

6. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Equity securities accounted for using the equity method as of December 31, 2005 are as follows:

Company	Korean won (In thousands)			
	Number of shares	% of ownership	Historical cost	
Hyundai Oilbank	81,167,566	33.12	₩ 443,583,902	₩ 414,057,927
Hyundai Finance Corp.	12,350,000	67.49	78,197,738	79,718,740
Hyundai Samho Heavy Industries Co., Ltd.	37,967,000	94.92	204,259,700	499,092,525
Changzhou Hyundai Construction Machinery Co., Ltd.	-	60.00	20,215,057	31,031,308
Beijing Hyundai Construction Machinery Co., Ltd.	-	60.00	15,661,020	13,322,025
MOST #3 Venture Investment	130	24.53	6,699,594	7,106,160
MIC99-9 STIC IT Partnership	179	21.31	2,597,078	608,311
Incheon Airport Energy	3,284,884	31.00	16,424,420	8,571,660
HITC-Hyundai Hightech Investment	1,000	50.00	5,018,252	3,251,893
Hyundai & Terasource D-Convergence Venture Investment	910	50.00	9,100,000	2,320,568
MIC 99-1 IT Venture Partnership	1,000	40.82	10,012,055	3,526,696
Hyundai Jiangsu Construction Machinery Co., Ltd.	-	60.00	17,662,068	12,626,377
Hyundai Elprom Trafo Co.	12,155,829	99.09	11,620,593	14,899,323
New Korea Country Club	16,457	20.00	500,000	2,209,806
Hyundai Dongahn Steel	-	54.99	1,231,036	1,184,372
Hyundai Heavy Industries Europe N.V.	10	100.00	35,656,728	13,567,675
Hyundai Vinashin Shipyard (*1)	-	10.00	2,543,678	4,632,570
Yantai Hyundai Moon Heavy Industries Co., Ltd.	-	54.11	7,019,413	6,047,702
Jiangsu Hyundai Nanzi Electric Co., Ltd.	-	80.00	18,256,250	16,227,762
H.C.E U.S.A	23,900,000	100.00	26,712,810	10,183,617
Vladivostock Business Center (*2)	-	57.14	5,891,667	-
Koentec Co., Ltd. (*3)	379,200	7.58	6,617,040	6,351,088
			<u>₩ 945,480,099</u>	<u>₩ 1,150,538,105</u>

(*1) 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.

(*2) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

(*3) 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 ₩14,850 per share at December 31, 2005.

(2) Equity securities accounted for using the equity method as of December 31, 2004 are as follows:

Company	Korean won (In thousands)			
	Number of shares	% of ownership	Historical Cost	
Hyundai Oilbank	81,167,566	33.12	₩ 443,583,902	₩ 408,612,233
Hyundai Finance Corp.	12,350,000	67.49	78,197,738	71,732,244
Hyundai Samho Heavy Industries Co., Ltd.	37,967,000	94.92	204,259,700	391,529,980
Changzhou Hyundai Construction Machinery Co., Ltd.	-	60.00	20,215,057	31,805,716
Beijing Hyundai Construction Machinery Co., Ltd.	-	60.00	15,661,020	12,713,797
MOST #3 Venture Investment	130	24.53	13,000,000	6,973,158
MIC99-9 STIC IT Partnership	1,000	25.00	10,000,000	7,573,763
Incheon Airport Energy	3,284,884	31.00	16,424,420	8,206,616
HITC-Hyundai Hightech Investment	1,000	50.00	10,000,000	6,852,929
Hyundai & Terasource D-Convergence Venture Investment	1,000	50.00	10,000,000	5,692,060
MIC 99-1 IT Venture Partnership	1,000	40.82	10,012,055	5,951,967
Hyundai Jiangsu Construction Machinery Co., Ltd.	-	60.00	17,662,068	8,765,148
Hyundai Elprom Trafo Co.	12,155,829	99.09	11,620,593	14,171,732
New Korea Country Club	16,457	20.00	500,000	1,968,313
Hyundai Dongahn Steel	-	54.99	1,231,036	2,445,544
Hyundai Heavy Industries Europe N.V.	10	100.00	35,656,728	11,078,425
Hyundai Vinashin Shipyard (*1)	-	10.00	2,543,678	3,119,739
Yantai Hyundai Moon Heavy Industries Co., Ltd.	-	55.00	5,842,858	5,842,858
Jiangsu Hyundai Nanzi Electric Co., Ltd.	-	80.00	18,256,250	14,639,411
H.C.E U.S.A.	23,900,000	100.00	26,712,810	3,772,978
Vladivostock Business Center (*2)	-	40.00	3,870,566	-
			<u>₩ 955,250,479</u>	<u>₩1,023,448,611</u>

(*1) 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.

(*2) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

(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 2005 are as follows:

Company	Korean won (In thousands)			
	Beginning balance	Increase (Decrease)	Amortization	Ending balance
Hyundai Oilbank	₩ 1,860,334	₩ -	₩ (620,111)	₩ 1,240,223
Hyundai Samho Heavy Industries Co., Ltd.	17,715,169	-	(7,086,068)	10,629,101
Hyundai Elprom Trafo Co.	(168,466)	-	141,019	(27,447)
Hyundai Vinashin Shipyard	(693,596)	-	198,170	(495,426)
Koentec Co., Ltd.	-	3,457,429	(691,486)	2,765,943
	<u>₩ 18,713,441</u>	<u>₩ 3,457,429</u>	<u>₩ (8,058,476)</u>	<u>₩ 14,112,394</u>

- (4) The movements of investment securities using the equity method for the year ended December 31, 2005 are as follows:

Company	Korean won (In thousands)				
	Beginning balance	Acquisition (Disposal)	Gain (Loss)(*1)	Other	Ending balance
Hyundai Oilbank (*2)	₩ 408,612,233	₩ -	₩ 37,981,614	₩ (32,535,920)	₩ 414,057,927
Hyundai Finance Corp.	71,732,244	-	5,906,136	2,080,360	79,718,740
Hyundai Samho Heavy Industries Co., Ltd.	391,529,980	-	51,890,588	55,671,957	499,092,525
Changzhou Hyundai Construction Machinery Co., Ltd.	31,805,716	-	256,353	(1,030,761)	31,031,308
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	12,713,797	-	668,104	(59,876)	13,322,025
MOST #3 Venture Investment	6,973,158	(6,300,407)	6,433,409	-	7,106,160
MIC99-9 STIC IT Partnership	7,573,763	(5,143,987)	1,099,499	(2,920,964)	608,311
Incheon Airport Energy	8,206,616	-	440,896	(75,852)	8,571,660
HITC-Hyundai Hightech Investment	6,852,929	(4,981,748)	879,246	501,466	3,251,893
Hyundai & Terasource D-Convergence Venture Investment	5,692,060	(900,000)	(2,831,492)	360,000	2,320,568
MIC 99-1 IT Venture Partnership	5,951,967	-	(2,820,166)	394,895	3,526,696
Hyundai Jiangsu Construction Machinery Co., Ltd.	8,765,148	-	3,927,900	(66,671)	12,626,377
Hyundai Elprom Trafo Co.	14,171,732	-	3,405,635	(2,678,044)	14,899,323
New Korea Country Club	1,968,313	-	291,493	(50,000)	2,209,806
Hyundai Dongahn Steel	2,445,544	-	(612,773)	(648,399)	1,184,372
Hyundai Heavy Industries Europe N.V.	11,078,425	-	5,552,682	(3,063,432)	13,567,675
Hyundai Vinashin Shipyard	3,119,739	-	1,641,288	(128,457)	4,632,570
Yantai Hyundai Moon Heavy Industries Co., Ltd.	5,842,858	1,176,555	(589,429)	(382,282)	6,047,702
Jiangsu Hyundai Nanzi Electric Co., Ltd.	14,639,411	-	(2,660,065)	4,248,416	16,227,762
H.C.E U.S.A.	3,772,978	-	7,133,488	(722,849)	10,183,617
Vladivostock Business Center (*3)	-	2,021,101	-	(2,021,101)	-
Koentec Co., Ltd.	-	-	(114,272)	6,465,360	6,351,088
	<u>₩ 1,023,448,611</u>	<u>₩ (14,128,486)</u>	<u>₩ 117,880,134</u>	<u>₩ 23,337,846</u>	<u>₩ 1,150,538,105</u>

(*1) Gain (loss) on valuation of investment securities is accounted after eliminating unrealized profit arising from the inter-company transactions, which is ₩23,772,966 thousand and ₩20,864,957 thousand as of

December 31, 2005 and 2004, respectively.

(*2) The Company recorded as loss on impairment of long-term investment securities amounting to ₩24,525 million the difference between book value and sale price of the shares by exercising IPIC's Call option.

(*3) Use of the equity method was discontinued since the value of investments is less than zero due to accumulated deficit.

Equity securities accounted for using the equity method as of December 31, 2005 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. However, the Company adjusted the material difference between the Company and investees, relating to accounting principle of similar transactions and accounting events. As of December 31, 2005, such adjustments of difference were reflected in the decrease in gain on valuation in current operations by ₩2,056 million, the decrease in retained earnings by ₩2,570 million, the increase in capital adjustments by ₩17,509 million, and the increase in deferred income tax liabilities by 6,641 million.

(5) The gain (loss) on valuation of investment securities accounted for using the equity method is ₩132,215,981 thousand, including the realization from ₩4,707,651 thousand gain on long-term investment securities in capital adjustments, and ₩(9,628,196) thousand for the year ended December 31, 2005. In addition, the effect of the equity method of accounting on the ending balance of capital adjustments was ₩52,360,260 thousand as of December 31, 2005, including the increase of ₩26,683,514 thousand for the year ended December 31, 2005.

(6) Financial information of equity securities accounted for using the equity method as of and for the year ended December 31, 2005 is as follows:

Company	Korean won (In millions)			
	Assets	Liabilities	Sales	Net income(loss)
Hyundai Oilbank	₩ 4,409,010	₩ 2,889,296	₩ 7,926,845	₩ 277,441
Hyundai Finance Corp.	120,108	1,982	10,563	8,018
Hyundai Samho Heavy Industries Co., Ltd.	2,943,118	2,449,069	1,908,766	64,156
Changzhou Hyundai Construction Machinery Co., Ltd.	88,794	35,858	33,324	(647)
Beijing Hyundai Jingcheng Construction Machinery Co., Ltd.	107,766	83,938	132,749	1,664
MOST #3 Venture Investment	31,314	2,342	31,188	26,501
MIC99-9 STIC IT Partnership	3,012	579	13,197	6,410
Incheon Airport Energy	164,721	137,071	59,364	1,422
HITC-Hyundai Hightech Investment	10,489	3,985	2,163	1,908
Hyundai & Terasource D-Convergence Venture Investment	4,755	114	253	316
MIC 99-1 IT Venture Partnership	8,640	-	5	(4,351)
Hyundai Jiangsu Construction Machinery Co., Ltd.	179,104	146,053	193,335	5,804
Hyundai Elprom Trafo Co.	19,118	4,054	21,534	3,295
New Korea Country Club	15,810	4,208	12,032	1,457
Hyundai Dongahn Steel	11,046	8,892	6,297	(1,114)

Company	Korean won (In millions)			
	Assets	Liabilities	Sales	Net income(loss)
Hyundai Heavy Industries Europe N.V.	75,616	53,318	203,107	9,201
Hyundai Vinashin Shipyard	171,482	120,202	113,141	14,431
Yantai Hyundai Moon Heavy Industries Co., Ltd.	16,985	5,808	5,732	(1,089)
Jiangsu Hyundai Nanzi Electric Co., Ltd.	48,749	28,240	14,629	(3,129)
H.C.E U.S.A	64,760	48,623	162,739	5,760
Vladivostock Business Center	21,098	151,828	8,059	(1,123)
Koentec Co., Ltd.	62,200	20,454	31,493	7,602