

IMPORTANT NOTICE

THE SECURITIES DESCRIBED HEREIN ARE AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S (AS DEFINED BELOW)

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular as supplemented by the pricing supplement following this page (the "Offering Circular"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE SECURITIES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO, ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA") OR THE UNITED KINGDOM ("UK"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (AS AMENDED, THE "PROSPECTUS REGULATION"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR THE UK MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, IN WHOLE OR IN PART, ELECTRONICALLY OR OTHERWISE AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE RELEVANT SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE CLOSING DATE AND NOT ON THE BASIS OF THE OFFERING CIRCULAR ALONE. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities described herein, investors must not be located in the United States or be a non-U.S. person in reliance on Regulation S under the Securities Act. The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer and Joint Lead Managers (each as described in the Offering Circular) that you and any customers you represent are non-U.S. persons (as defined in Regulation S under the Securities Act) and that the electronic mail address to which this e-mail has been delivered is not located in the United States, its territories or possessions and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person.

The materials relating to the issue of the securities described herein do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of such Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer nor any Joint Lead Manager nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You should not reply by e-mail to this distribution, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Korea Land & Housing Corporation

(incorporated with limited liability under the laws of the Republic of Korea)

Issue of US\$300,000,000 0.625% Notes due 2023 under the US\$5,000,000,000 Global Medium Term Note Program

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES (THE “NOTES”) HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATIONS.

IN CONNECTION WITH THIS ISSUE, THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) TO UNDERTAKE STABILIZATION ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILIZING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Joint Lead Managers

**Citigroup
HSBC**

**Crédit Agricole CIB
J.P. Morgan**

The date of this pricing supplement is October 27, 2020.

KOREA LAND & HOUSING CORPORATION

Issue of US\$300,000,000 0.625% Notes due 2023 under the US\$5,000,000,000 Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “**Terms and Conditions**”) set forth in the offering circular dated October 16, 2020 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and is supplemental to and must be read in conjunction with the Offering Circular.

THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND ITS ENFORCEMENT DECREE), EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) – The Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

1. Issuer: Korea Land & Housing Corporation
(Legal Entity Identifier: 9884008RRMX1X5HV6625)
2. (i) Series Number: 27
(ii) Tranche Number: 1
(iii) Re-opening: No
3. Specified Currency or Currencies: U.S. Dollar (“US\$”)
4. Aggregate Nominal Amount:
 - (i) Series: US\$300,000,000
 - (ii) Tranche: US\$300,000,000
5. (i) Issue Price of Tranche: 99.872% of the Aggregate Nominal Amount
(ii) Net Proceeds (after deducting a combined management and underwriting commission but excluding estimated expenses): US\$298,716,000

(iii) Use of Proceeds:	Social Bonds
	The Net Proceeds will be allocated by the Issuer toward the financing or refinancing, in whole or in part, of projects in Social Eligible Categories in accordance with the Issuer’s Social, Green and Sustainability Bond Framework. See “ <i>Use of Proceeds</i> ” and “ <i>Social, Green and Sustainability Bond Framework</i> ” of the Offering Circular. (further particulars specified below)
6. (i) Specified Denominations:	US\$200,000 and integral multiples of US\$1,000 in excess thereof
(ii) Calculation Amount:	US\$1,000
7. (i) Issue Date:	November 3, 2020
(ii) Interest Commencement Date:	November 3, 2020
8. Maturity Date:	November 3, 2023
9. Interest Basis:	0.625% Fixed Rate (further particulars specified below)
10. Redemption/Payment Basis:	Redemption at par
11. Change of Interest Basis or Redemption/Payment Basis:	None
12. Put/Call Options (other than Condition 9(b)):	Not Applicable
13. Status of the Notes:	Senior
14. Listing:	Singapore Exchange Securities Trading Limited (the “ SGX-ST ”)
15. Method of Distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions:	Applicable
(i) Rate of Interest:	0.625% per annum, payable semi-annually in arrear
(ii) Interest Payment Date:	May 3 and November 3 in each year up to and including the Maturity Date with the first interest payment date being May 3, 2021
(iii) Fixed Coupon Amount:	US\$3.13 per Calculation Amount
(iv) Broken Amount(s):	Not Applicable
(v) Day Count Fraction:	30/360, unadjusted

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| (vi) Determination Date(s): | Not Applicable |
| (vii) Business Day Convention: | Following Business Day |
| (viii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | None |
| 17. Floating Rate Note Provisions: | Not Applicable |
| 18. Zero Coupon Note Provisions: | Not Applicable |
| 19. Index Linked Interest Note Provisions: | Not Applicable |
| 20. Dual Currency Note Provisions: | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 21. Issuer Call (other than Condition 9(b)): | Not Applicable |
| 22. Investor Put: | Not Applicable |
| 23. Final Redemption Amount of each Note: | US\$1,000 per Calculation Amount |
| 24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 9(e) (Redemption and Purchase – <i>Early Redemption Amounts</i>)): | US\$1,000 per Calculation Amount |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 25. Form of Notes: | Registered Notes |
| 26. Additional Financial Center(s) or other special provisions relating to Payment Dates: | London, New York and Seoul |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes: | Not Applicable |
| 28. Details relating to Partly Paid Notes: amount of each payment comprising of the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable |

29. Details relating to Installment Notes:
- (i) Installment Amount(s): Not Applicable
- (ii) Installment Date(s): Not Applicable
30. Redenomination applicable: Not Applicable
31. Other terms or special conditions: Not Applicable

DISTRIBUTION

32. (i) If syndicated, names of Managers: Citigroup Global Markets Limited
Crédit Agricole Corporate and Investment Bank
The Hongkong and Shanghai Banking Corporation Limited
J.P. Morgan Securities plc
- (ii) Stabilizing Manager (if any): Each of the Managers
33. If non-syndicated, name of relevant Dealer: Not Applicable
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: Not Applicable
35. U.S. Selling Restrictions: Regulation S Category 2
36. Additional selling restrictions: Not Applicable
37. Prohibition of Sales to EEA Retail Investors: Applicable

PROVISIONS RELATING TO SOCIAL, GREEN OR SUSTAINABILITY BOND

38. (i) Social Bond, Green Bond or Sustainability Bond: Social Bonds under Issuer's Social, Green and Sustainability Bond Framework. See "*Use of Proceeds*" and "*Social, Green and Sustainability Bond Framework*" of the Offering Circular.
- (ii) Reviewer: Sustainalytics (opinion dated June 2018)

OPERATIONAL INFORMATION

39. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): None
40. Delivery: Delivery against payment

41. In the case of Registered Notes, specify the location of the office of the Registrar if other than New York: The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
42. Additional Paying Agent(s) (if any): None
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ISIN: XS2249473724

Common Code: 224947372

LISTING APPLICATION

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

This Pricing Supplement comprises the final details required to list the issue of Notes described herein pursuant to the US\$5,000,000,000 Global Medium Term Note Program of Korea Land & Housing Corporation.



Korea Land & Housing Corporation

(a statutory juridical corporation organized under the laws of the Republic of Korea)

US\$5,000,000,000 Global Medium Term Note Program

Under this US\$5,000,000,000 Global Medium Term Note Program (the “Program”), Korea Land & Housing Corporation (the “Issuer”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued in bearer or registered form (respectively “Bearer Notes” and “Registered Notes”). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed US\$5,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Summary” and any additional Dealer appointed under the Program from time to time by the Issuer (each, a “Dealer” and together, the “Dealers”), which appointment may be for a specific issue or on an ongoing basis. References in this offering circular (the “Offering Circular”) to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “Singapore Stock Exchange”) in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in a pricing supplement (the “Pricing Supplement”).

The Program provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Investing in the Notes involves certain risks that are described in the “Risk Factors” section beginning on page 61 of the Offering Circular.

The Notes of each Series (as defined under “Terms and Conditions of the Notes”) will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and will be issued only outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S under the Securities Act. See “Form of the Notes” for a description of the manner in which Notes will be issued. Notes are subject to certain restrictions on transfer. See “Subscription and Sale and Transfer and Selling Restrictions.”

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein.

Arranger

Citigroup

Dealers

Crédit Agricole CIB

J.P. Morgan

Nomura

Standard Chartered Bank

HSBC

Morgan Stanley

Société Générale Corporate & Investment Banking

UBS

The date of the Offering Circular is October 16, 2020.

The Issuer, having made all reasonable enquiries, confirms that the Offering Circular contains or incorporates all information which is material in the context of the issue and offering of Notes, that the information contained or incorporated by reference in the Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in the Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions and that there are no other facts the omission of which would, in the context of the issue and offering of Notes, make the Offering Circular as a whole or any information or the expression of any opinions or intentions in the Offering Circular misleading in any material respect. The Issuer accepts responsibility accordingly.

The Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). The Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of the Offering Circular.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Arranger and the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in the Offering Circular or any other information provided by the Issuer in connection with the Program, the Issuer or the issue and offering of the Notes. None of the Arranger and the Dealers accepts any liability in relation to the information contained or incorporated by reference in the Offering Circular or any other information provided or purported to be provided by any of the Arranger and the Dealers on its behalf or by the Issuer in connection with the Program, the Issuer or the issue or offering of the Notes. The Arranger and the Dealers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of the Offering Circular or any such information or statement.

No person is or has been authorized by the Issuer to give any information or to make any representation which is not contained in or which is not consistent with the Offering Circular or any other information supplied by or on behalf of the Issuer in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of Arranger and the Dealers.

Neither the Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer or any of the Arranger and the Dealers that any recipient of the Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither the Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Arranger or the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of the Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Program or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference in the Offering Circular when deciding whether or not to purchase any Notes.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

The Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of the Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor any of the Arranger or the Dealers represents that the Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither the Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession the Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of the Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of the Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Korea, Singapore and Hong Kong. See “*Subscription and Sale and Transfer and Selling Restrictions.*”

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved the Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in the Offering Circular. Any representation to the contrary is unlawful.

None of the Arranger, the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) – Unless otherwise stated in the Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Program shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PERSONS IN THE UNITED KINGDOM

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

KOREAN SELLING RESTRICTIONS

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea. The Notes have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and its Enforcement Decree), or to any other person for reoffering, resale or re-delivery, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations.

IMPORTANT – EEA AND UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors,” the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area (“EEA”) or the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references herein to “Korea” are to the Republic of Korea, and all references herein to the “Government” are to the Government of the Republic of Korea, all references herein to “MOLIT” are to the Ministry of Land, Infrastructure and Transport and its predecessors and successors, and all references herein to “MOEF” are to the Ministry of Economy and Finance and its predecessors. All references to the “Issuer” herein are references to Korea Land & Housing Corporation and, as the context may require, its subsidiaries.

All references herein to “U.S. dollars” and “US\$” refer to the currency of the United States of America, all references herein to “Won” and “₩” refer to the currency of Korea, all references herein to “€” or “Euro” refer to the uniform currency of the European Union, all references herein to “£” refer to the currency of the United Kingdom, and all references herein to “S\$” refer to the currency of Singapore.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. The Issuer maintains its accounts in Won. The Offering Circular contains translations of certain Won amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Won amounts actually represent such U.S. dollar amounts or could have been or could be converted into U.S. dollars at any particular rate, or at all. On October 15, 2020, the market average exchange rate announced by Seoul Money Brokerage Services, Ltd. in Seoul (the “**Market Average Exchange Rate**”) was Won 1,145.7 = US\$1.00. See “*Exchange Rates*.”

Information regarding market position, growth rates and other industry data pertaining to the Issuer’s business used throughout the Offering Circular has been compiled from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry

forecasts and market research, while the Issuer believes them to be reliable, have not been independently verified, and neither the Issuer nor the Arranger or the Dealers make any representation as to the accuracy of that information.

FORWARD LOOKING STATEMENTS

Certain statements in the Offering Circular constitute “forward-looking statements,” including statements regarding the Issuer’s expectations and projections for future operating performance and business prospects. The words “believe,” “expect,” “anticipate,” “estimate,” “project,” “will,” “aim,” “will likely result,” “will continue,” “intend,” “plan,” “contemplate,” “seek to,” “future,” “objective,” “goal,” “should,” “will pursue” and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in the Offering Circular, including, without limitation, those regarding the Issuer’s financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Issuer’s products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in the Offering Circular (whether made by the Issuer or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Issuer’s present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Issuer’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, changes in Government policy or regulation, the Issuer’s ability to successfully implement its business strategy, the condition of and changes in the Korean, Asian or global economies, the Issuer’s growth and expansion and changes in interest rates. Additional factors that could cause the Issuer’s actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*.” Any forward-looking statements contained in the Offering Circular speak only as of the date of the Offering Circular. Each of the Issuer, the Arranger and the Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer’s expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organized under the laws of Korea. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and its officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Korea upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Issuer or its directors and officers under laws other than Korean law, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Lee & Ko, its counsel as to matters of Korean law, that there is doubt as to the enforceability in Korea in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer's audited consolidated financial statements as of and for the years ended December 31, 2019 and 2018 and the Issuer's reviewed consolidated financial statements as of June 30, 2020 and for the six months ended June 30, 2020 and 2019 included in the Offering Circular have been prepared in accordance with Government Accounting Standards for Public Enterprises and Quasi-government Organizations of the Republic of Korea ("Government Accounting Standards"), and where accounting provisions have not been specified under Government Accounting Standards, the Issuer has also applied International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS") as allowed under Government Accounting Standards.

Such accounting standards differ in certain respects from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Potential investors must exercise caution when using such data to evaluate the Issuer's financial condition and results of operations. In making an investment decision, investors must rely upon their own independent examination of the Issuer, the terms of this offering, including the risks involved, and the most recent financial information of the Issuer. Potential investors should consult their own professional advisers for an understanding of the differences between Government Accounting Standards and K-IFRS on one hand and IFRS as issued by the IASB on the other hand, and how these differences affect the financial information contained in the Offering Circular. The Offering Circular should not be considered as a recommendation by any of the Dealers that any recipient of the Offering Circular should purchase the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, the Offering Circular:

- (a) the publicly available audited consolidated financial statements and the reviewed consolidated financial statements (if any) of the Issuer for the most recent financial period; see "*General Information*" for a description of the financial statements currently regularly published by the Issuer; and
- (b) all supplements or amendments to the Offering Circular circulated by the Issuer from time to time,

except that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of the Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Offering Circular.

The Issuer will provide, without charge, to each person to whom a copy of the Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its registered office set out at the end of the Offering Circular.

If the terms of the Program are modified or amended in a manner which would make the Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

The documents incorporated herein by reference constitute an integral part of the Offering Circular and contain certain material information regarding the Issuer and the securities offered hereby. You represent and warrant to the Arranger, the Dealers and the Issuer that you have examined those documents as well as the Offering Circular in forming your investment decision.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Arranger and Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes*” below.

The Offering Circular and any supplement will only be valid for the offering of Notes in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed US\$5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Program from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the Notes, described under “*Form of the Notes*”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the Notes, described under “*Form of the Notes*”) shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the Notes, described under “*Form of the Notes*”) and other Notes issued at a discount or premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or person(s) acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or person(s) acting on behalf of the Stabilizing Managers) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or person(s) acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

SUMMARY

The Issuer

The Issuer was established on October 1, 2009 following a merger between Korea National Housing Corporation (“KNHC”) and Korea Land Corporation (“KLC”) for the purposes of procurement, development, stockpiling and supply of land, the development and maintenance of cities and the construction, supply and maintenance of housing, with the intention of enhancing housing quality for Korean citizens and promoting efficient land use. The Issuer is a statutory juridical entity of unlimited duration established under the Korea Land and Housing Corporation Act (the “LH Act”) and is the principal instrumentality of the Government for execution of its housing and land related policies. As a Government-controlled entity charged with carrying out public policy objectives, the Issuer does not seek to maximize profits but to maintain an overall level of profitability that would enable the Issuer to conduct its ongoing businesses and maintain its equity base while meeting its financial obligations and making requisite capital expenditures.

The Issuer is primarily engaged in land, housing and urban development projects, as well as ancillary activities related to the foregoing, including those mandated by the Government to promote the welfare of young people, newlyweds, the elderly and low-income households and balanced development of national territory. The Issuer divides its operations into the following business segments for accounting purposes: (i) public housing, which involves development, construction, and sale of housing units to young people, newlyweds, the elderly and low-income households; (ii) industrial development complex, which involves development, construction, sale and lease of industrial complexes; (iii) public housing management, which involves leasing of rental housing units, which have been constructed, purchased or leased, to young people, newlyweds, the elderly and low-income households; (iv) multifunctional administrative city, which involves the development of Sejong Special Self-Governing City, the multifunctional administrative capital of Korea, and development, construction, sale and leasing of related residential and commercial units; (v) urban development projects, which involve development of Innovation Cities to which select government agencies and headquarters of certain Government-controlled enterprises have been relocated; (vi) land bank, which involves procurement of land for public projects and market-making activities designed to facilitate balanced supply of and demand for land in Korea; and (vii) “others,” which represents the largest business segment in terms of revenue and mainly consists of development of large-scale residential and commercial clusters known as “New Cities,” development of residential land sites and development of Free Economic Zones designed to attract foreign capital and investment, among other projects. Segregated accounting is statutorily required for the five business segments described in (i) through (v).

Korea is a densely populated industrialized country, and per capita land available for urban development in Korea is limited. While the Seoul metropolitan area accounts for approximately half of the total population of Korea based on a Government population census conducted by the Statistics Korea in 2019, this area represents approximately only 12% of the total land available in Korea. The Government views balanced development and supply of housing to be critical to the promotion of public welfare and to the continued economic growth and development of Korea. The Issuer’s businesses are intended to achieve the Government’s policy objectives of increasing the stable supply of affordable housing throughout the nation, and in particular, in the Seoul metropolitan area, as well as balanced territorial development of national land and urban centers.

The Issuer’s land development projects are usually large-scale projects involving local municipalities and other governmental agencies or private companies. As of December 31, 2019, the Issuer had 16 large-scale residential land projects under development totaling 20 square kilometers, which are projected to provide 122,000 residential housing units. Since the establishment of KNHC in 1962 to 2019, the Issuer has built approximately 2.84 million public housing units, including large-scale residential areas in Gwacheon and Pangyo in Gyeonggi-do, Banpo and Jamsil in Seoul and Sejong city, for sale or lease primarily to young people, newlyweds, the elderly and low-income households to serve its public policy objectives.

The Issuer is the largest Government-controlled enterprise in Korea in terms of total assets and revenue as of and for the six months ended June 30, 2020. Since the Issuer does not seek to maximize profit but to serve public policy objectives, the Issuer is entitled to and receives various financial and other subsidies from the Government, including capital contributions, low-cost public funding, loss compensation for certain eligible projects (with the Issuer's public housing management representing the main source of loss), favorable dividend policy, favorable construction cost assessment, direct subsidies, tax benefits and eligibility for Government guarantees for financial obligations, among others. See *“Relationship with the Government–Government Support.”*

In 2018 and 2019, the Issuer generated sales of Won 18,034 billion and Won 20,530 billion, respectively, and operating profit of Won 2,614 billion and Won 2,783 billion, respectively. In the first halves of 2019 and 2020, the Issuer generated sales of Won 8,581 billion and Won 9,606 billion, respectively, and operating profit of Won 992 billion and Won 2,008 billion, respectively. As of December 31, 2019 and June 30, 2020, the Issuer had total assets of Won 176,515 billion and Won 184,325 billion, respectively, and total equity of Won 49,835 billion and Won 52,471 billion, respectively.

The Program

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of the Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary.

Issuer	Korea Land & Housing Corporation (Legal Entity Identifier: 9884009ZN0XE8VIPAC02)
Description	Global Medium Term Note Program
Arranger	Citigroup Global Markets Limited
Dealers	Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, Nomura Singapore Limited, Société Générale, Standard Chartered Bank and UBS AG Hong Kong Branch
Certain Restrictions	<p>Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “<i>Subscription and Sale and Transfer and Selling Restrictions</i>”) including the following restrictions applicable at the date of the Offering Circular.</p> <p>Notes having a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See “<i>Subscription and Sale and Transfer and Selling Restrictions</i>.”</p>
Fiscal Agent, Principal Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch
Euroclear/Clearstream Registrar and Euroclear/ Clearstream Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
DTC Paying Agent, DTC Registrar and DTC Transfer Agent	The Bank of New York Mellon
Program Size	Up to US\$5,000,000,000 (or its equivalent in other currencies calculated as described under “General Description of the Program”) outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.

Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination	The applicable Pricing Supplement may provide that certain Notes may be redenominated in Euro (to the extent permitted under the applicable Korean laws and regulations). The relevant provisions applicable to any such redenomination are contained in Condition 5 (<i>Redenomination</i>).
Maturities.	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	The Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in “ <i>Form of the Notes</i> .” Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes.	Fixed Rate Notes will bear interest payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes.	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other Provisions in Relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.
	Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption	<p>The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be set forth in the applicable Pricing Supplement.</p> <p>The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.</p>
Change of Control Redemption	<p>The Notes will be redeemable at the option of the Noteholders, in all or in part, upon the occurrence of a Change of Control at 100% of their principal amount, together with accrued and unpaid interest, if any, to but excluding the Change of Control Put Date (as defined herein).</p> <p>See “<i>Terms and Conditions of the Notes–Redemption and Purchase–Change of Control Redemption.</i>”</p>
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer except that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 10 (<i>Taxation</i>)), subject as provided in Condition 10 (<i>Taxation</i>). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 10 (<i>Taxation</i>), be required to pay additional amounts to cover the amounts so deducted.
Certain Covenants	The terms of the Notes will contain limitations on liens, consolidation, merger and sale of assets, sale and leaseback transactions and certain other covenants, as further described in Condition 4 (<i>Certain Covenants</i>).

Cross-acceleration	The terms of the Notes will contain a cross-acceleration provision as further described in Condition 12 (<i>Events of Default</i>).
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (<i>Certain Covenants</i>), unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (except for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Listing	Approval in-principle has been received from the Singapore Stock Exchange in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series or Tranche. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law	The Notes will be governed by, and construed in accordance with New York law.
Notes Issued as Social, Green or Sustainability Bonds	The applicable Pricing Supplement may indicate that the Notes are being issued as Social Bonds, Green Bonds or Sustainability Bonds in accordance with the Issuer's Social, Green and Sustainability Bond Framework. See " <i>Social, Green and Sustainability Bond Framework</i> ."
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Korea, Japan, Singapore, Hong Kong and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See " <i>Subscription and Sale and Transfer and Selling Restrictions</i> ."

FORM OF THE NOTES

This section includes provisions applicable to Rule 144A Global Notes and Definitive IAI Registered Notes in case the Program and the related offering circular are amended to permit such notes to be issued under the Program. The Notes offered or sold pursuant to the Offering Circular may be offered and sold only to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

Certain capitalized terms used herein are defined in the “*Terms and Conditions of the Notes.*” Any reference herein to Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream”) and/or Depository Trust Company (“DTC”) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system in the applicable Pricing Supplement.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act. Bearer Notes will also be subject to U.S. tax restrictions described below.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a “Temporary Bearer Global Note”) or a permanent bearer global note (“Permanent Bearer Global Note”) and together with Temporary Bearer Global Note, the “Bearer Global Notes”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depository (the “Common Depository”) for Euroclear and Clearstream. Bearer Notes issued under the TEFRA D Rules will be initially issued in the form of Temporary Bearer Global Note. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form annexed to the Agency Agreement) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a similar certification (based on the certifications it has received) to the Principal Paying Agent, as required by U.S. Treasury Regulations.

From the date (the “Exchange Date”) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) by the Noteholder either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given. Definitive Bearer Notes will only be delivered outside the United States. The holder of an interest in a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the interest in the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 12 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that the Bearer Global Note is exchanged for definitive Bearer Notes, the Issuer will appoint and maintain a Paying Agent in Singapore where the definitive Bearer Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Bearer Global Note is exchanged for definitive Bearer Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Bearer Notes, including details of the Paying Agent in Singapore. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have a maturity of more than 365 days (including unilateral rollovers and extensions) and on all talons, receipts and interest coupons relating to such Notes:

"ANY U.S. PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that U.S. holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a "Regulation S Global Note"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person except as otherwise provided in Condition 2 (*Transfers of Registered Notes*) and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“QIBs”) or (ii) to “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (“Institutional Accredited Investors”) who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a “Rule 144A Global Note” and, together with a Regulation S Global Note, the “Registered Global Notes”).

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of its participants, including Euroclear and Clearstream or (ii) be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Global Note shall be €100,000 or its approximate equivalent in other Specified Currencies.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“Definitive IAI Registered Notes”). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of US\$500,000 and integral multiples of US\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale and Transfer and Selling Restrictions.*” Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “*Subscription and Sale and Transfer and Selling Restrictions.*” The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provisions to the contrary, be made to the person shown on the Register (as defined in Condition 8(d) (*Payments – Payments in Respect of Registered Notes*)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent, Transfer Agent, or Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 8(d) (*Payments – Payments in Respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, the Issuer has been notified that both Euroclear and Clearstream have been closed for

business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that the Registered Global Note is exchanged for definitive Registered Notes, the Issuer will appoint and maintain a Paying Agent in Singapore where the definitive Registered Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Registered Global Note is exchanged for definitive Registered Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Registered Notes, including details of the Paying Agent in Singapore. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See “*Subscription and Sale and Transfer and Selling Restrictions.*”

General

Pursuant to the Agency Agreement, the Principal Paying Agent or the Registrar, as the case may be, shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a Common Code and ISIN and, where applicable, a CUSIP and CINS number which are different from the Common Code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche and, for Bearer Notes subject to the certification requirements under U.S. Treasury regulations, until at least the Notes represented by interests in a temporary Global Note are exchanged for Notes represented by an interest in a permanent Global Note or for definitive Bearer Notes.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 12 (*Events of Default*). In such circumstances, where any Registered Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that the Global Note is exchanged for definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

Form of Applicable Pricing Supplement

[IMPORTANT – PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area (“**EEA**”) or the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.]

[MiFID II PRODUCT GOVERNANCE/TARGET MARKET – Solely for the purposes of [the/ each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[To be inserted if the Notes will be offered to investors in Singapore]

[Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”) – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products [OR] capital markets products other than prescribed capital markets products]* (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [Excluded Investment Products [OR] Specified Investment Products]* (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][*To delete accordingly]

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.

[Date]

Korea Land & Housing Corporation

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US\$5,000,000,000
Global Medium Term Note Program**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “Conditions”) set forth in the offering circular dated October 16, 2020 (the “Offering Circular”). This Pricing Supplement is supplemental to and must be read in conjunction with the Offering Circular.

[The following alternative language applies in the case of a re-opening whereby a new tranche of Notes is being issued to be consolidated and form a single series of existing Notes issued at an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the “Conditions”) set forth in the offering circular dated [date of the original offering circular] (the “Original Offering Circular”). The Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the offering circular dated [•] (the “Offering Circular”), except in respect of the Conditions which are extracted from the Original Offering Circular and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency]

1. Issuer: Korea Land & Housing Corporation
(Legal Entity Identifier: 9884009ZNXE8VIPAC02)
2. (i) Series Number: [•]
(ii) Tranche Number: [•]

(If re-opening fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)

- (iii) Re-opening: [Yes/No] (*Specify terms of initial or eventual fungibility*)
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount:
- (i) Series: [•]
- (ii) Tranche: [•]
5. (i) Issue Price of Tranche: [•] % of the Aggregate Nominal Amount [*plus accrued interest from [insert date] (in the case of fungible re-opening issues only, if applicable)*].
- (ii) Net Proceeds: [•]
(*Required only for listed issues*)
- (iii) Use of Proceeds: [As described in the Offering Circular/(*describe*)]
6. (i) Specified Denominations: [•]
(*in the case of Registered Notes, this means the minimum integral amount in which transfers can be made*)
- (*N.B. Pursuant to Regulation (EU) 2017/1129 as amended or superseded (the Prospectus Regulation”), Notes to be admitted to trading on a regulated market within the European Economic Area or the UK must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 4(c) of the Prospectus Regulation in that Member State or the UK.*)
- (*N.B. Where Bearer Notes with multiple denominations above US\$200,000 or equivalent are being used, the following sample wording should be followed:*
- “US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$399,000. No Notes in definitive form will be issued with a denomination above US\$399,000.”*)
- (*N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area or UK exchange; and (ii) only offered in the European Economic Area or the UK in circumstances where a prospectus is not required to be published under the Prospectus Regulation, the €100,000 minimum denomination is not required.*)
- (ii) Calculation Amount [•]
(*If there is only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations*)

7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [•]
8. Maturity Date: *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]**
9. Interest Basis: [% Fixed Rate]
[[LIBOR/EURIBOR] +/-% Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Installment]
[specify other]
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provisions for change of Notes into another Interest Basis or Redemption/Payment Basis]*
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Status of the Notes: Senior
14. Listing: [Singapore Exchange Securities Trading Limited/*specify other/None*]
15. Method of Distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: [•]% per annum [payable [annually/semi-annually/quarterly] in arrears] *(If payable other than annually, consider amending Condition 6 (Interest))*
- (ii) Interest Payment Date(s): ([[•] in each year up to and including the Maturity Date]/
[specify other])
- (N.B. This will need to be amended in the case of long or short coupons)*

* *[Specify if different from that stated in the Offering Circular]*

- (iii) Fixed Coupon Amount(s): [•] per Calculation Amount
(applicable to Notes in definitive form)
- (iv) Broken Amount(s): [•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
- (v) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or specify other]
- (vi) Determination Date(s): [•] in each year

[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.

N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration.

N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
17. Floating Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest Payment Dates: [•]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (iii) Additional Business Centre(s): [•]
(Insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-U.S. dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream)
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [•]

- (vi) Screen Rate Determination:
- Reference Rate: [•]
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
 - Interest Determination Date(s): [•]
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)
 - Relevant Screen Page: [•]
(In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (vii) ISDA Determination:
- Floating Rate Option: [•]
(if not on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, the Issuer shall describe the basis here)
 - Designated Maturity: [•]
 - Reset Date: [•]
- (viii) Margin(s): [+/-] [•]% per annum
- (ix) Minimum Rate of Interest: [•]% per annum
- (x) Maximum Rate of Interest: [•]% per annum
- (xi) Day Count Fraction: [•]% per annum
- [Actual/Actual (ISDA) or Actual/Actual Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360, 360/360 or Bond Basis
30E/360, or Eurobond Basis
30E/360 (ISDA)
Other]
(See Condition 6 (Interest) for alternatives)

- (xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
18. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [•]% per annum
- (ii) Reference Price: [•]
- (iii) Any other formula/basis of determining amount payable: [•]
- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 9(e) (*Redemption and Purchase – Early Redemption Amounts*) – (iii) and Condition 9(j) – (*Redemption and Purchase – Late Payment on Zero Coupon Notes*) apply//specify other]
- (Consider applicable day count fraction if not U.S. dollar denominated)*
19. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: [Give or annex details]
- (ii) Calculation Agent responsible for calculating the principal and/or interest due: [•]
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [•]
- (iv) Specified Period(s)/Specified Interest Payment Dates: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Center(s): [•]
- (vii) Minimum Rate of Interest: [•]% per annum

- (viii) Maximum Rate of Interest: [•]% per annum
- (ix) Day Count Fraction: [•]% per annum
- [Actual/Actual (ISDA) or Actual/Actual Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360, 360/360 or Bond Basis
30E/360, or Eurobond Basis
30E/360 (ISDA)
Other]
(See Condition 6 (Interest) for alternatives)

20. Dual Currency Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•]
- (b) Maximum Redemption Amount: [•]

- (iv) Notice period (if other than as set out in the Conditions): [•]
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
22. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): [•]
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
23. Final Redemption Amount of each Note: [•] [per Calculation Amount/specify other]
24. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 9(e) (*Redemption and Purchase – Early Redemption Amounts*)): [•]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes:
- [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/ only upon an Exchange Event]*]
- [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date* FN]
- [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/ only upon an Exchange Event]**]
- [Registered Notes:
- Regulation S Global Note (US\$[•] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Rule 144A Global Note (US\$[•] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Definitive IAI Registered Notes (*specify nominal amounts*)]
26. Additional Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/*give details*]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vi) relate; insert New York City for U.S. dollar denominated Notes to be held through DTC)
27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Not Applicable/*give details*]

* N.B. - Regard should be given to the specific requirements of the relevant clearing system(s), if any.

Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[US\$200,000] and integral multiples of [US\$1,000] in excess thereof up to and including [US\$499,000]."

Noteholders will not have the right to exchange such Global Notes for Definitive Notes other than upon the occurrence of an Exchange Event.

** May not be used if TEFRA D applies.

28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. *N.B. New forms of Global Note may be required for Partly Paid issues*]
29. Details relating to Installment Notes:
- (i) Installment Amount(s): [Not Applicable/give details]
- (ii) Installment Date(s): [Not Applicable/give details]
30. Redenomination applicable: Redenomination [not] applicable
- [(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))]*
31. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

32. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilizing Manager (if any): [Not Applicable/give name]
33. If non-syndicated, name of relevant Dealer: [•]
34. U.S. Selling Restrictions: [Reg. S; Category 2]; [TEFRA D/TEFRA C/TEFRA not applicable (for Bearer Notes with a maturity of one year or less (including unilateral rollovers and extensions) or Registered Notes)]*
35. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
36. Additional selling restrictions: [Not Applicable/give details]

PROVISIONS RELATING TO SOCIAL, GREEN OR SUSTAINABILITY BOND

37. (i) Social Bond, Green Bond or Sustainable Bond: [Not Applicable/[Social Bond/Green Bond/Sustainable Bond]]
- [(ii) Reviewer(s):] [Name of sustainability rating agency(ies) [and name of third party assurance agent] and [give details of compliance opinion(s) and availability]]

* Where TEFRA D is applicable, a Note must be issued in the form of a Temporary Bearer Global Note exchangeable upon U.S. tax certification for a Permanent Bearer Global Note or for Definitive Notes.

OPERATIONAL INFORMATION

38. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
39. Delivery: Delivery [against/free of] payment
40. In the case of Registered Notes, specify the location of the office of the Registrar if other than New York: Not applicable/[Luxembourg]
41. Additional Paying Agent(s) (if any): [•]

ISIN: [•]

Common Code: [•]

CUSIP: [•]

CINS: [•]

(insert here any other relevant codes)

NOTICE TO INVESTORS

The Issuer is a government-controlled statutory juridical entity established under the Korea Land and Housing Corporation Act and is required under the Act on the Management of Public Agencies and regulations thereunder to publicly disclose its annual financial statements and management information, subject to certain limitations according to public or national security interest. However, as there is no obligation under Korean law for the Issuer to prepare such information in English, there is limited publicly available information about the Issuer in English.

[LISTING APPLICATION

[Application will be made to/Application has been made to/Approval in-principle has been received from] the Singapore Exchange Securities Trading Limited (the “Singapore Stock Exchange”) for the listing and quotation of the Notes on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the US\$5,000,000,000 Global Medium Term Note Program of Korea Land & Housing Corporation.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. Signed on behalf of the Issuer:

By: _____

Duly authorized signatory

Name:

Title:

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1 (*Form, Denomination and Title*), 5 (*Redenomination*), 6 (*Interest*), 8 (*Payments*), 9 (*Redemption and Purchase* (except Condition 9(b) (*Redemption and Purchase – Redemption for tax reasons*))), 13 (*Replacement of Notes, Receipts, Coupons and Talons*), 14 (*Agents*), 15 (*Exchange of Talons*), 16 (*Notices*) (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 18 (*Further Issues*), they will not necessitate the preparation of a supplement to the Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to the Offering Circular may be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

This section includes provisions applicable to Rule 144A Global Notes and Definitive IAI Registered Notes in case the Program and the related offering circular are amended to permit such notes to be issued under the Program. The Notes offered or sold pursuant to the Offering Circular may be offered and sold only to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed to by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “*Form of the Notes*” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes. Reference herein to “Condition” shall be to the Terms and Conditions set forth below.

This Note is one of a Series (as defined below) of Notes issued by Korea Land & Housing Corporation (the “Issuer”) pursuant to the Agency Agreement (as defined below).

References herein to the “Notes” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form; and
- (iv) any definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement dated July 11, 2017 (such Agency Agreement as supplemented by the First Supplemental Agency Agreement dated July 5, 2019 and as further amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) among the Issuer, The Bank of New York Mellon, London Branch, as fiscal agent, principal paying agent and calculation agent, The Bank of New York Mellon SA/NV, Luxembourg Branch, as Euroclear/Clearstream registrar and Euroclear/Clearstream transfer agent, and The Bank of New York Mellon, as DTC paying agent, DTC registrar and DTC transfer agent (each a “Fiscal Agent,” a “Paying Agent,” a “Calculation Agent,” a “Transfer Agent” and a “Registrar,” as applicable, each of which term includes any successor thereto or additional such agent appointed pursuant to the terms of the Agency Agreement, and collectively, the “Agents”).

Interest-bearing definitive Bearer Notes have interest coupons (“Coupons”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“Talons”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in installments have receipts (“Receipts”) for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “applicable Pricing Supplement” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “Noteholders” or “holders” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “Receiptholders” shall mean the holders of the Receipts and any reference herein to “Couponholders” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects except for their respective Issue Dates, Interest Commencement Dates (if applicable) and/or Issue Prices (if applicable).

Copies of the Agency Agreement are available for inspection during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of the Principal Paying Agent with prior written notice and satisfactory proof of holding. Copies of the applicable Pricing Supplement are obtainable during normal business hours (being between 9:00 a.m. and 3:00 p.m.) at the specified office of the Principal Paying Agent with prior written notice except that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement or between the Terms and Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Except as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

This Note may also be a Limited Recourse Note, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream”), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

For so long as The Depository Trust Company (“DTC”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

(a) Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and

conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Registered Notes in Definitive Form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part, in the authorized denominations set out in the applicable Pricing Supplement. In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note, or the relevant part of the Registered Note, at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 9 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) Costs of Registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of Interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

- (i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 5 of the Agency Agreement, amended as appropriate (a "Transfer Certificate"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor, in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 6 of the Agency Agreement (an “IAI Investment Letter”); or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (A) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form and, in the case of (B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of Interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and Transfers of Registered Notes Generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

(h) Definitions

In this Condition, the following expressions shall have the following meanings:

“Distribution Compliance Period” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“Institutional Accredited Investor” means “accredited investors” (as defined in Rule 501(a) (1), (2), (3) or (7) under the Securities Act) that are institutions;

“Legended Note” means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

“QIB” means a “qualified institutional buyer” within the meaning of Rule 144A;

“Regulation S” means Regulation S under the Securities Act;

“Regulation S Global Note” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“Rule 144A” means Rule 144A under the Securities Act;

“Rule 144A Global Note” means a Registered Global Note representing Notes sold in the United States or to QIBs; and

“Securities Act” means the United States Securities Act of 1933, as amended.

3. STATUS OF NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Certain Covenants*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (except for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. CERTAIN COVENANTS

(a) Limitation on Liens

The Issuer will not itself, and will not permit any Restricted Subsidiary (as defined below) to, create, incur, issue or assume or guarantee any External Indebtedness (as defined below) secured by any mortgage, charge, pledge, encumbrance or other security interest (a “Lien”) on any Restricted Property without in any such case effectively providing that the Notes (together with, if the Issuer shall so

determine, any other indebtedness of the Issuer or such Restricted Subsidiary then existing or thereafter created) are secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness, plus Attributable Debt (as defined below) of the Issuer and its Restricted Subsidiaries in respect of sale and leaseback transactions as described under “*Limitation upon Sale and Leaseback Transactions*” below, in each case entered into after the date of the issuance of the Notes, would not exceed 10% of Consolidated Net Tangible Assets (as defined below).

The foregoing restriction will not apply to External Indebtedness secured by:

- (i) any Lien existing on any Restricted Property prior to the acquisition thereof by the Issuer or any of its Restricted Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (ii) any Lien on any Restricted Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, *provided* that such Lien attaches to such Restricted Property concurrently with or within 12 months after the acquisition thereof or completion or construction, improvement or repair thereof;
- (iii) any Lien existing on any Restricted Property of any Restricted Subsidiary prior to the time such Restricted Subsidiary becomes a Subsidiary of the Issuer or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;
- (iv) any Lien securing External Indebtedness owing to the Issuer or to a Restricted Subsidiary; or
- (v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing at the date of the issuance of the Notes, *provided* that such External Indebtedness is not increased and is not secured by any additional Restricted Property.

For the purposes of Conditions 4(a) and 4(b), the giving of a guarantee which is secured by a Lien on a Restricted Property, and the creation of a Lien on a Restricted Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Restricted Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

For the avoidance of any doubt, the establishment of any receivables financing facility or arrangement pursuant to which a special purpose vehicle (including any special purpose trust) purchases or otherwise acquires accounts receivable of the Issuer shall not be deemed to be affected by Conditions 4(a) or 4(b).

(b) *Limitation upon Sale and Leaseback Transactions*

The Issuer will not itself, and will not permit any Restricted Subsidiary to, enter into any arrangement, after the date of the issuance of the Notes, with any person providing for the leasing by the Issuer or any Restricted Subsidiary of any Restricted Property which has been or is to be sold or transferred to such person or to any other person to whom funds are advanced by such person on the security of such Restricted Property (a “sale and leaseback transaction”), unless (i) the Attributable Debt of the Issuer and its Restricted Subsidiaries in respect thereof and in respect of all other sale and leaseback transactions entered into after the date of the issuance of the Notes (other than transactions permitted by clause (ii) below) plus the aggregate principal amount of External Indebtedness secured by Liens on Restricted Property then outstanding (excluding any such External Indebtedness secured by Liens described in clause (i) through (v) under “*Limitation on Liens*” above) without equally and

ratably securing the Notes, would not exceed 10% of Consolidated Net Tangible Assets or (ii) the Issuer or a Restricted Subsidiary within 12 months after such sale and leaseback transactions, applies to the retirement of External Indebtedness, which is not subordinate to the Notes, of the Issuer or a Restricted Subsidiary an amount equal to the greater of (A) the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transactions or (B) the fair market value of the Restricted Property so leased (in each case as determined by the Issuer).

The foregoing restriction shall not apply to any transaction (x) between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries or (y) involving a lease for a temporary period not exceeding three years by the end of which it is intended that the use of such Restricted Property by the lessee will be discontinued.

(c) Consolidation, Merger and Sale of Assets

The Issuer will not consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially to any person, except as provided herein and in the Agency Agreement. The Issuer, without the consent of any Noteholder, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each a “transaction”) to any corporation organized under the laws of Korea, *provided* that (i) any successor corporation expressly assumes the Issuer’s obligations under the Notes and the Agency Agreement, (ii) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (iii) if, as a result of any such transaction, properties or assets of the Issuer or a Restricted Subsidiary would become subject to a Lien which would not be permitted under these Terms and Conditions, the Issuer or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Subsidiary then existing or thereafter created which is not subordinate to the notes) equally and ratably with (or prior to) all indebtedness secured thereby and (iv) the Issuer has delivered to the Fiscal Agent a certificate executed by a duly authorized officer of the Issuer and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with. The Fiscal Agent shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in above of this Condition 4(c), in which event they shall be conclusive and binding on the Noteholders.

(d) Certain Definitions

In these Conditions, the following expressions have the following meanings:

“Attributable Debt” means, as to any lease, at the date of determination, the total net amount of rent required to be paid under such lease during the remaining term thereof including renewal terms at the option of the lessor (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted from their respective due dates at the rate of interest borne by the Notes, at the date of determination, compounded annually.

“Consolidated Net Tangible Assets” means the total amount of assets of the Issuer and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent audited annual balance sheet of the Issuer and its consolidated Subsidiaries and computed in accordance with International Financial Reporting Standards, as adopted by the Korean Accounting Standards Board.

“External Indebtedness” means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of Korea and which has a final maturity of one year or more from its date of incurrence or issuance.

“Long-term Debt” means any note, bond, debenture or other similar evidence of indebtedness of money borrowed having a maturity of more than one year from the date such evidence of indebtedness was incurred or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the borrower beyond one year from the date such evidence on indebtedness was incurred.

“person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Restricted Property” means any asset or property located in Korea, whether at the date of the issuance of the Notes owned or thereafter acquired, other than any such asset or property, or portion thereof, reasonably determined by the Issuer’s board of directors not to be of material importance to the total business conducted by the Issuer and its Subsidiaries as a whole.

“Restricted Subsidiary” means any Subsidiary that owns Restricted Property.

“Subsidiary” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Issuer.

5. REDENOMINATION

(a) Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the Agent, DTC, Euroclear and Clearstream and at least 30 days’ prior notice to the Noteholders in accordance with Condition 16 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in Euro.

The election will have effect as follows:

- (i) the Notes and the Receipts shall be deemed to be redenominated into Euro with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into Euro at the Established Rate (as defined below), rounded to the nearest Euro 0.01 if the conversion results in an amount involving a fraction of Euro 0.01, provided that, if the Issuer determines that the then market practice in respect of the redenomination into Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Agents of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01;

- (iii) if definitive Notes are required to be issued after the Redenomination Date (as defined below), they shall be issued at the expense of the Issuer in the denominations of Euro 1,000, Euro 10,000, Euro 100,000 and (but only to the extent of any remaining amounts less than Euro 1,000 or such smaller denominations as the Agent may approve) Euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “Exchange Notice”) that replacement Euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (v) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque;
- (vi) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date (as specified in the applicable Pricing Supplement), it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the applicable Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in Euro.

(b) Definitions

In these Conditions, the following expressions have the following meanings:

“Established Rate” means the rate for the conversion of the Specified Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“Euro” means the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty;

“Redenomination Date” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to paragraph (a) above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

“Treaty” means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended from time to time.

6. INTEREST

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Terms and Conditions, “Fixed Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Conditions:

“Day Count Fraction” means, in respect of the calculation of an amount of interest, in accordance with this Condition 6(a):

(i) if “**Actual/Actual (ICMA)**” is specified in the applicable Pricing Supplement:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“sub-unit” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “Interest Payment Date”) which falls on the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 6 (*Interest-(b)(i)(B)*) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls on the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York and any Additional Business Center specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than New York and any Additional Business Center and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (A), “ISDA Rate” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “ISDA Definitions”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“LIBOR”) or on the Euro-zone inter-bank offered rate (“EURIBOR”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (A), the terms “Floating Rate,” “Calculation Agent,” “Floating Rate Option,” “Designated Maturity” and “Reset Date” shall have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the applicable Pricing Supplement) as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available (other than as a result of a Benchmark Transition Event, in which case Condition 6(b)(vii) will apply) or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent, in the case of Floating Rate Notes and Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Fiscal Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

- (A) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (E) if “30/360,” “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (G) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case, D₂ will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 16 (*Notices*) as soon as practicable after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 16 (*Notices*). For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(vi) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b) (*Interest – Interest on Floating Rate Notes and Index Linked Interest Notes*) by the Calculation Agent shall (in the absence of willful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Calculation Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(vii) *Effect of Benchmark Transition Event*

(A) Benchmark Replacement

If the Issuer or its designee (as defined below) determines that a Benchmark Transition Event (as defined below) and its related Benchmark Replacement Date (as defined below) have occurred prior to the Reference Time (as defined below) in respect of any determination of the Benchmark (as defined below) on any date, the Benchmark Replacement (as defined below) will replace the then-current Benchmark for all purposes relating to the applicable Notes in respect of such determination on such date and all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes (as defined below) from time to time.

At the request of the Issuer, but subject to receipt by the Agents of a certificate signed by two duly authorized officers of the Issuer pursuant to Condition 6(b)(vii)(D) and at least five London banking days’ prior thereof, the Agents shall (at the expense of the Issuer), without any requirement for the consent or approval of Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Replacement Conforming Changes (including, *inter alia*, by amending or supplementing the Agency Agreement), provided that the Agents shall not be obliged so to concur if, in the opinion of any of the Agents, doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities

or reduce or amend the protective provisions afforded to the Agents in these Conditions or the Agency Agreement (including, for the avoidance of doubt, any supplemental agency agreement) in any way.

In connection with any Benchmark Replacement Conforming Changes in accordance with this Condition 6(b)(vii)(B), the Issuer shall comply with the rules of any stock exchange on which the applicable Notes are for the time being listed or admitted to trading.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 6(b)(vii), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Issuer's or its designee's sole discretion, and, notwithstanding anything to the contrary in the these Conditions or the Agency Agreement, shall become effective with respect to the applicable Notes without consent from any other party. None of the Agents shall have any responsibility or liability whatsoever with respect to any such determination, decision or election.

(D) Notices, etc.

Any Benchmark Replacement (including any Benchmark Replacement Adjustment) and the specific terms of any Benchmark Replacement Conforming Changes determined under this Condition 6(b)(vii) will be notified promptly by the Issuer to the Principal Paying Agent and, in accordance with Condition 16 (Notices), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Replacement Conforming Changes, if any.

No later than notifying the Principal Paying Agent of the same, the Issuer shall deliver to the Agents a certificate signed by two duly authorized officers of the Issuer:

- (1) confirming (x) that a Benchmark Transition Event has occurred and (y) the Benchmark Replacement (including any Benchmark Replacement Adjustment) and the specific terms of any Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 6(b)(vii); and
- (2) certifying that the Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of the Benchmark Replacement.

The Agents shall be entitled to rely on such certificate conclusively (without liability to any person including the Noteholders) as sufficient evidence thereof.

(E) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 6(b)(vii)(A), (B), (C) and (D), the Benchmark and the fallback provisions provided for in the Agency Agreement will continue to apply unless and until the Principal Paying Agent and the other Agents have been notified of the Benchmark Replacement (including any Benchmark Replacement Adjustment) and the specific terms of any Benchmark Replacement Conforming Changes, in accordance with Condition 6(b)(vii)(D).

(F) Certain Defined Terms

As used in this Condition 6(b)(vii):

“Benchmark” means, initially, LIBOR (if LIBOR is specified as the Reference Rate in the applicable Pricing Supplement); provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement.

“Benchmark Replacement” means the Interpolated Benchmark; provided that if the Issuer or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then “Benchmark Replacement” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (1) the sum of: (x) Term SOFR and (y) the Benchmark Replacement Adjustment;
- (2) the sum of: (x) Compounded SOFR and (y) the Benchmark Replacement Adjustment;
- (3) the sum of: (x) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (y) the Benchmark Replacement Adjustment;
- (4) the sum of: (x) the ISDA Fallback Rate and (y) the Benchmark Replacement Adjustment;
- (5) the sum of: (x) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (y) the Benchmark Replacement Adjustment.

“Benchmark Replacement Adjustment” means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

- (1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;
- (3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, changes to the definition of “Corresponding Tenor” solely when such tenor is longer than the Interest Period and other administrative matters) with respect to these Conditions, the Agency Agreement or otherwise that the Issuer or its designee decides may

be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (x) the date of the public statement or publication of information referenced therein and (y) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

“Compounded SOFR” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which will be compounded in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Issuer or its designee in accordance with:

- (1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

- (2) if, and to the extent that, the issuer or its designee determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that have been selected by the issuer or its designee giving due consideration to any industry-accepted market practice for U.S. dollar-denominated floating rate notes at such time.

Notwithstanding the foregoing, Compounded SOFR will include a describe lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period.

“Corresponding Tenor” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

“designee” means a designee as selected and separately appointed by the Issuer in writing.

“Federal Reserve Bank of New York’s Website” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

“Interpolated Benchmark” with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (x) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (y) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

“ISDA Fallback Adjustment” means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

“ISDA Fallback Rate” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

“Reference Time” with respect to any determination of the Benchmark means (x) if the Benchmark is LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such determination, and (y) if the Benchmark is not LIBOR, the time determined by the Issuer or its designee in accordance with the Benchmark Replacement Conforming Changes.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Term SOFR” means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(G) Other

Notwithstanding any other provision of this Condition 6(b)(vii), the Calculation Agent is not obliged to concur with the Issuer or its designee in respect of any changes or amendments as contemplated under this Condition 6(b)(vii) which, in the sole opinion of the Calculation Agent, would have the effect of (x) exposing the Calculation Agent to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (y) increasing the obligations or duties, or decreasing the rights or protections, of the Calculation Agent in the Agency Agreement and/or these Conditions.

Notwithstanding any other provision of this Condition 6(b)(vii), if in the opinion of the Calculation Agent there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 6(b)(vii), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer or its designee shall direct the Principal Paying Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(c) Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(d) Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) Accrual of Interest

Each Note (or in the case of the redemption of only part of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

7. LIMITED RECOURSE

The amounts payable in respect of the Limited Recourse Notes shall be determined in the manner specified in the applicable Pricing Supplement.

8. PAYMENTS

(a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and
- (ii) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (x) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*) and (y) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto (“FATCA”). References to “Specified Currency” will include any successor currency under applicable law.

(b) Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in this Condition 8 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of installments of principal (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of six years after the Relevant

Date (as defined in Condition 10 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11(*Prescription*)) or, if later, six years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “Long Maturity Note” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the relevant Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *Payments in Respect of Registered Notes*

Payments of principal (other than installments of principal prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “Register”) at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, “Designated Account” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and “Designated Bank” means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made (i) where the Notes are in global form, at the close of business (being for this purpose a day on which Euroclear, Clearstream or DTC, as the case may be, is open for business in respect of Notes cleared through Euroclear, Clearstream or DTC, as the case may be) before the relevant date, and (ii) where the Notes are in

definitive form, at the close of business on the 15th day (whether or not such 15th day is a business day) before the relevant due date (the “Record Date”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Principal Paying Agent in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Principal Paying Agent to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General Provisions Applicable to Payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 11 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation; and
 - (B) any Additional Financial Center specified in the applicable Pricing Supplement;
- (ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

(g) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*);
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in installments, the Installment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 9(g) (*Redemption and Purchase – Early Redemption Amounts*)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 (*Taxation*).

9. REDEMPTION AND PURCHASE

(a) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

(b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 16 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws of a Tax Jurisdiction (as defined in Condition 10 (*Taxation*)) or any regulations or rulings promulgated thereunder or any change in the application or official interpretation of such laws or regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which the Tax Jurisdiction is a party, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent a certificate signed by an authorized officer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers or tax consultants of recognized standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Fiscal Agent shall be entitled to accept and rely upon such certificate and such opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in above of this Condition 9(b), in which event they shall be conclusive and binding on the Noteholders.

Notes redeemed pursuant to this Condition 9(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the Option of the Issuer ("Issuer Call")

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16 (*Notices*); and

- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) at least five days prior to the Selection Date.

(d) Redemption at the Option of the Noteholders (“Investor Put”)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 16 (*Notices*) not less than 15 nor more than 30 days’ notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 9(d) in any multiple of their lowest Specified Denomination.

(e) Change of Control Redemption

Upon the occurrence of a Change of Control (as defined below), each Noteholder will have the option (the “Change of Control Put Option”) (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer shall have given notice under paragraph (b) or (c) above in respect of the relevant Notes), exercisable during the Change of Control Put Period, to require the Issuer to redeem all or any part of its Notes at a redemption price (the “Change of Control Redemption Price”) equal to 100% of the nominal amount of such Notes, together with accrued and unpaid interest, if any, to but excluding the Change of Control Put Date (as defined below). The Change of Control Put Option shall operate as set out in paragraph (f) below. Accrued and unpaid interest in respect of the then current Interest Period (or portion thereof) shall be determined as if the Change of Control Put Date was an Interest Payment Date. Within 30 days following a Change of Control, the Issuer shall give notice (a “Change of Control Put Event Notice”) to the Noteholders in accordance with Condition 16 (*Notices*) stating (i) that a Change of Control has occurred and that such holder has the right to require the Issuer to redeem such holder’s Notes at the Change of Control Redemption Price, (ii) the date (the “Change of Control Put Date”) fixed by the Issuer for redemption under this Condition 9(e) (which shall be the fifth day after the expiry of the Change of Control Put Period) and (iii) the procedures determined by the Issuer that a Noteholder must follow in order to have its Notes redeemed.

In this Condition:

“Change of Control” means the central government and local governments of Korea ceasing to own and control (directly or indirectly or in combination) at least 51% of the Issuer’s issued and outstanding voting shares.

“Change of Control Put Period” means the period fixed by the Issuer, which shall end on a Business Day no earlier than 30 days or later than 60 days after a Change of Control Put Event Notice is given.

(f) Put Notices

To exercise the right to require redemption of this Note pursuant to paragraph (d) or (e) above the holder of this Note must deliver such Note at the specified office of the Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period (in the case of paragraph (d)) or the Change of Control Put Period (in the case of paragraph (e)), accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a “Put Notice”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2 (*Transfer of Registered Notes – Transfers of Registered Notes in Definitive Form*). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the relevant Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Note pursuant to this paragraph (f) shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 12 (*Events of Default*).

(g) Early Redemption Amounts

For the purpose of paragraph (b) above and Condition 12 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Installment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “Amortized Face Amount”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“RP” means the Reference Price; and

“AY” means the Accrual Yield expressed as a decimal; and

“y” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the applicable Pricing Supplement.

(h) Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (g) above.

(i) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(j) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike.

Notes held by the Issuer and its Subsidiaries are not “outstanding” for the purpose of Condition 17 (*Meetings of Noteholders and Modification*).

(k) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(l) Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 12 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (g)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

10. TAXATION

All payments of principal and interest by the Issuer in respect of the Notes, Receipts and Coupons will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; *provided* that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment (where presentation is required) in the Republic of Korea (provided the Notes can also be presented at an office of a Paying Agent outside of the Republic of Korea); or
- (b) where such withholding or deduction is imposed on a payment to a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 8(f) (*Payments – Payment Day*)); or
- (d) where such withholding or deduction is imposed on a payment to a holder who would be able to avoid such withholding or deduction by either (i) presenting (where presentation is required) the relevant Note, Receipt or Coupon to another Paying Agent or (ii) making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so; or
- (e) any withholding or deduction is imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto; or
- (f) any combination of (a),(b),(c),(d) or (e) above.

Nor will additional amounts be paid with respect to any payment on a Note, Receipt or Coupon to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of a Tax Jurisdiction (or any political subdivision thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the additional amounts had that beneficiary, settlor, member or beneficial owner been the holder.

As used herein:

- (i) “Tax Jurisdiction” means Republic of Korea or any political subdivision or any authority thereof or therein having power to tax; and

- (ii) the “Relevant Date” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16 (*Notices*).

The obligation to pay additional amounts shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest or premium on, the Notes, Receipts or Coupons; provided that, except as otherwise set forth in these Terms and Conditions and in the Agency Agreement, the Issuer shall pay all stamp and other duties, if any, which may be imposed by the Republic of Korea or the United Kingdom or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Agency Agreement or as a consequence of the initial issuance of the Notes.

No Agent shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 10 or for determining whether such amounts are payable or the amount thereof, nor shall any Agent be responsible or liable for any failure by the Issuer, or the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, charges, withholding or other payment.

11. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of five years in the case of principal and three years in the case of interest after the Relevant Date (as defined in Condition 10 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8(b) (*Payments – Presentation of Definitive Bearer Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 8(b) (*Payments – Presentation of Definitive Bearer Notes, Receipts and Coupons*).

12. EVENTS OF DEFAULT

The occurrence and continuance of the following events will constitute events of default (“Events of Default”):

- (a) default in the payment of any interest upon any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or
- (b) default in the payment of all or any part of the principal of any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, whether at maturity, upon acceleration or redemption or otherwise; or
- (c) failure on the part of the Issuer duly to observe or perform any of the other covenants or agreements on the part of the Issuer contained in these Terms and Conditions or in the Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that notice is a “Notice of Default” under these Terms and Conditions and demanding that the Issuer remedy the same, shall have been given by registered or

certified mail, return receipt requested, to the Issuer or to Issuer at the office of the Agent by the holders of at least 10% in aggregate principal amount of the Notes at the time outstanding; or

- (d) any External Indebtedness of the Issuer in the aggregate principal amount of US\$15,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Issuer or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of External Indebtedness of any other Person in the aggregate principal amount of US\$15,000,000 or more not being honored when, and remaining dishonored after becoming, due and called, *provided* that, if any such default under any such External Indebtedness shall be cured or waived, then the default under these Terms and Conditions by reason thereof shall be deemed to have been cured and waived; or
- (e) the entry of a decree or order for relief in respect of the Issuer by a court or administrative or other governmental agency or body having jurisdiction in the premises in an involuntary case under any applicable bankruptcy, insolvency, reorganization, rehabilitation, compulsory composition or other similar law in effect on the date of issuance of the first Tranche of the Notes or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Issuer to be bankrupt or insolvent, and continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or
- (f) the commencement by the Issuer of a voluntary case under any applicable bankruptcy, insolvency, reorganization, rehabilitation, compulsory composition or other similar law in effect on the date of issuance of the first Tranche of the Notes or thereafter, or the Issuer consenting to the entry of an order for relief in an involuntary case under any such law, or consenting to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer for any substantial part of its property, or ceasing to carry on the whole or substantially the whole of its business, or making any general assignment for the benefit of creditors, or entering into any composition with its creditors, or taking corporate action in furtherance of any such action.

If any one or more of the above Events of Default shall occur and be continuing then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 9(g) (*Redemption and Purchase – Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

13. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and Agents may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be an Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office (outside the United States in the case of Bearer Notes) in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York or London; and
- (e) for so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the "Singapore Stock Exchange") and the rules of the Singapore Stock Exchange so require, in the event that the Global Note is exchanged for definitive Notes, there will at all times be a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 8(e) (*Payments – General Provisions Applicable to Payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders by the Issuer in accordance with Condition 16 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent. None of the Agents shall be obliged to take any steps to ascertain whether a Change of Control or an Event of Default has occurred or whether any other party is complying with its obligations under the Conditions or the Agency Agreement, or to monitor or to investigate the occurrence of any Change of Control or Event of Default or whether any other party is complying with its obligations under the Conditions or the Agency Agreement, and none of the Agents shall be liable to the Noteholders, the Issuer or any other person for not doing so.

15. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 11 (*Prescription*).

16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a manner specified by those rules. Any such notice shall be deemed to have been given to the holders of the Notes one day after the day on which the said notice was given to Euroclear and/or Clearstream and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through Euroclear and/or Clearstream and/or DTC, as the case may be, in such manner as the Agent, the Registrar and Euroclear and/or Clearstream and/or DTC, as the case may be, may approve for this purpose.

17. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the

Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter. Any determination as to prejudice applying to the interests of the Noteholders pursuant to these Conditions shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination.

The Agency Agreement also provides that quorum and voting requirements for certain resolutions which may affect the Notes of more than one Series shall be deemed to require separate meetings for the holders of such Series so affected.

18. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further notes with the same terms and conditions as the Notes in all respects except for the amount and date of the first payment of interest thereon so that such further issue shall be consolidated and form a single Series with the outstanding Notes; provided that further Notes in registered form must be issued with no more than *de minimis* original issue discount for U.S. federal income tax purposes or constitute a qualified re-opening for U.S. federal income tax purposes.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

(a) *Governing Law*

The Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the law of the State of New York.

(b) *Submission to Jurisdiction*

The Issuer irrevocably submits to the non-exclusive jurisdiction of any federal or state court located in the Borough of Manhattan, The City of New York, United States of America, in any suit, action or proceeding brought by any Noteholder, Receiptholder or Couponholder arising out of or based upon the Notes, the Receipts/or the Coupons, and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be determined in any such court. The Issuer irrevocably waives, to the fullest extent permitted under applicable law, any objection it may have to the laying of venue in any such court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The Issuer hereby appoints Law Debenture Corporate Services Inc., 400 Madison Avenue, 4th Floor, New York, New York 10017, United States of America, as its authorized agent (the "Authorized Agent," which expression shall include any replacement authorized agent) upon whom process may be served in any such suit or proceeding set forth herein, it being understood that the designation and appointment of the Authorized Agent as such authorized agent shall become effective immediately without any further action on the part of the Issuer; provided that if for any reason the Authorized Agent named above ceases to act as Authorized Agent hereunder for the

Issuer, the Issuer will appoint another person acceptable to the Dealers in the Borough of Manhattan, The City of New York and the State of New York, as Authorized Agent. The Issuer agrees to take any and all action as may be necessary, including the filing of any and all documents that may be necessary, to maintain such designation and appointment of the authorized agent in full force and effect. If for any reason the appointment of the Authorized Agent shall cease to be in force, the Issuer shall forthwith appoint a new agent to be the Authorized Agent and shall deliver to the Dealers and the Arranger a copy of the new Authorized Agent's acceptance for that appointment within 30 days. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Issuer. The parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Notes, the Receipts and/or Coupons.

(c) Other Documents

The Issuer has in the Agency Agreement submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on terms substantially similar to those set out in this Condition 19.

20. CURRENCY INDEMNITY

If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer or in the liquidation, insolvency or analogous process of the Issuer or for any other reason, any payment under or in connection with the Agency Agreement, the Notes, the Receipts or the Coupons, as the case may be, is made or fails to be satisfied in a currency (the "other currency") other than that in which the relevant payment is expressed to be due thereunder (the "required currency"), then, to the extent that the payment (when converted into the required currency at the rate of exchange (as defined below) on the date of payment or, if it is not practicable for any Noteholder, Receiptholder or Couponholder, as the case may be, to purchase the required currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process of the Issuer, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by any Noteholder, Receiptholder or Couponholder, as the case may be, falls short of the amount due under the terms of the Agency Agreement, the Notes, the Receipts or the Coupons, as the case may be, the Issuer shall, as a separate and independent obligation, indemnify and hold harmless such Noteholder, Receiptholder or Couponholder against the amount of such shortfall.

"Rate of exchange" means the rate at which the relevant Noteholder, Receiptholder or Couponholder, as the case may be, is able on the relevant date in London to purchase the required currency with the other currency and shall take into account any premium and other costs of exchange.

21. WAIVER OF IMMUNITY

To the extent that the Issuer has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, the Issuer hereby irrevocably waives and agrees not to plead or claim such immunity in respect of its obligations under the Agency Agreement, the Notes, the Receipts or the Coupons, as the case may be.

RISK FACTORS

The Issuer's business and operations are subject to various risks, many of which are beyond its control. If any of the risks described below actually occurs, the Issuer's business, financial condition or results of operations could be seriously harmed.

Risks Relating to the Issuer

The Issuer is a statutory juridical corporation that serves the Government's housing and land policy objectives, and the Government could cause the Issuer to pursue policy objectives that may be against the Issuer's best interests.

The Issuer is a statutory juridical corporation established under the LH Act with the objective of advancing the national economy by enhancing housing quality for Korean citizens and promoting efficiency in land use. The Issuer is directly and indirectly wholly owned and controlled by the Government.

The Issuer is under the direct supervision of the Housing and Land Office, the central agency at the MOLIT which formulates all national housing- and land-related policies and reviews and coordinates plans prepared by various agencies. Under the Act on the Management of Public Agencies of 2007, as amended (the "Act on the Management of Public Agencies"), the MOLIT is responsible for overseeing the establishment of the Issuer's operational objectives, monitoring its operational and financial performance, overseeing its budgeting and approving revisions to its operating plans. In addition, the MOEF is responsible for the review of the financial results of the Issuer and supervises matters concerning the Issuer's compliance with the management guidelines set by the Government. Under the Act on the Management of Public Agencies, the Public Agencies Management Committee (the "PAMC"), which consists of representatives of the Government and non-governmental experts recommended by the Minister of Economy and Finance and appointed by the President, supervises the management of the Issuer. The Executive Recommendation Committee (the "ERC"), which consists of non-standing directors of the Issuer and other members appointed by the board of directors of the Issuer, recommends a pool of qualified candidates from which the PAMC selects the president of the Issuer, whom the MOLIT then nominates and the President of Korea formally appoints (and whom the President of Korea may also subsequently dismiss). The ERC also recommends a pool of qualified candidates from which the president of the Issuer selects or appoints the standing directors of the Issuer. The ERC recommends another pool of qualified candidates from which the PAMC selects the non-standing directors, whom the MOEF then formally appoints (and whom the MOEF may also subsequently dismiss). Although the Issuer's management is responsible for the Issuer's day-to-day operations, the Government determines the Issuer's material policies and has historically had, and is likely to continue to have, a significant influence on the Issuer's strategies and operations. See "*Relationship with the Government – Government Ownership and Control.*"

As a corporation owned and controlled by the Government and charged with executing the Government's policies for national development and supply of land and housing, the Issuer does not seek to maximize profits but rather to maintain overall profitability in order to promote its objectives of housing and land development and supply. Furthermore, from time to time, the Issuer may be required to take action in furtherance of public policy considerations and the Government's broader objectives for the land and housing industries, which may not necessarily be in the Issuer's best commercial interests. For example, in November 2017, the MOLIT and the MOEF jointly announced the Housing Welfare Roadmap (the "Roadmap") to reform the country's existing housing policy in line with President Moon Jae-in administration's policy goals of curbing speculative real estate investments and providing affordable housing to young people, newlyweds, the elderly and low-income households, which was last updated in March 2020 (the "Roadmap 2.0"). See "*Relationship with the Government–Housing Welfare Roadmap.*" Pursuant to the Roadmap 2.0, the Government intends to make 2.4 million long-term public rental housing units available by 2025, the majority of which will be rental housing units under the Issuer's public housing management business segment, which usually does not generate any profit by virtue of the pricing structure. In addition, the Government has introduced a series of measures since

2017 to cool rising housing prices and curb speculative real estate investments, which has depressed sale prices of the Issuer's "bunyang" of housing units (which involves preselling housing units prior to construction and using the proceeds for such pre-sales to fund construction and other costs) from which the Issuer usually derives its profits. Accordingly, there can be no assurance that policy decisions by the Government, which are driven by public policy considerations, will not have a material adverse effect on the Issuer's financial condition and results of operations.

The Issuer regularly incurs significant losses from its public housing management business and relies on profit generated from its other businesses and Government support to maintain its operations and financial viability.

As the Issuer is a Government-owned and controlled statutory juridical corporation with a mandate from the Government to implement the Government's national land and housing policies, the Issuer does not seek to maximize profits but to maintain an overall level of profitability that would enable the Issuer to conduct its ongoing business and maintain its equity base while meeting its financial obligations and making the requisite capital expenditures.

By virtue of the pricing structure in line with the Government policy to aid young people, newlyweds, the elderly and low-income households, the Issuer usually does not generate any profit from its public housing management business. In 2018, 2019 and the first six months of 2020, the Issuer recorded losses of Won 1,346 billion, Won 1,787 billion and Won 756 billion with respect to its public housing management business. While such losses are usually offset through profit generated from its other businesses, the Issuer also relies on Government support in order to maintain its operations and financial viability. The Government provides support to the Issuer in the form of capital contributions (which are intended to cover 10% to 40% of the Issuer's construction costs for public housing management), low-cost, long-term funding from the National Housing and Urban Fund (the "NHUF"), a Government-controlled fund, favorable dividend treatment, subsidies for housing welfare projects, tax benefits and eligibility for guarantee of payment obligations, among others. In particular, under Article 11 of the LH Act, the Government is legally bound to compensate the Issuer for any losses incurred at the end of each financial year with respect to its (i) public housing, (ii) industrial development complex, (iii) public housing management, (iv) multifunctional administrative city and (v) urban development business segments. See "*Relationship with the Government – Government Support.*"

Given the paramount importance of affordable housing and efficient land use in national policy and the Issuer's central role in executing such policy, the Issuer believes that the Government's support will continue. However, the Government is not legally required to compensate the Issuer for losses from businesses outside the scope of Article 11 of the LH Act, and the Issuer's outstanding debt obligations are not backed by the full faith and credit of the Government. Furthermore, there can be no assurance that the level of Government support will be sufficient or such support will be provided on a timely basis and not decrease or cease in the future as a result of the inherent uncertainties in the national budgeting process, which is subject to National Assembly approval, any change in Government policy towards the Issuer, any fiscal or other economic difficulties faced by the Government or for any other reason.

The Issuer has substantial capital requirements, and the Issuer's reliance on long-term indebtedness to repay its existing debt and to fund its significant capital requirements may cause liquidity and financial problems.

Housing and land development projects generally require significant amounts of capital and take several years to be completed, and the Issuer generally generates the bulk of its revenues in advanced stages of project development when it can sell land or housing units. In addition, the Issuer's public housing management projects for low-income households and individuals and other Government-mandated initiatives (such as housing welfare projects) generally do not generate any profit, and the Issuer incurs significant losses for such projects. Therefore, to the extent that there is a high concentration of projects at initial stages and/or loss-making projects such as public housing

management or housing welfare projects in a given period, the Issuer has to rely, to a greater degree, on outside financing, rather than operating cash from sales of land and housing units, to meet its capital requirements.

Due in large part to the cost of acquiring more land and constructing more housing units pursuant to the Government's Roadmap policy, the Issuer's capital expenditures and financing requirements have increased since the Roadmap was announced in November 2017. The Issuer's capital expenditures, which consist of use of raw materials and supplies less capitalized borrowing costs, were Won 10,016 billion, Won 12,234 billion and Won 7,887 billion in 2018, 2019 and the first six months of 2020, respectively. In 2018, 2019 and the first six months of 2020, the Issuer raised Won 970 billion, Won 914 billion and Won 3,589 billion, respectively, through bond issues denominated in Won and foreign currencies. The Issuer also received Won 1,711 billion in 2018, Won 2,892 billion in 2019 and Won 2,138 billion in the first half of 2020 in long term financing from NHUF at below-market rates, which are required to be subordinated in status. As of June 30, 2020, the Issuer's debt-to-equity ratio was 133.9% as measured by the sum of bonds payable and borrowings before considering the effect of hedging transactions as a percentage of shareholders' equity (with debt comprised mainly of subordinated borrowings from NHUF of Won 35.8 trillion, bonds payable of Won 31.5 trillion, asset-backed securities of Won 0.8 trillion and commercial papers of Won 1.8 trillion).

The Issuer believes that substantial amounts of additional funds will be required to meet its expected capital requirements in the future in order to undertake the Government's housing and land development projects, such as the Roadmap 2.0 and third stage of New City projects. On a cash flow basis, the Issuer has budgeted Won 21,816 billion, Won 28,646 billion, Won 38,284 billion and Won 37,801 billion for its capital requirements for 2020, 2021, 2022, and 2023, respectively. The budgeted amounts for the Issuer's capital requirements may vary from the actual amounts for a variety of reasons, including changes in the construction plans of the Issuer's housing and land development projects and the timing of such construction, as well as operating cash from sales of land and housing units and capital contributions from the Government, among other factors.

If the Issuer is unable to obtain debt financing for its capital requirements or to refinance its existing debt in sufficient amounts at acceptable rates on a timely basis, or otherwise on commercially acceptable terms or at all, or if cash from operations and/or funds from the NHUF become insufficient to support the Issuer's need for working capital and other capital requirements, the Issuer may be unable to meet its funding requirements or debt repayment obligations, which would have a material adverse effect on the Issuer's business, financial condition and results of operations, as well as the Issuer's ability to pay interest on or principal of the Notes.

The Issuer is subject to various completion risks with respect to its development projects under construction, any of which could give rise to significant delays or additional costs.

The construction of large-scale projects, which takes several years to complete and requires a substantial amount of planning and coordination, is subject to various completion risks. For example, changes in Government policies or demographics, opposition from special interest groups or disputes over land acquisition may result in delays and the need to change project designs at significant expense. Unforeseen circumstances during the land development process, such as discovery of historical artifacts, or unforeseen geographical or environmental conditions or events, including natural disasters, may similarly result in significant delays and cost overruns. In particular, the Issuer does not have insurance coverage for natural disasters, which may cause damages and lead to significant losses and costs in relation to remediation and repair work that must be undertaken by the Issuer under such circumstances. If any delays are realized, the Issuer will be unable to realize revenue from the project until later than anticipated, which, together with any cost overruns, may cause liquidity problems for the Issuer and adversely affect its business, financial condition and results of operations.

The Issuer's land and housing development activities have in the past been, and may continue to be, subject to various lawsuits, as a result of, among other things, disputes relating to land acquisitions and urban planning. In some cases, these lawsuits involve mass tort or other class action type of litigation brought by special interest groups or communities that are affected by the Issuer's construction or other operational activities. There can be no assurance that currently pending or future lawsuits, if determined adversely to the Issuer, will not have a material adverse effect on the Issuer and its business.

The Issuer has significant exposure to the Korean property and land market.

The Issuer generates a substantial proportion of its profits from “*bunyang*” of housing units. The Issuer depends on these profits to offset losses from its public housing management and other loss incurring businesses. Although the Issuer has not experienced any material problems in preselling housing units and recovering its costs of construction, the Issuer's continued ability to sell housing units in the future as well as its ability to generate profit may be materially affected by many factors beyond its control, such as property market conditions in Korea, the supply of and demand for comparable properties, changes in demographics, the rate of economic growth in Korea and the Government's land and housing policies, among others. In particular, the volume and pricing of the Issuer's sales of land and housing units are susceptible to regional variances in Korean real estate markets. For example, the real estate market in the greater Seoul metropolitan area is generally more robust compared to that for other regions.

From time to time, the Government undertakes various measures to stabilize real estate prices in Korea, including the introduction of taxes and tightening of lending restrictions aimed at curbing speculative real estate investments. Under the current administration of President Moon Jae-in, the Government has renewed its focus on providing affordable housing to young people, newlyweds, the elderly and low-income households and has introduced a series of measures since 2017 to cool rising housing prices and curb speculative real estate investments. Such efforts to stabilize the real estate market may eventually lead to decline and sluggishness in property values in Korea, which may force the Issuer to sell housing units at a lower price in the future. Any such decline could adversely affect the Issuer's ability to generate profit from selling land and housing units.

The Issuer may not be successful in implementing new business strategies.

As part of the Issuer's overall business strategy, the Issuer has engaged in a two-track strategy of reducing its operational costs while increasing the return of its investments. For example, in recent years, the Issuer has partnered with the private sector on joint land development and housing construction projects to reduce the burden of development and construction costs on the Issuer, while selling unsold *bunyang* housing units to real estate investments trusts to ensure a return on such housing units.

The Issuer also plans to undertake new, or expand existing, projects to diversify its business portfolio and compensate losses it incurs from its public housing management business. For example, in December 2019, the Issuer announced it had elevated its overseas business portfolio, which had been under the Issuer's strategic business division, into a new global business division highlighting the growing importance of the Issuer's overseas business, which involves building residential and industrial complexes and “smart” cities in foreign countries in collaboration with the governments of such countries. See “*Business—“Other” Business Segment—Overseas Land Development Projects.*” Due to their inherent uncertainties, such new and expanded strategic initiatives expose the Issuer to a number of risks and challenges, including the following:

- unanticipated capital expenditures and additional compliance requirements;
- less growth or profit than we currently anticipate with no assurance that such business activities will become profitable;

- failure to identify and enter into alternative business areas in a timely fashion, putting the Issuer at a disadvantage vis-a-vis competitors; and
- failure to hire or retain personnel who are able to supervise and conduct the relevant business activities.

As part of the Issuer's business strategy, particularly in relation to overseas investments, renewable energy and transportation systems, the Issuer may also on a selective basis, seek, evaluate or engage in potential acquisitions, mergers, combinations or other similar opportunities, including with existing or future joint ventures and strategic alliances. The prospects of these initiatives are uncertain, and there can be no assurance that the Issuer will be able to successfully implement or grow new ventures, and these ventures may prove more difficult or costly than the Issuer presently expects. In addition, the Issuer regularly reviews the profitability and growth potential of its businesses. As a result of such review, the Issuer may decide to exit from or reduce the resources that it allocates to new business ventures in the future. There is a risk that these ventures may not achieve profitability or operational efficiencies to the extent that the Issuer presently expects, and the Issuer may fail to recover investments or expenditures it has already made. Any of the foregoing may have a material adverse effect on the Issuer's reputation, business, financial condition, results of operations and cash flows.

The Issuer's business may be adversely affected by legal claims and regulatory actions against it.

The Issuer is subject to the risk of legal claims and regulatory actions in the ordinary course of business, which may expose the Issuer to monetary damages and legal costs, injunctive relief, criminal and civil penalties, sanctions against its management and employees and regulatory restrictions on its operations, as well as reputational harm. As of June 30, 2020, the Issuer was a defendant in 788 legal proceedings for claimed damages of approximately Won 810 billion in the aggregate and has set aside legal reserves in the amount of Won 244 billion. The majority of these legal proceedings relate to property owners, whose property has been appropriated under eminent domain in land development projects, initiating legal proceedings against the Issuer for additional compensation. See "*Business – Legal Proceedings.*"

The Issuer is unable to predict the outcome of the legal claims and regulatory actions against itself and its employees, and the scope of such claims or actions or the total amount in dispute in such matters may increase. Furthermore, adverse final determinations, decisions or resolutions in such matters could encourage other parties to bring related claims and actions against the Issuer. Accordingly, the outcome of current and future legal claims and regulatory actions, particularly those for which it is difficult to assess the maximum potential exposure or the ultimate adverse impact with any degree of certainty, may materially and adversely impact the Issuer's business, reputation, results of operations and financial condition.

Misconduct by the Issuer's employees could adversely affect the Issuer's reputation, business, results of operations and financial condition.

The Issuer employs over 10,000 people, and its business operations are complex, involving many layers of bureaucracy and requiring close coordination with Government agencies and third parties, such as construction companies, contractors and suppliers. While the Issuer has instituted internal controls and procedures to prevent employee misconduct, the precautions the Issuer has taken to detect, prevent and deter such misconduct may not be sufficient or effective in all cases, and certain employees may engage in misconduct in their individual capacities. For example, between March 2018 and January 2019, four employees of the Issuer, who have since been fired, were found guilty of accepting bribes in exchange for awarding contracts for canteen facilities at construction sites and sentenced to prison. Separately, between January and February 2019, four employees of the Issuer, who have since been fired, were found guilty for accepting bribes in exchange for awarding contracts to lay pavement blocks and sentenced to prison.

Misconduct by the Issuer's employees could also include fraudulent or unauthorized transactions that exceed authorized limits or present unacceptable risks that bind the Issuer. Employee misconduct could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm. For example, in March 2019, two employees of the Issuer were arrested and currently under trial for allegedly leaking confidential land development plans for the third stage of New City projects to a land developer. Any instances of misconduct by the Issuer's employees could adversely affect the Issuer's reputation, business, results of operations and financial condition.

The Issuer plans to pursue international expansion opportunities that may subject it to different or greater risk from those associated with its domestic operations.

While the Issuer's operations have, to date, been primarily based in Korea, the Issuer plans to expand, on a selective basis, its overseas operations in the future as part of its growth strategy. In June 2018, the Issuer was one of the founding shareholders in the establishment of Korea Overseas Infrastructure & Urban Development Corporation ("KIND"), a statutory juridical corporation under the Overseas Construction Promotion Act, which was established by the Government to proactively support global public-private partnership businesses in transportation, urban development, energy, industrial plants, water resources and environment. KIND is wholly owned by the Government, and the Issuer is the second largest shareholder after the Government with a 13.43% equity interest. As part of its overseas strategy, the Issuer plans to pursue overseas advisory and investment opportunities directly or through KIND. In addition to advisory and investment opportunities through KIND, the Issuer has its own portfolio of overseas business, which largely consists of exporting its knowledge and know-how accumulated over the years to build residential and industrial complexes and "smart" cities in foreign countries in collaboration with the governments of such countries. See "*Business—"Other" Business Segment—Overseas Land Development Projects.*"

The Issuer is subject to political, legal and regulatory environments in these countries, some of which are known to be unstable, and differ in certain significant respects from those prevailing in developed countries. The Issuer's operations abroad require management attention and personnel resources. Overseas operations generally carry risks that are different from those the Issuer faces in its domestic operations. These risks include:

- changes in international and domestic political and economic conditions as well as social conditions;
- challenges caused by distance, language, local business customs and cultural differences;
- local labor relation issues which could lead to significant work stoppages and labor unrest;
- changes in laws, regulations or governmental policies, or in the interpretation or enforcement thereof, including those affecting taxes, labor, environmental compliance and foreign investments;
- difficulty and costs relating to compliance with the different commercial and legal requirements, including obtaining licenses, permits or other regulatory approvals from local authorities and in enforcing the Issuer's rights under contracts;
- risk of expropriation and exercise of sovereign immunity where the counterparty is a foreign government;
- fluctuations in foreign currency exchange rates;
- foreign exchange controls and cash repatriation restrictions;

- military hostilities or acts of terrorism; and
- natural disasters, including earthquakes, tsunamis and landslides, and pandemics or outbreaks of infectious diseases such as the outbreak of the coronavirus, also known as COVID-19, beginning in late 2019.

Any failure by the Issuer to recognize or respond to these differences may adversely affect the success of the Issuer's operations in those markets, which in turn could materially and adversely affect the Issuer's business and results of operations.

Risks Relating to Korea

Unfavorable financial and economic conditions in Korea and globally, including those induced by the COVID-19 pandemic, may have a material adverse impact on the Issuer's asset quality, liquidity and financial performance.

The Issuer is incorporated in Korea, where most of its assets are located and most of its income is generated, and serves as an execution arm of the Government to implement the Government's national land and housing policies. Accordingly, the Issuer is subject to political, economic, legal and regulatory risks specific to Korea, and its business, results of operations and financial condition are substantially dependent on developments relating to the Korean economy. The Korean economy is closely tied to developments in the global economy.

In March 2020, the World Health Organization declared the outbreak of the coronavirus, also known as COVID-19, a pandemic citing the surge in the number of confirmed cases of infections and deaths and countries affected by the virus within a short period of time, as well as the prospects of further global spread. As the virus continued its global spread, including in Korea, an increasing number of national, regional, state and municipal governments began declaring states of emergency and instituted a wide range of measures to stem the further spread of the virus, including lockdowns, borders closing, travel bans, quarantines, social distancing, delay of school terms, suspension of sporting and cultural events and public gatherings, closure of public facilities and private establishments and, in some cases, ceasing of all non-essential activities. Such emergency measures enacted by governments, as well as voluntary measures by private companies, have significantly disrupted global economic activity precipitating in significant volatility in the financial markets. Workers, particularly in the retail and consumer facing industries, have faced reduced wages, unpaid furloughs and layoffs. Global supply chains have been disrupted, and factories have faced shortages in raw materials and component parts. Consumers have significantly reduced discretionary spending. In its Global Economic Prospects published in June 2020, the World Bank warned that the global economy faced its worst recession since the Second World War and forecast the global economy would contract by 5.2% in 2020.

While the Issuer is still assessing the economic impact of the COVID-19 pandemic on its business and operations, any adverse impact of the COVID-19 pandemic on the Issuer has been mitigated by the relative stability of the Korean property and land markets, the Issuer's ability to continue its operations despite social distancing measures and the Government's emergency support of small- and medium-sized businesses, including businesses that the Issuer transacts with in its construction projects. However, any further or prolonged deterioration of the global or Korean economy could have a material adverse effect on the Issuer's asset quality, liquidity and financial performance.

Additional developments that could have an adverse impact on the Korean economy include:

- declines in consumer confidence and a slowdown in consumer spending in the Korean or global economy;

- adverse conditions in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of economic and trade tensions between the United States and China and uncertain implications of the United Kingdom's exit from the European Union;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- investigations of large Korean business groups and their senior management for possible misconduct;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- social and labor unrest;
- substantial decreases in the market prices of Korean real estate;
- the economic impact of any pending or future free trade agreements or changes in existing free trade agreements;
- a decrease in tax revenue and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;
- the occurrence of other severe health epidemics in Korea or other parts of the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- political uncertainty or increasing strife among or within political parties in Korea;

- hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or sudden increase in the price of oil; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on the Issuer and the market value of the Notes.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns over the years stemming from North Korea's nuclear weapons and ballistic missile programs as well as its hostile military actions against Korea. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty and has conducted several rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. In addition, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaesong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in December 2017, in response to North Korea's intercontinental ballistic missile test in November 2017. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. Since April 2018, North Korea has held a series of bilateral summit meetings with Korea and the United States to discuss peace and denuclearization of the Korean peninsula. However, North Korea has since resumed its missile testing, heightening tensions, and the outlook of such discussions remains uncertain.

Further tensions in North Korean relations could develop due to a leadership crisis, breakdown in high-level inter-Korea contacts or military hostilities. Alternatively, tensions may be resolved through reconciliatory efforts, which may include peace talks, alleviation of sanctions or reunification. There can be no assurance that future negotiations will result in a final agreement on North Korea's nuclear program, including critical details such as implementation and timing, or that the level of tensions between Korea and North Korea will not escalate. Any further increase in tensions could have a material adverse effect on the Korean economy and the Issuer's business, financial condition and results of operations, as well as a downgrade in the credit rating of Korea, the Issuer or the Notes.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances.

As the Issuer is a Korean company operating in a business and political environment that is different from that of other countries, there are risks associated with investing in securities that are not typical for investments in securities of companies in other jurisdictions.

Under the Foreign Exchange Transactions Act of Korea and the Presidential Decree and regulations under the Act and Decree (collectively referred to as the "Foreign Exchange Transactions Laws"), if the Government deems that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the

Minister of Economy and Finance for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange. Moreover, if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden changes in domestic or foreign economic circumstances or similar events or circumstances, the Minister of Economy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transactions Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit or sell any means of payment to the Bank of Korea or certain other Governmental agencies or financial institutions.

The Issuer is subject to Korean accounting, regulatory, corporate governance and disclosure standards, which may differ from those applicable to companies in other countries.

Companies in Korea, including the Issuer, are subject to Korean accounting standards and disclosure requirements, which differ in significant respects from those applicable to companies in certain other countries, including the United States. The Issuer's financial statements are prepared in accordance with Government Accounting Standards and K-IFRS, which may differ in certain respects from IFRS as issued by the IASB. In addition, the Issuer is subject to corporate governance standards applicable to Korean companies which differ in many respects from standards applicable in other countries. There may also be less publicly available information about Korean companies, particularly for not-publicly-held companies such as the Issuer, than is regularly made available by public or non-public companies in other countries. Such differences in accounting and corporate governance standards as well as less available public information could result in less than satisfactory corporate governance practices or disclosure to investors.

You may not be able to enforce a judgment of a foreign court against the Issuer.

The Issuer is a statutory juridical corporation organized under the laws of Korea. Substantially all of the Issuer's directors and officers and other persons named in the Offering Circular reside in Korea, and all or a significant portion of the assets of the Issuer's directors and officers and other persons named in the Offering Circular and substantially all of its assets are located in Korea. As a result, it may not be possible for investors to effect service of process within the United States, or to enforce against them or the Issuer in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

Risks Relating to the Notes

The Notes are not guaranteed by the Republic of Korea.

The Notes are not the obligations of, or guaranteed by, the Republic of Korea. Although the Government is legally bound to compensate the Issuer for any losses incurred at the end of each financial year with respect to its (i) public housing, (ii) industrial development complex, (iii) public housing management, (iv) multifunctional administrative city and (v) urban development business segments under Article 11 of the LH Act, the Government is under no obligation to compensate the Issuer for its other indebtedness or to maintain the solvency of the Issuer. Therefore, investors should not rely on the Government to fulfill the Issuer's obligations under the Notes in the event the Issuer is unable to do so.

The Notes are unsecured obligations.

Because the Notes, when issued, will be unsecured obligations, the Issuer's ability to pay interest or principal on the Notes may be adversely affected if the Issuer enters into bankruptcy, liquidation, reorganization or other similar proceedings, the Issuer defaults under its future secured indebtedness or

other unsecured indebtedness, or the Issuer's indebtedness becomes accelerated. If any of the foregoing events occurs, the Issuer's assets may not be sufficient to pay all the amounts due upon the occurrence of such event and holders of the Notes will be unsecured creditors of the Issuer.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. In addition, subject to the conditions set forth in the Agency Agreement (as defined in "*Terms and Conditions of the Notes*"), a Note may be transferred only if the principal amount of Notes transferred is at least US\$200,000. Under certain conditions and if so set forth in the applicable Pricing Supplement, a Note may be transferred only if the principal amount of Notes transferred is at least €100,000 or the equivalent in another foreign currency.

For a further discussion of the transfer restrictions applicable to the Notes, see "*Subscription and Sale and Transfer and Selling Restrictions.*"

Any future discontinuation of LIBOR and the application of a successor or alternative benchmark reference rate may adversely affect the value of and return on the Notes that are Floating Rate Notes.

In the case of the Notes that are Floating Rate Notes, the London Interbank Offered Rate ("LIBOR") may be the benchmark reference rate used to calculate the rate of interest applicable to such Notes ("LIBOR-based Floating Rate Notes") for each interest period. LIBOR for different periods and currencies is determined and announced on a daily basis by the ICE Benchmark Administration, the administrator of LIBOR, based on rate submissions provided by groups of panel banks for the relevant currencies. In July 2017, the U.K. Financial Conduct Authority, which has regulatory authority with respect to LIBOR, announced that it does not intend to continue to encourage, or use its power to compel, panel banks to provide rate submissions for the determination of LIBOR beyond the end of 2021. It is possible that panel banks will continue to provide rate submissions, and that the ICE Benchmark Administration will continue to determine and announce LIBOR, on the current basis after 2021, if they are willing and able to do so.

However, there is no guarantee that LIBOR will be determined and announced after 2021 on the current basis, or at all. Upon the occurrence of a Benchmark Transition Event (as defined in Condition 6(b)(vii) of the Terms and Conditions of the Notes) with respect to LIBOR, including a public statement or publication of information by or on behalf of the U.K. Financial Conduct Authority or the ICE Benchmark Administration announcing that the latter has ceased or will cease to provide LIBOR permanently or indefinitely, the Benchmark Replacement (as defined in Condition 6(b)(vii) of the Terms and Conditions of the Notes) as determined by the Issuer or its designee will replace LIBOR for all purposes relating to outstanding LIBOR-based Floating Rate Notes. Among other alternatives, the Secured Overnight Financing Rate ("SOFR"), which has been identified by the Alternative Reference Rates Committee convened by the Board of Governors of the U.S. Federal Reserve System and the Federal Reserve Bank of New York as the preferred alternative benchmark reference rate for LIBOR, together with any necessary spread adjustment, may be determined as the Benchmark Replacement to be used to calculate the rate of interest applicable to outstanding LIBOR-based Floating Rate Notes. Any such Benchmark Replacement determined by the Issuer or its designee will, in the absence of manifest error, be conclusive and binding on the applicable Noteholders. See Condition 6(b)(vii) of the Terms and Conditions of the Notes.

Accordingly, if a Benchmark Transition Event occurs with respect to LIBOR prior to the maturity of any LIBOR-based Floating Rate Notes, the method of calculation and rate of interest payable on such Notes will change. There is no guarantee that any Benchmark Replacement will be similar to, or behave in the same manner as, LIBOR, or that the rate of interest calculated based on any such Benchmark Replacement will not be lower than the rate of interest that would have applied to any LIBOR-based

Floating Rate Notes for any interest period if LIBOR had continued to be used as the benchmark reference rate. Uncertainty regarding the continued availability of LIBOR, as well as the rate of interest that would be applicable to LIBOR-based Floating Rate Notes if LIBOR is discontinued or ceases to be published, may negatively affect the trading market for and trading price of such Notes. In addition, the Issuer issues, trades, holds or otherwise uses various products and securities that reference LIBOR. If not sufficiently planned for, the discontinuation of LIBOR or any other interest rate benchmark could result in increased financial, operational, legal, reputational and/or compliance risks.

Currently, it is not possible to predict future developments with respect to LIBOR or their timing or impact. Any such developments, including as a result of international, national or other initiatives for reform or the adoption of successor or alternative benchmark reference rates in the international debt capital markets, could have a material adverse effect on the value of and return on LIBOR-based Floating Rate Notes.

Notes issued as Social Bonds, Green Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to social assets, green assets or sustainability assets.

The Issuer may issue Notes under the Program which are specified to be “Social Bonds,” “Green Bonds” or “Sustainability Bonds” in the applicable Pricing Supplement in accordance with the Issuer’s Social, Green and Sustainability Bond Framework, which was prepared in accordance with the four core components of the 2018 ICMA SGSB Principles. The Issuer received the Second Party Opinion in June 2018 regarding the alignment of the Issuer’s Social, Green and Sustainability Bond Framework with the 2018 ICMA SGSB Principles. See “*Social, Green and Sustainability Bond Framework.*”

There is currently no market consensus on what precise attributes are required for a particular project to be defined as “social,” “green” or “sustainable,” and therefore no assurance can be provided to potential investors that the Green Eligible Categories, Social Eligible Categories or a combination of the two categories (in the case of Sustainability Bonds) will continue to meet the relevant eligibility criteria. Although applicable social projects, green projects or sustainability projects are expected to be selected in accordance with the categories recognized by the ICMA SGSB Principles and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse social and/or environmental will not occur during the design, construction, commissioning and/or operation of any such social projects, green projects or sustainability projects. In addition, where any negative impacts are insufficiently mitigated, social projects, green projects or sustainability projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. The Second Party Opinion is not a recommendation to buy, sell or hold any Notes and is only current as of the date that the Second Party Opinion was initially issued, and may be updated, suspended or withdrawn at any time. Currently, the providers of second party opinions and certifications are not subject to any regulatory regime or oversight. In addition, although the Issuer has agreed to certain reporting and use of proceeds obligations in connection with certain criteria, the Issuer’s failure to comply with such obligations does not constitute a breach or an Event of Default under the Notes. A withdrawal of the Second Party Opinion or any failure by the Issuer to use the proceeds of the Notes on projects in Social Eligible Categories and/or Green Eligible Categories or to meet or continue to meet the investment requirements of certain environmentally-focused investors with respect to such Notes may have an adverse effect on the value of the Notes and/or may have adverse consequences for certain investors with portfolio mandates to invest in social assets, green assets or sustainability assets.

No assurance can be provided with respect to the suitability or reliability of the Second Party Opinion or that the Notes will fulfill the criteria to qualify as Social Bonds, Green Bonds or Sustainability Bonds. The Dealers have not undertaken, nor are responsible for, any assessment of the eligibility of projects in Social Eligible Categories and/or Green Eligible Categories, or the monitoring

of the use of proceeds from the offering of the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in the Offering Circular regarding the use of proceeds and its purchase of Notes should be based upon such investigation as it deems necessary.

There is no existing trading market for the Notes and, therefore the Notes offer limited liquidity.

The Notes, when issued, will constitute a new issue of securities for which there will be no existing trading market. Although the Dealers have advised the Issuer that they currently intend to make a market in the Notes, they are not obligated to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Issuer's results of operations and financial condition;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial and other sectors.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be: (a) applied by the Issuer for its general corporate purposes, (b) refinancing of existing indebtedness and/or (c) such other purposes as may be specified in the relevant Pricing Supplement.

If so specified in the relevant Pricing Supplement as Social Bonds, Green Bonds or Sustainability Bonds, the net proceeds will be allocated by the Issuer towards the financing or refinancing, in whole or in part, of projects in Social Eligible Categories, Green Eligible Categories or Sustainable Eligible Categories, respectively, in accordance with the Issuer's Social, Green and Sustainability Bond Framework. See "*Social, Green and Sustainability Bond Framework*."

SOCIAL, GREEN AND SUSTAINABILITY BOND FRAMEWORK

The Issuer's Social, Green and Sustainability Bond Framework ("Social, Green and Sustainability Bond Framework") has been prepared in accordance with the four core components of the Social Bond Principles, Green Bond Principles and Sustainability Bond Guidelines published by the International Capital Markets Association in June 2018 (the "2018 ICMA SGSB Principles"), which are (i) use of proceeds, (ii) process for project evaluation and selection, (iii) management of proceeds and (iv) reporting.

Use of Proceeds

The net proceeds from Notes that have been specified in the relevant Pricing Supplement as Social Bonds, Green Bonds or Sustainability Bonds will be allocated towards the financing or refinancing, in whole or in part, of projects in Social Eligible Categories, Green Eligible Categories or Sustainable Eligible Categories, respectively. The following is a description of, as well as examples of projects in, each of the eligible categories as set forth in the Social, Green and Sustainability Bond Framework.

Social Eligible Categories

Housing Welfare

- Provision of affordable housing under the Issuer's various housing programs, including public build-to-rent, public buy-to-rent and "jeonse" key deposit based rent programs.

Green Eligible Categories

Eco-Friendly Housing

- Construction of energy saving eco-friendly houses, which meet international (equivalent of minimum LEED Gold) and national standards (Building Energy Efficiency Certification level 1+ or higher, or G-SEED certificates level 2 or higher) (together, "International and National Standards").
- Energy efficiency projects of the Issuer's properties which meet International and National Standards, such as installation of LED lighting systems and street lamps and improving ventilation systems.
- Construction of bicycle lanes.
- Purchase and installation of renewable energy systems for housing units, such as solar panels.

Renewable Energy

- Renewable energy generation through solar and geothermal energy.
- Energy storage facilities.
- Energy recovery facilities, which reduce peak load during the summer season.

Waste Management

- Facilities, systems and equipment that are used for the collection, treatment, and recycling of waste.

Water Management

- Effective water circulation systems, which reduce leakage.

Sustainable Eligible Categories

Projects in Sustainable Eligible Categories consist of any combination of projects in Social Eligible Categories and Green Eligible Categories.

The description and examples of projects in each of the eligible categories are for illustrative purposes only and subject to change, and no assurance can be provided that allocation for projects with these specific characteristics will be made by the Issuer during the term of the Notes specified in the relevant Pricing Supplement as Social Bonds, Green Bonds or Sustainability Bonds. See *“Risk Factors–Risks Relating to the Notes–Notes issued as Social Bonds, Green Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to social assets, green assets or sustainability assets.”*

Process for Project Evaluation and Selection

The relevant business unit proposing the project assesses the social and environmental impact of the proposed project and screens it against the eligibility criteria of the relevant category set forth in the Social, Green and Sustainability Bond Framework before recommending the project to the Issuer’s Social, Green and Sustainability Bond Working Group (the “SGSB Working Group”). The SGSB Working Group, which consists of members from the Finance Planning, Funds Planning, Funds Support, Accounting and Administration Information departments of the Issuer, reviews the proposed project and determines its compliance with the Social, Green and Sustainability Bond Framework.

The SGSB Working Group reviews an approved project’s eligibility on an annual basis and determines if any changes are needed to maintain eligibility. The SGSB also reviews the eligibility criteria of the Social Eligible Categories, Green Eligible Categories and Sustainable Eligible Categories and may update them from time to time.

Management of Proceeds

The Issuer will hold the net proceeds from Social Bonds, Green Bonds and Sustainability Bonds in its general funding accounts until they are allocated towards eligible projects. Any balance of net proceeds from Social Bonds, Green Bonds and Sustainability Bonds not yet allocated may be temporarily managed in accordance with the Issuer’s normal and ordinary liquidity management policies and investment guidelines and may be invested domestically or internationally in short-term financial instruments, such as money market instruments or money market deposit accounts. Once proceeds have been allocated, the Issuer will monitor and track allocation by use of an allocation register which will contain information of the Notes and the project to which allocation has been made.

Reporting

The Issuer intends to prepare annual allocation and impact reports, which will be made publicly available on the Issuer’s website. The allocation report will contain information regarding the allocation of proceeds to eligible projects, such as a breakdown by project and geography, in accordance with the Social, Green and Sustainability Bond Framework and the balance of any unallocated amounts. The impact report, where feasible, will report on relevant qualitative and quantitative environmental and social performance indicators.

External Review

Sustainalytics, an external consultant, issued an opinion in June 2018 (“Second Party Opinion”) regarding the alignment of the Social, Green and Sustainability Bond Framework with the 2018 ICMA SGSB Principles. The Second Party Opinion is not a recommendation to buy, sell or hold any Notes and is only current as of the date that the Second Party Opinion was initially issued, and may be updated, suspended or withdrawn at any time. See *“Risk Factors–Risks Relating to the Notes– Notes issued as Social Bonds, Green Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to social assets, green assets or sustainability assets.”*

The description of the Social, Green and Sustainability Bond Framework and the Second Party Opinion in this section should be read as a summary of the full Social, Green and Sustainability Bond Framework and the Second Party Opinion publicly available on the Issuer's website: lh.or.kr/eng/index.do, which are not incorporated into, and do not form a part of, the Offering Circular.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning the Market Average Exchange Rate in Won per US\$1.00. No representation is made that the Won or the U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

<u>Year Ended December 31,</u>	<u>At End of Period</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
		<i>(Won per US\$1.00)</i>		
2015	1,172.0	1,131.5	1,203.1	1,068.1
2016	1,208.5	1,160.5	1,240.9	1,093.2
2017	1,071.4	1,130.8	1,208.5	1,071.4
2018	1,118.1	1,100.3	1,142.5	1,057.6
2019	1,157.8	1,165.7	1,218.9	1,111.6
2020 (through October 15)	1,145.7	1,198.9	1,280.1	1,145.7
April	1,225.2	1,225.2	1,237.6	1,212.3
May	1,239.4	1,228.7	1,242.0	1,217.7
June	1,200.7	1,210.0	1,237.6	1,192.8
July	1,191.4	1,198.9	1,206.4	1,191.4
August	1,185.1	1,186.7	1,193.7	1,182.3
September	1,173.5	1,178.8	1,190.2	1,160.6
October (through October 15)	1,145.7	1,156.9	1,169.5	1,145.7

Source: Seoul Money Brokerage Services, Ltd.

Note:

(1) Represents the average of the daily Market Average Exchange Rates over the relevant period.

CAPITALIZATION

The following table sets forth the Issuer's capitalization as derived from the Issuer's reviewed consolidated financial statements as of June 30, 2020 included in the Offering Circular and should be read in conjunction therewith, along with the notes related thereto.

	As of June 30, 2020
	<i>(in billions of Won)</i>
LONG-TERM DEBT:	
Long-term borrowings (excluding current portion)	₩35,998
Bonds (excluding current portion)	<u>25,408</u>
Total long-term debt	₩61,406
SHAREHOLDERS' EQUITY:	
Issued capital	₩35,138
Discount on stock issuance	(10)
Retained earnings	17,343
Other components of equity	(7)
Equity attributable to the shareholders of the parent	52,464
Non-controlling interests	<u>8</u>
Total equity	<u>52,471</u>
Total capitalization ^{(1) (2)}	<u><u>₩113,877</u></u>

Notes:

- (1) Total capitalization is defined as the sum of long-term debt and total equity.
- (2) As of September 30, 2020, the Issuer has issued Won 353 billion in issued capital and Won 1,535 billion in aggregate principal amount of bonds and incurred Won 345 billion in long-term borrowings since June 30, 2020. Other than the aforementioned, there has been no material change in the Issuer's capitalization since June 30, 2020.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The following tables present selected financial information and other data as of and for the years ended December 31, 2019 and 2018 and as of June 30, 2020 and for the six months ended June 30, 2020 and 2019. The selected financial information and other data below have been derived from and should be read together with the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2019 and 2018 and the Issuer's reviewed consolidated financial statements as of June 30 and for the six months ended June 30, 2020 and 2019 and the notes related thereto included elsewhere in the Offering Circular.

The Issuer's audited consolidated financial statements as of and for the years ended December 31, 2019 and 2018 and the Issuer's reviewed consolidated financial statements as of June 30, 2020 and for the six months ended June 30, 2020 and 2019, each included in the Offering Circular, have been prepared in accordance with Government Accounting Standards and K-IFRS. The Issuer's reviewed consolidated financial statements as of June 30, 2020 and for the six months ended June 30, 2020 should not be taken as an indication of the expected financial condition and results of operations of the Issuer as of and for the full year ended December 31, 2020.

Selected Statement of Comprehensive Income Data

	For the Year Ended December 31		For the Six Months Ended June 30	
	2018	2019	2019	2020
	<i>(in billions of Won, except per share data)</i>			
Sales	₩18,034	₩20,530	₩8,581	₩9,606
Cost of sales	(14,698)	(17,086)	(7,191)	(7,141)
Gross profit	3,336	3,443	1,389	2,465
Selling and administrative expenses	(722)	(661)	(397)	(457)
Operating profit	2,614	2,783	992	2,008
Other income	955	985	497	467
Other expenses	(345)	(455)	(154)	(260)
Others	(6)	(12)	(2)	(2)
Finance income	268	193	105	88
Finance costs	(692)	(712)	(349)	(336)
Share of income (loss) to associates and joint ventures	3	(17)	8	(21)
Profit before tax	2,796	2,765	1,097	1,943
Income tax expense	(719)	(520)	(198)	(509)
Profit for the period	2,077	2,245	899	1,434
Other comprehensive income (loss) for the period, net of tax	(71)	29	6	(8)
Total comprehensive income for the period, net of tax	₩2,006	₩2,274	₩904	₩1,426

Selected Statement of Financial Position Data

	As of December 31,		As of June 30,
	2018	2019	2020
	<i>(in billions of Won)</i>		
Assets:			
Cash and cash equivalents	₩2,128	₩1,748	₩3,295
Inventories	70,608	67,129	69,564
Other current assets ⁽¹⁾	8,273	6,653	7,710
Investment properties	89,326	96,692	99,393
Other non-current assets ⁽²⁾	2,997	4,293	4,363
Total assets	₩173,333	₩176,515	₩184,325
Liabilities and shareholders' equity:			
Current portion of financial liabilities	₩11,911	₩9,058	₩9,204
Other current liabilities ⁽³⁾	41,933	43,344	46,541
Non-current financial liabilities	57,875	57,281	61,433
Other non-current liabilities ⁽⁴⁾	16,350	16,997	14,675
Total liabilities	128,069	126,680	131,854
Total equity	45,264	49,835	52,471
Total liabilities and equity	₩173,333	₩176,515	₩184,325
Net working capital ⁽⁵⁾	27,165	23,129	24,823

Other Financial Data

	As of and for the Year Ended December 31		As of and for the Six Months Ended June 30	
	2018	2019	2019	2020
	<i>(in billions of Won, except percentages)</i>			
Capital expenditures ⁽⁶⁾	₩10,016	₩12,234	₩5,500	₩7,887
Depreciation and amortization	1,042	1,141	556	601
Cash flow from operating activities	10,622	9,111	4,773	752
Cash used in investing activities	(4,942)	(8,252)	(2,867)	(4,552)
Cash flow from (used in) financing activities	(6,201)	(1,228)	(984)	5,457
Margins (as percentages of revenue)				
Gross profit margin (%) ⁽⁷⁾	18.5%	16.8%	16.2%	25.7%
Operating profit margin (%) ⁽⁸⁾	14.5%	13.6%	11.6%	20.9%
Net profit margin (%) ⁽⁹⁾	11.5%	10.9%	10.5%	14.9%
Debt-to-equity ratio (%) ⁽¹⁰⁾	154.1%	132.3%	N/A	133.9%
Net debt-to-equity ratio (%) ⁽¹¹⁾	149.5%	128.8%	N/A	127.6%
Total liabilities-to-equity ratio (%) ⁽¹²⁾	282.9%	254.2%	N/A	251.3%

N/A means not available.

Notes:

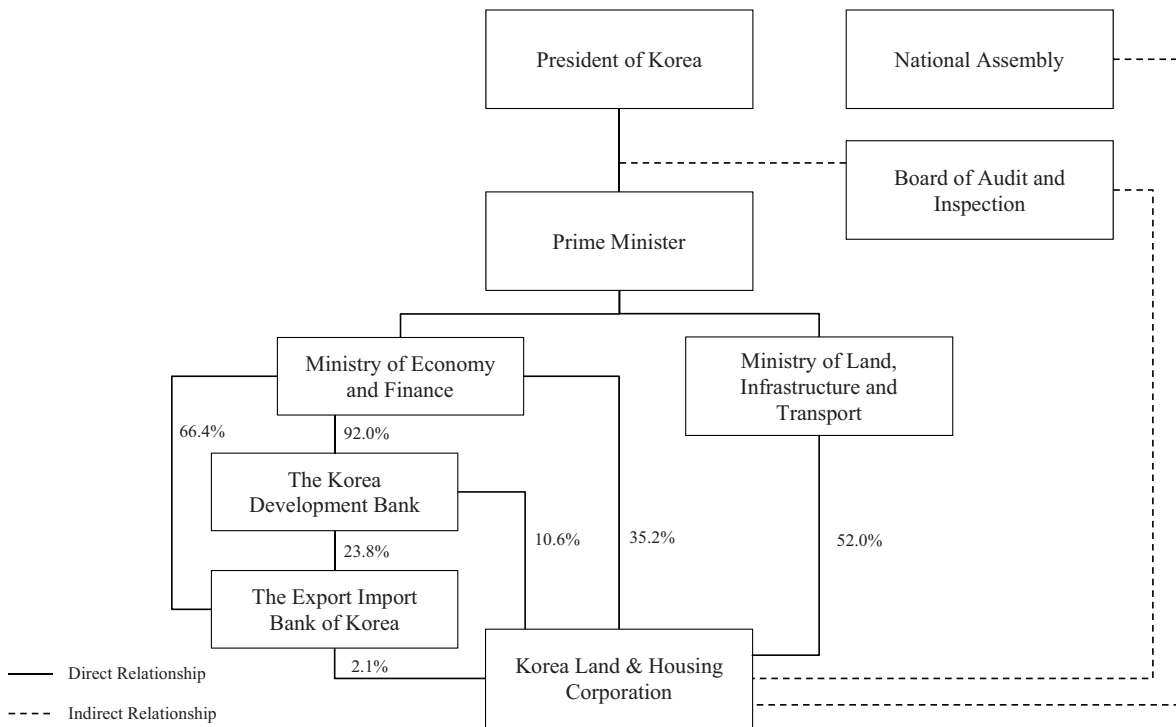
- (1) Other current assets consist of current financial assets, trade and other receivables, income tax assets, current non-financial assets, and assets classified as held-for-sale.
- (2) Other non-current assets consist of non-current financial assets, long-term trade and other receivables, property, plant and equipment, intangible assets excluding goodwill, investments in associates, deferred tax assets and non-current non-financial assets.
- (3) Other current liabilities consist of trade and other payables, income tax payable, current non-financial liabilities and current portion of provisions.
- (4) Other non-current liabilities consist of long-term trade and other payables, non-current non-financial liabilities, net employee defined benefit liabilities, deferred income tax liabilities and non-current provisions.
- (5) Net working capital means current assets minus current liabilities.
- (6) Capital expenditures consist of use of raw materials and supplies less capitalized borrowing costs.
- (7) Gross profit margin equals gross profit as a percentage of total revenue.
- (8) Operating profit margin equals operating profit as a percentage of total revenue.
- (9) Net profit margin equals profit for period as a percentage of total revenue.
- (10) Debt-to-equity ratio equals the sum of bonds payable (net of discount) and long-term borrowings (net of discount) (including the current portion) and short-term borrowings divided by total shareholders' equity, expressed as a percentage.
- (11) Net debt-to-equity ratio equals the sum of (i) (x) the sum of bonds payable (net of discount) and long-term borrowings (net of discount) (including the current portion) and short-term borrowings less (y) cash and cash equivalents, divided by (ii) total equity, expressed as a percentage.
- (12) Total liabilities-to-equity ratio equals total liabilities divided by total equity, expressed as a percentage.

RELATIONSHIP WITH THE GOVERNMENT

Government Ownership and Control

The Issuer was established by the Government as a statutory juridical corporation under the LH Act in 2009 following the merger of KNHC and KLC. The Issuer is the Government’s principal instrumentality in carrying out national land and housing policies. Under the LH Act, the Government is required to own, and currently owns, directly and indirectly 100% of the Issuer’s equity. The President of Korea appoints the Issuer’s president and auditor, the president of the Issuer appoints and removes the Issuer’s standing directors, and the Minister of Economy and Finance appoints and removes the Issuer’s non-standing directors. See “*Management.*” Accordingly, the Government exerts significant influence on the Issuer’s management and operations. The MOLIT and the MOEF are the primary supervisory regulators of the Issuer, and the Issuer works closely with the MOLIT and the MOEF in carrying out its statutory objectives and Government policies relating to land and housing.

Under Article 4 of the LH Act, the Issuer is fully capitalized by the Government and the Issuer’s authorized capital is Won 40 trillion. As of June 30, 2020, 87.2% of the Issuer’s shares were held directly by the Government and 10.6% and 2.1% of the Issuer’s shares were held by The Korea Development Bank and The Export-Import Bank of Korea, respectively, which are directly and indirectly owned by the Government. The chart below illustrates the ownership and supervisory structures of the Issuer as of June 30, 2020.



Under the LH Act, the Government maintains full control over the management, policies and operations of the Issuer. Under Article 23 of the LH Act, the MOLIT guides and supervises the overall operations of the Issuer. Based on the Act on the Management of Public Institutions, which governs all Government-controlled enterprises in which the Government owns 50% or more of the paid-in capital, the MOLIT is responsible for overseeing the establishment of the Issuer’s business objectives, monitoring its operational and financial performance, overseeing its budgeting and approving changes to its operating plans. The Issuer develops execution plans to implement the general policy objectives established by the MOLIT. In addition, based on the Act on the Management of Public Institutions, the MOEF is responsible for overseeing the changes to the Issuer’s operational objectives, actual results of operations, budgeting and operating plans, as well as evaluating the Issuer’s operating results and financial performance and matters related to its management.

In addition, the Board of Audit and Inspection (the “BAI”), an independent Government agency that audits all governmental agencies and Government-controlled entities, reviews the Issuer’s budget, audits its financial statements and conducts an annual business audit. Furthermore, the Issuer’s budget is reported to the MOEF and the MOLIT as well as the BAI. The actual performance of the Issuer is reported to the National Assembly of Korea, the MOEF and the MOLIT. In addition, the Issuer is subject to inspections and investigations by the National Assembly according to the Act on the Inspection and Investigation of State Administration. Furthermore, the Government’s direct financial support of the Issuer is subject to prior authorization by the National Assembly of Korea as part of the national budget approval process.

Various laws grant the Issuer exclusive rights and powers to purchase and develop land, including expropriation of land for property projects. The Issuer also acts as agent of the Government for processing payments for land acquired by the Government. In addition, the Issuer acts as compensation agent in cases of land expropriation for the Government and local authorities in connection with public projects.

Government Support

The Government provides support to the Issuer in various ways, including the following:

- *Capital contributions.* Under Article 4 of the LH Act, the Issuer’s authorized capitalization is Won 40 trillion, all of which is to be contributed by the Government. Since its inception in 2009, the Issuer has received capital contributions (including the initial paid-in-capital) from the Government in the aggregate amount of Won 35.1 trillion as of June 30, 2020. Since June 30, 2020, the Government has made additional capital contributions of Won 353 billion. Such capital contributions are primarily designed to cover 30% of the costs incurred by the Issuer in connection with the Issuer’s public housing management business for young people, newlyweds, the elderly and low-income households for which pricing is deliberately set at a low level.
- *Low-cost funding through the NHUF.* The Issuer is entitled to source long-term funding at below-market interest rates from the NHUF, which is supervised by the Government. In 2018 and 2019 and the first six months of 2020, the Issuer borrowed in aggregate Won 1.7 trillion, Won 2.9 trillion and Won 2.1 trillion, respectively, from the NHUF. The term of loans from the NHUF can be up to 45 years, and the Issuer may make only interest payments for the first 30 years on such loans, with the principal amortized over the remaining 15 years. The interest rates payable on the NHUF loans are generally below-market rates and are determined in accordance with the National Finance Act. In addition, under Article 9 of the LH Act, the Issuer’s borrowings from NHUF are mandatorily treated as subordinated debt, which has the effect of further reducing the cost of borrowing for the Issuer’s senior debt to third parties. From time to time, the NHUF also purchases bonds issued by the Issuer, which helps to ensure a certain level of liquidity for the Issuer’s bonds.
- *Loss compensation for eligible projects.* Under Article 11 of the LH Act and the Presidential Decree thereunder, the Issuer is entitled to receive compensation from the Government for losses incurred by the Issuer in connection with certain eligible public projects (with the Issuer’s public housing management business representing the main source of loss) as designated by the Presidential Decree in the event that the Issuer fails to maintain an overall level of profitability for a given year. Currently, these eligible projects relate to the following five of the Issuer’s seven operating segments: (i) public housing, (ii) industrial development complex, (iii) public housing management, (iv) multifunctional administrative city and (v) urban development business segments. The Issuer is required to segregate these operating segments for accounting purposes. Since the Issuer has remained profitable since its inception

in 2009, the Issuer has not yet applied for loss compensation for these projects yet. The Issuer is the only non-financial Government-controlled enterprise in Korea that is statutorily entitled to receive loss compensation from the Government.

- *Favorable dividend policy.* The Government is entitled to collect dividends from Government-controlled enterprises in which it has an equity interest. However, the Government has applied reduced dividend payout ratios of 18.8% and 20.2% for the Issuer in respect of fiscal years 2018 and 2019, respectively, compared to the general dividend payout ratios for other Government-controlled enterprises, which averaged approximately 32.5% and 32.6% for the fiscal years 2018 and 2019, respectively.
- *Favorable statutory construction costs.* Under the Housing Site Development Promotion Act and the Industry Sites and Development Act, the sales prices for most of residential sites and industrial complexes sold by the Issuer are determined based on the “construction costs,” as defined under such Acts. This construction cost system is designed to support an appropriate level of profitability and financial stability of the Issuer. The statutory construction costs are generally set at a level higher than those calculated in accordance with K-IFRS, as the statutory construction costs include, among other items, cost of capital and interest expenses.
- *Subsidies for housing welfare projects.* In furtherance of the Government’s policy to assist young people, newlyweds, the elderly and low-income households in relation to housing-related costs, the Issuer operates a number of housing welfare projects for such households, which mainly consist of the Issuer purchasing or leasing multi-unit or single-unit residential properties in the market and renting them out on a long-term basis to young people, newlyweds, the elderly and low-income households meeting specified eligibility requirements at low rent rates, and sometimes assisting them to purchase such rental units. By virtue of the pricing structure in light of the public policy objectives for such projects, these projects do not generate any profit for the Issuer. Therefore, in order to partly compensate for the Issuer’s such losses, the Government generally provides subordinated long-term funding through the NHUF at below-market rates and even limited cash subsidies for some of such projects.
- *Tax benefits.* The Issuer receives certain tax exemptions or reductions in relation to acquisition taxes and property taxes under the Restriction of Special Local Taxation Act.
- *Guarantee of payment obligations.* The LH Act provides that the Government may guarantee repayment of principal of, and interest on, bonds issued by the Issuer. However, the Government has not provided such guarantees directly to date.
- *Other financial support.* Under relevant Government guidelines, a 0% risk weighting applies to debt issued by the Issuer for the purposes of calculating Bank for International Settlements ratios of Korean financial institutions, which provides an incentive to Korean financial institutions to purchase bonds issued by the Issuer for purposes of enhancing their capital adequacy.
- *Other support.* The Government carries out construction of certain infrastructure necessary for land development with budget unrelated to that of the Issuer, such as road construction and waste disposal facilities. Such construction carried out directly by the Government has the effect of reducing the Issuer’s capital expenditure by an amount that the Issuer would have incurred for the cost of such construction.
- *Expropriation.* Under the Housing Site Development Promotion Act and the Act on the Acquisition of and Compensation for Land, etc. for Public Works Projects (“Acquisition of Land Act”), the Issuer has the power to expropriate private land when necessary for public works, including housing construction and housing site development projects. The amount of consideration that the Issuer is required to pay in the event of such expropriation is

determined by an agreement between the developer and the owner of land or, if such agreement is not practicable, by the decision of the land expropriation committee, whose members consist of representatives of the Government, lawyers and professors. In addition, the Government and local governments may also provide certain tracts of land to the Issuer free of charge, which would substantially reduce land acquisition costs for the Issuer.

Major Government Policy Related to Land Development and Housing Supply

Since the Issuer acts as the principal instrumentality of the Government in carrying out national land and housing policies, the nature and direction of the Government's plans and policies in these areas have a profound effect on the Issuer's business and strategy. The following describes the Government's master plans and principal policy initiatives relating to national land development and housing supply.

Comprehensive National Territorial Plans

Since the 1970s, in order to make efficient use of the nation's land resources, the MOLIT has devised and implemented its master plan for the development of national territory, called the Comprehensive National Territorial Plan ("CNTP"). The first CNTP, which covered the period from 1972 to 1981, aimed to stimulate rapid economic growth by creating the infrastructure necessary to support key growth points around the Seoul metropolitan area and its southeastern coastal industrial belt. The second CNTP, which covered the period from 1982 to 1991, aimed to develop and encourage population dispersal into provincial areas and to improve the quality of the living environment by curbing population influx into the Seoul metropolitan area. The third CNTP, which covered the period from 1992 to 2001, aimed to improve public welfare and conserve natural environment through regional development, including nurturing industrial centers along the west coast and in provincial cities. The fourth CNTP, which covered the period from 2000 to 2020, aimed for the balanced and environmentally friendly development of national land to promote the quality of life.

In December 2019, MOLIT announced the fifth CNTP, which covers the period from 2020 to 2040 and has the following three principal objectives: (i) balanced development of national land to promote quality of life; (ii) "smart" development of national land to ensure safety and sustainability; and (iii) innovative development of national land into a healthy, vibrant territories. To achieve these objectives, the fifth CNTP laid out six basic steps. First, the fifth CNTP aims to promote interregional cooperation and develop regionally-specialized industries by improving support infrastructure, such as transportation, and providing for balanced development strategies unique to each region. Second, the fifth CNTP provides for innovation and vitalization of local culture and tourism, such as the creation of cooperative cultural complexes to highlight unique local historical and cultural assets. Third, the fifth CNTP strives to create a safe living space for all generations by implementing a flexible urban development system that can respond to the recent population decline and other demographical changes, providing a residential welfare system better tailored to public demands, and building a full-cycle, intelligence-based disaster prevention and response system integrated across regions. Fourth, the fifth CNTP emphasizes the creation of elegant and environment-friendly spaces through setting greenhouse gas reduction targets, employing a national environment management network and remodeling key transportation infrastructure, among others. Fifth, the fifth CNTP calls for measures to address inefficiencies in transportation infrastructure and congestion issues in metropolitan areas, as well as intelligence-based operations for creation of smart cities. Lastly, the fifth CNTP encourages economic cooperation and restoration of peace with North Korea, as well as economic exchange globally through the establishment of an economic hub for Eurasia and construction of an inter-continent transportation network.

Comprehensive Housing Plan

In December 2013, MOLIT released the second long-term comprehensive housing plan, which was amended in June 2018 (the "**Second Comprehensive Housing Plan**"). Under the Second Comprehensive Housing Plan, the Government set forth the objective of "creating a better residential

environment where no one has to worry about housing” and established the following three goals: (i) reduce the cost of housing and secure the right to housing, (ii) create a housing market centered on actual residents of housing units and (iii) create a pleasant and safe residential environment.

In furtherance of these goals, the Government announced the following policy directives: (i) provide customized support to residents at each life stage and thereby create an integrated “housing ladder” envisioned by the Roadmap, (ii) strengthen the public interest in housing policy and eliminate blind spots in housing welfare services by increasing collaboration among the national and local governments and the private sector, (iii) strengthen the transparency and stability of the rental housing market by incentivizing property owners of rental units to register their rental units with the Government and submit to certain restrictions on minimum lease terms and increase in lease rates, (iv) manage the housing market centered on the needs of actual residents and (v) prepare for the future by strengthening management of residential environments and housing units.

Housing Welfare Roadmap

In November 2017, the MOLIT and the MOEF jointly announced a new initiative called the Housing Welfare Roadmap (the “Roadmap”), to reform the country’s existing housing policy in line with President Moon Jae-in administration’s policy goals of curbing speculative real estate investments and providing affordable housing to young people, newlyweds, the elderly and low-income households in order to tackle broader social problems, such as shortage of jobs for young people, low birth rates, population aging and the widening wealth gap. Focusing on the needs of such groups, the Roadmap envisions building a “housing ladder” to facilitate the transition of would-be homeowners from employment to marriage and childbirth and from low-income to middle-income standards of living.

To fulfill this vision, the Government announced its goal to supply approximately one million public housing units by 2022 and provide housing welfare solutions based on the current life stage and income level of the target groups. Specifically, for young people, the Government plans to supply 300,000 customized housing units including share houses and live-work spaces, offer housing subscription savings accounts with high interest rates and ease restrictions on deposit loans. For newlyweds, the Government aims to supply 200,000 public rental housing units with expanded child care services, provide 70,000 housing units for sale by way of *bunyang* and introduce specialized loan programs with low interest rates. For the elderly, the Government intends to supply approximately 50,000 public rental housing units, including those with barrier-free construction and elderly welfare services, and increase funding for housing renovation. For the low-income group, the Government expects to supply approximately 410,000 public rental housing units, raise housing benefits and extend the recipients of such benefits, as well as provide emergency housing in collaboration with non-governmental organizations. Of the approximately one million units to be supplied by 2022, the Issuer is expected to supply 75% of the units. The Roadmap was amended in July 2018 and October 2019 to expand the number of units for newlyweds and children.

In March 2020, the Government announced an update to the Roadmap (the “Roadmap 2.0”), which focuses on creating a residential safety net that improves housing supply and addresses changes to population trends. The Roadmap 2.0 increases the public housing supply goal from one million units by 2022 to an additional 630,000 units by 2025 and intends to make 2.4 million long-term public rental housing units available by 2025. The Government also plans to expand support to target groups. For young people, the Government intends to supply 350,000 customized housing units by 2025, increase the applicant age limit for youth low interest rate loan programs from 25 to 34 and provide additional housing expense support for low-income youth. For newlyweds, the Government seeks to supply 550,000 rental housing units, expand coverage for households with children age 6 or below and complete tenant recruitment for 100,000 *bunyang* housing units by 2025. The Government further plans to expand public housing units to 80,000 for the elderly and 640,000 for low-income individuals by 2025. Other improvements include instituting residential development programs for 40,000 old housing units and enhancing the design and quality of houses.

BUSINESS

Introduction

The Issuer was established on October 1, 2009 following a merger between KNHC and KLC for the purposes of procurement, development, stockpiling and supply of land, the development and maintenance of cities and the construction, supply and maintenance of housing, with the intention of enhancing housing quality for Korean citizens and promoting efficient land use. The Issuer is a statutory juridical entity of unlimited duration established under the LH Act and is the principal instrumentality of the Government for execution of its housing and land related policies. As a Government-controlled entity charged with carrying out public policy objectives, the Issuer does not seek to maximize profits but to maintain an overall level of profitability that would enable the Issuer to conduct its ongoing businesses and maintain its equity base while meeting its financial obligations and making requisite capital expenditures.

The Issuer is primarily engaged in land, housing and urban development projects, as well as ancillary activities related to the foregoing, including those mandated by the Government to promote the welfare of young people, newlyweds, the elderly and low-income households and balanced development of national territory. The Issuer divides its operations into the following business segments for accounting purposes: (i) public housing, which involves development, construction, and sale of housing units to young people, newlyweds, the elderly and low-income households; (ii) industrial development complex, which involves development, construction, sale and lease of industrial complexes; (iii) public housing management, which involves leasing of rental housing units, which have been constructed, purchased or leased, to young people, newlyweds, the elderly and low-income households; (iv) multifunctional administrative city, which involves the development of Sejong Special Self-Governing City, the multifunctional administrative capital of Korea, and development, construction, sale and leasing of related residential and commercial units; (v) urban development projects, which involve development of Innovation Cities to which select government agencies and headquarters of certain Government-controlled enterprises have been relocated; (vi) land bank, which involves procurement of land for public projects and market-making activities designed to facilitate balanced supply of and demand for land in Korea; and (vii) "others," which represents the largest business segment in terms of revenue and mainly consists of development of large-scale residential and commercial clusters known as "New Cities," development of residential land sites and development of Free Economic Zones designed to attract foreign capital and investment, among other projects. Segregated accounting is statutorily required for the five business segments described in (i) through (v).

Korea is a densely populated industrialized country, and per capita land available for urban development in Korea is limited. While the Seoul metropolitan area accounts for approximately half of the total population of Korea based on a Government population census conducted by the Statistics Korea in 2019, this area represents approximately only 12% of the total land available in Korea. The Government views balanced development and supply of housing to be critical to the promotion of public welfare and to the continued economic growth and development of Korea. The Issuer's businesses are intended to achieve the Government's policy objectives of increasing the stable supply of affordable housing throughout the nation, and in particular, in the Seoul metropolitan area, as well as balanced territorial development of national land and urban centers.

The Issuer's land development projects are usually large-scale projects involving local municipalities and other governmental agencies or private companies. As of December 31, 2019, the Issuer had 16 large-scale residential land projects under development totaling 20 square kilometers, which are projected to provide 122,000 residential housing units. Since the establishment of KNHC in 1962 to 2019, the Issuer has built approximately 2.84 million public housing units, including large-scale residential areas in Gwacheon and Pangyo in Gyeonggi-do, Banpo and Jamsil in Seoul and Sejong city, for sale or lease primarily to young people, newlyweds, the elderly and low-income households to serve its public policy objectives.

The Issuer is the largest Government-controlled enterprise in Korea in terms of total assets and revenue as of and for the six months ended June 30, 2020. Since the Issuer does not seek to maximize profit but to serve public policy objectives, the Issuer is entitled to and receives various financial and other subsidies from the Government, including capital contributions, low-cost public funding, loss compensation for certain eligible projects (with the Issuer's public housing management representing the main source of loss), favorable dividend policy, favorable construction cost assessment, direct subsidies, tax benefits and eligibility for Government guarantees for financial obligations, among others. See “*Relationship with the Government–Government Support.*”

In 2018 and 2019, the Issuer generated sales of Won 18,034 billion and Won 20,530 billion, respectively, and operating profit of Won 2,614 billion and Won 2,783 billion, respectively. In the first halves of 2019 and 2020, the Issuer generated sales of Won 8,581 billion and Won 9,606 billion, respectively, and operating profit of Won 992 billion and Won 2,008 billion, respectively. As of December 31, 2019 and June 30, 2020, the Issuer had total assets of Won 176,515 billion and Won 184,325 billion, respectively, and total equity of Won 49,835 billion and Won 52,471 billion, respectively.

History

The Issuer was established on October 1, 2009 as a result of a merger between KNHC and KLC.

KNHC was established by the Government in 1962 as a statutory juridical entity responsible for implementing the Government's public housing policies. KNHC's primary business consisted of constructing housing units for sale or rent.

KLC was established by the Government in 1975 as a “Land Bank” charged with comprehensive development and management of public land. KLC's primary business consisted of residential site and industrial complex developments, including large-scale residential site development projects to increase the supply of land sites for the development of affordable housing.

Both KNHC and KLC were wholly owned by the Government. The Government merged these two Government corporations in 2009 to eliminate duplication of functions and to enhance managerial efficiency with the aim of contributing to the national economic development of Korea.

Business Overview

The Issuer is primarily engaged in land, housing and urban development projects, as well as ancillary activities related to the foregoing, including those mandated by the Government to promote the welfare of young people, newlyweds, the elderly and low-income households and balanced development of national territory. The Issuer divides its operations into the following seven business segments for accounting purposes:

- *Public housing.* This segment involves sales by way of *bunyang* of affordable public housing units, which have been constructed by the Issuer or constructed or purchased by the private sector with funds from NHUF or the national or local governments, to young people, newlyweds, the elderly and low-income households. *Bunyang* is a process which involves preselling a housing unit at the initial stage of construction and using the proceeds from such presale to fund the construction of the housing unit and related amenities. In general, the Issuer's *bunyang* sales consist of apartments either developed as a few stand-alone apartment buildings or as part of a large-scale housing development complex.
- *Industrial development complex.* This segment involves sales and, to a lesser extent, leasing of units in industrial complexes developed pursuant to the Industrial Sites and Development Act or the Act on Special Cases Concerning the Simplification of Authorization and Permission Procedures for Industrial Complexes.

- *Public housing management.* Issuer develops, constructs and manages rental housing units to carry out the Government’s public policy mandate of providing young people, newlyweds, the elderly and low-income households with affordable housing. The Issuer secures the stock of rental housing units, through purchasing in the market as well as building new units, to meet the demand for rental housing. The Issuer has been supplying diverse types of rental housing, including in terms of lease period, which can be up to 5, 10 or 50 years.
- *Multifunctional administrative city.* This segment involves sales and, to a lesser extent, leasing of residential and commercial units in Sejong Special Self-Governing City, the multifunctional administrative capital of Korea developed in accordance with the Special Act on the Construction of Multifunctional Administrative City in Yeongi-Gongju Area for Follow-up Measures for New Administrative Capital.
- *Urban development.* This segment involves sales and, to a lesser extent, leasing of residential and commercial units in various Innovation Cities that have been designated to accommodate select government agencies and headquarters of certain Government-controlled enterprises that have been relocated from the Seoul metropolitan area in accordance with the Special Act on the Creation and Development of Innovative City.
- *Land bank.* This segment involves (i) sale of land procured in advance in connection with contemplated public projects and (ii) sale of land acquired in advance for the purpose of stabilizing the real estate market in Korea by facilitating balanced supply of and demand for land. The supply mechanism, pricing, nature of the purchaser and use of the public land are determined by law for the purpose of serving public policy, and are different from those applied to other land-related businesses engaged by the Issuer.
- *Others.* This segment, which is the largest business segment in terms of revenue, involves all other businesses engaged by the Issuer other than the six above-described business segments. Such other businesses consist of (i) development of large-scale residential and commercial clusters known as “New Cities,” (ii) residential land site development, (iii) development of Free Economic Zones, (iv) urban renewal projects, (v) overseas land development projects, (vi) the Kaesong Industrial Complex development, (vii) relocation of the U.S. military base from Yongsan, and (viii) other ancillary businesses.

Segregated accounting is statutorily required for the Issuer’s following business segments: (i) public housing, (ii) industrial development complex, (iii) public housing management, (iv) multifunctional administrative city and (v) urban development.

The following tables have been derived from the Issuer’s financial statements and provide a breakdown of the Issuer’s results of operation by business segments for the periods indicated. See Note 5 of each of the notes to the audited financial statements of the Issuer as of and for the years ended December 31, 2019 and 2018 and the reviewed financial statements of the Issuer as of June 30, 2020 and for the six months ended June 30, 2019 and 2020, included in the Offering Circular.

For the Six Months Ended June 30, 2020								
	Public housing	Industrial development complex	Public housing management business	Multifunctional administrative city	Urban development	Land bank	Others	Total
	<i>(in billions of Korean Won)</i>							
Revenue	₩3,545	₩159	₩691	₩181	₩49	₩16	₩4,967	₩9,606
Cost of sales	(2,688)	(116)	(1,313)	(102)	(41)	(15)	(2,865)	(7,141)
Gross profit (loss)	856	43	(623)	79	8	0	2,102	2,465
Selling and administrative expenses	(223)	(8)	(90)	(8)	(0)	(1)	(127)	(457)
Operating profit (loss)	634	35	(713)	71	8	(1)	1,975	2,008
Total comprehensive income (loss) for the year	₩631	₩13	₩(756)	₩28	₩10	₩(2)	₩1,502	₩1,426

For the Six Months Ended June 30, 2019

	Public housing	Industrial development complex	Public housing management business	Multifunctional administrative city	Urban development	Land bank	Others	Total
	<i>(in billions of Korean Won)</i>							
Revenue	₩3,248	₩184	₩675	₩154	₩70	₩13	₩4,236	₩8,581
Cost of sales	(2,521)	(152)	(1,194)	(407)	(41)	(13)	(2,864)	(7,191)
Gross profit (loss)	727	32	(519)	(253)	29	1	1,372	1,389
Selling and administrative expenses	(177)	(14)	(99)	(7)	(0)	(1)	(99)	(397)
Operating profit (loss)	550	17	(618)	(260)	29	0	1,273	992
Total comprehensive income (loss) for the year	₩718	₩(3)	₩(786)	₩(259)	₩28	₩(2)	₩1,206	₩904

For the Year Ended December 31, 2019

	Public housing	Industrial development complex	Public housing management business	Multifunctional administrative city	Urban development	Land bank	Others	Total
	<i>(in billions of Korean Won)</i>							
Revenue	₩7,477	₩464	₩1,367	₩318	₩230	₩139	₩10,535	₩20,530
Cost of sales	(5,795)	(388)	(2,655)	(614)	(170)	(129)	(7,335)	(17,086)
Gross profit (loss)	1,682	76	(1,288)	(296)	60	9	3,199	3,443
Selling and administrative expenses	(291)	(16)	(201)	(13)	(0)	(1)	(139)	(661)
Operating profit (loss)	1,392	60	(1,489)	(309)	60	8	3,061	2,783
Total comprehensive income (loss) for the year	₩1,615	₩14	₩(1,787)	₩(325)	₩59	₩5	₩2,693	₩2,274

For the Year Ended December 31, 2018

	Public housing	Industrial development complex	Public housing management business	Multifunctional administrative city	Urban development	Land bank	Others	Total
	<i>(in billions of Korean Won)</i>							
Revenue	₩6,824	₩735	₩1,304	₩655	₩262	₩249	₩8,005	₩18,034
Cost of sales	(5,523)	(444)	(2,289)	(342)	(185)	(233)	(5,683)	(14,698)
Gross profit (loss)	1,301	291	(985)	313	77	16	2,322	3,336
Selling and administrative expenses	(276)	(29)	(179)	(15)	(1)	(6)	(216)	(722)
Operating profit (loss)	1,025	262	(1,164)	298	76	10	2,107	2,614
Total comprehensive income (loss) for the year	₩995	₩165	₩(1,346)	₩190	₩67	₩3	₩1,932	₩2,006

The following table provides an overview of the number of housing units supplied by the Issuer for the periods indicated.

	Year ended December 31,	
	2018	2019
	<i>(units)</i>	
Public Housing units	12,282	31,442
Public Rental Housing units	50,598	40,045
Total	<u>62,880</u>	<u>71,487</u>

The following table provides an overview of the Issuer's ongoing residential construction projects as of January 31, 2020.

Region	Districts	Sites	Housing Units
Seoul	14	23	14,057
Incheon	26	39	29,954
Gyeonggi	24	37	33,103
Busan-Ulsan	7	7	2,140
Gangwon	5	8	2,721
Chungbuk	8	13	11,424
Daejeon-Chungnam	12	15	7,843
Jeonbuk	6	6	4,044
Gwangju-Jeonnam	10	11	3,976
Daegu-Gyeongbuk	11	13	5,468
Gyeongnam	9	11	6,151
Jeju	3	4	636
Sejong	1	3	2,638
Total	<u>136</u>	<u>190</u>	<u>124,155</u>

The following table provides an overview of the Issuer's key statistics for land-related projects for the periods indicated.

	Year ended December 31,	
	2018	2019
	<i>(thousand square meters and billions of Won)</i>	
Acquired land⁽¹⁾		
Area	5,093	6,320
Project costs	₩2,534	₩3,310
Land under development⁽²⁾		
Area	18,660	21,889
Project costs	₩4,039	₩9,473
Supplied land⁽³⁾		
Area	9,534	9,473
Project costs	₩17,844	₩13,967

Notes:

- (1) Based on the areas and the dates of acquisition contracts.
- (2) Based on the amount of budget executed (or a cash payment basis) as a percentage of the total budget.
- (3) Based on the areas and the dates of supply contracts.

Generally, the Issuer conducts its business in order to execute its public policy mandate, and as such, it is not driven by profit. In particular, the Issuer does not generate profit on its public housing management business by virtue of the pricing structure for these projects as determined by the Government in line with its national housing policies. However, to execute public policy objectives more efficiently and effectively, the Issuer derives significant profit from the sale of housing units and land. Therefore, while it serves primarily as a governmental instrumentality, the Issuer also enjoys the benefits of engaging in competitive activities with the private sector, through which it imposes on itself a fiscally disciplined approach to conducting business as well as a firm focus on customer satisfaction.

Business Segments

Public Housing

To implement the Government's policy relating to the provision of housing for young people, newlyweds, the elderly and low-income households, the Issuer's public housing business involves sales by way of *bunyang* of affordable housing units that have been constructed by the Issuer or constructed or purchased by the private sector using funds from NHUF or the national or local governments to such households.

Public housing units are 85 square meters or less in size and sold by way of *bunyang* typically below the prevailing market price of the area. Public housing is targeted for young people, newlyweds, the elderly and low-income households who qualify under certain asset/income eligibility tests. The Government has allocated 30% of public housing units to newlyweds, 20% to first time homeowners, 10% to households with three or more children, 5% to caretaker household of an elderly parent, 15% to households designated by the Government and the remaining to 20% to local residents who otherwise qualify for public housing. In 2018 and 2019, the Issuer supplied 12,282 and 31,442 public housing units, respectively. In 2020, the Issuer is planning to supply approximately 26,730 public housing units.

Industrial Development Complex

The Issuer carries out the Government's industrial development projects to enhance national industrial competitiveness, support local economies and promote balanced regional development. The Issuer is the sole provider of national industrial complex development services in Korea and works closely with the national and local governments.

From the establishment of KLC in 1975 to January 31, 2020, the Issuer had completed the development of 69 industrial complex projects, which includes logistics complexes, and as of January 31, 2020 the Issuer was in the process of developing an additional 17 industrial complex projects, which together with the completed projects accounted for approximately 204 million square meters of land.

To achieve balanced land development across Korea, the Issuer has developed large-scale industrial belts that link the inland with coastal areas throughout the nation, including the following:

- a west coast industrial belt through Namdong, Incheon; Asan-man, Chungcheongnam-do; Gunjang and Gunsan, Jeollabuk-do and Daebul, Jeollanam-do
- an east coast industrial belt through Bukpyeong, Gangwon-do; Yeonkwan (industrial complex for POSCO, a steel producer) and Noksan, Busan; and
- a high-tech science industrial belt through Daedeok, Daejeon; Gwangju, Jeollanam-do and Jeonju, Jeollabuk-do.

The table below sets forth the major ongoing industrial development complex projects.

<u>Projects</u>	<u>Location</u>	<u>Area</u> <i>(thousand square meters)</i>	<u>Expected Total Capital Requirements</u> <i>(billions of Won)</i>
Pangyo 2nd Techno Valley	Sungnam, Gyeonggi	430	767
Ulsan-Mipo National Industrial Complex	Ulsan	376	283
Gyeongnam Aviation Industrial Complex	Jinju, Gyeongnam	1,642	413
Miryang Nano Convergence Industrial Complex	Miryang, Gyeongnam	1,657	373
Incheon City, Namdong Smart Industrial Complex	Incheon	233	177
Daegu Yulha Urban High-tech Industrial Complex	Daegu	175	81
Suncheon City Smart Industrial Complex	Suncheon, Jeonnam	190	38
Daegu Technopolis	Daegu	7,262	1,316
Daegu National Industrial Park	Daegu	8,548	1,357
Janghang National Industrial Complex	Seocheon, Chungnam	2,751	355
Bitgreen National Industrial Complex	Gwangju	4,068	491
Pohang Blue Valley	Pohang, Gyeongbuk	6,119	736
Bucheon City, Ojeong-gu Logistics Complex	Bucheon, Gyeonggi	457	250

In addition to industrial development complexes, the Issuer develops large scale research and development complexes. The table below sets forth the major ongoing research and development complex projects.

<u>Projects</u>	<u>Location</u>	<u>Area</u> <i>(thousand square meters)</i>	<u>Expected Total Capital Requirements</u> <i>(billions of Won)</i>
International Science Business Belt Complex	Daejeon	3,445	948
INNOPOLIS Gwangju	Gwangju	3,797	1,412
INNOPOLIS Busan	Busan	5,528	3,907
INNOPOLIS Daedeok	Daejeon	1,567	598

When developing industrial sites, the Issuer includes buffering zones between the sites and surrounding areas, called “green zones,” which generally consist of parks or other green areas. The Issuer also includes adequate waste treatment facilities in its industrial site development plans. An important part of the Government’s review of any execution plan for industrial complex development is an environmental impact assessment.

Although the overall areas devoted to public infrastructure and amenities such as parks are relatively small compared to residential sites, the Issuer still incurs significant development expenses with respect to industrial land development projects, primarily because of the larger size and longer development periods of such projects compared to residential land development projects.

As in residential land development projects, the Issuer provides certain land sites in an industrial complex development project, such as roads, parks and green zones, to the Government or local governments for free. Under the Industry Sites and Development Act, costs incurred in connection with such free sites are included in the construction costs for the other sites in the same project to be borne by the purchasers of such other sites. Sites for industrial plants, research institutes and public facilities are sold at their construction costs. The remaining sites, consisting primarily of support facilities and commercial districts, are sold at their appraised prices, which are above their construction costs.

Upon completion of development, end users purchase land from the Issuer and design and construct buildings for industrial or commercial use according to their own needs. The Issuer is not involved in the construction of any buildings.

Public Housing Management

The Issuer’s public housing management business complements the Issuer’s public housing segment in providing affordable and stable rental housing to young people, newlyweds, the elderly and low-income households under various leasing programs. Such programs involve the Issuer constructing, purchasing and subleasing units and supplying sites to be developed for units. The following table sets forth the number of rental housing units the Issuer has provided under each rental housing program for the periods indicated.

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2019</u>
	<i>(housing units)</i>	
<i>Haengbok</i> Rental Housing	21,043	17,335
Permanent Rental Housing	1,624	1,712
National Rental Housing	7,695	7,575
Public Rental Housing	<u>20,236</u>	<u>13,423</u>
Total	<u><u>50,598</u></u>	<u><u>40,045</u></u>

***Haengbok* Rental Housing**

Under the Roadmap and the Roadmap 2.0, the Issuer’s *Haengbok* (which is the word for “happiness” in Korean) rental housing program has been repurposed and expanded to specially focused to provide affordable rental housing units primarily to university students, young people and newlyweds in order to resolve growing social problems of young people unemployment and low-birth rates. The Government is targeting to construct *Haengbok* rental housing units in urban areas, such as on disused Government building sites, near universities, workplaces and public transportation hubs to support young people entering the workforce and young families, while encouraging urban renewal in areas where such units are built. In 2018 and 2019, the Issuer supplied 21,043 and 17,335 *Haengbok* rental housing units, respectively. In 2020, the Issuer is planning to supply 18,672 *Haengbok* rental housing units.

***Permanent* Rental Housing**

The Issuer has developed permanent rental housing units as part of the Government’s plan to expand the availability of affordable housing units to households with severe economic or other disadvantages, such as those receiving social security benefits, the elderly without family, households headed by a minor, the disabled and resettled North Korean refugees. Under this program, tenants are entitled to lease units for 50 years with rent set at 30% of the prevailing market rental rate of the area

according to a formula set by the MOLIT. Sizes of the units are below 40 square meters. In 2018 and 2019, the Issuer supplied 1,624 and 1,712 permanent rental housing units, respectively. In 2020, the Issuer is planning to supply 3,400 permanent rental housing units.

National Rental Housing

The national rental housing scheme was introduced by the Government to address the housing issues affecting newlyweds, the elderly and low-income households living in urban areas. In general, construction of this type of rental housing is approved based on a minimum 30-year lease period with rental prices set at levels of 60% to 80% of the prevailing market rental rate according to a formula set by the MOLIT. In 2018 and 2019, the Issuer supplied 7,695 and 7,575 national rental housing units, respectively. In 2020, the Issuer is planning to supply 15,632 national rental housing units.

Eligibility for this type of rental housing is limited by applicable rules and regulations. Such housing is generally intended for a head of a household without home ownership whose income is equal to or not more than 70% (depending on the size of the rental unit) of the average monthly household income recorded in the previous year for urban workers. The Government has given priority to newlyweds, disabled persons, single parents with children less than 6 years old and households designated by the Government, as well as various categories of underprivileged and low-income households. Units are either below 50 square meters or 50 to 60 square meters in size depending on the eligibility category of the tenant.

Public Rental Housing

Public rental housing units are generally larger than national rental or permanent rental housing units and provide alternative rental housing options for those in the mid-tier income bracket households who want to live in larger rental units.

Articles 4 and 27 of the Housing Supply Regulations set out the qualifying criteria for applicants of public rental housing. The main eligibility criteria are that the applicant must be a member of a household without home ownership and be a resident of the district in which the proposed public rental housing unit is to be developed. Among those who qualify, first priority is given to applicants who have had a housing subscription savings account for over one year and have paid at least 12 monthly installments on each due date, in case of Seoul Metropolitan Area. Second priority is given to persons who do not fall into the first priority. The remaining applicants are ranked equally. The funds held in the housing subscription savings accounts are then redirected to the NHUF, which uses these funds as a low-cost funding source until the account holder purchases a housing unit, at which time the initial deposit amount gets applied to the purchase price. There are three lease periods (five, 10 or 50 years) available under the public rental housing scheme. Public rental housing units with five- and 10-year lease terms have a purchase option exercisable by the tenant. Public rental housing units with 50-year lease terms do not have such an option. This purchase option is usually exercised at the end of the lease term.

The rental rate for the five-, 10- and 50-year lease term public rental housing units is determined by a formula set by the Special Act on Public Housing and takes into account various factors, including analysis of market prices of comparable units in neighboring properties at the time of sale, private developers' *bunyang* sale prices and the average construction cost for such units. The rental rate for these rental units, which are 85 square meters or less (in the case of units with five- or 10-year lease term) or 50 square meters or less (in the case of units with 50-year lease term) in size, are set at 90% of the prevailing market rental rate. Public rental housing units are popular among those who wish to own a home but presently do not have the financial means, but have sufficient income-generating potential to do so in the future. The Government has allocated 15% of public housing units to newlyweds, 20% to first time homeowners, 10% to households with three or more children, 5% to caretaker household of an elderly parent, 20% to households designated by the Government and the remaining to 30% to local

residents who otherwise qualify for public housing. In 2018 and 2019, the Issuer supplied 20,236 and 13,423 public rental housing units, respectively. In 2020, the Issuer is planning to supply 16,137 public rental housing units.

Multifunctional Administrative City

This project involves the development of Sejong Special Self-Governing City, the multifunctional administrative capital where certain government agencies and corporate headquarters of Government-controlled enterprises have relocated to in recent years.

Established under the Special Act on Construction of New Administrative Capital, the multifunctional administrative city project is part of a national agenda to decentralize the population away from the Seoul metropolitan area and to promote balanced regional development.

Construction of Sejong City commenced in 2005, with the moving of 55 government agencies and headquarters of Government-controlled enterprises completed by the end of 2016 and the entire project to be completed by the end of 2030. The total project area covers approximately 72.9 square kilometers supplying and approximately 200,000 residential housing units. The total estimated capital expenditures amount to Won 22.5 trillion, of which Won 8.5 trillion is to be funded from the central Government. The Issuer incurred capital expenditures relating to this project in the aggregate amount of Won 15.4 trillion by 2019, with the revenue of Won 10.0 trillion collected from the sale of land. The Issuer expects to incur significant capital expenditures for the remainder of the project.

Urban Development

In order to foster balanced development of national territory, the Government has undertaken the “Innovation City” initiative, which involves constructing new clusters of industrial, education and research activities in major cities across Korea, coupled with relocation of select government agencies and headquarters of Government-controlled enterprises into these clusters to bolster the robustness of the initiative. As part of such efforts, the Special Act on the Creation and Development of Innovative City was enacted in February 2007, pursuant to which the Issuer was responsible for developing nine out of 10 cities designated as Innovation Cities under such act.

In January 2018, the Issuer completed developing the nine Innovation Cities it was responsible for, and nearly all of the selected government agencies and headquarters of Government-controlled enterprises completed their relocation to such cities. In total, the Issuer developed over 44 million square meters of land and supplied over 98,000 units of housing. The following is a breakdown of the area of land and number of housing units in each of the nine Innovation Cities developed by the Issuer:

<u>Location</u>	<u>Area</u> <i>(thousand square meters)</i>	<u>Housing Units</u>
Chungbuk Eumseong	6,899	15,184
Jeonbuk Wanju	9,852	10,299
Daegu Sinseo	4,216	7,660
Gangwon Wonju	3,585	11,932
Gyeongbuk Gimcheon	3,812	10,686
Jeonnam Naju	7,361	19,799
Ulsan Ujeong	2,991	7,280
Gyeongnam Jinju	4,093	13,902
Jeju Seogwipo	1,135	1,840
Total	<u>43,944</u>	<u>98,582</u>

In February 2018, the Government announced plans for the next stage of development of the Innovation Cities. The Government envisions the relocated Government agencies and Government-controlled enterprises to be the foothold for the development of industrial, education and research clusters, which would spur regional growth. The Government has targeted to increase the number of businesses resident in Innovation Cities from approximately 230 to 1,000 by 2022 and increase the number of jobs for locals.

Land Bank

The Issuer's land bank activities consist of the following: (i) advance procurement of land to be used for public projects and subsequent supply thereof so as to facilitate adequate and timely supply of land required for such projects, and (ii) advance procurement and subsequent supply of land so as to stabilize the Korean real estate market during times of significant fluctuations in supply and demand. The public project-related land bank activities are conducted pursuant to the Public Land Reservation Act, while market stabilization-related land bank activities are conducted pursuant to the Korea Land Corporation Act.

As of December 31, 2019, the Issuer procured 33 parcels of land in an amount worth Won 2.4 trillion and supplied 29 parcels of land to public project and market stabilization-related land bank activities in an amount worth Won 2.2 trillion.

“Other” Business Segment

This business segment, which is the largest business segment in terms of revenue, involves all other businesses engaged by the Issuer other than the six above-described business segments. Such other businesses consist of (i) development of large-scale residential and commercial clusters known as “New Cities,” (ii) residential land site development, (iii) development of Free Economic Zones, (iv) urban renewal projects, (v) overseas land development projects, (vi) the Kaesong Industrial Complex development, (vii) relocation of the U.S. military base from Yongsan, and (viii) other ancillary businesses. The following table provides a breakdown of revenue of the “Other” business segment by principal subsegments for the periods indicated.

	For the Year Ended December 31,	
	2018	2019
	<i>(in billions of Won)</i>	
New City	₩4,413	₩5,899
Residential Land Development	1,121	1,410
Free Economic Zones.	619	811
Urban Renewal	692	1,183
Miscellaneous ⁽¹⁾	1,431	1,233
Total Revenue	₩8,005	₩10,535

Note:

(1) Consists of revenues from Overseas Land Development, Kaesong Industrial Complex development, relocation of the U.S. base from Yongsan and other ancillary businesses.

The following table provides a breakdown of gross profit of the “Other” business segment by principal subsegments for the periods indicated.

	For the Year Ended December 31,	
	2018	2019
	<i>(in billions of Won)</i>	
New City	₩1,037	₩2,098
Residential Land Development	128	548
Free Economic Zones.	869	319
Urban Renewal	103	139
Miscellaneous ⁽¹⁾	186	96
Total Gross Profit	₩2,322	₩3,199

Note:

(1) Consists of gross profit from Overseas Land Development, Kaesong Industrial Complex development, relocation of the U.S. base from Yongsan and other ancillary businesses.

“New City” Projects

New City (Housing Complex) Development Projects, also known as New City projects, are large-scale residential and commercial community development projects, which are usually more than 3.3 square kilometers in size and conducted in accordance with the Housing Site Development Promotion Act of 1980 to achieve the Government’s policy objectives of increasing housing supply, improving housing standards and facilitating balanced urban development, particularly in the Seoul metropolitan area. The first stage of New City project commenced in 1980 and were completed in 2001. The Government is currently nearing the completion of the second stage of New City projects, which commenced in 2003, and announced the third stage New City projects in December 2018. The first stage of New City projects was, in large part, intended to address the housing shortage problem in the nation; however, the urban transformation brought by the first stage of New City development raised additional urban planning-related issues, such as traffic congestion and pollution. The second stage of New City projects attempt to address problems of urban blight, environmental degradation, traffic congestion and overpopulation in certain areas, particularly in the Seoul metropolitan area. The third stage of New City projects focuses on stabilizing housing prices and improving the residential environment in the Seoul metropolitan area by preventing the inflow of speculative housing demand, while expanding supply of good-quality housing at reasonable prices in areas near Seoul where public transportation is convenient.

In New City projects, the Issuer is responsible for site designation and development and formulation of implementation plans, which are formed in consultation with, and subject to the approval of, the Government. The Issuer also takes a leading role in the design, planning, development and construction of the New City project. The Government provides financial support for the construction of rental housing units within New Cities as well as other support through special application of a less stringent regulatory scheme. The Issuer has taken a leading role in undertaking and supervising all of the New City projects thus far.

The following table sets forth the New City projects that have been completed or are currently under construction by the Issuer as part of the second stage of the New City projects.

<u>Projects</u>	<u>Area</u>	<u>Housing Units</u>	<u>Construction Period</u>	<u>Expected Total Capital Requirements</u>
	<i>(thousand square meters)</i>			<i>(trillions of Won)</i>
Seongnam Pangyo	8,922	29,263	2003 to 2019	8.7
Gimpo Hangang	11,744	61,333	2006 to 2017	8.3
Daejeon Doahn	6,109	24,538	2003 to 2012	3.0
Wirye	6,753	44,877	2008 to 2020	11.1
Hwaseong Dongtan 1	9,035	41,417	2001 to 2020	4.2
Hwaseong Dongtan 2	24,039	117,295	2008 to 2021	16.1
Paju Woonjung	9,452	47,776	2003 to 2014	7.7
Paju Woonjung 3	7,157	42,329	2008 to 2023	5.2
Yangju Okjung	7,061	42,019	2007 to 2020	4.1
Yangju Hoecheon	4,107	22,853	2007 to 2025	3.1
Pyeongtaek Godeok	13,409	59,512	2008 to 2025	8.2
Incheon Geomdan	11,105	75,851	2009 to 2023	8.4
Asan Tangjeong	5,131	25,745	2007 to 2021	3.2
Asan Baebang	3,663	9,242	2004 to 2013	1.7

The following table sets forth the New City projects as part of the third stage of the New City projects. As the date of the Offering Circular, the construction period and budgeted investment amounts have yet to be determined.

Projects	Area	Housing Units
	<i>(thousand square meters)</i>	
Namyangju Wangsook	8,890	53,300
Namyangju Wangsook 2	2,447	12,700
Incheon Gyeyang	3,349	17,000
Hanam Gyosan	6,491	32,000
Bucheon Daejang	3,435	19,691
Goyang Changreung	8,127	38,313

Residential Land Development Projects

In addition to the special projects described above, the Issuer is engaged in large-scale residential development projects (generally not exceeding 3.3 square kilometers in size) across Korea to increase the supply of sites for affordable housing. In connection with these projects, the Issuer develops and provides land with infrastructure for public amenities such as roads, parks, utilities, communication services and cultural and educational facilities. Building sites, zoned to ensure the desired housing mix, are sold to commercial developers and end users for construction of residential and commercial buildings.

In addition to residential land development pursuant to the Special Act on Public Housing, etc. in relation to the public housing project as discussed above, the Issuer undertakes residential land development projects under (i) the Housing Site Development Promotion Act and (ii) the Urban Development Act. These acts have been enacted to relieve the shortage in supply of residential land in urban areas. The stages for these projects involve designation of project site, approval of development plan, compensation, construction and sale or rental of the developed land.

The following table sets forth a summary of residential land development projects ongoing as of December 2019, pursuant to the Housing Site Development Promotion Act.

Stage of Project (Number of Project Sites)	Area	Housing Units	Expected Total Capital Requirements
	<i>(square kilometers)</i>	<i>(thousands)</i>	<i>(trillions of Won)</i>
Designation of project site (16)	20.0	122	10.5
Under construction (14)	18.2	110	9.7
Preconstruction (2)	1.8	12	0.8

The following table sets forth a summary of residential land development projects ongoing as of February 2020, pursuant to the Urban Development Act.

Stage of Project (Number of Project Sites)	Area	Housing Units	Expected Total Capital Requirements
	<i>(thousand square meters)</i>	<i>(thousands)</i>	<i>(billions of Won)</i>
Designation of project site (8)	5,934	31	4,229
Under compensation (1)	791	5	141
Under construction (5)	8,318	46	6,467

The Issuer provides certain land sites in a residential development project, such as roads, parks and public spaces, to the Government or local governments for free. Under the Housing Site Development Promotion Act, costs incurred in connection with such free sites are included in the construction costs for the other sites in the same project to be borne by the purchasers of such other sites. Sites for schools, rental housing, public housing and relocation housing are sold at or below their construction costs. The percentage of land supplied at or below the construction cost is stipulated in the MOLIT's development guidelines. The remaining sites are sold above their construction costs and, in many cases,

substantially higher than such construction costs; at their appraised prices, in the case of single family housing and middle to large-sized apartments; or through competitive bidding, in the case of commercial districts or office districts.

Free Economic Zones

Under the Act on the Designation and Operation of the Free Economic Zone, the Government has designated certain areas as Free Economic Zones to provide certain tax and other incentives in an effort to attract foreign capital and create a more competitive business environment for foreign-invested enterprises and individuals. As of February 2020, seven areas have been designated as Free Economic Zones with a total project area of approximately 275 square kilometers.

To promote Free Economic Zone projects, the Government has established the Office of Free Economic Zones under each local government. The Issuer actively participates in the projects in line with Government policy and has established a Free Economic Zone team to prepare development plans, including analysis of unused land, establishment of land utilization plan and analysis of economics.

The table below sets forth a summary of the Free Economic Zone development projects.

Location	Area	Construction Period
	<i>(thousand square meters)</i>	
Incheon Chungra	15,509	2003 to 2018
Incheon Youngjong	19,300	2003 to 2020
Busan Myeongji 1	4,476	2003 to 2023
Busan Myeongji 2	1,922	2003 to 2023
Yeongcheon High-Tech	1,242	2008 to 2022
Busan Jinhae 1	293	2003 to 2009
Busan Jinhae 2	828	2003 to 2014

Urban Renewal Projects

The objective of the Issuer’s urban redevelopment and maintenance projects is to work with local municipalities and communities to design, develop and create a vibrant, refined and sustainable living environment that fosters quality of life through redevelopment of existing residential areas and communities that have been neglected or damaged over time and have ceased to function effectively as part of a city. To achieve this purpose, the Issuer engages in the following activities: (i) redevelopment of an entire residential area through reconstruction of aged buildings (also known as housing redevelopment and reconstruction projects), (ii) systematic restoration of uninhabitable urban areas with the objective of recovering urban functions (also known as urban environment improvement projects) and (iii) redevelopment of dilapidated residential areas or improvements to existing residential buildings (also known as residential environment improvement projects).

New Deal Roadmap for Urban Renewal

In March 2018, the MOLIT announced the New Deal Roadmap for Urban Renewal (“Urban Renewal New Deal”) for urban renewal in order to address increasing levels of urban decay caused by population decline in many cities. Under the Urban Renewal New Deal, the Government laid out its urban renewal initiatives over the next five years to combat the continued deterioration of cities. First, the Government intends to improve living conditions in aged residential areas through the development of public infrastructure and amenities such as libraries, parking lots and other community facilities. Second, the Government plans to establish 250 “innovation hubs,” including multicomplexes with housing and co-working spaces for startups, in order to foster the industrial competitiveness of cities. Third, the Government expects to create job opportunities for young residents in less developed areas through the provision of benefits such as workspaces with lower rents and business funding. Finally, the Government aims to enhance community relations by promoting resident participation in local renewal businesses and opening urban renewal support centers.

The following table is a summary of the types of projects undertaken by the Issuer pursuant to the Urban Renewal New Deal.

<u>Project Type</u>	<u>Project Size</u>	<u>Project Description</u>
Neighborhood Revival . . .	Small-scale residential (less than 50,000 square meters)	Restoration of local communities lacking vitality due to population outflow and deterioration, through small-scale residence restoration projects and providing basic convenient facilities
Residential Support	Residential (approx. 50,000~100,000 square meters)	Improving overall residential conditions by setting a foundation for small-scale residence restoration, through alley renovations etc., and providing basic convenient facilities
Regular Neighborhood . . .	Semi-residential neighborhood district (approx. 100,000~150,000 square meters)	Creating community hubs for areas with a mix of residential and local commercial districts, for the purpose of revitalizing commercial districts, local stores and improving pedestrian walkways
Central District	Local commercial district (approx. 200,000 square meters)	Revitalizing commercial districts by promoting projects that restore public interest and community through linking historic, cultural and touristic projects, for areas with declining local commercial activity
Economic Center	Local industrial and economic district (approx. 500,000 square meters)	Creating new economic hubs and new jobs for areas with serious damages to local and national economic activity by, for example, establishing complex anchor facilities

Project sites are determined through a public selection process. In 2018 and 2019, 99 and 116 sites throughout Korea were selected for renewal pursuant to the Urban Renewal New Deal, respectively.

Housing redevelopment and reconstruction projects

Housing redevelopment and reconstruction projects involve improving residential areas of the city with poor infrastructure and a concentration of dilapidated buildings. Reconstruction projects involve reconstruction of dilapidated buildings but differ from redevelopment projects to the extent that the existing building infrastructure is maintained.

Housing redevelopment and reconstruction projects largely divide into (i) redevelopment of an entire residential neighborhood, including reorganization of surrounding commercial and industrial areas, and (ii) reconstruction of aged buildings. The Issuer’s participation in redevelopment and reconstruction projects has historically been limited, as such projects were typically undertaken by private developers through a consortium of housing associations and construction companies. Both reconstruction and redevelopment activities by the Issuer generally have been limited to areas that private developers have avoided due to entangled ownership structures and differing interests among the existing tenants and land owners, poor state of surrounding infrastructure or other factors that in the aggregate did not promise a level of return on investments in order to make such redevelopment or reconstruction project a commercially viable proposition for a private developer.

The following table sets out housing redevelopment projects undertaken by the Issuer to date.

Location	Area	Units	Period
	<i>(thousand square meters)</i>		
Daegu – Dongsan	5	152	1985 to 1986
Daegu – Shincheon	35	917	1987 to 1989
Seoul – Sanggye	30	763	1991 to 1994
Seoul – Shilim 2-1	84	2,300	1995 to 2001
Seoul – Shilim 1 (Nangok)	172	3,322	2001 to 2006
Seongnam – Jungdong 3	40	672	2007 to 2012
Seongnam – Dandae	75	1,228	2007 to 2012
Anyang – Dukcheon (7dong)	258	4,250	2008 to 2018
Seongnam – Kumgwang1	233	5,320	2009 to 2023
Seongnam – Jungdong 1	108	2,411	2009 to 2023
Seongnam – Shinheung	210	4,774	2009 to 2023

The following table sets out housing reconstruction projects undertaken by the Issuer to date.

Location	Area	Units	Period
	<i>(thousand square meters)</i>		
Seongnam – Hadaewon	61	1,541	1999 to 2003
Pohang – Hwanho	92	2,750	2001 to 2007
Changwon – Bansong 2	125	2,610	2002 to 2006
Changwon – Bansong 1	133	2,699	2003 to 2007
Seoul – Sadang	21	480	2005 to 2008
Bangbae 3dong	8	186	2009 to 2012

Residential Environment Improvement Projects

There are two types of residential environment improvement projects. The first type involves localized improvements, which are undertaken in areas where housing concentration is relatively low. For this type of projects, existing buildings are maintained and the relevant local government redevelops urban infrastructure, such as road, water and sewage systems, while the local residents receive support from the NHUF to improve or rebuild their apartment units. The second type of projects involves collective housing construction, which is undertaken in areas where it is difficult to make improvements to existing housing units due to high housing concentration and risk of natural hazards, such as frequent flooding and landslides. In such areas, the Issuer or other public developers purchase the entire land and buildings, demolish existing structures and construct and sell the newly built housing units to local residents.

The residential environment improvement projects undertaken by the Issuer are regulated by the Government pursuant to the Act on Maintenance and Improvement of Urban Areas and Dwelling Conditions for Residents, which enables the Government to manage residential environment improvement, housing redevelopment and housing reconstruction projects. As of December 31, 2019, the Issuer had 16 ongoing residential environment improvement projects consisting of over 34,000 housing units.

Overseas Land Development Projects

The Issuer provides consulting services to developing nations to assist them in formulating a basic plan for similar projects based on the Issuer’s accumulated expertise in new city and industrial complex developments in collaboration with various Government ministries and agencies, such as the Korea International Cooperation Agency. The Issuer also undertakes residential, urban and industrial complex development projects outside of Korea to (i) promote closer economic ties with foreign countries, (ii) improve and establish relationships with countries as part of the Government’s foreign policy, and (iii) strengthen the competitiveness of Korean companies’ overseas manufacturing facilities by providing cost-competitive industrial complexes. The Issuer has completed projects in China, Colombia, Ghana, Indonesia, Mongolia, the Philippines, Tanzania, UAE and Vietnam, among other countries.

As of the date of the Offering Circular, the Issuer's principal overseas projects are the following:

- *Korea-Myanmar Industrial Complex.* In August 2019, the Issuer established KMIC Development Co., Ltd., a joint venture company with the Department of Urban and Housing Development of Myanmar's Ministry of Construction and Global Sae-A Co., Ltd. to build and develop the Korea-Myanmar Industrial Complex in Nyaung Hnit Pin, 10 km north of Yangon. The industrial complex will span 2.25 square kilometers and will include facilities for small, medium and large enterprises, employee housing and other business-related services. The joint venture will secure loans from the Economic Development Cooperation Fund administered by The Export-Import Bank of Korea to finance the construction of certain of the facilities and infrastructure. The Issuer invested Won 12.9 billion for a 40% interest in the joint venture, which marks the Issuer's first foreign investment development project, while the Ministry of Construction and Global Sae-A hold the remaining 40% and 20% interests, respectively. The Issuer will manage leasing rights over the complex. Construction is planned to begin in December 2020 and is planned to finish by the end of 2024.
- *South Saad Al-Abdullah City, Kuwait.* In May 2016, the MOLIT and Kuwait's Ministry of State for Housing Affairs signed a memorandum of understanding to develop South Saad Al-Abdullah City, the first environmentally friendly and "smart" city in the Middle East. In January 2019, the Issuer signed a preliminary agreement with Kuwait's Public Authority for Housing Welfare regarding the structure of the project. South Saad Al-Abdullah City represents the Issuer's first project of exporting its smart city model overseas. Located west of Kuwait City on a site of 64.4 square kilometers, South Saad Al-Abdullah City is expected to accommodate between 25,000 and 40,000 households. The Issuer plans to sign an implementation agreement with the Kuwaiti government in the first half of 2021.
- *Hung Yen Industrial City, Vietnam.* In April 2017, the Issuer signed a memorandum of understanding with Ecopark Corporation (formerly known as Vihajico) to develop an industrial city in Hung Yen, Vietnam. The project involves building industrial complexes, logistics and trade facilities, as well as residential clusters on a site of 8 square kilometers near Hanoi. Notably, the project involves the creation of the Korea-Vietnam Industrial Complex for the purposes of economic cooperation, funded through a joint venture between a consortium led by the Issuer and TDH Ecoland, subsidiary of Ecopark Corporation. Construction is planned to commence in the first half of 2021.
- *Santa Cruz New City, Bolivia.* In May 2018, the Issuer signed an agreement with local real estate developer Grupo Empresarial Lafuente to advise on the development of a new city in Santa Cruz, Bolivia. The new city is expected to accommodate 100,000 households on a site of 54.45 square kilometers. The Issuer has been involved in the project since its beginning in 2014, and construction is planned to be completed by 2035.
- *Korea-Russia Industrial Complex, Russia.* In December 2019, the Issuer signed a preliminary implementation agreement with the Far East Development Corporation ("FEDC") and the Far East Investment and Export Agency ("FEIEA") to develop an industrial complex in Russia's Nadezhdinskaya Advanced Special Economic Zone in its maritime province. The industrial complex is planned to span 0.5 square kilometers, and it is expected that the Issuer will construct factory sites and manage the leasing rights, while FEDC and FEIEA will acquire the land, construct infrastructure and secure tenants. The parties plan to sign an implementation agreement by December 2020 and establish a joint venture company in the first half of 2021.

Kaesong Industrial Complex

As part of the Government's overall policy of promoting economic cooperation between Korea and North Korea, the Issuer has undertaken several special projects: construction of the "freedom road," the "unification park" and the Kaesong Industrial Complex. The "freedom road" is the name of a major highway northwest of Seoul that the Government anticipates will serve as one of the main roads connecting a reunified Korea. "Unification park" is a tourist site promoting the theme of reunification approximately 49 kilometers north of Seoul. The Kaesong Industrial Complex was constructed over an area of approximately 3.3 million square meters. The entire expenditure to build the Kaesong Industrial Complex was Won 268 billion, of which the Issuer invested Won 110 billion with the remainder funded by the Government. In February 2016, the Government shut down the Kaesong Industrial Complex in response to a series of North Korean provocations, including nuclear bomb and ballistic missile tests, and the complex remains closed as of the date hereof.

Relocation of the U.S. Military Base from Yongsan

The Government has entered into an agreement with the U.S. government to relocate the U.S. military base located in the Yongsan area of Seoul to the Pyeongtaek region in Gyeonggi province, which is expected to be completed by 2020. Pursuant to an agreement with the Ministry of National Defense in November 2007, the Issuer is currently developing and constructing facilities in Pyeongtaek to accommodate the relocation of the U.S. military base and in exchange will receive the Yongsan base area for free. After the relocation, the Yongsan base area will be developed into a multipurpose area consisting of parks as well as residential and commercial complexes. The Yongsan base has an area of approximately 237,000 square meters, and the land for the Yongsan base area being exchanged is currently valued at approximately Won 3.6 trillion.

Other ancillary businesses

The Issuer is engaged in a number of ancillary businesses, including the following:

- *Project financing.* The Issuer forms a consortium with private enterprises to promote project financing projects, in which convenience facilities such as shopping and cultural centers are installed in advance to stimulate the formation of new large-scale residential clusters such as New Cities. In these projects, the Issuer typically supplies the requisite land, while financial investors, such as pension funds and financial institutions, provide funding, and private construction companies handle construction and pre-sale by way of *bunyang*. As of December 31, 2019, there were seven such project financings with a total amount of Won 18.9 trillion.
- *Informational services.* In order to timely obtain land- and housing-related data necessary to support the Government's land and housing policies as well as to assist with the Issuer's own businesses, the Issuer is engaged in, in conjunction with the Government, (i) information collection and processing related to national territorial space (including constructing an integrated territorial information system, urban planning information system, building-related information system, land-related information system and construction-related administrative system) and (ii) information collection and processing for official Government statistics, including in relation to real estate transactions, housing constructions and urban planning.

Operational Processes for Land and Housing Development Projects

Residential Land Procurement and Development Process

In order to carry out the Government's objective of developing a target number of housing units, the Issuer seeks out, procures and develops land suitable for residential purposes. The Issuer's Urban Development Environment Division is responsible for carrying out these tasks.

Once the Issuer identifies potential land areas for development, the Issuer obtains necessary approvals from local governments for zoning changes, coordinates with central and local governmental agencies to obtain zoning approvals, including to the extent necessary, de-zoning of existing greenbelt land restrictions, and subsequently uses the land sites for construction and development of residential housing complexes either for sale or rent. The Issuer also develops commercial complexes, usually contained in large apartment complexes, for sale. To create a balanced housing environment with occupants from a wide range of the social spectrum, the Issuer tries to maintain a mix of small- and mid-sized units within a large residential complex. The Issuer generally sells land sites to private development companies for the development of housing units larger than 85 square meters. The Issuer also engages in the sale of land sites to the public or private sector for the development of educational, commercial, public, religious or municipal administrative facilities.

The development of land sites typically involves the following key steps:

- preparation of the development plan and feasibility study under the Government's policy direction;
- obtaining the MOLIT's approval for site designation;
- obtaining the approval of the MOLIT or the local government of the initial development plan, conducting environmental assessment and development of a master execution plan;
- acquisition of land;
- execution of the development project by engaging construction companies (i) if the Issuer is not directly engaged in construction activities and sale of land, or (ii) if the Issuer is charged with supervising construction; and
- completion of the project, including by completing any remaining construction procedures and administrative procedures.

Planning and Approval. When the Issuer selects a development site, it considers various factors including size suitability, expected compensation for the landowners and homeowners, pre-existing structures, geology, geography, site development costs and prospects for resale, and obtains the MOLIT's approval for a site designation.

When the Issuer intends to carry out a land development project, the Issuer must prepare and obtain the MOLIT's approval for a master execution plan related to the project, including approval of any subsequent material alterations thereto. Prior to granting approval, the MOLIT is obligated to consult with the mayor of the relevant city or the governor of the province affected by such project.

The approval of Designation of Project Site and Development Plan has the effect of designating the Issuer as a "project originator," giving it the power of expropriation and other development authorizations under applicable law.

Land Acquisition

As an entity in charge of executing the Government's public housing policy mandate, the Issuer enjoys several benefits over private development companies when procuring land. Once it has received approval of the Designation of Project Site and Development Plan, the Issuer is authorized under the LH Act and the Acquisition of Land Act to expropriate land, if necessary, for the relevant project. In addition, upon obtaining the approval of its specific plan for development, the Issuer is allowed to convert the zoning of the target land for residential or commercial purposes, without undergoing a separate approval process for zoning conversion under the National Land Planning and Utilization Act.

To obtain land needed for the project, the Issuer generally offers landowners (including homeowners, if applicable) the average of the land values appraised by three expert appraisers. Each party, namely the Issuer, landowners and the local government, selects one appraiser. Once an initial offer is made, the Issuer generally allows two to three months for the relevant landowner to consider the offer and to negotiate and agree to the land price and the terms of any relocation package. If the landowner does not agree to the offered amount, the Issuer may refer the matter to the Central Land Expropriation Committee appointed under the Acquisition of Land Act. In cases where the Issuer delays or fails to refer the dispute between the landowner and the Issuer, the landowner may request the Issuer to refer such dispute to the Central Land Expropriation Committee. In such case, the Issuer must refer such dispute to the Central Land Expropriation Committee without delay. For disputes between the landowners and the project originators, such as local governments or government-invested entities, the Central Land Expropriation Committee or the Local Land Expropriation Committee, as the case may be, acts as arbitrator. Pursuant to the Acquisition of Land Act and LH Act, any dispute that involves the Issuer must be settled by the Central Land Expropriation Committee, which is an institution under the MOLIT consisting of members with extensive experience in land expropriation, including professors and judges. While the Central Land Expropriation Committee has broad administrative powers and can review the scope of land to be expropriated, the compensation and the time and manner of expropriation, it normally appoints a third expert appraiser after a landowner has contested the Issuer's offer. The value given by such appraiser and adjudicated by the Central Land Expropriation Committee may be higher or lower than the original offer made by the Issuer. The Issuer generally pays the higher of such third appraisal and the original offer amount in order to provide maximum protection to landowners.

Site Development

Under the Housing Site Development Promotion Act, approval of an execution plan is deemed to give the Issuer approvals relating to land development that would otherwise be necessary under a number of land use statutes and regulations, including permission for land formation, authorization of water supply and sewage system construction, authorization for use of surface water and river resources and permission for road construction.

When the Issuer carries out a land development project, the Issuer, as the project originator, oversees the construction of basic infrastructure and public amenities, such as roads, utilities and public parks, on the development site. Utility companies are generally responsible for installing any new infrastructure necessary to bring their services to the boundaries of the site. When such infrastructure and public amenities require extensive investment, the Government may subsidize the Issuer's investment in such infrastructure by constructing the infrastructure, in whole or in part, with their own budget.

Construction

After the Issuer obtains approval of an execution plan from the relevant municipal and local government agencies, the Issuer will prepare a detailed design of the construction project and invite contractors to submit their respective bids on the construction project. A construction contract will be awarded to a successful bidder based on the Issuer's internal assessment of each bidder's qualifications. The completion of the construction, beginning with the selection of the development site, typically takes at least three to four years.

The Issuer subcontracts site developments to construction companies through competitive bidding, primarily through the following two systems:

- *Classified Competitive Bidding System.* Most of the construction projects of governmental agencies and public entities, including the Issuer's, use a classified competitive bidding system. This system is designed to prevent quality problems as a result of bidding wars resulting in bids that are too low. The classified competitive bidding system categorizes subcontractors into six different project classes, based on the evaluation of their construction experience, technological capability, financial condition and operational status. Only

subcontractors in a specific class commensurate with the size of the project are permitted to participate in the bidding. The Issuer uses the classified competitive bidding system for engineering and construction projects with an estimated construction cost of Won 5 billion or more and other projects for which, in the judgment of the Issuer, the classified competitive bidding system is appropriate.

- *Pre-Qualification Evaluation System.* The Issuer uses, to a limited extent, a pre-qualification evaluation system for projects that require complicated construction processes and technology. This system preselects subcontractors with certain construction capability based on the evaluation of their construction experience, technological capability, financial condition and operational status, and allows only such preselected subcontractors to participate in the bidding. The Issuer applies this system to large-scale projects with an estimated construction cost of Won 30 billion or more. Such projects include construction of garbage incinerators and sewage disposal facilities as well as bridges and tunnels.

In general, the Issuer takes responsibility for overall project management and supervision, including planning, design and quality assurance. The Issuer exercises close supervision over the work quality of its subcontractors and maintains close long-term relationships with reliable subcontractors. The Issuer annually conducts reviews of subcontractors and rewards those with outstanding performance results, while restricting submission of bids from subcontractors that have performed below standard guidelines.

Usually, 10% of the total cost of construction is paid to the subcontractors in advance of actual construction and the remaining cost of construction is paid in regular installments thereafter, at least every 30 days, based on the percentage of completion of the construction work on each payment date. The following table sets out the scale of construction projects and the number of housing units under construction managed by the Issuer as of the periods indicated.

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2019</u>
Total number of initiated housing units under construction	57,612	84,187
Total number housing units completed	65,986	53,093

Sales and Payment

The preparation steps for sales of land and housing units by way of *bunyang* are as follows:

- *Sales preparation and approval.* The Issuer determines the sales price and sales method for the property in question and confirms the necessary administrative matters.
- *Sales approval.* Once the sales preparation process is completed, the Issuer obtains approvals (i) from the MOLIT (or the mayor or the governor of the local government delegated with such authority), in the case of residential sites and housing units, or (ii) from the MOLIT and the Minister of Oceans and Fisheries (or the mayor or the governor of the local government delegated with such authority), in the case of industrial complexes.
- *Execution of sale.* The Issuer generally selects purchasers by lottery after fixing the sales prices for residential sites or units, but also uses competitive bidding or individual negotiation procedures to determine purchasers for commercial sites or units. In the case of competitive bidding and lottery, the Issuer gives public notice seven days prior to the deadline for the subscription application. In order to be eligible to participate in the public bidding process to purchase a housing unit, an applicant must be a current resident in the proposed housing development area. Housing subscription savings account holders receive priority allocation. In case of Seoul Metropolitan Area, first priority candidates are those who

maintain a subscription savings account for at least one year and have made at least 12 subscription savings payments on time. Second priority candidates are those who do not fall into the first priority. The remaining candidates are ranked equally.

- *After-sales management.* After the execution of sales, the Issuer carries out the necessary administrative matters, including, among other matters, ownership transfers, consents to usage and management of unsold land.
- *Payment method.* In the case of land sales, purchasers who pay in lump are typically required to make payments within two months. When payments are made in installments, generally, at the time of signing the purchase and sale agreement, 10% of the purchase price is paid in the form of a down-payment, and 40% is paid within three or six months, followed by a final payment of the remaining purchase price when the land becomes available for use, which is at the time of completion of construction on such land. The Issuer sells land with favorable conditions, such as long-term installment payments, for purchasers in relation to the real estate market environment. The longest payment period is five years, according to the current relevant regulations. If the purchaser cancels the contract, it forfeits the initial deposit which the Issuer is entitled to keep. In the case of sales of housing units by way of *bunyang*, purchasers typically deposit 10% of the purchase price at the time of signing the purchase agreement, 30% of the purchase price within three months of signing the contract and the remainder immediately prior to occupation of the unit.

Customers

The Issuer's key customers for land include the following:

- individuals, who purchase completed land from the Issuer and build their own properties;
- commercial developers for commercial properties, who range from small individual investors to large conglomerates, depending on the size of completed land site;
- construction companies, such as Samsung C&T Corporation, Hyundai Engineering & Construction and GS Engineering & Construction, which purchase developed land from the Issuer to construct apartment buildings for sale or for leasing purposes; and
- central and local governments which purchase or obtain developed land from the Issuer to construct public facilities, including schools, libraries and office buildings.

Pricing

General market trends

In general, land and housing prices have steadily increased in Korea during the past decade, particularly in the Seoul metropolitan area where approximately half of the total population of Korea resides.

Land Pricing

The Issuer supplies land using three types of pricing structures: (i) below development costs, (ii) at development costs and (iii) above development costs. The method of determining land pricing is governed by relevant laws and regulations. Land development costs are also determined by relevant laws and regulations. These statutory development costs differ from cost of sales or values of inventories appearing in the Issuer's financial statements for accounting purposes and include cost of acquiring land, cost of developing land sites, labor costs, selling expenses, general and administrative expenses and cost of capital. Land supplied at prices below development costs include land for rental housing units of less than 85 square meters and public school sites. Land supplied at prices equal to development costs include private school sites and land for public agency facilities. Land supplied at prices above

development costs include land for general residential housing and land for commercial facilities; for this type of land, prices are determined based on official assessment values and the land is supplied by way of open bidding or lottery.

Pricing for Housing for Sale

In setting the prices of housing units being sold by way of *bunyang*, the Issuer, in consultation with the MOLIT, considers various factors, including analysis of comparable market data in neighboring properties, private developers' *bunyang* price, real estate sales trends, demand for housing and overall housing market trends in the surrounding areas. Although *bunyang* sales prices have historically been set lower than market prices for comparable housing units in surrounding areas, the Issuer generates significant profits from its *bunyang* sales.

Determination of Rent and Key Deposit

Under Article 49 of the Special Act on Public Housing and Article 44 of the Enforcement Decree to the Act, rent and key deposit in relation to national rental housing and public rental housing, with certain exceptions, may not exceed standard rent and key deposit announced by the MOLIT. Standard rent, in accordance with the formula set by the MOLIT, is the aggregate amount of (i) depreciation cost, (ii) maintenance and repair cost, (iii) fire insurance fee, (iv) NHUF loan interest and (v) interest for self-raised funding, each calculated as stipulated in the table below.

The following table sets out details of the criteria announced by the MOLIT in connection with the determination of standard rent and key deposit for rental housing.

Formula	National Rental	Public Rental (five years)	Public Rental (10 years)
Standard key deposit:	20% of the house price (adjusted depending on size of house and location of house)	(House <i>bunyang</i> price – NHUF loan) x 50%	(House <i>bunyang</i> price – NHUF loan) x 50%
Standard rent:			
1. Depreciation cost	Useful life: 50 years, residual value: 10%, straight line method	Useful life: 40 years, straight line method	Useful life: 40 years, straight line method
2. Maintenance and repair	0.4% of construction cost	0.4% of construction cost	0.8% of construction cost
3. Fire insurance	Actual cost	Actual cost	Actual cost
4. NHUF loan interest	Actual cost	Actual cost	Actual cost
5. Interest for self-raised funding	(House price – NHUF loan – Government fiscal support – key deposit) x Kookmin Bank interest rate for one-year term deposit x 50%	(House price – NHUF loan) x Kookmin Bank interest rate for one-year term deposit x 20%	(House price – NHUF loan – key deposit) x Kookmin Bank interest rate for one-year term deposit (inclusive of certain taxes)

Subsidiaries and Affiliates

The following is a description of the Issuer's major subsidiaries and affiliates:

- Korea Housing Management Co., Ltd. (“KHMC”) was established in 1989 as a wholly owned subsidiary of the Issuer. KHMC engages in the rental housing management business for permanent rental housing units and public rental housing units with lease terms of five or 10 years, built and supplied by the Issuer. As of June 30, 2020, the assets, liabilities and shareholders' equity of KHMC amounted to Won 136 billion, Won 119 billion and Won 16 billion, respectively. For the years ended December 31, 2018 and 2019, the Issuer paid KHMC management fees of Won 47 billion and Won 50 billion, respectively.
- The Issuer owns 38.57% of Korea Construction Management Corporation (“KCM”), which was established in 1999 to implement the Government's policy to enhance standards of construction work supervision. KCM engages in the supervision of construction works undertaken by third-party construction companies and aims to control the quality of the

construction projects. For the years ended December 31, 2018 and 2019 and the first half of 2020, the Issuer paid KCM construction supervisory fees of Won 3.6 billion, Won 1.9 billion and Won 0.4 billion, respectively.

For further description of the Issuer's subsidiaries, affiliates and related party transactions, see Notes 1(2), 16 and 52 of each of the notes to the audited financial statements of the Issuer as of and for the years ended December 31, 2019 and 2018 and and Notes 1(1), 9 and 28 of the notes to the reviewed financial statements of the Issuer as of June 30, 2020 and for the six months ended June 30, 2019 and 2020 included in the Offering Circular.

Competition

With regard to residential development projects, under the Housing Site Development Promotion Act, only certain entities, including the Government, local governments, the Issuer and local government-owned enterprises (collectively, the "Public Originators") and joint venture companies established from contributions by the Public Originators, as well as companies registered as housing construction project originators permitted to engage in residential development projects under the Housing Act, are eligible to be designated as project originators. Private developers are not so eligible due to their inability to exercise expropriation rights and limitations on their ability to carry out Government mandates. Currently, the Issuer, local governments and local government-owned enterprises are acting as project originators for public residential development projects. The Issuer engages in both housing development and all aspects of land development. Local governments and local government-owned enterprises are restricted to developing in their local areas and have limited funding capabilities. As a private corporation cannot be a project originator for public residential development projects pursuant to the Housing Site Development Promotion Act, private corporations can only act as subdevelopers or subcontractors for construction projects.

With regards to industrial complex development, the Issuer is the sole project originator for all national industrial complex sites, which are industrial complex sites designated by the Minister of Land, Infrastructure and Transport as part of the development of the national core industry and high technology industry or the development of underdeveloped areas. There are a number of small project originators that construct small regional industrial sites, in which the Issuer does not participate. In general, given the broad mandate conferred on the Issuer by various statutes, including the LH Act and the Housing Site Development Promotion Act, the Issuer believes that it does not face any serious competition from its public or private competitors in the near future.

With regards to housing construction and supply, private corporations focus on markets for *bunyang* housing larger than 85 square meters, while the Issuer focuses on rental housing and, until recently, *bunyang* housing smaller than 85 square meters. Accordingly, the competition between the Issuer and private corporations has been limited.

While the Government lifted most restrictions on ownership of real estate property by foreigners, considering Korea's complex land acquisition system and regulations as well as the Issuer's public functions, the Issuer has not faced, and does not believe that it will face, any serious competition from foreign private developers in the near future.

Employees

As of June 30, 2020, the Issuer had a total of 9,569 employees, which include full-time and part-time employees, and 721 temporary employees.

The Issuer grants its employees annual increases in basic wages and semi-annual bonuses in accordance with the wage guidelines set by the Government. Under the guidelines applicable to Public Enterprises pursuant to the Act on the Management of Public Institutions, the Issuer may increase average wages up to 2.8% on a year-on-year basis for 2020. Although the Issuer is not obligated to

follow these Government-issued guidelines, it is the Issuer's policy to increase its budget for labor cost within these guidelines. Wages increased by an average of 2.4% and 1.5% in 2018 and 2019, respectively, in accordance with the Government guidelines then in effect.

The Issuer provides its employees with the national pension plan and medical insurance and subsidizes half of the employee's contributions to the national pension plan and medical insurance. In addition, the Issuer provides other benefits such as company housing, low-interest housing loans and high-school and university tuition support.

As of December 31, 2019, almost all of the Issuer's eligible employees were members of the Issuer's labor union, which had consolidated into a single labor union in March 2019 from three labor unions. The Issuer negotiates a collective bargaining agreement every two years, except for wages, which are negotiated every year. The current collective bargaining agreement is expected to expire on March 31, 2021.

Pursuant to applicable Korean law, an Employee-Employer Cooperation Committee, which is composed of three to ten representatives of management and three to ten union employee representatives, is required to be, and has been, established. The Committee meets periodically to discuss various labor issues. To date, the Issuer has never experienced a work stoppage. The Issuer considers its relations with the labor union to be good.

Insurance

The Issuer believes that its properties are covered by adequate business compensation responsibility insurance, general fire insurance and general personal property insurance provided by reputable insurance companies with commercially reasonable deductibles and limits. The Issuer does not have insurance coverage for natural disasters.

Environment

The Issuer believes that it is in compliance in all material respects with applicable environmental laws and regulations. It is the Issuer's policy to implement environment-friendly housing construction and development policies and techniques. The Issuer received an ISO 9001/14001 rating relating to its quality guarantee in 1996, which was last renewed in 2018. In addition, in 2004, the Government authorized the Issuer as one of the official test facilities of Volatile Organic Compounds and formaldehyde from building materials. Below is a list of environmental laws to which the Issuer is currently subject to:

- The Framework Act on Environmental Policy;
- The Clean Air Conservation Act;
- The Water Environment Conservation Act;
- The Noise and Vibration Control Act;
- The Construction Waste Recycling Promotion Act;
- The Environmental Impact Assessment Act;
- The Soil Environment Conservation Act; and
- The Environmental Dispute Adjustment Act.

Research and Development

The Issuer conducts its research and development activities (mainly relating to land, housing and urban development) primarily through the Land, Housing and Urban Research Institute, which is located in Daedeok, Daejeon. This institute performs theoretical and practical research on a variety of subjects, including national territorial development policies related to land and housing as well as urban planning, and provides technological support in relation to civil engineering, construction and environmental issues. In addition, the Issuer operates its own university, LH University, to foster development of technical expertise among its employees in various subject areas, including land development and housing construction.

Legal Proceedings

The Issuer is subject to lawsuits and legal actions in the ordinary course of its land, housing and urban development activities and other activities. As of June 30, 2020, the Issuer was a defendant in 788 lawsuits for claimed damages of approximately Won 810 billion in the aggregate and has set aside legal reserves in the amount of Won 244 billion.

The majority of these legal proceedings relate to property owners, whose property has been appropriated under eminent domain in land development projects, initiating legal proceedings against the Issuer for additional compensation. The Issuer does not believe that any such lawsuits or legal actions, individually or in the aggregate, will have a material adverse effect on the Issuer's results of operations or financial position.

MANAGEMENT

Directors and Executive Officers

Under Articles 17 and 18 of the Act on the Management of Public Institutions and the Articles of Incorporation of the Issuer, the management of the Issuer is vested in the Board of Directors, which consists of up to 15 directors, including the president but excluding the auditor. The Board of Directors is composed of standing directors and non-standing directors. The number of standing directors (including the president) must be fewer than one-half of the total number of directors. Currently, the Issuer’s Board of Directors consists of seven standing directors including the Issuer’s president and eight non-standing directors. For a discussion of the supervision of the Issuer by the Government and reporting obligations of the Issuer to the Government, see “*Relationship with the Government.*”

The president of the Issuer serves as the Issuer’s chief executive officer, represents the Issuer and administers the Issuer’s business in all matters not specifically designated as responsibilities of the Board of Directors. The Issuer’s president is responsible for the results of the management of the Issuer. The Issuer’s president is appointed and removed by the President of Korea. When the Issuer’s president is to be appointed, the ERC consisting of, among others, non-standing directors of the Issuer, goes through the process of recommending candidates for the position to the Minister of Land, Infrastructure and Transport.

Each director is responsible for reviewing the proposed agenda and participating in the voting process. Standing directors also serve as executive officers of the Issuer. Standing directors are appointed and removed by the president of the Issuer upon the recommendation of the ERC. Non-standing directors are appointed and removed by the Minister of Economy and Finance, after resolution by the PAMC upon the recommendation of the ERC.

The Act on the Management of Public Institutions and the Articles of Incorporation of the Issuer also require the Issuer to establish an Audit Committee as a committee of the Board of Directors. The Audit Committee is comprised of three members, of whom two members must be non-standing directors. The principal function of the Audit Committee is to conduct internal review of the Issuer’s operations and accounting, and to present its opinion to the Board of Directors, thereby ensuring the independence and professionalism of the Issuer.

The Issuer’s standing member of the Audit Committee is appointed by the President of Korea upon the motion of the Minister of Economy and Finance after resolution by the PAMC upon the recommendation of the ERC. The standing member of the Audit Committee is also a member of the Board of Directors.

The table below sets out the names, titles and, in the case of the Issuer’s outside directors, outside occupations of the Issuer’s present directors and the dates of their respective appointment.

<u>Name</u>	<u>Age</u>	<u>Title</u>	<u>Outside Occupation</u>	<u>Position Held Since</u>
Byeon, Chang Heum . . .	55	President, CEO and Representative Director	None	April 29, 2019
Heo, Jeong Do	67	Standing Director and Standing Auditor	None	March 9, 2018
Baek, Kyunghun	58	Standing Director and Vice President, Planning & Finance Division	None	August 29, 2018
Chang, Choongmo	56	Standing Director and Vice President, Administration Innovation Division	None	February 15, 2020
Seo, Changwon	56	Standing Director and Vice President, Housing Welfare Division	None	August 5, 2019
Han, Byoung Hong	56	Standing Director and Vice President, Smart City Division	None	August 5, 2019

<u>Name</u>	<u>Age</u>	<u>Title</u>	<u>Outside Occupation</u>	<u>Position Held Since</u>
Kwon, Hyeok Rye	56	Standing Director and Vice President Public Housing Division	None	April 14, 2020
Ha, Sung Kyu	73	Senior Non-Standing Director	Director of Korea Research Institute of Housing Management and Emeritus Professor at Chung-Ang University	November 7, 2018
Kim, Jung Ho	54	Non-Standing Director	Secretary General of International e-Sports Federation for the Differently Abled and Executive Director of Korea e-Sports Federation for the Differently Abled	April 4, 2018
Yoon, Seok In	61	Non-Standing Director and Member of Audit Committee	Vice President of The Hope Institute, Ombudsman of Seongnam City and Outside Director of Kyung Hee University System	July 16, 2018
Lee, Sang Jin	48	Non-Standing Director and Member of Audit Committee	Executive Director of Seil Accounting Corporation	July 16, 2018
Choi, Mi Ra	46	Non-Standing Director	Head Attorney of Dasom Law, Member of Administrative Judgment Review Committee of Incheon City, Member of Foreign Affairs Cooperation Committee of Incheon Metropolitan Police Agency and Director of Siheung Women's Hotlines	July 16, 2018
Jang, Mi Hyun	42	Non-Standing Director	Head of Gender & Space Research Institute	July 16, 2018
Chun, Sook Hee	45	Non-Standing Director	Representative Director of WISE Architecture	March 21, 2019
Yoon, Jae Eun	59	Non-Standing Director	Professor of Architecture at Graduate School of Techno Design, Kookmin University, Member of the Operations Committee of the National Museum of Korea and Vice President of Cultural Consolidation Committee of the Korean Institute of Spatial Design	July 22, 2020

Byeon, Chang Heum has served as the President, CEO and Representative Director since April 29, 2019. Mr. Byeon previously served as professor of public administration at Sejong University, president of Sejong University Graduate School of Public Policy and president of Seoul Housing & Communities Corporation. Mr. Byeon received his B.A. in economics from Seoul National University, master's degree in urban planning from Seoul National University Graduate School of Environmental Studies and doctorate degree in public administration from Seoul National University Graduate School of Public Administration.

Heo, Jeong Do has served as the Standing Director and Standing Auditor since March 9, 2018. Mr. Heo previously served as the representative director of Architect's Group Seo Jin and adjunct professor of architecture at Changwon National University. Mr. Heo received his bachelor's degree in architectural engineering from Pukyong National University, master's degree in architecture from Yonsei Graduate School of Engineering and doctorate degree in architecture from University of Ulsan Graduate School.

Baek, Kyunghun has served as the Standing Director and Vice President, Planning & Finance Division since August 29, 2018. Mr. Baek previously served as the Director, Seoul Headquarters and Director, Planning & Coordination Office under the Planning & Finance Division. Mr. Baek received his bachelor's degree in accounting from Dongguk University.

Chang, Choongmo has served as the Standing Director and Vice President, Administration Innovation Division since February 15, 2020. Mr. Chang previously served as the Director, Gyeonggi Headquarters, Director, Planning & Coordination Office and Director, General Project Planning Office under the Planning & Finance Division. Mr. Chang received his bachelor's degree in statistics from Konkuk University and master's degree in regional development studies from Kyungwon University.

Seo, Changwon has served as the Standing Director and Vice President, Housing Welfare Division since August 5, 2019. Mr. Seo previously served as the Director, Legal Affairs Office under the Administration Innovation Division. Mr. Seo received his bachelor's degree in public administration from Jeonbuk University and master's degree in urban and real estate development from Dankook University.

Han, Byoung Hong has served as the Standing Director and Vice President, Smart City Division since August 5, 2019. Mr. Han previously served as the Vice President, Urban Regeneration Division and Director, Daegu & Gyeongbuk Headquarters. Mr. Han received his bachelor's degrees in civil engineering from Yeungnam University and master's degree in regional development studies from Kyungwon University.

Kwon, Hyeok Rye has served as the Standing Director and Vice President, Public Housing Division since April 14, 2020. Mr. Kwon previously served as Vice President, Hwaseong Project Division and Director, Construction Management Office under the Construction Technology Division. Mr. Kwon received his bachelor's degree and master's degree in architecture from Chung-Ang University.

Ha, Sung Kyu has served as the Non-Standing Director since November 7, 2018. Mr. Ha currently serves as the director of Korea Research Institute of Housing Management and emeritus professor of urban planning and real estate at Chung-Ang University. He previously served as the vice president of Chung-Ang University and president of Korean Association for Housing Policy Studies. Mr. Ha received his bachelor's degree in English language and literature from Keimyung University, master's degree in urban and regional planning from Seoul National University and doctorate degree in urban and regional planning from University of London.

Kim, Jung Ho has served as the Non-Standing Director since April 4, 2018. Mr. Kim currently serves as the secretary general of International e-Sports Federation for the Differently Abled and executive director of Korea e-Sports Federation for the Differently Abled. He previously served as the operations committee head of community enterprise Hoehyeondang.

Yoon, Seok In has served as the Non-Standing Director since July 16, 2018. Mr. Yoon currently serves as the vice president of The Hope Institute, ombudsman of Seongnam City and outside director of Kyung Hee University System. He previously served as the head of the management planning office of The Hankyoreh. Mr. Yoon received his bachelor's degree in religious studies from Seoul National University, master's degree in philosophy from Graduate School of Wonkwang University and doctorate degree in Buddhist studies from Graduate School of Wonkwang University.

Lee, Sang Jin has served as the Non-Standing Director since July 16, 2018. Mr. Lee currently serves as the executive director of Seil Accounting Corporation. He previously served as a certified public accountant at DoOne Accounting Corporation and Gwang Gyo Accounting Corporation. Mr. Lee received his bachelor's degree in business administration from Yeungnam University and master's degree in tax studies from Hongik University Graduate School of Business.

Choi, Mi Ra has served as the Non-Standing Director since July 16, 2018. Ms. Choi currently serves as the head attorney of Dasom Law, member of the Administrative Judgment Review Committee of Incheon City, member of the Foreign Affairs Cooperation Committee of Incheon Metropolitan Police Agency and director of Siheung Women's Hotlines. She received her bachelor's degree in law from Sookmyung Women's University.

Jang, Mi Hyun has served as the Non-Standing Director since July 16, 2018. Ms. Jang currently serves as the head of Gender & Space Research Institute, member of the Central Urban Planning Committee of the MOLIT and director of Urban Design Institute of Korea. She previously served as member of the Policy Advisory Committee of the Ministry of Gender Equality and Family. She received her bachelor's, master's and doctorate degrees in architecture from Ewha Womans University.

Chun, Sook Hee has served as the Non-Standing Director since March 21, 2019. Ms. Chun currently serves as the representative director of WISE Architecture. She previously worked at Gwathmey Siegel & Associates Architects in New York. Ms. Chun received her bachelor's degree in architecture from Ewha Womans University and master's degree in architecture from Princeton University.

Yoon, Jae Eun has served as the Non-Standing Director since July 22, 2020. Mr. Yoon currently serves as the professor of architecture at Graduate School of Techno Design, Kookmin University, member of the Operations Committee of the National Museum of Korea and the vice president of Cultural Consolidation Committee of the Korean Institute of Spatial Design. Mr. Yoon received his bachelor's degree in Industrial Design from Hongik University, master's degree in interior design from Pratt Institute and doctorate degree in architecture from Hongik University.

Compensation of Directors and Executive Officers

The aggregate amount of remuneration paid and accrued to the directors and executive officers, including the Standing Auditor, as a group was Won 960 million and Won 999 million in 2018 and 2019, respectively.

Board Practices

The term of the president is three years and the terms of the other directors are two years. As permitted by law in Korea, the Issuer's board does not maintain a remuneration committee.

SHARE OWNERSHIP

Share Ownership

The following table sets out certain information relating to the equity ownership of the Issuer as of June 30, 2020.

<u>Name of Shareholder</u>	<u>Issued Capital</u>	<u>Ownership</u>
	<i>(in billions of Won, except percentages)</i>	
Ministry of Land, Infrastructure and Transport	₩18,285	52.0%
Ministry of Economy and Finance	12,382	35.2
The Korea Development Bank	3,732	10.6
The Export-Import Bank of Korea	739	2.1
Total ⁽¹⁾	<u>₩35,138</u>	<u>100.0%</u>

Note:

(1) Since June 30, 2020, the Government has made additional capital contributions of Won 353 billion.

Dividends

The Issuer paid dividends to the shareholders in the amounts of Won 389 billion and Won 452 billion with respect to the profit earned during the fiscal years ended December 31, 2018 and 2019, respectively.

REGULATION

The Issuer was established under the LH Act and remains subject to the rules and regulations of LH Act and other acts governing the housing industry such as the Housing Act and the Housing Site Development Promotion Act.

LH Act

According to the LH Act, the Issuer's objective is to advance the national economy by enhancing housing quality for Korean citizens and promoting efficiency in land use. In order to achieve this objective, the Issuer engages and will engage in activities related to the acquisition, development, stockpiling and supply of land, urban development and renewal and construction, supply and management of residential buildings.

More specifically, the Issuer engages or will engage in the following activities:

- (i) the following activities relating to the acquisition, etc. of land:
 - acquisition, development, stockpiling, management, supply and lease of land;
 - management of land bank account, establishment of land reservation plan, reservation, maintenance and supply of reservation land and other related businesses pursuant to the Public Land Reservation Act; and
 - purchase of land and construction pursuant to the Special Act on the Creation and Development of Innovative City;
- (ii) the following activities relating to the development of land and cities:
 - development of land zones for construction of housing or industrial facilities and of land zones for development of public facilities as defined in the Enforcement Decree of the LH Act;
 - urban development, urban regeneration and renewal of cities and residential areas;
 - construction of complexes having either a residential, industrial, educational, research, cultural, tourism, recreational, administrative, telecommunication technology, welfare or distribution function or of residential complexes or multi-complexes with comprehensive development plans for infrastructure and other facilities;
 - land reclamation;
 - South and North Korean economic cooperation;
 - Pre-sales by way of *bunyang* of land-leasehold housing units, which are housing units for which the title to the underlying land belongs to the developer and the ownership of the housing unit is held by the purchaser; and
 - supply of community energy;
- (iii) construction, renovation and refurbishment, purchase, reservation, supply, lease and management of housing;
- (iv) construction, renovation and refurbishment, supply and management of public buildings;
- (v) activities relating to providing housing-related assistance and related welfare assistance;

- (vi) consignment of sales and management of land;
- (vii) all other activities the Issuer is permitted to perform under the Housing Act, the Housing Site Development Promotion Act, the Urban Development Act, the Regional Development Assistance Act, the Industrial Sites and Development Act, the Public Land Reservation Act, the Special Act on Public Housing and other laws;
- (viii) construction and supply of facilities and amenities to promote public welfare (such as parks, playgrounds, parking lots and senior citizens centers, among others) facilities, pursuant to items (i) through (v), and (vii) above, as described in the Enforcement Decree of the LH Act;
- (ix) in connection with the aforementioned activities, any investigation, research, test, development of technology, development of material, designing, supervision, information management and any service related thereto;
- (x) performance of activities described under items (i) through (iii), (v), and (vii) through (ix) above which are delegated by the national or a local government or a “public institution” as defined in the Special Act on Balanced National Development; and
- (xi) activities incidental or ancillary to the ones described in the foregoing items (i) through (x) above.

The LH Act provides that the Issuer’s authorized capital is Won 40 trillion, and that all of the Issuer’s capital is to be contributed by the Government. In addition, the LH Act and the Enforcement Decree thereof provides regulations with regard to bonds issued by the Issuer, including the following:

- (i) the Issuer may issue bonds up to an amount not exceeding five times the Issuer’s paid-in capital and reserves with a resolution of the board of directors of the Issuer;
- (ii) the statute of limitations for claims on the payment of principal and the interest due under the bonds issued by the Issuer is five years and three years, respectively;
- (iii) the Government may guarantee the repayment of the principal of and interest on bonds issued by the Issuer; and
- (iv) the Issuer must establish an annual plan for issuance of bonds each year which must be approved by its board of directors and further approved by the Minister of Land, Infrastructure and Transport.

Under the LH Act, the Issuer, if it records any profit at the end of any fiscal year, is required to allocate its profit in the following order: (i) set-off of any previous losses carried forward; (ii) creation of profit reserves in an amount equal to two-tenths or more of the profit for the relevant fiscal year (until such time as the total reserves reach the amount equal to one half of the paid-in capital of the Issuer); (iii) creation of business expansion reserves in an amount equal to two-tenths or more of the profit for the relevant fiscal year (until such time as the total reserves reach the amount equal to the paid-in capital of the Issuer); (iv) creation of land bank reserves in an amount equal to four-tenth or more of the profit for the relevant fiscal year (until such time as the total reserves reach the amount equal to the paid-in capital of the Issuer) and (v) pay into the National Treasury. In case the Issuer records any loss in any fiscal year, such loss is offset by drawing from its business expansion reserves. If the business expansion reserves are insufficient to make up for the loss, then the remaining loss is to be compensated by drawing from the profit reserves. If there still remains any loss due to insufficient profit reserves, under the LH Act the Government is required to provide a subsidy to mitigate such loss; *provided, that* such subsidy shall be limited only with respect to losses incurred by the public housing project under the Special Act on Public Housing, industrial site development projects under the Industrial Sites and Development Act, public housing management projects under the Special Act on

Public Housing, urban development construction projects for the Multi-functional Administrative City under the Special Act on the Construction of Multi-functional Administrative City in Yeongi-Gongju Area for Follow-up Measures for New Administrative Capital and urban development projects under the Special Act on the Creation and Development of Innovative City.

The Minister of Land, Infrastructure and Transport supervises the appropriateness of the business operated by the Issuer as well as the results of operations of the Issuer.

In addition, the LH Act provides that the loans provided to the Issuer from the Government, including the loans provided by the NHUF under the National Housing and Urban Fund Act, shall be subordinated to the other payment obligations of the Issuer.

The Act on the Management of Public Agencies

The Act on the Management of Public Agencies regulates certain general matters relating to the Issuer such as obligations to report business performance, procedures for enacting and amending articles of incorporation, process of forming boards of directors and issuing resolutions, appointment and removal of officials, duties of officials, budgeting, submission of financial statements, disclosure of business and inspection of operations and management of Government-controlled institutions, including the Issuer.

The President of the Issuer, who serves as the Issuer's chief executive, is nominated by the ERC that consists of several non-standing directors and several private citizens recommended by the board of directors. The ERC recommends a pool of candidates, which is then deliberated by the PAMC. After the deliberation and upon recommendation by Minister of the MOLIT, the President is appointed by the President of Korea.

The President must enter into a management contract with the MOLIT pursuant to which the President must meet a certain minimum level of performance each year.

Other than the President, the standing directors are appointed by the President upon the recommendation of the ERC. The standing directors assist the President and act on his behalf when the President is unable to act.

The Issuer's standing member of the Audit Committee is appointed by the President of Korea upon the motion of the Minister of the MOEF after resolution by the PAMC upon the recommendation of the ERC. The standing member of the Audit Committee is also a member of the Board of Directors.

The non-standing directors are appointed by the Minister of the MOEF, after deliberation by the PAMC among a pool of candidates recommended by the ERC.

Other Laws and Regulations Relating to the Issuer's Business and Operations

The Issuer is subject to the following and other laws and regulations that regulate its business and operations:

The Housing Act. As an operator of land and housing development projects, the Issuer must comply with the Housing Act, which prescribes construction, supply and management of housing to meet the public demand and sets out the funding means and operations required to achieve such objectives. Under the Housing Act, the Issuer shall implement the housing construction project or the housing site preparation project under conditions determined by the comprehensive housing plan based on the Framework on the National Land. Also, the Issuer may deposit its fund in the NHUF when deemed necessary to promote the national housing projects, notwithstanding the LH Act.

The Housing Site Development Promotion Act. As a developer of residential sites, the Issuer must comply with the Housing Site Development Promotion Act, which encourages stability in national housing supply and promotes public welfare.

The National Land Planning and Utilization Act. As an operator of urban planning projects, the Issuer must comply with the National Land Planning and Utilization Act, which stipulates planning and execution details of developing, utilizing and preserving the national territory of Korea.

The Act on Report of Real Estate Transactions, Etc. Under the act, permission from a mayor or governor, as the case may be, must be sought to purchase land in certain restricted areas. However, when the agreement to purchase land in a restricted area is made between the Issuer and the mayor or governor of the restricted area, such permission shall be deemed to have been granted.

The Urban Development Act. As an entity authorized to perform urban development activities, the Issuer must comply with the Urban Development Act, which regulates matters necessary for such activities including execution of urban development projects.

The Act on Maintenance and Improvement of Urban Areas and Dwelling Conditions for Residents. As an entity authorized to perform such activities as improving dwelling conditions, redeveloping old or defective housing, rebuilding old or defective housing and reorganizing an urban environment, the Issuer must comply with the Act on Maintenance and Improvement of Urban Areas and Dwelling Conditions for Residents, which regulates plans for restoring low-quality residential housing. The Issuer may be obliged to acquire rental housing built by the redevelopment project of old or defective housing, and the Government may aid the financing of the fund required therefor.

The Special Act on Private Rental Housing. As a developer and supplier of land, the Issuer must comply with the Special Act on Private Rental Housing, which governs construction, supply and management of private rental housing and sets forth requirements for the rental housing business.

The Special Act on Public Housing previously, *the Special Act on the Construction of Public Housing.* As a builder and manager of housing and site development projects, the Issuer must comply with the Special Act on Public Housing, which promotes construction of public rental housing and housing units to be presold by way of *bunyang* for the benefit of low-income households. The Issuer shall acquire approval by MOLIT of each public housing project, and certain charges that are imposed on the public housing project including development charges, farmland conservation charges, metropolitan transport charges and traffic induction charges may be abated or exempted under the relevant laws and regulations.

The Industrial Sites and Development Act. As a developer of industrial site development projects, the Issuer must comply with the Industrial Sites and Development Act, which promotes efficient supply of industrial sites and appropriate placement of industry. The Issuer is also subject to a number of environmental laws and regulations. For further description, see “*Business–Environment.*”

KOREAN TAXATION

The following summary contains a description of certain Korean tax consequences of the ownership and disposition of Notes, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or dispose of Notes. This summary is based on the Korean tax laws in force on the date of the Offering Circular (which are subject to change and which changes may have retroactive effect), and does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the laws of Korea.

Prospective purchasers of Notes should consult their own tax advisers as to the Korean or other tax consequences of the ownership and disposition of Notes, including the effect of any foreign, state or local tax laws.

The taxation of non-resident individuals and non-Korean corporations generally depends on whether they have a “Permanent Establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such relevant Korean source income is effectively connected. Non-residents without such a Permanent Establishment in Korea (“Non-Residents”) are taxed in the manner described below. Non-residents with such Permanent Establishment are taxed in accordance with different rules.

Income Tax and Corporation Tax on Interest

Interest on the Notes paid to Non-Residents is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the “STTCL”), subject to the tax consequences with respect to Index Linked Notes set out in the applicable Pricing Supplement, provided that the Notes are “foreign currency denominated bonds” issued outside of Korea under the STTCL. The term “foreign currency denominated bonds” in this context is not defined under the STTCL. In this regard, the Korean tax authority issued an authoritative ruling to the effect that “Notes Issuance Facility, USCP, Euro CP and Banker’s Acceptance, etc.” are not treated as “foreign currency denominated bonds.”

If not exempt under the STTCL, the rate of income tax or corporation tax applicable to interest or any premium on the Notes, for a Non-Resident, is currently 14%. In addition, a tax surcharge, called a local income tax, is imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax rates may be reduced by applicable tax treaty, convention or agreement between Korea and the country of the recipient of the interest. The relevant tax treaties are discussed below. Effective July 1, 2012, in order to obtain the benefit of the reduced withholding tax rates available under the relevant tax treaties, a Non-Resident holder should submit an application for entitlement to reduced tax rate to the payor of the interest.

In order to obtain the benefit of a tax exemption available under applicable tax treaties, a Non-Resident holder should submit an application for exemption to the payor of the interest, together with a certificate of the Non-Resident holder’s tax residence issued by a competent authority of the Non-Resident holder’s residence country. The payor of the interest is required to submit the application for exemption together with the certificate of the Non-Resident holder’s tax residence to its district tax office no later than the ninth day of the month following the month in which the interest is paid. However, this requirement does not apply to exemptions under Korean tax law.

Index Linked Notes

A detailed description of the tax considerations relevant to Index Linked Notes will be provided in the applicable Pricing Supplement.

Capital Gains Tax

The Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident from the sale of Notes to another non-resident (other than to the other non-resident's Permanent Establishment in Korea). In addition, capital gains earned by a Non-Resident from the transfer outside Korea of the Notes are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance.

In the absence of an applicable tax treaty or any other special tax laws reducing or eliminating the capital gains tax, the applicable rate of tax is the lower of 11% (including local income tax) of the gross realization proceeds (the "Gross Realization Proceeds") and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transfer cost of the relevant Notes) 22% (including local income tax) of the gain made. There is no provision under the relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of securities of Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from the tax under an applicable tax treaty, in the absence of the seller producing satisfactory evidence of his or her acquisition cost and certain direct transfer cost in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the Gross Realization Proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the relevant Korean tax authority no later than the tenth day of the month following the month in which the sale of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time technically subjects the purchaser or the withholding agent to penalties under Korean tax laws and a Non-Resident who is liable for payment of any Korean tax on gains, either as a seller of Notes or as a purchaser or the withholding agent who is obliged to withhold such tax, is subject to the Korean tax authorities seeking enforcement through attachment of, or other legal proceedings against, payments due to it from its Korean investments and to enforcement against the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

In addition, in order to obtain the benefit of a tax exemption available under applicable tax treaties, a Non-Resident holder should submit to the purchaser or the withholding agent an application for exemption, together with a certificate of the Non-Resident holder's tax residence issued by a competent authority of the Non-Resident holder's residence country. The purchaser or the withholding agent is required to submit the application for exemption together with the certificate of the Non-Resident holder's tax residence to its district tax office no later than the ninth day of the month following the month in which sale proceeds are paid. However, this requirement does not apply to exemptions under Korean tax law.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his or her death he or she was domiciled in Korea or had resided in Korea for at least 183 days immediately prior to his or her death and (b) all property located in Korea which passes on death (irrespective of the domicile or residence of the deceased). Gift tax is imposed under similar circumstances as aforementioned at the time the gift is made. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50% according to the value of the property and the identity of the parties involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under the Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisers regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by Non-Resident holders of Notes in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Issuer. A securities transaction tax will not be imposed on the transfer of Notes.

Tax Treaties

At the date of the Offering Circular, Korea has tax treaties with *inter alia* Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on interest is reduced, generally to between 5% and 16.5% (13.2% under the treaty with the United States) (including local income surtax), and the tax on capital gains is often eliminated (as it is generally under the treaty with the United States).

Each Non-Resident holder should enquire for himself whether he is entitled to the benefit of a tax treaty. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer a certificate as to his or her residence. In the absence of sufficient proof, the Issuer must withhold taxes in accordance with the above discussion.

Withholding and Gross-up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes, the Issuer has agreed, subject to certain customary exceptions, to pay such additional amounts as may be necessary in order that the net amounts received by the Noteholder after such withholding or deduction shall equal the respective amounts received by the Noteholder in the absence of such withholding or deduction.

BOOK-ENTRY CLEARANCE SYSTEMS

This section includes provisions applicable to Rule 144A Global Notes and Definitive IAI Registered Notes in case the Program and the related offering circular are amended to permit such notes to be issued under the Program. The Notes offered or sold pursuant to the Offering Circular may be offered and sold only to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended.

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the “Clearing Systems”) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arranger, any Dealer nor any party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “Rules”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“DTC Notes”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“Owners”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions.*"

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in Respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The

ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions*,” cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian (“Custodian”) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated program agreement dated July 11, 2017, as supplemented by the first supplement to the program agreement dated July 5, 2019 and the second supplement to the program agreement dated October 16, 2020 and as further amended, supplemented and/or restated from time to time (the “Program Agreement”), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase or procure purchasers for Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*.” In the Program Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilization activities are subject to certain prescribed time limits in certain jurisdictions.

General

Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefor. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Certain Relationships

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and its affiliates in the ordinary course of their business. The Dealers or certain of their affiliates may place an order for, or purchase, the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution and the size of such order, purchase or allocation may be material.

The Dealers or their respective affiliates may purchase the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or its subsidiaries or associates, at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which the Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (“Regulation S Notes”) each Dealer has represented and agreed that it will not offer, sell or deliver such Regulation S Notes as part of their distribution at any time. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period (other than resales pursuant to another exemption from the registration requirements of the Securities Act) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The minimum aggregate principal amount of Notes is US\$200,000 (or the approximate equivalent thereof in any other currency).

Each issuance of Index Linked, Commodity Linked or Currency Linked Notes may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of Sales to EEA and UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable,” each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes

which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area (“EEA”) or in the United Kingdom. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”); and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable,” in relation to each Member State of the European Economic Area and the United Kingdom (each, a “Relevant State”), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a “qualified investor” as defined in the Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, (a) the expression “an offer of Notes to the public” in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, and (b) the expression “Prospectus Regulation” means Regulation (EU) 2017/1129, as amended.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the UK Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the “FIEA”). Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that the Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale,

or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the (WUMP)O; and
- (b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if

permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO Kong and any rules made under the SFO.

Korea

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that:

- (a) it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Notes in Korea, or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea), except as otherwise permitted by applicable Korean laws and regulations; and
- (b) any securities dealer to whom each Dealer and each further dealer may sell the Notes will agree that it will not offer any Notes, directly or indirectly, in Korea, or to any resident of Korea, except as permitted by applicable Korean laws and regulations, or to any other dealer who does not so represent and agree.

Transfer Restrictions

As a result of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered pursuant to the Offering Circular.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act. Terms used in this section are defined in Regulation S.

Each purchaser of the Notes hereunder will be deemed to have represented and agreed as follows:

- (1) the purchaser has offered or sold the Notes, and will offer and sell the Notes, as part of the purchaser’s distribution at any time, only to, or for the account or benefit of, persons who are not U.S. persons (as defined in Rule 902 of the Securities Act) in offshore transactions outside the United States in accordance with Regulation S under the Securities Act, and the purchaser, the purchaser’s Affiliates (and any persons acting on behalf thereof) have complied, and will comply, with the offering restrictions requirements of Regulation S;
- (2) the purchaser agrees that neither the purchaser nor any of the purchaser’s Affiliates (or any persons acting on behalf thereof) has engaged, or will engage, in any “directed selling efforts” within the meaning of Regulation S under the Securities Act in connection with the offering of the Notes;
- (3) the purchaser acknowledges that until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States or to any non-U.S. person by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act;

- (4) at or prior to the confirmation of sale of any Notes sold in reliance on Regulation S, the purchaser will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

THE NOTES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS AS PART OF THEIR DISTRIBUTION AT ANY TIME, EXCEPT IN ACCORDANCE WITH REGULATION S. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S;

- (5) Prior to or simultaneously with the confirmation of sale by the purchaser to any subsequent purchaser of any of the Notes purchased by the purchaser from the Issuer pursuant hereto, the purchaser shall have furnished to that subsequent purchaser a copy of the Offering Circular (and any amendment or supplement thereto that the Issuer shall have furnished to the purchaser prior to the date of such confirmation of sale); and
- (6) the Notes will bear legends to the following effect, unless the Issuer determines otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM TO KOREA LAND & HOUSING CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE BANK OF NEW YORK (NOMINEES) LIMITED OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM (AND ANY PAYMENT IS MADE TO THE BANK OF NEW YORK (NOMINEES) LIMITED OR TO SUCH OTHER ENTITY AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF EUROCLEAR AND CLEARSTREAM), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, DB NOMINEES (HONG KONG) LIMITED, HAS AN INTEREST HEREIN.

Transfer Restrictions under Korean Laws and Regulations

Each purchaser of the Notes, by accepting delivery of the Offering Circular, will be deemed to have acknowledged, represented and agreed as follows:

THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND ITS ENFORCEMENT DECREE), EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

Transfer Restrictions under the Laws of Singapore

Where the Notes are initially subscribed or purchased by (i) an institutional investor under Section 274 of the SFA, or (ii) a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, the Notes may only be sold or transferred: (a) at any time, to an institutional investor under Section 274 of the SFA; (b) at any time, to a relevant person defined in Section 275(2) of the SFA or to any person pursuant to an offer referred to in Section 275(1A) of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

GENERAL INFORMATION

Authorization

The establishment of the Program has been duly authorized under the articles of incorporation and by a resolution of the Board of Directors of the Issuer and an authorization of the Issuer's representative director. Each issue of Notes under the Program will be authorized by the Board of Directors at the time of issue or by the representative director of the Issuer when delegated by the Board of Directors of the Issuer to approve the issue of the Notes within one year specifying the total amount to be issued and type of Notes.

Listing of Notes on the Singapore Stock Exchange

Approval in-principle has been received from the Singapore Stock Exchange in connection with the Program and application will be made for the listing and quotation of Notes that may be issued pursuant to the Program and which are agreed, at or prior to the time of issue thereof, to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Program or the Notes. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes, if traded on the Singapore Stock Exchange, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies).

Documents Available

From the date hereof and so long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available from the registered office of the Issuer and in case the of the documents (ii) – (iv) referred below from the specified office of the Principal Paying Agent during normal business hours (being between 9:00 a.m. to 3:00 p.m.) and upon prior written notice and satisfactory proof of holding for the time being in London:

- (i) the articles of incorporation (together with English translations) of the Issuer;
- (ii) the Program Agreement, the Agency Agreement, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (iii) a copy of the Offering Circular;
- (iv) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (except that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to the Offering Circular and any other documents incorporated herein or therein by reference; and
- (v) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The CUSIP and/or CINS numbers (if any) for each Tranche of Registered Notes, together with the relevant ISIN and common code, will be

specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

Independent Auditor

The Issuer's audited consolidated financial statements as of and for the year ended December 31, 2019 and 2018, which are included herein, have been audited, and the Issuer's reviewed consolidated financial statements as of June 30, 2020 and for the six months ended June 30, 2020 and 2019, which are included herein, have been reviewed, by Grant Thornton Daejoo, the Issuer's current independent accountants, as stated in their reports appearing therein. The reports of Grant Thornton Daejoo express unqualified opinions.

The Issuer's reviewed consolidated financial statements as of June 30, 2020 and for the six months ended June 30, 2020 and 2019 have not been audited. Consequently, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit by an independent auditor.

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INDEPENDENT AUDITOR'S REVIEW REPORT

(English Translation of a Review Report Originally Issued in Korean on August 25, 2020)

To the Shareholders and the Board of Directors of Korea Land & Housing Corporation:

Reviewed financial statements

We have reviewed the accompanying interim consolidated financial statements of Korea Land & Housing Corporation and its subsidiaries (the "Group"), which comprise the interim consolidated statements of financial position as of June 30, 2020, the related interim consolidated statements of comprehensive income for the six months ended June 30, 2020 and 2019, and the interim consolidated statement of changes in shareholders' equity and cash flows for the six months ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Korean Won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Korean Government-Owned and Quasi-Government Accounting Regulations and Standard and Korean International Financial Reporting Standards ("K-IFRS") No.1034 Interim Financial Reporting, and for such internal control as management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

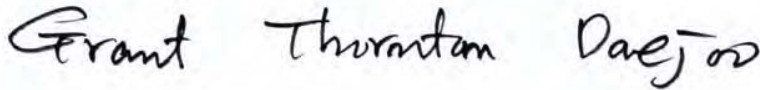
We conducted our review in accordance with the quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying interim consolidated financial statements are not presented fairly, in all material respects, in accordance with Korean Government-Owned and Quasi-Government Accounting Regulations and Standard and Korean IFRS 1034 Interim Financial Reporting.

Other Matters

We have audited the consolidated statement of financial position of the Group as of December 31, 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements in our audit report dated February 27, 2020. The consolidated statement of financial position as of December 31, 2019, presented herein for comparative purposes, is consistent, in all material respects, with the above audited consolidated statement of financial position as of December 31, 2019.

A handwritten signature in black ink that reads "Grant Thornton Daejoo". The signature is written in a cursive, flowing style.

Grant Thornton Daejoo

August 25, 2020

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

(In Korean won)

	Notes	June 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	27	₩ 3,294,999,943,151	₩ 1,748,027,244,143
Current financial assets	27	1,673,139,692,982	960,424,022,293
Trade and other receivables	6,27	1,130,538,386,426	1,162,077,486,806
Inventories	7	69,563,500,195,294	67,129,483,372,628
Current non-financial assets	8	4,713,303,176,413	4,337,553,531,007
Assets classified as held-for-sale	25	192,887,471,622	192,887,471,622
Subtotal		<u>80,568,368,865,888</u>	<u>75,530,453,128,499</u>
Non-current assets			
Non-current financial assets	5,27	1,635,322,816,471	1,499,410,113,900
Long-term trade and other receivabl	6,27	683,484,583,014	686,294,174,828
Property, plant and equipment	10	1,341,400,178,478	1,340,987,955,161
Investment properties	11	99,393,151,550,776	96,691,606,312,624
Intangible assets excluding goodwill	12	46,101,965,683	50,717,140,872
Investments in associates	9	428,884,934,204	450,688,356,429
Deferred tax assets	8	215,045,288,516	259,894,836,415
Non-current non-financial assets	-	13,223,448,646	5,024,218,184
Subtotal		<u>103,756,614,765,788</u>	<u>100,984,623,108,413</u>
Total assets		<u>₩ 184,324,983,631,676</u>	<u>₩ 176,515,076,236,912</u>

(Continued)

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF JUNE 30, 2020 AND DECEMBER 31, 2019
(In Korean won)

	<u>Notes</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Current liabilities			
Trade and other payables	13,27	₩ 13,778,327,126,378	₩ 11,119,230,120,383
Current portion of financial liabilities	14,27	9,204,353,688,466	9,057,617,960,622
Income tax payable		480,212,064,895	767,831,509,117
Current non-financial liabilities	17	17,469,553,269,369	16,261,203,418,807
Current portion of provisions	16	<u>14,813,068,584,749</u>	<u>15,195,665,372,215</u>
Subtotal		<u>55,745,514,733,857</u>	<u>52,401,548,381,144</u>
Non-current liabilities			
Long-term trade and other payables	13,27	13,731,723,969,133	16,151,774,038,754
Non-current financial liabilities	14,27	61,433,264,348,950	57,281,209,489,605
Non-current non-financial liabilities	17	127,048,418,456	124,215,773,325
Net employee defined benefit liabilities	15	529,647,684,038	489,310,585,876
Non-current provisions	16	<u>286,663,419,470</u>	<u>231,972,762,011</u>
Subtotal		<u>76,108,347,840,047</u>	<u>74,278,482,649,571</u>
Total liabilities		<u>131,853,862,573,904</u>	<u>126,680,031,030,715</u>
Equity			
Issued capital	1	35,137,818,758,665	33,463,842,082,665
Discount on stock issuance	-	(10,107,077,330)	(11,388,700,020)
Retained earnings	19	17,342,457,695,125	16,402,571,062,300
Other components of equity	20	<u>(6,693,852,824)</u>	<u>(28,062,080,286)</u>
Equity attributable to the shareholders of the parent		52,463,475,523,636	49,826,962,364,659
Non-controlling interests		<u>7,645,534,136</u>	<u>8,082,841,538</u>
Total equity		<u>52,471,121,057,772</u>	<u>49,835,045,206,197</u>
Total equity and liabilities		<u>184,324,983,631,676</u>	<u>176,515,076,236,912</u>

(Concluded)

See accompanying notes.

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(In Korean won)

	Notes	Six-month period ended June 30,	
		2020	2019
Sales	4,11,21	₩ 9,605,824,944,436	₩ 8,580,633,929,493
Cost of sales	4,7,11,15,21,26	(7,140,966,218,440)	(7,191,332,884,126)
Gross profit	4	2,464,858,725,996	1,389,301,045,367
Selling and administrative expenses	4,10,12,15,26	456,706,337,591	397,470,968,302
Operating profit	4	2,008,152,388,405	991,830,077,065
Other income	22	466,767,835,037	496,518,123,985
Other expenses	4,22	(259,877,883,274)	(154,075,974,056)
Others	4,22	(2,384,934,926)	(1,965,287,717)
Finance income	4,23	87,792,595,159	105,441,836,626
Finance costs	4,10,23	(335,697,012,207)	(349,310,284,872)
Share of income (loss) to associates and joint ventures	4,9	(21,259,103,327)	8,492,823,963
Profit for the period before tax	4	1,943,493,884,867	1,096,931,314,994
Income tax expense	4,24	(509,490,687,702)	(198,076,691,347)
Continued operating profit		1,434,003,197,165	898,854,623,647
Profit for the period	4	₩ 1,434,003,197,165	₩ 898,854,623,647
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans		(29,064,018,539)	(6,462,914,484)
Gain (loss) on disposal of financial assets (equity instruments) measured at fair value through other comprehensive income		-	-
Gain (loss) on valuation of financial assets (equity instruments) measured at fair value through other comprehensive income		(1,418,539)	260,725
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain on cash flow hedge accounting		20,868,803,114	13,473,276,388
Equity adjustments in equity method		(97,579,693)	(1,834,252,679)
Exchange differences on translation of foreign operations		-	289,242,216
Other comprehensive income for the period, net of tax		(8,294,213,657)	5,465,612,166
Total comprehensive income for the period, net of tax		₩ 1,425,708,983,508	₩ 904,320,235,813
Profit for the period attributable to:			
Equity holders of the parent		1,434,171,070,718	899,126,864,285
Non-controlling interests		(167,873,553)	(272,240,638)
		₩ 1,434,003,197,165	₩ 898,854,623,647
Total comprehensive income for the period attributable to:			
Equity holders of the parent		1,425,876,857,061	904,484,010,620
Non-controlling interests		(167,873,553)	(163,774,807)
		₩ 1,425,708,983,508	₩ 904,320,235,813

See accompanying notes.

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(In Korean won)

	Issued capital	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2019	₩ 30,776,325,241,815	₩ 14,530,144,237,329	₩ (50,850,989,866)	₩ 45,255,618,489,278	₩ 8,216,092,544	₩ 45,263,834,581,822
Profit for the period	-	899,126,864,285	-	899,126,864,285	(272,240,638)	898,854,623,647
Unappropriated retained earnings carried over from the prior year	-	16,022,927,270	-	16,022,927,270	-	16,022,927,270
Remeasurement of the net defined benefit liability	-	(6,462,914,484)	-	(6,462,914,484)	-	(6,462,914,484)
Gain (loss) on disposal of financial assets (equity instruments) measured at fair value through other comprehensive income	-	-	-	-	-	-
Gain (loss) on valuation of financial assets (equity instruments) measured at fair value through other comprehensive income	-	260,725	-	260,725	-	260,725
Net loss on cash flow hedge accounting	-	-	13,473,276,388	13,473,276,388	-	13,473,276,388
Exchange differences on foreign operations	-	-	180,776,385	180,776,385	108,465,831	289,242,216
Equity adjustments in equity method	-	-	(1,834,252,679)	(1,834,252,679)	-	(1,834,252,679)
Total comprehensive income	-	908,687,137,796	11,819,800,094	920,506,937,890	(163,774,807)	920,343,163,083
Increase in share capital	1,224,253,303,100	-	-	1,224,253,303,100	-	1,224,253,303,100
Discounts on stock issuance	-	(6,106,620,600)	-	(6,106,620,600)	-	(6,106,620,600)
Change in scope of the consolidation	-	(524,311,884)	-	(524,311,884)	524,311,884	-
Dividends	-	(388,980,544,620)	-	(388,980,544,620)	-	(388,980,544,620)
Balance at June 30, 2019	₩ 32,000,578,544,915	₩ 15,043,219,898,021	₩ (39,031,189,772)	₩ 47,004,767,253,164	₩ 8,576,629,621	₩ 47,013,343,882,785

(Continued)

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(In Korean won)

	Issued capital	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2020	₩ 33,452,453,382,645	₩ 16,402,571,062,300	₩ (28,062,080,286)	₩ 49,826,962,364,659	₩ 8,082,841,538	₩ 49,835,045,206,197
Profit for the period	-	1,434,171,070,718	-	1,434,171,070,718	(167,873,553)	1,434,003,197,165
Unappropriated retained earnings carried over from the prior year	-	(1,455,450,815)	-	(1,455,450,815)	(269,433,849)	(1,724,884,664)
Remeasurement of the net defined benefit liability	-	(29,064,018,539)	-	(29,064,018,539)	-	(29,064,018,539)
Gain (loss) on disposal of financial assets (equity instruments) measured at fair value through other comprehensive income	-	-	-	-	-	-
Gain (loss) on valuation of financial assets (equity instruments) measured at fair value through other comprehensive income	-	(1,418,539)	-	(1,418,539)	-	(1,418,539)
Net loss on cash flow hedge accounting	-	-	20,868,803,114	20,868,803,114	-	20,868,803,114
Exchange differences on foreign operations	-	-	597,004,041	597,004,041	-	597,004,041
Equity adjustments in equity method	-	-	(97,579,693)	(97,579,693)	-	(97,579,693)
Total comprehensive income	-	1,403,650,182,825	21,368,227,462	1,425,018,410,287	(437,307,402)	1,424,581,102,885
Increase in share capital	1,663,911,514,770	-	-	1,663,911,514,770	-	1,663,911,514,770
Discounts on stock issuance	11,346,783,920	(11,346,783,920)	-	-	-	-
Change in scope of the consolidation	-	-	-	-	-	-
Dividends	-	(452,416,766,080)	-	(452,416,766,080)	-	(452,416,766,080)
Balance at June 30, 2020	₩ 35,127,711,681,335	₩ 17,342,457,695,125	₩ (6,693,852,824)	₩ 52,463,475,523,636	₩ 7,645,534,136	₩ 52,471,121,057,772

(Concluded)

See accompanying notes.

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(In Korean won)

	Six-month period ended June 30,	
	2020	2019
Cash flows from operating activities		
Profit for the period	₩ 1,434,003,197,165	₩ 898,854,623,647
Non-cash adjustments to reconcile profit for the period to net cash flows		
Income tax expense	509,490,687,702	198,076,691,347
Finance costs	29,889,919,211	27,590,730,013
Depreciation and amortization	600,722,416,357	556,406,431,086
Adjustment in provisions	53,316,994,067	(2,940,552,428)
Loss (gain) on foreign currency translation	1,272,091	63,060,788,452
Equity in loss of equity method investment securities	21,259,103,327	(9,406,353,926)
Loss (gain) on disposal of current assets	-	-
Loss (gain) on disposal of non-current assets	(75,922,249)	89,231,435
Others	(95,439,613,189)	(349,872,355,058)
Total adjustments	<u>1,119,164,857,317</u>	<u>483,004,610,921</u>
Changes in operating assets and liabilities		
Inventories	(1,330,211,040,522)	1,696,656,448,934
Trade receivables	150,465,427,222	85,169,071,461
Other receivables	(458,619,249,769)	(194,623,784,667)
Trade payables	383,847,758,150	541,879,958,791
Other payables	328,133,319,712	1,405,880,498,905
Cash generated from operations	<u>1,626,784,269,275</u>	<u>4,916,821,427,992</u>
Dividends received	1,049,454,192	1,813,717,800
Interest paid	(214,725,298,251)	(193,007,649,126)
Interest received	91,352,796,751	121,926,289,096
Income tax received (paid)	(752,260,584,025)	(74,885,667,634)
Net cash flows provided by operating activities	<u>752,200,637,942</u>	<u>4,772,668,118,128</u>
Cash flows from investing activities:		
Acquisition of investments in associates	-	-
Disposal of investments in associates	-	23,951,261,243
Decrease(Increase) in current financial assets	(345,539,265,749)	207,081,320,899
Disposal of non-current financial assets	422,253,052,357	123,509,471,720
Acquisition of non-current financial assets	(496,649,588,502)	(168,350,531,350)
Disposal of property, plant and equipment	337,461	3,068,000
Acquisition of property, plant and equipment	(29,172,216,482)	(32,685,498,868)
Acquisition of intangible assets	(4,159,316,793)	(4,630,220,916)
Acquisition of investment properties	(4,098,955,015,585)	(3,016,162,453,500)
Increase(Decrease) in Cash due to business combinations and consolidated scope changes	-	-
Net cash flows used in investing activities	<u>₩ (4,552,222,013,293)</u>	<u>₩ (2,867,283,582,772)</u>

(Continued)

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(In Korean won)

	Six-month period ended June 30,	
	2020	2019
Cash flows from financing activities		
Increase in share capital	₩ 1,663,911,514,770	₩ 1,218,146,682,500
Dividends paid	(452,416,766,080)	(388,980,544,620)
Increase in borrowings	5,391,533,896,870	2,896,453,634,000
Redemption of borrowings	(2,758,424,096,582)	(1,652,019,105,964)
Issuance of bonds payable	3,589,463,000,000	297,931,440,630
Redemption of bonds payable	(1,988,274,000,000)	(3,348,515,997,934)
Increase in issued capital of non-controlling interests in subsidiaries	-	-
Payment of lease liabilities	(7,628,250,835)	(6,991,542,715)
Acquisition of derivatives	18,656,783,563	-
Net cash flows used in financing activities	5,456,822,081,706	(983,975,434,103)
Net effect of foreign exchange differences	(1,272,091)	313,562,166
Net increase (decrease) in cash and cash equivalents	1,656,799,434,264	921,722,663,419
Cash and cash equivalents at the beginning of the period	1,831,083,705,736	2,199,574,713,159
Cash and cash equivalents at the end of the period	3,487,883,140,000	3,121,297,376,578
Government subsidies	(181,053,635,889)	(80,334,625,972)
Entrusted business funds cash	(11,829,560,960)	(6,362,424,452)
Net of cash and cash equivalents at the end of the period as deducted by government subsidies and etc.	₩ 3,294,999,943,151	₩ 3,034,600,326,154

(Concluded)

See accompanying notes.

KOREA LAND & HOUSING CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED June 30, 2020 and 2019

1. CORPORATE INFORMATION:

Korea Land & Housing Corporation (the “Company” or “Parent Company”) were established in accordance with the Korea Land & Housing Corporation Act on October 1, 2009, to facilitate the efficient use of public land and contribute to the growth of the national economy through various development, renovation and management projects in the residential housing industry. As of June 30, 2020, the Company’s headquarters is located at 19, Chungui-ro, JinJu-si, Gyeongsangnam-do, Korea.

Furthermore, the Company, as governed by the Korea Land & Housing Corporation Act, participates in social welfare projects for the acquisition, development, storage and supply of land and construction; management of housing properties; and urban planning and provision for low-income housing.

As of June 30, 2020, the shareholders of the Company and their respective shareholdings are as follows (in millions of Korean won):

	<u>Issued capital</u>	<u>Ownership</u>
Korea Government - Ministry of Strategy and Finance	₩12,381,871	35.2%
Korea Government - Ministry of Land, Transport and Maritime Affairs	18,284,952	52.0%
Korea Development Bank	3,732,018	10.6%
Korea Exim Bank	<u>738,978</u>	<u>2.1%</u>
Total	<u>₩35,137,819</u>	<u>100.0%</u>

(1) Consolidated subsidiaries

Consolidated subsidiaries as of June 30, 2020 are as follows:

	Business	Capital (mil KRW)	Percentage of ownership	Location
<Subsidiaries>				
Korea Housing Management Co., Ltd.	Facility maintenance and leasing	₩15,000	100.0%	Jinju, Gyeonsangnam-do
Hannuri Co., Ltd.	Lodging, Energy Sales	12,000	62.5%	Chunchon, Gangwon
Gwacheon Development Co., Ltd.	U-Jung Hospital improvement	10,000	51.0%	Jinju, Gyeonsangnam-do
Megabowlcity Co., Ltd	Namyangju-Byulnae development PF	60,000	97.0%	Songpagu, Seoul
Megabowlcity Asset Management Co., Ltd.	Namyangju-Byulnae development PF mgmt.	500	100.0%	Songpagu, Seoul
LH Facilities Management Co., Ltd.	LH Building maintenance	990	100.0%	Jinju, Gyeonsangnam-do
LH Housing Welfare Information Co., Ltd.	Call center operation, maintenance	700	100.0%	Seongnam, Gyeonggido

Korea Housing Management Co., Ltd. was established to manage, operate, repair and maintain apartment buildings and to be entrusted with the lease of apartment buildings.

Hanuri Corp., a subsidiary, wholly owns equity ownership in Hanuri Energy and Hanuri Hotel, which were established in July and August 2008, respectively, to operate gas service stations and hotels in the 1st business district of Gaesung Industrial Complex, Gaesung city, North Hwanghae Province. The business success of Hanuri Corp. will be largely influenced by domestic and foreign political situations, directly or indirectly. Therefore, the financial statements of the subsidiaries were prepared on the basis of management's estimation of sociopolitical factors. However, the actual outcome may be different from management's estimation and such difference may be material.

Gwacheon Development Co., Ltd. was established in May 2018 for Gwacheon U-Jung Hospital improvement project which has been stopped for a long period of time.

Megabowlcity Co., Ltd. is a project company established for a limited time pursuant to Article 51-2 of Corporate Income Tax Act which plans to develop commercial land of Housing development business district in Namyangju-Byulnae. Megabowlcity Asset Management Co., Ltd. is an asset management company of Megabowlcity Co., Ltd. a company that undertakes management, operation and dispose, and general affairs of assets by consignment of Megabowlcity Co., Ltd.

LH Facilities Management Co., Ltd. was established in October 2018 for the purpose of consignment works of facility management, cleaning, security concierge, cooking etc., to convert non- full-time workers to full-time workers in accordance with 『Guidelines for the conversion of non- regular employees to full-time workers for public institutions

(17.7.20) issued by the government.

LH Housing Welfare Information Co. is a subsidiary company that is operated as a consignment to manage counseling workforces. It is a company that implements overall counseling services, such as rent leasing consultation etc., for My Home Call Center and Defect Counseling Call Center within the Company.

Summarized financial information of consolidated subsidiaries as of the end dates of the reporting periods, is as follows (in millions of Korean won):

	June 30, 2020			
	Assets	Liabilities	Revenue (for the 6mths)	Profit or loss (for the 6mths)
Korea Housing Management Co., Ltd.	₩135,635	₩119,400	₩122,578	₩1,604
Hanuri Corporation	16,128	8,634	-	40
Megabowlcity Co., Ltd	17,288	6	-	(51)
Megabowlcity Asset Management Co., Ltd	96	15	64	5
Gwacheon Development Co., Ltd.	69,401	60,591	-	(370)
LH Facilities Management Co., Ltd.	9,730	12,024	15,862	(4,483)
LH Housing Welfare Information Co., Ltd.	5,482	4,317	9,723	483

	December 31, 2019			
	Assets	Liabilities	Revenue(*) (for the 6mths)	Profit or loss(*) (for the 6mths)
Korea Housing Management Co., Ltd.	₩119,572	₩104,463	₩114,393	₩2,127
Hanuri Corporation	16,085	8,631	-	(92)
Megabowlcity Co., Ltd	17,339	6	-	(90)
Megabowlcity Asset Management Co., Ltd	90	14	92	9
Gwacheon Development Co., Ltd.	71,161	61,431	-	(479)
LH Facilities Management Co., Ltd.	6,639	4,432	11,697	1,408
LH Housing Welfare Information Co., Ltd.	3,101	2,419	6,534	853

(*) 2019.1.1~2019.6.30

(2) Reporting periods of the consolidated financial statements

The financial statements of all subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting periods as the Company's.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of preparation

The consolidated financial statements are interim financial statements that are prepared in accordance with Korean Government-Owned and Quasi-Government Accounting Regulations and Standard and K-IFRS 1034, Interim Financial Reporting, for a part of the period to which the annual financial statements belong. The condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by Korea, which are valid or early introduced as of June 30, 2020, the end of the reporting period. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with K-IFRS.

The significant accounting policies used for the preparation of the interim consolidated financial statements are consistent with those applied to the annual consolidated financial statements for the year ended December 31, 2019, except for effect of the new accounting standards and interpretations adopted as described below.

(A) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020;

1) *Amendments to Korean IFRS 1001 'Presentation of Financial Statements' and Korean IFRS 1008 'Accounting policies, changes in accounting estimates and errors' – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendment does not have a significant impact on the consolidated financial statements.

2) *Amendments to Korean IFRS 1103 'Business Combination' - Definition of Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. The amendment does not have a significant impact on the consolidated financial statements.

3) *Amendments to Korean IFRS No.1109 'Financial Instruments', No.1039 'Financial Instruments: Recognition and Measurement' and No.1107 'Financial Instruments: Disclosures' - Interest Rate Benchmark Reform*

The amendments clarify exceptions to be applied when assessing forecast associated with the hedging accounting during the period of uncertainty arising from the interest rate benchmark reform. Per the amendments, when assessing whether forecast cash flow based on the existing interest rate benchmark is highly probable to occur, whether there is an economic relationship between the hedged item and the hedging instrument, and whether the hedge is expected to be highly effective in achieving offsetting, it shall be assumed that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. The amendments do not have a significant impact on the consolidated financial statements.

(B) New and amended standards not yet adopted by the Group

1) *Amendment to Korean IFRS No.1116 'Lease' - Practical expedient for rent exemption/concession/deferral due to COVID-19*

As a practical expedient approach, the lessee may not assess whether the rental concession incurred as a direct result of COVID-19 is a lease alteration or not. The lessee who determined not to do the assessment shall account for changes in lease payments due to rent concession, etc., consistent with the method prescribed by this Standard, unless such changes are lease alterations. The amendment should be applied for the fiscal year beginning on or after June 1, 2020, and earlier application of permitted. The amendment does not have a significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION:

(1) Details of the Group's reportable segments are as follows:

The strategic steering executive is the Group's chief operating decision maker. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on operating profit or loss. The Group has one reportable operating segment.

(2) The reportable segment revenue and operating profit for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>Total segment revenue</u>	<u>Revenue for external customers</u>	<u>Total segment operating profit</u>	<u>Depreciation and amortization</u>
<u>June 30, 2020</u>	₩9,605,825	₩9,605,825	₩2,008,152	₩593,452
<u>June 30, 2019</u>	8,580,634	8,580,634	991,830	556,406

(3) Reportable segment assets and liabilities as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>Reportable segment asset (*1)</u>	<u>Investments in associates</u>	<u>Additions to non- current assets (*2)</u>	<u>Reportable segment liabilities (*1)</u>
<u>June 30, 2020</u>	₩184,324,984	₩428,885	₩100,793,877	₩131,853,863
<u>December 31, 2019</u>	176,515,076	450,688	98,088,336	126,680,031

(*1) The reportable segment assets and liabilities reported to the strategic steering executive are measured in a manner consistent with that in the consolidated financial statements.

(*2) Additions to non-current assets exclude amounts arising from financial instruments, trade and other receivables, equity investments and deferred income tax asset.

4. DIVISION ACCOUNTING:

(1) Details of divisional performance for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020							Total
	Public housing	Industrial development complex	Public housing management business (*1)	Multifunctional administrative city	Urban development	Land bank	Others	
Revenue	₩3,544,691	₩158,676	₩690,482	₩181,048	₩48,928	₩15,521	₩4,966,480	₩9,605,825
Cost of sales	2,688,426	116,043	1,313,067	102,246	41,254	15,139	2,864,792	7,140,966
Gross profit (loss)	856,265	42,632	(622,585)	78,803	7,674	382	2,101,687	2,464,859
Selling and administrative expenses	222,664	8,048	90,191	8,077	1	1,053	126,673	456,706
Operating profit (loss)	633,601	34,584	(712,776)	70,726	7,673	(671)	1,975,014	2,008,152
Other income	23,296	2,068	3,064	1,669	915	-	435,756	466,768
Other expenses	1,376	527	267	258	24	334	257,092	259,878
Others	(537)	-1,031	-181	-	0	-	(635)	(2,385)
Finance income	11,569	71	8	(130)	171	7	76,097	87,793
Finance costs	(188,672)	17,491	315,125	33,684	(4,202)	1,860	160,410	335,697
Share of profit to associates	-	-	-	-	-	-	(21,259)	(21,259)
Profit (loss) before income tax expense (benefit)	855,224	17,674	(1,025,277)	38,322	12,938	(2,857)	2,047,471	1,943,494
Income tax expense (benefit)	224,240	4,634	(268,828)	10,048	3,392	(749)	536,753	509,491
Profit (loss)	630,984	13,040	(756,450)	28,274	9,545	(2,108)	1,510,717	1,434,003
Other comprehensive loss	-	-	-	-	-	-	(8,294)	(8,294)
Total comprehensive income (loss)	₩630,984	₩13,040	₩(756,450)	₩28,274	₩9,545	₩(2,108)	₩1,502,423	₩1,425,709

(*1) The title was changed from "Rental housing business" to "Public housing management business," pursuant to Article 28-2 of the revised Korea Land & Housing Corporation Act's implementing ordinances.

June 30, 2019								
	Public housing	Industrial development complex	Public housing management business (*1)	Multifunctional administrative city	Urban development	Land bank	Others	Total
Revenue	₩3,248,329	₩183,738	₩675,136	₩154,132	₩70,006	₩13,314	₩4,235,980	₩8,580,634
Cost of sales	2,521,125	152,124	1,194,063	406,990	40,727	12,536	2,863,768	7,191,333
Gross profit (loss)	727,204	31,614	(518,927)	(252,858)	29,279	778	1,372,212	1,389,301
Selling and administrative expenses	177,268	14,383	99,149	6,602	43	720	99,306	397,471
Operating profit (loss)	549,935	17,231	(618,076)	(259,460)	29,236	57	1,272,906	991,830
Other income	26,428	4,338	4,816	582	3,558	-	456,795	496,518
Other expenses	4,994	711	54	3	538	82	147,695	154,076
Others	(560)	-	-	-	(1)	-	(1,404)	(1,965)
Finance income	14,483	116	6	3,040	365	-	87,432	105,442
Finance costs	(291,771)	24,355	345,741	60,110	(1,800)	1,744	210,930	349,310
Share of profit to associates	-	-	-	-	-	-	8,493	8,493
Profit (loss) before income tax expense (benefit)	877,063	(3,381)	(959,048)	(315,951)	34,419	(1,769)	1,465,597	1,096,931
Income tax expense (benefit)	158,748	(612)	(173,588)	(57,187)	6,230	(320)	264,805	198,077
Profit (loss) from continuing operations	718,315	(2,769)	(785,460)	(258,764)	28,189	(1,449)	1,200,792	898,855
Profit (loss)	718,315	(2,769)	(785,460)	(258,764)	28,189	(1,449)	1,200,792	898,855
Other comprehensive loss	-	-	-	-	-	-	5,466	5,466
Total comprehensive income (loss)	₩718,315	₩(2,769)	₩(785,460)	₩(258,764)	₩28,189	₩(1,449)	₩1,206,257	₩904,320

(*1) The title was changed from "Rental housing business" to "Public housing management business," pursuant to Article 28-2 of the revised Korea Land & Housing Corporation Act's implementing ordinances.

(2) Details of divisional assets and liabilities as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020							Total
	Public housing	Industrial development complex	Public housing management business	Multifunctional administrative city	Urban development	Land bank	Others	
Current assets	₩19,465,672	₩4,481,508	₩135,120	₩3,706,851	₩719,329	₩38,904	₩52,020,985	₩80,568,369
Cash and cash equivalents	-	-	365	-	-	-	3,294,635	3,295,000
Current financial assets	4	-	-	-	-	-	1,673,136	1,673,140
Trade and other receivables	316,248	3,847	121,265	14,768	6,968	1,213	666,228	1,130,538
Inventories	18,303,146	4,462,225	1,472	3,664,485	712,115	37,691	42,382,368	69,563,500
Current non-financial assets	846,274	15,436	12,019	27,598	246	-	3,811,731	4,713,303
Assets classified as held for sale	-	-	-	-	-	-	192,887	192,887
Non-current assets	13,266,069	1,019,099	85,339,182	15,038	6,819	343	4,110,064	103,756,615
Non-current financial assets	51,178	-	1,584,697	19	-	-	(572)	1,635,323
Trade and other receivables	281,779	(202)	-	311	6,819	343	394,435	683,485
Property, plant and equipment	-	-	-	-	-	-	1,341,400	1,341,400
Investment properties	12,933,112	1,019,301	83,754,485	14,708	-	-	1,671,546	99,393,152
Intangible assets, except goodwill	-	-	-	-	-	-	46,102	46,102
Investments in associates	-	-	-	-	-	-	428,885	428,885
Deferred income tax assets	-	-	-	-	-	-	215,045	215,045
Non-current non-financial assets	-	-	-	-	-	-	13,223	13,223
Total assets	₩32,731,741	₩5,500,608	₩85,474,303	₩3,721,889	₩726,148	₩39,247	₩56,131,048	₩
Current liabilities	10,012,779	1,360,771	12,559,715	657,520	653,418	6,918	30,494,392	55,745,515
Trade and other payables	1,664,004	21,213	11,073,305	3,476	87	3,062	1,013,180	13,778,327
Current financial liabilities	349,382	28,547	117,244	-	-	-	8,709,181	9,204,354
Current income tax liabilities	-	-	-	-	-	-	480,212	480,212
Current non-financial liabilities	4,900,050	744,446	87,422	647,905	190,833	1,195	10,897,702	17,469,553
Current portion of provisions	3,099,343	566,565	1,281,744	6,140	462,499	2,661	9,394,117	14,813,069
Non-current liabilities	8,373,450	2,792,356	58,247,873	2,227,946	(357,680)	12,786	4,811,617	76,108,348
Trade and other payables	515,699	21,213	12,715,065	1,570	-	-	478,178	13,731,724
Non-current financial liabilities	7,790,303	2,770,801	45,493,158	2,225,316	(358,007)	10,505	3,501,189	61,433,264
Non-current non-financial liabilities	27,227	-	37,140	-	-	-	62,682	127,048
Defined benefit liabilities	-	-	-	-	-	-	527,367	529,648
Non-current provisions	40,222	342	2,511	1,061	327	-	242,201	286,663
Total liabilities	₩18,386,229	₩4,153,127	₩70,807,588	₩2,885,467	₩295,738	₩19,704	₩35,306,009	₩131,853,863
Issued capital	6,306,012	996,908	17,201,905	(41,728)	(15,508)	-	10,680,122	35,127,712
Retained earnings	8,039,500	350,573	(2,535,190)	878,150	445,917	19,543	10,143,965	17,342,458
Other components of equity	-	-	-	-	-	-	(6,694)	(6,694)
Equity attributable to the shareholders of the parent	14,345,512	1,347,481	14,666,715	836,422	430,409	19,543	20,817,394	52,463,476
Non-controlling interests	-	-	-	-	-	-	7,646	7,646
Total equity	₩14,345,512	₩1,347,481	₩14,666,715	₩836,422	₩430,409	₩19,543	₩20,825,039	₩52,471,121

December 31, 2019

	Public housing	Industrial development complex	Public housing management business	Multifunctional administrative city	Urban development	Land bank	Others	Total
Current assets	₩17,276,187	₩4,323,560	₩103,110	₩3,617,922	₩765,766	₩21,267	₩49,422,641	₩75,530,453
Cash and cash equivalents	-	-	1	-	-	-	1,748,026	1,748,027
Current financial assets	16	-	-	-	-	-	960,408	960,424
Trade and other receivables	351,471	4,139	120,634	48,915	3,832	-	633,087	1,162,077
Inventories	16,194,473	4,310,836	109	3,562,831	761,630	21,267	42,278,338	67,129,483
Current non-financial assets	730,228	8,586	17,633	6,176	304	-	3,609,893	4,337,554
Assets classified as held for sale	-	-	-	-	-	-	192,887	192,887
Non-current assets	12,196,585	1,038,441	83,870,930	39,294	456	-	3,838,918	100,984,623
Non-current financial assets	45,053	-	1,493,703	19	-	-	39,365	1,499,410
Trade and other receivables	279,484	122	-	30,912	456	-	375,320	686,294
Property, plant and equipment	-	-	-	-	-	-	1,340,988	1,340,988
Investment properties	11,872,048	1,038,319	82,377,227	8,362	-	-	1,395,651	96,691,606
Intangible assets, except goodwill	-	-	-	-	-	-	50,717	50,717
Investments in associates	-	-	-	-	-	-	450,688	450,688
Deferred income tax assets	-	-	-	-	-	-	259,895	259,895
Non-current non-financial assets	-	-	-	-	-	-	5,024	5,024
Total assets	29,472,772	5,362,001	83,974,040	3,657,215	766,222	21,267	53,261,559	176,515,076
Current liabilities	9,054,018	1,313,981	10,169,768	517,787	654,398	7,121	30,684,475	
Trade and other payables	1,086,205	25,152	8,683,863	5,153	487	3,122	1,315,250	
Current financial liabilities	514,250	52,930	121,445	-	-	-	8,368,993	9,057,618
Current income tax liabilities	-	-	-	-	-	-	767,832	767,832
Current non-financial liabilities	4,279,794	666,495	69,552	506,477	173,874	1,253	10,563,759	16,261,203
Current portion of provisions	3,173,770	569,404	1,294,908	6,158	480,038	2,746	9,668,641	15,195,665
Non-current liabilities	6,658,089	2,710,736	59,924,383	2,396,302	320,826	8,461	2,918,260	74,278,483
Trade and other payables	408,405	19,666	15,075,228	1,570	-	-	646,906	16,151,774
Non-current financial liabilities	6,184,781	2,690,636	44,809,041	2,393,719	321,130	10,742	1,534,903	57,281,209
Non-current non-financial liabilities	26,361	-	37,405	-	-	-	60,450	124,216
Defined benefit liabilities	-	-	-	-	-	2,280	487,030	489,311
Non-current provisions	38,541	434	2,709	1,013	304	-	188,971	231,973
Total liabilities	15,712,106	4,024,717	70,094,151	2,914,089	333,572	1,340	33,602,735	126,680,031
Issued capital	5,874,672	996,908	16,141,203	41,728	15,508	-	10,496,906	33,452,453
Retained earnings	7,885,993	340,376	2,261,314	784,854	448,158	22,607	9,181,897	16,402,571
Other components of equity	-	-	-	-	-	-	28,062	28,062
Equity attributable to the shareholders of the parent	13,760,665	1,337,284	13,879,889	743,126	432,650	22,607	19,650,741	49,826,962
Non-controlling interests	-	-	-	-	-	-	8,083	8,083
Total equity	₩13,760,665	₩1,337,284	₩13,879,889	₩743,126	₩432,650	₩22,607	₩19,658,824	₩49,835,045

5. RESTRICTED CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS:

Restricted Cash and Cash Equivalents and financial assets as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	
Long-term financial instruments	<u>₩867</u>	<u>₩867</u>	Restricted withdrawal

(*)Withdrawal restricted deposits are accounts related to accounts seized from banks due to lawsuits, etc..

6. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020			
	Gross amounts	Allowance for doubtful accounts	Present value of discounts	Carrying amounts
Current assets:				
Trade receivables	₩364,666	₩(216)	₩(1,817)	₩362,633
Other receivables	718,354	(157,482)	-	560,872
Accrued income	83,271	-	-	83,271
Due from customers for construction contracts	123,762	-	-	123,762
Subtotal	1,290,053	(157,698)	(1,817)	1,130,538
Non-current assets:				
Trade receivables	325,068	-	(35,577)	289,491
Other receivables	95	(95)	-	-
Deposits	396,267	-	(2,273)	393,994
Subtotal	721,430	(95)	(37,850)	683,485
Total	₩2,011,483	₩(157,793)	₩(39,667)	₩1,814,023
	December 31, 2019			
	Gross amounts	Allowance for doubtful accounts	Present value of discounts	Carrying amounts
Current assets:				
Trade receivables	₩465,892	₩(186)	₩(472)	₩465,234
Other receivables	581,920	(82,423)	-	499,497
Accrued income	85,730	-	-	85,730
Due from customers for construction contracts	111,617	-	-	111,617
Subtotal	1,245,159	(82,609)	(472)	1,162,077
Non-current assets:				
Trade receivables	347,465	-	(35,959)	311,506
Other receivables	376,762	-	(1,974)	374,788
Subtotal	724,227	-	(37,933)	686,294
Total	₩1,969,386	₩(82,609)	₩(38,405)	₩1,848,372

(2) Changes in the allowance for doubtful accounts for trade and other receivables for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020		June 30, 2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning	₩186	₩82,423	₩200	₩63,250
Bad debt expense	-	87,075	20	207
Reversal	-	-	-	-
Write-off	30	(12,017)	(47)	(943)
Ending	₩216	₩157,481	₩173	₩62,514

7. INVENTORIES:

Details of inventories as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020		
	Acquisition costs	Valuation allowance	Carrying amounts
Goods	₩1,075,948	₩(43,973)	₩1,031,975
Finished goods	18,826,949	(2,503,567)	16,323,382
Work in progress	53,972,151	(1,764,963)	52,207,188
Supplies	955	-	955
Total	₩73,876,003	₩(4,312,503)	₩69,563,500

	December 31, 2019		
	Acquisition costs	Valuation allowance	Carrying amounts
Goods	₩565,502	₩(34,059)	₩531,443
Work in progress	51,940,107	(1,977,801)	49,962,306
Finished goods	19,188,043	(2,552,826)	16,635,217
Supplies	517	-	517
Total	₩71,694,169	₩(4,564,686)	₩67,129,483

The Group recognized acquisition costs of ₩5,596,715 million and ₩5,743,516 million as Cost of Sales for the six months ended June 30, 2020 and 2019, respectively. Also, the Group recognized a loss on valuation of inventories amounting to ₩497,512 million and ₩369,851 million for the six months ended June 30, 2020 and 2019, respectively, and reversal of provision amounting to ₩749,643 million and ₩786,013 million for the six months ended June 30, 2020 and 2019, respectively.

8. NON-FINANCIAL ASSETS:

Details of non-financial assets as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Advance payments	₩1,039,720	₩ -	₩824,827	₩ -
Prepaid expenses	16,493	8,593	10,737	394
Payment on behalf of others for contract work	3,390,086	-	3,237,805	-
Other prepaid expenses	1,884	-	1,977	-
Others	265,120	4,630	262,208	4,630
Total	₩4,713,303	₩13,223	₩4,337,554	₩5,024

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Details of investments in associates and joint ventures as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	Location	June 30, 2020			December 31, 2019		
		Ownership %	Acquisition cost	Carrying amounts	Ownership %	Acquisition cost	Carrying amounts
Korea Construction Management Corporation	Korea	38.57%	₩8,000	₩11,204	38.57%	₩8,000	₩10,412
Pentaport Development Co., Ltd.	Korea	19.90%	11,940	-	19.90%	11,940	-
Chungju Enterprise City Development Co., Ltd.	Korea	23.41%	7,960	6,571	23.41%	7,960	6,790
Pentaport Co., Ltd.	Korea	19.90%	60	-	19.90%	60	-
Jun wave Co., Ltd.	Korea	44.00%	6,260	-	44.00%	6,260	-
Metapolis Co., Ltd.	Korea	19.90%	10,507	-	19.90%	10,507	-
Smart City Co., Ltd.	Korea	19.90%	9,413	795	19.90%	9,413	1,001
Smart City Asset Management Co., Ltd.	Korea	19.90%	60	53	19.90%	60	52
Alpha Dome City Co., Ltd.	Korea	28.34%	93,423	5,083	28.34%	93,423	8,433
Alpha Dome City Asset Management Co., Ltd.	Korea	35.50%	95	-	35.50%	95	-
Bichae-nuri Development Co., Ltd.	Korea	16.70%	4,776	66	16.70%	4,776	66
Bichae-nuri Co., Ltd.	Korea	16.70%	84	26	16.70%	83	26
Sinkyungju Development Co., Ltd.	Korea	15.00%	750	-	15.00%	750	-
Sinkyungju Development Management Co., Ltd.	Korea	15.00%	45	44	15.00%	45	42
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.84%	30,400	26,519	19.84%	30,400	28,699
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.86%	13,800	7,849	19.86%	13,800	8,394
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.89%	30,000	30,011	19.89%	30,000	31,596
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.83%	27,800	30,499	19.83%	27,800	31,725
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.93%	22,900	22,057	19.93%	22,900	22,782
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.87%	21,900	23,885	19.87%	21,900	24,604

	Location	June 30, 2020			December 31, 2019		
		Ownership %	Acquisition cost	Carrying amounts	Ownership %	Acquisition cost	Carrying amounts
Development of Public Rental Housing NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.93%	27,300	31,401	19.93%	27,300	32,777
Development of Public Rental Housing NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.92%	24,500	15,365	19.92%	24,500	17,288
Development of Public Rental Housing NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.86%	14,200	11,033	19.86%	14,200	12,256
Development of Public Rental Housing NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.90%	24,900	32,908	19.90%	24,900	35,174
Development of Public Rental Housing NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.88%	20,700	23,609	19.88%	20,700	25,209
National Happy Housing No.1 REIT Co., Ltd.	Korea	20.00%	3,434	2,383	20.00%	3,434	2,530
Development of Public Rental Housing NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.91%	17,800	20,763	19.91%	17,800	21,171
Passive House Circulation Housing REIT Co., Ltd	Korea	15.00%	3,300	4,193	15.00%	3,300	4,531
Development of Public Rental Housing NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.90%	20,500	35,956	19.90%	20,500	36,170
Development of Public Rental Housing NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.90%	15,800	19,758	19.90%	15,800	20,279
National Happy Housing No.2 REIT Co., Ltd.	Korea	19.92%	4,925	3,893	19.92%	4,925	4,155
Development of Public Rental Housing NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.91%	18,100	24,912	19.91%	18,100	
Cheongju Culture Factory Real Estate Investment Trust	Korea	19.21%	2,500	2,499	19.21%	2,500	3,289
Land Assistance REIT No.1 Co. Ltd.	Korea	10.00%	15,390	13,158	10.00%	15,390	13,442
Development of Public Rental Housing NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.92%	10,600	16,927	19.92%	10,600	17,090
Sandan Jaesaeng1ho West Daegu Jisik Sanup Center Real Estate Investment Trust	Korea	11.88%	2,400	2,320	11.88%	2,400	2,344
Land Assistance REIT No.2 Co. Ltd.	Korea	9.55%	6,033	2,388	9.55%	6,033	2,362
KMIC Development Co ,LTD..	Overseas	40.00%	944	757	40.00%	944	923
Total			<u>W533,499</u>	<u>W428,885</u>		<u>W533,498</u>	<u>W450,688</u>

(*) Metapolis Co., Ltd finalized bankruptcy as of 15 July 2020.

(2) Changes in investments in associates and joint ventures for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020						Ending
	Beginning	Acquisitions	Disposal & Impairment	Dividends	Share of profit (loss)	Equity adjustments in equity method	
Korea Construction Management Corporation	₩10,412	₩-	₩-	₩-	₩746	₩46	₩11,204
Pentaport Development Co., Ltd.	-	-	-	-	-	-	-
Chungju Enterprise City Development Co., Ltd.	6,790	-	-	-	(219)	-	6,571
Pentaport Co., Ltd.	-	-	-	-	-	-	-
Jun wave Co., Ltd.	-	-	-	-	-	-	-
Metapolis Co., Ltd.	-	-	-	-	-	-	-
Smart City Co., Ltd.	1,001	-	-	-	(206)	-	795
Smart City Asset Management Co., Ltd.	52	-	-	-	-	-	53
Alpha Dome City Co., Ltd.	8,433	-	-	-	(3,350)	-	5,083
Alpha Dome City Asset Management Co., Ltd.	-	-	-	-	-	-	-
Bichae-nuri Development Co., Ltd.	66	-	-	-	-	-	66
Bichae-nuri Co., Ltd.	26	-	-	-	-	-	26
Sinkyungju Development Co., Ltd.	-	-	-	-	-	-	-
Sinkyungju Development Management Co., Ltd.	42	-	-	-	1	-	44
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	28,699	-	-	-	(2,180)	-	26,519
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	8,394	-	-	-	(546)	-	7,849
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	31,596	-	-	-	(1,585)	-	30,011
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	31,725	-	-	-	(1,226)	-	30,499
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	22,782	-	-	-	(725)	-	22,057
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	24,604	-	-	-	(719)	-	23,885
NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	32,777	-	-	-	(1,376)	-	31,401
NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	17,288	-	-	-	(1,922)	-	15,365
NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	12,256	-	-	-	(1,223)	-	11,033
NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	35,174	-	-	-	(2,266)	-	32,908
NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing	25,209	-	-	-	(1,600)	-	23,609
National Happy Housing No.1 REIT Co., Ltd.	2,530	-	-	-	(148)	-	2,382
NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing	21,171	-	-	-	(408)	-	20,763
Passive House Circulation Housing REIT Co., Ltd.	4,531	-	-	-	(338)	-	4,193
NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	36,170	-	-	-	(214)	-	35,956
NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing	20,279	-	-	-	(521)	-	19,758
National Happy Housing No.2 REIT Co., Ltd.	4,155	-	-	-	(261)	-	3,893
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	25,076	-	-	-	(164)	-	24,912
Cheongju Culture Factory Real Estate Investment Trust	3,289	-	-	-	(790)	-	2,499

	June 30, 2020						
	Beginning	Acquisitions	Disposal & Impairment	Dividends	Share of profit (loss)	Equity adjustments in equity method	Ending
Land Assistance REIT No.1 Co. Ltd.	13,442	-	-	(308)	190	(166)	13,158
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing Sandan JaesaengIho West Daegu Jisik Sanup Center Real Estate Investment Trust	17,090	-	-	-	(163)	-	16,927
Land Assistance REIT No.2 Co. Ltd.	2,344	-	-	-	(24)	-	2,320
KMIC Development Co.,LTD.	2,362	-	-	(102)	128	-	2,388
	923	-	-	-	(150)	(15)	757
Total	₩450,688	₩-	₩-	₩ (410)	₩(21,259)	₩(135)	₩428,884

	June 30, 2019						
	Beginning	Acquisitions	Disposal & Impairment	Dividends	Share of profit (loss)	Equity adjustments in equity method	Ending
Korea Construction Management Corporation Pentaport Development Co., Ltd.	₩10,514	₩-	₩-	₩-	₩776	₩(401)	₩10,889
M cieta Development Co., Ltd.	-	-	-	-	-	-	-
Chungju Enterprise City Development Co., Ltd.	17,479	-	(17,479)	-	(37)	37	-
Pentaport Co., Ltd.	6,589	-	-	-	374	-	6,963
M cieta Co., Ltd.	-	-	-	-	-	-	-
Jun wave Co., Ltd.	54	-	(54)	-	-	-	-
Metapolis Co., Ltd.	-	-	-	-	-	-	-
Smart City Co., Ltd.	-	-	-	-	-	-	-
Smart City Asset Management Co., Ltd.	933	-	-	-	(7)	-	925
Alpha Dome City Co., Ltd.	51	-	-	-	1	-	52
Alpha Dome City Asset Management Co., Ltd.	-	-	-	-	10,705	-	10,705
Bichae-nuri Development Co., Ltd.	-	-	-	-	311	(311)	-
Bichae-nuri Co., Ltd.	66	-	-	-	-	-	66
Sinkyungju Development Co., Ltd.	26	-	-	-	-	-	26
Sinkyungju Development Management Co., Ltd.	-	-	-	-	-	-	-
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	43	-	-	-	2	-	45
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	33,168	-	-	-	(1,557)	-	31,610
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	9,704	-	-	-	(452)	-	9,253
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	35,461	-	-	-	(2,233)	-	33,228
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	33,347	-	-	-	(147)	-	33,199
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	25,058	-	-	-	(1,411)	-	23,647
NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	27,015	-	-	-	(1,365)	-	25,650
NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	34,858	-	-	-	(377)	-	34,481
NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	21,754	-	-	-	(1,965)	-	19,789
NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	15,957	-	-	-	(1,617)	-	14,340
	36,462	-	-	-	(246)	-	36,215

June 30, 2019

	Beginning	Acquisitions	Disposal & Impairment	Dividends	Share of profit (loss)	Equity adjustments in equity method	Ending
NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing National Happy Housing No.1 REIT Co., Ltd.	25,875	-	-	-	(305)	-	25,570
NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing Passive House Circulation Housing REIT Co., Ltd	21,453	-	-	-	31	-	21,484
NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	36,713	-	-	-	(264)	-	36,449
NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing National Happy Housing No.2 REIT Co., Ltd.	20,778	-	-	-	(219)	-	20,559
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing Cheongju Culture Factory Real Estate Investment Trust	4,552	-	-	-	(211)	-	4,341
Land Assistance REIT No.1 Co. Ltd.	25,584	-	-	-	(229)	-	25,355
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing Sandan JaesaengIho West Daegu Jisik Sanup Center Real Estate Investment Trust	3,272	-	-	-	703	-	3,975
	17,712	-	-	(594)	(2,917)	(869)	13,333
	10,590	-	-	-	6,167	(51)	16,707
	3,474	-	-	-	(148)	(959)	2,367
Total	₩487,045	₩-	₩(17,533)	₩(594)	₩2,668	₩(2,554)	₩469,031

10. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in property, plant and equipment for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020					Ending
	Beginning	Additions (*1)	Disposals	Depreciation	Others	
Land	₩345,110	₩831	₩(46)	₩ -	₩ -	₩345,895
Less: Government grants	(1,667)	-	-	-	-	(1,667)
Buildings	755,615	10,619	(10)	(9,643)	5,169	761,750
Less: Government grants	(14,369)	-	-	153	-	(14,216)
Structures	39,429	101	(5)	(1,795)	-	37,730
Machinery	132,487	-	-	(6,214)	-	126,273
Vehicles	1,386	221	(3)	(269)	-	1,335
Less: Government grants	(98)	-	-	26	-	(72)
Furniture and fixtures	36,389	17,188	(38)	(7,787)	(1)	45,751
Tools and equipment	10,010	250	-	(1,355)	-	8,905
Less: Government grants	(5,209)	(37)	-	311	-	(4,936)
Right-of-use	20,634	5,159	(360)	(7,270)	-	18,163
Construction in progress	21,271	-	-	-	(4,783)	16,488
Total	<u>₩1,340,988</u>	<u>₩34,332</u>	<u>₩(462)</u>	<u>₩(33,843)</u>	<u>₩385</u>	<u>₩1,341,400</u>

(*1) Additions incorporate the amounts of the capitalization of borrowing costs.

	June 30, 2019					Ending
	Beginning	Additions (*1)	Disposals	Depreciation	Others	
Land	₩338,199	₩54	₩ -	₩ -	₩6,955	₩345,208
Less: Government grants	(1,667)	-	-	-	-	(1,667)
Buildings	729,122	231	-	(9,578)	50,763	770,538
Less: Government grants	(14,751)	-	-	154	-	(14,597)
Structures	42,336	242	-	(1,795)	2	40,785
Machinery	144,902	13	-	(6,214)	-	138,701
Vehicles	1,154	8	-	(246)	-	916
Less: Government grants	(149)	-	-	25	-	(124)
Furniture and fixtures	33,599	8,412	(7)	(6,910)	1	35,095
Tools and equipment	9,807	1,716	-	(1,338)	-	10,185
Less: Government grants	(5,876)	-	-	646	-	(5,230)
Right-of-use	-	1,040	-	(6,767)	28,860	23,133
Construction in progress	45,305	21,720	-	-	(50,575)	16,450
Less: Government grants	(1,948)	-	-	-	99	(1,849)
Total	<u>₩1,320,033</u>	<u>₩33,436</u>	<u>₩(7)</u>	<u>₩(32,023)</u>	<u>₩36,105</u>	<u>₩1,357,544</u>

(*1) Additions incorporate the amounts of the capitalization of borrowing costs.

(2) Lease

- ① Amounts regarding lease which are recognized in the consolidated statements of financial position as of June 30, 2020 and December 31, 2019, respectively, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Right-of-use assets:		
Real estate	₩21,117	₩17,800
Vehicles	<u>18,057</u>	<u>17,105</u>
Total	<u>₩39,174</u>	<u>₩34,905</u>
Accumulated depreciation:		
Real estate	₩(9,810)	₩(6,841)
Vehicles	<u>(11,201)</u>	<u>(7,431)</u>
Total	<u>₩(21,011)</u>	<u>₩(14,271)</u>
Lease liabilities:		
Current	₩3,509	₩2,958
Non-current	<u>14,917</u>	<u>18,125</u>
Total	<u>₩18,426</u>	<u>₩21,083</u>

The increase in licensed assets during the current period was KRW 5,159 million.

- ② Amounts regarding lease which are recognized in the consolidated statement of income for the six months ended June 30, 2020 and 2019, respectively, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Depreciation of Right-of-use assets		
Real estate	₩3,473	₩3,144
Vehicles	<u>3,798</u>	<u>3,623</u>
Total	<u>₩7,270</u>	<u>₩6,767</u>
Interest expenses of Lease liabilities (included in Finance costs)	458	351
Expenses of short-term and small-value asset lease subject to recognition exemption rules	4,123	8,603

Total cash outflow of the lease during the current period was KRW 11,365 million.

11. INVESTMENT PROPERTIES:

(1) Changes in the net book value of investment properties for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020					
	Beginning	Additions	Disposals	Depreciation	Others (*1)	Ending
Land	₩751,159	₩ -	₩ -	₩ -	₩(20,952)	₩730,207
Less: Government grants	(16,800)				16,800	-
Buildings	83,439,600	47,499	-	(561,091)	2,943,331	85,869,339
Less: Government grants	(165,106)	-	-	2,986	-	(162,120)
Construction in progress	12,717,348	1,785,108	-	-	(1,506,816)	12,995,640
Less: Government grants	(34,595)	(5,319)	-	-	-	(39,914)
Total	<u>₩96,691,606</u>	<u>₩1,827,288</u>	<u>₩ -</u>	<u>₩(558,105)</u>	<u>₩1,432,363</u>	<u>₩99,393,152</u>

(*1) Others include amounts transferred from property, plant and equipment and inventories.

	June 30, 2019					
	Beginning	Additions	Disposals	Depreciation	Others (*1)	Ending
Land	₩804,618	₩ -	₩ -	₩ -	₩(28,007)	₩776,611
Buildings	78,160,892	38,690	(85)	(518,912)	2,212,509	79,893,094
Less: Government grants	(159,639)	(1,154)	-	2,951	-	(157,842)
Construction in progress	10,540,564	955,848	-	-	(213,128)	11,283,284
Less: Government grants	(20,096)	(4,862)	-	-	-	(24,958)
Total	<u>₩89,326,339</u>	<u>₩988,522</u>	<u>₩(85)</u>	<u>₩(515,961)</u>	<u>₩1,971,374</u>	<u>₩91,770,189</u>

(*1) Others include amounts transferred from property, plant and equipment and inventories.

(2) Details of rental income and expense for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020	June 30, 2019
Rental income	₩738,136	₩719,694
Rental expenses	(1,332,515)	(1,224,659)
Total	<u>₩(594,379)</u>	<u>₩(504,965)</u>

12. INTANGIBLE ASSETS, EXCEPT GOODWILL:

Changes in the net book value of intangible assets, except goodwill, for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020					
	Beginning	Additions	Disposals	Amortization	Others	Ending
Brand name	₩10	₩ -	₩ -	₩(2)	₩ -	₩9
Software	11,295	1,652	-	(2,598)	-	10,349
Copyright, patent and industrial property rights	121	-	-	(16)	-	105
Development costs	23,205	-	-	(6,243)	4,458	21,420
(less government grants)	(170)	-	-	84	-	(86)
Intangible assets in development	6,532	2,507	-	-	(4,458)	4,581
Others	9,724	0	-	-	-	9,724
Total	₩50,717	₩4,159	₩-	₩(8,774)	₩ -	₩46,102

	June 30, 2019					
	Beginning	Additions	Disposals	Amortization	Others	Ending
Brand name	₩13	₩ -	₩ -	₩(2)	₩ -	₩11
Software	12,042	1,021	-	(2,513)	-	10,550
Copyright, patent and industrial property rights	148	-	-	(21)	-	127
Development costs	33,276	750	-	(5,934)	600	28,693
(less government grants)	(228)	-	-	74	(100)	(254)
Intangible assets in development	2,783	1,362	-	-	(600)	3,545
(less government grants)	(100)	-	-	-	100	-
Land-use right	1,873	-	-	(27)	65	1,911
Others	8,292	1,432	-	-	-	9,724
Total	₩58,099	₩4,565	₩-	₩(8,423)	₩65	₩54,307

13. TRADE AND OTHER PAYABLES:

Details of trade and other payables as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Trade payables	₩1,307,479	₩925	₩924,148	₩ 626
Other payables	180,141	-	214,552	-
Accrued expenses	767,218	447,274	1,111,749	610,401
Deposits	11,500,156	13,268,608	8,829,818	15,522,622
Lease liabilities	3,509	14,917	2,958	18,125
Other	19,824	-	36,006	-
Total	<u>₩13,778,327</u>	<u>₩13,731,724</u>	<u>₩11,119,230</u>	<u>₩16,151,774</u>

14. BORROWINGS AND BONDS PAYABLE:

(1) Details of borrowings and bonds payable as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

Description	June 30, 2020	December 31, 2019
Current liabilities:		
Short-term borrowings	₩1,770,000	₩500,000
Current portion of long-term borrowings	947,522	1,151,191
Current portion of bonds	6,112,179	7,058,731
Addition: Government grants	2,871	2,344
Less: Present value of discount	(2,931)	(2,518)
Less: Bond issuance discount	(19,799)	(49,170)
Addition: Bond issuance premium(*)	394,512	394,512
Subtotal	<u>9,204,354</u>	<u>9,055,090</u>
Non-current liabilities:		
Long-term borrowings	35,997,653	34,430,874
Bonds	25,407,877	22,792,677
Addition: Government grants	8,772,706	8,954,558
Less: Present value of discount	(8,772,815)	(8,954,753)
Less: Bond issuance discount	(8,911)	(7,869)
Subtotal	<u>61,396,510</u>	<u>57,215,487</u>
Total	<u>₩70,600,864</u>	<u>₩66,270,577</u>

(*) When the Group issued bonds, the Group recognized bond premium to guarantee yield to maturity of bonds related to land and the balance of bond premium is unamortized.

(2) Details of short-term borrowings as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

Financial institution	June 30, 2020		
	Annual interest rate (%)	Maturity Date	Balances
KEB Hana Bank	1.19~1.30	2020.7.3.~2020.8.6.	1,100,000
eBEST Investment & Securities Co.,Ltd.	1.51	2020.10.14	20,000
IBK Securities Co.,Ltd.	1.51	2020.10.14	40,000
Cape Investment & Securities Co.,Ltd.	1.51~1.57	2020.10.14~2020.11.16	100,000
Hana Financial Investment Co.,Ltd.	1.51~1.57	2020.10.14~2020.11.16	90,000
Woori Investment Bank Co.,Ltd.	1.51~1.57	2020.10.14~2020.11.16	80,000
KTB Investment & Securities Co.,Ltd.	0.76~1.57	2020.10.14~2020.11.16	180,000
DB Financial Investment Co.,Ltd.	0.76~1.57	2020.10.27~2020.11.16	50,000
Meritz Securities Co.,Ltd.	1.57	2020.11.16	10,000
Kyobo Securities Co.,Ltd.	1.57	2020.11.16	20,000
SK Securities Co.,Ltd.	0.76	2020.10.27	80,000
Total			<u>₩1,770,000</u>

Financial institution	December 31, 2019		
	Annual interest rate (%)	Maturity Date	Balances
KEB Hana Bank	1.62~1.66	2020.1.7~2020.2.6	₩500,000

(3) Details of long-term borrowings as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	Creditors	Annual interest rate (%)	June 30, 2020	December 31, 2019
Public Rental ABS 1 st (*)	LH My Home SPC 1 st	4.95~5.04	₩130,000	₩530,000
Public Rental ABS 3 rd (*)	LH My Home SPC 3 rd	5.05~5.28	120,000	180,000
Public Rental ABS 4 th (*)	LH My Home SPC 4 th	4.34~4.52	290,000	360,000
Public Rental ABS 5 th (*)	LH My Home SPC 5 th	3.13~3.36	230,000	270,000
National Housing Fund	KB KOOKMIN Bank, NH NongHyup Bank, Woori Bank	0~4.0	35,785,004	33,851,606
Second Public Preservation Energy Complex Fund	Woori Bank Korea Energy Agency, Woori Bank	3.6~4.0 3.00	327,049 1,516	327,049 1,718
Financial facility loans	Korea Development Bank	1.76	606	693
Operating loans	Hanuri Energy	3.45	1,000	1,000
Biz. land purchase loans	NH NongHyup Capital etc.	-	60,000	60,000
	Subtotal		<u>36,945,175</u>	<u>33,485,756</u>
	Addition: Government grants		8,772,706	9,296,491
	Less: Present value of discount		<u>(8,775,746)</u>	<u>(9,299,645)</u>
	Subtotal		<u>36,942,135</u>	<u>33,482,602</u>
	Less: Current portion		(947,522)	(866,036)
	Less: Present value of discount on current portion		<u>2,931</u>	<u>2,313</u>
	Total		<u>₩35,997,544</u>	<u>₩32,618,879</u>

(*) In accordance with an asset transfer agreement entered into with a special-purpose entity, the Group has securitized its dues from construction contracts and other assets up to ₩770,000 million and ₩1,340,000 million as of June 30, 2020 and December 31, 2019, respectively.

(4) Details of bonds payable as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won and in thousands of foreign currencies):

	Annual interest rate (%)	June 30, 2020		December 31, 2019	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Bonds denominated in Korean won (*1)	1.275~7.12	-	₩25,037,000	-	₩23,334,000
Bonds denominated in US dollars (*2)	3mLibor+0.73% etc.	USD 1,040,000	1,248,728	USD 1,140,000	1,319,892
Bonds denominated in CHF (*3)	3mCHFLibor+0.34%	CHF 300,000	378,669	CHF 100,000	119,552
Bonds denominated in HKD (*4)	3mHibor+0.48% etc.	HKD 2,720,000	421,383	HKD 2,720,000	404,355
Bonds related to the land (*5)	4.01~4.72	-	3,749,216	-	3,749,216
Bonds related to land compensation	1.25~2.53	-	685,062	-	924,393
Subtotal			<u>31,520,057</u>		<u>29,851,408</u>
Less: Discount on bonds			(28,711)		(57,038)
Addition: Bond issuance premium (*6)			<u>394,512</u>		<u>394,512</u>
Subtotal			<u>31,885,859</u>		<u>30,188,882</u>
Less: Current portion			(6,112,180)		(7,058,731)
Less: Discount on bonds' current portion			19,800		49,170
Addition: Bond issuance premium on current portion (*6)			<u>(394,512)</u>		<u>(394,512)</u>
Total			<u>₩25,398,966</u>		<u>₩22,784,809</u>

(*1) The bonds are guaranteed by the Korea Government in accordance with Paragraph 3 of Article 10 of the Korea Land & Housing Corporation Act.

(*2) Various bonds amounting to \$340,000 thousand are listed on the Singapore Stock Exchange.

(*3) The bonds are listed on the Singapore Stock Exchange.

(*4) Various bonds amounting to HKD470,000 thousand are listed on the Singapore Stock Exchange.

(*5) There are bonds related to the land that the Group holds as inventory. Additional interest may be paid from the gain on disposal of the related land. These carry coupon rates of 3.00%~3.50% and yield-to-maturity rates of 4.01%~4.72%.

(*6) When the Group issued bonds, the Group recognized bond premium to guarantee yield to maturity of bonds related to land and the balance of bond premium is unamortized.

(5) Redemption plans of borrowings and bonds payable as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020		
	Borrowings	Bonds payable	Total
Less than 1 year	₩2,717,522	₩6,112,180	₩8,829,701
1 year–5 years	1,067,708	8,712,569	9,780,278
More than 5 years	34,929,945	16,695,308	51,625,253
Total	₩38,715,175	₩31,520,057	₩70,235,232

	December 31, 2019		
	Borrowings	Bonds payable	Total
Less than 1 year	₩1,651,191	₩7,058,731	₩8,709,922
1 year–5 years	1,566,450	7,066,245	8,632,695
More than 5 years	32,864,425	15,726,432	48,590,857
Total	₩36,082,065	₩29,851,408	₩65,933,473

15. EMPLOYEE RETIREMENT BENEFITS:

(1) Defined contribution plan

Details of costs related with the defined contribution plan recognized in the statements of profit or loss for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cost of sales	₩657	₩629
Selling and administrative expenses	<u>23</u>	<u>21</u>
Net	<u>₩680</u>	<u>₩650</u>

(2) Defined benefit plan

Details of the defined benefit liability (assets) recognized for the defined benefit obligation of the Group regarding a defined benefit plan as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation under reserved plan	₩550,544	₩510,004
Fair value of plan assets	(20,816)	(20,612)
National pension fund	<u>(81)</u>	<u>(81)</u>
Total	<u>₩529,648</u>	<u>₩489,311</u>

(3) Changes in present value of defined benefit liability for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Beginning	₩510,004	₩445,862
Service costs	35,142	29,864
Interest costs	5,240	5,216
New entry / transfer effect	630	230
Remeasurements of defined benefit liabilities	40,088	7,554
Payments	<u>(40,560)</u>	<u>(35,195)</u>
Ending	<u>₩550,544</u>	<u>₩453,531</u>

(4) Changes in the fair value of plan assets for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Beginning	₩20,612	₩9,342
Expected return on plan assets	234	103
Remeasurements of defined benefit liabilities	-	(1)
Payments	<u>(30)</u>	<u>-</u>
Ending	<u>₩20,816</u>	<u>₩9,444</u>

(5) Details of costs related with the defined benefit plan recognized in income and loss for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Service costs	₩35,143	₩29,864
Interest costs	5,240	5,216
New entry / transfer effect	630	230
Expected return on plan assets	<u>(234)</u>	<u>(103)</u>
Total	<u>₩40,779</u>	<u>₩35,207</u>

16. PROVISIONS:

(1) Details of provisions as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020			December 31, 2019		
	Current	Non-current	Total	Current	Non-current	Total
Employee benefit provision (*1)	₩168,047	₩-	₩168,047	₩145,234	₩-	₩145,234
Warranty provision (*2)	-	43,187	43,187	-	43,372	43,372
Provision for litigation	-	243,476	243,476	-	188,601	188,601
Cost provision (*3)	14,631,491	-	14,631,491	15,038,729	-	15,038,729
Sale convertible provision (*4)	9,230	-	9,230	11,701	-	11,701
Carbon credit provision	4,300	-	4,300	2	-	2
Total	₩14,813,068	₩286,663	₩15,099,732	₩15,195,665	₩231,973	₩15,427,638

(*1) The Group has estimated performance bonuses based on current business performance and management evaluation standards. These estimates are subject to change.

(*2) The Group recognizes the estimated liability to repair or replace products sold with warranties at the date of the consolidated statements of financial position. The provision is determined based on past experience on warranty claims on the level of repairs and returns.

(*3) Expected future costs to be incurred in relation to revenue arising from construction contracts are recognized as cost variance, when the construction cost is complete, and the estimates could be changed.

(*4) Expected future costs to be incurred in relation to the conversion of public rental housing to housing for sale are recognized as Sale convertible provisions, and the estimates could be changed.

17. NON-FINANCIAL LIABILITIES:

Details of non-financial liabilities as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020		December 31, 2019	
	Current	Non-current	Current	Non-current
Advance receipts	₩6,947	₩35,229	₩11,546	₩35,749
Advances from housing sales	15,156,528	-	14,229,156	-
Short-term unearned revenues	1,104	-	-	-
Advances from construction contracts	-	60,030	-	58,966
Withholdings	1,454,324	-	1,216,300	-
Other unearned revenues	423,068	-	505,580	-
Due to customers for construction contracts	13,435	-	283,149	29,501
Others	414,147	31,790	15,472	-
Total	₩17,469,553	₩127,049	₩16,261,203	₩124,216

18. ISSUED CAPITAL:

(1) Details of issued capital as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020			December 31, 2019		
	Government	Non-government	Total	Government	Non-government	Total
Common shares	₩30,666,823	₩4,470,996	₩35,137,819	₩28,992,846	₩4,470,996	₩33,463,842

(2) Details of discounts on stocks issuance as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020	December 31, 2019
Discounts on stocks issuance	₩(10,107)	₩(11,389)
Total	₩(10,107)	₩(11,389)

19. RETAINED EARNINGS (SEPARATE BASIS):

(1) Details of the retained earnings as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Legal reserve (*)	₩4,330,461	₩3,872,856
Other legal reserve	11,533,041	10,166,383
Unappropriated retained earnings	<u>1,918,467</u>	<u>2,288,027</u>
Total	<u>₩17,781,969</u>	<u>₩16,327,266</u>

(*) According to the Korea Land & Housing Corporation Act, an amount equal to at least 20% of net income is required to be appropriated as a legal reserve, until the reserve equals 50% of issued capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a deficit, if any, or be transferred to capital.

(2) Details of other legal reserve as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Reserve for business extension	₩6,477,773	₩6,026,326
Reserve for bank of land	<u>5,055,268</u>	<u>4,140,057</u>
Total	<u>₩11,533,041</u>	<u>₩10,166,383</u>

(3) Changes in retained earnings for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Beginning	₩16,327,266	₩14,434,326
Net profit	1,958,557	895,464
Dividends	(452,417)	(388,980)
Amortization of discounts on stocks issuance	(11,347)	(6,107)
Remeasurements of defined benefit liabilities	(40,088)	(5,112)
Gain (loss) on valuation of financial assets FVOCI	(2)	-
Changes in retained earnings carried forward from the previous year	<u>-</u>	<u>16,023</u>
Ending	<u>₩17,781,969</u>	<u>₩14,945,614</u>

20. OTHER COMPONENTS OF EQUITY:

(1) Other components of equity as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
OCI	₩(6,694)	₩(28,062)

(2) Other components of equity, included in OCI, as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Unrealized loss from cash flow hedges	₩(21,333)	₩(42,202)
OCI of equity method investees	14,415	14,513
Exchange losses from foreign operation	<u>224</u>	<u>(373)</u>
Total	<u>₩(6,694)</u>	<u>₩(28,062)</u>

21. SALES AND COST OF SALES:

Sales and Cost of sales for the six months ended June 30, 2020 and 2019, except other income and expenses, finance income and costs are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Sales:		
Revenue from sales of land	₩6,783,308	₩6,421,026
Revenue from sales of housing units	1,840,094	1,189,324
Revenue from rental real estate	738,136	719,694
Revenue from government grants	58,324	48,333
Other revenue	<u>185,963</u>	<u>202,257</u>
Total	<u>₩9,605,825</u>	<u>₩8,580,634</u>
Cost of sales:		
Land	₩4,071,772	₩4,712,213
Housing	1,524,943	1,031,303
Real estate rent	1,332,515	1,224,659
Government grants	60,318	65,133
Other operating expenses	<u>151,418</u>	<u>158,025</u>
Total	<u>₩7,140,966</u>	<u>₩7,191,333</u>

22. OTHER INCOME AND EXPENSES:

(1) Details of other income account for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Other income (lapse of the period for advance payment)	₩218,843	₩217,413
Income from government grants	96,408	93,790
Other income (interest of advances from land sales)	6,876	19,566
Other income (interest of advances from housing sales)	48	108
Other miscellaneous income	<u>49,370</u>	<u>39,590</u>
Total	<u>₩371,545</u>	<u>₩370,467</u>

(2) Details of other expenses for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Other expenses (lapse of the period for advance payment)	₩932	₩1,096
Amortization of premium of long-term borrowings	96,408	93,790
Loss on cancellation of sales	4,587	9,179
Loss on sale of inventories	-	2,975
Loss on renovations	31	35
Other miscellaneous loss	<u>7,433</u>	<u>15,669</u>
Total	<u>₩109,391</u>	<u>₩122,744</u>

(3) Details of others for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Other miscellaneous loss	₩(2,461)	₩(1,876)

23. FINANCE INCOME AND FINANCE COSTS:

(1) Details of finance income for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Interest income	₩85,768	₩102,444
Dividend	1,050	1,814
Gain on valuation of financial assets FVPL	8	-
Gain on foreign currency translation	12	72
Gain on foreign currency transactions	21	16
Other finance income	933	1,096
Total	<u>₩87,792</u>	<u>₩105,442</u>

(2) Details of interest income recognized as finance income for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and cash equivalents	₩967	₩2,098
Loans and receivables	101	173
Short-term financial instruments	36,545	54,064
Other financial instruments	22,277	13,132
Trade and other receivables	25,879	32,977
Total	<u>₩85,769</u>	<u>₩102,444</u>

(3) Details of finance costs for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Interest expense	₩116,708	₩131,849
Loss on valuation of financial assets FVPL	130	-
Loss on foreign currency translation	13	47
Loss on foreign currency transaction	3	1
Other finance costs	218,843	217,413
Total	<u>₩335,697</u>	<u>₩349,310</u>

(4) Details of interest expense recognized as finance costs for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Short-term borrowings	₩11,321	₩10,340
Long-term borrowings	442,235	446,167
Bonds	564,826	679,543
Other financial liabilities	49,462	58,593
Long-term lease liabilities	<u>481</u>	<u>352</u>
Subtotal	<u>1,068,325</u>	<u>1,194,995</u>
Less: Capitalized borrowing costs	(616,402)	(742,929)
Less: Transferred to other costs	<u>(335,216)</u>	<u>(320,218)</u>
Total	<u>₩116,707</u>	<u>₩131,848</u>

24. INCOME TAXES REGARDING CONTINUING BUSINESS:

The major components of the income tax expense for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current income tax	₩482,150	₩390,264
Adjustments from prior years	21,877	(9,391)
Items charged directly to equity	2,523	(2,358)
Deferred income tax by temporary differences	<u>2,941</u>	<u>(180,439)</u>
Income tax expense	<u>₩509,491</u>	<u>₩198,076</u>

25. ASSETS CLASSIFIED AS HELD-FOR-SALE:

Details of assets classified as held-for-sale as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Land (*1)	₩75,993	₩75,993
Buildings (*1)	<u>116,894</u>	<u>116,894</u>
Total	<u>₩192,887</u>	<u>₩192,888</u>

(*1) The Group has a plan to dispose of its regional headquarters (including land, buildings and rental housing) and is actively engaged in locating a potential purchaser.

26. CLASSIFICATION BASED ON THE NATURE OF EXPENSE:

Details of classification based on the nature of expense for cost of sales and selling and administrative expenses for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

	June 30, 2020			Total
	Changes in inventories	Selling and administrative expenses	Cost of sales	
Changes in finished goods and work in process	₩(3,111,878)	₩-	₩-	₩(3,111,878)
Use of raw materials and supplies	8,503,360	-	-	8,503,360
Salaries	-	103,507	293,223	396,729
Retirement benefits	-	9,153	32,308	41,462
Severance benefits	-	1,137	-	1,137
Employee welfare benefits	-	47,603	29,626	77,229
Insurance premium	-	528	10,330	10,858
Depreciation	-	17,809	566,869	584,678
Amortization	-	8,759	15	8,774
Bad debts expense	-	30	-	30
Commissions	-	17,755	117,431	135,186
Advertising	-	7,414	2,280	9,694
Training	-	5,062	239	5,301
Vehicle maintenance	-	373	401	774
Publications	-	462	1,159	1,622
Business expenses	-	276	105	380
Rent	-	3,767	7,598	11,365
Communication	-	412	3,307	3,719
Freighting	-	14	50	64
Taxes and dues	-	171,259	907	172,166
Supplies	-	1,047	1,486	2,533
Utilities	-	1,222	31,884	33,106
Repairs and maintenance	-	1,644	300,950	302,594
Ordinary development expense	-	18,039	376	18,416
Travel expenses	-	3,380	11,902	15,283
Clothing expenses	-	6	242	248
Investigation and analysis	-	5,743	2,440	8,182
Membership dues	-	111	14	125
Sales promotion	-	10,141	-	10,141
Sales commissions	-	10,224	-	10,224
Others	-	9,829	334,342	344,171
Total	₩5,391,482	₩456,706	₩1,749,484	₩7,597,673

	June 30, 2019			
	Changes in inventories	Selling and administrative expenses	Cost of sales	Total
Changes in finished goods and work in process	₩(693,698)	₩-	₩-	₩(693,698)
Use of raw materials and supplies	6,243,240	-	-	6,243,240
Salaries	-	105,176	273,858	379,034
Retirement benefits	-	10,046	25,812	35,858
Severance benefits	-	1,420	-	1,420
Employee welfare benefits	-	20,948	25,222	46,171
Insurance premium	-	476	16,234	16,710
Depreciation	-	16,647	524,742	541,389
Amortization	-	8,411	13	8,423
Bad debts expense	-	20	-	20
(Reversal of allowance for bad debts)	-	(28)	-	(28)
Commissions	-	13,116	109,438	122,554
Advertising	-	7,357	2,566	9,923
Training	-	6,936	317	7,253
Vehicle maintenance	-	287	766	1,054
Publications	-	342	1,299	1,641
Business expenses	-	171	77	248
Rent	-	2,554	12,857	15,411
Communication	-	499	3,057	3,556
Freighting	-	54	32	86
Taxes and dues	-	148,256	245	148,501
Supplies	-	884	1,515	2,399
Utilities	-	1,437	31,079	32,516
Repairs and maintenance	-	1,940	265,572	267,512
Ordinary development expense	-	14,677	479	15,156
Travel expenses	-	4,436	14,359	18,795
Clothing expenses	-	2	334	336
Investigation and analysis	-	4,723	3,439	8,162
Membership dues	-	112	9	121
Sales promotion	-	10,608	-	10,608
Sales commissions	-	5,975	-	5,975
Interest expenses	-	-	1,282	1,282
Others	-	9,989	327,187	337,176
Total	<u>₩5,549,542</u>	<u>₩397,471</u>	<u>₩1,641,790</u>	<u>₩7,588,804</u>

27. FINANCIAL INSTRUMENTS:

(1) Hierarchy of fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of consolidated financial statements by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques that use inputs and have a significant effect on the recorded fair value that are not based on observable market data

(2) Details of the financial instruments carried at fair value as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets FVPL	₩-	₩-	₩1,919,713	₩1,919,713
Financial assets FVOCI		-	64,946	64,946
Derivative assets	-	105,233	-	105,233
Financial liabilities:				
Derivative liabilities	₩-	₩36,754	₩-	₩36,754
	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets FVPL	₩-	₩-	₩1,535,066	₩1,535,066
Financial assets FVOCI		-	70,746	70,746
Derivative assets	-	59,893	-	59,893
Financial liabilities:				
Derivative liabilities	₩-	₩68,250	₩-	₩68,250

(3) Details of financial assets by category as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020						
	Financial assets FVPL		Financial assets FVOCI		Financial assets at amortized cost	Derivatives designated as hedges	Total
	Equity instru	Debt instru	Equity instru	Debt instru			
Current:							
Cash and cash equivalents	W-	W-	W-	W-	W3,295,000	W-	W3,295,000
Financial assets FVPL	-	566,374	-	-	-	-	566,374
Financial assets AC	-	-	-	-	5,750	-	5,750
Derivative assets	-	-	-	-	-	28,876	28,876
Short-term loans	-	-	-	-	14	-	14
Short-term financial instruments	-	-	-	-	1,072,126	-	1,072,126
Trade and other receivables	-	-	-	-	1,130,538	-	1,130,538
Subtotal by category	W-	W566,374	W-	W-	W5,503,428	W28,876	W6,098,678
Non-current:							
Financial assets FVPL	W391	W1,352,948	W-	W-	W-	W-	W1,353,339
Financial assets FVOCI	-	-	64,946	-	-	-	64,946
Financial assets AC	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	139,580	-	139,580
Long-term financial instruments	-	-	-	-	1,390	-	1,390
Derivative assets	-	-	-	-	-	76,357	76,357
Trade and other receivables	-	-	-	-	683,485	-	683,485
Subtotal by category	W391	W1,352,948	W64,946	W-	W824,455	W76,357	W2,319,097
Total	W391	W1,919,322	W64,946	W-	W6,327,884	W105,233	W8,417,775
	December 31, 2019						
	Financial assets FVPL		Financial assets FVOCI		Financial assets at amortized cost	Derivatives designated as hedges	Total
	Equity instru	Debt instru	Equity instru	Debt instru			
Current:							
Cash and cash equivalents	W-	W-	W-	W-	W1,748,027	W-	W1,748,027
Financial assets FVPL	-	310,515	-	-	-	-	310,515
Financial assets AC	-	-	-	-	7	-	7
Short-term loans	-	-	-	-	16	-	16
Short-term financial instruments	-	-	-	-	615,109	-	615,109
Derivative assets	-	-	-	-	-	34,776	34,776
Trade and other receivables	-	-	-	-	1,162,078	-	1,162,078
Subtotal by category	W-	W310,515	W-	W-	W3,525,237	W34,776	W3,870,529
Non-current:							
Financial assets FVPL	W388	W1,224,163	W-	W-	W-	W-	W1,224,551
Financial assets FVOCI	-	-	70,746	-	-	-	70,746
Financial assets AC	-	-	-	-	68	-	68
Long-term loans and receivables	-	-	-	-	177,834	-	177,834
Long-term financial instruments	-	-	-	-	1,384	-	1,384
Derivative assets	-	-	-	-	-	25,117	25,117
Trade and other receivables	-	-	-	-	686,294	-	686,294
Subtotal by category	W388	W1,224,163	W70,746	W-	W865,580	W25,117	W2,185,994
Total	W388	W1,534,678	W70,746	W-	W4,390,817	W59,893	W6,056,523

(4) Details of financial liabilities by category as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	June 30, 2020				Total
	Financial liabilities at FVPL		Financial liabilities at amortized cost	Derivatives designated as hedges	
	Held for trading	FVPL			
Current:					
Short-term borrowings	₩-	₩-	₩1,770,000	₩-	₩1,770,000
Current-Long-term borrowings	-	-	947,462	-	947,462
Current-Bonds	-	-	6,486,892	-	6,486,892
Current-Derivative liabilities	-	-	-	-	-
Trade and other payables	-	-	13,778,327	-	13,778,327
Subtotal by category	₩-	₩-	₩22,982,681	₩-	₩22,982,681
Non-current:					
Long-term borrowings	₩-	₩-	₩35,997,545	₩-	₩35,997,545
Bonds	-	-	25,398,966	-	25,398,966
Derivative liabilities	-	-	-	36,753	36,753
Trade and other payables	-	-	13,731,724	-	13,731,724
Subtotal by category	₩-	₩-	₩75,128,235	₩36,753	₩75,164,988
Total	₩-	₩-	₩98,110,916	₩36,753	₩98,147,669
December 31, 2019					
	Financial liabilities at FVPL		Financial liabilities at amortized cost	Derivatives designated as hedges	Total
	Held for trading	FVPL			
	Current:				
Short-term borrowings	₩-	₩-	₩500,000	₩-	₩500,000
Current-Long-term borrowings	-	-	1,151,017	-	1,151,017
Current-Bonds	-	-	7,404,073	-	7,404,073
Current-Derivative liabilities	-	-	-	2,528	2,528
Trade and other payables	-	-	11,119,230	-	11,119,230
Subtotal by category	₩-	₩-	₩20,174,320	₩2,528	₩20,176,848
Non-current:					
Long-term borrowings	₩-	₩-	₩34,430,679	₩-	₩34,430,679
Bonds	-	-	22,784,808	-	22,784,808
Derivative liabilities	-	-	-	65,722	65,722
Other	-	-	-	-	-
Trade and other payables	-	-	16,151,774	-	16,151,774
Subtotal by category	₩-	₩-	₩73,367,261	₩65,722	₩73,432,983
Total	₩-	₩-	₩93,541,581	₩68,250	₩93,609,831

28. RELATED PARTY TRANSACTIONS:

(1) The Group's major related parties as of June 30, 2020, are as follows:

Relationship	Related party
Ultimate parent entity Associates	Government of the Republic of Korea Smart City Co., Ltd., etc.

(2) Significant transactions with related parties for the six months ended June 30, 2020 and 2019, are as follows (in millions of Korean won):

Related party	Revenue and others		Purchase and others	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Associates:				
Korea Construction Management Co.	₩-	₩-	₩391	₩1,077
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing	-	101,251	-	-
Total	₩-	₩101,251	₩391	₩1,077

(3) Outstanding receivables and payables with related parties as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

Related party	Receivables		Payables	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Associates:				
Sandan JaesaengIho West Daegu Jisik Sanup Center Real Estate Investment Trust	₩-	₩-	₩9,236	₩9,236
Total	₩-	₩-	₩9,236	₩9,236

(4) Loans from related parties as of June 30, 2020 and December 31, 2019, are as follows (in millions of Korean won):

	Related party	June 30, 2020	December 31, 2019
National housing fund	Ministry of Land Transport and Maritime Affairs	₩35,785,004	₩33,851,605

29. COMMITMENTS AND CONTINGENCIES:

- (1) The Group has entered into an agreement to guarantee the purchase of unsold apartments that Third-Party Managed REIT for Development of Public Rental Housing (NHF No.1~No.16) will own upon the completion of construction and subsequent lease and sale in accordance with Housing Act and related laws. However, the final effects from this agreement cannot be reasonably estimated as of June 30, 2020.
- (2) The Group has entered into an agreement to guarantee the discounted purchase of unsold apartments that a house development and real estate investment trusts company (4 companies, e.g. Pyeongtaek Sosabeol etc.) will own upon the completion of construction and subsequent sale in accordance with Housing Act and related laws. However, the final effects from this agreement cannot be reasonably estimated as of June 30, 2020.
- (3) The Group has entered into an agreement with the provincial government of Gyeonggi-do and Seongnam City municipal government on the Pangyo-district joint implementation project. According to the agreement, the excess returns are agreed to be reinvested if the actual return on investment (ROI) earned by the Group exceeds the reasonable ROI of comparable entities. Accordingly, the Group records the estimated excess returns as cost of sales and other current liabilities as of June 30, 2020.
- (4) The Group has entered into an agreement to guarantee the discounted purchase of unsold apartments that Cheonan Mid-Hill Town Real Estate Investment Trust, established for Cheonan Urban Renewal Project, will own upon the completion of construction and subsequent sale in accordance with Housing Act and related laws. However, the final effects from this agreement cannot be reasonably estimated as of June 30, 2020.
- (5) The Group has entered into an agreement to guarantee the purchase of unsold apartments that Passive House Third-Party Managed REIT for Public Rental Housing will own upon the completion of construction and subsequent lease and sale in accordance with special Act on Housing and related laws. However, the final effects from this agreement cannot be reasonably estimated as of June 30, 2020.
- (6) As of June 30, 2020, the Group is involved in a total of 788 pending litigations with total claims against the Group amounting to ₩810,320 million. Accordingly, the Group provides a contingent reserve for the outflow of economic resources as a result of legal settlements. The management of the Group utilizes reasonable methods in approximating the provision for such reserve.
- (7) The Group has entered into agreements for returning cancellation agreements with financial institutions until the amount to be refunded to the buyer when canceling the contract-related intermediate payment in accordance with the real estate sale contract.

(8) Details of agreements with institutions-related loan agreement, performance guarantee, etc., as of June 30, 2020, are as follows (in millions of Korean won):

Agreement	financial institutions	Limit	Loan Execution	Remarks
Loan arrangement	Woori Bank	₩450,000	₩-	Checking loan
	KB Bank	50,000	-	Checking loan
	KEB Hana Bank	150,000	-	Checking loan
	KEB Hana Bank	150,000	-	Bill discount
	KEB Hana Bank	150,000	-	Bill discount
	KEB Hana Bank	200,000	-	Bill discount
	KEB Hana Bank	200,000	-	Bill discount
	KEB Hana Bank	200,000	-	Bill discount
	KEB Hana Bank	200,000	-	Bill discount
Guarantee	Seoul Guarantee Insurance	200,223	200,223	License and deposit Kuwait new town service
Guarantee	KB Bank	4,200	4,200	
Total		₩1,954,423	₩204,423	

(9) Details of debt guarantees and guarantees provided by the Group for others are as follows (in millions of Korean won):

Guarantee provider	Warrantee	Institution	Guarantees Period	Amounts
Hannuri	Hannuri Energy	Hyundai Asan	2009.6.22–2028.9.11	600 (*1)
Hannuri	Hannuri Energy	E1	2010.5.20–2028.7.25	70 (*2)

(*1) Joint guarantees for the return of the deposit about gas station operation outsourcing

(*2) Joint guarantees for the return of the deposit about gas station filling operation outsourcing

Guarantee provider	Warrantee	Start Date	Amount of collateral	Book Value	
Hannuri	Korea Exim Bank	2016.03.30	9,100	7,302	(*1)
Hannuri	Korea Exim Bank	2016.07.29	371	8,256	(*2)

(*1) Upon Hannuri receipt of insurance (₩7,000 million), setting collateral to the asset of Hannuri Hotel's right to use land and building

(*2) Upon Hannuri receipt of government grants (₩285 million), setting collateral to the asset of Hannuri Hotel & Hannuri Energy's right to use land and building

INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on February 27, 2020.

To the Shareholders and the Board of Directors of Korea Land & Housing Corporation:

Opinion

We have audited the accompanying consolidated financial statements of Korea Land & Housing Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and December 31, 2018, respectively, the consolidated statements of comprehensive income, consolidated statement of changes in shareholders' equity and cash flows, all expressed in Korean Won, for the year then ended, and consolidated statements of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and December 31, 2018, respectively, and its financial performance and its cash flows for the year then ended December 31, 2019 and 2018 in accordance with Korean Government-Owned and Quasi-Government Accounting Regulations and Standards.

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled out other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

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

1. Basis of financial statements preparation

The consolidated financial statements are prepared in accordance with the Korean Government Owned and Quasi-Government Accounting Regulations and Standards (refer to note 2). If there are no regulations other than Korean Government-Owned and Quasi-Government Accounting Regulations and Standards, accounting standards of the Group refer to the Korean International

Financial Reporting Standards (“K-IFRS”). However, if the guidelines of financial closing which are to be established every year by the Ministry of Strategy and Finance and the Korea Institute of Tax and Finance are stipulated differently, the statements have been prepared by applying the guidelines.

2. Subsidy/Grants Program

Korea Land and Housing Co. as a Specific Project Operators per 'Subsidy Management Act' describes details by subsidy/grants program and changes in grants/grants (refer to note 29) in accordance with the relevant act and 'Detailed Auditing Standards for Specific Project Operators'

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with Korean Government Owned and Quasi-Government Accounting Regulations and Standards, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

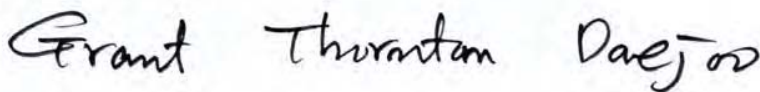
As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud and error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "Grant Thornton Daejoo". The signature is written in a cursive, flowing style.

Grant Thornton Daejoo

February 27, 2020

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

(In Korean won)

	<u>Notes</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Assets			
Current assets			
Cash and cash equivalents	6,49	₩ 1,748,027,244,143	₩ 2,128,402,748,222
Current financial assets	8,11,12,13,49	960,424,022,293	3,012,642,543,232
Trade and other receivables	9,20,49,51	1,162,077,486,806	1,112,120,504,530
Inventories	14	67,129,483,372,628	70,608,449,409,386
Current non-financial assets	15,51	4,337,553,531,007	3,950,992,467,325
Assets classified as held-for-sale	47	<u>192,887,471,622</u>	<u>196,773,133,632</u>
Subtotal		<u>75,530,453,128,499</u>	<u>81,009,380,806,327</u>
Non-current assets			
Non-current financial assets	7,8,10,11,12,13,49	1,499,410,113,900	204,291,741,772
Long-term trade and other receivab	9,49	686,294,174,828	917,926,782,083
Property, plant and equipment	17,28	1,340,987,955,161	1,320,033,399,414
Investment properties	18,28	96,691,606,312,624	89,326,338,609,211
Intangible assets excluding goodwill	21,28	50,717,140,872	58,099,898,852
Investments in associates	16	450,688,356,429	487,044,571,514
Deferred tax assets	46	259,894,836,415	-
Non-current non-financial assets	15	<u>5,024,218,184</u>	<u>9,972,750,452</u>
Subtotal		<u>100,984,623,108,413</u>	<u>92,323,707,753,298</u>
Total assets		<u>₩ 176,515,076,236,912</u>	<u>₩ 173,333,088,559,625</u>

(Continued)

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2019 AND 2018

(In Korean won)

	<u>Notes</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current liabilities			
Trade and other payables	23,49,50,51	₩ 11,119,230,120,383	₩ 10,228,480,926,995
Current portion of financial liabilities	8,24,28,49,50	9,057,617,960,622	11,910,923,496,815
Income tax payable		767,831,509,117	102,392,077,284
Current non-financial liabilities		16,261,203,418,807	17,650,762,418,896
Current portion of provisions	27	<u>15,195,665,372,215</u>	<u>13,951,489,313,579</u>
Subtotal		<u>52,401,548,381,144</u>	<u>53,844,048,233,569</u>
Non-current liabilities			
Long-term trade and other payables	23,49,50	16,151,774,038,754	15,408,814,321,211
Non-current financial liabilities	8,24,28,49,50	57,281,209,489,605	57,875,030,209,648
Non-current non-financial liabilities	31,32	124,215,773,325	165,740,530,349
Net employee defined benefit liability	26	489,310,585,876	435,219,000,406
Deferred income tax liabilities	46	-	129,679,172,119
Non-current provisions	27	<u>231,972,762,011</u>	<u>210,722,510,501</u>
Subtotal		<u>74,278,482,649,571</u>	<u>74,225,205,744,234</u>
Total liabilities		<u>126,680,031,030,715</u>	<u>128,069,253,977,803</u>
Equity			
Issued capital	1	33,463,842,082,665	30,782,457,897,665
Discount on stock issuance	33	(11,388,700,020)	(6,132,655,850)
Retained earnings	34,35	16,402,571,062,300	14,530,144,237,329
Other components of equity	36	<u>(28,062,080,286)</u>	<u>(50,850,989,866)</u>
Equity attributable to the shareholders of the parent		49,826,962,364,659	45,255,618,489,278
Non-controlling interests		<u>8,082,841,538</u>	<u>8,216,092,544</u>
Total equity		<u>49,835,045,206,197</u>	<u>45,263,834,581,822</u>
Total equity and liabilities		<u>176,515,076,236,912</u>	<u>173,333,088,559,625</u>

(Concluded)

See accompanying notes.

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Korean won)

	Notes	2019	2018
Sales	37,51	₩ 20,529,771,983,139	₩ 18,033,828,489,710
Cost of sales	38,39,40,48	(17,086,315,959,140)	(14,697,762,417,804)
Gross profit		3,443,456,023,999	3,336,066,071,906
Selling and administrative expenses	38,39,40,41,48	660,710,619,124	722,465,605,076
Operating profit		2,782,745,404,875	2,613,600,466,830
Other income	42	984,901,053,447	954,705,847,874
Other expenses		(454,981,347,252)	(345,121,987,020)
Others	43	(11,701,953,657)	(5,988,620,160)
Finance income	44	193,290,724,223	267,970,216,563
Finance costs	45	(712,295,188,806)	(692,225,297,630)
Share of income (loss) to associates and joint ventures		(17,112,540,402)	3,265,812,269
Profit for the period before tax		2,764,846,152,428	2,796,206,438,726
Income tax expense	46	(520,128,401,088)	(719,466,968,022)
Continued operating profit		2,244,717,751,340	2,076,739,470,704
Profit for the period		₩ 2,244,717,751,340	₩ 2,076,739,470,704
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans		6,960,389,868	(21,680,553,592)
Gain (loss) on disposal of financial assets (equity instruments) measured at fair value through other comprehensive income		-	(533,435,810)
Gain (loss) on valuation of financial assets (equity instruments) measured at fair value through other comprehensive income		(320,329,293)	(123,815,253)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net gain on cash flow hedge accounting		24,604,896,374	(50,787,842,344)
Equity adjustments in equity method		(1,815,986,794)	1,577,464,927
Exchange differences on translation of foreign operations		-	356,985,634
Other comprehensive income for the period, net of tax		29,428,970,155	(71,191,196,438)
Total comprehensive income for the period, net of tax		₩ 2,274,146,721,495	₩ 2,005,548,274,266
Profit for the period attributable to:			
Equity holders of the parent		2,245,375,314,231	2,076,656,782,079
Non-controlling interests		(657,562,891)	82,688,625
		₩ 2,244,717,751,340	₩ 2,076,739,470,704
Total comprehensive income for:			
the period attributable to			
Equity holders of the parent		2,274,804,284,386	2,005,331,716,028
Non-controlling interests		(657,562,891)	216,558,238
		₩ 2,274,146,721,495	₩ 2,005,548,274,266

See accompanying notes.

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Korean won)

	Attributable to the equity holders of the parent					Total equity
	Issued capital	Retained earnings	Other components of equity	Total	Non-controlling interests	
Balance at January 1, 2018	₩ 29,388,728,205,665	₩ 13,360,592,970,559	₩ (1,863,728,470)	₩ 42,747,457,447,754	₩ 3,099,534,306	₩ 42,750,556,982,060
Effect of change in accounting policy	₩ -	₩ (332,626,003,854)	₩ -	₩ (332,626,003,854)	₩ -	₩ (332,626,003,854)
Balance at January 1, 2018 (after adjustments)	₩ 29,388,728,205,665	₩ 13,027,966,966,705	₩ (1,863,728,470)	₩ 42,414,831,443,900	₩ 3,099,534,306	₩ 42,417,930,978,206
Profit for the period	-	2,076,656,782,079	-	2,076,656,782,079	82,688,625	2,076,739,470,704
Net loss on cash flow hedge accounting	-	-	(50,787,842,344)	(50,787,842,344)	-	(50,787,842,344)
Remeasurement of the net defined benefit liability	-	(21,680,553,592)	-	(21,680,553,592)	-	(21,680,553,592)
Gain (loss) on disposal of financial assets (equity instruments) measured at fair value through other comprehensive income	-	(533,435,810)	-	(533,435,810)	-	(533,435,810)
Gain (loss) on valuation of financial assets (equity instruments) measured at fair value through other comprehensive income	-	(123,815,253)	-	(123,815,253)	-	(123,815,253)
Equity adjustments in equity method	-	-	1,577,464,927	1,577,464,927	-	1,577,464,927
Exchange differences on foreign operations	-	-	223,116,021	223,116,021	133,869,613	356,985,634
Total comprehensive income	-	2,054,318,977,424	(48,987,261,396)	2,005,331,716,028	216,558,238	2,005,548,274,266
Increase in share capital	1,393,729,692,000	-	-	1,393,729,692,000	4,900,000,000	1,398,629,692,000
Discounts on stock issuance	(6,132,655,850)	-	-	(6,132,655,850)	-	(6,132,655,850)
Dividends	-	(552,141,706,800)	-	(552,141,706,800)	-	(552,141,706,800)
Balance at December 31, 2018	₩ 30,776,325,241,815	₩ 14,530,144,237,329	₩ (50,850,989,866)	₩ 45,255,618,489,278	₩ 8,216,092,544	₩ 45,263,834,581,822

(Continued)

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Korean won)

	Attributable to the equity holders of the parent					Total equity
	Issued capital	Retained earnings	Other components of equity	Total	Non-controlling interests	
Balance at January 1, 2019	₩ 30,776,325,241,815	₩ 14,530,144,237,329	₩ (50,850,989,866)	₩ 45,255,618,489,278	₩ 8,216,092,544	₩ 45,263,834,581,822
Profit for the period	-	2,245,375,314,231	-	2,245,375,314,231	(657,562,891)	2,244,717,751,340
Unappropriated retained earnings carried over from pic	-	16,022,927,270	-	16,022,927,270	-	16,022,927,270
Net loss on cash flow hedge accounting	-	-	24,604,896,374	24,604,896,374	-	24,604,896,374
Remeasurement of the net defined benefit liability	-	6,960,389,868	-	6,960,389,868	-	6,960,389,868
Gain (loss) on valuation of financial assets (equity instruments) measured at fair value through other comprehensive income	-	(320,329,293)	-	(320,329,293)	-	(320,329,293)
Equity adjustments in equity method	-	-	(1,815,986,794)	(1,815,986,794)	-	(1,815,986,794)
Total comprehensive income	-	2,268,038,302,076	22,788,909,580	2,290,827,211,656	(657,562,891)	2,290,169,648,765
Increase in share capital	2,676,128,140,830	-	-	2,676,128,140,830	-	2,676,128,140,830
Discounts on stock issuance	-	(6,106,620,600)	-	(6,106,620,600)	-	(6,106,620,600)
Change in scope of the consolidation	-	(524,311,885)	-	(524,311,885)	524,311,885	-
Dividends	-	(388,980,544,620)	-	(388,980,544,620)	-	(388,980,544,620)
Balance at December 31, 2019	₩ 33,452,453,382,645	₩ 16,402,571,062,300	₩ (28,062,080,286)	₩ 49,826,962,364,659	₩ 8,082,841,538	₩ 49,835,045,206,197

(Concluded)

See accompanying notes.

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Korean won)

	2019	2018
Cash flows from operating activities		
Profit for the period	₩ 2,244,717,751,340	₩ 2,076,739,470,704
Non-cash adjustments to reconcile profit for the period to net cash flows		
Income tax expense	520,128,401,088	719,466,968,022
Finance costs	78,541,732,939	44,293,263,938
Depreciation and amortization	1,140,528,306,944	1,041,990,241,831
Adjustment in provisions	39,820,817,233	(62,848,037,047)
Loss (gain) on foreign currency translation	(42,320,459)	(2,851,753)
Equity in loss of equity method investment securities	17,112,540,402	(3,265,812,269)
Loss (gain) on disposal of non-current assets	(1,187,478,707)	(115,631,654)
Others	(304,598,908,374)	85,377,275,737
Total adjustments	1,490,303,091,066	1,824,895,416,805
Changes in operating assets and liabilities		
Inventories	3,964,970,163,300	(285,378,376,380)
Trade receivables	473,870,060,575	2,105,335,720,439
Other receivables	(748,167,355,762)	1,614,155,064,861
Trade payables	128,949,345,290	(4,143,398,560)
Other payables	1,748,010,650,936	4,234,647,596,271
Cash generated from operations	9,302,653,706,745	11,566,251,494,140
Dividends received	1,816,004,887	1,856,045,261
Interest paid	(126,269,798,825)	(349,096,476,236)
Interest received	173,565,195,147	305,050,954,472
Income tax received (paid)	(240,313,400,483)	(901,632,727,259)
Net cash flows provided by operating activities	9,111,451,707,471	10,622,429,290,378
Cash flows from investing activities:		
Acquisition of investments in associates	(6,977,540,000)	(27,647,251,063)
Disposal of investments in associates	24,405,227,889	-
Disposal of property, plant and equipment	936,381,480	115,883,988
Acquisition of property, plant and equipment	(28,505,507,679)	(38,121,529,541)
Acquisition of intangible assets	(11,618,091,002)	(16,094,933,858)
Acquisition of financial assets(liabilities) measured at fair value through profit and loss	(14,600,192)	(1,083,247,459)
Acquisition of financial assets(equity) measured at fair value through other comprehensive income	(13,083,871,978)	(6,629,000,000)
Disposal of financial assets(equity) measured at fair value through other comprehensive income	-	7,729,458
Increase in deposits	(21,744,423,149)	(42,136,257,105)
Disposal of Available-for-sale financial instruments	-	-
Acquisition of Available-for-sale financial instruments	-	-
Acquisition of financial assets measured at amortized cost	(21,950,000)	-
Disposal of financial assets measured at amortized cost	-	2,770,000
Disposal of investment properties	26,919,101,680	-
Acquisition of investment properties	(8,439,801,078,664)	(5,055,592,510,358)
Disposal of Assets classified as held-for-sale	-	-
Disposal of other financial assets	3,652,875,992,390	44,234,546,010
Disposal of held to maturity financial assets	-	-
Acquisition of held to maturity financial assets	-	-
Acquisition of other financial assets	(3,368,158,180,889)	-
Repayment of loans	520,160,670,106	200,926,890,141
Increase in loans	(587,774,599,657)	-
Net cash flows used in investing activities	₩ (8,252,402,469,665)	₩ (4,942,016,909,787)

(Continued)

KOREA LAND & HOUSING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Korean won)

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities		
Increase in share capital	₩ 2,670,021,520,230	₩ 1,387,623,071,400
Dividends paid	(388,980,544,620)	(552,141,706,800)
Acquisition of derivatives	(2,132,999,998)	(75,446,562,628)
Increase in borrowings	4,898,520,706,630	1,692,501,002,875
Redemption of borrowings	(3,202,210,901,752)	(1,019,317,416,954)
Issuance of bonds payable	914,232,000,000	969,621,346,678
Redemption of bonds payable	(6,102,351,000,000)	(8,603,610,415,804)
Payment of lease liabilities	(14,681,346,178)	-
Net cash flows used in financing activities	<u>(1,227,582,565,688)</u>	<u>(6,200,770,681,233)</u>
Net effect of foreign exchange differences	42,320,459	2,851,753
Net increase (decrease) in cash and cash equivalents	(368,491,007,423)	(520,355,448,889)
Cash and cash equivalents at the beginning of the period	2,199,574,713,159	2,719,930,162,048
Cash and cash equivalents at the end of the period	<u>1,831,083,705,736</u>	<u>2,199,574,713,159</u>
Government subsidies	(80,247,010,493)	(57,518,147,457)
Entrusted business funds cash	(2,809,451,100)	(13,653,817,480)
Net of cash and cash equivalents at the end of the period as deducted by government subsidies and etc.	₩ <u>1,748,027,244,143</u>	₩ <u>2,128,402,748,222</u>

(Concluded)

See accompanying notes.

KOREA LAND & HOUSING CORPORATION AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

1. CORPORATE INFORMATION:

(1) The parent company

Korea Land & Housing Corporation (the “Company” or “Parent Company”) and its subsidiaries (the “Group”) were established in accordance with the Korea Land & Housing Corporation Act on October 1, 2009, to facilitate the efficient use of public land and contribute to the growth of the national economy through various development, renovation and management projects in the residential housing industry. As of December 31, 2019, the Company’s headquarters is located at 19, Chungui-ro, JinJu-si, Gyeongsangnam-do, Korea.

Furthermore, the Company, as governed by the Korea Land & Housing Corporation Act, participates in social welfare projects for the acquisition, development, storage and supply of land and construction; management of housing properties; and urban planning and provision for low-income housing.

As of December 31, 2019, the shareholders of the Company and their respective shareholdings are as follows (in millions of Korean won):

	<u>Issued capital</u>	<u>Ownership</u>
Korea Government - Ministry of Strategy and Finance	₩12,363,371	36.9%
Korea Government - Ministry of Land, Transport and Maritime Affairs	16,629,475	49.7%
Korea Development Bank	3,732,018	11.2%
Korea Exim Bank	738,978	2.2%
Total	<u>₩33,463,842</u>	<u>100.0%</u>

(2) Consolidated subsidiaries

Consolidated subsidiaries as of December 31, 2019 are as follows:

	Business	Capital (mil KRW)	Percentage of ownership		Location
			2019	2018	
Korea Housing Management Co., Ltd.	Facility maintenance and leasing	₩15,000	100.0%	100.0%	Jinju, Gyeonsangnam-do
Hannuri Co., Ltd.	Lodging, Energy Sales	12,000	62.5%	62.5%	Chunchon, Gangwon
Gwacheon Development Co., Ltd.	U-Jung Hospital improvement	10,000	51.0%	51.0%	Jinju, Gyeonsangnam-do
Megabowlcity Co., Ltd.	Namyangju-Byulnae development PF	60,000	97.0%	100.0%	Songpagu, Seoul
Megabowlcity Asset Management Co., Ltd.	Namyangju-Byulnae development PF mgmt.	500	100.0%	100.0%	Songpagu, Seoul
LH Facilities Management Co., Ltd.	LH Building maintenance	990	100.0%	100.0%	Jinju, Gyeonsangnam-do
LH Counseling Center Co., Ltd.	Call center operation, maintenance	700	100.0%	100.0%	Seongnam, Gyeonggido

Korea Housing Management Co., Ltd. was established to manage, operate, repair and maintain apartment buildings and to be entrusted with the lease of apartment buildings.

Hanuri Corp., a subsidiary, wholly owns equity ownership in Hanuri Energy and Hanuri Hotel, which were established in July and August 2008, respectively, to operate gas service stations and hotels in the 1st business district of Gaesung Industrial Complex, Gaesung city, North Hwanghae Province. The business success of Hanuri Corp. will be largely influenced by domestic and foreign political situations, directly or indirectly. Therefore, the financial statements of the subsidiaries for the year ended December 31, 2018, were prepared on the basis of management's estimation of sociopolitical factors. However, the actual outcome may be different from management's estimation and such difference may be material.

Gwacheon Development Co., Ltd. was established in May 2018 for Gwacheon U-Jung Hospital improvement project which has been stopped for a long period of time.

Megabowlcity Co., Ltd. is a project company established for a limited time pursuant to Article 51-2 of Corporate Income Tax Act which plans to develop commercial land of Housing development business district in Namyangju-Byulnae. Megabowlcity Asset Management Co., Ltd. is an asset management company of Megabowlcity Co., Ltd. a company that undertakes management, operation and dispose, and general affairs of assets by consignment of Megabowlcity Co., Ltd.

LH Facilities Management Co., Ltd. was established in October 2018 for the purpose of consignment works of facility management, cleaning, security•concierge, cooking etc., to convert non- full-time workers to full-time workers in accordance with 『Guidelines for the conversion of non- regular employees to full-time workers for public institutions

(17.7.20) issued by the government.

LH Counseling Center Co. is a subsidiary company that is operated as a consignment to manage counseling workforces. It is a company that implements overall counseling services, such as rent leasing consultation etc., for My Home Call Center and Defect Counseling Call Center within the Company.

Summarized financial information of consolidated subsidiaries as of and for the years ended December 31, 2019 and 2018, is as follows (in millions of Korean won):

	2019			
	Assets	Liabilities	Revenue	Profit or loss
Korea Housing Management Co., Ltd.	₩119,572	₩104,463	₩232,506	₩1,658
Hanuri Corporation	16,085	8,631	-	(1,023)
Megabowlcity Co., Ltd	17,339	6	-	(143)
Megabowlcity Asset Management Co., Ltd	90	14	156	9
Gwacheon Development Co., Ltd.	71,161	61,431	-	(550)
LH Facilities Management Co., Ltd.	6,639	4,432	30,401	1,118
LH Counseling Center Co., Ltd.	3,101	2,419	14,316	297
	2018			
	Assets	Liabilities	Revenue	Profit or loss
Korea Housing Management Co., Ltd.	₩117,495	₩104,116	₩206,834	₩570
Hanuri Corporation	17,568	9,090	-	(145)
Megabowlcity Co., Ltd	17,477	-	-	(409)
Megabowlcity Asset Management Co., Ltd	99	32	364	178
Gwacheon Development Co., Ltd.	60,282	50,003	-	279
LH Facilities Management Co., Ltd.	2,256	1,168	1,770	98
LH Counseling Center Co., Ltd.	1,424	672	1,218	53

The year-end reporting dates of the Company's subsidiaries are consistent with the year-end reporting date of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of preparation

The Group prepared consolidated financial statements in accordance with the Korean Government Owned and Quasi-Government Accounting Regulations and Standards. If there are no regulations other than Korean Government-Owned and Quasi-Government Accounting Regulations and Standards, accounting standards of the Group refer to the Korean International Financial Reporting Standards (“K-IFRS”). However, if the guidelines of financial closing which are to be established every year by the Ministry of Strategy and Finance and the Korea Institute of Tax and Finance are stipulated differently, the statements have been prepared by applying the guidelines.

Accounting policies the Group has adopted from Korean Government-owned and Quasi-Government Accounting Regulations and Standards are described below.

1) *Government grants (Article 44)*

Government grants used for the acquisition of certain assets are deducted from the acquisition cost of the acquired assets and such grants are offset against the depreciation expenses of the acquired assets during the useful lives of the assets. Government grants received for consignment management service provided by the Group are recognized as Operating profit.

2) *Residual government grants and Revenue and Expenses Related to Consignment Management Services (Article 44-2)*

Government grants to be carried forward, related to essential business, were incurred, and are recognized as a reduction of cash and cash equivalent in accordance with Article 42-2 of the Korean Government Owned and Quasi-Government Accounting Regulations and Standards.

3) *Recognition of Revenue and Expenses Related to Consignment Management Services (Article 48)*

The Group recognizes funds received from the Ministry of Land, Infrastructure and Transport for consignment management services as revenue and expenses or assets and liabilities as the associated project progresses. The Group does not offset the funds received.

4) *Contribution to the Employee Welfare Fund (Article 49)*

The Group contributes to the employee welfare fund and contributions are recognized as selling, general and administrative expenses in accordance with the Employee Welfare Fund Act.

5) *Reserve Fund for Proper Purpose Business (Article 50)*

The Group records appropriation for reserve fund for essential business or reversal of

the appropriation as disposal in the statements of appropriation of retained earnings.

6) *Division Accounting* (Article 12)

In accordance with Korea Government-owned and Quasi-Government Accounting Regulation and Standards, the Group prepares journal entries by source of revenue or business purpose, eliminates transactions and unrealized gains or losses among divisions and discloses its performance and financial status by accounting unit in notes.

(2) New and revised standards that have been issued but are not yet effective as of December 31, 2019, and that have not been early applied by the Group are as follows:

1) *Amendments to Korean IFRS 1001 Presentation of Financial Statements and Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

2) *Amendments to Korean IFRS 1103 Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

(3) The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019;

1) *K-IFRS 1116 Leases*

The Group has changed its accounting policy by adopting K-IFRS 1116 'Leases' as at January 1, 2019, the date of initial application. K-IFRS 1116 'Lease' supersedes K-IFRS 1017 'Leases', K-IFRS 2104 'Determining whether an Arrangement contains a Lease', K-IFRS 2015 'Operating Leases: Incentives', K-IFRS 2027 'Evaluating the Substance of

Transactions Involving the Legal Form of a Lease’.

The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period.

The impact of the adoption of the leasing standard and the new accounting policies are as follows;

- Adjustments recognized on adoption of Korean IFRS 1116 Lease

On adoption of Korean IFRS 1116, the Group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under Korean IFRS 1017. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 1.98%~4.69%.

Measurement principles per K-IFRS 1116 have been adopted since the initial application date.

(in millions of Korean won)	<u>January 1, 2019</u>
Right-of-use assets recognized as at the initial application date	₩24,942
Lease liabilities recognized as at the initial application date	24,942

Right-of-use assets are measured at the same amounts as lease liabilities by adjusting the amounts of prepaid and/or accrued lease payments in relation to leases recognized in the statement of financial position as of December 31, 2018.

There is no onerous lease contract requiring adjustment of licensed assets as of the date of initial application.

① Amounts recognized in the statement of financial position

Amounts recognized in the statement of financial position as at December 31, 2019 and December 31, 2018, respectively, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Right-of-use assets	₩20,634	₩24,942
Rented office buildings	10,960	11,694
Vehicles	9,674	13,248
Lease liabilities	21,083	24,942
Rented office buildings	11,265	11,694
Vehicles	9,818	13,248

② Amounts recognized in the separate statement of income

Amounts recognized in the separate statement of income for the year ended December 31, 2019 and December 31, 2018, respectively, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Depreciation of Right-of-use assets	₩(14,726)	₩-
Rented office buildings	(7,020)	-
Vehicles	(7,256)	-
Interest expenses of Lease liabilities (included in Finance costs)	723	-
Rented office buildings	470	-
Vehicles	254	-

Detailed information regarding impact by adopting K-IFRS 1116 is described in note 25.

2) *Amendment to Korean IFRS 1109 Financial Instruments – Prepayment Features with Negative Compensation*

The narrow-scope amendments made to Korean IFRS 1109 Financial Instruments enable entities to measure certain pre-payable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the de-recognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the financial statements.

3) *Amendments to Korean IFRS 1019 Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

4) *Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. The amendments also clarify that Korean IFRS 1109 requirements are applied to long-term interests that form part of the entity's net investment in an associate or joint venture before applying the impairment requirements of Korean IFRS 1028. The amendment does not have a significant impact on the financial statements.

5) *Enactment to Interpretation of Korean IFRS 2123 Uncertainty over Income Tax Treatments*

The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is

required to be reassessed. The enactment does not have a significant impact on the financial statements.

6) *Annual Improvements to Korean IFRS 2015 – 2017 Cycle:*

① Amendments to Korean IFRS 1103 Business Combination

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the financial statements.

② Amendments to Korean IFRS 1111 Joint Agreements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the financial statements.

③ Amendments of K-IFRS 1012 ‘Income Tax’

This amendment makes it clear that the income tax effect of dividends is more directly related to past transactions or events that create dividendable profits than distribution to owners. Accordingly, the entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the financial statements.

④ Korean IFRS 1023 Borrowing Costs

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the financial statements.

(4) Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

(5) Revenue recognition

a) Identification of performance obligations

In the case of some construction contracts executed by the Group, design, purchase and construction are provided through separate service agreements. When significant

services that consolidate each good or services are provided or goods or services are highly interdependent or highly correlated, both the goods and services agreed in each contract should be considered as a single performance obligation.

The Group assesses that each service contract provide a combination of deliverables as a whole and, accordingly, considers them as a single performance obligation.

b) Obligation to perform over the time : proprietary constructions for sale

The Group recognizes revenues from proprietary constructions for sale using the percentage-of-completion method in accordance with the KASB 2017-I-KQA015 and the accounting treatment is effective only for K-IFRS as stipulated in Article 13 (1) (1) of the Act on External Audit of Stock Companies.

c) Variable consideration

The Group estimates the amounts of consideration depending on which method the entity expects to better predict the amount of consideration to which it will be entitled the expected value or the most likely amount. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the cumulative amount of revenue recognized will not occur in the future periods. Amounts that the Group does not anticipate to have right out of the considerations received or to be received are recognized as a refundable liability.

d) Allocation of the transaction price

The Group allocates transaction prices based on the relative individual selling prices to the various performance obligations identified in a single contract. The Group uses a market appraisal adjustment approach to estimate individual selling prices of the various performance obligations and, exceptionally, uses an anticipated cost-benefit appraisal approach, such as anticipating the expected costs for each transaction and adding appropriate profits, for certain transactions.

(6) Lease

The Group has adopted K-IFRS 1116 'Leases' as at January 1, 2019, the date of initial application.

Due to the revision of the lease accounting standard, the lessee applies a single method of recognition and measurement for all leases whose lease period exceeds 12 months and the underlying assets are not low-value. Accordingly, the Group recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments at the commencement date of the lease.

At inception of a contract and the date of initial application of K-IFRS 1116, the Group assesses and identifies whether the contract is, or contains, a lease, respectively. However, the Group did not reassess all contracts at initial application of K-IFRS 1116 Leases because the Group applied the practical expedient to contracts entered into before January 1, 2019.

For a contract that is, or contains, a lease, both lessee and lessor account for each lease component within the contract as a lease separately from non-lease components of the contract. In lessee accounting, however, the Group does not account them separately but instead applies the practical expedient to account for each lease component and any associated non-lease components as a single lease component.

On adoption of Korean IFRS 1116, the Group recognized right-of-use assets and lease liabilities as at the date of initial application in relation to leases which had previously been classified as 'operating leases' and, thus, not been recorded in the financial statements under Korean IFRS 1017.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 1.98%~4.69%.

The Group applied a post-judgment on the possibility of exercising the extension or termination option when estimating the remaining lease period by adopting the practical expedient method. In addition, a single discount rate was applied to the lease portfolio with similar characteristics.

The Group recognized right-of-use assets as at the date of initial application of K-IFRS 1116 in relation to leases which had previously been classified as 'operating leases' per K-IFRS 1017. The lessor recognized the same amounts of right-of-use assets as the lease liabilities and adjusted the amounts of the lease payments in advance or incurred in relation to the lease recognized in the statement of financial position just before the date of initial application.

When calculating the amounts of right-of-use assets as at the date of initial application by recognizing the cumulative effect of initially applying this standard, the practical expedients taken by the Group by each lease are as follows;

- Instead of the impairment evaluation of right-of-use assets as at the date of initial application, the previous evaluation of whether the contract is an onerous contract in accordance with Lease Standard No. 1037-‘Provisions, Contingent Liabilities and Contingent Assets’ is used.
- The lessee may not take into account the direct cost of lease opening in the measurement of the right-of-use assets as at the date of initial application.

Contracts recognized as leases prior to the initial application date are accounted for as leases regardless of whether or not they meet the new definition of lease, and the new contract made after the initial application date are assessed whether to meet the new definition of lease.

(7) Foreign currency translation

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (“the functional currency”). The consolidated financial statements are presented in ‘Korean won,’ which is the Group’s functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at each reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income, except for qualifying cash flow hedges that are recognized in OCI. Changes in fair value of AFS financial assets denominated in foreign currency are classified as either changes in amortization cost or other changes in book value of marketable securities. Translation differences due to changes in amortization cost are reflected in current operation, whereas those due to other changes in book value of marketable securities are recognized in other components of equity. Translation differences in financial assets at FVPL are reflected in current operation, whereas those in AFS financial assets are recorded in equity.

(8) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale and are capitalized as part of the cost of the respective assets. A qualifying asset is an asset that requires a significant period of time before it can be used or sold for its intended use.

The temporary investment returns on borrowings to acquire qualifying assets are deducted from capitalizable borrowing costs.

All other borrowing costs are expensed in the period they occur.

(9) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. In case where the Group receives loans with interest rate lower than market rate, benefits from lower interest rate shall be recognized as government grants. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined by using market interest rate and the fair value of proceeds received. Where the grant relates to an asset, it is recognized as a deduction of such asset and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to a revenue item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Compensation for expenses or losses incurred in a previous period or receiving immediate financial support to the Group rather than as an incentive to undertake specific expenditures are recognized in profit of the period in which it becomes receivable.

(10) Defined benefit liabilities

The Group operates a defined benefit plan, under which amount to be paid as retirement benefits is determined by reference to a formula based on employee's earning and years of service. The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past-service costs and actuarial gains and losses not yet recognized, less the fair value of plan assets out of which the obligations are to be settled. The Group uses the projected-unit-credit method to determine the present value of its defined benefit obligations and the related current-service cost. The discount rate used in calculating the present value of defined benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds of a term consistent with the term of the post-employment benefit obligations. The past-service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested immediately following the introduction of, or changes to, a defined benefit plan, past-service costs are recognized immediately. Actuarial gains and losses result from increases or decreases in either the present value of a defined benefit obligation or the fair value of plan assets. The Group recognizes the actuarial gains and losses in the period in which they occur in OCI. The actuarial gains and losses recognized in OCI are recognized immediately in retained earnings.

(11) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts applying the asset-liability method. Deferred income tax is recognized using tax rates and tax laws that have been enacted or substantially enacted at the end of each reporting period expected to be applied when the related deferred

income tax assets are realized and the deferred income tax liabilities are settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. A deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

In addition, a deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(12) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred.

The amount of the acquisition cost after deducting residual value of the property plant and equipment, except for land, is depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Description	Useful lives	Description	Useful lives
Buildings	50 years	Vehicles	5 years
Structures	20 years	Furnitures and fixtures	5 years
Machinery	20 years	Tools and equipment	5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. The assets'

residual values, useful lives and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(13) Investment properties

The real estate to obtain rental income or capital appreciation is classified as investment properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of investment properties are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the investment properties as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of comprehensive income as incurred. Land is not depreciated. Investment properties, except for land, are depreciated on a straight-line basis over the estimated useful life of 50 years. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. Such a change is accounted for as a change in an accounting estimate. An item of investment properties and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statements of comprehensive income when the asset is derecognized.

(14) Intangible assets

Intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Intangible assets with indefinite useful lives such as membership are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit ("CGU") level. Other intangible assets with definite useful lives are amortized over 4–20 years using the straight-line method.

(15) Impairment of non-financial assets (except goodwill)

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable

amount of the asset to determine the extent of the impairment loss. Recoverable amount is the higher of fair value, less costs to sell and value in use.

The Group estimates the recoverable amount of each asset, and, when the recoverable amount of an individual asset cannot be estimated, estimates the recoverable amount of the cash-generating unit to which the asset belongs. The shared assets are allocated to individual cash-generating units according to reasonable and consistent allocation criteria, and, if they cannot be allocated to individual cash-generating units, they are allocated to the lowest levels of cash-generating units for which there are separately identifiable cash flows according to reasonable and consistent allocation criteria. Intangible assets with an indefinite useful life or intangible assets that are not yet available are tested for impairment annually, regardless of any indication of impairment.

The recoverable amount is measured as the greater of the net fair value and the value in use of an individual asset or cash-generating unit. And, if the recoverable amount of the asset (or cash-generating unit) is less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to the recoverable amount and the reduced amount is recognized in profit or loss. When reversing an impairment loss recognized in the past period, the carrying amount of the individual asset (or cash-generating unit) is determined as the smaller of the amended recoverable amount and the carrying amount currently recorded if the impairment loss was not recognized in the past period. Reversal of the impairment loss is recognized immediately in profit or loss.

(16) Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of raw materials is determined using the weighted average method and the cost of supplies is determined using the moving average method and the cost of material in transit is determined using the moving specific identification method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The Group recorded valuation allowance on a periodic basis, when significant changes with an adverse effect (an oversupply, an obsolete or decline in the price of goods) on the entity have taken place during the period or will take place in the near future or when loss from inventory valuation is recognized as cost of sales.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a consolidated asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due

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

1) Onerous contracts

The Group measures current obligation from onerous contracts as provision. Onerous contract is defined as a contract when unavoidable cost is expected to exceed the amount which is expected from the contract.

2) Warranty provision

Warranty provision is the best estimation of necessary cost to perform obligation as of the selling date.

3) Employee performance incentive

The Group has calculated and paid the performance incentive based on the result of annual evaluation, which was performed by the Ministry of Strategy and Finance. This performance incentive is estimated in accordance with K-IFRS 1037 and is recorded in current employee benefit provision.

(18) Financial assets

1) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss
- Those to be measured subsequently at fair value through other comprehensive income
- Those to be measured at amortized cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

2) Measurement

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

a) Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

i) Financial assets measured at amortized cost ("AC")

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

ii) Financial assets measured at fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income or costs' and impairment losses are presented in 'financial expenses'.

iii) Financial assets measured at fair value through profit or loss ("FVPL")

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit

or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'finance income and costs' in the year in which it arises.

b) Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Finance income or costs' in the statement of profit or loss as applicable. Impairment losses (reversal of impairment loss) for equity instruments which are measured at fair value through other comprehensive income are not separately recognized.

As mentioned in note 2, the Group has applied Korean IFRS 1109, Financial Instruments, for the first time for their annual reporting period commencing January 1, 2018. Per the transitional provisions in Korean IFRS 1109, the Group decided to use the practical expedient provided in K-IFRS 1109 and did not restate comparative consolidated financial statements. The impact on the Group's consolidated financial statements by adopting K-IFRS 1109 are as follows;

3) Impairment of financial assets

In relation to the impairment of financial assets, K-IFRS 1109 requires an expected credit loss model as opposed to an incurred credit loss model under K-IFRS 1039. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, K-IFRS 1109 requires the Group to recognize a loss allowance for expected credit losses on:

- i) Debt investments measured subsequently at amortized cost or at FVOCI,
- ii) Lease receivables,
- iii) Trade receivables and contract assets, and
- iv) Financial guarantee contracts to which the impairment requirements of K-IFRS 1109 apply.

In particular, K-IFRS 1109 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. K-IFRS 1109 also allows a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group has changed its recognition policy for impairment losses as a result of the adoption of K-IFRS 1109 and the relevant effect on retained earnings at the beginning of the year are described in the above "3) Changes in retained earnings at the beginning of the year".

a) Trade Receivables

The Group applies the simplified method for trade receivables, which uses the whole-period expected credit loss for all receivables.

b) Debt Instruments

Debt Instruments measured at amortized cost or FVOCI are considered to have low credit risk and allowance for doubtful accounts is recognized for a two-month period expected credit loss.

4) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(19) Financial liabilities and equity instruments

1) Classification of financial liabilities and equity instruments

Debt instruments and equity instruments issued by the Group are recognized as financial liabilities or equity depending on the contract and the definitions of financial liability and equity instrument.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3) Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

The Group classifies hybrid/combined financial instruments (convertible bonds) as financial liabilities and equity according to the substance of the contract and the definition of financial liabilities and equity instruments.. Conversion options to be settled through the exchange of financial assets, such as fixed amounts of cash for fixed quantity of own equity instruments, are equity instruments.

4) Financial liabilities

Financial liabilities are classified into "Financial liabilities at FVPL" and "Other

financial liabilities".

5) Financial liabilities at FVPL

One of the major changes in the classification and measurement of financial liabilities as a result of the adoption of K-IFRS 1109 is the accounting for changes in the fair value of financial liabilities measured at fair value through profit or loss as a result of changes in issuer's credit risk. The Group recognizes as other comprehensive income the changes in the fair values that are caused by changes in the credit risk of the related financial liabilities, except when the effect of the change in the credit risk of the financial liabilities classified as FVOCI may cause or expand accounting inconsistencies in profit or loss. The changes in fair values due to the credit risk of financial liabilities are not subsequently reclassified to profit or loss, but are replaced with retained earnings when the financial liabilities are removed. According to the previous K-IFRS 1039, all changes in fair values of financial liabilities classified as financial liabilities measured at fair value through profit or loss have been presented in profit or loss.

The Group does not have any non-derivative financial liabilities that are classified as financial liabilities at fair value through profit or loss. Therefore, the adoption of K-IFRS 1109 does not have a significant effect on the classification and measurement of financial liabilities of the Group.

6) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses are recognized using the effective interest method. Other financial liabilities are measured initially at fair value, net of transaction costs.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expenses over the relevant period. The effective interest rate is the interest rate that exactly matches the present value of expected future cash payments amounts over the expected life of the financial liabilities or over less period (where appropriate), with the net carrying amounts at initial recognition.

7) Financial guarantee liability

Financial guarantee liabilities are measured initially at fair value and subsequently measured at the greater of the following, unless they are designated as at fair value through profit or loss or arising from the transfer of assets.

- Loss provision calculated in accordance with Impairment of financial assets standard
- The amounts recognized less the accumulated profits recognized in accordance with K-IFRS 1115

8) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the

carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(20) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of K-IFRS 1109 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL.

2) Hedging accounting

The new general hedge accounting model maintains three types of hedge accounting. However, we are adopting more flexibility in the types of transactions that qualify for hedge accounting and are expanding the types of hedging instruments and risk factors for non-financial items that qualify for hedge accounting. In addition, the standards related to hedging effectiveness assessment as a whole were amended and the "economic relationship" principle between the hedged item and the hedging instruments are applied. Retrospective assessment of the hedging effectiveness is no longer required.

3) Fair value hedges

The Group recognizes the changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of the hedging instruments and changes in the fair value of the hedged items attributable to the hedged risk are recognized as profit or loss.

Changes in the fair value of the hedging instruments and the hedged items of the equity instruments that elect to recognize the change in fair value at initial recognition as other comprehensive income are recognized in other comprehensive income.

If the hedging relationship no longer meets the requirements for hedge effectiveness related to the hedge ratio but the objectives of risk management for the designated hedge relationship remain the same, the risk hedge ratio of the hedging relationship should be adjusted. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it is no longer qualified for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'finance income and costs' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

5) Hedges of net investments in foreign operations

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective

portion of the hedge are recognized as OCI, while any gains or losses relating to the ineffective portion are recognized in the consolidated statements of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statements of comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS:

The Group makes assumptions and estimations concerning the future. Assumptions and estimations are verified continuously based on the past experience and reasonably expected future event. This accounting estimation, however, could be different from actual result. Assumptions and estimations for significant risks, which may cause adjustment to the carrying amounts of assets and liabilities, are as follows.

(1) Taxes

The Group recognized the effect of income tax expected to be burdened in the future in consequence of the business operation as current tax and deferred tax through the best estimation process. However, there could be the difference in actual tax to be burdened in the future and the related asset and liability recognized and this difference could affect the current tax and deferred tax asset and liability at the point when the final effect of income tax is settled.

(2) Fair value of financial instruments

The fair value of financial instruments that does not trade in active market is principally decided using valuation method. The Group selects various valuation methods and makes a judgment about assumption based on key market circumstances as of the end of each reporting period.

(3) Provisions

End of the reporting period, the Group currently has reserves on returned goods, estimated amount and quality warranty repair. These provisions are determined based on the estimation that is based on past experience.

(4) Pension benefits

The present value of the defined benefit pension can change depending on various factors determined using actuarial valuations. Assumptions to determine pension cost (profit) include discount rate where changes in assumptions will lead changes in present value of the defined benefit pension. The Group has determined discount rate at every year-end, which is defined as interest rate used to decide present value of expected future cash outflow. The Group determines discount rate considering discount rate of outstanding corporate bond, which has similar maturity as that of pension obligation. Other assumptions related with pension obligation are based on market circumstance.

4. SEGMENT INFORMATION:

(1) Details of the Group's reportable segments are as follows:

The strategic steering executive is the Group's chief operating decision maker. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on operating profit or loss. The Group has one reportable operating segment.

(2) The reportable segment revenue and operating profit for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>Total segment revenue</u>	<u>Revenue for external customers</u>	<u>Total segment operating profit</u>	<u>Depreciation and amortization</u>
<u>2019</u>	₩20,529,772	₩20,529,772	₩2,782,745	₩1,140,528
<u>2018</u>	18,033,828	18,033,828	2,613,600	1,042,094

(3) Reportable segment assets and liabilities as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>Reportable segment asset (*1)</u>	<u>Investments in associates</u>	<u>Additions to non- current assets (*2)</u>	<u>Reportable segment liabilities (*1)</u>
<u>December 31, 2019</u>	₩176,515,076	₩450,688	₩98,088,336	₩126,680,031
<u>December 31, 2018</u>	173,333,089	487,045	90,714,445	128,069,254

(*1) The reportable segment assets and liabilities reported to the strategic steering executive are measured in a manner consistent with that in the consolidated financial statements.

(*2) Additions to non-current assets exclude amounts arising from financial instruments, trade and other receivables, equity investments and deferred income tax asset.

(4) Major customers

The Group has no single customer where sales represent 10% or more of the Group's total sales for the years ended December 31, 2019 and 2018.

5. DIVISION ACCOUNTING:

(1) Details of divisional performance for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019							Total
	Public housing	Industrial development complex	Public housing management business (*1)	Multifunctional administrative city	Urban development	Land bank	Others	
Revenue	₩7,477,062	₩464,143	₩1,366,797	₩318,025	₩230,306	₩138,574	₩10,534,865	₩20,529,772
Cost of sales	5,795,022	388,088	2,655,095	613,628	169,831	129,198	7,335,454	17,086,316
Gross profit (loss)	1,682,040	76,055	(1,288,298)	(295,604)	60,476	9,376	3,199,411	3,443,456
Selling and administrative expenses	290,505	16,105	200,871	13,344	166	1,067	138,653	660,711
Operating profit (loss)	1,391,535	59,950	(1,489,169)	(308,948)	60,310	8,310	3,060,758	2,782,745
Other income	73,543	6,706	9,633	1,313	7,583	-	886,122	984,901
Other expenses	14,874	991	331	3,442	1,029	118	434,197	454,981
Others	(2,301)	-	-	-	(1)	-	(9,400)	(11,702)
Finance income	28,458	480	14	5,040	692	-	158,608	193,291
Finance costs	(514,907)	48,619	723,407	94,739	(5,089)	2,300	363,226	712,295
Share of profit to associates	-	-	-	-	-	-	(17,113)	(17,113)
Profit (loss) before income tax expense (benefit)	1,991,269	17,525	(2,203,260)	(400,776)	72,643	5,892	3,281,553	2,764,846
Income tax expense (benefit)	375,952	3,309	(415,975)	(75,667)	13,715	1,112	617,683	520,128
Profit (loss) for the year	1,615,317	14,216	(1,787,284)	(325,110)	58,928	4,779	2,663,870	2,244,718
Other comprehensive loss for the year	-	-	-	-	-	-	29,429	29,429
Total comprehensive income (loss) for the year	₩1,615,317	₩14,216	₩(1,787,284)	₩(325,110)	₩58,928	₩4,779	₩2,693,299	₩2,274,147

(*1) The title was changed from "Rental housing business" to "Public housing management business," pursuant to Article 28-2 of the revised Korea Land & Housing Corporation Act's implementing ordinances.

December 31, 2018								
	Public housing	Industrial development complex	Public housing management business (*1)	Multifunctional administrative city	Urban development	Land bank	Others	Total
Revenue	₩6,824,455	₩734,867	₩1,304,166	₩655,004	₩261,674	₩248,640	₩8,005,022	₩18,033,828
Cost of sales	5,522,973	443,575	2,288,996	342,139	184,607	232,742	5,682,730	14,697,762
Gross profit (loss)	1,301,483	291,292	(984,830)	312,865	77,067	15,898	2,322,292	3,336,066
Selling and administrative expenses	276,367	29,459	178,899	15,281	736	5,965	215,760	722,466
Operating profit (loss)	1,025,116	261,833	(1,163,729)	297,584	76,331	9,933	2,106,532	2,613,600
Other income	29,592	7,694	9,648	5,615	13,281	-	888,876	954,706
Other expenses	6,801	469	123	55	1,127	120	336,427	345,122
Others	(743)	-	-	-	(269)	-	(4,976)	(5,989)
Finance income	31,114	1,808	15	11,169	1,281	16	222,567	267,970
Finance costs	(260,990)	48,694	658,434	58,430	(729)	5,732	182,655	692,225
Share of profit to associates	-	-	-	-	-	-	3,266	3,266
Profit (loss) before income tax expense (benefit)	1,339,269	222,172	(1,812,624)	255,883	90,225	4,097	2,697,184	2,796,206
Income tax expense (benefit)	344,594	57,165	(466,388)	65,839	23,215	1,054	693,988	719,467
Profit (loss) for the year	994,675	165,007	(1,346,236)	190,044	67,010	3,043	2,003,195	2,076,739
Other comprehensive loss for the year	-	-	-	-	-	-	(71,191)	(71,191)
Total comprehensive income (loss) for the year	₩994,675	₩165,007	₩(1,346,236)	₩190,044	₩67,010	₩3,043	₩1,932,004	₩2,005,548

(*1) The title was changed from "Rental housing business" to "Public housing management business," pursuant to Article 28-2 of the revised Korea Land & Housing Corporation Act's implementing ordinances.

(2) Details of divisional assets and liabilities as of December 31, 2019 and 2018, are as follows
(in millions of Korean won):

	December 31, 2019							Total
	Public housing	Industrial development complex	Public housing management business (*1)	Multifunctional administrative city	Urban development	Land bank	Others	
Current assets	₩17,276,187	₩4,323,560	₩103,110	₩3,617,922	₩765,766	₩21,267	₩49,422,641	₩75,530,453
Cash and cash equivalents	-	-	1	-	-	-	1,748,026	1,748,027
Current financial assets	16	-	-	-	-	-	960,408	960,424
Trade and other receivables	351,471	4,139	120,634	48,915	3,832	-	633,087	1,162,077
Inventories	16,194,473	4,310,836	109	3,562,831	761,630	21,267	42,278,338	67,129,483
Current non-financial assets	730,228	8,586	17,633	6,176	304	-	3,609,893	4,337,554
Assets classified as held for sale	-	-	-	-	-	-	192,887	192,887
Non-current assets	12,196,585	1,038,441	83,870,930	39,294	456	-	3,838,918	100,984,623
Non-current financial assets	45,053	-	1,493,703	19	-	-	39,365	1,499,410
Trade and other receivables	279,484	122	-	30,912	456	-	375,320	686,294
Property, plant and equipment	-	-	-	-	-	-	1,340,988	1,340,988
Investment properties	11,872,048	1,038,319	82,377,227	8,362	-	-	1,395,651	96,691,606
Intangible assets, except goodwill	-	-	-	-	-	-	50,717	50,717
Investments in associates	-	-	-	-	-	-	450,688	450,688
Deferred income tax assets	-	-	-	-	-	-	259,895	259,895
Non-current non-financial assets	-	-	-	-	-	-	5,024	5,024
Total assets	29,472,772	5,362,001	83,974,040	3,657,215	766,222	21,267	53,261,559	
Current liabilities	9,054,018	1,313,981	10,169,768	517,787	654,398	7,121	30,684,475	52,401,548
Trade and other payables	1,086,205	25,152	8,683,863	5,153	487	3,122	1,315,250	11,119,230
Current financial liabilities	514,250	52,930	121,445	-	-	-	8,368,993	9,057,618
Current income tax liabilities	-	-	-	-	-	-	767,832	767,832
Current non-financial liabilities	4,279,794	666,495	69,552	506,477	173,874	1,253	10,563,759	16,261,203
Current portion of provisions	3,173,770	569,404	1,294,908	6,158	480,038	2,746	9,668,641	15,195,665
Non-current liabilities	6,658,089	2,710,736	59,924,383	2,396,302	320,826	8,461	2,918,260	74,278,483
Trade and other payables	408,405	19,666	15,075,228	1,570	-	-	646,906	16,151,774
Non-current financial liabilities	6,184,781	2,690,636	44,809,041	2,393,719	321,130	10,742	1,534,903	57,281,209
Non-current non-financial liabilities	26,361	-	37,405	-	-	-	60,450	124,216
Defined benefit liabilities	-	-	-	-	-	2,280	487,030	489,311
Non-current provisions	38,541	434	2,709	1,013	304	-	188,971	231,973
Total liabilities	15,712,106	4,024,717	70,094,151	2,914,089	333,572	1,340	33,602,735	126,680,031
Issued capital	5,874,672	996,908	16,141,203	41,728	15,508	-	10,496,906	33,452,453
Retained earnings	7,885,993	340,376	2,261,314	784,854	448,158	22,607	9,181,897	16,402,571
Other components of equity	-	-	-	-	-	-	28,062	28,062
Equity attributable to the shareholders of the parent	13,760,665	1,337,284	13,879,889	743,126	432,650	22,607	19,650,741	49,826,962
Non-controlling interests	-	-	-	-	-	-	8,083	8,083
Total equity	₩13,760,665	₩1,337,284	₩13,879,889	₩743,126	₩432,650	₩22,607	₩19,658,824	₩49,835,045

(*1) The title was changed from "Rental housing business" to "Public housing management business" pursuant to Article 28-2 of the revised Korea Land & Housing Corporation Act's implementing ordinances.

December 31, 2018								
	Public housing	Industrial development complex	Public housing management business (*1)	Multifunctional administrative city	Urban development	Land bank	Others	Total
Current assets	₩16,892,212	₩3,926,786	₩132,169	₩3,824,308	₩932,638	₩111,520	₩55,189,748	₩81,009,381
Cash and cash equivalents	-	-	-	-	-	-	2,128,403	2,128,403
Current financial assets	8	-	12	-	-	-	3,012,622	3,012,643
Trade and other receivables	326,851	11,923	117,684	123,080	4,008	-	528,574	1,112,121
Inventories	16,029,469	3,907,699	0	3,690,807	928,227	111,520	45,940,729	70,608,449
Current non-financial assets	535,884	7,164	14,473	10,421	403	-	3,382,647	3,950,992
Assets classified as held for sale	-	-	-	-	-	-	196,773	196,773
Non-current assets	10,595,253	1,100,313	78,038,830	113,117	631	-	2,475,563	92,323,708
Non-current financial assets	50,312	-	1,326,544	29	-	-	(1,172,593)	204,292
Trade and other receivables	306,122	1,151	-	113,088	631	-	496,935	917,927
Property, plant and equipment	(1,948)	-	-	-	-	-	1,321,981	1,320,033
Investment properties	10,240,767	1,099,163	76,712,286	-	-	-	1,274,123	89,326,339
Intangible assets, except goodwill	-	-	-	-	-	-	58,100	58,100
Investments in associates	-	-	-	-	-	-	487,045	487,045
Non-current non-financial assets	-	-	-	-	-	-	9,973	9,973
Total assets	₩27,487,464	₩5,027,100	₩78,170,999	₩3,937,426	₩933,269	₩111,520	₩57,665,311	₩173,333,089
Current liabilities	8,946,724	1,153,001	10,018,134	365,026	775,893	6,194	32,579,075	53,844,048
Trade and other payables	757,457	55,640	8,571,097	4,356	575	3,752	835,604	
Current financial liabilities	520,791	7,718	103,571	30	0	0	11,278,813	
Current income tax liabilities	-	-	-	-	-	-	102,392	
Current non-financial liabilities	4,605,171	529,630	55,594	353,841	282,065	1,471	11,822,990	17,650,762
Current portion of provisions	3,063,304	560,014	1,287,872	6,800	493,253	971	8,539,276	13,951,489
Non-current liabilities	6,658,172	2,516,885	54,771,347	2,468,516	(228,915)	86,927	7,952,273	74,225,206
Trade and other payables	277,566	17,099	13,842,330	1,570	-	-	1,270,249	15,408,814
Non-current financial liabilities	6,271,474	2,497,175	40,887,535	2,463,359	(229,587)	84,647	5,900,429	57,875,030
Non-current non-financial liabilities	65,494	-	39,232	-	-	-	61,014	165,741
Defined benefit liabilities	-	-	-	-	-	2,280	432,939	435,219
Deferred income tax liabilities	-	-	-	-	-	-	129,679	129,679
Non-current provisions	43,638	2,611	2,250	3,587	672	-	157,963	210,723
Total liabilities	₩15,604,896	₩3,669,887	₩64,789,481	₩2,833,542	₩546,978	₩93,121	₩40,531,349	₩128,069,254
Issued capital	5,450,588	996,908	14,173,919	(41,728)	(15,508)	0	10,212,146	30,776,325
Retained earnings	6,431,980	360,306	(792,401)	1,145,611	401,799	18,398	6,964,451	14,530,144
Other components of equity	-	-	-	-	-	-	(50,851)	(50,851)
Equity attributable to the shareholders of the parent	11,882,568	1,357,213	13,381,518	1,103,883	386,291	18,398	17,125,746	45,255,618
Non-controlling interests	-	-	-	-	-	-	8,216	8,216
Total equity	₩11,882,568	₩1,357,213	₩13,381,518	₩1,103,883	₩386,291	₩18,398	₩17,133,962	₩45,263,835

(*1) The title was changed from "Rental housing business" to "Public housing management business" pursuant to Article 28-2 of the revised Korea Land & Housing Corporation Act's implementing ordinances.

6. CASH AND CASH EQUIVALENTS:

Details of cash and cash equivalents as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash	₩-	₩-
Other demand deposits	1,043,655	802,115
Investments qualifying as a cash equivalents	787,429	1,397,459
Less: Government grants	(80,247)	(57,518)
Less: Entrusted business funds - cash	<u>(2,810)</u>	<u>(13,653)</u>
Total	<u>₩1,748,027</u>	<u>₩2,128,403</u>

7. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Long-term financial instruments	<u>₩867</u>	<u>₩695</u>	Restricted withdrawal

8. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (INCLUDING DERIVATIVES):

(1) Financial assets measured at fair value through profit or loss (“FVPL”) as of December 31, 2019 and 2018 are as follows (in millions of Korean won):

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Financial assets FVPL:				
Investment securities	₩ -	₩388	₩ -	₩382
Debt instruments	310,515	1,222,326	1,931,030	4,900
Beneficiary right of trust business	-	1,837	-	1,822
Total	<u>₩310,515</u>	<u>₩1,224,551</u>	<u>₩1,931,030</u>	<u>₩7,104</u>

(2) Details of derivatives as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Derivative assets:				
Currency swaps	₩16,243	₩12,095	₩ -	₩ -
Interest swaps	18,533	13,022	1,079	28,225
Total	<u>₩34,776</u>	<u>₩25,117</u>	<u>₩1,079</u>	<u>₩ 28,225</u>
Derivative liabilities:				
Currency swaps	₩ -	₩15,430	₩3,741	₩65,160
Interest swaps	2,528	50,292	908	65,896
Total	<u>₩2,528</u>	<u>₩65,722</u>	<u>₩4,649</u>	<u>₩131,056</u>

(3) Details of currency swaps as of December 31, 2019 are as follows (Korean won in millions and foreign currencies in thousands, except exchange rate expressed in Korean won in units):

	Counterparty	Contract terms		Contract amount			Contract interest rate (%)		Contract exchange rate
		Beginning	Ending	Unit	Sell	Purchase	Sell	Purchase	
Cash flow hedge	Nomura	2012.01.18	2022.01.18	HKD	600,000	90,000	4.06%	4.20%	150/HKD
Cash flow hedge	Nomura	2012.11.29	2022.11.29	HKD	400,000	56,000	3.10%	3.05%	140/HKD
Cash flow hedge	Credit Agricole	2015.11.10	2025.11.10	USD	100,000	113,400	2.15%	2.83%	1134/USD
Cash flow hedge	KDB	2016.06.23	2028.06.23	USD	200,000	234,400	1.66%	2.47%	1,172/USD
Cash flow hedge	Nomura	2016.10.28	2031.10.28	USD	70,000	78,750	1.72%	2.62%	1,125/USD
Cash flow hedge	Nomura	2016.11.16	2031.11.16	USD	30,000	34,200	1.86%	2.81%	1,140/USD
Cash flow hedge	Nomura	2016.11.16	2031.11.16	USD	40,000	46,000	1.84%	2.80%	1,150/USD
Cash flow hedge	Standard Chartered	2017.06.12	2020.06.12	USD	100,000	112,150	1.77%	3M LIBOR+0.73%	1,122/USD
Cash flow hedge	KDB	2017.07.24	2020.07.24	USD	50,000	56,500	1.82%	3M LIBOR+0.73%	1,130/USD
Cash flow hedge	KEB Hana Bank	2017.08.03	2020.08.03	USD	100,000	112,250	1.77%	3M LIBOR+0.73%	1,123/USD
Cash flow hedge	KDB	2017.08.04	2020.08.04	USD	100,000	112,200	1.77%	3M LIBOR+0.73%	1,122/USD
Cash flow hedge	IBK	2017.08.10	2020.08.10	USD	50,000	56,295	1.75%	3M LIBOR+0.73%	1,126/USD
Cash flow hedge	IBK	2017.08.22	2020.08.22	USD	50,000	57,235	1.79%	3M LIBOR+0.73%	1,145/USD
Cash flow hedge	KB KOOKMIN BANK	2017.09.08	2020.09.08	USD	30,000	33,852	1.79%	3M LIBOR+0.78%	1,128/USD
Cash flow hedge	WOORI BANK	2017.09.08	2020.09.08	USD	20,000	22,568	1.79%	3M LIBOR+0.78%	1,128/USD
Cash flow hedge	KB KOOKMIN BANK	2017.09.28	2024.09.28	HKD	470,000	68,150	2.21%	2.43%	145/HKD
Cash flow hedge	KB KOOKMIN BANK	2018.07.31	2023.07.31	CHF	100,000	114,000	2.00%	0.22%	1,140/CHF
Cash flow hedge	HSBC	2018.12.20	2021.12.20	HKD	1,250,000	178,000	1.78%	3M LIBOR+0.78%	143/HKD
Cash flow hedge	Societe Generale	2019.07.30	2021.08.06	USD	100,000	118,130	1.05%	3m Libor+0.47%	1,181/USD
Cash flow hedge	Shinhan Bank	2019.07.30	2022.08.05	USD	100,000	118,400	1.12%	3m Libor+0.66%	1,184/USD

(4) Details of interest rate swaps as of December 31, 2019 are as follows (in millions of Korean won):

	Counterparty	Contract terms		Principal amount	Contract interest rate (%)	
		Beginning	Ending		Sell	Purchase
Cash flow hedge	Deutsche Bank	2010.03.15	2020.03.15	50,000	4.93%	Index floating rate
Cash flow hedge	Nomura	2012.05.09	2022.05.09	20,000	3.69%	Index floating rate
Cash flow hedge	Societe Generale	2012.10.18	2022.10.18	50,000	3.00%	Index floating rate
Cash flow hedge	NH investment & securities	2013.03.18	2020.03.18	20,000	2.81%	Index floating rate
Cash flow hedge	Credit Suisse	2014.02.19	2029.02.19	50,000	3.65%	Index floating rate
Cash flow hedge	Credit Suisse	2014.05.02	2029.05.02	100,000	3.64%	Index floating rate
Cash flow hedge	Morgan Stanley	2014.05.26	2024.05.26	50,000	3.44%	Index floating rate
Cash flow hedge	Credit Suisse	2015.08.31	2035.08.31	110,000	2.53%	KTB interest rate
Cash flow hedge	Nomura	2015.11.12	2030.11.12	50,000	2.28%	Swap interlocking interest rate
Cash flow hedge	Societe Generale	2016.04.29	2031.04.29	30,000	1.84%	Swap interlocking interest rate
Cash flow hedge	Credit Suisse	2017.04.27	2032.04.27	100,000	2.26%	KTB interest rate
Cash flow hedge	KEB Hana Bank	2016.07.20	2021.07.20	150,000	1.32%	3M CD+0.09%
Cash flow hedge	KEB Hana Bank	2016.07.21	2021.07.20	150,000	1.32%	3M CD+0.07%
Cash flow hedge	Korea Development Bank	2016.10.26	2021.10.26	200,000	1.62%	3M CD+0.20%

(5) Details of gain and loss on valuation and settlement of derivative financial instruments for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019			2018		
	Gain or loss on valuation	Gain or loss on settlement	OCI (*1)	Gain or loss on valuation	Gain or loss on settlement	OCI (*1)
Currency swaps	₩54,299	₩9,200	₩22,331	₩61,701	₩1,464	₩ (48,186)
Interest rate swaps	2,495	-	11,607	5,342	-	(21,867)
Total	₩56,794	₩9,200	₩33,938	₩67,043	₩1,464	₩ (70,053)

(*1) Represents gross amounts before reflecting income tax effect.

9. TRADE AND OTHER RECEIVABLES:

(1) Details of trade and other receivables as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019			
	Gross amounts	Allowance for doubtful accounts	Present value of discounts	Carrying amounts
Current assets:				
Trade receivables	₩465,892	₩(186)	₩(472)	₩465,234
Other receivables	581,920	(82,423)	-	499,497
Accrued income	85,730	-	-	85,730
Due from customers for construction contracts	111,617	-	-	111,617
Subtotal	1,245,159	(82,609)	(472)	1,162,077
Non-current assets:				
Trade receivables	347,465	-	(35,959)	311,506
Other receivables	376,762	-	(1,974)	374,788
Subtotal	724,227	-	(37,933)	686,294
Total	₩1,969,386	₩(82,609)	₩(38,405)	₩1,848,372

	December 31, 2018			
	Gross amounts	Allowance for doubtful accounts	Present value of discounts	Carrying amounts
Current assets:				
Trade receivables	₩616,417	₩(200)	₩(1,597)	₩614,620
Other receivables	397,113	(63,250)	-	333,863
Accrued income	79,031	-	-	79,031
Due from customers for construction contracts	84,607	-	-	84,607
Subtotal	1,177,168	(63,450)	(1,597)	1,112,121
Non-current assets:				
Trade receivables	592,152	-	(27,268)	564,883
Other receivables	355,175	-	(2,132)	353,044
Subtotal	947,327	-	(29,400)	917,927
Total	₩2,124,495	₩(63,450)	₩(30,997)	₩2,030,047

(2) Credit risk and allowance for doubtful accounts

1) An aging analysis of trade receivables as of December 31, 2019 and 2018, is as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Neither overdue nor impaired	₩774,368	₩1,146,276
Overdue, but not impaired receivables	38,989	62,292
- Within 60 days	12,997	13,644
- 60–90 days	4,531	3,933
- 90–120 days	2,749	2,433
- More than 120 days	<u>18,712</u>	<u>42,284</u>
Subtotal	<u>813,357</u>	<u>1,208,569</u>
Less: Allowance for doubtful accounts	(186)	(200)
Less: Present value of discounts	<u>(36,431)</u>	<u>(28,865)</u>
Total	<u><u>₩776,740</u></u>	<u><u>₩1,179,503</u></u>

2) An aging analysis of current other receivables as of December 31, 2019 and 2018, is as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Neither overdue nor impaired	₩159,185	₩199,134
Overdue, but not impaired receivables	409,382	184,164
- within 60 days	56,651	27,413
- 60–90 days	23,123	6,870
- 90–120 days	58,165	12,533
- More than 120 days	271,443	137,348
Impaired receivables	13,353	13,816
- within 60 days	20	145
- 60–90 days	12	57
- 90–120 days	24	4
- More than 120 days	<u>13,297</u>	<u>13,610</u>
Subtotal	<u>581,920</u>	<u>397,113</u>
Less: Allowance for doubtful accounts	<u>(82,423)</u>	<u>(63,250)</u>
Total	<u><u>₩499,497</u></u>	<u><u>₩333,863</u></u>

(3) Changes in the allowance for doubtful accounts for trade and other receivables for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019		2018	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning (K-IFRS 1039)	₩200	₩63,250	₩4,999	₩111,369
Adjustment of retained earnings at the beginning	-	-	(945)	(47,213)
Adjusted at initial application date (K-IFRS 1109)	200	63,250	4,054	64,156
Bad debt expense	986	23,759	25,571	21,963
Write-off	(1,000)	(4,586)	(29,401)	(8,360)
Reversal	-	-	(23)	(14,509)
Ending	₩186	₩82,423	₩200	₩63,250

10. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

(1) Changes in financial instruments measured at fair value through other comprehensive income (“FVOCI”) for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019					
	Beginning	Acquisitions	Disposals	Evaluation (*1)	Others	Ending
Listed equity instrument	₩-	₩-	₩-	₩-	₩-	₩-
Non-listed equity instrument	58,104	7,286	-	(442)	-	64,948
Debt instrument	-	-	-	-	-	-
Other	-	5,798	-	-	-	5,798
Subtotal	₩58,104	₩13,084	₩-	₩(442)	₩-	₩70,746
Less: Government grants	-	-	-	-	-	-
Total	₩58,104	₩13,084	₩-	₩(442)	₩-	₩70,746
Current Financial assets						
FVOCI	-	-	-	-	-	-
Non-current Financial assets						
FVOCI	58,104	13,084	-	(442)	-	70,746

(*1) Evaluation represents amounts before reflecting income tax effect.

	2018					
	Beginning	Acquisitions	Disposals	Evaluation	Others (*1)	Ending
Listed equity instrument	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Non-listed equity instrument	27,242	-	-	(124)	30,986	58,104
Debt instrument	-	-	-	-	-	-
Other	24,974	6,629	(8)	-	(31,595)	-
Subtotal	₩52,216	₩6,629	₩(8)	₩(124)	₩(609)	₩58,104
Less: Government grants	-	-	-	-	-	-
Total	₩52,216	₩6,629	₩(8)	₩(124)	₩(609)	₩58,104
Current Financial assets						
FVOCI	-	-	-	-	-	-
Non-current Financial assets						
FVOCI	52,216	6,629	(8)	(124)	(609)	58,104

(*1) As a result of the adoption of K-IFRS, a portion of available-for-sale securities are reclassified to other comprehensive income at fair value through profit or loss.

(*1) In the current period, GIF investment beneficiary certificates were reclassified to investment securities (financial assets FVOCI) as a result of the in-kind investment conversion of the entire amounts of ₩31,595 million.

(2) Details of equity instruments FVOCI as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019				
	# of shares held	Ownership %	Acquisition costs	Carrying amounts	Fair Value
Non-listed equity securities:					
Korea Overseas Infrastructure Development Co.	6,274,800	16.63%	₩31,374	₩30,869	₩30,869
Korea Housing Guarantee	5,350,200	0.83%	26,776	26,776	26,776
STX Construction	94	0.01%	1	-	-
Keangnam Enterprises, Ltd.			52	-	-
SAMBU Construction Co. LTD.			33	17	17
Dong Yang engineering & construction group			0.2	0.7	0.7
Other equity investments			7,286	7,286	7,286
Beneficiary certificate			5,801	5,798	5,798
Total			₩71,323	₩70,746	₩70,746

	# of shares held	Ownership %	2018		Fair Value
			Acquisition costs	Carrying amounts	
Non-listed equity securities:					
Korea Overseas Infrastructure Development Co.	6,274,800	16.63%	₩31,374	₩31,308	₩31,308
Korea Housing Guarantee	5,350,200	0.83%	26,776	26,776	26,776
STX Construction	94	0.01%	1	-	-
Keangnam Enterprises, Ltd.			52	-	-
SAMBU Construction Co. LTD.			33	21	21
Dong Yang engineering & construction group			0.3	1	1
Total			₩58,236	₩58,104	₩58,104

11. FINANCIAL ASSETS MEASURED AT AMORTIZED COST:

Details of Financial assets measured at amortized cost ("AC") as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019				
	Amortized costs	Government grants	Trust business funds	Other	Carrying amounts
Government and public bonds	₩68	₩-	₩-	₩-	₩68
Other	7	-	-	-	7
Total	₩75	₩-	₩-	₩-	₩75
Current Financial assets AC	7	-	-	-	7
Non-current Financial assets AC	68	-	-	-	68

	2018				
	Amortized costs	Government grants	Trust business funds	Other	Carrying amounts
Government and public bonds	₩51	₩-	₩-	₩-	₩51
Other	2	-	-	-	2
Total	₩53	₩-	₩-	₩-	₩53
Current Financial assets AC	2	-	-	-	2
Non-current Financial assets AC	51	-	-	-	51

12. LOANS:

Details of loans as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		
	Acquisition value	Present value of discount	Carrying amount
Student loans (*1)	₩37,587	₩-	₩37,587
Housing fund loans (*2)	159	-	159
Long-term loans for lot sales	3,056	-	3,056
Urban development reallocation loans	8,145	(3)	8,143
Underage head of household loans	1,528	-	1,528
Other long-term loans	194	-	194
Housing loans	67,220	-	67,220
Loans for urban renewal project	56,534	-	56,534
Risky building reallocation loan	3,413	-	3,413
Alternative to long-term loans	16	-	16
Total	₩177,852	₩(3)	₩177,850

	December 31, 2018		
	Acquisition value	Present value of discount	Carrying amount
Student loans (*1)	₩41,161	₩-	₩41,161
Housing fund loans (*2)	171	-	171
Long-term loans for lot sales	5,529	-	5,529
Urban development reallocation loans	9,938	(13)	9,924
Underage head of household loans	322	-	322
Other long-term loans	194	-	194
Housing loans	1,039	-	1,039
Loans for urban renewal project	50,935	-	50,935
Risky building reallocation loan	608	-	608
Alternative to long-term loans	20	-	20
Total	₩109,917	₩(13)	₩109,903

(*1) The Group provides student loans at market interest rates to the dependents of employees who have been in employment for at least one year. Repayment of loans are made in installments and deducted from the employee's monthly salaries.

(*2) In connection with the relocation of the Group, housing loans are provided to eligible employees at market rate. The loans are to be repaid fully within three years.

13. FINANCIAL ASSETS:

Details of financial assets as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Short-term financial instruments	₩594,145	₩ -	₩1,056,961	₩ -
Special deposits	20,964	1,383	23,550	924
Total	₩615,109	₩1,383	₩1,080,512	₩924

14. INVENTORIES:

Details of inventories as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		
	Acquisition costs	Valuation allowance	Carrying amounts
Goods	₩565,502	₩(34,059)	₩531,443
Work in progress	51,940,107	(1,977,801)	49,962,306
Finished goods	19,188,043	(2,552,826)	16,635,217
Supplies	517	-	517
Total	₩71,694,169	₩(4,564,686)	₩67,129,483

	December 31, 2018		
	Acquisition costs	Valuation allowance	Carrying amounts
Goods	₩414,704	₩(24,006)	₩390,698
Work in progress	59,462,976	(2,717,081)	56,745,895
Finished goods	15,845,339	(2,374,283)	13,471,056
Supplies	801	-	801
Total	₩75,723,820	₩(5,115,370)	₩70,608,450

The Group recognized acquisition costs of ₩13,840,072 million and ₩11,936,160 million as Cost of Sales for the years ended December 31, 2019 and 2018, respectively. Also, the Group recognized a loss on valuation of inventories amounting to ₩1,025,484 million and ₩1,167,481 million for the years ended December 31, 2019 and 2018, respectively, and reversal of provision amounting to ₩1,576,168 million and ₩814,901 million for the years ended December 31, 2019 and 2018, respectively.

15. NON-FINANCIAL ASSETS:

Details of non-financial assets as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Advance payments	₩824,827	₩ -	₩991,325	₩ -
Prepaid expenses	10,737	394	19,885	4,704
Payment on behalf of others for contract work	3,237,805	-	2,650,652	-
Other prepaid expenses	1,977	-	2,145	-
Others	262,208	4,630	286,986	5,269
Total	₩4,337,554	5,024	₩3,950,993	₩9,973

(*) Payment on behalf of others for contract work : Construction costs paid on behalf of others + Construction warranties paid on behalf of others + Consignment construction costs paid on behalf of others + Advance payments on behalf of others for consignment service

16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Details of investments in associates and joint ventures as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	Location	December 31, 2019			December 31, 2018		
		Ownership %	Acquisition cost	Carrying amounts	Ownership %	Acquisition cost	Carrying amounts
Korea Construction Management Corporation	Korea	38.57%	₩8,000	₩10,412	38.57%	₩8,000	₩10,514
Pentaport Development Co., Ltd.	Korea	19.90%	11,940	-	19.90%	11,940	-
M cieta Development Co., Ltd.	Korea	19.90%	14,925	-	19.90%	14,925	17,479
Chungju Enterprise City Development Co., Ltd.	Korea	23.41%	7,960	6,790	23.41%	7,960	6,589
Pentaport Co., Ltd.	Korea	19.90%	60	-	19.90%	60	-
M cieta Co., Ltd.	Korea	19.90%	60	-	19.90%	60	54
Jun wave Co., Ltd.	Korea	44.00%	6,260	-	44.00%	6,260	-
Metapolis Co., Ltd.	Korea	19.90%	10,507	-	19.90%	10,507	-
Smart City Co., Ltd.	Korea	19.90%	9,413	1,001	19.90%	9,413	933
Smart City Asset Management Co., Ltd.	Korea	19.90%	60	52	19.90%	60	51
Alpha Dome City Co., Ltd.	Korea	28.34%	93,423	8,433	28.34%	93,423	-
Alpha Dome City Asset Management Co., Ltd.	Korea	35.50%	95	-	35.50%	95	-
Bichae-nuri Development Co., Ltd.	Korea	16.70%	4,776	66	16.70%	4,776	66
Bichae-nuri Co., Ltd.	Korea	16.70%	83	26	16.70%	83	26
Sinkyungju Development Co., Ltd.	Korea	15.00%	750	-	15.00%	750	-
Sinkyungju Development Management Co., Ltd.	Korea	15.00%	45	42	15.00%	45	43
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.84%	30,400	28,699	19.84%	30,400	33,168
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.86%	13,800	8,394	19.86%	13,800	9,704

	Location	December 31, 2019			December 31, 2018		
		Ownership %	Acquisition cost	Carrying amounts	Ownership %	Acquisition cost	Carrying amounts
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.89%	30,000	31,596	19.89%	30,000	35,461
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.83%	27,800	31,725	19.83%	27,800	33,347
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.93%	22,900	22,782	19.93%	22,900	25,058
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.87%	21,900	24,604	19.87%	21,900	27,015
NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.93%	27,300	32,777	19.93%	27,300	34,858
NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.92%	24,500	17,288	19.92%	24,500	21,754
NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.86%	14,200	12,256	19.86%	14,200	15,957
NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.90%	24,900	35,174	19.90%	24,900	36,462
NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.88%	20,700	25,209	19.88%	20,700	25,875
National Happy Housing No.1 REIT Co., Ltd.	Korea	20.00%	3,434	2,530	20.00%	3,434	3,017
NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.91%	17,800	21,171	19.91%	17,800	21,453
Passive House Circulation Housing REIT Co., Ltd	Korea	15.00%	3,300	4,531	15.00%	3,300	
NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.90%	20,500	36,170	19.90%	20,500	36,713
NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.90%	15,800	20,279	19.90%	15,800	20,778
National Happy Housing No.2 REIT Co., Ltd.	Korea	19.92%	4,925	4,155	19.92%	4,925	4,552
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.91%	18,100	25,076	19.91%	18,100	25,584
Cheongju Culture Factory Real Estate Investment Trust	Korea	19.21%	2,500	3,289	19.21%	300	3,272
Land Assistance REIT No.1 Co. Ltd.	Korea	10.00%	15,390	13,442	12.56%	15,390	17,712
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing	Korea	19.92%	10,600	17,090	19.92%	10,600	10,590
Sandan Jaesaeng1ho West Daegu Jisik Sanup Center Real Estate Investment Trust	Korea	11.88%	2,400	2,344	13.48%	2,400	3,474
Land Assistance REIT No.2 Co. Ltd.	Korea	9.55%	6,033	2,362	-	-	-
KMIC Development Co ,LTD..	Overseas	40.00%	944	923	-	-	-
Total			<u>W548,483</u>	<u>W450,688</u>		<u>W539,306</u>	<u>W487,045</u>

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019							Ending
	Beginning	Acquisitions	Disposal & Impairment	Dividends	Share of profit (loss)	Equity adjustments in equity method	Others	
Korea Construction Management Corporation	₩10,514	₩-	₩-	₩-	₩291	₩(394)	₩-	₩10,412
Pentaport Development Co., Ltd.	-	-	-	-	-	-	-	-
M cieta Development Co., Ltd.	17,479	-	(17,479)	-	(37)	37	-	-
Chungju Enterprise City Development Co., Ltd.	6,589	-	-	-	202	-	-	6,790
Pentaport Co., Ltd.	-	-	-	-	-	-	-	-
M cieta Co., Ltd.	54	-	(54)	-	-	-	-	-
Jun wave Co., Ltd.	-	-	-	-	-	-	-	-
Metapolis Co., Ltd.	-	-	-	-	-	-	-	-
Smart City Co., Ltd.	933	-	-	-	68	-	-	1,001
Smart City Asset Management Co., Ltd.	51	-	-	-	1	-	-	52
Alpha Dome City Co., Ltd.	-	-	-	-	8,433	-	-	8,433
Alpha Dome City Asset Management Co., Ltd.	-	-	-	-	-	-	-	-
Bichae-nuri Development Co., Ltd.	66	-	-	-	-	-	-	66
Bichae-nuri Co., Ltd.	26	-	-	-	-	-	-	26
Sinkyungju Development Co., Ltd.	-	-	-	-	-	-	-	-
Sinkyungju Development Management Co., Ltd.	43	-	-	-	(1)	-	-	-
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	33,168	-	-	-	(4,468)	-	-	28,699
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	9,704	-	-	-	(1,310)	-	-	8,394
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	35,461	-	-	-	(3,865)	-	-	31,596
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	33,347	-	-	-	(1,622)	-	-	31,725
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	25,058	-	-	-	(2,277)	-	-	22,782
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	27,015	-	-	-	(2,411)	-	-	24,604
NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	34,858	-	-	-	(2,081)	-	-	32,777
NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	21,754	-	-	-	(4,466)	-	-	17,288
NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	15,957	-	-	-	(3,701)	-	-	12,256
NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	36,462	-	-	-	(1,287)	-	-	35,174
NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing	25,875	-	-	-	(666)	-	-	25,209
National Happy Housing No.1 REIT Co., Ltd.	3,017	-	-	-	(487)	-	-	2,530
NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing	21,453	-	-	-	(282)	-	-	21,171
Passive House Circulation Housing REIT Co., Ltd.	5,486	-	-	-	(955)	-	-	4,531
NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	36,713	-	-	-	(543)	-	-	36,170
NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing	20,778	-	-	-	(499)	-	-	20,279
National Happy Housing No.2 REIT Co., Ltd.	4,552	-	-	-	(397)	-	-	4,155
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	25,584	-	-	-	(508)	-	-	25,076

2019							
Beginning	Acquisitions	Disposal & Impairment	Dividends	Share of profit (loss)	Equity adjustments in equity method	Others	Ending
Cheongju Culture Factory Real Estate Investment Trust	3,272	-	-	-	17	-	3,289
Land Assistance REIT No.1 Co. Ltd.	17,712	-	-	(594)	(2,808)	(869)	13,442
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing Sandan JaesaengIho West Daegu Jisik Sanup Center Real Estate Investment Trust	10,590	-	-	-	6,551	(51)	17,090
Land Assistance REIT No.2 Co. Ltd.	3,474	-	-	-	(171)	(959)	2,344
KMIC Development Co.,LTD.	-	6,033	-	-	(3,397)	(274)	2,362
	-	944	-	-	(2)	(19)	923
Total	₩487,045	₩6,977	₩(17,533)	₩(594)	₩(22,678)	₩(2,530)	₩450,688

2018							
Beginning	Acquisitions	Disposal & Impairment	Dividends	Share of profit (loss)	Equity adjustments in equity method	Others	Ending
Korea Construction Management Corporation Pentaport Development Co., Ltd.	₩12,314	₩-	₩-	₩-	₩(1,893)	₩92	₩-
M cieta Development Co., Ltd.	-	-	-	-	-	-	-
Chungju Enterprise City Development Co., Ltd.	-	-	-	-	17,479	-	17,479
Pentaport Co., Ltd.	6,581	-	-	-	8	-	6,589
M cieta Co., Ltd.	-	-	-	-	-	-	-
Jun wave Co., Ltd.	58	-	-	-	(4)	-	54
Metapolis Co., Ltd.	-	-	-	-	-	-	-
Smart City Co., Ltd.	-	-	-	-	-	-	-
Smart City Asset Management Co., Ltd.	756	-	-	-	177	-	933
Alpha Dome City Co., Ltd.	50	-	-	-	1	-	51
Alpha Dome City Asset Management Co., Ltd.	-	-	-	-	(1,087)	1,087	-
Bichae-nuri Development Co., Ltd.	-	-	-	-	-	-	-
Bichae-nuri Co., Ltd.	66	-	-	-	-	-	66
Megabowlcity Co., Ltd.	26	-	-	-	-	-	26
Megabowlcity Asset Management Co., Ltd.	2,504	-	-	-	-	(2,504)	-
Sinkyungju Development Co., Ltd.	-	-	-	-	-	-	-
Sinkyungju Development Management Co., Ltd.	-	-	-	-	-	-	-
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	45	-	-	-	(2)	-	43
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	37,691	-	-	-	(4,523)	-	33,167
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	11,496	-	-	-	(1,792)	-	9,704
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	38,034	-	-	-	(2,574)	-	35,461
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	37,614	-	-	-	(4,267)	-	33,347
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	24,984	-	-	-	74	-	25,058
NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	27,135	-	-	-	(120)	-	27,015
	35,448	-	-	-	(590)	-	34,858

2018

	<u>Beginning</u>	<u>Acquisitio ns</u>	<u>Disposal & Impairment</u>	<u>Dividend s</u>	<u>Share of profit (loss)</u>	<u>Equity adjustments in equity method</u>	<u>Others</u>	<u>Ending</u>
NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	22,345	-	-	-	(591)	-	-	21,754
NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	15,472	-	-	-	486	-	-	15,957
NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	37,147	-	-	-	(685)	-	-	36,462
NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing	26,550	-	-	-	(675)	-	-	25,875
NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing	22,331	-	-	-	(878)	-	-	21,453
NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	37,490	-	-	-	(773)	(4)	-	36,713
NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing	21,434	-	-	-	(652)	(3)	-	20,778
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	18,002	-	-	-	7,584	(2)	-	25,584
National Happy Housing No.1 REIT Co., Ltd.	3,207	-	-	-	(191)	-	-	3,017
Passive House Circulation Housing REIT Co., Ltd	5,609	-	-	-	(122)	-	-	5,486
National Happy Housing 2 REIT Co., Ltd.	4,909	-	-	-	(329)	(27)	-	4,552
Cheongju Culture Factory Real Estate Investment Trust	292	2,200	-	-	822	(42)	-	3,272
Land Assistance REIT No.1 Co. Ltd.	19,317	-	-	-	(1,605)	-	-	
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing	-	10,600	-	-	(10)	-	-	
Sandan JaesaengIho West Daegu Jisik Sanup Center Real Estate Investment Trust	-	2,400	-	-	(1)	1,074	-	3,474
Total	<u>₩468,907</u>	<u>₩15,200</u>	<u>₩-</u>	<u>₩-</u>	<u>₩3,266</u>	<u>₩2,176</u>	<u>₩(2,504)</u>	<u>₩487,045</u>

(*1) Megabowlcity and Megabowlcity Asset Management, which were classified as affiliated companies, are classified as consolidated as 100% of their shares were acquired.

(*2) Upon completion of the liquidation and termination of Morning Bridge, it has been removed from the associates lists.

(3) Details of financial information of associates and joint ventures as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019			
	Assets	Liabilities	Revenue	Profit (loss)
Korea Construction Management Corporation	₩31,169	₩4,062	₩36,980	₩163
Pentaport Development Co., Ltd.	62,373	422,786	27	891
M cieta Development Co., Ltd.	-	-	-	-
Chungju Enterprise City Development Co., Ltd.	52,035	23,029	17,824	534
Pentaport Co., Ltd.	74	355	389	41
M cieta Co., Ltd.	-	-	-	-
Jun wave Co., Ltd.	1,488	73,357	-	-
Metapolis Co., Ltd.	17,904	74,902	-	-
Smart City Co., Ltd.	5,051	22	-	341
Smart City Asset Management Co., Ltd.	267	4	68	6
Alpha Dome City Co., Ltd.	41,873	12,116	442,986	74,970
Alpha Dome City Asset Management Co., Ltd.	1,392	1,659	2,902	74
Bichae-nuri Development Co., Ltd.	3,474	3,077	-	-
Bichae-nuri Co., Ltd.	1,812	1,658	-	(1)
Sinkyungju Development Co., Ltd.	117,193	132,926	-	(7,872)
Sinkyungju Development Management Co., Ltd.	323	40	715	(10)
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	1,156,590	1,054,409	13,720	(20,115)
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	556,438	501,867	9,682	(5,326)
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	1,077,987	971,951	14,270	(16,026)
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	1,033,807	933,905	14,801	(13,618)
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	835,240	738,125	13,381	(7,978)
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	753,103	663,436	13,658	(8,704)
NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	971,093	856,655	20,431	(12,309)
NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	1,170,542	1,080,335	24,744	(20,285)
NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	751,353	701,558	14,023	(12,386)
NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	1,163,525	1,054,047	16,333	(6,460)
NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing	1,021,088	929,990	3,198	(3,282)
National Happy Housing No.1 REIT Co., Ltd.	219,415	206,763	1,644	(2,383)
NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing	743,814	662,456	-	(2,587)
Passive House Circulation Housing REIT Co., Ltd	156,620	142,196	1,199	(5,118)
NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	717,718	622,266	-	(2,536)
NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing	550,453	477,635	-	(2,472)
National Happy Housing No.2 REIT Co., Ltd.	145,824	124,967	-	(1,914)
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	536,237	451,272	-	(2,424)
Cheongju Culture Factory Real Estate Investment Trust	44,370	27,249	26,078	953
Land Assistance REIT No.1 Co. Ltd.	539,632	391,739	14,793	3,220
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing	185,944	135,191	-	(2,093)
Sandan Jaesaenglho West Daegu Jisik Sanup Center Real Estate Investment Trust	19,847	115	-	(187)
Land Assistance REIT No.2 Co. Ltd.	206,717	145,391	1,739	1,016
KMIC Development Co., LTD.	5,220	2,913	-	(6)

	December 31, 2018			
	Assets	Liabilities	Revenue	Profit (loss)
Korea Construction Management Corporation	₩31,621	₩4,220	₩39,465	₩ (2,237)
Pentaport Development Co., Ltd.	67,813	429,117	3,109	(78,907)
M cieta Development Co., Ltd.	437,411	315,780	402,627	68,139
Chungju Enterprise City Development Co., Ltd.	63,570	35,425	16,236	31
Pentaport Co., Ltd.	108	430	468	-
M cieta Co., Ltd.	610	341	-	(21)
Jun wave Co., Ltd.	1,488	73,357	(747)	(1,047)
Metapolis Co., Ltd.	17,904	74,902	-	-
Smart City Co., Ltd.	4,699	11	-	714
Smart City Asset Management Co., Ltd.	261	4	71	7
Alpha Dome City Co., Ltd.	390,762	422,316	935,692	87,020
Alpha Dome City Asset Management Co., Ltd.	1,290	1,614	-	18
Bichae-nuri Development Co., Ltd.	1,813	1,658	-	-
Bichae-nuri Co., Ltd.	3,474	3,077	-	-
Sinkyungju Development Co., Ltd.	103,152	111,013	-	(5,810)
Sinkyungju Development Management Co., Ltd.	320	33	663	(14)
NHF No. 1 Third-Party Managed REIT for Development of Public Rental Housing	1,198,922	1,074,220	14,382	(16,759)
NHF No. 2 Third-Party Managed REIT for Development of Public Rental Housing	553,737	492,571	8,195	(3,441)
NHF No. 3 Third-Party Managed REIT for Development of Public Rental Housing	1,089,390	963,924	20,631	(11,751)
NHF No. 4 Third-Party Managed REIT for Development of Public Rental Housing	1,053,393	945,316	13,725	(12,387)
NHF No. 5 Third-Party Managed REIT for Development of Public Rental Housing	837,425	728,888	6,931	401
NHF No. 6 Third-Party Managed REIT for Development of Public Rental Housing	645,046	543,244	10,369	(308)
NHF No. 7 Third-Party Managed REIT for Development of Public Rental Housing	953,160	828,279	245	(2,959)
NHF No. 8 Third-Party Managed REIT for Development of Public Rental Housing	1,168,331	1,055,703	-	(2,914)
NHF No. 9 Third-Party Managed REIT for Development of Public Rental Housing	650,527	582,098	4,476	2,445
NHF No. 10 Third-Party Managed REIT for Development of Public Rental Housing	989,257	873,310	-	(3,348)
NHF No. 11 Third-Party Managed REIT for Development of Public Rental Housing	577,994	483,545	-	(3,395)
NHF No. 12 Third-Party Managed REIT for Development of Public Rental Housing	385,134	302,358	-	(4,408)
NHF No. 13 Third-Party Managed REIT for Development of Public Rental Housing	383,943	285,762	-	(3,885)
NHF No. 14 Third-Party Managed REIT for Development of Public Rental Housing	280,906	205,581	-	(3,278)
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	311,255	223,737	-	(2,883)
National Happy Housing No.1 REIT Co., Ltd.	135,654	120,571	-	(953)
Passive House Circulation Housing REIT Co., Ltd	116,362	95,568	-	(674)
National Happy Housing 2 REIT Co., Ltd.	36,527	13,675	-	(1,661)
Cheongju Culture Factory Real Estate Investment Trust	60,321	43,286	4,500	4,378
Land Assistance REIT No.1 Co. Ltd.	546,248	391,752	-	1,018
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing	108,205	55,054	-	(49)
Sandan JaesaengIho West Daegu Jisik Sanup Center Real Estate Investment Trust	25,765	1	-	(4)

17. PROPERTY, PLANT AND EQUIPMENT:

(1) Composition of property, plant and equipment as of December 31, 2019 and 2018, is as follows (in millions of Korean won):

	December 31, 2019			
	Acquisition cost	Government grants	Accumulated depreciation	Carrying amounts
Land	₩345,110	₩(1,667)	₩ -	₩343,443
Buildings	922,082	(14,369)	(166,467)	741,246
Structures	71,970	-	(32,541)	39,429
Machinery	248,551	-	(116,064)	132,487
Vehicles	5,540	(98)	(4,154)	1,288
Furniture and fixtures	166,178	-	(129,789)	36,389
Tools and equipment	27,547	(5,209)	(17,536)	4,801
Right-of-use	34,905	-	(14,271)	20,634
Construction in progress	21,271	-	-	21,271
Total	₩1,843,154	₩(21,343)	₩(480,823)	₩1,340,988

	December 31, 2018			
	Acquisition cost	Government grants	Accumulated depreciation	Carrying amounts
Land	₩338,199	₩(1,667)	₩ -	₩336,532
Buildings	878,304	(14,751)	(149,182)	714,371
Structures	71,599	-	(29,263)	42,337
Machinery	248,538	-	(103,637)	144,902
Vehicles	5,372	(149)	(4,218)	1,005
Furniture and fixtures	151,707	-	(118,108)	33,599
Tools and equipment	24,777	(5,876)	(14,969)	3,932
Construction in progress	43,357	-	-	43,357
Total	₩1,761,852	₩(22,443)	₩(419,376)	₩1,320,033

(2) Changes in property, plant and equipment for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019					
	Beginning	Additions (*1)	Disposals	Depreciation	Others	Ending
Land	₩338,199	₩54	₩(98)	₩-	₩6,955	₩345,110
Less: Government grants	(1,667)	-	-	-	-	(1,667)
Buildings	729,122	1,483	(231)	(19,081)	44,322	755,615
Less: Government grants	(14,751)	-	-	382	-	(14,369)
Structures	42,337	697	-	(3,560)	(44)	39,430
Machinery	144,902	13	-	(12,428)	-	132,487
Vehicles	1,154	734	(4)	(498)	-	1,386
Less: Government grants	(149)	-	-	51	-	(98)
Furniture and fixtures	33,599	17,062	(14)	(14,250)	(8)	36,389
Tools and equipment	9,807	3,030	(0)	(2,827)	(0.1)	10,011
Less: Government grants	(5,876)	-	-	666	0.1	(5,209)
Right-of-use	-	10,746	(224)	(14,210)	24,322	20,634
Construction in progress	45,305	5,433	-	-	(29,467)	21,271
Less: Government grants	(1,948)	-	-	-	1,948	-
Total	<u>₩1,320,033</u>	<u>₩39,252</u>	<u>₩(572)</u>	<u>₩(65,753)</u>	<u>₩48,028</u>	<u>₩1,340,988</u>

(*1) Additions incorporate the amounts of the capitalization of borrowing costs.

	2018					
	Beginning	Additions (*1)	Disposals	Depreciation	Others	Ending
Land	₩335,548	₩2,651	₩-	₩-	₩-	₩338,199
Less: Government grants	-	(1,667)	-	-	-	(1,667)
Buildings	724,573	22,118	-	(17,839)	270	729,122
Less: Government grants	(7,054)	(7,890)	-	193	-	(14,751)
Structures	45,861	58	-	(3,585)	3	42,337
Machinery	157,328	-	-	(12,427)	-	144,902
Vehicles	1,747	42	(0.1)	(628)	(7)	1,154
Less: Government grants	(200)	-	-	51	-	(149)
Furniture and fixtures	33,741	12,728	(0.2)	(12,862)	(7)	33,599
Tools and equipment	1,979	9,083	-	(1,457)	202	9,807
Less: Government grants	-	(6,411)	-	535	-	(5,876)
Construction in progress	35,948	9,357	-	-	-	45,305
Less: Government grants	-	(1,948)	-	-	-	(1,948)
Total	<u>₩1,329,470</u>	<u>₩38,122</u>	<u>₩(0.3)</u>	<u>₩(48,018)</u>	<u>₩460</u>	<u>₩1,320,033</u>

(*1) Additions incorporate the amounts of the capitalization of borrowing costs.

18. INVESTMENT PROPERTIES:

(1) Acquisition cost and net book value of investment properties as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019			
	Acquisition cost	Government grants	Accumulated depreciation	Carrying amounts
Land	₩751,159	₩(16,800)	₩ -	₩734,359
Buildings	92,161,313	(165,106)	(8,721,713)	83,274,495
Construction in progress	12,717,348	(34,595)	-	12,682,753
Total	₩105,629,820	₩(216,501)	₩(8,721,713)	₩96,691,606

(*1) The amount of building incorporates land, which is part of the rental housing that is collective buildings.

	December 31, 2018			
	Acquisition cost	Government grants	Accumulated depreciation	Carrying amounts
Land	₩804,618	₩ -	₩ -	₩804,618
Buildings	85,938,463	(159,639)	(7,777,571)	78,001,253
Construction in progress	10,540,564	(20,096)	-	10,520,468
Total	₩97,684,218	₩(179,735)	₩(7,777,571)	₩89,326,339

(*1) The amount of building incorporates land, which is part of the rental housing that is collective buildings.

(2) Changes in the net book value of investment properties for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019					
	Beginning	Additions	Disposals	Depreciation	Others (*1)	Ending
Land	₩804,618	₩ -	₩ -	₩ -	₩(53,459)	₩751,159
Less: Government grants	-	(16,800)	-	-	-	(16,800)
Buildings	78,160,892	688,619	(25,984)	(1,063,463)	5,679,536	83,439,601
Less: Government grants	(159,639)	(7,970)	-	5,913	(3,410)	(165,106)
Construction in progress	10,540,564	4,492,565	(337)	-	(2,315,444)	12,717,348
Less: Government grants	(20,096)	(16,961)	-	-	2,462	(34,595)
Total	₩89,326,339	₩5,139,453	₩(26,321)	₩(1,057,550)	₩3,309,685	₩96,691,606

(*1) Others include amounts transferred from property, plant and equipment and inventories.

	December 31, 2018					
	Beginning	Additions	Disposals	Depreciation	Others (*1)	Ending
Land	₩1,042,080	₩ -	₩-	₩ -	₩(237,462)	₩804,618
Buildings	74,543,589	62,739	-	(983,137)	4,537,701	78,160,892
Less: Government grants	(163,271)	(2,246)	-	5,878	-	(159,639)
Construction in progress	10,123,033	5,010,188	-	-	(4,592,657)	10,540,564
Less: Government grants	(5,008)	(15,088)	-	-	-	(20,096)
Total	₩85,540,423	₩5,055,593	₩-	₩(977,259)	₩(292,418)	₩89,326,339

(*1) Others include amounts transferred from property, plant and equipment and inventories.

(3) Details of rental income and expense for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019	2018
Rental income	₩1,441,085	₩1,386,537
Rental expenses	2,709,392	(2,337,039)
Total	₩(1,268,307)	₩(950,502)

(4) Fair values of investment properties as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		December 31, 2018	
	Book value	Fair value	Book value	Fair value
Land	₩734,359	₩1,069,347	₩804,618	₩1,115,608
Buildings	83,274,495	116,181,081	78,001,253	111,470,345
Construction in progress	12,682,753	12,682,753	10,520,468	10,520,468
Total	₩96,691,606	₩129,933,180	₩89,326,339	₩123,106,421

The fair values of investment properties are measured using the assumptions that market participants would use when pricing the investment properties, assuming that market participants act in their economic best interest. A fair value measurement of investment properties takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable (Level 3).

19. CONSTRUCTION CONTRACTS:

(1) Changes in balances of construction contracts for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019			
	<u>Beginning</u>	<u>Increase</u>	<u>Revenue recognized</u>	<u>Ending</u>
Housing construction	₩2,392,231	₩2,207,470	₩(477,379)	₩4,122,322

	2018			
	<u>Beginning</u>	<u>Increase</u>	<u>Revenue recognized</u>	<u>Ending</u>
Housing construction	₩2,824,483	₩60,179	₩(492,431)	₩2,392,231

(2) Details of construction contracts in progress as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>Accumulated amounts of contract revenue</u>	<u>Accumulated amounts of contract cost</u>	<u>Accumulated amounts of net income</u>	<u>Advance from customers (including due to customer)</u>
December 31, 2019	₩2,833,090	₩1,949,044	₩884,046	₩452,165
December 31, 2018	₩1,819,876	₩1,307,981	₩551,894	₩885,393

(3) Details of due from customers and due to customer as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Due from customer</u>	<u>Due to customer</u>	<u>Due from customer</u>	<u>Due to customer</u>
Housing construction	₩111,617	₩15,473	₩84,607	₩17,258

20. CONTRACT ASSETS AND CONTRACT LIABILITIES:

Details of contract assets and contract liabilities as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

<u>Description</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Contract assets:		
Due from customer	₩111,617	₩84,607
Long-term loans for lot sales	<u>3,056</u>	<u>5,529</u>
Subtotal	<u>114,673</u>	<u>₩90,136</u>
Contract liabilities:		
Due to customer	15,472	₩17,258
Advance from customers	<u>14,229,157</u>	<u>15,461,613</u>
Subtotal	<u>₩14,244,629</u>	<u>₩15,478,871</u>

21. INTANGIBLE ASSETS, EXCEPT GOODWILL:

(1) Acquisition cost and net book value of intangible assets, except goodwill, as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019			
	Acquisition cost	Government grants	Accumulated depreciation	Book value
Brand	₩89	₩-	₩(79)	₩10
Software	52,657	-	(41,362)	11,295
Copyright, patent and industrial property rights	532	-	(411)	121
Development costs	120,698	(170)	(97,493)	23,035
Intangible assets in development	6,532	-	-	6,532
Others	9,724	-	-	9,724
Total	₩190,232	₩(170)	₩(139,345)	₩50,717

	December 31, 2018			
	Acquisition cost	Government grants	Accumulated depreciation	Book value
Brand	₩89	₩-	₩(76)	₩13
Software	48,401	-	(36,358)	12,043
Copyright, patent and industrial property rights	519	-	(371)	148
Development costs	119,556	(228)	(86,280)	33,049
Intangible assets in development	2,783	(100)	-	2,683
Land-use right	2,358	-	(485)	1,874
Others	8,292	-	-	8,292
Total	₩181,998	₩(328)	₩(123,570)	₩58,100

(2) Changes in the net book value of intangible assets, except goodwill, for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019					
	Beginning	Additions	Disposals	Amortization	Others	Ending
Brand name	₩13	₩ -	₩ -	₩(3)	₩ -	₩10
Software	12,043	4,254	-	(4,997)	(5)	11,295
Copyright, patent and industrial property rights	148	13	-	(40)	-	121
Development costs	33,277	750	-	(12,211)	1,389	23,205
(less government grants)	(228)	-	-	158	(100)	(170)
Intangible assets in development	2,783	5,168	-	-	(1,419)	6,532
(less government grants)	(100)	-	-	-	100	-
Land-use right	1,874	-	-	(8)	(1,865)	-
Others	8,292	1,432	-	-	-	9,724
Total	₩58,100	₩11,618	₩-	₩(17,101)	₩(1,900)	₩50,717

	2018					
	Beginning	Additions	Disposals	Amortization	Others	Ending
Brand name	₩1	₩-	₩-	₩(2)	₩14	₩13
Software	13,224	3,981	-	(5,163)	-	12,043
Copyright, patent and industrial property rights	103	20	-	(39)	66	148
Development costs	33,628	1,873	-	(11,453)	9,160	33,208
(less government grants)	(376)	-	-	148	-	(228)
Intangible assets in development	4,330	8,016	-	(255)	(9,240)	2,851
(less government grants)	(100)	-	-	-	-	(100)
Land-use right	1,846	-	-	(52)	80	1,874
Others	6,087	2,206	-	-	-	8,292
Total	₩58,742	₩16,095	₩-	₩(16,816)	₩80	₩58,100

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS:

(1) Financial liabilities at fair value through profit or loss as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Derivative liabilities	₩2,528	₩65,722	₩4,649	₩131,056

23. TRADE AND OTHER PAYABLES:

Details of trade and other payables as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		December 31, 2018	
	Current	Non-current	Current	Non-current
Trade payables	₩924,148	₩ 626	₩795,825	₩-
Other payables	214,552	-	145,207	-
Accrued expenses	1,111,749	610,401	707,313	1,282,682
Deposits	8,829,818	15,522,622	8,526,068	14,126,132
Lease liabilities	2,958	18,125	-	-
Other	36,006	-	54,069	-
Total	₩11,119,230	₩16,151,774	₩10,228,481	₩15,408,814

24. BORROWINGS AND BONDS PAYABLE:

(1) Details of borrowings and bonds payable as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

Description	December 31, 2019	December 31, 2018
Current liabilities:		
Short-term borrowings	₩500,000	₩900,000
Current portion of long-term borrowings	1,151,191	866,036
Current portion of bonds	7,058,731	9,851,578
Addition: Government grants	2,344	2,104
Less: Present value of discount	(2,518)	(2,313)
Less: Bond issuance discount	(49,170)	(105,644)
Addition: Bond issuance premium(*)	394,512	394,514
Subtotal	9,055,090	11,906,275
Non-current liabilities:		
Long-term borrowings	34,430,874	32,619,719
Bonds	22,792,677	25,133,661
Addition: Government grants	8,954,558	9,296,491
Less: Present value of discount	(8,954,753)	(9,297,332)
Less: Bond issuance discount	(7,869)	(8,566)
Subtotal	57,215,487	57,743,974
Total	₩66,270,577	₩69,650,249

(*) When the Group issued bonds, the Group recognized bond premium to guarantee yield to maturity of bonds related to land and the balance of bond premium is unamortized.

(2) Redemption plans of borrowings and bonds payable as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019		
	Borrowings	Bonds payable	Total
Less than 1 year	₩1,651,191	₩7,058,731	₩8,709,922
1 year–5 years	1,566,450	7,066,245	8,632,695
More than 5 years	32,864,425	15,726,432	48,590,857
Total	₩36,082,065	₩29,851,408	₩65,933,473

	December 31, 2018		
	Borrowings	Bonds payable	Total
Less than 1 year	₩1,777,287	₩9,851,578	₩11,628,865
1 year–5 years	2,481,851	7,722,653	10,204,503
More than 5 years	30,126,618	17,411,009	47,537,627
Total	₩34,385,756	₩34,985,239	₩69,370,995

(3) Details of short-term borrowings as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

Financial institution	December 31, 2019		
	Annual interest rate (%)	Maturity Date	Balances
KEB Hana Bank	1.62–1.66	2020.1.7~2020.2.6	₩500,000
December 31, 2018			
Financial institution	Annual interest rate (%)	Maturity Date	Balances
KEB Hana Bank	1.72–2.02	2019.1.3~2019.3.11	₩800,000
Hana Financial Investment Co., Ltd.	1.78	2019.1.3	100,000
Total			₩900,000

(4) Details of long-term borrowings as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	Creditors	Annual interest rate (%)	December 31, 2019	December 31, 2018
Public Rental ABS 1 st (*)	LH My Home SPC 1 st	4.95-5.04	₩530,000	₩860,000
Public Rental ABS 2 nd (*)	LH My Home SPC 2 nd	5.19-5.27	-	60,000
Public Rental ABS 3 rd (*)	LH My Home SPC 3 rd	5.05-5.28	180,000	300,000
Public Rental ABS 4 th (*)	LH My Home SPC 4 th	4.34-4.52	360,000	500,000
Public Rental ABS 5 th (*)	LH My Home SPC 5 th	3.13-3.36	270,000	330,000
National Housing Fund	KB KOOKMIN Bank, NH NongHyup Bank, Woori Bank	0-4.0	33,851,606	31,055,570
Second Public Preservation Energy Complex Fund	Woori Bank Korea Energy Agency, Woori Bank	3.6-4.0 3.00	327,049 1,718	327,198 2,122
Financial facility loans	Korea Development Bank	1.76	693	866
Operating loans	Hanuri Energy	3.45	1,000	-
Biz. land purchase loans	NH NongHyup Capital etc.	6.20	60,000	50,000
	Subtotal		<u>35,582,065</u>	<u>33,485,756</u>
	Addition: Government grants		8,954,558	9,296,491
	Less: Present value of discount		<u>(8,957,271)</u>	<u>(9,299,645)</u>
	Subtotal		<u>35,579,352</u>	<u>33,482,602</u>
	Less: Current portion		(1,151,191)	(866,036)
	Less: Present value of discount on current portion		<u>2,518</u>	<u>2,313</u>
	Total		<u>₩34,430,679</u>	<u>₩32,618,879</u>

(*) In accordance with an asset transfer agreement entered into with a special-purpose entity, the Group has securitized its dues from construction contracts and other assets up to ₩1,340,000 million and ₩2,050,000 million as of December 31, 2019 and 2018, respectively.

(5) Details of bonds payable as of December 31, 2019 and 2018, are as follows (in millions of Korean won and in thousands of foreign currencies):

	Annual interest rate (%)	December 31, 2019		December 31, 2018	
		Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Bonds denominated in Korean won (*1)	1.275~7.12	-	₩23,334,000	-	₩28,201,000
Bonds denominated in US dollars (*2)	3M LIBOR+ 0.73% etc.	USD 1,140,000	1,319,892	USD 1,140,000	1,274,634
Bonds denominated in CHF (*3)	0.22	CHF 100,000	119,552	CHF 100,000	113,622
Bonds denominated in HKD (*4)	3M HIBOR+ 0.48% etc.	HKD 2,720,000	404,355	HKD 2,720,000	388,334
Bonds related to the land (*5)	4.01~4.72	-	3,749,216	-	3,749,227
Bonds related to land compensation	1.25~2.53	-	924,393	-	1,258,422
Subtotal			<u>29,851,408</u>		<u>34,985,239</u>
Less: Discount on bonds			(57,038)		(114,210)
Addition: Bond issuance premium (*6)			<u>394,512</u>		<u>394,514</u>
Subtotal			<u>30,188,882</u>		<u>35,265,543</u>
Less: Current portion			(7,058,731)		(9,851,578)
Less: Discount on bonds' current portion			49,170		105,644
Addition: Bond issuance premium on current portion (*6)			<u>(394,512)</u>		<u>(394,514)</u>
Total			<u>₩22,784,809</u>		<u>₩25,125,096</u>

(*1) The bonds are guaranteed by the Korea Government in accordance with Paragraph 3 of Article 10 of the Korea Land & Housing Corporation Act.

(*2) Various bonds amounting to \$340,000 thousand are listed on the Singapore Stock Exchange.

(*3) The bonds are listed on the Singapore Stock Exchange.

(*4) Various bonds amounting to HKD470,000 thousand are listed on the Singapore Stock Exchange.

(*5) There are bonds related to the land that the Group holds as inventory. Additional interest may be paid from the gain on disposal of the related land. These carry coupon rates of 3.00%~3.50% and yield-to-maturity rates of 4.01%~4.72%.

(*6) When the Group issued bonds, the Group recognized bond premium to guarantee yield to maturity of bonds related to land and the balance of bond premium is unamortized.

25. LEASE:

(1) Composition of Right-of-use as of December 31, 2019 is as follows (in millions of Korean won):

	December 31, 2019			
	Acquisition cost	Accumulated depreciation	Government grants	Carrying amounts
Vehicles	₩17,105	₩(7,431)	₩ -	₩9,674
Office buildings	17,800	(6,841)	-	10,960
Total	₩34,905	₩(14,271)	₩ -	₩20,634

(2) Changes in Right-of-use for the years ended December 31, 2019 are as follows (in millions of Korean won):

	2019					
	Beginning	Change in accounting standard	Additions	Depreciation.	Disposals	Ending
Vehicles	₩ -	₩13,248	₩3,883	₩(7,442)	₩(14)	₩9,674
Office buildings	-	11,695	6,243	(6,892)	(85)	10,960
Total	₩ -	₩24,942	₩10,126	₩(14,334)	₩(100)	₩20,634

(3) Details of maturities of lease liabilities outstanding as of December 31, 2019 are as follows (in millions of Korean won):

	December 31, 2019		
	Vehicles	Office buildings	Ending
Less than 1 year	₩2,238	₩731	₩2,969
1 year–5 years	7,779	10,900	18,680
Sub total	10,018	11,631	21,649
Adjustments of present value etc.	(200)	(366)	(566)
Total	₩9,818	₩11,265	₩21,083

(4) Details of current and non-current lease liabilities outstanding as of December 31, 2019 are as follows (in millions of Korean won):

	December 31, 2019		
	Vehicles	Office buildings	Ending
Current	₩2,231	₩727	₩2,958
Non-current	7,587	10,538	18,125
Total	₩9,818	₩11,265	₩21,083

(5) Changes in lease liabilities for the years ended December 31, 2019 are as follows (in millions of Korean won):

	2019					
	Beginning	Change in accounting standard	Additions	Interest exp.	Disposals	Ending
Vehicles	₩ -	₩13,248	₩3,883	₩323	₩(7,635)	₩9,818
Office buildings	-	11,695	6,243	476	(7,148)	11,265
Total	₩ -	₩24,942	₩10,126	₩798	₩(14,783)	₩21,083

(6) The amounts relating to leases recognized for the year ended December 31, 2019, on the statement of profit or loss, are as follows (in millions of Korean won):

	2019
Depreciation of Right-of-use assets	₩14,334
Interest expenses of lease liabilities	798
Expenses related to short-term and low-value assets per the waiver provision	26,924
Total	₩42,056

(*) The total cash outflow from leases in statements of cash flows for the year ended December 31, 2019 was ₩ 41,605 millions.

26. EMPLOYEE RETIREMENT BENEFITS:

(1) Defined contribution plan

The Group operates a defined contribution retirement benefit plan at the option of qualified employees. Outside reserved plan assets are managed independently from the assets of the Group in the form of funds under the control of the fiduciary. In the event that an employee leaves the group before the vesting conditions of the defined contribution type are met, the contribution to be paid by the Group shall be reduced by the amounts of the lost contribution.

For the defined contribution retirement benefit plan, the amounts recognized for the current year in the statement of comprehensive income is ₩1,257 mil. (₩1,342 mil for the previous year).

Details of costs related with the defined contribution plan recognized in the statements of profit or loss for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cost of sales	₩1,224	₩1,296
Selling and administrative expenses	33	46
Net	<u>₩1,257</u>	<u>₩1,342</u>

(2) Defined benefit plan

The Group operates a defined benefit plan for qualified employees.

The actuarial valuation of the most recent plan assets and defined benefit obligations was performed by KB Securities actuaries on January 15, 2020. Current and past service costs related to the present value of the defined benefit obligation are measured using the projected unit reserve method.

- 1) Details of the defined benefit liability (assets) as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligation under reserved plan	₩510,004	₩444,624
Fair value of plan assets	(20,612)	(9,342)
National pension fund	(81)	(81)
Net	<u>489,311</u>	<u>₩435,219</u>
Present value of defined benefit obligation under non-reserved plan	-	-
Total	<u>₩489,311</u>	<u>₩435,219</u>

- 2) Changes in defined benefit liability for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Beginning	₩444,642	₩374,879
Service costs	62,183	51,541
Interest costs	9,677	10,639
New entry / transfer effect	794	2,260
Remeasurements of defined benefit liabilities	(11,312)	29,691
Service costs for previous periods	45,088	-
Payments	<u>(41,067)</u>	<u>(24,369)</u>
Ending	<u>₩510,004</u>	<u>₩444,642</u>

- 3) Changes in the fair value of plan assets for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Beginning	₩9,342	₩4,754
User contributions	11,107	4,496
Expected return on plan assets	205	129
Remeasurements of defined benefit liabilities	(42)	(33)
Payments	<u>-</u>	<u>(3)</u>
Ending	<u>₩20,612</u>	<u>₩9,342</u>

- 4) Details of costs related with the defined benefit plan recognized in income and loss for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Service costs	₩62,183	₩51,541
Service costs for previous periods	45,088	-
Interest costs	9,677	10,638
New entry / transfer effect	794	2,260
Expected return on plan assets	<u>(206)</u>	<u>(129)</u>
Total	<u>₩117,536</u>	<u>₩64,311</u>

The above income and expenses were recognized in the consolidated statement of comprehensive income as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Selling and administrative expenses	₩26,587	₩20,018
Cost of sales	<u>90,949</u>	<u>44,294</u>
Total	<u>₩117,536</u>	<u>₩64,311</u>

- 5) Remeasurements of defined benefit liabilities recognized in the consolidated statement of comprehensive income and loss for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Actuarial gain	₩11,312	₩(29,691)
Return on plan assets	<u>(42)</u>	<u>(33)</u>
Total	<u>₩11,270</u>	<u>₩(29,724)</u>

27. PROVISIONS:

(1) Details of provisions as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019			December 31, 2018		
	Current	Non-current	Total	Current	Non-current	Total
Employee benefit provision (*1)	₩145,234	₩-	₩145,234	₩131,823	₩-	₩131,823
Warranty provision (*2)	-	43,372	43,372	-	44,002	44,002
Provision for litigation	-	188,601	188,601	-	166,721	166,721
Cost provision (*3)	15,038,729	-	15,038,729	13,806,140	-	13,806,140
Sale convertible provision (*4)	11,701	-	11,701	13,527	-	13,527
Carbon credit provision (*5)	2	-	2	-	-	-
Total	₩15,195,665	₩231,973	₩15,427,638	₩13,951,489	₩210,723	₩14,162,212

(*1) The Group has estimated performance bonuses based on current business performance and management evaluation standards. These estimates are subject to change.

(*2) The Group recognizes the estimated liability to repair or replace products sold with warranties at the date of the consolidated statements of financial position. The provision is determined based on past experience on warranty claims on the level of repairs and returns.

(*3) Expected future costs to be incurred in relation to revenue arising from construction contracts are recognized as cost variance, when the construction cost is complete, and the estimates could be changed.

(*4) Expected future costs to be incurred in relation to the conversion of public rental housing to housing for sale are recognized as Sale convertible provisions, and the estimates could be changed.

(*5) Carbon credits provision is an estimate of the purchase cost for a shortage of GHG (greenhouse gas) emissions. These estimates are subject to change.

(2) Changes in provisions as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019				
	Beginning	Transfer	Use	Reversal	Ending
Employee benefit provision	₩131,823	₩13,411	₩-	₩-	₩145,234
Warranty provision	44,002	1,469	(1,739)	(360)	43,372
Provision for litigation	166,721	186,199	(71,709)	(92,610)	188,601
Cost provision	13,806,140	4,152,323	(1,628,116)	(1,291,618)	15,038,729
Sale convertible provision	13,527	65	(1,892)	(0.1)	11,700
Carbon credit provision	-	2	-	-	2
Total	₩14,162,212	₩4,353,469	₩(1,703,455)	₩(1,384,588)	₩15,427,638

	December 31, 2018				
	Beginning	Transfer	Use	Reversal	Ending
Employee benefit provision	₩111,474	₩20,349	₩-	₩-	₩131,823
Warranty provision	42,661	1,615	(146)	(128)	44,002
Provision for litigation	263,336	26,234	(74,530)	(48,319)	166,721
Cost provision	14,459,506	682,530	(1,161,038)	(174,858)	13,806,140
Sale convertible provision	23,924	642	(150)	(10,889)	13,527
Total	₩14,900,901	₩731,369	₩(1,235,864)	₩(234,194)	₩14,162,212

28. GOVERNMENTS GRANTS:

(1) Accounting for government grants

The Group recognizes the grant related to an asset as a deduction of the acquisition cost of such asset when it is acquired in accordance with Korean Government-Owned and Quasi-Government Accounting Regulations and Standards.

(2) Details of government grants as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

Description	December 31, 2019	December 31, 2018
Cash and cash equivalents	₩80,247	₩57,518
Buildings (property, plant and equipment)	16,036	16,418
Vehicles (property, plant and equipment)	98	149
Tools and equipment (property, plant and equipment)	5,209	5,876
Buildings (rental housing- investment property)	159,130	159,639
Buildings (rental building- investment property)	5,975	-
Construction in progress (investment property)	34,595	20,096
Lands (Rental)	16,800	-
Development costs (intangible asset)	170	228
Intangible assets in development (intangible asset)	-	100
Current portion of long-term borrowings	2,344	2,104
Long-term borrowings	8,954,558	9,296,491
Total	₩9,275,162	₩9,558,619

(3) Changes in government grants for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019						
	Beginning	Receipt	Acquisition	Amortization	Revenue	Others	Ending
Cash and cash equivalents	₩57,518	₩176,038	₩(42,798)	₩-	₩(110,511)	₩-	₩80,247
Buildings (property, plant and equipment)	16,418	-	118	(501)	-	-	16,036
Vehicles (property, plant and equipment)	149	-	-	(51)	-	-	98
Tools and equipment (property, plant and equipment)	5,876	-	-	(666)	-	(0.1)	5,209
Buildings (rental housing-investment property)	159,639	-	5,404	(5,913)	-	-	159,130
Buildings (rental building-investment property)	-	-	5,976	-	-	-	5,976
Construction in progress (investment property)	20,096	-	14,500	-	-	-	34,595
Lands (Rental)	-	-	16,800	-	-	-	16,800
Development costs (intangible asset)	228	-	-	(158)	-	100	170
Intangible assets in development (intangible asset)	100	-	-	-	-	(100)	-
Current portion of long-term borrowings	2,104	-	-	-	-	239	2,344
Long-term borrowings	9,296,491	-	-	-	-	(341,933)	8,954,558
Total	₩9,558,619	₩176,038	₩-	₩(7,289)	₩(110,511)	₩(341,694)	₩9,275,162
	2018						
	Beginning	Receipt	Acquisition	Amortization	Revenue	Others	Ending
Cash and cash equivalents	₩35,193	₩172,704	₩(33,183)	₩-	₩(117,196)	₩-	₩57,518
Buildings (property, plant and equipment)	7,054	-	9,439	(75)	-	-	16,418
Vehicles (property, plant and equipment)	200	-	-	(51)	-	-	149
Tools and equipment (property, plant and equipment)	-	-	6,411	(535)	-	-	5,876
Buildings (investment property)	163,271	-	2,246	(5,878)	-	-	159,639
Construction in progress (investment property)	5,008	-	15,088	-	-	-	20,096
Development costs (intangible asset)	376	-	-	(148)	-	-	228
Intangible assets in development (intangible asset)	100	-	-	-	-	-	100
Current portion of long-term borrowings	1,958	-	-	-	-	146	2,104
Long-term borrowings	9,182,707	-	-	-	-	113,784	9,296,491
Total	₩9,395,867	₩172,704	₩-	₩(6,687)	₩(117,196)	₩113,930	₩9,558,619

(4) Details of government grants recognized for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

<u>Description</u>	<u>2019</u>	<u>2018</u>
Sales	₩110,511	₩117,196
Depreciation offset	<u>7,289</u>	<u>6,687</u>
Total	<u>₩117,800</u>	<u>₩123,882</u>

29. SPECIFIED BUSINESS:

Details of government grants by specified business for the years ended December 31, 2019 and 2018, are as follows (in millions of Korea won):

			2019							
Department	Business detail	Period	Budget	Carried over from Prior Year	Grant, Payment	Interest	Execution	Return	Others	Carried over to Subsequent Year
Ministry of Infrastructure and Transport	Land, Grant for housing and loans	2019.1.1-2019.12.31	₩81,763	₩11,387	₩81,763	₩2,127	₩(76,549)	₩(7,882)	₩ -	₩10,846
Ministry of Infrastructure and Transport	Land, Residence benefit and	2019.1.1-2019.12.31	25,700	-	25,700	1	(25,700)	(1)	-	-
Ministry of Infrastructure and Transport	Land, Support for and residence benefit (self-improvement additional expense)	2019.1.1-2019.12.31	3,100	-	3,100	-	(3,100)	-	-	-
Ministry of Infrastructure and Transport	Land, Develop overseas and infrastructure market	2019.1.1-2019.12.31	888	2	888	-	(888)	-	(2)	-
Ministry of Infrastructure and Transport	Land, Activate Green and remodeling	2019.1.1-2019.12.31	990	3	990	0.1	(990)	(3)	-	0.1
Ministry of Commerce, Industry and Energy	Install solar light equipment for rent (house)	2019.1.1-2019.12.31	-	1,001	-	-	-	(1,001)	-	-
Ministry of Infrastructure and Transport	Land, Daejeon industrial and complex business renewal	2019.1.1-2019.12.31	11,166	11,166	-	59	-	-	-	11,225
Ministry of Commerce, Industry and Energy	Vulnerable energy welfare business class	2019.1.1-2019.12.31	2,763	38	2,763	3	(75)	-	-	2,728

(*) Specified business grant may have some differences because of the differences between closing date (December 31) and settlement date (the end of February of next year).

			2018							
Department	Business detail	Period	Budget	Carried over from Prior Year	Grant, Payment	Interest	Execution	Return	Others	Carried over to Subsequent Year
Ministry of Infrastructure and Transport	Land, Grant for housing and loans	2018.1.1-2018.12.31	₩78,471	₩ -	₩87,602	₩3,575	₩(78,471)	₩(1,318)	₩(1)	₩11,387
Ministry of Infrastructure and Transport	Land, Residence benefit and	2018.1.1-2018.12.31	25,700	-	25,700	1	(25,700)	(1)	-	-
Ministry of Infrastructure and Transport	Land, Support for and residence benefit (self-improvement additional expense)	2018.1.1-2018.12.31	3,100	-	3,100	0.1	(3,100)	(0.1)	-	-
Ministry of Infrastructure and Transport	Land, Develop overseas and infrastructure market	2018.1.1-2018.12.31	1,080	838	1,080	3	(1,397)	(522)	0.1	2
Ministry of Infrastructure and Transport	Land, Activate Green and remodeling	2018.1.1-2018.12.31	1,281	-	1,281	3	(1,281)	-	-	3
Ministry of Commerce, Industry and Energy	Install solar light equipment for rent (house)	2018.1.1-2018.12.31	-	-	1,416	-	(100)	(314)	-	1,001
Ministry of Infrastructure and Transport	Land, Daejeon industrial and complex business renewal	2018.1.1-2018.12.31	-	-	11,123	43	-	-	-	11,166
Ministry of Commerce, Industry and Energy	Vulnerable energy welfare business class	2018.1.1-2018.12.31	1,855	-	1,266	0	(1,228)	-	-	38

(*) Specified business grant may have some differences because of the differences between closing date (December 31) and settlement date (the end of February of next year).

30. CONSIGNMENT BUSINESS:

(1) Unappropriated funds from consignment and Accounting for consignment

As a quasi-government agency specialized in compensation for land, the Group complies with the New Land Expropriation Act and pays to land owners compensation consigned by public project promoters. In accordance with Article 44, section 3 of Korean Government-owned and Quasi-Government Accounting Regulations and Standards, the Group records unappropriated funds from consignment revenue as short-term financial instruments.

(2) Details of unappropriated funds from consignment revenue as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

Description	December 31, 2019	December 31, 2018
Cash and cash equivalents	₩2,809	₩13,654

(3) Changes in unappropriated funds from consignment revenue for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019					
	Counterpart	Beginning	Receipt	Execution(*)	Others	Ending
Cash and cash equivalents	Government	₩13,654	₩31,391	₩(42,235)	₩-	₩2,809

	2018					
	Counterpart	Beginning	Receipt	Execution(*)	Others	Ending
Cash and cash equivalents	Government	₩21,085	₩41,357	₩(48,788)	₩-	₩13,654

(*) Represents assets deducted as the Group carries out the related service. Of the compensation consigned by public project promoters in 2019 and 2018, the compensation that were paid and written off are ₩42,235 million and ₩48,788 million, respectively.

(4) Details of the revenue and expense from consignment business for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019		2018	
	Consignment business revenue	Consignment business expense	Consignment business revenue	Consignment business expense
Consignment of compensation for land	₩9,145	₩48	₩20,731	₩50

31. CONTRIBUTIONS OF CONSTRUCTION:

Details of deferred contributions of construction for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Beginning	₩57,242	₩58,085
Increase	7,349	1,840
Offset	<u>(5,625)</u>	<u>(2,683)</u>
Ending	<u>₩58,966</u>	<u>₩57,242</u>

32. NON-FINANCIAL LIABILITIES:

Details of non-financial liabilities as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Advance receipts	₩11,546	₩35,749	₩17,524	₩36,516
Advances from housing sales	14,229,156	-	15,412,781	-
Short-term unearned revenues	-	-	-	-
Advances from construction contracts	-	58,966	-	57,242
Withholdings	1,216,300	-	1,523,776	-
Other unearned revenues	505,580	-	482,982	-
Due to customers for construction contracts	283,149	29,501	17,258	-
Others	<u>15,472</u>	<u>-</u>	<u>196,441</u>	<u>71,982</u>
Total	<u>₩16,261,203</u>	<u>₩124,216</u>	<u>₩17,650,763</u>	<u>₩165,741</u>

33. ISSUED CAPITAL:

(1) Details of issued capital as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019			December 31, 2018		
	Government	Non-government	Total	Government	Non-government	Total
Common shares	₩28,992,846	₩4,470,996	₩33,463,842	₩26,311,462	₩4,470,996	₩30,782,458

(2) Details of discounts on stocks issuance as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019	December 31, 2018
Discounts on stocks issuance	₩(11,389)	₩(6,133)
Total	₩(11,389)	₩(6,133)

(3) Details of government grants which have been settled in 2019 and which will be settled in the future are as follows (in millions of Korean won):

	Settled in 2019		To be settled in the future	
	Amounts	# of households	Amounts	# of households
National Housing	₩(299,378)	(15,341)	₩(182,549)	(8,359)
Permanent Rental housing	(107,339)	(1,976)	(31,108)	(519)
National Happy Housing	142	1,277	(45,278)	(2,812)
Total	₩(406,575)	(16,040)	₩(258,935)	(11,690)

34. RETAINED EARNINGS (SEPARATE BASIS):

(1) Details of the retained earnings as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Legal reserve (*)	₩3,872,856	₩3,531,783
Other legal reserve	10,166,383	9,197,181
Unappropriated retained earnings	<u>2,288,027</u>	<u>1,705,362</u>
Total	<u>₩16,327,266</u>	<u>₩14,434,326</u>

(*) According to the Korea Land & Housing Corporation Act, an amount equal to at least 20% of net income is required to be appropriated as a legal reserve, until the reserve equals 50% of issued capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a deficit, if any, or be transferred to capital.

(2) Details of other legal reserve as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Reserve for business extension	₩6,026,326	₩5,739,268
Reserve for bank of land	<u>4,140,057</u>	<u>3,457,913</u>
Total	<u>₩10,166,383</u>	<u>₩9,197,181</u>

(3) Changes in retained earnings for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Beginning	₩14,434,326	₩13,281,106
Net profit	2,262,084	2,073,747
Dividends	(388,981)	(552,142)
Amortization of discounts on stocks issuance	(6,107)	-
Remeasurements of defined benefit liabilities	10,241	(19,831)
Gain (loss) on disposal of financial assets FVOCI	-	(534)
Gain (loss) on valuation of financial assets FVOCI	(320)	(124)
Changes in retained earnings carried forward from the previous year	<u>16,023</u>	<u>(347,897)</u>
Ending	<u>₩16,327,266</u>	<u>₩14,434,326</u>

35. STATEMENT OF APPROPRIATION OF RETAINED EARNINGS (SEPARATE BASIS):

Statement of appropriation of retained earnings as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Beginning of the year	₩-	₩-
Net income for the year	2,262,084	2,073,747
Changes in retained earnings carried forward from the previous year	16,023	(347,897)
Remeasurements of defined benefit liabilities	10,241	(19,831)
Gain (loss) on disposal of financial assets FVOCI	-	(534)
Gain (loss) on valuation of financial assets FVOCI	<u>(320)</u>	<u>(124)</u>
I . Unappropriated retained earnings	<u>2,288,027</u>	<u>1,705,362</u>
II . Transfers	-	-
Earned surplus reserve	457,605	341,072
Reserve for business extension	451,447	287,058
Reserve for bank of land	915,211	682,145
Amortization of discounts on stock issuance	11,347	6,107
Dividends	<u>452,417</u>	<u>388,981</u>
III . Appropriation	<u>2,288,027</u>	<u>1,705,362</u>
IV . Unappropriated retained earnings to be carried forward to following year	<u>₩-</u>	<u>₩-</u>

36. OTHER COMPONENTS OF EQUITY:

(1) Other components of equity as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
OCI	₩(28,062)	₩(50,851)

(2) Other components of equity, included in OCI, as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unrealized loss from cash flow hedges	₩(42,202)	₩(66,807)
OCI of equity method investees	14,513	16,329
Exchange losses from foreign operation	<u>(373)</u>	<u>(373)</u>
Total	<u>₩(28,062)</u>	<u>₩(50,851)</u>

37. REVENUE:

Revenue from continuing operations of the Group for the years ended December 31, 2019 and 2018, except other income and expenses, finance income and costs are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Sales of goods:		
Revenue from sales of land	₩15,116,933	₩12,055,732
Revenue from sales of housing units	<u>3,407,624</u>	<u>4,113,899</u>
Subtotal	<u>18,524,557</u>	<u>16,169,631</u>
Rendering of services:		
Revenue from rental real estate	1,441,085	1,386,537
Revenue from government grants	110,511	117,196
Revenue from consignment business	9,145	20,731
Other revenue	<u>444,474</u>	<u>339,734</u>
Subtotal	<u>2,005,215</u>	<u>1,864,198</u>
Total	<u>₩20,529,772</u>	<u>₩18,033,829</u>

38. COST OF SALES:

Details of cost of sales for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cost of sales :		
Land	₩10,966,313	₩8,373,427
Housing	2,873,759	3,562,733
Real estate rent	2,709,392	2,337,039
Government grants	150,231	136,363
Other operating expenses	<u>386,621</u>	<u>288,200</u>
Total	<u>₩17,086,316</u>	<u>₩14,697,762</u>

39. EMPLOYMENT EXPENSES (SEPARATE BASIS):

(1) Details of salaries, pension benefits and welfare benefits for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>		
	<u>Selling and administrative expenses (maintenance and operation expenses)</u>	<u>Manufacturing costs (direct business costs)</u>	<u>Total</u>
Salaries	₩175,994	₩467,945	₩643,939
Pension benefits	26,420	81,526	107,945
Severance pay	5,457	-	5,457
Welfare benefits	35,639	44,255	79,894
	<u>2018</u>		
	<u>Selling and administrative expenses (maintenance and operation expenses)</u>	<u>Manufacturing costs (direct business costs)</u>	<u>Total</u>
Salaries	₩212,790	₩378,003	₩590,794
Pension benefits	19,824	37,866	57,690
Severance pay	5,430	-	5,430
Welfare benefits	39,733	29,582	69,315

(2) Details of salaries, pension benefits and welfare benefits not involving cash outflows for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

Type		2019	2018
Salaries	Expenses involving cash outflows	₩624,594	₩569,233
	Expenses not involving cash outflows	19,344	21,561
	Total	<u>643,938</u>	<u>590,794</u>
Pension benefits	Expenses involving cash outflows	-	-
	Expenses not involving cash outflows	107,945	57,690
	Total	<u>107,945</u>	<u>57,690</u>
Welfare benefits	Expenses involving cash outflows	79,894	69,314
	Expenses not involving cash outflows	-	-
	Total	<u>₩79,894</u>	<u>₩69,314</u>

40. EMPLOYEE WELFARE BENEFITS (SEPARATE BASIS):

Details of employee welfare benefits for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019		2018	
	Selling and administrative expenses	Manufacturing costs	Selling and administrative expenses	Manufacturing costs
Employee benefits (included in salaries):				
Education expenses for dependents	₩734	₩847	₩856	₩754
Others	-	-	4	-
Employee benefits (not included in salaries):				
Medical examinations	559	1,613	2,082	150
Unemployment insurance	4,241	5,347	4,029	4,177
National Pension Fund	8,331	10,057	8,714	8,274
Expenses for homecoming vehicle	1	-	29	-
Other employee benefits	2	-	2	-
Night shift pay	313	74	346	49
Operating expenses for nursery facilities	1,152	764	1,550	-
Occupational health and safety insurance fee	2,074	2,598	1,986	1,887
Operating expenses for restaurant	2,531	2,074	2,885	1,425
Medical insurance	9,277	12,195	8,925	9,322
Operating expenses for medical facilities	79	120	136	54
Workers' compensation	60	51	306	26
Operating expenses for fitness center	2,072	2,716	3,384	-
Sports event expenses	336	519	465	327
Childbirth bonus	225	54	163	38
Overtime meal expenses	1,791	1,735	2,159	1,238
Special event expenses	119	65	171	5
Others	1,744	3,427	1,542	1,859
Total	₩35,639	₩44,255	₩39,733	₩29,582

41. OTHER SELLING AND ADMINISTRATIVE EXPENSES:

(1) Other selling and administrative expenses for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Expense for reward	₩675	₩532
Registration and litigation costs	8,858	21,367
Research expenses	11,022	10,052
Others	<u>4,609</u>	<u>4,890</u>
Total	<u>₩25,164</u>	<u>₩36,841</u>

42. OTHER INCOME AND EXPENSES:

(1) Details of other income account for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Other income (present valuation on financial instruments)	₩442,709	₩382,792
Income from government grants	189,668	184,234
Other miscellaneous income	<u>99,155</u>	<u>89,118</u>
Total	<u>₩731,532</u>	<u>₩656,144</u>

(2) Details of other expenses for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Other expenses (present valuation on financial instruments)	₩191,814	₩186,274
Loss on cancellation of sales	16,339	3,734
Loss on sale of inventories	13,045	24,684
Loss on renovations	78	219
Loss on settlement of price	-	10
Other miscellaneous loss	<u>77,674</u>	<u>17,823</u>
Total	<u>₩298,949</u>	<u>₩232,745</u>

43. OTHERS:

Details of others for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Gains on disposal of investment properties	₩684	₩104
Losses on disposal of investments in associates	-	(0.4)
Other miscellaneous loss	<u>(8,337)</u>	<u>(6,208)</u>
Total	<u>₩(7,653)</u>	<u>₩(6,104)</u>

44. FINANCE INCOME:

(1) Details of finance income for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Interest income	₩189,223	₩263,986
Dividend	1,816	1,856
Gain on foreign currency translation	46	78
Gain on foreign currency transactions	61	10
Other finance income	<u>2,145</u>	<u>2,041</u>
Total	<u>₩193,291</u>	<u>₩267,970</u>

(2) Details of interest income recognized as finance income for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	₩5,329	₩3,483
Loans and receivables	333	412
Short-term financial instruments	93,317	138,326
Other financial instruments	18,151	26,869
Trade and other receivables	<u>72,092</u>	<u>94,897</u>
Total	<u>₩189,223</u>	<u>₩263,986</u>

45. FINANCE COSTS:

(1) Details of finance costs for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Interest expense	₩269,581	₩309,354
Loss on disposal of financial instruments	-	1
Loss on foreign currency translation	3	75
Loss on foreign currency transaction	2	4
Other finance costs	<u>442,709</u>	<u>382,792</u>
Total	<u>₩712,295</u>	<u>₩692,225</u>

(2) Details of interest expense recognized as finance costs for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Short-term borrowings	₩19,006	₩17,614
Long-term borrowings	891,223	893,292
Bonds	1,312,050	1,620,538
Other financial liabilities	107,798	106,471
Long-term lease liabilities	<u>773</u>	<u>-</u>
Subtotal	<u>2,330,850</u>	<u>2,637,914</u>
Less: Capitalized borrowing costs	(1,409,994)	(1,699,167)
Less: Transferred to other costs	<u>(651,275)</u>	<u>(629,393)</u>
Total	<u>₩269,581</u>	<u>₩309,354</u>

46. INCOME TAXES REGARDING CONTINUING BUSINESS:

(1) The major components of the income tax expense for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Current income tax	₩950,898	₩423,811
Adjustments from prior years	(8,705)	(104,701)
Items charged directly to equity	(12,640)	26,710
Deferred income tax by temporary differences	<u>(409,425)</u>	<u>373,647</u>
Income tax expense	<u>₩520,128</u>	<u>₩719,467</u>

(2) Reconciliations of income tax expense and accounting income before income tax expense for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Income before income tax expense	₩2,764,846	₩2,796,207
Tax charge at the tax rate	750,112	758,559
Adjustments:		
Non-deductible income	(622)	(91,729)
Non-deductible expenses	334	341
Others	<u>(220,300)</u>	<u>156,997</u>
Subtotal	<u>529,525</u>	<u>824,168</u>
Adjustments from prior years	<u>(9,396)</u>	<u>(104,701)</u>
Income tax expense	<u>₩520,128</u>	<u>₩719,467</u>
Effective tax rate	<u>18.81%</u>	<u>25.73%</u>

(3) Details of income taxes recognized in OCI for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019	2018
Net gain on cash flow hedges	₩(9,333)	₩19,264
Remeasurements of defined benefit liabilities	(3,884)	5,672
Equity adjustments under equity method	817	(598)
Total	<u>₩(12,400)</u>	<u>₩24,338</u>

(4) Changes in deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019			
	Beginning	Income tax expenses	OCI	Ending
Deferred income taxes on temporary differences:				
Cash flow hedges	₩25,340	₩(18,666)	₩9,333	₩16,008
Investments in associates	12,861	7,105	696	20,661
Property, plant and equipment	(32,785)	(41,920)	-	(74,705)
Intangible assets	0.03	(0.03)	-	-
Deferred revenue	(73,456)	52,814	-	(20,641)
Provisions	222,550	21,389	4,429	248,368
Other financial liabilities	1,169	(3,624)	-	(2,456)
Non-financial liabilities	3,094,777	253,036	-	3,347,813
Inventories	(2,049,379)	94,942	-	(1,954,437)
Investment properties	(1,395,325)	15,546	-	(1,379,779)
Others	64,569	(5,487)	(18)	59,064
Total	<u>₩(129,679)</u>	<u>₩375,134</u>	<u>₩14,440</u>	<u>₩259,895</u>

	2018			
	Beginning	Income tax expenses	OCI	Ending
Deferred income taxes on temporary differences:				
Cash flow hedges	₩6,076	₩-	₩19,264	₩25,341
Investments in associates	14,357	(898)	(598)	12,861
Property, plant and equipment	151,887	(184,672)	-	(32,785)
Deferred revenue	(36,027)	(37,429)	-	(73,456)
Provisions	229,292	(14,786)	8,044	222,550
Other financial liabilities	6,714	(5,546)	-	1,169
Non-financial liabilities	3,058,636	36,141	-	3,094,777
Inventories	(1,664,651)	(384,728)	-	(2,049,379)
Investment properties	(1,575,096)	179,771	-	(1,395,325)
Others	52,780	11,789	-	64,569
Total	₩243,967	₩(400,356)	₩26,710	₩(129,679)

(5) Details of deferred income tax asset and liabilities as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019	December 31, 2018
Deferred income tax assets	₩5,731,901	₩5,568,612
Deferred income tax liabilities	(5,472,007)	(5,698,292)
Total	₩259,895	₩(129,679)

47. ASSETS CLASSIFIED AS HELD-FOR-SALE:

Details of assets classified as held-for-sale as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019	December 31, 2018
Land (*1)	₩75,993	₩75,993
Buildings (*1)	116,894	120,780
Total	₩192,888	₩196,773

(*1) The Group has a plan to dispose of its regional headquarters (including land, buildings and rental housing) and is actively engaged in locating a potential purchaser.

48. CLASSIFICATION BASED ON THE NATURE OF EXPENSE:

Details of classification based on the nature of expense for cost of sales and selling and administrative expenses for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019			
	Changes in inventories	Selling and administrative expenses	Cost of sales	Total
Changes in finished goods and work in process	₩(196,891)	₩-	₩-	₩(196,891)
Use of raw materials and supplies	₩13,643,779	-	1,398	13,645,177
Employee welfare business contribution	-	47,419	-	47,419
Salaries	-	180,629	593,152	773,781
Retirement benefits	-	26,587	91,754	118,341
Severance benefits	-	5,457	-	5,457
Employee welfare benefits	-	36,279	63,711	99,990
Insurance premium	-	1,056	32,057	33,113
Depreciation	-	33,568	1,089,859	1,123,427
Amortization	-	17,073	28	17,101
Bad debts expense	-	986	-	986
Commissions	-	30,438	241,428	271,866
Advertising	-	21,102	8,735	29,837
Training	-	15,898	635	16,533
Vehicle maintenance	-	573	1,759	2,332
Publications	-	846	3,149	3,995
Business expenses	-	464	275	739
Rent	-	5,521	21,600	27,121
Communication	-	922	6,635	7,557
Freighting	-	112	76	188
Taxes and dues	-	92,636	73,538	166,174
Supplies	-	1,771	3,498	5,269
Utilities	-	3,023	56,118	59,141
Repairs and maintenance	-	4,847	659,198	664,045
Ordinary development expense	-	37,284	1,001	38,285
Travel expenses	-	8,141	31,760	39,901
Clothing expenses	-	1,291	1,576	2,866
Investigation and analysis	-	13,699	10,640	24,339
Membership dues	-	161	68	229
Sales promotion	-	27,585	-	27,585
Sales commissions	-	20,178	-	20,178
Others	-	25,164	645,781	670,945
Total	<u>₩13,446,888</u>	<u>₩660,710</u>	<u>₩3,639,428</u>	<u>₩17,747,026</u>

	2018			
	Changes in inventories	Selling and administrative expenses	Cost of sales	Total
Changes in finished goods and work in process	₩(161,708)	₩-	₩-	₩(161,708)
Use of raw materials and supplies	11,715,519	-	880	11,716,399
Employee welfare business contribution	-	40,000	-	40,000
Salaries	-	216,530	464,278	680,808
Retirement benefits	-	20,071	45,590	65,661
Severance benefits	-	5,430	-	5,430
Employee welfare benefits	-	40,151	43,288	83,439
Insurance premium	-	804	11,055	11,859
Depreciation	-	29,979	995,299	1,025,278
Amortization	-	16,790	26	16,816
Bad debts expense	-	25,548	-	25,548
Commissions	-	27,055	182,300	209,354
Advertising	-	36,882	8,104	44,986
Training	-	14,469	536	15,005
Vehicle maintenance	-	742	1,801	2,543
Publications	-	733	2,889	3,621
Business expenses	-	276	160	436
Rent	-	4,278	26,001	30,279
Communication	-	1,052	5,790	6,843
Freighting	-	53	48	101
Taxes and dues	-	89,714	57,782	147,496
Supplies	-	1,613	2,852	4,465
Utilities	-	3,343	55,686	59,029
Repairs and maintenance	-	2,956	517,024	519,980
Ordinary development expense	-	29,972	606	30,578
Travel expenses	-	8,262	29,311	37,573
Clothing expenses	-	1,310	1,140	2,451
Investigation and analysis	-	12,539	12,108	24,646
Membership dues	-	219	9	228
Sales promotion	-	34,022	-	34,022
Sales commissions	-	20,833	-	20,833
Interest expenses	-	-	252,773	252,773
Others	-	36,841	426,617	463,458
Total	<u>₩11,553,810</u>	<u>₩722,466</u>	<u>₩3,143,952</u>	<u>₩15,420,228</u>

49. FINANCIAL INSTRUMENTS BY CATEGORY:

(1) Details of financial assets and financial liabilities by category as of December 31, 2019 and 2018, are as follows (in millions of Korean won).

1) Details of financial assets by category as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019						
	Financial assets FVPL		Financial assets FVOCI		Financial assets at amortized cost	Derivatives designated as hedges	Total
	Equity instru	Debt instru	Equity instru	Debt instru			
Current:							
Cash and cash equivalents	W-	W-	W-	W-	W1,748,027	W-	W1,748,027
Financial assets FVPL	-	310,515	-	-	-	-	310,515
Financial assets AC	-	-	-	-	7	-	7
Short-term loans	-	-	-	-	16	-	16
Short-term financial instruments	-	-	-	-	615,109	-	615,109
Derivative assets	-	-	-	-	-	34,776	34,776
Trade and other receivables	-	-	-	-	1,162,078	-	1,162,078
Subtotal by category	W-	W310,515	W-	W-	W3,525,237	W34,776	W3,870,528
Non-current:							
Financial assets FVPL	W388	W1,224,163	W-	W-	W-	W-	W1,224,551
Financial assets FVOCI	-	-	70,746	-	-	-	70,746
Financial assets AC	-	-	-	-	68	-	68
Long-term loans and receivables	-	-	-	-	177,834	-	177,834
Long-term financial instruments	-	-	-	-	1,384	-	1,384
Derivative assets	-	-	-	-	-	25,117	25,117
Trade and other receivables	-	-	-	-	686,294	-	686,294
Subtotal by category	W388	W1,224,163	W70,746	W-	W865,580	W25,117	W2,185,994

December 31, 2018

	Financial assets FVPL		Financial assets FVOCI		Financial assets at amortized cost	Derivatives designated as hedges	Total
	Equity instru	Debt instru	Equity instru	Debt instru			
Current:							
Cash and cash equivalents	W-	W-	W-	W-	W2,128,403	W-	W2,128,403
Financial assets FVPL	-	1,931,030	-	-	-	-	1,931,030
Financial assets AC	-	-	-	-	2	-	2
Short-term loans	-	-	-	-	20	-	20
Short-term financial instruments	-	-	-	-	1,080,512	-	1,080,512
Derivative assets	-	-	-	-	-	1,079	1,079
Trade and other receivables	-	-	-	-	1,112,120	-	1,112,120
Subtotal by category	W-	W1,931,030	W-	W-	W4,321,057	W1,079	W6,253,166
Non-current:							
Financial assets FVPL	W382	W6,722	W-	W-	W-	W-	W7,104
Financial assets FVOCI	-	-	58,104	-	-	-	58,104
Financial assets AC	-	-	-	-	51	-	51
Long-term loans and receivables	-	-	-	-	109,883	-	109,883
Long-term financial instruments	-	-	-	-	924	-	924
Derivative assets	-	-	-	-	-	28,225	28,225
Trade and other receivables	-	-	-	-	917,927	-	917,927
Subtotal by category	W382	W6,722	W58,104	W-	W1,028,785	W28,225	W1,122,218

2) Details of financial liabilities by category as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019				Total
	Financial liabilities at FVPL		Financial liabilities at amortized cost	Derivatives designated as hedges	
	Held for trading	FVPL			
Current:					
Short-term borrowings	₩-	₩-	₩500,000	₩-	₩500,000
Current-Long-term borrowings	-	-	1,151,017	-	1,151,017
Current-Bonds	-	-	7,404,073	-	7,404,073
Current-Derivative liabilities	-	-	-	2,528	2,528
Trade and other payables	-	-	11,119,230	-	11,119,230
Subtotal by category	₩-	₩-	₩20,174,320	₩2,528	₩20,176,848
Non-current:					
Long-term borrowings	₩-	₩-	₩34,430,679	₩-	₩34,430,679
Bonds	-	-	22,784,808	-	22,784,808
Derivative liabilities	-	-	-	65,722	65,722
Other	-	-	-	-	-
Trade and other payables	-	-	16,151,774	-	16,151,774
Subtotal by category	₩-	₩-	₩73,367,261	₩65,722	₩73,432,983
December 31, 2018					
	Financial liabilities at FVPL		Financial liabilities at amortized cost	Derivatives designated as hedges	Total
	Held for trading	FVPL			
	Current:				
Trade and other payables	₩-	₩-	₩10,228,481	₩-	₩10,228,481
Short-term borrowings	-	-	900,000	-	900,000
Current-Long-term borrowings	-	-	865,827	-	865,827
Current-Bonds	-	-	10,140,447	-	10,140,447
Current-Derivative liabilities	-	-	-	4,649	4,649
Subtotal by category	₩-	₩-	₩22,134,755	₩4,649	₩22,139,404
Non-current:					
Trade and other payables	₩-	₩-	₩15,408,814	₩-	₩15,408,814
Long-term borrowings	-	-	32,618,879	-	32,618,879
Bonds	-	-	25,125,095	-	25,125,095
Derivative liabilities	-	-	-	131,056	131,056
Subtotal by category	₩-	₩-	73,152,788	₩131,056	73,283,844

(2) Net gains and losses by financial instruments for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Interest income	₩5,329	₩3,483
Gain (loss) on foreign currency transactions	59	6
Gain (loss) on foreign currency translation	42	3
Financial assets at amortized costs:		
Interest income	183,894	260,503
Other bad debt expense	(23,745)	(36,449)
Other finance income	2,145	2,041
Financial assets FVOCI:		
Dividends	1,816	1,856
Gain (loss) on disposal	0	(1)
Derivatives designated for hedges:		
Changes in OCI	24,605	(50,788)
Financial liabilities measured at amortized cost:		
Interest expense	(2,326,883)	(2,637,914)
Capitalization of qualifying assets	1,406,861	1,699,167
Other cost of sales	651,275	629,393
Other financial costs	(442,709)	(382,792)
Total	<u>₩(517,311)</u>	<u>₩(511,492)</u>

50. RISK MANAGEMENT:

(1) Policy of risk management

The Group manages various risks that can occur in each business area. Main subjects are credit risk, market risk, interest risk and liquidity risk. These risks are recognized, measured, controlled and reported under the basic policy of risk management set by the Group.

(2) Capital risk management

The Group performs capital risk management to maintain the ability to continuously provide profits to shareholders and interested parties and to maintain optimum capital structure to reduce capital expenses.

In order to maintain such optimum structure, the Group may adjust dividend payments, redeem paid-up capital to shareholders, issue stocks to reduce liability or sell assets, etc.

The Group manages its capital structure by debt-equity ratio, which related companies in the industry uses. The Group's debt-equity ratio is calculated by dividing net liability, which is total liabilities less cash and cash equivalents, by equity. The equity is calculated by total equity plus net liabilities (in millions of Korean won).

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total borrowings (A)	₩65,933,473	₩69,370,995
Deduction: Cash and cash equivalents (B)	<u>1,748,027</u>	<u>2,128,403</u>
Net liabilities (A-B=C)	64,185,446	67,242,592
Total equity (D)	<u>49,835,045</u>	<u>45,263,835</u>
Total net liabilities and equity (C+D=E)	<u>₩114,020,491</u>	<u>₩112,506,427</u>
Capital finance ratio (C/E)	<u>56.30%</u>	<u>59.80%</u>

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal, and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Details of the maturity profiles of the Group's financial liabilities as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019					
	Book value	Less than				More than 5 years
		6 months	6–12 months	1–2 years	2–5 years	
Trade and other payables	₩27,271,004	₩11,045	₩11,108,185	₩16,151,774	₩-	₩-
Borrowings and bond payables	65,933,473	3,319,855	5,553,708	2,451,031	6,018,022	48,590,857
Derivatives liabilities	68,250	-	2,528	2,618	7,386	55,718
Total	<u>₩93,272,727</u>	<u>₩3,330,900</u>	<u>₩16,664,421</u>	<u>₩18,605,423</u>	<u>₩6,025,408</u>	<u>₩48,646,575</u>

	December 31, 2018					
	Book value	Less than				More than 5 years
		6 months	6–12 months	1–2 years	2–5 years	
Trade and other payables	₩25,637,295	₩-	₩10,228,481	₩15,408,814	₩-	₩-
Borrowings and bond payables	69,370,995	4,607,136	7,021,729	4,638,080	5,566,424	47,537,626
Derivatives liabilities	70,544	-	4,649	4,999	2,045	58,852
Total	<u>₩95,078,835</u>	<u>₩4,607,136</u>	<u>₩17,254,859</u>	<u>₩20,051,894</u>	<u>₩5,568,469</u>	<u>₩47,596,477</u>

(4) Market risk

1) Foreign exchange risk

The Group manages the exchange rate risk through currency countermeasures and derivatives, such as forwards, under the exchange risk management regulation. The management of the Group has established policies for managing the foreign exchange risk about the functional currency. The Group has exposure to the exchange rate risk when the future forecast transition and recognized assets and liabilities are accounted in the currency other than the functional currency.

As of December 31, 2019 and 2018, financial assets and liabilities exposed to foreign exchange risk are as follows (in millions of Korean won):

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets in foreign currency	₩2,286	₩1,151
Financial liabilities in foreign currency	1,843,799	1,776,590

As of December 31, 2019 and 2018, should exchange rates fluctuate by 10% with all other variables held constant, the effects on profit or loss before income tax are as follows (in millions of Korean won):

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
Financial assets in foreign currency	₩229	₩(229)	₩115	₩(115)
Financial liabilities in foreign currency(*)	-	-	-	-
Net effect on profit or loss before income tax	<u>₩229</u>	<u>₩(229)</u>	<u>₩115</u>	<u>₩(115)</u>

(*) The Group enters into currency derivatives contract to avoid the risk of volatility in foreign exchange rates on its foreign currency financial liabilities.

2) Interest rate risk

Interest rate risk is the risk that the interest incomes and expenses from deposits or borrowings vary because of changes in future market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's deposits and borrowings with floating interest rates. The Group aims to minimize the unpredictability and the variation of the profit or loss caused by interest risk fluctuation. To mitigate interest rate risk, the Group manages interest rate risk proactively by improving the periodic debt structure, keeping the optimal debt ratio and preparing the countermeasures through monitoring the interest trends in domestic and international markets.

As of December 31, 2019 and 2018, there are no financial assets and financial liabilities exposed to floating interest rate risk.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial liabilities	₩-	₩-

As of December 31, 2019 and 2018, should interest rates of financial liabilities with variable interest rates fluctuate by 100 bp, there is no effect on profit or loss before income tax.

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Increase by 100 bp</u>	<u>Decrease by 100 bp</u>	<u>Increase by 100 bp</u>	<u>Decrease by 100 bp</u>
Net effect on profit or loss before income tax	₩-	₩-	₩-	₩-

3) Other price risk

The Group's equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The equity instruments are held for strategic purposes and not for selling or trading purposes. The Group does not deal or trade its equity instruments frequently.

(5) Hierarchy of fair value

1) Hierarchy of fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of consolidated financial statements by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques that use inputs and have a significant effect on the recorded fair value that are not based on observable market data

2) Details of the financial instruments carried at fair value as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets FVPL (non-current)	₩-	₩-	₩1,224,551	₩1,224,551
Financial assets FVOCI		-	70,746	70,746
Derivative assets	-	59,894	-	59,893
Sub Total	₩-	₩59,894	₩1,295,297	₩1,355,191
Financial liabilities:				
Derivative liabilities	₩-	₩68,250	₩-	₩68,250
Total	₩-	₩128,144	₩1,295,297	₩1,423,441

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets FVPL (non-current)	₩-	₩-	₩7,104	₩7,104
Financial assets FVOCI		-	58,104	58,104
Derivative assets	-	29,304	-	29,304
Sub Total 1	₩-	₩29,304	₩65,208	₩94,512
Financial liabilities:				
Derivative liabilities	₩-	₩135,705	₩-	₩135,705
Total	₩-	₩165,008	₩65,208	₩230,217

51. TRANSACTION WITH GOVERNMENT AND PUBLIC INSTITUTIONS
(SEPARATE BASIS):

(1) Details of transactions with government and other public institutions for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

		Revenue	
		2019	2018
	Business		
Government department	Revenue from sales of goods:	₩488,507	₩266,582
Local government	Revenue from sales of goods:	409,962	185,805
Public corporations	Revenue from sales of goods:	82,964	39,057
Quasi-governmental institutions	Revenue from sales of goods:	35,332	17,184
Other public institutions	Revenue from sales of goods:	17,074	109,666
Government department	Revenue from government grants	110,511	117,196
Government department	Revenue from consignment business	9,145	20,731
Korea Housing Management Co	Revenue from services provided	10	10
	Total	<u>₩1,153,505</u>	<u>₩756,231</u>
		Expenses	
		2019	2018
Korea Housing Management Co	Revenue from services provided	₩50,775	₩47,020

(2) Details of receivables and payables with related parties as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	Business	Receivables		Payables	
		December 31,	December 31,	December 31,	December 31,
		2019	2018	2019	2018
Government department	Trade and other receivables	₩5,664	₩803	₩-	₩-
	Current non-financial assets	-	-	-	-
	Current trade payables	-	-	-	565
	Government grants	-	-	80,247	57,518
Local government	Trade and other receivables	25,437	17,974	-	-
	Current non-financial assets	5,343	13,023	-	-
	Current trade payables	-	-	-	-
	Consignment	-	-	2,809	13,654
Public corporations	Trade and other receivables	12,217	-	-	-
	Current non-financial assets	82,906	82,777	-	-
	Current trade payables	-	-	1,510	1,505
Quasi- governmental institutions	Trade and other receivables	19,482	-	-	-
	Current non-financial assets	140	52	-	-
	Current trade payables	-	-	1,311	1,742
Non-classified public institutions	Trade and other receivables	-	-	-	-
	Current non-financial assets	120,926	420	-	-
	Current trade payables	-	-	334	175
	Total	₩272,115	₩115,048	₩86,211	₩75,159

52. RELATED PARTY TRANSACTIONS:

(1) The Group's major related parties as of December 31, 2018, are as follows:

Relationship	Related party
Ultimate parent entity	Government of the Republic of Korea
Subsidiaries	Korea Housing Management Co., Ltd., Hannuri Co., Ltd.
Associates	Smart City Co., Ltd., etc.

(2) Significant transactions with related parties for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

Related party	Revenue and others		Purchase and others	
	2019	2018	2019	2018
Associates:				
Korea Construction Management Co.	W-	W-	W1,858	W3,613
Alpha Dome City Co., Ltd.	-	269,042	-	-
Land Assistance REIT No.1 Co. Ltd	-	525,200	-	-
NHF No. 15 Third-Party Managed REIT for Development of Public Rental Housing	-	242,385	-	-
NHF No. 16 Third-Party Managed REIT for Development of Public Rental Housing	101,251	-	-	-
Land Assistance REIT No.2 Co. Ltd	195,396	-	-	-
Total	W296,647	W1,036,627	W1,858	W3,613

(3) Outstanding receivables and payables with related parties as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

Related party	Receivables		Payables	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Associates:				
NHF No.16 Public Rental Third-Party Managed REIT	W-	W-	W-	W105,155
Sandan Jaesaeng1ho West Daegu Jisik Sanup Center Real Estate Investment Trust	-	-	9,236	9,236
Total	W-	W-	W9,236	W114,391

(4) Loans from related parties as of December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>Related party</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
National housing fund	Ministry of Land Transport and Maritime Affairs	<u>₩33,851,605</u>	<u>₩31,055,716</u>
	Total	<u>₩33,851,605</u>	<u>₩31,055,716</u>

(5) Compensations for key management personnel for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	<u>2019</u>	<u>2018</u>
Short-term employee benefits	₩959	₩928
Retirement benefits	<u>40</u>	<u>32</u>
Total	<u>₩999</u>	<u>₩960</u>

53. NON-CASH TRANSACTIONS:

(1) Details of significant transactions not involving cash flows for the years ended December 31, 2019 and 2018, are as follows (in millions of Korean won):

	2019	2018
Transfer of current portion of long-term borrowings	₩1,151,017	₩865,828
Transfer of current portion of bonds payable	7,404,073	10,140,447
Reclassification of investment properties to inventories and others	1,133,065	12,458
Offsetting of long-term borrowing to loans	8,044	10,933

(2) Changes in liabilities arising from financial activities of the current and previous years are as follows (in millions of Korean won):

	2019				
	January 1, 2019	Cash flow	Exchange rate change	Others	December 31, 2019
Borrowings	₩34,384,706	₩1,685,310	₩-	₩11,680	₩36,081,696
Bonds	35,265,543	(5,141,566)	54,252	10,652	30,188,881
Total	₩69,650,249	₩(3,456,256)	₩54,252	₩22,332	₩66,270,577

	2018				
	January 1, 2018	Cash flow	Exchange rate change	Others	December 31, 2018
Borrowings	₩33,661,523	₩722,368	₩-	₩815	₩34,384,706
Bonds	42,899,532	(7,702,133)	61,620	6,524	35,265,543
Total	₩76,561,054	₩(6,979,765)	₩61,620	₩7,340	₩69,650,249

54. COMMITMENTS AND CONTINGENCIES:

- (1) The Group has entered into an agreement to guarantee the purchase of unsold apartments that Third-Party Managed REIT for Development of Public Rental Housing (NHF No.1~No.16) will own upon the completion of construction and subsequent lease and sale in accordance with Housing Act and related laws. However, the final effects from this agreement cannot be estimated as of December 31, 2019.
- (2) The Group has entered into an agreement to guarantee the discounted purchase of unsold apartments that a house development and real estate investment trusts company will own upon the completion of construction and subsequent sale in accordance with Housing Act and related laws. However, the final effects from this agreement cannot be estimated as of December 31, 2019.
- (3) The Group has entered into an agreement with the provincial government of Gyeonggi-do and Seongnam City municipal government on the Pangyo-district joint implementation project. According to the agreement, the excess returns are agreed to be reinvested if the actual return on investment (ROI) earned by the Group exceeds the reasonable ROI of comparable entities. Accordingly, the Group records the estimated excess returns as cost of sales and other current liabilities as of December 31, 2019.
- (4) The Group has entered into an agreement to guarantee the discounted purchase of unsold apartments that Cheonan Mid-Hill Town Real Estate Investment Trust, established for Cheonan Urban Renewal Project, will own upon the completion of construction and subsequent sale in accordance with Housing Act and related laws. However, the final effects from this agreement cannot be estimated as of December 31, 2019.
- (5) The Group has entered into an agreement to guarantee the purchase of unsold apartments that Third-Party Managed REIT for Hope Public Rental Housing (including No. 2) will own upon the completion of construction and subsequent sale in accordance with Housing Act and related laws. However, the final effects from this agreement cannot be estimated as of December 31, 2019.
- (6) The Group has entered into an agreement to guarantee the purchase of unsold apartments that Passive House Third-Party Managed REIT for Public Rental Housing will own upon the completion of construction and subsequent lease and sale in accordance with special Act on Housing and related laws. However, the final effects from this agreement cannot be estimated as of December 31, 2019.
- (7) As of December 31, 2019, the Group is involved in a total of 598 pending litigations with total claims against the Group amounting to ₩730,940 million. Accordingly, the Group provides a contingent reserve for the outflow of economic resources as a result of legal

settlements. The management of the Group utilizes reasonable methods in approximating the provision for such reserve.

- (8) The Group has entered into agreements for returning cancellation agreements with financial institutions until the amount to be refunded to the buyer when canceling the contract-related intermediate payment in accordance with the real estate sale contract.
- (9) Details of agreements with institutions-related loan agreement, performance guarantee, etc., as of December 31, 2019, are as follows (in millions of Korean won):

Agreement	financial institutions	Limit	Loan Execution	Remarks
Loan arrangement	Woori Bank	₩450,000	₩-	Checking loan
	KB Bank	100,000	-	Checking loan
	KEB Hana Bank	150,000	-	Checking loan
	KEB Hana Bank	150,000	-	Bill discount
	KEB Hana Bank	150,000	-	Bill discount
	KEB Hana Bank	100,000	-	Bill discount
	Hana Finance investment	100,000	-	Bill discount
	KEB Hana Bank	200,000	-	Bill discount
Guarantee	Seoul Guarantee Insurance	212,439	212,439	License and deposit Kuwait new town service
Guarantee	KB Bank	4,200	4,200	
Total		₩1,616,639	₩216,639	

- (10) Details of debt guarantees and guarantees provided by the Group for others are as follows (in millions of Korean won):

Guarantee provider	warrantee	Institution	commitment date	Period	2018	2017
Hannuri	Hannuri Energy	Hyundai Asan	2008.09.11	2009.6.22-2028.9.11	600 (*1)	600
Hannuri	Hannuri Energy	E1	2008.07.25	2010.5.20-2028.7.25	70 (*2)	70

(*1) Joint guarantees for the return of the deposit about gas station operation outsourcing

(*2) Joint guarantees for the return of the deposit about gas station filling operation outsourcing

Guarantee provider	Warrantee	Start Date	Amount of collateral	Book Value	
Hannuri	Korea Exim Bank	2016.03.30	9,100	7,302	(*1)
Hannuri	Korea Exim Bank	2016.07.29	371	8,256	(*2)

(*1) Upon Hannuri receipt of insurance (₩7,000 million), setting collateral to the asset of Hannuri Hotel's right to use land and building

(*2) Upon Hannuri receipt of government grants (₩285 million), setting collateral to the asset of Hannuri Hotel & Hannuri Energy's right to use land and building

THE ISSUER

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