

5. SHORT-TERM AND LONG-TERM INVESTMENT SECURITIES:

- (1) Short-term investment securities consist of beneficiary certificates and various bonds of ₩503,388,199 thousand and ₩221,788,518 thousand as of December 31, 2007 and 2006, respectively. All short-term investment securities are classified into available-for-sale securities. Available-for-sale securities are stated at fair value with unrealized gain on valuation of available-for-sale securities (net of tax effect) amounting to ₩3,181,444 thousand and ₩642,730 thousand in accumulated other comprehensive income as of December 31, 2007 and 2006, respectively.
- (2) Long-term investment securities as of December 31, 2007 and 2006, all of which are classified into available-for-sale, consist of the following:

	<u>Korean won (In thousands)</u>	
	<u>2007</u>	<u>2006</u>
Available-for-sale:		
	₩	₩
Equity securities stated at fair value	645,820,238	345,294,901
Equity securities stated at acquisition cost	68,843,174	51,752,344
Debt securities	-	29,689,199
	<u>₩</u>	<u>₩</u>
	<u>714,663,412</u>	<u>426,736,444</u>

- (3) Equity securities stated at fair value included in long-term investment securities as of December 31, 2007 consist of the following:

<u>Company</u>	<u>% of ownership</u>	<u>Korean won (In thousands)</u>	
		<u>Historical cost</u>	<u>Book value</u>
Hyundai Motor Company	3.46	₩ 519,246	₩ 544,404,
Tong Yang Investment Bank	3.45	99,828,399	71,025,510
Hyundai Corp.	0.36	11,227,434	1,821,085
Hyundai Elevator Co., Ltd.	2.16	1,632,339	20,791,215
Kia Motors Corp.	0.03	2,681,616	891,275
Hanarotelecom Inc.	0.01	7,947,667	12,301
Mirae Asset Securities Co., Ltd.	0.10	6,654,173	6,873,980
		<u>₩ 649,21</u>	<u>₩ 645,820</u>
		<u>8,552</u>	<u>,238</u>

Equity securities stated at fair value included in long-term investment securities as of December 31, 2006 consist of the following:

<u>Company</u>	<u>% of Ownership</u>	<u>Korean won (In thousands)</u>	
		<u>Historical cost</u>	<u>Book value</u>
Hyundai Motor Company	1.97	₩291,149,158	₩290,589,708
Tong Yang Investment Bank	3.54	99,828,399	41,524,408
Hyundai Corp.	0.36	11,227,434	1,696,738
Hyundai Elevator Co., Ltd.	2.16	1,632,339	10,287,801
Kia Motors Corp.	0.03	2,681,616	1,186,895
Hanarotelecom Inc.	0.01	7,947,667	9,351
		<u>₩414,466,613</u>	<u>₩345,294,901</u>

(4) Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2007 are as follows:

<u>Company</u>	<u>% of owner ship</u>	<u>Korean won (In th)</u>	
		<u>Historical cost</u>	<u>Book value (*1)</u>
Unlisted equity securities (*1):			
Hynix Semiconductor America Inc.	1.33	₩ 34,525,619	₩ -
Daehan Oil Pipeline Corp. (*4)	6.39	14,511,802	15,851,427
Novelis Korea Ltd.	0.39	14,598,913	1,405,452
Doosan Capital Co., Ltd. (*5)	9.99	10,000,000	26,146,000
Bexco, Ltd.	7.96	9,460,000	9,460,000
Hyundai Technologies Center Hungary Kft. (*2&3)	100.00	26,302	26,302
Others (*2&3)	-	<u>12,426,142</u>	<u>9,856,158</u>
		<u>95,548,778</u>	<u>62,745,339</u>
Other investments:			
Investments in capital (*2)		<u>5,677,796</u>	<u>6,097,835</u>
		<u>₩</u>	<u>₩</u>
		<u>101,226,574</u>	<u>68,843,174</u>

Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2006 are as follows:

<u>Company</u>	<u>% of owner ship</u>	<u>Korean won (In thousands)</u>	
		<u>Historical cost</u>	<u>Book value</u>
Unlisted equity securities:			
Hynix Semiconductor America Inc.	1.33	₩ 34,525,619	₩ -
Daehan Oil Pipeline Corp.	6.39	14,511,802	14,511,802
Novelis Korea Ltd.	0.39	14,598,913	1,510,701
Doosan Capital Co., Ltd.	9.99	10,000,000	10,000,000
Bexco, Ltd.	7.96	9,460,000	9,460,000
Hyundai Technologies Center Hungary Kft. (*2&3)	100. 00	26,302	26,302
Others (*2&3)	-	<u>12,747,227</u>	<u>10,177,243</u>
		<u>95,869,863</u>	<u>45,686,048</u>
Other investments:			
Investments in capital (*2)	-	<u>5,677,796</u>	<u>6,066,296</u>
		<u>₩</u>	<u>₩</u>
		<u>101,547,659</u>	<u>51,752,344</u>

(\*1) The book value of unlisted equity security was recorded at their acquisition cost because the fair value cannot be reliably estimated, except for Daehan Oil Pipeline Corp., and Doosan Capital Co., Ltd. However, the equity security impaired at year end was devaluated at the net book value based on the most available financial statements.

(\*2) In conformity with financial accounting standards in the Republic of Korea, the equity securities of Hyundai Technologies Center Hungary Kft. and others were not accounted for using the equity method since the Company believes the changes in the investment value resulting from the changes in the net assets of the investees, whose individual beginning balance of total assets or paid-in capital as of December 31, 2007 and 2006, is less than ₩7,000 million, are not material.

(\*3) The subsidiaries of related parties

(\*4) The fair value is calculated by using the discounted cash flow and imputed market value method.

(\*5) The fair value is calculated by using the free cash flows to shareholders method and estimation of stock price distribution.

Long-term investment securities of Novelis Korea Ltd. have been determined to be impaired and the impairment loss amounting to ₩105,249 thousand is accounted as non-operating expenses in 2007.

(5) Valuation of available-for-sale securities in accumulated other comprehensive income (net of tax effect), all of which are classified into long-term investment securities stated at fair value as of December 31, 2007, is as follows:

<u>Company</u>	<u>Korean won (In thousands)</u>			
	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Impairment loss</u>	<u>Ending Balance</u>
Hyundai Motor Company	₩ (405,601)	₩ 18,645,113	₩ -	₩18,239,512
Tong Yang Investment Bank	(1,300,571)	21,388,298	-	20,087,727
Hyundai Corp.	703,179	90,152	-	793,331

Company	Korean won (In thousands)			Ending Balance
	Beginning Balance	Increase (Decrease)	Impairment loss	
Hyundai Elevator Co., Ltd.	6,275,209	7,614,976	-	13,890,185
Kia Motors Corp.	(1,083,673)	(214,325)	-	(1,297,998)
Hanarotelecom Inc.	6,780	2,139	-	8,919
Mirae Asset Securities Co., Ltd.	-	159,360	-	159,360
Daehan Oil Pipeline Corp.	-	971,228	-	971,228
Doosan Capital Co., Ltd.	-	<u>11,705,850</u>	-	<u>11,705,850</u>
	4,195,323	60,362,791	-	64,558,114
Government and municipal bonds	40,390	(40,390)	-	-
Subordinated bonds	(300,894)	300,894	-	-
Investments in capital	<u>281,662</u>	<u>22,868</u>	-	<u>304,530</u>
	<u>₩ 4,216,481</u>	<u>₩ 60,646,163</u>	<u>₩ -</u>	<u>₩64,862,644</u>

Valuation of available-for-sale securities in accumulated other comprehensive income (net of tax effect), all of which are classified into long-term investment securities stated at fair value as of December 31, 2006, is as follows:

Company	Korean won (In thousands)			Ending balance
	Beginning balance	Increase (Decrease)	Impairment loss	
Hyundai Motor Company	₩ 93,055,206	₩ (93,460,807)	₩ -	₩ (405,601)
Tong Yang Investment Bank	(4,161,246)	2,860,675	-	(1,300,571)
Hyundai Corp.	540,914	162,265	-	703,179
Hyundai Elevator Co., Ltd.	7,313,616	(1,038,407)	-	6,275,209
Kia Motors Corp.	(245,566)	(838,107)	-	(1,083,673)
Hanarotelecom Inc.	-	<u>6,780</u>	-	<u>6,780</u>
	96,502,924	(92,307,601)	-	4,195,323
Government and municipal bonds	(16,579)	56,969	-	40,390
Subordinated bonds	(753,859)	452,965	-	(300,894)
Investments in capital	<u>(30,484)</u>	<u>312,146</u>	-	<u>281,662</u>

<u>Company</u>	<u>Korean won (In thousands)</u>			<u>Ending balance</u>
	<u>Beginning balance</u>	<u>Increase (Decrease)</u>	<u>Impairment loss</u>	
	<u>₩</u> <u>95,702,002</u>	<u>₩</u> <u>(91,485,521)</u>	<u>₩</u> <u>-</u>	<u>₩4,216,481</u>