

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

- (1) Short-term investment securities consist of beneficiary certificates and various bonds of ₩20,776,448 thousand and ₩126,681,848 thousand as of December 31, 2005 and 2004, respectively. All short-term investment securities are classified into available-for-sale securities. Available-for-sale securities are stated at fair value with unrealized holding gain (loss) on valuation of available-for-sale securities amounting to ₩112,153 thousand and ₩(389,506) thousand in capital adjustments for the years ended December 31, 2005 and 2004, respectively.
- (2) Long-term investment securities as of December 31, 2005 and 2004, all of which are classified into available-for-sale, consist of the following:

	<u>Korean won (In thousands)</u>	
	<u>2005</u>	<u>2004</u>
Available-for-sale:		
Equity securities stated at fair value	₩ 472,615,731	₩ 96,717,355
Equity securities stated at acquisition cost	51,309,967	58,570,359
Debt securities	<u>29,243,753</u>	<u>3,978,422</u>
	<u>₩ 553,169,451</u>	<u>₩ 159,266,136</u>

- (3) Equity securities stated at fair value included in long-term investment securities as of December 31, 2005 consist of the following:

<u>Company</u>	<u>Korean won (In thousands)</u>			<u>B o o k v a l u e</u>
	<u>Number of shares</u>	<u>% of ownership</u>	<u>Historical cost</u>	
Hyundai Motor Company	4,311,420	1.97	₩ 291,149,158	₩ 419,501,166
Tong Yang Investment Bank	3,757,865	4.43	99,828,399	37,578,650
Hyundai Corp.	240,674	0.36	11,227,434	1,472,925
Hyundai Elevator Co., Ltd.	154,000	2.16	1,632,339	11,720,085
Kia Motors Corp.	88,245	0.03	<u>2,681,616</u>	<u>2,342,905</u>
			<u>₩ 406,518,946</u>	<u>₩ 472,615,731</u>

- Equity securities stated at fair value included in long-term investment securities as of December 31, 2004 consist of the following:

Korean won (In thousands)

Company	Number of shares	% of ownership	Historical cost	B o o k v a l u e
Hyundai Motor Company	1,255,000	0.58	₩ 48,287,518	₩ 69,652,500
Tong Yang Investment Bank	3,757,865	4.43	99,828,399	11,912,432
Hyundai Corp.	240,674	1.05	11,227,434	827,919
Hyundai Elevator Co., Ltd.	154,009	2.16	1,632,339	6,745,594
Kia Motors Corp.	88,245	0.03	2,681,616	961,870
Koentec Co., Ltd.	379,200	7.58	1,909,389	6,617,040
			<u>₩ 165,566,695</u>	<u>₩ 96,717,355</u>

- (4) Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2005 are as follows:

Company	Korean won (In thousands)		Bo
	Number of shares	% of ownership	
<u>Historical cost</u>			
Unlisted equity securities:			
Hynix Semiconductor America Inc.	85,398	1.33	₩ 34,525,619 ₩ -
Daehan Oil Pipeline Corp.	1,438,554	6.39	14,511,802 14,511,802
Novelis Korea Ltd.	567	0.43	15,706,990 1,724,710
Yunhap Capital Co., Ltd.	2,000,000	9.99	10,000,000 10,000,000
Bexco, Ltd.	946,000	7.96	9,460,000 9,460,000
Korea Thrunet Co., Ltd.	6,533	0.01	7,947,667 -
Hunelec Engineering & Technologies Ltd. (*1)	-	100.00	26,302 26,302
Others (*1)	-	-	<u>10,230,554</u> <u>9,951,404</u>
			<u>102,408,934</u> <u>45,674,218</u>
Other investments:			
Investments in capital (*1)	-	-	<u>5,677,796</u> <u>5,635,749</u>
			<u>₩ 108,086,730</u> <u>₩ 51,309,967</u>

Equity securities stated at acquisition cost included in long-term investment securities as of December 31, 2004 are as follows:

Company	Korean won (In thousands)		Bo
	Number of shares	% of ownership	
			<u>Historical cost</u> <u>(*2)</u>
Unlisted equity securities:			
Hyundai Asan Corp.	894,984	9.16	₩ 44,749,200 ₩ 9,761,579
Hynix Semiconductor America Inc.	85,398	1.33	34,525,619 -
Daehan Oil Pipeline Corp.	1,438,554	6.39	14,511,802 14,511,802
Alcan Taihan Aluminum Ltd.	177	0.13	11,538,753 486,849
Yunhap Capital Co., Ltd.	2,000,000	9.99	10,000,000 10,000,000
Bexco Ltd.	946,000	7.96	9,460,000 9,460,000
Korea Thrunet Co., Ltd.	13,066	0.17	7,947,667 -
Hunelec Engineering & Technologies Ltd. (*1)	-	100.00	26,302 26,302
Others (*1)	-	-	<u>9,194,542</u> <u>8,915,392</u>
			<u>141,953,885</u> <u>53,161,924</u>
Other investments:			
Investments in capital (*1)	-	-	<u>5,447,696</u> <u>5,408,435</u>
			<u>₩ 147,401,581</u> <u>₩ 58,570,359</u>

(*1) In conformity with financial accounting standards in the Republic of Korea, the equity securities of Hunelec Engineering & Technologies Ltd. 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 as of December 31, 2005 and 2004 is less than ₩7,000 million, are not material.

- (*2) The book value of unlisted equity security was recorded at their acquisition because the fair value cannot be reliably estimated. However, the equity security impaired at year end was valued at the net book value of the most available financial statements.

Long-term investment securities of Novelis Korea Ltd., which was renamed from Alcan Taihan Aluminum Ltd., has been determined to be impaired and the impairment loss amounting to ₩2,930,375 thousand is accounted for as non-operating expenses for the year ended December 31, 2005.

- (5) Debt securities included in long-term investment securities as of December 31, 2005 are as follows:

	<u>Korean won (In thousands)</u>	
	<u>Historical cost</u>	<u>Book value</u>
Available-for-sale		
Government and municipal bonds	₩ 5,371,305	₩ 5,283,559
Subordinated bonds	<u>25,000,000</u>	<u>23,960,194</u>
	<u>₩ 30,371,305</u>	<u>₩ 29,243,753</u>

- (*) The fair value are measured at discounted future cash flow by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a public reliable independent credit rating agency.

Maturities of debt securities included in long-term investment securities as of December 31, 2005 are as follows:

	<u>Korean won (In thousands)</u>		
	<u>Government and municipal bonds</u>	<u>Subordinated bonds</u>	<u>Total</u>
2007.01 ~ 2010.12	₩ 5,270,839	₩ 23,960,194	₩ 29,231,033
2011.01 ~ 2014.12	<u>12,720</u>	<u>-</u>	<u>12,720</u>
	<u>₩ 5,283,559</u>	<u>₩ 23,960,194</u>	<u>₩ 29,243,753</u>

- (6) Valuation of available-for-sale securities in capital adjustments, all of which are classified into long-term investment securities stated at fair value as of December 31, 2005, are as follows:

<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>	

Company	Korean won (In thousands)			
	Beginning balance	Increase (Decrease)	Impairment loss	Ending balance
Hyundai Motor Company	₩ 21,364,982	₩ 71,690,224	₩ -	₩ 93,055,206
Tong Yang Investment Bank	(31,405,868)	27,244,622	-	(4,161,246)
Hyundai Corp.	101,083	439,831	-	540,914
Hyundai Elevator Co., Ltd.	5,113,255	2,200,361	-	7,313,616
Kia Motors Corp.	(1,719,746)	1,474,180	-	(245,566)
Koentec Co., Ltd.	4,707,651	(4,707,651)	-	-
	(1,838,643)	98,341,567	-	96,502,924
Government and municipal bonds	365,829	(382,408)	-	(16,579)
Subordinated bonds	-	(753,859)	-	(753,859)
Investments in capital	(39,260)	8,776	-	(30,484)
	₩ (1,512,074)	₩ 97,214,076	₩ -	₩ 95,702,002

Valuation of available-for-sale securities in capital adjustments, all of which are classified into long-term investment securities stated at fair value as of December 31, 2004, are as follows:

Company	Korean won (In thousands)			
	Beginning balance	Increase (Decrease)	Impairment loss	Ending balance
Hyundai Motor Company	₩ 129,539,546	₩(108,174,564)	₩ -	₩ 21,364,982
Chohung Bank	(71,439,614)	71,439,614	-	-
Tong Yang Investment Bank	(37,531,188)	6,125,320	-	(31,405,868)
Hyundai Elevator Co., Ltd.	5,959,853	(846,598)	-	5,113,255
Kia Motors Corp.	(1,719,746)	-	-	(1,719,746)
Hyundai Corporation	-	101,083	-	101,083
Koentec Co., Ltd.	-	4,707,651	-	4,707,651
	24,808,851	(26,647,494)	-	(1,838,643)
Government and municipal bonds	28,022	337,807	-	365,829
Investments in capital	-	(39,260)	-	(39,260)
	₩ 24,836,873	₩ (26,348,947)	₩ -	₩ (1,512,074)