11. COMMITMENTS AND CONTINGENCIES:

(1) The Company has entered into bank overdraft agreements with 7 banks amounting to ₩231,000 million as of December 31, 2007.

(2) As of December 31, 2007, the Company has entered into credit facilities agreements with various banks for the Company's exports and imports such as letter of credit including usance L/C, totaling USD 1,731,701 thousand.

(3) In order to secure the guarantees provided by the banks for the borrowings and the performance of construction contracts entered into by the Company, the Company has provided 13 blank notes as of December 31, 2007.

(4) The outstanding balance of the note receivables, guaranteed by the importers' Government or others, sold to financial institutions with recourse is USD 43,962 thousand, equivalent to ₩41,245 million, as of December 31, 2007. Also, the Company's outstanding balance of trade receivables sold with recourse amounts to ₩3,851 million as of December 31, 2007.

(5) As of December 31, 2007, the Company is contingently liable for loan guarantees of its foreign subsidiaries and affiliated companies, amounting to USD 130,417 thousand and ₩36,844 million. The Company has provided certain performance guarantees amounting to USD 738,459 thousand to ship owners on behalf of Hyundai Merchant Marine Co., Ltd. Also, the Company entered into joint shipbuilding contracts with Hyundai Samho Heavy Industries Co., Ltd. ("HSHI") for the construction of 19 ships (Contract amount: USD 2,472,360 thousand).

(6) In connection with the Company's contract performance guarantees, the Company has also been provided with guarantees up to ₩2,320,094 million and USD 14,118,972 thousand by various banking facilities.

(7) In an effort to alleviate fluctuations on the future cash flows that would be incurred out of the timing difference between the receipt of the ship sales and the payment of imported raw-materials, the Company has entered into currency forward contracts with various banks including Korea Exchange Bank. As of December 31, 2007, the valuation and gain (loss) on transaction of the forward contracts is as follows (Korean won in millions, USD, EUR, GBP, JPY and CHF in thousands):

Purpose	Contract amount	Sales	Gain(loss)	Income
Hedging	USD			
	EUR			
	GBP 2,301			
	JPY 838,8			
	CHF 882	₩ 230,052	₩ (39,00	
Trading	USD 1,149,9			
	EUR	-	3,454	-
Total	USD			
	EUR			
	GBP 2,3(			
	JPY 838,8			
	CHF 882	₩ 230,052	₩(35,546)	₩ (9,736)

As of December 31, 2007, the Company applies cash flow hedge accounting, out of which the Company accounted for the effective portion of the hedge amounting to ₩(7,059) million (net of deferred income tax adjustment of ₩(2,677) million) as loss on valuation of derivative in accumulated other comprehensive income (net of tax effect). The expected period of exposure on cash flow risk, where cash flow hedging accounting is applied, is approximately within 49 months, and the amount among gain on valuation of foreign exchange contract that is expected to be realized as addition to transaction gain or deduction from transaction loss within 12 months from December 31, 2007 is ₩22,463 million. The valuation of the ineffective portion of the hedge and the valuation of other derivatives to which cash flow hedge accounting is not applied, are reflected in current operations.

Such contracts as described above that were incurred for the year ended December 31, 2007 resulted in gain (loss) on settlement of derivatives amounting to ₩34,655 million and ₩(15,594) million and gain (loss) on valuation of unsettled derivatives amounting to ₩4,582 million and ₩(59,199) million in non-operating income (expenses). As of December 31, 2007, in relation with the derivative contracts, the Company accounts for foreign currency forward contracts as current assets and liabilities amounting to ₩184,733 million and ₩205,986 million, respectively.

Besides the above financial derivative, the Company has entered into interest swap contract with CSFB to hedge the exposure to interest rate risk of floating rate debenture amounting to USD 200,000 thousands (variable interest rate : 6M Libor+0.475%, fixed interest rate : 4.50%, maturity date : September 22, 2008). As of December 31, 2007, the Company recorded the present value of the forecasted cash flow amounting ₩788 million as derivative assets. The Company accounted for the realized portion of the gain (loss) on transaction of foreign currency forward amounting to ₩1,391 million as non-operating income. Also, the Company accounted for the ineffective portion of the hedge amounting to ₩325 million as non-operating income, the effective portion of the hedge amounting to ₩335 million (net of deferred income tax adjustment of ₩127 million) as gain on valuation of derivative in accumulated other comprehensive income as of December 31, 2007.