We have translated the Won amounts into Dollars in this annual report solely for your convenience. We make no representation that the Won or Dollar amounts contained in this annual report could have been or could be converted into Dollar or Won, as the case may be, at any particular rate or at all.

Item 3.B. *Capitalization and Indebtedness*

Not applicable.

Item 3.C. *Reasons for Offer and Use of Proceeds*

Not applicable.

Item 3.D. *Risk Factors*

You should carefully consider the following factors.

Increased competition in Korea has had and may continue to have an adverse effect on our results of operations and financial condition.

The telecommunications sector in Korea is rapidly evolving. We face increasing competition from new entrants to the telecommunications market. We expect the number and the identity of service providers in the market to continue to change. Future business combinations and alliances in the telecommunications industry may create significant new competitors. In addition, advances in technology as well as changes in the regulatory environment are also occurring. Any significant changes in the competitive landscape of the telecommunications sector and our inability to adapt to such changes could have a material adverse effect on our business, financial condition and results of operations.

Fixed-line Telephone Services

Before December 1991, we were the sole provider of local, domestic long-distance and international long-distance telephone services in Korea. Since then, various competitors have entered the local, domestic long-distance and international long-distance telephone service markets in Korea, which have eroded our market shares. DACOM Corporation and Hanaro Telecom, Inc. currently provide local, domestic long-distance and international long-distance telephone services. In addition, Onse Telecom Corp. and SK Telink, Inc. currently provide domestic long-distance and international long-distance telephone services. Starting in 1998, specific service providers, such as Internet phone service providers, voice resellers and call-back service providers, also began offering international long-distance service in Korea. The entry of these and other potential competitors into the local, domestic long-distance and international long-distance telephone service markets has had and may continue to have a material adverse effect on our revenues and profitability from these businesses. We had a market share in the local telephone service of 93.2% as of December 31, 2005 in terms of number of subscribers estimated by us, a market share in the domestic long-distance service of 85.4% in 2005 in terms of revenues estimated by us, and a market share in the international long-distance service of 45.1% in 2005 in terms of revenues estimated by us. We cannot give assurance that we will be able to maintain our share of these businesses at or above current levels.

In recent years, the Ministry of Information and Communication implemented local number portability allowing local fixed-line telephone service subscribers to choose a competing local telephone service provider while retaining the same phone number. The gradual implementation of local number portability began in March 2003 and was completed in August 2004. As of December 31, 2005, approximately 188 thousand of our subscribers switched to our competitors and approximately 79 thousand subscribers of our competitors switched to us. Local number portability may enable Hanaro and DACOM to compete more effectively for our existing customers and may have a material adverse effect on our number of subscribers and on our results of operations.

PCS Service

KTF, our consolidated subsidiary in which we owned a 44.6% interest as of December 31, 2005, provides PCS service, a type of mobile telecommunications service based on Code Division Multiple Access (“CDMA”) technology. Competitors in the mobile telecommunications service industry are cellular service provider SK Telecom and PCS service provider LG Telecom. KTF (including resale subscribers of KT Corporation) had a market share of 32.1% as of December 31, 2005 in terms of the number of mobile service subscribers in Korea announced by the Ministry of Information and Communication, making KTF the second largest service provider. SK Telecom had a market share of 50.9% as of December 31, 2005.

Starting in January 2004 for SK Telecom subscribers, July 2004 for KTF subscribers and January 2005 for LG Telecom subscribers, mobile subscribers have been allowed to switch their service provider while retaining the same mobile phone number. In addition, all new subscribers of mobile services and existing subscribers who elect to receive a new mobile number are given the uniform mobile code of “010” as the first three digits of their mobile numbers without regard to the mobile service provider. The Ministry of Information and Communication has announced that it will implement the uniform mobile code to all mobile numbers in 2007 or 2008 once the total number of subscribers using the uniform mobile code reaches 80% to 90% of the total mobile subscribers in Korea. In addition, starting on March 27, 2006, the Ministry of Information and Communication allows mobile service providers to grant subsidies to subscribers who purchase new handsets. KTF currently provides subsidies between Won 60,000 to Won 250,000 to subscribers for purchase of PCS handsets if they meet certain minimum subscription and billing requirements. Mobile number portability has intensified competition among the mobile service providers and increased their marketing expenses. In addition, the recent decision by the Ministry of Information and Communication to allow subsidies for handsets may further intensify competition among the mobile service providers and may increase their marketing expenses.

On March 6, 2003, KT ICOM, a company created by a consortium of companies including KT Corporation and KTF to offer W-CDMA-based IMT-2000 services, merged into KTF in a stock-for-stock transaction. IMT-2000 is a third-generation, high-capacity wireless communications technology, which allows operators to provide to their customers significantly more bandwidth capacity. Although we expect that our competitors will face similar challenges that we expect to face in implementing this third-generation technology, we cannot assure you that KTF will be able to successfully compete with other third generation service providers. KTF’s inability to compete effectively with third-generation service providers could have a material adverse effect on its financial condition and results of operations. In addition, KTF and NTT DoCoMo Inc. (“DoCoMo”) entered into a strategic alliance in December 2005, pursuant to which DoCoMo acquired newly issued shares representing 10.0% interest in KTF for Won 564 billion. Under the agreement, DoCoMo has the right to require us to purchase these shares if KTF fails to achieve an agreed W-CDMA service coverage rate in Korea by December 31, 2008. If the option is exercised by DoCoMo, we will be required to purchase the shares at the acquisition price plus interest by February 15, 2009. See “—Implementation of the IMT-2000 technology poses challenges and risks to us.”

Internet Services

The Korean broadband Internet access service market has experienced significant growth since Korea Thrunet first introduced its Hybrid Fiber Coaxial (or HFC) based service in 1998. Hanaro Telecom entered the broadband market in 1999 offering both HFC and Asymmetric Digital Subscriber Line (or ADSL) services. We also began offering broadband Internet access service in 1999, followed by Dreamline, Onse and DACOM. In recent years, numerous cable television operators have also begun HFC-based services at rates lower than ours. We had a market share of 51.2% as of December 31, 2005 based on the number of subscribers in Korea estimated by us. As a result of having to compete with a number of competitors and the maturing of the Internet access service market, we currently encounter and we expect to encounter pressure to increase marketing expenses in the future. In addition, we expect industry consolidation among our competitors in the near future, and smaller competitors in the broadband market today may become larger competitors. For example, Hanaro merged with Korea Thrunet in January 2006. Our inability to compete effectively with our competitors could have a material adverse effect on our business.

In March 2005, we also acquired a license to provide wireless broadband Internet access service for Won 126 billion. Wireless broadband Internet access service, or WiBro, enables two-way wireless broadband Internet access to portable computers, mobile phones and other portable devices at a speed up to 1 Mbps. A subscriber is able to access the WiBro network during transit up to 120 kilometers per hour. We positioned WiBro to provide Internet Protocol (IP)-based triple-play services, which are voice, data and video. We conducted trial service of WiBro service in parts of Seoul and Gyunggi Province starting in April 2006 and commercially launched our service in these areas in June 2006. Subject to market conditions, we plan to expand the service to all of metropolitan Seoul and select cities in Gyunggi Province by December 2006. We are planning to spend approximately Won 500 billion in capital expenditures in 2006 to expand our WiBro network, which we may adjust after periodic assessments. We expect to compete with SK Telecom in the wireless broadband service market, and our WiBro service may not be commercially successful.

The market for other Internet-related services in Korea is also very competitive. We anticipate that competition will continue to intensify as the usage and popularity of the Internet grows and as new domestic and international competitors enter the Internet industry in Korea. The substantial growth and potential size of the Internet industry in Korea have drawn many competitors and as a result may lead to increasing price competition to provide Internet-related services. Increased competition in the Internet industry could have a material adverse effect on the number of subscribers of our Internet-related service and on our results of operations.

WTO Agreement

Under the multilateral agreement on basic telecommunications services among the members of the World Trade Organization effective November 1997 (the “WTO Agreement”), the Government of Korea has agreed to gradually reduce the restrictions on foreign and individual shareholdings in KT Corporation and other network service providers in Korea. The relevant Korean law was amended to give effect to the provisions of the WTO Agreement. While the WTO Agreement enables us to seek foreign investors and strategic partners and to more easily take advantage of opportunities for investments in overseas telecommunications projects, it may also benefit our competitors and further intensify competition in the domestic market.

Implementation of the IMT-2000 technology poses challenges and risks to us.

We acquired the right to purchase one of three licenses to provide IMT-2000 services on December 15, 2000, as a member of a consortium of companies including KT Corporation and KTF. In March 2001, KT ICOM, a company created by the consortium, paid half of the Won 1.3 trillion license fee payable to the Ministry of Information and Communication. KTF, which subsequently merged with KT ICOM, is currently obligated to pay the remaining Won 650 billion over a period of five years starting in 2007 as follows: Won 90 billion in 2007, Won 110 billion in 2008, Won 130 billion in 2009, Won 150 billion in 2010 and Won 170 billion in 2011. This payable accrues interest at the three-year Government bond interest rate minus 0.75% (4.94% as of December 31, 2005). The accrued interest is paid on an annual basis to the Ministry of Information and Communication.

IMT-2000 presents risks and challenges to our business, any or all of which, if realized or not addressed, may have a material adverse effect on our financial condition and results of operations. We expect KTF to leverage its existing PCS network and 2.5-generation technology to minimize its capital expenditures and other costs related to developing IMT-2000 services. However, we believe KTF will still require significant amounts of research and development and capital expenditures to build out its IMT-2000 network. No assurance can be given that the content, solutions and network will be developed in a timely and efficient manner by us or third parties, or if developed will gain market acceptance such that KTF will be able to derive revenues from IMT-2000 services to justify the license fee, capital expenditures and other investments required for such service. Although KTF began trial service of its IMT-2000 services in metropolitan Seoul and parts of Gyunggi Province in December 2003 and plans to enhance its High Speed Downlink Packet Access (or HSDPA)-based services and expand its coverage to 84 cities by December 2006, KTF and its competitors may delay the nationwide roll-out of third-generation services if there are unfavorable market conditions and weak service demand.

Disputes with our labor union may disrupt our business operations.

In the past, we have experienced opposition from our labor union for our strategy of restructuring to improve our efficiency and profitability by disposing of non-core businesses and reducing our employee base. Although we have not experienced any significant labor disputes and unrests during the past three years, there can be no assurance that we will not experience in the future labor disputes and unrests, including expanded protests and strikes, which could disrupt our business operations and have an adverse effect on our financial condition and results of operation.

We also negotiate collective bargaining agreements every two years with our labor union and annually negotiate a wage agreement. Although we have been able to reach wage agreements with our labor union in recent years, there can be no assurance that we will not experience in the future labor disputes and unrests resulting from disagreement in our annual wage negotiation with the labor union.

The Korean telecommunications industry has been subject to the Government's regulation, and change in Government policy relating to the industry could have a material adverse effect on our operations and financial condition.

The Government, primarily through the Ministry of Information and Communication, has authority to regulate the telecommunications industry. The Ministry of Information and Communication's policy is to promote competition in the Korean telecommunications markets through measures designed to prevent the dominant service provider in any such market from exercising its market power in such a way as to prevent the emergence and development of viable competitors. The Ministry of Information and Communication, in consultation with the Ministry of Finance and Economy, currently approves local service rates and broadband Internet access service rates charged by us and mobile service rates charged by SK Telecom. Under current Government regulations, if a network service provider has the largest market share for a specified type of service and its revenue from that service for the previous year exceeds a specific revenue amount set by the Ministry of Information and Communication, it must obtain prior approval from the Ministry of Information and Communication for the rates and the general terms for that service. Each year the Ministry of Information and Communication designates service providers the rates and the general terms of which must be approved by the Ministry of Information and Communication. In recent years, the Ministry of Information and Communication has so designated us for local telephone service and broadband Internet access service and SK Telecom for mobile service. The inability to freely set our local telephone service and broadband Internet access rates may hurt the profit from that business and impede our ability to compete effectively against our competitors. See "Item 4. Information on the Company—Item 4.B. Business Overview—Regulation—Rates." The form of our standard agreement for providing local network service and each agreement for interconnection with other service providers are also subject to approval by the Ministry of Information and Communication. The Ministry of Information and Communication currently does not regulate our domestic long-distance, international long-distance and mobile service rates.

We also plan to put more focus on entering the IP media market, including offering Internet broadband television service. The Government is currently reviewing how it should regulate this new industry. Although we currently believe that we will be able to compete in this market, there can be no assurance that the Government regulations and policies will permit us to do so. We will strive to enter the Internet broadband television market early, but we may need to adjust the timing depending on governmental regulations and policies.

Government policies and regulations relating to the above as well as other regulations involving the telecommunications industry (including implementation of fixed-line phone number portability, mobile phone number portability and uniform mobile code) may change, which could have a material adverse effect on our operations and financial condition. See "Item 4. Information on the Company—Item 4.B. Business Overview—Regulation" and "Item 4. Information on the Company—Item 4.B. Business Overview—Relationship with the Government."

We are subject to various regulations under the Monopoly Regulation and Fair Trade Act.

The Monopoly Regulation and Fair Trade Act provides for various regulations and restrictions on large business groups enforced by the Fair Trade Commission. Previously, we were not regulated as a large business group under the Monopoly Regulation and Fair Trade Act because the Fair Trade Commission did not designate companies with Government ownership (including Government invested enterprises and The Korea Development Bank) as large business groups. The Fair Trade Commission initially designated us as a large business group under the Monopoly Regulation and Fair Trade Act on April 1, 2002, which subjects us to regulations limiting, among other things, our total equity investment amount in domestic companies, cross guarantees of debt and cross shareholdings by members of a business group.

In July 2004, the Fair Trade Commission began an antitrust investigation into alleged unfair collaborative practices of us, Hanaro, DACOM and Onse in local, domestic long-distance and international long-distance telephone service markets, as well as in broadband Internet access and Internet leased line service markets. On May 25, 2005, the Fair Trade Commission imposed fines of Won 116 billion on us, Won 2 billion on Hanaro and Won 1 billion on DACOM, claiming that we and these other companies engaged in unfair collaborative practices in local telephone and Internet leased line service markets. On September 14, 2005, the Fair Trade Commission imposed an additional fine of Won 24 billion on us for our alleged unfair collaborative practices in domestic and international long-distance telephone service market. We believe that we were following administrative guidelines from the Ministry of Information and Communication, which had advised that we, as a dominant service provider in these markets, assist late market entrants in order to promote a more competitive local telephone service market in Korea. We filed for judicial review of administrative actions related to local, domestic long-distance and international long-distance telephone service markets, but we cannot give any assurance that the ultimate outcome of the lawsuit or related future actions will be favorable to us or reduce the amount of fine imposed on us. As a result of the ruling by the Fair Trade Commission, we have recorded Won 140 billion as taxes and dues under operating expenses in 2005 and paid such amount in 2006.

The Fair Trade Commission is also conducting an antitrust investigation into alleged unfair collaborative practices of KTF, SK Telecom and LG Telecom. On May 18, 2006, the Fair Trade Commission imposed fines of Won 660 million on each of SK Telecom and KTF and Won 462 million on LG Telecom for collaborating on termination of optional flat rate plans. KTF expects the Fair Trade Commission to announce additional rulings on alleged unfair collaborative price-fixing practices of mobile service providers. KTF currently cannot predict the ultimate outcome of the investigation, and there can be no assurance that the outcome will not have a material adverse effect on the financial condition or results of operations of KTF.

There is a possibility that we may also face class action or individual lawsuits from some of our customers stemming from the rulings by the Fair Trade Commission, and we cannot provide any assurance that the ultimate outcome of any such lawsuits will be favorable to us or that they will not have a material adverse effect on our financial condition or results of operations.

Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate.

We are incorporated in Korea, and substantially all of our operations and assets are located in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea.

From early 1997 until 1999, Korea experienced a significant financial and economic downturn, from which it is widely believed the country has now recovered to a significant extent. However, the economic indicators in the past three years have shown mixed signs of recovery and uncertainty, and future recovery or growth of the economy is subject to many factors beyond our control. Events related to the terrorist attacks in the United States on September 11, 2001, recent developments in the Middle East including the war in Iraq, higher oil prices, the general weakness of the global economy and the outbreak of severe acute respiratory syndrome, or SARS, in Asia and other parts of the world have increased the uncertainty of global economic prospects and may continue to adversely affect the Korean economy. Any future deterioration of the Korean and global economy could adversely affect our financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy include:

- financial problems or lack of progress in restructuring of chaebols, or Korean conglomerates, other large troubled companies, their suppliers or the financial sector, including credit card companies;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues of certain chaebols;
- a slowdown in consumer spending;
- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates, interest rates or stock markets;
- adverse developments in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of manufacturing base from Korea to China);
- social and labor unrest;
- substantial decrease in the market price of the Korean real estate market;
- a decrease in tax revenues and a substantial increase in the Korean government's expenditures for unemployment compensation and other social programs that, together, would lead to an increased government budget deficit;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- the recurrence of SARS or avian flu in Asia and other parts of the world;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities involving oil producing countries in the Middle East and any material disruption in the supply of oil or increase in the price of oil; and
- an increase in the level of tension or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tension with North Korea could have an adverse effect on us.

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 recent years, there have been heightened security concerns stemming from North Korea's nuclear weapon and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community.

In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant and evicted inspectors from the United Nations International Atomic Energy Agency. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. In August 2003, representatives of Korea, the United States, North Korea, China, Japan and Russia held six party multi-lateral talks in an effort to resolve issues relating to North Korea's nuclear weapons program. Two more rounds of multi-lateral talks were held in February 2004 and June 2004 without any resolution, and the parties agreed to hold further talks. In February 2005, North Korea pulled out of the six-party disarmament talks and announced that it possesses nuclear weapons.

North Korea returned to the six-party talks and a two-phased fourth round of the talks was held in Beijing, China during the summer and fall of 2005. In September 2005, North Korea agreed in principle to end its nuclear weapons program and the six participating nations signed a draft preliminary accord pursuant to which North Korea agreed to dismantle its existing nuclear weapons, abandon efforts to produce new weapons and readmit international inspectors to its nuclear facilities. Representatives of the six nations reconvened in Beijing in November 2005 for the first phase of the fifth-round of six-party talks, which concluded without further progress being made with respect to the implementation of the draft preliminary accord. Subsequently, U.S. intelligence reports revealed in June 2006 that North Korea is possibly planning to conduct a test flight of Taepodong-2, a long-range missile that the U.S. believes could be powerful enough to reach the West Coast of the United States. The United States and Japan have stated that they may consider sanctions against North Korea if North Korea decided to go forward with the test.

In addition, in October 2004, the United States and Korea agreed to a three-phase withdrawal of approximately one-third of the 37,500 U.S. troops stationed in Korea by the end of 2008. In the first stage, approximately 5,000 troops departed Korea by the end of 2004. According to the plan’s second phase, the United States is expected to remove approximately 5,000 troops by the end of 2006. In the final phase, the United States is expected to remove another 2,500 troops by the end of 2008.

There can be no assurance that the level of tension on the Korean peninsula will not escalate. Any further increase in tension, including break down of high-level contacts between Korea and North Korea or occurrence of military hostilities, could have a material adverse effect on our operations and the market value of our securities

Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on the results of our operations and on the prices of our securities.

Substantially all of our revenues are denominated in Won. Depreciation of the Won may materially affect the results of our operations because, among other things, it causes an increase in the amount of Won required by us to make interest and principal payments on our foreign-currency-denominated debt, the costs of equipment that we purchase from overseas sources, net settlement payments to foreign carriers and administrations and certain payments related to our derivative instruments entered into for foreign exchange risk hedging purposes. Of the Won 8,603 billion total long-term debt (including current portion) outstanding as of December 31, 2005, Won 1,684 billion was denominated in foreign currencies with interest rates ranging from 0.25% to 7.63%. See Item 5. Operating and Financial Review and Prospects—Item 5.B. Liquidity and Capital Resources.”

Fluctuations in the exchange rate between the Won and the Dollar will affect the Dollar equivalent of the Won price of the shares of our common stock on the Stock Market Division of the Korea Exchange. These fluctuations also will affect the amounts a holder of ADSs will receive from the depositary bank in respect of:

- dividends, which will be paid in Won to the depositary bank and converted by the depositary bank into Dollars;
- the Dollar value of the proceeds which a holder will receive upon sale in Korea of the shares; and
- the secondary market price of the ADSs.

See “Item 3. Key Information—Item 3.A. Selected Financial Data—Exchange Rate Information.”

If an investor surrenders his ADSs to withdraw the underlying shares, he may not be allowed to deposit the shares again to obtain ADSs.

Korean law currently limits foreign ownership of the ADSs and our shares. In addition, under our deposit agreement, the depositary bank cannot accept deposits of shares and deliver ADSs representing those shares unless (1) we have consented to such deposit or (2) Korean counsel has advised the depositary bank that the consent required under (1) is no longer required under Korean laws and regulations. Under current Korean laws and regulations, the depositary bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between (1) the aggregate number of shares deposited by us or with our consent for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (2) the number of shares on deposit with the depositary bank at the time of such proposed deposit. The depositary bank has informed us that, at a time it considers to be appropriate, the depositary bank plans to start accepting deposits of shares without our consent and deliver ADSs representing those shares up to the amount allowed under current Korean laws and regulations. Until such time, however, the depositary bank will continue to obtain our consent for such deposits of shares and delivery of ADSs, which we may not provide. Consequently, if an investor surrenders his ADSs to withdraw the underlying shares, he may not be allowed to deposit the shares again to obtain ADSs. See “Item 10. Additional Information—Item 10.D. Exchange Controls.”

Limitations on foreign ownership may have an adverse effect on the conversion of our convertible notes.

The Telecommunications Business Law limits the aggregate foreign ownership of our shares with voting rights to 49.0% of our total issued shares with voting rights. Such 49.0% foreign ownership limitation under the Telecommunications Business Law may have an adverse effect on the conversion of our convertible notes issued in January 2002. See “Item 10. Additional Information—Item 10.B. Memorandum and Articles of Association—Limitation on Shareholding.” If conversion by a foreigner results in the violation of the 49.0% foreign ownership limitation under the Telecommunications Business Law, such conversion may be effectively prohibited. In such an event, we will be required under the terms of the convertible notes to pay cash in U.S. Dollars the aggregate market value of our common shares deliverable upon conversion of convertible notes to the relevant holder to satisfy the conversion right. As of December 31, 2005, 46.2% of our common shares were owned by foreign investors.

A foreign investor may not be able to exercise voting rights with respect to common shares exceeding the number of common shares held by our largest domestic shareholder.

Under the Telecommunications Business Law, a foreign shareholder who holds 5.0% or more of our total shares is prohibited from becoming our largest shareholder. However, any foreign shareholder who held 5.0% or more of our total shares and was our largest shareholder on or prior to May 9, 2004 is exempt from the regulations, provided that such foreign shareholder may not acquire any more of our shares. Under the Telecommunications Business Law, the Ministry of Information and Communication may, if it deems it necessary to preserve substantial public interests, prohibit a foreign shareholder from being our largest shareholder. In addition, the Foreign Investment Promotion Act prohibits any foreign shareholder from being our largest shareholder if such shareholder owns 5.0% or more of our shares with voting rights. In the event that any foreigner or foreign government acquires our shares in violation of the above provisions, such foreign shareholder may not be able to exercise voting rights with respect to common shares exceeding such threshold. The Ministry of Information and Communication may also order us or the foreign shareholder to take corrective measures in respect of the excess shares within a specified period of six months or less.

Holders of ADSs will not be able to exercise dissenter’s rights unless they have withdrawn the underlying common stock and become our direct shareholders.

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their shares under Korean law. A holder of ADSs will not be able to exercise dissenter’s rights unless he has withdrawn the underlying common stock and become our direct shareholder. See “Item 10. Additional Information—Item 10.B. Memorandum and Articles of Association.”

An investor may not be able to exercise preemptive rights for additional shares and may suffer dilution of his equity interest in us.

The Commercial Code of Korea and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the depositary bank, after consultation with us, may make the rights available to an ADS holder or use reasonable efforts to dispose of the rights on behalf of the ADS holder and make the net proceeds available to the ADS holder. The depositary bank, however, is not required to make available to an ADS holder any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

- a registration statement filed by us under the Securities Act of 1933, as amended, is in effect with respect to those shares; or
- the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act.

We are under no obligation to file any registration statement. If a registration statement is required for an ADS holder to exercise preemptive rights but is not filed by us, the ADS holder will not be able to exercise his preemptive rights for additional shares. As a result, the ADS holder may suffer dilution of his equity interest in us.

You may not be able to find trading markets for your bonds.

The bonds are securities with no established trading market. We cannot provide any assurance as to the liquidity of, or the trading markets for, these bonds.

Forward-looking statements may prove to be inaccurate

This annual report contains “forward-looking statements” that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “project,” “should,” and similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed above. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

Item 4. Information on the Company

Item 4.A. *History and Development of the Company*

In 1981, the Government established us under the Korea Telecom Act to operate the telecommunications services business that it previously directly operated. Under the Korea Telecom Act and the Government-Invested Enterprises Management Basic Act, the Government had a greater control over our business and affairs. Effective October 1, 1997, the Korea Telecom Act was repealed and the Government-Invested Enterprises Management Basic Act became inapplicable to us. As a result, we became a corporation under the Commercial Code, and our corporate organization and shareholders’ rights were governed by the Privatization Law and the Commercial Code. Among other things, we began to exercise greater autonomy in setting our annual budget and