venue of continued communication for complementary partnerships between development and environmental preservation and regional development based on the agreement with civic groups.

| Tree Planting Event with Teenagers from South and North Korea |

To act on environment preservation and promote friendship and understanding between the two Koreas, 70 teenagers attended a tree-planting event, which took place in Onjeong-ri, Geumgang Mountain, for three days from April 4, 2006.

| 2006 Eco-Scout College Ecological Exploration Event |

To educate college students of the importance of land resources and ecological environment, the College Ecological Exploration Event was held. The findings of the exploration were created as ecological maps, which help enhance the general public's awareness on ecosystem preservation.

| Contest for Environment Photography |

A public contest of photographs that depict the beauty of the national land was held to remind people of the value of the national land.

| Promotion and Communication of the Mindset for Environmental Protection |

KLC is striving to spread the eco-perspective among the general public and enhance an eco-friendly image of the corporation while promoting its leadership in environment-friendly national land development

About 620 copies of a book on eco-friendly development cases, titled "Nature, City and Humans", were distributed to various stakeholders, including administrative agencies and schools. Also, 50 posters on eco-friendly development projects are exhibited in local communities such as Hakeu River in Pyeongchon New Town.

Externally, KLC is working to promote its environment-friendly development policies. Internally, KLC issues a monthly newsletter "Land News" and a weekly "Environmental Education Brief" to understand positions of government agencies in charge of environment, transportation and disaster as well academia, associations, environmental and civic groups, share environment-related information, and enhance awareness on environmental protection.

| College Ecological Exploration Event |



| Upo Swamp |



Awards for Environmental Management

KLC has been highly recognized for continued commitment to environmental management.

| Best Company for an Environment-Friendly Urban Development |

The first award for construction and architecture in Korea

Category Civil Engineering - urban development and energy facilities

Project Sangdong New Town, Bucheon

Organizers Maeil Economic Daily, MBN, Korean Society of Civil Engineers, Architectural Institute of Korea



| Environment-related Awards for 5 consecutive years |

Awards on e	environmental	management	
-------------	---------------	------------	--

			Awards on enviro	onnental management
2002	2003	2004	2005	2006
Award for Eco-friendly Management	Prime Minister Prize for Environmental Preservation	Environmental CEO Award	Environment Best Green Team Award	Award for Environmental Management
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Our Social ground

KLC's Expression of Respect for All: Happy Town

"Happiness in Korea grows when people can enjoy rich culture and advanced technology regardless of where they live."

Construction of an administrative multifunctional city is the most effective solution to a widening development gap among regions and growing social and economic costs associated with excessive concentration of population in the Seoul Metropolitan Area. As the organization in charge of the Administrative Multifunctional City Project, KLC will create a city that is self-sufficient in serving administrative functions to lead a balanced national development, environmentfriendly for co-existence of human and nature, resident-centered with convenience and safety, and culture and technology based.





We borrow the land from our future generations.



Strategies to Strengthen Our Partnerships

Sustainability 2006

We Pursue Happiness of Various Stakeholders.

We have developed and implemented strategies to strengthen our partnerships with various stakeholders to ensure their quality of life will improve through our efforts.

KLC encourages cooperation and interaction with employees, customers, suppliers, communities, the government and the general public. A reliable and equal "partnership" with these stakeholders is at the core of KLC's four strategies for sustainability management in the matters relating to society.

KLC's key stakeholders are our employees. Therefore, we focus on enhancing quality of life, human rights, career development and diversity of employees.

As a corporate citizen, KLC will serve the nation and local communities through systematic social contribution activities.



KLC pursues customer satisfaction by developing and offering services that cater to customer demand.

KLC seeks to supply eco-friendly and highquality lands and achieve co-prosperity with contractors by working in partnership with them.

Area	SM Infrastructure 2005-2006	SM Key Values 2007-2008	Leadership Development 2009-2010
Management for People and Human Rights (9 initiatives)	- Establishment of human rights policies - Increased employment of people with disability	- Introduction of alternative work systems (such as work at home)	- Support programs for retirees
Customer Satisfaction Management (7 initiatives)	- Improvement of systems to gather cus- tomer complaints - Completion of the e-commerce system	- Continuous improvement of cus- tomer conflict management - Promotion of customer loyalty management	- Continued enhancement of customer satisfaction man- agement
Integrated Social Contribution (3 initiatives)	Creation of a new organization for social service Establishment of social contribution strategies Social contribution communication	- Evaluation of and feedback on social contribution and performance	- Facilitation of social per- formance evaluation and reward scheme
Ethical Management and Partnership with Suppliers (3 initiatives)	Fair bidding system Establishment of ethical management roadmap Strengthening of ethical management infrastructure	- Promotion of ethical manage- ment within KLC and with suppli- ers	

We Respect Human Dignity and Rights.

Human rights should be protected to maintain dignity of individuals and communities. We have established various support systems to enrich the lives of our employees and stakeholders by respecting their human rights.

Management for People and Human Rights

Sustainability 2006

| Employee Statistics |

As of July 2006, a total of 2,662 employees are working for KLC. We have 324 female employees, which account for about 12% of the total staff, and 2,338 male employees. Although we have a gender imbalance in staffing due to the unique characteristics of the company, the number of female employees has been on the rise for the past three years. At the moment, we do not have any female on the executive or senior manager level. However, we believe that we will soon have female senior managers, and the number is expected to grow year after year, given that the population of female workforce keeps increasing.

Number of Employees by Year							
2003 2004 2005 2006							006
Male	Female	Male	Female	Male	Female	Male	Female
1,876	151	2,004	194	2,154	265	2,338	324
93%	7%	91%	9%	89%	11%	88%	12%

| Recruitment of Human Resources |

KLC is the first public corporation that removed age limit on new hires. Also, KLC has hired some experienced people on a need basis from a pool of 730 professionals that the corporation manages in 30 fields, including urban planning and business administration. As a result, 15 out of 30 hires with experience in 2005 and 2006 were drawn from this pool.

The number of job categories for employment has increased to 14 in order to reflect changes in management environment and KLC's business structure. Also, KLC has hired graduates from 70 colleges around the country in an effort to increase the share of employees from schools outside the Metropolitan area. The share of social minorities such as people with disability in the workforce has increased, and the examination to allow part-timers to become full-time employees (10 people) was administered.

The hiring of social minorities such as people with disability has grown by 8.8% compared to the previous year.

	2004	2005	2006	Compared to the previous year
People with disability	4	5	25	400% Up
Female employees	43	52	55	6% Up
Graduates of regional colleges, etc.	66	85	87	2% Up
Graduates with major in science and engineering	92	108	134	24% Up

| Increased promotion of female senior managers |

	2004	2005	2006	Compared to the previous year
Promotion of female senior managers	2	3	2	33% Down

| Retirement Rate |

The retirement rate at KLC is relatively low, remaining at about 1.2% for the past 4 years.

Year	2003	2004	2005	2006
No. of Regular Workforce	2,027	2,197	2,418	2,662
No. of Retirees	34	26	24	18
Retirement Rate	1.7%	1.2%	1.0%	0.7%

70 Our **Social**ground

| Prevention of Discrimination against Irregular Employees and Enhancement of Their Treatment |

KLC utilizes temporary and irregular workforce for some specific jobs. Also, KLC has implemented a program to support the transition of irregular employees to regular employees. We will draw a clear line between the tasks of regular workers and those of irregular workers, and provide a better treatment to irregular employees by treating equally the regular and irregular employees who perform the same tasks as a way to prevent any form of discrimination against irregular workers. (Since 2005, 10 workers with fixed-term contractwere converted to regular employees and 55 temporary workers signed fixed-term contract.)

2	003	20	04	2	005	2	2006
Regular	Irregular	Regular	Irregular	Regular	Irregular	Regular	Irregular
2,027	359	2,197	372	2,418	402	2,662	456
Share of Irregular work force							
17.	7%	16.9	9%	16	.6%	1	7.1%

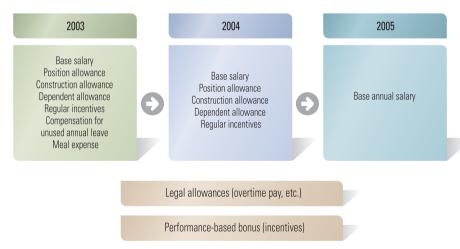
^{**}Irregular workers are defined as thosehired directly by KLC for a limited period of time. Among the irregular workforce, the number of temporary workers was 189 in 2003, 226 in 2004, 265 in 2005, and 284 in 2006.

| Compensation Scheme |

In the past, KLC maintained a two-tier compensation scheme: rank-and-file employees received their salary based on their length of service; and high-level employees were compensated based on an annual salary system. In November 2005, however, KLC adopted the annual salary scheme for the entire employees to simplify the compensation system and focus more on performance-based reward. Salary levels are similar to those offered by other government-invested organizations. We pay incentives to employees according to their performance.

Introduction of the annual salary system

We simplified the compensation scheme to avoid creating new allowances and focus on annual salary that includes the base salary and allowances.



Employee Welfare

KLC provides a wide range of employee welfare programs in order to offer a better working environment. Welfare expense at KLC reached 15.2 billion won and 13.6 billion won in 2004 and 2005, respectively. Welfare expense per person amounted to 6.92 million won in 2004 and 5.61 million won in 2005.

| Welfare Expenses |

	2004	2005
Total cost on employee benefit and welfare (hundred million won)	152	136
Cost on benefit and welfare per person (1,000won)	6,915	5,608

| Maternity Protection Program |

KLC runs day care facilities at work for double-income families, and operates various programs to encourage employees to have more children.

| Improvement of Measures for Maternity Protection |

	Previous	Improvement	
Lounge for female employees	Optional	Mandatory in KLC-owned buildings	
Events to celebrate Women's Day Not applicable		On a quarterly basis	
Leave scheme	Menstruation leave	Monthly leave for female employees (one day per month; childcare leave for one and a half years)	

| Programs to Promote Birth (November 2005) |



| Leisure |

KLC provides vacation resorts nationwide so that employees can rent and use them. Also, sports facilities, including tennis courts, are available on the company premises.

| Dormitories for Singles and "Weekend Couples" |

KLC operates dormitories for singles and married employees who live apart from their family during weekdays. All 112 female applicants applied for housing were admitted.

| Housing Support |

KLC provides financial support to those employees who do not own a house when they purchase or rent a house.

| Credit Union |

KLC operates a credit union, which pays out dividends from investments and lends money to employees.

| School Expense Support |

KLC provides financial support for employees to pay part of the school tuitions of their children. It covers 100% for secondary school. As for college, KLC supports 50% and lends 50% of their tuitions.

| Establishment of day care facilities for female employees with children |



Toduri Day Care Center
Opening in September 2005 at a rented building located in
Gumi-dong, Bundang-gu
Maximum number of children: 59 (currently 50 children), 9

Number of people who wished to move in dormitory		Admission Rate	
112	112	100%	

| 4 Major Insurances |

To ensure healthier and more stable life of our employees, KLC subscribes to the National Pension, Health Insurance, Employment Insurance and Industrial Accident Insurance, which are the basic welfare schemes required by law.

According to employee survey, satisfaction with employee welfare rose by 2.3%

	2004	2005	Notes			
				Very satisfied	1.80%	
Very satisfied	1.1%	2.6%	up 1.5%			
Satisfied	33.9%	33.2%	down 0.7%	Dissatisfied	21.50%	19.50%
Neutral	41.7%	43.2%	up 1.5%	Neutral	41.70%	43,20%
Dissatisfied	21.5%	19.5%	down 2.0%			
Very dissatisfied	1.8%	1.2%	down 0.6%	Satisfied	33.90%	33.20%
No response	0.0%	0.2%	up 0.2%	Very dissatisfied	1.10%	
				•	2004	2005

Protection of Health and Human Rights of Employees

| Establishment of the Human Rights Charter |

For successful implementation of overseas projects, inter-Korean cooperation projects and exercising of leadership in a sustainable management, in November 2005, KLC announced the human rights charter that stipulates humanity-centered management practices such as employment of females and the disabled. According to this charter, KLC offers equal opportunities regardless of nationality, gender, race and region, complies with laws and regulations on working conditions, privacy protection, and implements measures to prevent occurrence of human rights related problems with contractors.

| Accident Prevention and Compensation |

| Regular Medical Checkups for Employees |

KLC formulated the "Terms of Accident Compensation" in 1990. Under the terms, KLC covers litigation expenses in case an employee is sued due to his or her job regarding the compensation for industrial accidents. We also compensate for accidents or injuries inflicted to those who are not our employees.

KLC compensates for damages according to company regulations even though they are not covered under the Industrial Accident Compensation Law. The compensations cover damages to those who raised petition and complaints, damages done by corporate structures and facilities, accidents that occurred during work (including commuting), tuberculosis-related pulmonary diseases, hepatitis B, brain infarct, hypertension, cancer and other work-related diseases.

We also have a "Accident Compensation Committee" in place for sensible and objective compensation. The committee consists of the heads of HR Team, Planning Team, Audit Inspection Team, Safety Management Team, and 2 representatives from the labor union.

ees. We collect and maintain only the kind of information required by law and for efficient operation of the corporation. We maintain confidentiality of personal

Human Rights Charter

In pursuing the vision of becoming a land service

provider of world excellence, the Korea Land Corporation recognize its duty of respecting

mankind and improving their quality of life. As

guidelines for behaviors and value judgments of

KLC's employees, KLC is committed to comply-

ing with the following basic human rights policies.

▶ We offer everyone fair opportunities by not discrimi-

nating against nationality, race, physical conditions, educational background, gender, region and regional

▶ We continue to pay attention to the well-being of

social minority groups such as women and people with

▶ We strive for co-prosperity and a true partnership

between labor and management based on trust and

cooperation. We abide by the laws and regulations on

information and disclose it only to those who have the

▶ We establish mutually beneficial relationships with

suppliers and business partners and continue to

ensure that our policies on human rights are shared

legal rights to access the information.

and respected by our partners.

minimum wage, overtime and maximum work hours.

Note that the privacy and dignity of our employ-

▶ We respect and protect human right

background in hiring and treating employees

disability.

KLC offers regular medical checkups to employees and their spouses every year. From 2005, the cost of checkup was raised by 50,000 won per person so that people can choose specialized medical tests they need, including lungs, gastro enteric disorder, gynecology, cerebral vascular disease,

etc. As a result, the number of employees who received checkups grew by 5% compared to the previous year.

2004		2005	Notes	
Medical Checkup Cost	200,000 won/person	250,000 won/person	Including spouse	
Checkup Participation Rate	79%	84%	Up 5%	

| In-house Clinic |

We operate in-house clinic, dentistry, and a pharmacy for better health care of our employees. We also opened an oriental medical clinic in 2005.

| Safety Control |

Pursuant to the "Regulations on Safety Control", we have established a systematic safety control scheme to ensure safety and disaster prevention at all buildings, facilities, lands and construction sites that are managed or operated by KLC.

| Sexual Harassment Prevention |

KLC's code of conduct clearly stipulates that any form of sexual harassment is prohibited. We offer sexual harassment counseling for active protection and prevention of harassment inside the company, and the counselors receive special training. In addition, we provide sexual harassment prevention education for each department and cyber learning materials from the e-Learning Center.

| Employment of People with Disabilities |

At present, the proportion of the disabled in KLC is 2.29%, exceeding the legal requirement of 2%. However, we intend to continue to employ more persons with disability by proactively searching for tasks that can be performed by disabled persons.

Year	2004	2005	2006	Compared to previous year
People with Disability	4	5	8	Up 60%

| Prohibition of Discrimination |

Our code of ethics makes it clear that academic background, gender and regional background will be no cause for any discrimination in training, transfer, promotion and appointment. In 2003, KLC introduced the Blind Interview scheme, in which prospective new employees are interviewed without their academic background known to the interviewers, and the scheme was recognized as an innovative management practice.

| Complaint Handling |

We operate a computerized complaint handling system for employees. It is required that any complaint received by the HR department be resolved within 10 days after the initial filing. In addition, we also run other complaint handling systems such as CEO-Hotline, Sinmoongo Program, and the Ethical Management Call Center. The number of complaints filed has been on the rise due to an increased number of new employees, but we are trying to enhance employee satisfaction by utilizing various complaint handling programs.

| Number of complaints by category |

	Total	Promotion and transfer	Welfare	Work condition	Promotion and training	Others
SON 2004	362	338	19	-	5	-
Number of 2005	450	450	-	-	-	-
Growth (No. of cases)	88	112	-19	-	-5	-

| Expanded channels of handing employee complaints, including "Talk with the CEO" |

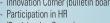
2004

- Complaint Handling Committee
- Management and the Labor Union
- Intranet (Kolins receives complaints concerning promotion and transfer)
- Division meetings

2005

- Innovation Corner (bulletin board)
- (Participation Corner)
- Talk with the CEO
 Labor Union homepage

+



Our Social ground

Our Social ground

I Forced Labor and Child Labor I

We abide by the Labor Standards Act and the rules of the International Labor Organization that prohibit forced labor and child labor.

| Work Hours |

Under the revised Labor Standards Act, we adopted a 5-day workweek in July 2004, reducing the weekly working hours from 44 hours to 40 hours.

| Leave Scheme |

Employees can take leaves of 15 days in total after the initial one full year of employment, and the number of leave days is increased by one day in every two years until it reaches 25 days. To improve quality of life of the employees, we launched "Leave Promotion Campaign" aimed at encouraging employees to take leaves available to them. For those employees who have to work on holidays, we provide an option of taking additional days off in accordance with the company rules.

| Human Resource Development |

The most valuable human resources at KLC are "specialists with a competitive edge", "creators of opportunities in environment changes", and "employees with a global mindset." KLC invests in career development of its employees by providing a wide range of education and training programs. In 2005, we spent 7.5 billion won for employee education, which means 3.1 million won per employee. We have also introduced the "Training Hour Tracking System", which is utilized for the performance evaluation of individual employees.

	2002	2003	2004	2005
Training Expense (unit : hundred million won)	38	42	63	75
Per person (10,000 won/person)	217	235	303	310

Training Programs

Requirement

Training based on rank - Designated courses for each rank - Once during each rank Job Category (Core course) - Course on land engineering - Every five years Job Category (Specialized courses) - Designated courses for each career path

- 3rd ~ 5th Ranks: 32 hours/year

Optional - 2nd Rank: 24 hours/year

Training Hour Tracking System

- Individual employees are given training requirements, and their progress is tracked and reflected in the comprehensive performance evaluation.
- HR development system sets a systematic connection between HR and training.

Link between training and promotion

Training efforts are reflected in promotion and transfer decisions of employees at Ranks 2~5 from 2006

* As for employees at the 2nd rank, the training performance is now reflected in comprehensive performance evaluations from 2006.

| e-Learning System |

In 2004, we launched the HR Development Center, which is an e-learning system, to provide cyber training to our employees. Currently, the Center offers job-related courses, such as land engineering and compensation, management competency courses, including ethical management and innovation, as well as language courses and IT courses.

In 2005, 8,452 employees registered for 107 e-learning courses, which were offered for 386 times throughout the year.

Category	Language	IT	Roles and Responsibility	Job Training
Number of Trainees 2004	2,009	717	-	1,886
Number of Trainees 2005	3,724	1,723	764	2,241
Growth (%)	85	140	New	19

| Cooperative Labor Relations |

KLC takes pride in the fact that we have remained as a strike-free workplace for the last 18 years. Our code of ethics stipulates rational labor management, lawful union activities and labor-management partnership. The labor agreement that is revised on a biannual basis mainly deals with working conditions, employee welfare, personnel management and gender equality.

Labor Union

Since 1987, the labor union at KLC has been composed of 4 full-time and 10 part-time members. Currently a total of 2,322 employees, or 87.1% of the staff, have joined the union. Employees lower than deputy manager may join the union.

	2000	2001	2002	2003	2004	2005	July 2006
No. of employees	1,784	1,771	1,815	1,810	2,197	2,424	2,662
No. of union members	1,532	1,519	1,564	1,554	1,912	2,112	2,322
No. of full-time union members	7	3	3	3	3	4	4

| Labor-Management Council |

Labor-Management Council leads dialogue and consultation between the management and the labor union on a regular basis. At present, the council meets every three months.

The council consists of 6 representatives from the labor and an additional 6 from the management. Management members are the CEO and those designated by the CEO, while the members from the labor union include the union leader and those recommended by the union.

The council discusses (1) issues on productivity and employee welfare, (2) employee training, (3) prevention of labor disputes, (4) handling of workers' complaints, (5) safety and healthcare, (6) working environment and (7) personnel and labor management.

Apart from the council, we at KLC hold various events to promote amicable relationship between labor and management. The two sides work together to prepare overseas training, Towooje (company sports festival), and the participation of the labor union in Innovation City Projects. They also attend specialized training courses for better labor relations.

| Reasonable operation of labor-management roundtable: Obligatory disclosure of extensive management information and minimized number of meetings

Operational approach

- Expanded obligations for information disclosure - Guaranteed participation of the labor union
- in management committees
- Granted right to observe management meetings
- Operation of labor-management joint team
- Promotion of labor-management consultations at the regional level

Achievement

- Prior circulation of Roundtable meeting materials
- Labor union participation in innovation meetings. Participation in salary negotiations
- Operation of labor-management joint monitoring team Awarded two divisions for harmonious
- labor-management relations

| Labor-Management Round Table |



| Symposium for Creation of Innovation City |



| Labor Union Homepage |



Customer Satisfaction Management

Sustainability 2006

Our innovations need to be always focused on the Korean people and our customers.

KLC believes that a corporation cannot sustain without affection and trust of customers. Thus, we pursue customer-oriented leadership through continued development and supply of services that truly cater to customer's demand.

KLC strives to be recognized as a reliable company by customers through the establishment of customer satisfaction strategies and infrastructure to deliver services tailored to customer needs. Since we proclaimed the introduction of Customer-Oriented Management in April 2000, we have realigned management plans and put in place new teams dedicated to customer satisfaction. Also, we have upgraded the Customer Service Charter to enhance capabilities to satisfy our customers.

| Restructuring of Customer-Related Organizations |

- KLC restructured the Customer Satisfaction Office that oversees customer satisfaction management practices. The general customer teams at regional divisions have been consolidated to OK Teams to improve competence for customer satisfaction management and strengthen customer services and social contribution activities.
- Putting customers at the top of our organization, we established OK Teams in May 2000 at regional divisions nationwide. OK Team is authorized to make discretionary decisions to effectively respond to customers' needs and complaints. OK Team is in charge of customer support externally and employee service training internally.

Category	Before	After	Note
Headquarters	Office of Customer Support Customer Support General Team Customer Satisfaction Team Customer Support Center KLC Building Maintenance Team Realator Examination Administration Team	Office of Customer Satisfaction Customer Support General Team Customer Satisfaction Planning Team Customer Satisfaction Center Onnuri Volunteer Team (new) Customer Service Improvement Team (new)	Move KLC Building Maintenance Team and the Realtor Examination Administration Team to other divisions
Regional Divisions	Customer Support Team OK Team General Team	Customer Support Team OK Team (Combined with General Team)	

| Upgrade of the Customer Service Charter and Strengthening Customer Services |

Customer Service Charter

We hereby pledge to live up to our promises to develop our land in an efficient manner and thereby improve the quality of life of the Korean people.

- We will develop and supply eco-friendly housing complexes with pleasant living environment.
- We will establish and implement clear service criteria and reflect the voices of customers in our management.
- We will take swift actions to deal with customers complaints and to prevent recurrence of the same mistakes.
- We will think and act in the customers' position and provide kind, expeditious and accurate responses.

Operation of the One-Stop Service Center

KLC opened the One-Stop Service Center to ensure that customers can receive a wide range of services, including sales consultation, compensation, development and land use, more quickly and conveniently through an integrated customer service channel. For 2005, customers made 3,006 calls to the Toll-Free customer service number, 32 uses of the online one-stop service website, and 3,625 visits to the One-Stop Service Center.

Off-line One-Stop Service Center Cyber One-Stop Service Center **Customer visits** Customer contacts through the Internet or phone Cyber One-Stop Service Center One-stop Service window (Regional divisions and offices) Toll-free call center - Initial business Connecting all the regional - Refer to personnel consultation divisions and offices in charge - Issuance of certificates A division C local Compensation office office B division Development

Creation of One-Stop Service Window at the customer center at each regional division

- Operated by OK Team and in charge of initial consultation and issuance of various certificates and documents
- In case a customer needs further assistance, the person in charge is referred to immediately for one-stop support.

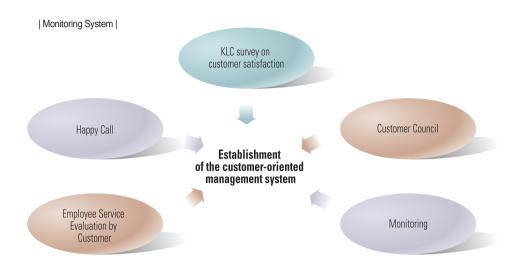
| Opening of the One-Stop Service Center |



Establishment of customer service netwo through the Internet and toll-free number

- Creation of Syber One-Stop Service Center in the KLC
 website
- Access to regional divisions nationwide through the toll-free number (080-204-5005)
- Request for services that cannot be processed locally is handled through the Cyber One-Stop Service Center

Evaluation on customer service performance and feedback from customers



KLC customer satisfaction survey (Customers who completed the payment)

- The scope of survey respondents is expanded to reach more customers in terms of quality of products and services
- Gathering opinions from customers
- No. of customer complaints and suggestions: 905 in 2004, 898 in 2005
- Customer opinions by category: products and facilities, employee attitude toward customers, work processes and convenience → 1,361 cases (newly surveyed)

Happy Call (Customers who signed a contract or finished the payment)

- Minimize inconvenience of customers by adjusting call frequency based on customer category
- Adjustment of happy call order based on KLC customer total population
 Customers with full payment → customers with changed land ownership → customers who purchased land → customers who paid down payment (a total of 7,374 calls)

Employee Service Evaluation by Customers

Improvement

- Adoption of 10-point scale, which is used for customer satisfaction survey and happy call evaluation, in order to enhance evaluation accuracy
- In addition to walk-in customers, a written survey is sent to customers who
- signed a contract or paid the full dues in order to reach more customers.

 Feedback to the concerned employees by sending the evaluation result

Monitoring

The number of calls monitored has increased (789 calls → 1,632 calls) and the range of employees subject to monitoring has expanded to Team heads.

| Customer Monitoring |

KLC conducts "Customer monitoring" to assess employees' responses to customer's needs. 25 departments at Headquarters and 12 regional divisions, branches, and project offices are subject to the monitoring. To obtain unbiased results, independent survey firms are brought in to evaluate the level of employees' responses in the two categories: responses to in-coming calls and responses to walk-in customers.

| Happy Call Program |

At the Call Center, we launched the "Happy Call" program in August 2000. Happy Call is a system that we collect complaints directly from our customers, identify and resolve the inconveniences they experience, and reflect the results to improve customer satisfaction management. The Call Center makes "thank you" calls, or Happy Calls, to the customers who signed a contract with us or paid up their dues. Happy Calls are also made to track customer satisfaction after complaints are resolved and to collect any complaints that may not have resolved. Customers' comments gathered by Call Centers are delivered to the OK Team at regional divisions for expeditious after-sale service and complaint resolution. Actions to resolve customer complaints can be taken immediately without having to go through official approval steps.

| Employee Service Evaluation by Customer |

In 2004, we introduced "Employee Service Evaluation by Customer" to get direct assessment from customers on the service our employees provide. The purpose is to give employees direct feedback and opportunity to make self-improvement, thereby enhancing overall service quality of KLC. We have a quarterly reward-giving ceremony to our best employees, and employees utilize the evaluation result as valuable data to review their own service level. We utilize the comments and suggestion of our customers to diagnose our service level and identify improvement opportunities.

| Customer Suggestion |

KLC introduced the "Customer Suggestion System" in July 2003 to embrace diverse and creative ideas from customers as a way to boost management efficiency and create the image of our corporation as a close partner of our customers. The suggestions are received through a "Customer Suggestion Box" on our website. We welcome ideas and suggestions for improvement of KLC's operations regarding land acquisition, supply, development and sales, ideas on efficient use of land, and suggestions on ways to stabilize supply and demand of land. We also welcome ideas or suggestions that can help improve KLC's operations. Customers' suggestions are rated by an internal screening panel as well as the Committee for Openness of Public Enterprises, which consists of independent members, for unbiased judgment.

| Customer Satisfaction Survey |

KLC conducts customer evaluation on our service regularly to reflect the result in our corporate management plan. The customer satisfaction survey is a one-on-one telephone survey aimed at evaluating quality of our products and services. Respondents are chosen among those who purchased land from KLC after 1999 and paid out the whole price of the land. The customer satisfaction survey con-

ducted by the government in 2005 shows that customer satisfaction of KLC has continued to rise with the score exceeding the government target of 73 in 2005.

| Customer Evaluation Result |

Category	2003	2004	2005
urvey on customer satisfaction of public enterprises	70	70	74
KLC customer satisfaction survey	64.2	70.9	71.5
Happy Call	87.7	90.3	93.2

(unit: point)

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Tomato Management

Sustainability 2006

Measures to Protect Customers

| Protection of Customers' Private Information |

KLC's code of ethics (Chapter 3 Responsibility and Obligations toward Customers) clearly states KLC's commitment to the protection of customer information and their interests. We spare no effort to manage and protect any information of customers obtained during work.

| Committee for Openness in Public Enterprises |

For transparent management and quality service, we have a "Committee for Openness in Public Enterprises" in operation since 2000. This committee is in charge of business information disclosure, selecting tasks to implement the Customer Service Charter, monitoring progress of these tasks, discussing solutions to customer complaints, and finding ways to enhance transparency at KLC. The committee is currently composed of 8 independent members, including the chairperson. The number of committee members is scheduled to increase to 20 for more active operation of the committee. It meets on a quarterly basis.

| Customer Council |

Regional divisions as well as Headquarters have their own customer councils in place to collect ideas and suggestions from customers, which are reflected in management improvement.

| Complaint Resolution Committee |

We have a Complaint Resolution Committee to clear customer's complaints and identify improvement opportunities in service areas.

| Customer Complaint Management System |

We built a system to collect all formal and informal complaints received through paper, online, telephone or personal channels. On the system, we record complaint collection channel, the purpose of land, address of related land, name of district, and details of complaints. This system helps our employees easily identify complaints by categories such as district, land use and complaint type.

| Customer Complaint |

At present, we have complaints in terms of construction site candidate, compensation and plans for residents to move, execution of work and development, contract cancel and land supply, management after construction, etc. In the past, KLC received loads of complaints due to our management style that only focused on business efficiency. However, we are currently establishing work processes that prevent complaints in advance. In addition, we respond swiftly to any complaint filed by customers.

Moving away from the past practice of ignoring people's voices and handing civil petitions from KLC's own perspective, we have introduced "preliminary consultation with customers" to discuss possible solutions before KLC makes a decision on the issue at stake. Also, "post evaluation of customer satisfaction" is in place to better serve our customers.

	2005 Result	Preliminary
Preliminary consultation concerning civil petitions	3,313 cases	Phone and visit
Post evaluation on civil services	153 cases	Postal mail, online

TOMATO Management

KLC established the ethical management system in February 2004 to serve the nation and the general public through transparent and ethical management. Upon inauguration, the new CEO declared ethical management as one of his five key management policies. Since then, he has been dedicated to ethical management by setting examples himself. He has served as secretary of Committee on Ethical Management of Public Enterprises.

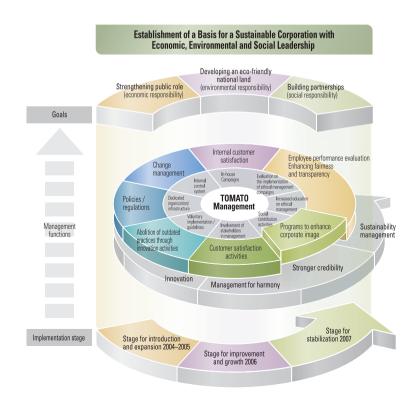
KLC tries to garner trust of the people through management practices transparent as a tomato. We will continue to improve our management practices by engaging the general public in the process.

Clean! Transparent! TOMATO management for everyone

We believe that trust of the general public sustains the existence of a corporation.

TOMATO management based on trust represents an ethical and transparent management philosophy unique to KLC. It symbolizes our commitment to gaining trust from the general public through clean management practices.





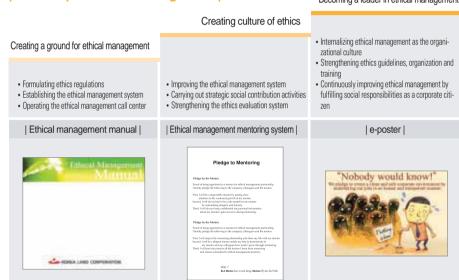
KLC's organization for ethical management includes the Clean KLC Committee and Ethical Practice Bureau. We have established all the policies and regulations concerning ethical management, including regulations on Clean KLC Committee, Ethics Charter, ethics guidelines and guidelines on ethical practices. In addition, the Ethical Management Call Center is newly added to the Ethical Management page in KLC's website, in order to collect suggestions and report on violations of ethical management.

To practice ethical management, in June 2004, we delivered guidelines to ethical management to some 350 contractors and subcontractors to ask for their cooperation in this regard. Also, Clean Contract System was expanded from the areas of contract for construction and procurement to the area of land supply.

We also offer our employees circuit training and online training on ethical management and separate ethics training for executives. In addition, all executives and employees submitted a written pledge to ethical management. KLC has been implementing various measures to promote the practice of ethical management, including ethical management mentoring, an ethical management essay contest and the production of an ethical management manual.

| Roadmap to ethical management |

Becoming a leader in ethical management



| Signing a Clean Society Agreement in Land Development |

KLC has signed a Clean Society Agreement with 197 contractors in order to create and operate joint action committees to promote transparent, ethical management and prevent corruption.

| Tomato Management Poster |

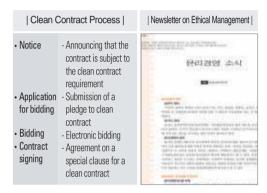


| Clean Society Agreement |



Fair Competition

In the code of ethics, KLC proclaimed principles of fair competition. Our commitment to fair competition includes acquiring and using information through legal channels, taking competitive edge in a fair manner, and complying with the law. In terms of law compliance, we specify that employees should respect customary rules of commercial transactions, comply with the law in the country we do business, and comply with OECD's "Convention on Combating Bribery of Foreign Public Officials in International Business" and domestic law of "Act on Combating Bribery of Foreign Public Officials in International Business."



Ethics Charter

As the leading public corporation to drive national development, KLC is committed to leading the establishment of ethical management to become a truly beloved company by offering clean and transparent management in carrying out 21st century national land policies and promoting welfare of the people.

Hereby we declare the Ethics Charter as guidelines for action and value judgment of all the executives and employees at KLC.

- As diligent and honest members of society, we are here to create an ethical working environment where there is no corruption and irregularities.
- We will do our best to deliver customer satisfaction by respecting customer's right and provide quality service.
- We pledge to acquire competitive edge through fair competition and comply with rules and regulations.
- We are committed to fair and transparent trade based on trust and goodwill.
- We will grant equal opportunities based on mutual trust, and we respect the humanity and creativity of individuals.
- We will strive to establish transparent and reliable management as our corporate culture and participate in social contributions.
- We will pursue eco-friendly development and supply quality land in order to lead the development of national economy and housing environment.
- We will stand firmly on the strategic partnership between labor and management based on mutual trust.

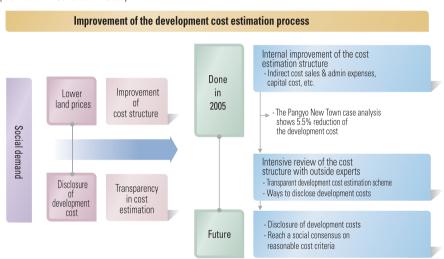
Management Transparency

| Cost Disclosure |

Pursuant to the Housing Development Promotion Act and the government's policy, KLC will disclose construction costs. This will help reduce widespread criticism and misunderstanding that KLC earned excessive profits by selling lands at prices 4-5 times higher than actual costs. Such criticism was based on a simple comparison between land compensation and sales prices, without considering additional construction costs to enhance value of land resources. The disclosure of construction costs, therefore, is expected to prevent such misunderstanding.

In preparation for the cost disclosure, KLC has been making thorough preparation to develop a more reasonable cost structure based on the direction provided by the government. When the government announces a new policy on construction cost disclosure based on research by the Land Research Institute, KLC will disclose its construction costs immediately. As a public corporation implementing national policies, we will continue to improve management transparency by disclose cost details to become a truly respected and trusted company.

| Estimation of Construction Cost |



| Webpage for Disclosure of Management Information |



| Disclosure of Management Information |

Under the Act of Government-Invested Corporation and as a part of our commitment to transparent management, we open the information on KLC at our website. The information includes management planning and performance, social contributions, internal assessment, corporate assessment result by independent organizations, financial status, credit rating, customer-oriented management and BOD meetings. Upon request, customers can receive this information by email. Suggestions for improvement and questions can be posted through the Customer Opinion Board, which are fully considered in KLC's management.

Improvement of Investor Relations				
Creation of a separate website for management information to make it more accessible to custo management information disclosure Improved structure and design of the website				
Designated personnel in charge of each section of management information	Customers can post questions to the personnel in charge by using their contact information			
Diversification and expansion of information for disclosure	New types of management information: detailed categories of management status, revenue by business area, financial statements in English, trends on income and expenditure			
Reorganization of Disclosure Categories	Management overview, management planning, management performance, financial performance, evaluation by independent organization, customer-oriented management			

| Product Information Disclosure |

To properly respond to rising demand for information disclosure, we share information on our products in various ways. The information includes land map supplied with purchased land, district basis planning sketch, district basis planning implementation guidelines, and guidelines for bidding application.

| Information Disclosure |

As a government-invested enterprise, KLC has "Information Disclosure System" in place. The purpose of this system is to protect people's right and promote democracy by respecting the right to know and encouraging the public to participate in national policy making process. Under the system, it is obligatory that public organizations should open any information obtained and possessed by itself in the form of public reading, manuscript, and reprinting at the request of the public.

| Designated as Excellent Organizations for Disclosure |

KLC has been promoting management transparency by improving systems for management information disclosure. This effort was recognized by the Ministry of Construction and Transportation (MOCT) on disclosure evaluation. (2nd place among the organizations under MOCT)

Measures to Facilitate Information Disclosure

- \bullet Establishment of regulations on information disclosure
- Creation of Disclosure Review Committee
 (3 members from KLC, 2 outside members)
- Establishment of information disclosure guidelines



Website for Information Disclosure



Sustainability 2006

Sharing and Love, another name for KLC

Social contribution activities of a corporation are not just limited to financial contribution. They need to be understood as a realization of social responsibilities and social investment. Profits from development projects are used to improve underdeveloped areas and expand social infrastructure. Also, unique volunteer activities are carried out to spread love everywhere.

| Ilsan Lake Park |



| Bundang Central Park |



Strategic Social Contribution

In celebrating the 30th anniversary in 2005, KLC adopted a "New Declaration for Social Contribution" to renew its commitment to social contribution as a socially responsible public corporation. In July 2005, we signed the Clean Society Agreement to put ethical management firmly in place. Furthermore, Onnuri Volunteer Group was created in November 2005 to carry out social contribution activities more effectively.

Onnuri Volunteer Group serves as KLC's valuable vehicle of social contribution, through which social contribution is incorporated into management strategies, where sustainable management is promoted, culture of sharing and engagement is planted, and roles and responsibilities as a corporate citizen are fulfilled to meet expectations of the general public.

| "Helping Hands, small but warm" - Share Fund |

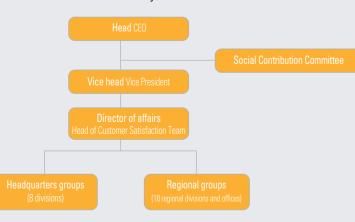
Sources of financial resources for volunteer activities of Onnuri Volunteer include Share Fund from employee donations, KLC's matching grant as well as various fund raising events. However small, Share Fund reminds employees of the value of sharing.

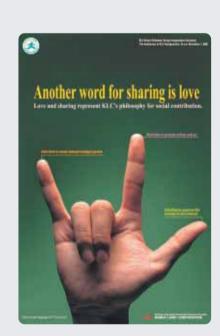
| "Local Residents are our Partners" - Support for Local Communities |

For convenient and pleasant living environments for local residents, KLC develops, free of charge, SOC facilities such as local roads and sewage facilities and creates cultural facilities such as community parks and libraries. Currently, more than 45% of land in residential complex development sites is used for this purpose. The Freedom expressway, Lake Park in Ilsan and Central Park in Bundang are good examples.

KLC Onnuri Volunteer Group

In order to develop and implement social contribution strategies effectively, KLC has created the Social Contribution Committee under the CEO office. Also, the KLC Onnuri Volunteer Group was created to carry out volunteer activities in a more systematic manner.





Category	Project site	Land area (Unit: m² (pyeong))	Building area (Unit: m² (pyeong))	No. of floors	Year of completion
Art Gallery	Dunsan, Daejun	100,066 (30,270)	7,813 (2,364)	3 floors (B1)	97. 12
Museum	Pangyo, Sungnam	22,480 (6,800)	4,408 (1,333)	3 floors (B1)	Under design
Culture Center	Dongtan, Hwaseong	31,530 (9,538)	10,000 (3,025)	5 floors (B1, B2)	Under design
Cultural Asset Exhibition	Dongbaek, Yongin	3,282 (993)	2,645 (800)	4 floors (B1)	Under design
Outdoor Music Hall	Jukjeon, Yongin	6,813 (2,060)	1,835 (555)	3 floors	05. 10
	Dongtan, Hwaseong	3,530 (9,538)	2,200 (666)	4 floors (B1)	Under design
Library	Pyeongchon, Anyang	39,579 (11,972)	3,624 (1,094)	4 floors (B1)	93. 12
	Junggye, Seoul	3,055 (926)	3,287 (994)	4 floors (B1)	89. 12
	Seoho, Seoguipo	20,893 (6,320)	3,394 (1,027)	5 floors (B1)	94. 1
	Ilsan, Goyang	36,029 (10,989)	3,776 (1,142)	4 floors (B1)	98. 9
	Bundang, Seongnam	4,052 (1,255)	8,525 (2,597)	6 floors (B1)	99. 7
	Yeongtong, Suwon	7,318 (2,213)	4,136 (1,231)	4 floors (B1)	99. 3
	Suji, Yongin	15,538 (4,700)	3,834 (1,159)	4 floors (B1)	04. 7
	Dongbaek, Yongin	1,652 (500)	3,967 (1,200)	4 floors (B1)	Under design
	Pangyo, Sungnam	22,480 (6,800)	10,370 (3,137)	4 floors (B1)	Under design
	Dongtan, Hwaseong	31,530 (9,538)	8,500 (2,571)	5 floors (B1, B2)	Under design

| "Creating Pleasant Communities" - Eco-preservation Activities |

KLC is the first public enterprise to establish a quality and environment management system to promote a balance between development and environment protection.

In order to protect a habitat for toads in Sannam 3 residential complex in Cheongju, KLC created a place for toads to lay eggs and grow. Also, each regional division of the Onnuri Volunteer Group is in charge of preserving ecological environment of one mountain or seashore. In April 2006, KLC sent 300,000 seedlings of pine trees to North Korea to make a greener Geumgang Mountain. Also, KLC sponsored "Inter-Korean Tree Planting" event where teenagers from both Koreas planted trees in mountains near Geumgang Mountain Visitor Center.

| "Sharing with the Underprivileged" - Support for the Poor |

Onnuri Volunteer Group continues to support low-income senior citizens who live on their own, volunteer at rehabilitation centers for the homeless such as the House of Bethel in Daejeon, and serve meals for children and senior citizens who cannot afford lunch. We also sponsor a free lunch program called 'Serving with Love' as well as other programs, including free delivery of side dishes, portrait photography of senior citizens at senior centers and a supply of kimchi free of charge in winter. All these activities are the expression of the spirit of love and sharing at KLC.



| Event to share kimchi for the winter |



| Portrait Photograph for Low-Income Senior Citizens |

| Eco Habitat for Toads |





| Dorasan Peace Trip |

| "Hope and Opportunity to Future Generation" - Support for Education |

Onnuri Volunteer Group offers scholarship to about 130 children from low-income families and one-to-one mentoring to expand opportunities for education. In July and August, 2006, KLC joined hands with the National Unification Advisory Council to host six "Dorasan Peace Trips", which is a peaceful unification education program for children. Also, KLC supports two elementary schools located in remote neighborhoods, including Unchi School in Jeongseon, to improve their educational environment

| "Volunteering and Life Lessons" - Volunteer Activities |

Each of the regional chapters of Onnuri Volunteer Group have built sisterhood ties with one farming/fishing village and supported them in a variety of ways, including extending hands for work and purchasing their produce. Also, each chapter of the Onnuri Group has ties with more than one welfare facility and the volunteers spend time there for facility maintenance, bathing and meal preparation. In this summer, we sent supplies and donations worth 170 million won as well as heavy equipment and volunteers to flooded areas to help with repair efforts and flood victims.

| Contributions to Social Overhead Capital (SOC) |

As of 2005, 37.1% of the land in a residential complex development site is provided free of charge, which is used to build roads, parks and greenery, and public squares. We also sponsor local communities in building public facilities such as transportation and environment protection facilities. Up to 2005, we have invested some 12,211.2 billion won in building social overhead capital.

| Contribution to SOC (From incorporation to 2005) |

SOC	Facility Capacity	Monetary Value (hundred million won)
Total	-	122,112
Road	513km	62,763
Subway and railway	117km	22,815
Water supply system	3.3 million tons/day	7,342
Sewage system	5.04 million tons/day	18,059
Waste treatment facilities	2,901 tons/day	4,717
Others	Transportation, etc.	6,416

Partnership with Contractors

KLC is committed to transparent and fair business with contractors and a partnership based on trust and goodwill.

In relation to our partnership with contractors, we made our commitment to fair trade clear in the code of ethics. In Chapter 5 of "Fair Trade", we specified the scope of fair trade in two clauses such as transparent bidding and purchasing, and living up to fair trade. In terms of transparent bidding and purchasing, we state clearly that "equal participation is guaranteed based on free competition," "all terms and conditions for bidding and purchasing is applied equally to our business partners", and "contractors and suppliers are selected through objective and fair screening process." In regard to living up to fair trade, the code of ethics describes that "bidding and purchasing works go through the most fair processes," "the payment to contractors and suppliers must be made on time," and "any changes in terms of design, price, order and other business conditions shall be fully reflected on the agreed quote as a part of our fair trade effort."

In January 2005, KLC revamped the bidding process, demonstrating our commitment to transparent management.

Until now, in order to describe the preliminary reserve price for a competitive bidding, we first notified the cost estimated against the design on the notice of the tender, randomly selected 3 bidding prices out of 10 submitted by bidders within the range of 95~100% of the preliminary reserve price, and then averaged the three bidding prices to determine the preliminary reserve price. However, under the revised bidding process, bidding prices submitted by the bidders, which used to be disclosed at the opening of the bid, will be published on the notice of the tender. Furthermore, the number of the bidding price submissions is expanded to 15, and 4 bidding prices will be drawn instead of 3. We believe that the new process dramatically increases transparency in determining the preliminary reserve price. Therefore, bidders can now be able to make sealed proposals according to the distribution of bidding prices which will be disclosed in advance. As a result, bidders will enjoy a much more convenient bidding process and have a lower chance of conferring on the bidding.

In addition, KLC adopted the Clean Contract System that requires all bidders to have a clear understanding of the "Special Agreement on Clean Contract". Successful bidders and KLC employees dealing with bidding process sign and submit written documents of the "Pledge to Clean Contract". In addition, the application of the Clean Contract was expanded from the inception of the contract to the inspection of the process. The restructured bidding process is applied from the notice of the tender dated January 11, 2005.

| Sponsoring Technology Development of SMEs |

Starting from 1998, KLC has sponsored the technology development of small and medium enterprises in order to back the government's policy to promote technological innovation at SMEs and to aid SMEs without sufficient funds to go ahead with the drive.

We finance R&D activities such as technology development, application, design and manufacturing of pilot products and test-runs, especially in the areas related to land. We fund up to 75% of the total R&D cost at the maximum of 100 million won. Applications are open to any SMEs under "Small Business Act" as well as venture companies under "Special Act for Venture Company Promotion".

Purchase of Government-Certified New Technology In order to facilitate the purchase of government-certified new technology, KLC carries out preliminary quality testing and evaluation of feasibility on the construction site, which helps to improve quality of new technology. As of the end of 2005, KLC purchased 20.8 billion won worth of new technology products to support technology development of SMEs and competitiveness as well as creating R&D activites and the investment environment of SMEs.

	Until 2004	2005	Total
No. of purchases	201	31	232
Price (hundred million won)	90	118	208

| SME Support Program |

	Until 2004	2005	Note
No. of purchases	3	8	5 Up
Price (hundred million won)	2.9	8	Up by 510 million won

Our Social ground

| SMEs supported by KLC |

Name	Content	Name	Content
E-Woo TEC Inc.	Magnetic detector of buried pipes for underground piping management	Gentro Inc.	Processes to reclaim polluted soil and recycle underground water and leachate
IP TEC Inc.	Device for vertical movement of street lamps	Earth Love	Sewage treatment process for efficient land use and economical water supply
Sustainable Development R&D	Multipurpose wetland-combined non- point source reclamation device	llyang Construction	Concrete products for air purification by use of industrial byproducts and the paving process
Korea Institute of Geo Technology Inc.	Research on stand pipe fitting for high- performing grouting	Samchang SC	CAROS project for improved lighting of roadside safety facilities

| Hosting and Sponsoring of Various Academic Conferences |

KLC promotes academic exchanges and quality research by supporting non-profit research organizations in Korea.

| The number of cases and support amount increased by two-fold and 32%, respectively, compared to the previous year |

Support	2004	2005	Growth compared to the previous year (%)
Urban Award	1 (40 million won)	1 (40 million won)	-
Academic conferences	3 (23 million won)	5 (38 million won)	67% (65%)
Seminars and forums	-	2 (5 million won)	200% (200%)
Total	4 (63 million won)	8 (83 million won)	100% (32%)



| Creation of Green Society |

Partnership with the General Public

| Joining Hands with NGOs to Create Green Society |

"We are dedicated to creating green society where we overcome the side effects of industrialization and grow in harmony with nature."

Green symbolizes nature and peace, and green society is where negative consequences of industrialization are minimized and the co-prosperity of humans and nature is pursued. Creation of a green society is at the core of KCL's social contribution principle. In 2006, KLC established the Committee for Green Society, which consists of external experts such as journalists, scholars and social activists. The Committee held a contest for social contribution initiatives that leads to a greener society. Nonprofit organizations contributed a number of ideas for ecosystem restoration and the improvement of urban environment for the underprivileged. In search of ways to establish a social consensus for coprosperity of human and nature, we will assess the current urban environment from the perspective of the underprivileged and develop basic infrastructure and systems for improvement.

| 2006 Social Contribution Activities |

Category	Serial Number	Organization	Project
Pla	1	National Forest for Life Campaign	Creation of ecological forest paths around new towns and programs for resident participation
Planned	2	Cheongju Chapter, Korean Federation for Environment Movement	Creation of a toad village by restoring ecosystem for toads as well as a toad eco park in Sannam 3 District in Cheongju
	3	Jeonbuk Forest for Life	A project to connect Dulae Mountain and Gulae River in an ecological manner
	4	Jeju Solidarity for Participatory Environment Movement	Imagination for a better Jeju - Green Plus in Jeju
	5	Green Consumer Network	Creation of eco-friendly apartments and programs involved with residents
	6	Consumers Korea	Promotion of environmental awareness through Youth-Eco Leadership Training (ecological restoration)
	7	Daegu Chapter, Korea Federation for Environment Movement	Movement to improve living environment with earthworms for a green town
	8	Citizens' Movement for Environmental Justice	Creation of jobs in the public sector through housing energy efficiency programs
	9	Jinju YMCA	Restoration of a community by reviving Gajwa Stream
	10	Citizens for Decent Housing	Urban environment improvement initiative to support underprivileged people
	11	Ansan Chapter, Consumers Korea	Training environment citizen teachers and environment education
Voluntary	1	Urban Action Network	Street environment improvement project in Doksan 3-dong, Geumcheon-gu, through partner- ship between the private and the public sector a street museum for leisure and fun
ary	2	Civil Group for Ecological Country	Children in country - restoration of countryside communities for children
	3	Seoul Green Trust and two other related groups	Construction of infrastructure for better urban environment
	4	Taebaek Forest for Life	Training "Forest tour guide" for love of nature
	5	Masan YMCA	Civil Movement to Ecosystem Preservation in Our Town
	6	Yongin Chapter, Citizens' Movement for Environmental Justice	Neighborhood ecosystem education through forestation of Daeji Mountain
	7	Changwon YMCA	Creating an ecological neighborhood by developing streams - Changwon Stream and Myeongseo Stream
	8	Green Life Peace Center	Activities to study, investigate, promote and act on preventing damages to pine forest along the Eastern coast
	9	Seongnam Chapter, KPAF	Urban environment improvement (cultural environment in poor towns) - wall painting titled "Taepyeong-dong Fantasy" created together with local residents

| Annual Donation |

Year	2003	2004	2005	2006 (plan)
Donation (million won)	875	1,001	1,199	9,247

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| Activities to preserve cultural heritage |

Our **Social**ground

9

| Open Facilities |

We open our facilities to local communities and public organizations. We share auditoriums, athletic fields, basketball arenas, and tennis courts with our neighbors. This is part of our effort to become a company that shares with the people.

Category	2004		2005	
outogoty	Times of use	Number of users	Times of use	Number of users
Auditorium	12	7,720	7	2,720
Athletic field	18	5,400	21	5,100
Basketball court	11	240	6	150
Tennis court	42	1,340	51	1,630
Total	83	14,700	85	9,600

| Cultural Asset Protection |

KLC offers extensive research and consulting activities by taking full advantage of our expertise and know-how in the field of cultural asset research and protection. KLC's cultural asset protection activities include cultural asset excavation and distribution analysis within construction sites, investigation of environmental impacts on cultural assets and response measures, internal and external consultations, excavation and test pitting, publications of academic literature, and data collection. In addition, we currently take part in collection, display, management of cultural assets, research activities, publications, planning and operation of cultural events, cultural education, and volunteer programs.

| Land Museum |

In July 1997, we opened the Land Museum to heighten public awareness of the land as the source of life and to create a new land culture. The museum is located in the headquarters of KLC in Bundang, Seongnam. The Land Museum offers a history of the footprints of changes of land and its future. Under the main theme of "Land and Human", there are five motifs of display such as Creation of Land, Natural Resources, Land and History, Land Development and Construction of Landopia. The museum has a collection of some 20,000 pieces of materials, including 400 pieces of antiquities. Since its grand opening, about 85,000 people have visited the museum. It was designated as the "First Theme Museum" by Gyeonggi Province in 1997, thereby contributing to better understanding on the "land culture" of the local community and the public, and is also recognized as the provider of geography and history education. The museum is also introduced as a recommended place for cultural activities by various press releases and PR brochures published by Gyeonggi Province. On top of that, the Land Museum was awarded the first "Korea Cultural Heritage Prize", which is awarded to individuals and institutional contributors to maintenance, management and utilization of cultural heritage. The Land Museum was the only institutional winner of the prize from the head of Cultural Heritage Administration for our effort to lead the research and excavation of cultural assets at the Gaeseong Industrial Complex in partnership with the North Korean counterpart.



| Land Museum Awarded with Korea Cultural Heritage Prize | | Land Museum |





| Land Museum |

| Museum University |

To strengthen ties with local communities and improve the quality of life, KLC opened the first semester of Museum University in April 2000 under the theme of "Land and Land Culture." Since then, Museum University has been in session for the past six years, being recognized as the leading local education center for culture.

| Strengthening cultural infrastructure with Museum University programs |

- Opening in 2000, Annual enrollment: 2,000
- Two sessions a year, 10 weeks for each session (class meets weekly)
- Contents: courses on various topics, including traditional culture, history, folk culture, land philosophy, as well as field trips to cultural heritage sites

Full incorporation of suggestions by survey respondents

- Field trips to Goguyeo remains located in China
- Customized courses per topic
- Tea ceremony
- Expansion of field trip destinations
- Increased variety and substance of the program
- Suggestions for the traditional tea ceremony

- \cdot Customers: passive consumer of culture \rightarrow active producer of culture
- Active participation in volunteer activities : arrangement of antiquities, cultural site investigation, restoration of antiquities, actual measurement
- \cdot Continued activities after completing Museum University ightharpoonup contribution to local culture
- · Hyangwoowon: On-line cultural newsletter (latest issue: 171st issue)

| Social Contribution through Sports: Archery Team |

To broaden the base of archery and contribute to the promotion of national sport, KLC created an Archery Team in 1983 under the National Sport Promotion Act, and sponsors amateur archery competition.

| Awards |

2002 • Environmental Management Award (Organized by the Ministry of Environment and Maeil Economic Daily) • 1st Prize for Innovation in the Public Sector (Organized by the Ministry of Planning and Budget) • Management Innovation Award (Organized by the Ministry of Planning and Budget) 2003 • Presidential Prize for Korea Management Productivity Award (Organized by the Ministry of Commerce, Industry and Energy, and Korea Productivity Center) • Certificate of Merit for Environmental Protection Prime Minister's Official Commendation (Organized by the Ministry of Environment) 2004 • Precision Engineering Competition, Prize by the Head of Small and Medium Business Administration (Organized by the Ministry of Commerce, Industry and Energy, Small and Medium Business Administration, and Korea Economic Daily) • Eco-Landscaping Award, Prize by the Minister of Environment (Organized by the Ministry of Environment, and the Association of Environmental Planning) • Environmental CEO Award (Organized by the Ministry of Environment, and Maeil Economic Daily) • 1st Prize for Korea Cultural Heritage (Organized by the Cultural Asset Administration) 2005 • Korea Economic Daily and Wesley Quest BSC Award (Organized by Korea Economic Daily, and WesleyQuest) • Productivity Improvement Award (Organized by the Ministry of Commerce, Industry and Energy) 2006 • Environmental Management Award (Organized by Korea Economic Daily) • Grand Prize for the 4th Forbes Leadership Award (Organized by the Korean Society for Quality Management) • 1st Award for Creative Management in the Grand Award for Excellence in Sustainability Management (Organized by the Korea Research Institute for Measurement and Assessment) • Prize for Best Organization on Government-Investment Organization Management Performance Evaluation in 2005 (Organized by the Ministry of Planning and Budget) • Award for Excellent Labor-Management Culture (Organized by the Ministry of Labor) • President's Award for Contribution to the Growth of the National Industry (Organized by the Ministry of Government Administration and Home Affairs) • Award of Contribution for Mecenat (Organized by Korea Mecenat Association)

| Museum University |



| Field trip to China |



| Volunteering at Namhan Temporary Palace Excavation |



| Demonstration of tea ceremony (KLC Headquarters)



Our Social ground Our **Social**ground

Independent Verification Report



 Ph.D. in Business Administration, Michigan State University, USA Professor at the College of Business Administration, Seoul National University Member of Broadcasting Evaluation Committee, Korea Broadcasting Commission
 Researching Member, Committee on External Cooperation, the Federation of Korean Industries Director, the Korea Production and Operations Management Society, the Korean Society for Quality Management

As a public corporation entrusted by the nation and people to play a role as gardener of the national land, KLC needs to view sustainability management not just as a social responsibility of sharing corporate profits with the society but as a matter of its own existence. KLC, in pursuit of trust and recognition from the general public, has disclosed its management systems as well as economic, social and environmental performance in accordance with the "GRI Index 2002" guidelines.

The Sustainability Report issued by KLC is likened to a comprehensive report card, where not only financial performance is represented in the financial statements but also non-financial performance such as social and environmental performance is disclosed. It is impressive that KLC has included in the Report a range of efforts to interact with customers, including the establishment of a conflict management system to coordinate interests of different stakeholders, initiation of a Green Society project with NGOs and announcing a plan to disclose construction costs, which drew huge attention from the general public.

In addition, a newly adopted ethical management initiative called "TOMATO management" enables KLC to expand the participation of customers and improve transparency in the entire business process, ranging from on-line land subscription system at the stage of contract signing, to customer committees during development, and KLC introduced clean contract system in land development to spread the principle of ethical management to contract tors and suppliers as well. These have shown that KLC has faithfully fulfilled its responsibility as a leading corporation.

I hope that KLC will study the impact of social and environmental activities on economic and financial performance indicators and review how the relationship between them can be expressed in quantitative terms. Also, it is recommended to include detailed information on measures to improve human rights protection. They may cover efforts to employ females and people with disability and improve work conditions for them as well as protecting rights of workers employed by contractors in terms of insuring for industrial accidents and providing job security. Also, I would like to suggest that KLC improve its land services by implementing the quality guarantee system for land buyers as early as possible and that environmental accounting systems are introduced early to build data management systems for environmental impacts of development, assess environmental costs effectively and reflect them in decision making processes.

I hope that KLC will restore trust and respect from the general public and stakeholders with the issue of the Sustainability Report.



Professor Jae-hvun Kim

Ph.D. Forest Management, University of Tsukuba, Japan Professor, Department of Environmental Science, Konkuk University

I understand that KLC's corporate mission is "creative planning, development and management of a beautiful and livable land". To this end, it is critical to achieve economic and social sustainability based on environmental sustainability. It may be easy to talk about rosy visions and goals of a corporation. However, what is more important is to make substantial changes and act on those visions in a transparent and ethical manner.

KLC approaches environmental sustainability from four angles: environmental management system, environmental technology development, environmental mental protection and environmental communication. This multi-faceted approach is desirable, considering that the four aspects need to be pursued together.

First of all, it is a significant achievement that KLC has established an environmental performance evaluation system in the area of environmental management system. Its environmental technology development has reached a very high level as well. KLC has also developed specific guidelines for environment preservation. There have been efforts to improve communications with the general public concerning various environmental preservation activities as well as the operation of the conflict management system. In particular, a newly created Committee for Green Society will be an important communication channel with environment NGOs to coordinate their efforts for environmental protection.

Nevertheless, I believe that there were not enough opportunities for employees to carry out volunteer activities to contribute to society in the spirit of "Service", which is a core value of KLC. Also, KLC needs to actively seek ways to engage local residents in the process of development in order to truly communicate with the general public, and it will be reported in detail in the Report. I hope KLC will continue to do its best to be a leader in using the national land in a sustainable manner.



Eun-sook Moon

Head of Planning, Consumers Korea
 Advisor to the Chairman of the ISO Working Group on Social Responsibility

I would like to congratulate KLC on the publication of the second Sustainability Report. It is also worth mentioning that KLC received Award for Sustainability Management, Creative Management Award, Social Contribution Award, Prize for Eco-Friendly Management and the Best Green Team Prize for Environmental Management Award. These awards prove KLC's commitment to sustainability management. I hope that KLC will continue to make efforts to pursue global standards in sustainability management and become an exemplary public enterprise for globalization and advanced man-

I hope that KLC will be the first public enterprise to adopt ISO 26000. The ISO 26000 Guidelines for social responsibility will be finalized by the year 2008. This is expected to result in some changes in the sustainability indicators. GRI has already suggested the criteria for reporting performance of corporate social responsibility in terms of economic, social and environmental performance. I urge KLC to be actively involved in the discussions of standardizing ISO 26000, for social responsibility is not only evaluated based on the final results but also on the process and method of actions.

Social responsibility of KLC needs to begin with considerations for underprivileged people who have been socially and culturally neglected and left behind. Land is a ground for life with cultural value and living heritage. Therefore, it is my hope that KLC will strengthen its social contribution activities for local communities and culture. The draft of ISO 26000 also recommends an organization to carry out various support and volunteer activities for

There are two achievements worth mentioning in this Report. The first achievement is a creation of communication networks with NGOs through Green Society activities. The second achievement is the fact that KLC is putting priority on safety and human-centered urban development. Sustainability is based on the well-being of human and the eco-system, and the basis of well-being is safety. I hope that KLC will continue to maintain a focus on the well-being of human beings in well-preserved ecological systems as its prime goal of sustainability management.

Reflection of Voices of Stakeholders

Serial No.	Voices of Stakeholders	Reflected [Page]
01	Need to provide objective and reasonable criteria for determining areas for development and areas for preservation	Establishment of sustainable development system [53] Preliminary review of environmental impact and research on environmental aspect of development projects [53] Utilization of land information database project [18]
02	Need to provide KLC's position on the disclosure of costs of developing residential lands	- Expression of KLC's intention to disclose construction costs and provision of cost estimation system [84]
03	Need to offer ways to ensure participation of stakeholders	- Establishment of environment plans with experts and NGOs involved [50] - Operation of the conflict management system [63] - Creating a greener society with NGOs [90]
04	Need to provide specific data on economic performance	- Additional disclosure items such as business performance, financial performance and customer performance as well as providing more data [36–39]
05	Need to provide information on the status of non-regular employees	- Inclusion of data on the number of irregular employees who became regular employees [69] - Information on the status of temporary workers [70]
06	Need to provide information on employment of people with disability and graduates with majors in engineering	 Information on expanded employment of social minorities such as the disabled [69] Hiring graduates from colleges in other regions [69] The share of the disabled among the employees exceeds 2% [69]
07	Need to provide information on industrial accident rates, the number of deaths related to work, and the rate of absenteeism	- Not available
08	Need to express KLC's position on the participation of employees in management	- Provision of information on the operation of the Labor-Management Committee and their achievements [75]
09	Need to implement specific measures to protect human rights	- Creation and implementation of the guidelines on human rights protection [72]
10	Need to promote social contribution through participation of local stakeholders	- Green Society Project with NGOs [90]
11	Need to build a mechanism to prevent corruption in each stage of a development project	- Establishment of the TOMATO transaction system [9]
12	Need to express KLC's commitment to corruption prevention	- Announcement of TOMATO management and provision of written pledges of executives and employees for ethical management [81~83]

Land is PlaygrOund

Feedback Questionnaire

| We greatly appreciate your opinion |

Since the first issue of Sustainability Report as a public enterprise in 2005, KLC has received valuable inputs from stakeholders to improve contents of the Report and enhance business processes from customer's perspective. This Sustainability Report of 2006 documents KLC's economic, environmental and social performance in accordance with the GRI guidelines.

It will be instrumental in KLC's communication with its external stakeholders, and will be the first step toward the realization of sustainability management in KLC.

Looking forward to your opinions and suggestions regarding KLC's Sustainability Report, we would like to ask you to kindly fill out the following questionnaire and send it to us by mail, fax or e-mail.

< FAX: +82-31-738-8705 TEL: +82-31-738-7628 >

name	place
adress	E-mail
TEL	FAX

| About KLC's 2006 Sustainability Report | 1. How did you first know of this Report? KLC homepage 2 Newspaper / magazine The Internet KLC employee **6** Other (2. Which section did you find most interesting? 3. Which section do you think needs improvement? 4. Please tell us what you think about the structure and contents of the Report. 5. Do you think the publication of this Report will help KLC's future business management activities? Yes () Not relevant () 6. Does this Report have any benefits to your work or your company's operation? Yes () Not relevant ()

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[※] All personal information and opinions provided here will remain confidential and not be used for purposes other than feedback for KLC's sustainability management.