

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Equity securities accounted for using the equity method as of December 31, 2007 are as follows:

Company	Number of shares	% of owners hip	Korean won (In thousands)	
			Historical cost	Book value
Hyundai Oilbank (*1)	48,700,540	19.87	₩ 266,150,343	₩ 329,826,033
Hyundai Finance Corp. (*2)	12,350,000	67.49	78,197,738	88,223,005
Hyundai Samho Heavy Industries Co., Ltd. (*2)	37,967,000	94.92	204,259,700	1,068,540,327
Changzhou Hyundai Construction Machinery Co., Ltd. (*2&3)	-	60.00	20,215,057	23,323,703
Beijing Hyundai Construction Machinery Co., Ltd. (*2&3)	-	60.00	15,661,020	13,612,598
MOST #3 Venture Investment	130	24.53	122,630	125,485
Incheon Airport Energy	3,284,884	31.00	16,424,420	3,847,377
Hyundai Jiangsu Construction Machinery Co., Ltd. (*2&3)	-	60.00	28,514,868	40,106,509
Hyundai Heavy Industries Co. Bulgaria (*2)	12,155,829	99.09	11,620,593	22,730,051
New Korea Country Club	16,457	20.00	500,000	3,272,781
Hyundai Dongahn Steel (*2&3)	-	54.99	1,231,036	1,314,368
Hyundai Heavy Industries Europe N.V. (*2)	10	100.00	35,656,728	23,312,570
Hyundai Vinashin Shipyard (*2,3&4)	-	10.00	2,543,678	7,806,652
Yantai Hyundai Moon Heavy Industries Co., Ltd. (*2&3)	-	54.99	7,254,254	6,920,669
Hyundai Heavy Industry (China) Electric Co., Ltd. (Formerly Jiangsu Hyundai Nanzi Electric Co., Ltd.) (*2&3)	-	55.22	18,256,250	13,739,103
H.C.E U.S.A (*2)	23,900,000	100.00	26,712,810	6,634,931
Vladivostock Business Center (*2&3)	-	57.14	5,891,667	-
Koentec Co., Ltd. (*5)	3,792,000	7.58	6,617,040	5,318,298
HHI China Investment Co., Ltd. (*2&3)	-	100.00	28,372,350	27,508,118
Hyundai Merchant Marine Co., Ltd. (Common stock) (*6)	23,424,037	17.60	404,039,118	357,350,650
Hyundai Merchant Marine Co., Ltd. (Preferred stock) (*6)	3,516,688	17.58	52,750,320	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd. (*3)	-	20.00	67,658,226	92,647,265
Hyundai Ideal Electric Co.	1,000	100.00	11,241,600	11,378,786
Taishan Financial Leasing Co., Ltd. (*2&3)	-	60.03	2,496,186	2,020,867
Hyundai Construction Equipment India Private Ltd.	8,603,025	100.00	18,557,139	20,287,075
Wartsila Hyundai Engine Company Ltd. (*3)	-	50.00	22,230,000	21,970,305
			<u>₩ 1,353,174</u>	<u>₩ 2,248,120,981</u>

(*1) Although the ownership's percentage of the Company and its subsidiary is under 20%, the Company is able to exercise significant influence over the operating and financial policies. Therefore, equity securities are accounted for using the equity method.

(*2) The Company's subsidiaries

(*3) Number of shares is not presented because they are non-par stock.

(*4) Since the ownership's percentage of the Company and its subsidiary exceeded over 20% and the Company is able to exercise significant influence over the operating and financial policies, equity securities are accounted for using the equity method.

(*5) Since the ownership's percentage of the Company and its subsidiary is the largest and the Company is able to exercise significant influence over the operating and financial policies, equity securities are

accounted for using the equity method. In addition, the closing price on the KOSDAQ of Koentec Co., Ltd. is ₩1,250 per share at December 31, 2007.

- (*6) Since the ownership's percentage of the Company and its subsidiary exceeded over 20% and the Company is able to exercise significant influence over the operating and financial policies, equity securities are accounted for using the equity method. In addition, the closing common stock price on the stock market of the Republic of Korea of Hyundai Merchant Marine Co., Ltd. is ₩43,000 per share at December 31, 2007. Preferred stock is unlisted stock; therefore, no market price exists.

(2) Equity securities accounted for using the equity method as of December 31, 2006 are as follows:

Company	Number of shares	% of ownership	Korean won (In thousands)	
			Historical cost	Book value
Hyundai Oilbank (*1)	4 8,700,540	19.87	₩266,150,341	₩282,669,089
Hyundai Finance Corp. (*2)	1 2,350,000	67.49	78,197,738	86,821,048
Hyundai Samho Heavy Industries Co., Ltd. (*2)	3 7,967,000	94.92	204,259,700	512,441,521
Changzhou Hyundai Construction Machinery Co., Ltd. (*2&3)		60.00	20,215,057	30,488,002
Beijing Hyundai Construction Machinery Co., Ltd. (*2&3)		60.00	15,661,020	15,108,858
MOST #3 Venture Investment		24.53	2,987,684	4,334,223
Incheon Airport Energy		31.00	16,424,420	4,402,927
Hyundai & Terasource D-Convergence Venture Investment (*2)		50.00	9,100,000	2,153,809
MIC99-9 STIC IT Venture Partnership (*2)		40.82	8,212,055	2,214,049
Hyundai Jiangsu Construction Machinery Co., Ltd. (*2&3)		60.00	17,662,068	15,969,244
Hyundai Heavy Industries Co. Bulgaria (*2)		99.09	11,620,593	17,253,084
New Korea Country Club		20.00	500,000	2,969,024
Hyundai Dongahn Steel (*2&3)		54.99	1,231,036	1,214,109
Hyundai Heavy Industries Europe N.V. (*2)		100.00	35,656,728	16,661,324
Hyundai Vinashin Shipyard (*2,3&4)		10.00	2,543,678	5,951,387
Yantai Hyundai Moon Heavy Industries Co., Ltd. (*2&3)		54.99	7,254,254	6,057,925
Hyundai Heavy Industry (China) Electric Co., Ltd. (Formerly Jiangsu Hyundai Nanzi Electric Co., Ltd.) (*2&3)		80.00	18,256,250	13,147,976
H.C.E U.S.A (*2)	23,900,000	100.00	26,712,810	7,875,610
Vladivostok Business Center (*2&3)		57.14	5,891,667	-
Koentec Co., Ltd. (*5)		7.58	6,617,040	5,819,355
HHI China Investment Co., Ltd. (*2&3)		100.00	28,372,350	27,705,843
Hyundai Merchant Marine Co., Ltd. (Common Stock) (*6)		17.60	404,039,118	381,589,498
Hyundai Merchant Marine Co., Ltd. (Preferred Stock) (*6)		17.58	<u>52,750,320</u>	<u>56,298,172</u>
			<u>₩1,240,315,929</u>	<u>₩1,499,146,077</u>

- (*1) Although the ownership's percentage of the Company and its subsidiary is under 20%, the Company is able to exercise significant influence over the operating and financial policies. Therefore, equity securities are accounted for using the equity method.
- (*2) The Company's subsidiaries.
- (*3) Number of shares is not presented because they are non-par stock.
- (*4) Since the ownership's percentage of the Company and its subsidiary exceeded over 20% and the Company is able to exercise significant influence over the operating and financial policies, equity securities are accounted for using the equity method.
- (*5) Since the ownership's percentage of the Company and its subsidiary is the largest and the Company is able to exercise significant influence over the operating and financial policies, equity securities are accounted for using the equity method. In addition, the closing price on the KOSDAQ of Koentec Co., Ltd. is ₩840 per share at December 31, 2006.
- (*6) Since the ownership's percentage of the Company and its subsidiary is the largest and the Company is able to exercise significant influence over the operating and financial policies, equity securities are accounted for using the equity method. In addition, the closing common stock price on the stock market of the Republic of Korea of Hyundai Merchant Marine Co., Ltd. is ₩20,300 per share at December 31, 2006. Preferred stock has no market price because it is unlisted stock.

(3) Under the equity method, the differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized (reversed) over the reasonable periods within 20 years and the changes in the differences in 2007 are as follows:

Company	Korean won (In thousands)			
	Beginning balance	Increase (Decrease)	Amortizati on	Ending balance
Hyundai Oilbank	₩ 372,067	₩ -	₩ (372,067)	₩ -
Hyundai Samho Heavy Industries Co., Ltd.	3,543,034	-	(3,543,034)	-
Hyundai Heavy Industries Co. Bulgaria	(18,298)	-	9,149	(9,149)
Hyundai Vinashin Shipyard	(297,256)	-	198,171	(99,085)
Koentec Co., Ltd.	2,074,457	-	(691,485)	1,382,972
Hyundai Merchant Marine Co., Ltd.	68,880,763	-	(16,207,238)	52,673,525
Qinhuangdao Shouqin Metal Materials Co., Ltd.	-	14,215,316	(2,847,517)	11,367,799
	<u>₩ 74,554,767</u>	<u>₩ 14,215,316</u>	<u>₩(23,454,021)</u>	<u>₩ 65,316,062</u>

(4) The movements of investment securities using the equity method for the year ended December 31, 2007 are as follows:

Company	Korean won (In thousands)				Ending balance
	Beginning balance	Acquisition (Disposal)	Gain		
			(Loss)(*1)	Other	
Hyundai Oilbank	₩ 282,669,089	₩ -	₩	₩ 77,715	₩ 329,826,033
Hyundai Finance Corp.	86,821,048	-	4,440,414	(3,038,457)	88,223,005
Hyundai Samho Heavy Industries Co., Ltd.	512,441,521	-	380,853,422	175,245,384	1,068,540,327
Changzhou Hyundai Construction Machinery Co., Ltd.	30,488,002	-	1,824,887	(8,989,186)	23,323,703
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	15,108,858	-	(1,678,873)	182,613	13,612,598
MOST #3 Venture Investment	4,334,223	(3,244,756)	117,251	(1,081,233)	125,485
Incheon Airport Energy	4,402,927	-	(465,224)	(90,326)	3,847,377
Hyundai & Terasource D-Convergence Venture Investment	2,153,809	(2,153,809)	-	-	-
MIC 99-1 IT Venture Partnership	2,214,049	(2,214,049)	-	-	-
Hyundai Jiangsu Construction Machinery Co., Ltd.	15,969,244	10,852,800	10,229,348	3,055,117	40,106,509
Hyundai Heavy Industries Co. Bulgaria	17,253,084	-	4,131,051	1,345,916	22,730,051
New Korea Country Club	2,969,024	-	303,757	-	3,272,781
Hyundai Dongahn Steel	1,214,109	-	89,027	11,232	1,314,368
Hyundai Heavy Industries Europe N.V.	16,661,324	-	2,479,652	4,171,594	23,312,570
Hyundai Vinashin Shipyard	5,951,387	-	2,246,715	(391,450)	7,806,652
Yantai Hyundai Moon Heavy Industries Co., Ltd.	6,057,925	-	361,409	501,335	6,920,669
Hyundai Heavy Industry (China) Electric Co., Ltd. (Formerly Jiangsu Hyundai Nanzi Electric Co., Ltd.)	13,147,976	-	(1,662,510)	2,253,637	13,739,103
H.C.E U.S.A.	7,875,610	-	(1,336,638)	95,959	6,634,931
Vladivostok Business Center (*2)	-	-	-	-	-
Koentec Co., Ltd.	5,819,355	-	(393,827)	(107,230)	5,318,298
HHI China Investment Co., Ltd.	27,705,843	-	553,603	(751,328)	27,508,118
Hyundai Merchant Marine Co., Ltd. (Common stock)	381,589,498	-	12,123,180	(36,362,028)	357,350,650
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	56,298,172	-	2,110,013	(2,104,730)	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd	-	67,658,226	20,117,109	4,871,930	92,647,265
Hyundai Ideal Electric Co.	-	11,241,600	119,231	17,955	11,378,786
Taishan Financial Leasing Co., Ltd.	-	2,496,186	(611,963)	136,644	2,020,867

Company	Korean won (In thousands)				Ending balance
	Beginning balance	Acquisition (Disposal)	Gain (Loss)(*1)	Other	
Hyundai Construction Equipment India Private Ltd.	₩ -	₩ 18,557,139	₩ (234,924)	₩ 1,964,860	₩ 20,287,075
Wartsila Hyundai Engine Company Ltd.	=	<u>22,230,000</u>	<u>(259,695)</u>	=	<u>21,970,305</u>
	<u>₩</u>	<u>₩125,423,3</u>	<u>₩482,535,4</u>	<u>₩141,015,9</u>	<u>₩2,248,120,9</u>

(*1) Gain (loss) on valuation of investment securities is accounted after eliminating unrealized profit arising from the inter-company transactions. For the years ended December 31, 2007 and 2006, unrealized profit eliminated under the equity method are ₩40,499,079 thousand and ₩33,467,687 thousand, respectively.

(*2) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, cumulative unrecognized loss due to suspension of applying the equity method amounts to ₩82,758 million including ₩7,074 million increased for the year ended December 31, 2007, and allowance amounting to ₩54,521 million was provided for accounts receivables-other for Vladivostok Business Center.

- (5) Equity securities accounted for using the equity method as of December 31, 2007 are valued based on the financial statements of the investees as of the same balance sheet date, which were neither audited nor reviewed by an external auditor. The net assets value from using the provisional settlement as of December 31, 2007 is as follows:

Company	Reason for use	Korean won (In thousands)		
		Net asset value before adjustments	Adjustments (*)	Net asset value after adjustments
	Difference of closing day		₩	
Hyundai Oilbank	"	₩ 329,826,03	-	₩ 329,826,0
Hyundai Finance Corp.	"	88,223,005	-	88,223,005
Hyundai Samho Heavy Industries Co., Ltd.	"	1,627,356,053	(553,025,900)	1,074,330,153
Changzhou Hyundai Construction Machinery Co., Ltd.	"	23,323,703	-	23,323,703
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	"	17,877,063	-	17,877,063
MOST #3 Venture Investment	"	125,485	-	125,485
Incheon Airport Energy	"	3,847,377	-	3,847,377
Hyundai Jiangsu Construction Machinery Co., Ltd.	"	47,981,856	-	47,981,856
Hyundai Heavy Industries Co. Bulgaria	"	22,741,948	-	22,741,948
New Korea Country Club	"	3,272,781	-	3,272,781
Hyundai Dongahn Steel	"	1,314,368	-	1,314,368
Hyundai Heavy Industries Europe N.V.	"	38,697,182	-	38,697,182
Hyundai Vinashin Shipyard	"	7,905,737	-	7,905,737
Yantai Hyundai Moon Heavy Industries Co., Ltd.	"	7,221,236	(300,567)	6,920,669
Hyundai Heavy Industry (China) Electric Co., Ltd. (Formerly Jiangsu Hyundai Nanzi Electric Co., Ltd.)	"	17,156,165	(2,866,786)	14,289,379
H.C.E U.S.A.	"	13,266,736	-	13,266,736
Vladivostok Business Center	"	-	-	-
Koentec Co., Ltd.	"	3,935,326	-	3,935,326
HHI China Investment Co., Ltd.	"	30,338,183	(2,830,065)	27,508,118
Hyundai Merchant Marine Co., Ltd. (Common stock)	"	304,677,125	-	304,677,125
Hyundai Merchant Marine Co., Ltd. (Preferred stock)	"	56,303,455	-	56,303,455
Qinhuangdao Shouqin Metal Materials Co., Ltd.	"	81,279,466	-	81,279,466
Hyundai Ideal Electric Co.	"	11,378,786	-	11,378,786
Taishan Financial Leasing Co., Ltd.	"	2,020,867	-	2,020,867
Hyundai Construction Equipment India Private Ltd.	"	20,287,075	-	20,287,075
Wartsila Hyundai Engine Company Ltd.	"	<u>21,970,305</u>	=	<u>21,970,305</u>
		<u>₩ 2,782,327,31</u>	<u>₩ (559,023,3</u>	<u>₩2,223,303,99</u>

- (*) The Company adjusted the material difference of accounting principle for similar transactions and accounting events between the Company and investees. As of December 31, 2007, such adjustments of difference were reflected in the decrease in gain on valuation in current income by ₩59,619 million, the decrease in retained earnings by ₩6,574 million, the decrease in accumulated other comprehensive income by ₩357,302 million and the decrease in deferred income tax liabilities by ₩135,528 million.

- (6) The gain (loss) on valuation of investment securities accounted for using the equity method is ₩489,179,298 thousand and ₩(6,643,654) thousand for the year ended December 31, 2007, respectively. In addition, the cumulative effect of the equity method of accounting on the ending balance of accumulated other comprehensive income (net of tax effect) is ₩108,474,283 thousand which consisted of changes in equity arising on application of the equity method by ₩141,649,351 thousand and negative changes in equity arising on application of the equity method by ₩(33,175,068) thousand as of December 31, 2007 including the increase of ₩144,818,680 thousand for the year ended December 31, 2007.
- (7) Financial information of investees accounted for using the equity method as of and for the year ended December 31, 2007 is as follows:

Company	Korean won (In millions)			
	Assets	Liabilities	Sales	Net income (loss)
Hyundai Oilbank	₩ 5,108,953	₩ 3,437,863	₩ 9,458,996	₩ 235,648
Hyundai Finance Corp.	134,428	3,701	11,992	6,402
Hyundai Samho Heavy Industries Co., Ltd.	5,956,017	4,241,521	2,616,869	466,972
Changzhou Hyundai Construction Machinery Co., Ltd.	41,735	2,863	35,762	3,041
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	164,950	135,155	231,833	3,334
MOST #3 Venture Investment	524	12	3,704	577
Incheon Airport Energy	164,668	152,257	75,651	1,537
Hyundai Jiangsu Construction Machinery Co., Ltd.	207,215	127,245	344,145	19,106
Hyundai Heavy Industries Co. Bulgaria	33,308	10,357	37,714	4,163
New Korea Country Club	20,625	4,261	12,489	1,525
Hyundai Dongahn Steel	16,412	14,022	30,736	160
Hyundai Heavy Industries Europe N.V.	126,348	87,651	361,764	7,042
Hyundai Vinashin Shipyard	172,628	93,571	111,850	20,485
Yantai Hyundai Moon Heavy Industries Co., Ltd.	23,890	10,759	19,495	711
Hyundai Heavy Industry (China) Electric Co., Ltd. (Formerly Jiangsu Hyundai Nanzi Electric Co., Ltd)	84,027	52,956	65,718	(169)
H.C.E U.S.A	57,829	44,563	124,117	(2,935)
Vladivostok Business Center	21,976	166,809	9,794	(660)
Koentec Co., Ltd.	71,072	19,182	24,842	3,804
HHI China Investment Co., Ltd.	36,394	6,055	3,100	(199)
Hyundai Merchant Marine Co., Ltd.	5,766,495	3,715,401	5,091,885	172,947
Qinhuangdao Shouqin Metal Materials Co., Ltd.	1,238,028	831,630	1,084,852	120,866
Hyundai Ideal Electric Co.	18,968	7,590	17,816	119
Taishan Financial Leasing Co., Ltd.	6,591	3,225	65	(1,019)
Hyundai Construction Equipment India Private Ltd.	20,440	153	-	(235)
Wartsila Hyundai Engine Company Ltd.	50,801	6,860	-	(519)