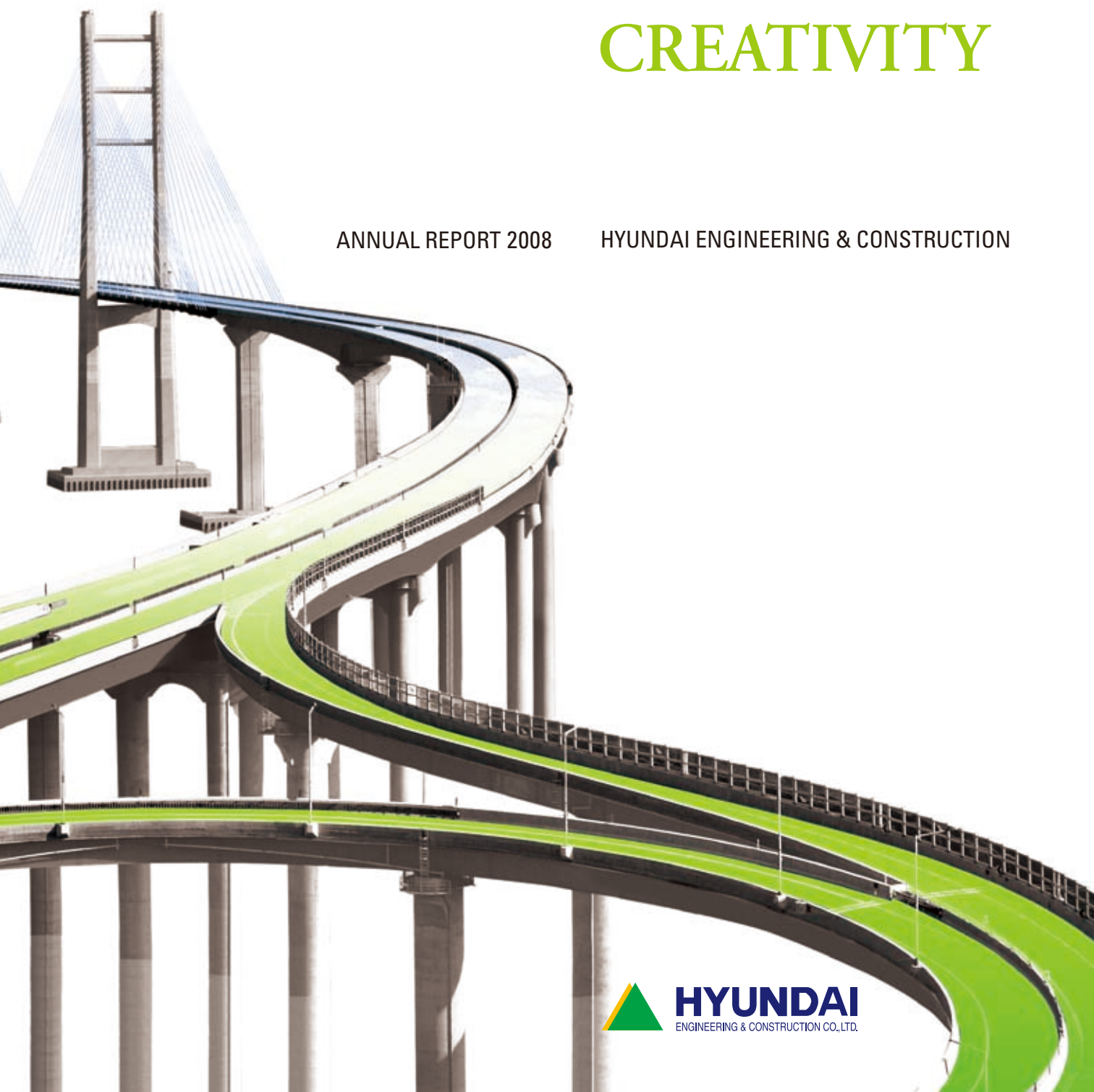


# GROWING WITH ENTHUSIASM AND CREATIVITY

ANNUAL REPORT 2008

HYUNDAI ENGINEERING & CONSTRUCTION



\*Korean Won has been converted into US\$ at a rate of 1,257.5 won/dollar,  
the basic exchange rate as of Dec. 31, 2008.



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# HDEC is taking another **leap forward** in its quest to help build a **better and happier future** for everyone

—  
Hyundai Engineering & Construction Co., Ltd. (HDEC), the leader in the Korean construction industry, was established in 1947 by the Hyundai Group's founder, Ju-Young Chung. It has continued to grow ever since, playing a significant role in boosting Korea's economic development and winning a world-wide reputation for itself and the nation.

HDEC's history is also one of technologies amassed from its activities throughout the world. Its expertise, experience, and leadership in all areas of construction—including civil, building and electrical works, and plants—cannot be equaled.

Today, HDEC is taking another dramatic leap forward in its quest to help build a better and happier future for everyone. Despite the industry's rapidly changing environment, it remains committed to achieving sustainable growth and being the world's top player. It will achieve these goals by securing independently-generated technologies, opening up new overseas markets, and pursuing business diversification.

# HDEC has continued to challenge for 62 years

## Hyundai Spirit

—  
The “Hyundai Spirit” stands behind what Hyundai Engineering & Construction (HDEC) is today. It will power HDEC's next 100 years as an industry leader with “Creative Foresight”(meaning correctly forecasting the future), “A Positive Will”(meaning doing its very best each and everyday), and “A Strong Drive”(meaning working in every corner of the world and constantly adding to its reputation for technological expertise and reliability).

## 1947~1979

### Foundation and progress through the decades

- May 1947  
Established Hyundai Civil Works Company
- May 1958  
Completed restoration of Han River Pedestrian Bridge
- Nov. 1960  
Completed restoration of Incheon 1st Dock
- Jan. 1962  
Ranked first among domestic contractors
- Nov. 1965  
Undertook Pattani Narathiwat Highway Project in Thailand
- Aug. 1969  
Started Housing and Urban Development Project in Guam
- Dec. 1969  
Started Hurricane Gulch Bridge Project in Alaska
- Dec. 1970  
Completed full sections of Gyeongbu Highway
- Dec. 1970  
Completed Honam Highway (from Daejeon to Jeonju)
- Feb. 1972  
Started construction of Ulsan Shipyard (for Hyundai Heavy Industries)

Dec. 1973  
Completed Soyang River Multi-Purpose Dam

June 1975  
Started construction of Bandar Abbas Mobilization Drill Shipyard in Iran

Oct. 1975  
Started construction of Bahrain Arab Repair Shipyard

June 1976  
Started construction of Jubail Industrial Harbor in Saudi Arabia

Jan. 1978  
Started construction of Dubai Power Plant in UAE

Apr. 1978  
Completed Kori Nuclear Power Plant Unit 1



Han River Pedestrian Bridge, Korea (Sep. 1957 ~ May 1958)



Jubail Industrial Harbor, Saudi Arabia (June 1976 ~ Dec. 1980)

## 1980~1989

### Concentrating on technology and quality, targeting world markets

Sep. 1980  
Advanced into Libya and Oman

Nov. 1981  
Expanded activities into engineering field and changed company name to Hyundai Engineering & Construction Co., Ltd.

Apr. 1983  
Completed Wolseong Nuclear Power Plant Unit 1

July 1983  
Completed Kori Nuclear Power Plant Unit 2

Sep. 1984  
Ranked as 4th largest constructor in the world by ENR Magazine

Dec. 1984  
Public stock offering

Dec. 1985  
Advanced into Hong Kong and Philippines. Started housing development project in USA as developer

Apr. 1986  
Completed Kori Nuclear Power Plant Units 3, 4

July 1986  
Advanced into Canada, India, and Pakistan

June 1987  
Completed Yonggwang Nuclear Power Plant Units 1, 2

Mar. 1988  
Completed King Sejong Korean Antarctic Research Station

Oct. 1988  
Expanded into Japanese construction market with obtaining permission from the Japanese government

Apr. 1989  
Completed Seosan Reclamation Project

Dec. 1989  
Expanded into USSR by establishing branch offices in Moscow and Nahodka



Marina Square Hotels & Retail Complex, Singapore (Mar. 1982 ~ Mar. 1987)



Yonggwang Nuclear Power Plant, Korea (June 1981 ~ Dec. 2002)

## 1990~1999

### Continued strategy of technological advancement and globalization

May 1991  
Completed Hyundai Petrochemical Complex

Nov. 1992  
Started construction of Incheon International Airport

July 1993  
Acquired ISO 9001 Certification in all business fields, the first among domestic industries

Dec. 1993  
Awarded first-ever Construction Management Grand Prize

Dec. 1995  
Completed Yonggwang Nuclear Power Plant Units 3, 4  
Selected as "Project of the Year" by Power Engineering, an American electrical power magazine

Oct. 1996  
Awarded Gold Tower Industrial Decoration for Yonggwang Nuclear Power Plant, Units 3, 4

Oct. 1996  
Selected as "Project of the Year" by Power Engineering, an American electrical power magazine (for Taean Steam Power Plant, Units 1, 2)

Dec. 1996  
Acquired ISO 14001 certification

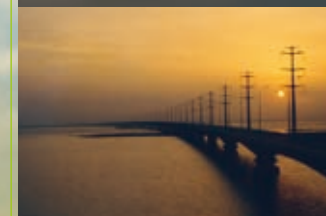
June 1997  
Completed Wolseong Nuclear Power Plant Unit 2

Aug. 1997  
Advanced into North Korea with construction of KEDO Nuclear Power Plant Units 1, 2

Dec. 1999  
Awarded grand prize in Business Information in "Construction" category by Ministry of Information and Telecommunication



Suntec City, Singapore (Jan. 1991 ~ July 1997)



Jamuna Multi-Purpose Bridge, Bangladesh (Oct. 1994 ~ July 1999)

# HDEC has continued to challenge for 62 years

## Hyundai Spirit

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## 2000~2008

Committed to  
serving humankind  
and our shared  
future together

Apr. 2000  
Named No.1 in Brand Power in  
"Apartment" category by Korean  
Management Association

July 2000  
Selected as "Company with Best  
Quality" by Korean Standards  
Association and Ministry of  
Commerce, Industry, and Energy

Mar. 2001  
Death of Founder and Honorary  
Chairman, Ju-Young Chung

Apr. 2001  
Received 2001 Singapore  
Construction Excellence Award for  
Parc Palais Condominiums

Aug. 2002  
Ranked No. 1 construction company  
in Asia (and 12th in the world) by  
ENR Magazine

Dec. 2002  
Completed Yonggwang Nuclear  
Power Plant, Units 5, 6

July 2003  
Retained top ranking in Korean  
construction performance for 42nd  
consecutive year

July 2004  
Received Annual Safety Performance  
Awards for Goldenhill Park  
Condominiums from Singapore Land  
Transportation Authority

Feb. 2005  
Completed Phase 4&5 onshore  
facilities (worth US\$ 1.6 billion) of  
South Pars Field in Iran

May 2006  
Won grand prize at "2006  
Construction Excellence Awards"  
from Singapore BCA (Building and  
Construction Authority) for Goldenhill  
Park Condominiums

July 2006  
HDEC corporate bonds and  
commercial paper credit ratings  
upgraded to "A-" and "A2-" from  
"BBB+" and "A3+"

Sep. 2006  
Launched new apartment brand,  
"Hillstate"

May 2007  
Set out mid- to long-term vision on  
occasion of 60th anniversary.

June 2007  
HDEC corporate bonds and  
commercial paper credit ratings  
upgraded to "A" from "A-" and to  
"A2" from "A2-"

Oct. 2007  
Began construction of Taeon  
Corporate City

May 2008  
Overseas orders received reached  
US\$ 60 billion—a first for the domestic  
industry

June 2008  
HDEC corporate bonds and  
commercial paper credit ratings  
upgraded to (corporate bonds: A →  
A+, commercial paper: A2 → A2+)

Sep. 2008  
Won the Korea Architectural Culture  
Award (Presidential Award) for  
"Gimpo Gochon Hillstate"

Dec. 2008  
Seosan designated as a bio-  
wellbeing special district by the  
Korean government



Goldenhill Park Condominiums,  
Singapore (June 2001 ~ Jan. 2004)



South Pars Gas Field Development  
Phases 4&5 Onshore Facilities, Iran  
(Mar. 2002 ~ Feb. 2005)



Cheonggyecheon Restoration Project,  
Korea (July 2003 ~ Sep. 2005)



Zawia Combinde Cycle Power Plant,  
Libya (Feb. 2005 ~ Feb. 2009)





# We will reshape our competitiveness for sustainable growth

In 2008, everyone at Hyundai Engineering and Construction (HDEC) did their utmost to bring the company's management goal of "Creating a New Future with Passion" and its three action plans—Global Management, Value Management, and Open Management—to fruition. We also developed strategies for our future survival and strengthened our core capabilities to buttress our profile as a premier global construction company.

In addition, we solidified our new growth engines by opening up additional overseas markets. We concentrated on improving our enterprise and brand values based on our customer value-first policies.

At the same time, we promoted a more open management structure by building a dynamic corporate culture, further

consolidating our position as a national leader in our industry by unfolding a broad array of social contribution activities. As a consequence, the company recorded its best-ever results.

Orders received amounted to US\$ 13.1 billion, an increase of more than 40% from the year before, while the order backlog reached US\$ 33.2 billion at year-end. Sales surged by more than 28% to US\$ 5.8 billion, and operating income and income before income tax stood at US\$ 382 million and US\$ 436 million, respectively. In addition, HDEC became the first Korean construction company to exceed US\$ 60 billion in accumulated overseas orders. All of this led to steady upturns in our credit ratings. In June 2008, major Korean credit rating agencies upgraded the company's corporate bond rate to A+.

In the future, HDEC will take all steps needed to bolster its position as a premier global construction company. To this end, we have set “Change and Creativity for the Next Stage of Growth” as our new management goal for 2009, with “Future Management, Profitable Management, and Talent Management” as our three action plans.

“Future Management” means that we will reinforce our global business competitiveness and maximize orders received with a focus on profitability.

**HDEC devotes itself to growing into a truly global enterprise that can satisfy all of its shareholders, clients and employees.**

This will be done by building up our technologies and developing new products. We will also foster new growth engines by taking the lead in overseas markets and advancing into new and renewable energy-related businesses.

Finally, we will continue heightening our customer values by placing our highest priority on customer values.



In terms of profitable management, we will keep our unique “efficiency-rather-than-formality-centered” management system in place. As a means of dealing with adverse economic circumstances both at home and overseas.

We will also enhance our cost competitiveness by cutting down on expenses and improve on management structure and risk management ability.

As for talent management, we will cultivate creative future talents who will ultimately be responsible for the future of HDEC. We will also provide our employees with opportunities to enhance their global capabilities and foster their core competencies.

This year, the economic environment in the construction industry both at home and overseas will be more difficult than ever. It is also likely that the downturn in the real estate sector will be prolonged due to restructuring in the construction and real estate industries.

Nevertheless, HDEC has a history of making its way through hardships with its well-organized business portfolio. I expect orders for public projects to increase exponentially. This will include a series of national-level SOC investment projects, such as the four major rivers restoration

project and the central government’s “low carbon, green growth” policies. Accordingly, I believe that now is the time for HDEC to truly demonstrate its superior competitiveness.

In 2009, one of our main tasks will be to augment our overseas business, including entering more high value-added business sectors. We will also contribute to the development of the domestic industry through our many advanced technologies obtained from international competitions.

HDEC is committed to growing into a truly global enterprise that can satisfy all its shareholders, clients and employees.

Please accept my heartfelt appreciation for your continuing interest and support. I promise that HDEC will always meet—and exceed—your hopes and expectations.

Thank you.

**Joong-Kyum Kim**

President & CEO



**VISION**

# The World-leading E&C Group

**STRATEGIES**

As Korea's primary construction company, Hyundai Engineering & Construction (HDEC) is dedicated to creating a better and happier future for everyone.

We develop both basic and specialized products that meet the needs of specific geographical regions and form positive and cooperative relationships with local players that guarantee our future survival. In addition, we reinforce our core competencies by fostering the development of global talents through education in globalization and other relevant job-training programs.

We also boost our profits by proactively coping with any and all changes to the construction environment and upgrading our preemptive risk management capabilities. This helps us to maximize our intrinsic value by intensifying our corporate image and world-wide name recognition.

In order to share our management results with all our employees and business partners, we make use of a clearly-definable incentive system and translate "open management" into action through voluntary, two-way communication with our workers. Finally, we participate in a myriad of social contribution activities to fulfill our responsibilities as a member of society.

**2009  
MANAGEMENT  
GOALS**

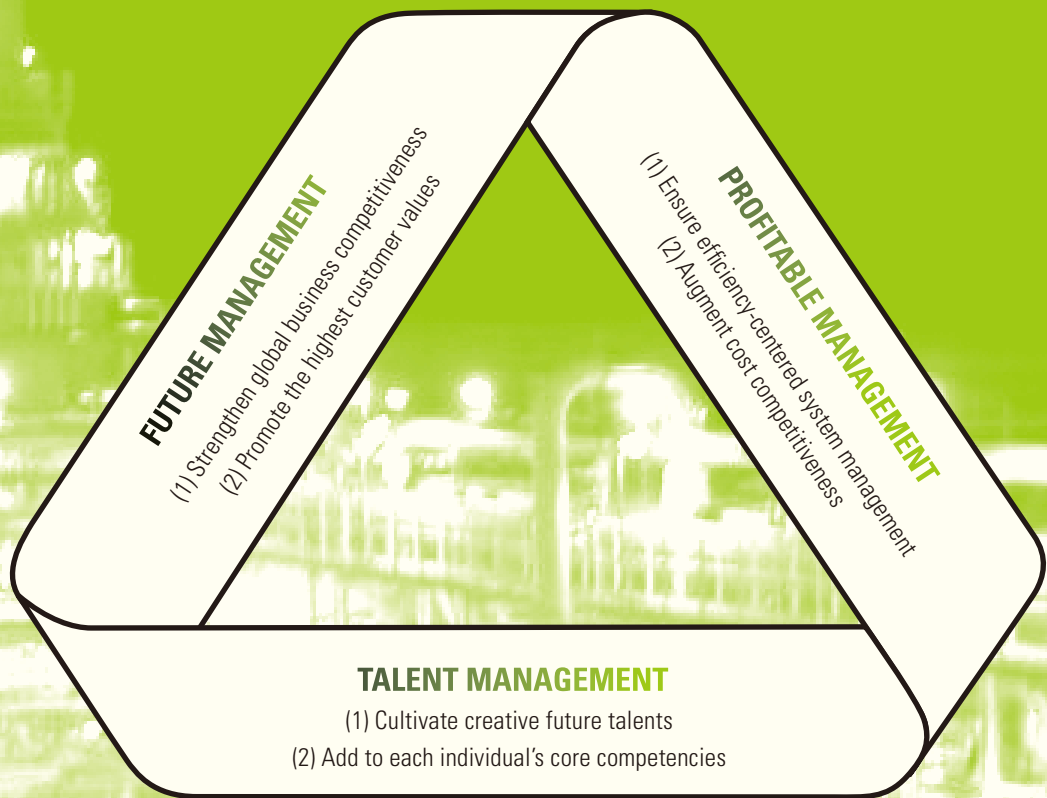
## CHANGE AND CREATIVITY FOR THE NEXT STAGE OF GROWTH

**ACTION PLANS**

FUTURE MANAGEMENT	PROFITABLE MANAGEMENT	TALENT MANAGEMENT
<p><b>Strengthen global business competitiveness</b></p> <ul style="list-style-type: none"> <li>- Retain 1st place and global leading position</li> <li>- Seek out new markets and emerging businesses to guarantee global sustainable growth</li> </ul>	<p><b>Ensure efficiency-centered system management</b></p> <ul style="list-style-type: none"> <li>- Improve business processes with a focus on systems</li> <li>- Strengthen site-centered, speedy management structure</li> </ul>	<p><b>Cultivate creative future talents</b></p> <ul style="list-style-type: none"> <li>- Develop innovative education and training systems</li> <li>- Build roadmap for talent cultivation in each core area</li> </ul>
<p><b>Promote the highest customer values</b></p> <ul style="list-style-type: none"> <li>- Win customer trust by offering them the highest quality and the finest service</li> <li>- Make customer values a top priority</li> </ul>	<p><b>Augment cost competitiveness</b></p> <ul style="list-style-type: none"> <li>- Attain earnings-based sustainable growth and maximize shareholder value</li> <li>- Ensure capabilities as a premier-quality company</li> </ul>	<p><b>Add to each individual's core competencies</b></p> <ul style="list-style-type: none"> <li>- Secure competitiveness in "soft power"</li> <li>- Develop one core technology per employee</li> </ul>

2009 Management Goals

# Change and Creativity for the Next Stage of Growth



Fact 1. New Orders \_Ranked first

13,100,





000,000

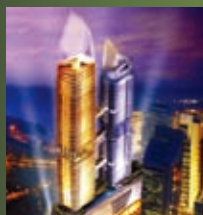
(US\$)

## Fact 1. New Orders

# 13

HDEC's leadership in both the domestic and overseas markets was especially apparent in 2008.

Domestic orders received expanded by 15.7% over the year to US\$ 7.4 billion as the result of the company's industry-leading technologies, rich work experience, and exhaustive cost analyses. Overseas, the company pursued selective order-taking, with a focus on technology-intensive projects in the Middle East; as a consequence, overseas orders received ballooned by 92.4% to US\$ 5.7 billion. This included US\$ 2.1 billion for the Ras Laffan C IWPP Project in Qatar, US\$ 920 million for the Qafco 5 Project (Ammonia & Urea) in Qatar, and US\$ 377 million for the Colombo Port Expansion Project in Sri Lanka.







000,000

(US\$)

Fact 2. Sales \_Ranked first

5,800,0





00,000

(US\$)

## Fact 2. Sales \_Rar

# 5,8

HDEC's 2008 sales of US\$ 3.8 billion at home and US\$ 2.0 billion from overseas represented a dramatic 28.7% rise from the previous year.

—  
This resulted from the development of new markets and in-house technologies and the optimization of the company's project management systems.





00,000

(US\$)

# Fact 3. Operating Income \_Ranked first

382,0



00,000

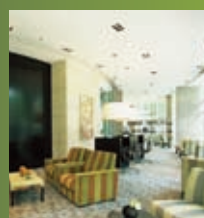
(US\$)

## Fact 3. Operating

HDEC's operating income widened 32.6% YoY to reach US\$ 382 million in 2008.

—  
Major contributing factors were increased volume of sales along with substantial improvements in the overseas cost of sales to sales ratio.

# 3







00,000

(US\$)

**Fact 4. Order Backlog** \_Sustainable leadership

33,200,



000,000

(US\$)

## Fact 4. Order Backlog

33.2

The company posted about US\$ 33.2 billion in its order backlog at the end of 2008.

—

As a consequence, the company has at least 5 years' worth of work ahead. Order backlog has increased by 29.0% compared to the end of 2007, due to advanced competitiveness and the expansion of plant projects in the Middle East.





000,000

(US\$)

## THE LARGEST

### MAY

#### SIGNED US\$ 2.1 BILLION CONSTRUCTION CONTRACT IN QATAR

HDEC began the construction of the Ras Laffan IWPP (Independent Water & Power Project) for QEWC (Qatar Electricity & Water Corp.) in Qatar, winning orders from Mitsui of Japan.

Amounting to about US\$ 2.1 billion, this is the largest single overseas project ever for a Korean company. It is also the largest power plant project in Qatar. Located in Ras Laffan Industrial City, 80 km north of the nation's capital, the plant's annual capacity when completed in 2011 will be 2,728 MW of electricity and 63 MIGD (1MIGD=400t/d) of fresh water.

HDEC has accumulated many excellent technologies and enhanced its global reputation by carrying out scores of power plant projects in the Middle East. Besides meaning that the company will be involved in follow-up construction work in Qatar, it will also be in a strong position to receive orders for similar projects in other areas.



## THE FIRST

### MAY

#### OVERSEAS ORDERS REACHED US\$ 60 BILLION

HDEC reinforced its leading position in overseas construction, with its accumulated overseas contracts amounting to US\$ 60 billion—a first among Korean construction companies. The domestic industry's total overseas orders received amounted to approximately US\$ 270 billion as of May 2008, and HDEC's portion was about US\$ 60.3 billion, or 23%.

In 1965, HDEC became the first Korean construction company to extend its business abroad, beginning with the Pattani Narathiwat Expressway in Thailand. Since then, it has contributed to the advancement of Korea's construction industry by exploiting markets in various countries of the world and steadily acquiring high-level construction technologies. Over the past 40 years, it has executed 670 projects in 47 different countries.

The company plans to accelerate the cultivation of future markets by strengthening its capabilities in such areas as Central Asia (including Kazakhstan) and newly emerging economic centers (including India and North America). However, the Middle East will remain as its major market, with orders focusing on petroleum and gas plant projects.



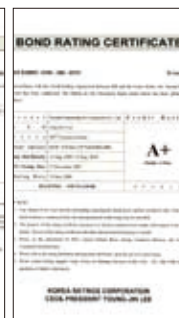
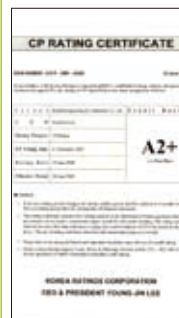
## “A+”, “A2+”

### JUNE

#### CREDIT RATINGS UPGRADED FOR THIRD CONSECUTIVE YEAR

Korea's top three credit rating agencies—the Korea Information Service, Korea Ratings, and National Information and Credit Evaluations—upgraded their credit ratings for HDEC's corporate bonds and commercial paper by one notch to “A+” and “A2+,” respectively. This followed upon similar upgrades in 2007, meaning that the company's credit ratings have risen by three levels in only two years. This will enable the company to reduce its financial expenses when issuing corporate bonds and commercial paper. Its shareholder value will be also boosted due to improved external market credibility and reinforced sales competitiveness.

This newest adjustment reflected the company's diversified business foundations and large backlog of orders. Other factors included its industry-leading order-taking competitiveness, heightened public awareness of its new apartment brand, Hillstate, and improvements to its financial structure through the continuous generation of profits.



## PLATINUM

### JULY

#### WON PLATINUM AWARD AT LACP ANNUAL REPORT COMPETITION

HDEC won the Platinum Award for its 2007 annual report at the Vision Awards in the business, construction, and engineering services category (Asia). The world's largest annual report competition, it is sponsored by the League of American Communications Professionals (LACP), a world-wide market research and survey agency.

The 2007 competition drew a record-high number of submissions—more than 3,000 entries from 20 different countries. HDEC received full marks for the Report Cover, Letter to Shareholders, Report Narrative, Report Financials, Message Clarity, and Information Accessibility, and high scores for First Impression and Creativity. It was also praised for the differentiated composition of its content, including features highlighting the company's history and that of the Korean construction industry, as well as its vision for the future.



## AWARD

### SEPTEMBER

#### WON PRESIDENT'S AWARD AT THE "2008 KOREA ARCHITECTURAL CULTURE AWARDS"

HDEC won its third straight grand prize (President's Award) at the "2008 Korea Architectural Culture Award" in the apartment house category with "Gimpo Gochon Hillstate."

Korea's first urban development project to be carried out entirely by a private company, Gimpo Gochon Hillstate will contain 2,605 households in 57 buildings when it is completely finished. Its signature color has been created in collaboration with Jean-Philippe Lenclos, a world-renowned color designer from France, to harmonize with its surroundings. It is also nature friendly, as there are parks inside it and others nearby.

Through Hillstate, HDEC has substantially elevated the meaning of "apartments" in Korea through its efforts at differentiation in all areas, including product development (such as designs and landscape architecture) and unique advertising and marketing strategies.



## SEOSAN

### DECEMBER

#### SEOSAN DESIGNATED AS A BIO WELL-BEING SPECIAL DISTRICT

The Ministry of Knowledge Economy finally gave the green light to the designation of Seosan as a Bio Well-Being Special District, with HDEC being named as its developer. The district, which will be built from 2008 to 2012 on a site of 5,699,000m<sup>2</sup> on reclaimed land, will include KRW 599.5 billion in private-sector funding.

This is extremely meaningful, in that it will enable differentiated regional development and a reinvigoration of the local economy by combining the bio industry with the well-being industry.

The district will house educational and research facilities including a cutting-edge bio complex, tourism facilities including a theme park and accommodations, sports facilities including golf courses, horse riding clubs, and gymnasiums, facilities for the aged, and others including roads, waterways, and green spaces.

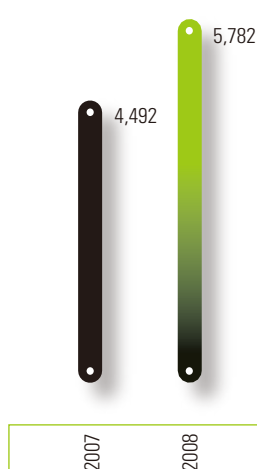


	Millions of Korean Won		Thousands of US\$ *	
	2008	2007	2008	2007
<b>FOR THE YEAR</b>				
<b>Sales</b>	7,271,097	5,649,098	5,782,184	4,492,324
Domestic	4,816,282	4,565,549	3,830,045	3,630,655
Overseas	2,454,815	1,083,549	1,952,139	861,669
<b>Operating Income</b>	480,206	362,055	381,874	287,917
<b>Net Income</b>	373,474	277,384	296,997	220,584
<b>AT YEAR END</b>				
<b>Total Assets</b>	8,143,810	6,671,243	6,476,191	5,305,163
Current Assets	5,281,577	4,030,945	4,200,061	3,205,523
Property, Plant and Equipment	696,775	614,050	554,095	488,310
Investments	2,165,458	2,026,248	1,722,035	1,611,330
<b>Total Liabilities</b>	5,250,716	4,384,588	4,175,521	3,486,749
Current Liabilities	4,372,216	3,262,298	3,476,911	2,594,273
Long-term Liabilities	878,500	1,122,290	698,610	892,476
<b>Total Shareholders' Equity</b>	2,893,094	2,286,655	2,300,670	1,818,414
<b>Total Liabilities &amp; Shareholders' Equity</b>	8,143,810	6,671,243	6,476,191	5,305,163
<b>Paid-in Capital</b>	555,486	554,755	441,738	441,157

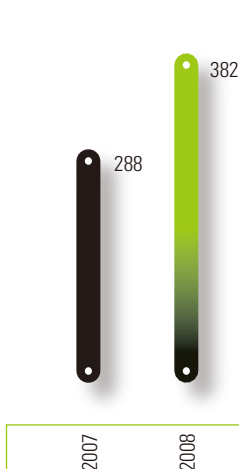
Year	Millions of US\$ *		
	Domestic	Overseas	Total
2004	4,794	961	5,755
2005	4,187	2,234	6,421
2006	5,377	1,972	7,349
2007	6,395	2,966	9,361
2008	7,401	5,705	13,106

**SALES**

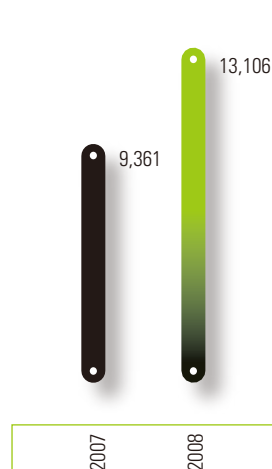
Millions of US\$ \*

**OPERATING INCOME**

Millions of US\$ \*

**NEW ORDERS**

Millions of US\$ \*

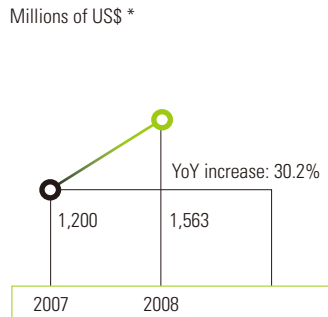


\*Korean Won has been converted into US\$ at a rate of 1,257.5 won/dollar, the basic exchange rate as of Dec. 31, 2008.

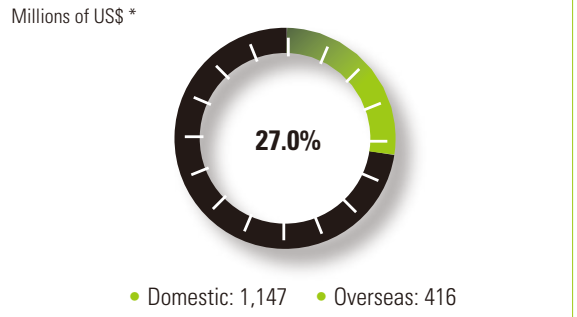


**CIVIL WORKS**

**TOTAL SALES**

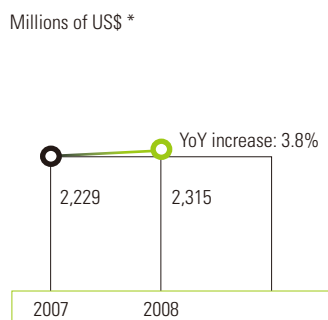


**PROPORTION OF 2008 SALES**

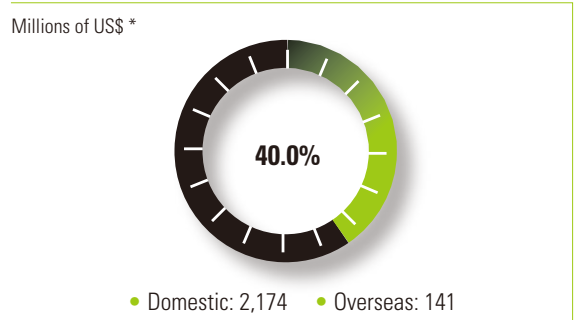


**BUILDING WORKS**

**TOTAL SALES**

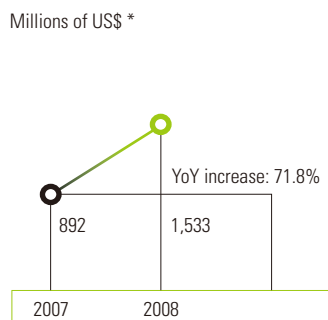


**PROPORTION OF 2008 SALES**

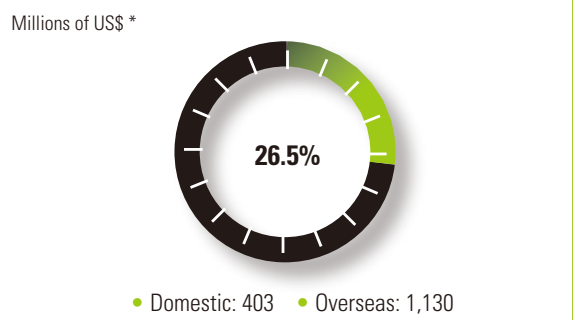


**PLANT WORKS**

**TOTAL SALES**

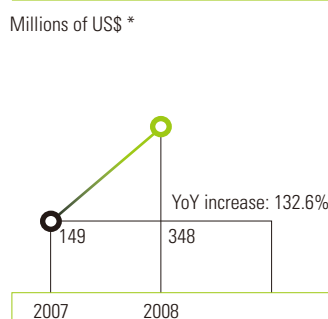


**PROPORTION OF 2008 SALES**

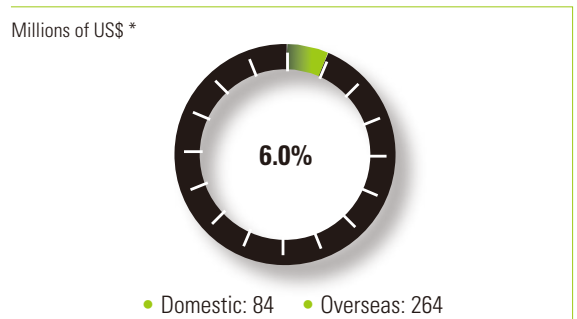


**ELECTRICAL WORKS**

**TOTAL SALES**



**PROPORTION OF 2008 SALES**



\*Korean Won has been converted into US\$ at a rate of 1,257.5 won/dollar, the basic exchange rate as of Dec. 31, 2008.



# Review of Operations

Our promise to you  
engineering and construction  
for a better world

**CIVIL WORKS**

•

**BUILDING WORKS**

•

**PLANT WORKS**

•

**ELECTRICAL WORKS**

•

**PROCUREMENT**

**SAFETY & ENVIRONMENT**

•

**QUALITY MANAGEMENT**

•

**TECHNOLOGY R&D**

•

HDEC's history is one of technologies amassed from its activities throughout the world. Its expertise, experience, and leadership in all areas of construction—including civil, building and electrical works, and plants—cannot be equaled.



The Division of Civil Works enjoyed extremely satisfactory results in 2008, recording US\$ 2.9 billion in orders received and US\$ 1.6 billion in sales, up a remarkable 49.1% and 30.2%, respectively, from the year before. This growth was largely due to the experience and know-how it amassed while carrying out projects both at home and overseas under a variety of unfavorable conditions.

**The leader in  
Korea's construction industry**

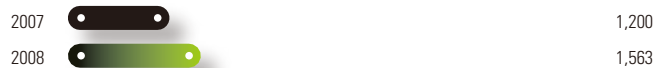
# Civil Works

**Proportion of 2008 sales**

**27.0%**



**Sales**



**New Orders**



**Order Backlog**



Another factor was the Division's determination to maximize customer values by participating in all areas of civil works, as well as a host of privately-invested projects involving roads, harbors, dredging and land reclamation, railways, airports, the environment, and factories.

The Division has been the leader in Korea's construction industry ever since the company's foundation in 1947, taking the lead role in a large number of important civil works projects and becoming a major driver in the nation's economic development. These projects include such major infrastructures and plants as the Gyeongbu Expressway, the Gyeongbu High-Speed Railway, the Han River Pedestrian Bridge, the Soyang Multi-Purpose Dam, Busan Harbor, Incheon International Airport, the Yonggwang/Wolseong/Kori Atomic Power Plants, the Taean Thermal Power Plant, the Daesan Petrochemical Plant, and the Gwangyang Steel Works.

In 1965, HDEC became the first Korean construction company to begin operating abroad. Since then, the Division has participated in civil works projects in 28 countries, always winning applause for its outstanding technologies and commitment to quality. These have included more than 140 marine- and ground-based civil works, such as the Jubail Industrial Harbor/Alkova desalination project in Saudi Arabia, subway/sewage treatment/reclamation projects in Singapore, expressways/railways in Iraq, the Penang Bridge in Malaysia, high-speed rail work in Taiwan, and civil works for the SABIA power plant in Kuwait.

**Major Projects Currently Underway**

- Pasir Panjang Terminal, Phases 3 and 4, Singapore
- Colombo Port Expansion Project, Sri Lanka
- Khalifa Port and Industrial Zone, UAE
- Cable-Stayed Bridge across the River Chambal, India
- Incheon International Airport Railroad Construction, Phase 2, Korea
- Gwangyang Port Container Terminal, Phase 3-2, Korea
- Amsa Grand Bridge, Korea
- Saemangeum Tideland Reclamation Project, Korea
- Seongdeok Multipurpose Dam, Korea
- Seoul-Chuncheon Highway Project, Korea

**Major Projects Completed Over The Past Five Years**

- Container Terminal No. 9 Development Project, Hong Kong
- New Oil Pier & Associated Topside Facilities at Maa Refinery, Kuwait
- Taiwan High Speed Rail Project, Contract No. C230 & C240, Taiwan
- Jebel Ali New Container Terminal, Stage-1, MCC2, UAE
- Korea Train Express Gyeongbu Line, Section 2-2, Korea
- Machang Grand Bridge, Korea
- Jangheung Multipurpose Dam, Korea
- Cheonggyecheon Restoration Project, Korea
- Daegu-Pohang Highway Line, Section 7, Korea
- Incheon International Airport Railroad Construction, Phase 1, Korea



**DOMESTIC**

In 2008, the Division of Civil Works continued to demonstrate its outstanding site management capabilities for ongoing projects, all resulting from its accumulated design and construction management skills and state-of-the-art technologies. It also contributed to HDEC winning orders for such projects as the water quality restoration center at Yeongjong Sky City and sub-structure construction for the Stage 1-1 container terminal at Incheon New Port (Section 1).

The Division also enjoyed striking success in the area of pre-qualification (PQ)/lowest price biddings, which require participants to demonstrate their technological acumen, experience, and management abilities beforehand. Orders received in this area included the construction of the Singal Detour and the Gunsan Shipyard docks and inner walls, ground work for the Onsan Plant and the Gwanggyo District Housing Development (Sections 2-3), the extension of the Damyang-Seongsan Route of National Highway No. 12 (Section 2), building the roadbed and other work for Section 6-4B of the Korea Train Express (KTX), and road construction linking multifunctional administrative cities with the KTX Osong Station (Section 2).

**OVERSEAS**

In 2008, the Division of Civil Works successfully completed the Jebel Ali New Container Terminal, Stage-1 (LCC2) in the UAE. The Division also gained its largest-ever volume of overseas orders by winning contracts for such projects as the Colombo Port Expansion Project in Sri Lanka. Current projects include marine structures, dredging, and reclamation for Khalifa Port and Industrial Zone in Abu Dhabi, UAE, reclamation for the Pasir Panjang Terminal (Phases 3 and 4) in Singapore, and a cable-stayed bridge across the River Chambal at the Kota bypass in Rajasthan, India. In 2009, the Division will continue working hard to attract other large projects, with a focus on the Middle East and Southeast Asia.

1. Taiwan High Speed Rail Project Contract No. C230 (Taiwan, 2000.05~2004.08)
2. Machang Grand Bridge (Korea, 2004.04~2008.06)
3. Cheonggyecheon Restoration Project (Korea, 2003.07~2005.09)
4. Container Terminal No.9 Development Project (Hongkong, 2000.07~2009.07)
5. Reclamation for Pasir Panjang Terminal Phases 3 & 4 (Singapore, 2007.10~2013.04)





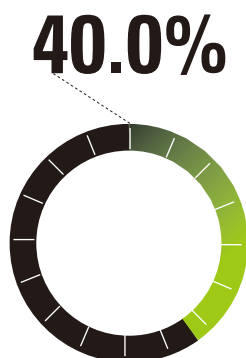


The Division of Building Works posted impressive results in 2008, with orders received and sales amounting to US\$ 5.5 billion and US\$ 2.3 billion, respectively, up 19.0% and 3.8% from the previous year. The Division also added to the company's sterling reputation by winning numerous awards for its artistry, technologies, and environmental friendliness. Such as, the Korea Civil & Architectural Technology Award, Energy Efficiency Construction Award and Korea Architectural Culture Award.

### Advanced and comprehensive capabilities

# Building Works

Proportion of 2008 sales



Sales



New Orders



Order Backlog



Millions of US\$ \*

In specific terms, the Hillstate brand, which the Division launched in 2006, continued to further its reputation as Korea's leading apartment brand by receiving grand prizes.

Especially, in 2008 its differentiated product design capabilities and technologies were amply demonstrated when it became the first winner of the Presidential Award (Gimpo Gochon Hillstate Apartment) at the Korea Architectural Culture Awards.

The Division of Building Works will give priority to the following businesses to augment its competitiveness.

### DEVELOPMENT & PROJECT FINANCING BUSINESS

The development & project financing (PF) business, which forms the core of HDEC's market convergence process, is expected to become a leading entity within the Division, enabling it to manage the various aspects of a project (such as financing, planning, and design) in a more efficient and effective manner.

HDEC has already demonstrated its industry-leading development abilities through the Gimpo Gochon project, and the extremely high quality of its human resources and knowledge infrastructures will guarantee its continuing leadership in this area. As a result, the company is carrying forward the development of the Eunpyeong business zone even while its competitors are suffering from the current economic downturn. Future plans call for solidifying its industry-leading position by increasing its internal competencies through the nurturing of specialists and the pursuit of even more high-quality development and PF projects.

#### Major Projects Currently Underway

- One Shentonway Condominiums, Singapore
- Alexandra Hospital, Singapore
- Bitexco Financial Center, Vietnam
- Marina View Office Tower, Singapore
- Goheung Space Camp For Juveniles, Korea
- Ulsan National Institute of Science and Technology, Korea
- Seongnam City Administration Town, Korea
- Yongsan Administration Town, Korea
- Seoul Forest Hillstate Apartments, Korea
- Yongin Sanghyeon Hillstate Apartments, Korea

#### Major Projects Completed Over The Past Five Years

- Four Seasons Hotel Cairo, Nile Plaza, Egypt
- Residential Development at Hoifan Road, Hong Kong
- Goldenhill Condominiums, Singapore
- Nam June Paik Art Center, Korea
- National Digital Library, Korea
- National Center for Korean Traditional Performing Arts, Korea
- Catholic Medical Center, Korea
- Gimpo Gochon Hillstate Apartments, Korea
- Jamsil Redevelopment Apartments, District 1, Korea
- Samseong-dong Hillstate Apartments, Korea



### CONSTRUCTION OF SKYSCRAPERS

Building super-high-rise buildings provides HDEC with the opportunity to make its high-level technologies known to the world and aids it in winning new orders. The Division has built a number of towering edifices, including the Mok-dong Hyperion in Seoul (256m), the ASEM Tower in Seoul (174m), and the Suntech City in Singapore (180m). It also began the construction of the 165-meter One Shentonway Condominium complex in Singapore in 2007 and the 270-meter Bitexco Financial Center in Vietnam in 2009, winning world-wide acclaim for its technological acumen. The Incheon 151 Tower, slated for completion in 2014, will be the second-highest building in the world, standing 560 meters above the ground and boasting 151 stories. The Division will continue to play a leading role in the skyscraper construction business by utilizing its vast store of data and technologies and continuing with its technological exchanges with academia and related industries.

### ENVIRONMENTALLY FRIENDLY ARCHITECTURE

The Division included solar heating and thermal-based air conditioning systems at its Eunpyeong New Town District 2, Section A project, which began accepting residents last January. It also plans to apply new and renewable energy sources—such as the rays of the sun, thermal heat, and small wind velocity—to its Hillstate site in Banpo. In addition, it created a special New and Renewable Energy Team in early 2008. Its mission includes developing technologies that can be commercialized and applied to work sites, building relevant infrastructures, and fostering the development of high-quality human resources. These efforts resulted in the Division winning the grand prizes at the Korea Ecological Environment and Architecture Award in 2007 and the Korea Environmentally Friendly Architecture Award in 2008.

### OVERSEAS

In the overseas area, the Division will continue with its strategy of winning orders for high-quality projects that add to the company's profitability and technological expertise. It will do this by conducting in-depth research on construction types, regional characteristics, and current and potential customers. In addition, it will secure a stable volume of projects by specializing in such areas as hotels, airports, large-scale exhibition centers, and upscale residential complexes. It will also ensure the viability of the company's future growth engines by continuing to break into new business areas.

### REINFORCE INTEGRATED MANAGEMENT CAPABILITIES

In recognition of its industry-leading design and management capabilities, the Division has been awarded a series of large-scale, turn-key public projects, such as the Yongsan District Office Building, the ROK Army Training & Doctrine Command School of Military Administration, and the 2nd-stage construction of KINTEX (the Korea International Exhibition Center), the largest exhibition facility in northeastern Asia. In addition, the Division will shift its emphasis to EPC (engineering, procurement, and construction) projects by adding to its hard and soft technological infrastructures and nurturing experts in that area.

1. Gimpo Gochon Hillstate Apartments (Korea, 2005.09~2008.04)
2. Four Seasons Hotel Cairo at Nile Plaza (Egypt, 1997.07~2004.07)
3. Incheon Sam-san World Gymnasium (Korea, 2004.10~2006.09)
4. Residential Development at Hoifan Road Lot No.11152 (Hong Kong, 2001.01~2008.09)



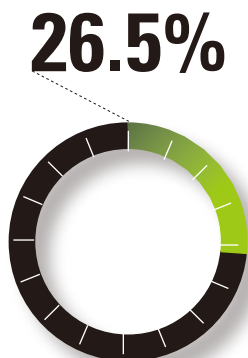


In 2008, the Plant Division recorded US\$ 3.5 billion in orders received and US\$ 1.5 billion in sales. The Division is primarily engaged in the planning, engineering, procurement, construction, commissioning (EPCC), test running, and maintenance of petrochemical plants, power generation and desalination plants, nuclear power plants, and industrial and environmental facilities.

**Leading player in the world plant construction sector**

# Plant Works

Proportion of 2008 sales



Sales



New Orders



Order Backlog



In keeping with a trend toward world-wide growth in investments in plants, HDEC is accelerating the development of new markets and technologies that reflects its position as the leading player in the plant construction sector.

These efforts are based on its extensive track record over the past 62 years, state-of-the-art technologies in all construction areas, and solid, “win-win” relationships with its customers, business partners, and local players. The company is also cementing its reputation as a reliable global contractor by guaranteeing its customers the highest possible quality and ensuring the timely completion of every project it undertakes.

### HYDROCARBON PROCESSING PLANTS

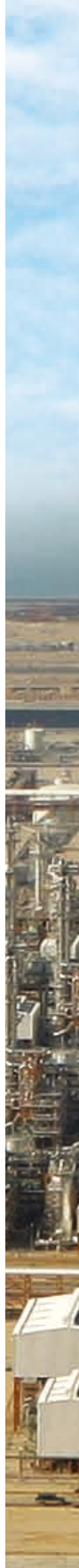
The main interests of this part of the Division include gas processing plants and gas field developments, oil refineries and oil field developments, petrochemical plants, fertilizers and chemical plants, oil and gas pipelines, terminals and storage tanks, and LNG liquefaction plants. In 2008, the Division successfully completed the SK Energy #2 FCC Project. At present the Division is executing the SK Energy Incheon Complex HCC Project, and the Hyundai Oil Bank #2 HOU Project, all of them in Korea. Overseas, the Division was engaged in a broad array of gas processing projects in the Middle East, Southeast Asia, and Africa. It won plaudits for its world-leading technologies by completing large-scale projects worth over US\$ 1 billion each, including the South Pars 2- to 5-stage gas treatment facilities in Iran. Some of its other undertakings included the Khurais Central Processing Facilities, the Kuwait New Ethane Recovery Plant Project, the Qatar Pearl Gtl-Lpu (C5) Project, and the Qatar Qafco 5 Ammonia and Urea Project.

#### Major Projects Currently Underway

- Qatar Pearl GTL – Liquid Processing Unit (C5) Project, Qatar
- Khurais Central Processing Facilities Project – Gas Contract Package, Saudi Arabia
- Shuaiba North Co-Generation Power Plant, Kuwait
- Tripoli West and Al-Khalij 4 X 350 MW Power Plant Project, Libya
- Qatar QAFCO 5 Project, Qatar
- Qatar Ras Laffan C IWPP Project, Qatar
- Shinkori Nuclear Power Plant Units 1 & 2 (1,000 MW x 2), Korea
- Yonghung Thermal Power Plant Units 3 & 4 (800 MW x 2), Korea
- SK Energy Incheon Complex HCC Project, Korea
- Hyundai Oil Bank #2 HOU Project, Korea

#### Major Projects Completed Over The Past Five Years

- South Pars Field Development Phases 4 & 5 Onshore Facilities (500 MMSCFD x 4 Trains), Iran
- Attahaddy Gas Field Development Project, Libya
- Meghnaghat 450 MW Combined Cycle Power Plant, Bangladesh
- Suban Phase 2 Gas Project, Indonesia
- Western Libya Gas Project – Mellitah Plant, Libya
- Yonggwang Nuclear Power Plant Units 5 & 6 (1,000 MW x 2), Korea
- Yulchon Combined-Cycle Power Plant, Korea
- Saemangeum Garyeok/Sinsi Gate Construction Project, Korea
- Daejeon Advanced Sewage Treatment Plant, Korea
- SK No. 2 FCC (Fluidized Catalytic Cracking) Project, Korea



### POWER AND DESALINATION PLANTS

The Division has constructed 85 power and desalination plants at home and abroad with a combined total capacity of 48,281MW. Major business areas include thermal power, combined-cycle power, combined heat and power, small hydropower, integrated energy facilities, and desalination plants.

The Division won its first order, for the Pyeongtaek thermal power facility, Korea's first EPC turn-key power plant, in 1997. Later, it completed the Yulchon combined cycle power plant, Korea's first foreign-invested private power generation project. Overseas, it has completed large turnkey power plant construction projects in Libya, the UAE, Qatar, Saudi Arabia, Iraq, Kuwait, Bangladesh, Brazil, and Vietnam. In 2008, the Division's industry-leading technologies and growing global reputation led to an order for the Ras Laffan IWPP (Independent Water & Power Project) in Qatar, its largest single plant project ever.

### ENVIRONMENTAL PLANTS

The Division is currently engaged in building advanced sewage treatment facilities throughout the country, based on technologies and experience deriving from its prior involvement in more than thirty such projects both at home and abroad. This includes the Cheonggyecheon Sewage Treatment Plant, the first of its kind in Korea. It also boasts exceptional abilities in such project areas as sewage sludge treatment plants, municipal waste incineration facilities, flue gas desulfurization facilities, and vacuum-sealed conveyance systems. In 2008, it successfully completed a desulfurization facility at the Yonghung Thermal Power Plant and played an instrumental role in promoting such environmentally friendly new businesses as mechanical biological treatments (MBTs) and refuse-derived fuels (RDFs).

### INDUSTRIAL PLANTS

The Division also carries out such projects as LNG receiving terminals, LNG supply pipelines, draining gate facilities, heat supplying facilities for district heating, and integrated steel works. Some of its major projects have included the construction of the Incheon LNG receiving terminal storage tank units 11-12 and the Garyeok and Sinsi draining gate facilities in Saemangeum. It is currently working on the Tongyeong LNG production base units 13-14, the Pyeongtaek LNG production base units 20-21, the Incheon LNG receiving terminal units 19-20, and LNG supply pipelines in various parts of the country.

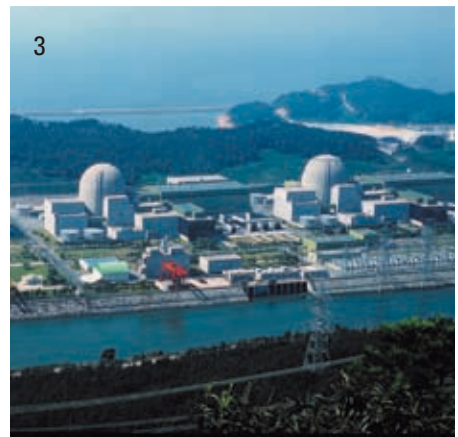
### NUCLEAR POWER PLANTS

The Division participated in the construction of the Kori Nuclear Power Plant, Unit 1—Korea's first nuclear power plant facility—in the early 1970s. Since then, it has grown into a leader in the construction of Korean nuclear power plants, completing 12 of the 20 now in operation. It is also devoted to the development of related technologies and the cultivation of top-flight engineers through its omni-directional involvement in nuclear power-related facilities projects. These have included capacity upgrades (such as the replacement of a steam generator at Kori Unit 1) and waste treatment facilities (like spent fuel dry-storage installations). The Division is currently the lead partner in the construction of major facilities at the Sinkori Nuclear Power Plant, Units 1, 2, 3, and 4. In addition, it is taking part in a consortium for the export of Korean nuclear power plants as a representative of the construction sector. This group was formed in response to calls for new nuclear power plant construction projects in countries attempting to cope with the demands of the UN Framework Convention on Climate Change and an increasing insistence on "green" growth.

1. South Pars Field Development phases 4 & 5 Onshore Facilities (Iran, 2002.03~2005.02)
2. SK No.2 FCC (Fluidized Catalytic Cracking) Project (Korea, 2006.01~2008.09)
3. Yonggwang Nuclear Power Plant, Units 5 & 6 (Korea, 1995.12~2002.12)
4. Zawia Combined Cycle Power Plant (Libya, 2005.02~2009.02)



2



3



4





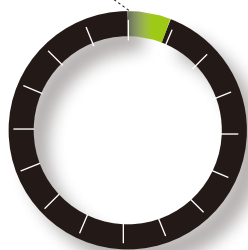
The Division of Electrical Works posted its best-ever results in 2008, recording US\$ 1.2 billion in orders received and US\$ 348 million in sales, a rise of more than 132.6% over the year. This resulted from executing 22 projects abroad (9 substation, 11 transmission and 2 power generation) and another 6 at home (1 power generation, 2 transmission and substation, 2 railways and 1 harbor).

The only value in the world

# Electrical Works

Proportion of 2008 sales

6.0%



Sales

Millions of US\$ \*



New Orders



Order Backlog



HDEC is the only construction company in the world that operates an independent electrical works division to engage in a variety of power and telecommunications businesses.

These include transmission lines and substations, gas turbine plants, communications, railway signals, and intelligent transport systems (ITSs). Based on its extensive experience and technologies, the company plans to lead the industry in the development of new and renewable energy such as solar heat and wind velocity and the construction of energy networks.

## TRANSMISSION & SUBSTATIONS

### TRANSMISSION LINES

The Division of Electrical Works has been instrumental in carrying out a wide range of transmission line projects both at home and abroad since its construction of Korea's first 154kV line. It also played an important role in furthering inter-Korean economic cooperation by successfully installing the 154kV transmission line between Munsan and Gaeseong, the first T/L line from South Korea to North Korea.

In 2008, the division was involved in a host of turn-key projects ranging from 132kV to 800kV lines, including a 380kV transmission line project in Saudi Arabia. These activities helped it retain its leadership in the world transmission market and the construction of infrastructures in the Middle East and North Africa.

#### Major Projects Currently Underway

- Qassim – Madinah 380kV Transmission Line, Saudi Arabia
- 380kV Qurayyah-2 P/P Overhead Transmission Line, Saudi Arabia
- Manifa Power Transmission and Substations, Saudi Arabia
- Al Jalamid 3 X 25 MW Gas Turbine Power Plant, Saudi Arabia
- Power Transmission System Expansion, Phase VIII 400/220kV Overhead Line, Qatar
- Power Network Expansion, Phase VIII (220kV Bani Hajir Super Station, etc.), Qatar
- Dubai 400kV 'M' Station, UAE
- Construction of 400kV Overhead Transmission Line, Libya
- Sarir 3 x 250MW Gas Turbine Power Plant, Libya
- 300/132/11kV Jaber Al Ahmed 'W' Substation, Kuwait

#### Major Projects Completed Over The Past Five Years

- GCC Interconnection Phase I 400kV Overhead Transmission Line, Saudi Arabia
- 380kV Shuqai–Al Kudmi/Abha East Overhead Transmission Line, Saudi Arabia
- Khurais–Ghunun 380kV Transmission Line, Saudi Arabia
- 380/132kV Substation at Khurais, Saudi Arabia
- Emirates National Grid 400 kV Overhead Transmission Lines, UAE
- Transco 220/132kV Substations at Bab & Bu Hasa, UAE
- Repowering of Jebel Ali Power and Desalination "D" Phase II, UAE
- 300kV Transmission Line Between Subiya Power Station and Jahra 'X' Substation, Kuwait
- 4 x 132/11kV Substations Project, Kuwait
- Tanjung Bin & Bukit Batu 500/275kV Substation Project, Malaysia



### SUBSTATIONS

Following the construction of 400kV substations in Iraq, the Division went on to successfully complete a series of substations in the Middle East including a 380kV substation in Saudi Arabia and a 300kV substation in Kuwait and Southeast Asia including a 500kV substation in Malaysia. It is presently carrying out a large number of projects, including EHV substations in the UAE, Qatar, and Libya. Besides diversifying its business areas, which used to be predominantly focused on the Middle East, it is also opening new markets, beginning with Africa.

### POWER PLANTS AND OTHER FACILITIES

#### POWER PLANTS

In 2008, the Division won orders for the Al-Jalamid Power Plant in Saudi Arabia and a gas turbine plant in Libya. It plans to increase its reach by participating in similar projects throughout the world. It is currently executing a cogeneration power plant project for the Jeonggwan District in Busan after obtaining permission for the direct sale of electricity—a “first” among private contractors in Korea. It is also playing the dominant role in the instrument and electrical areas of the Kori Nuclear Power Plant—Korea’s first nuclear power plant—and the Yonggwang and Wolsong nuclear power plants.

#### OTHER PROJECTS

The Incheon International Airport Railroad E&M project was the first to be ordered on a turn-key basis in Korea. It involved the installation of streetcar tracks stretching for 61.5 km, along with power supply and Supervisory Control and Data Acquisition (SCADA) facilities in the station complexes, control equipment, and platform safety doors. In spite of an extremely short construction schedule, HDEC’s experience and expertise allowed it to successfully complete the first-stage construction on time.

In addition, the Division helped to increase rail safety by replacing iron columns with circular steel ones at the Gyeongbu line’s Hwanggan-Apo streetcar facilities. HDEC’s superior technologies, including its safety management and mechanized construction techniques, also played an instrumental role in opening the Gyeongbu subway line to traffic.

1. Emirates National Grid 400kV Transmission Line Project, Stage II (UAE, 2004.03~2006.02)
2. Tanjung Bin 500/275kV Substations (Malaysia, 2003.11~2006.02)
3. Busan Jung gwan Co-Generation Power Plant (Korea, 2004.09~2008.10)
4. 380/132kV Substation at Khurais (Saudi Arabia, 2005.09~2007.06)
5. Incheon International Airport Railroad (Korea, 2002.04~2010.12)



# Procurement

Materials and sub-contracting expenses represent a considerable portion of HDEC's total construction costs. The Procurement Office is tasked with contributing to the company's profitability by achieving cost reductions whenever and wherever possible. This role has been highlighted as the result of a continuing rise in orders in the Middle East and the ensuing need to purchase materials there.

Purchases in 2008 totaled US\$ 5.3 billion, up 6% from the year before. This included US\$ 1.6 billion in domestic materials purchases, US\$ 1.7 billion in domestic subcontracted purchases, and US\$ 2.0 billion in overseas purchases.

## [ Procurement Philosophy ]



In order to become more responsive to increasingly specialized purchasing requirements, the need for continual system improvements, and a dramatic increase in project orders, HDEC has committed itself to the following procedures.

— The company is committed to quality vendor management, targeting leading domestic and overseas manufacturers and suppliers through its head office divisions, overseas branches, and credit rating agencies.

— HDEC's purchasing operations are managed through a computer-based enterprise resources planning (ERP) system that includes comprehensive information on all transactions. In addition, the company's bidding systems—including electronic tenders—have become more efficient and effective since the introduction of the ERP system in 1999. It has been in full use in all the company's operations both at home and overseas since 2002, enabling HDEC to maintain its leading edge in the field of e-business. In an age in which environmental issues are of increasing importance, the company is also committed to developing and using environmentally friendly materials at all its work-sites.

— HDEC operates overseas procurement offices (OPOs) in New Jersey, London, and Dubai, allowing it to secure more stable and competitive overseas purchasing sources through direct connections with locally-based manufacturers and suppliers and execute purchasing operations more efficiently.

— In addition to the Procurement Office and OPOs, HDEC has established regional customs clearance offices (RLCCOs) in Singapore, Riyadh, and Tripoli. These facilities make significant contributions to local economies by supporting customs clearances and inland materials transportation and assisting local POs. HDEC is now diversifying its buying lines to include partners in China and Eastern Europe, in addition to more traditional locations in Europe, the North America, and Japan. The goal is to secure highly sought-after raw materials in anticipation of increased orders for plant projects in the Middle East. The company is also concentrating on the development of high-quality local vendors in the region.

# Safety & Environment

HDEC has played a pivotal role in the economic growth of Korea and committed itself to implementing construction management to achieve respect for human life and comfortable living conditions for future generations.

This year, the Company's Health, Safety and Environment(HSE) Management Objective is to "Develop HSE Culture." To achieve this objective, it is doing its best to implement advanced HSE management systems and strengthen accident Prevention activities.

## Major Awards Received and Accident-Free Achievements in 2008

— Grand Prize at Environmentally Friendly Management Awards (Open Management Research Inc./The Korea Economic Daily)

— Order of Merit Award for the Prevention of Industrial Accidents (Ministry of Labor)

## Zero accidents over an entire project:

— Jebel Ali New Container Terminal Project, UAE

— Supply and Installation of Eight Substations Project, Kuwait

## Zero accidents over a period of 10,000,000 hours:

— Khurais Central Processing Facilities, Saudi Arabia

— New Ethane Recovery Plant Project, Kuwait

## HSE MANAGEMENT SYSTEM

In order to prevent industrial accidents and guarantee that its projects are always carried out in an environmentally friendly manner, HDEC has introduced and applied OHSAS 18001 and KOSHA 18001 safety management systems and ISO 14001 environmental management system to all sites around the world. In addition, it carries out regular HSE inspections to better monitor and improve the HSE management systems at all its work-sites.

It is also preventing accidents and minimizing environmental pollution by adopting standardized work methods based on risk assessment and complying with HSE rules and regulations. All employees have been committed to fostering a safe and comfortable working environment and developing an advanced HSE culture.

## Key Activities

- ISO 14001: 2004 Surveillance audits and recertification
- OHSAS 18001 Conversion audits and recertification
- KOSHA 18001 Surveillance audits and recertification
- HSE manual and procedures revisions
- HSE inspections of domestic and overseas work-sites
- HSE computerization system development and operation
- Updating HSE Training Material (in CD or DVD form) for New Employees
- Special training for on-site supervisors
- Standardization of safety items and facilities
- HSE training and certification for managers and supervisors of partner companies



# Quality Management

HDEC is striving to establish efficient quality management systems and is continuously ameliorating and developing them to meet the ever-changing needs of its clients and provide them with the finest quality services. Operating company-wide and international-quality management systems, the company is maximizing client trust management through the seamless execution of all its projects.

## SYSTEMS FOR THE STANDARDIZATION OF OPERATIONS

HDEC has laid the foundations for quality-oriented innovations by streamlining all its operations. The company operates an advanced quality management system through IT-based, standardized, company-wide business processes, real-time project monitoring and “e-QMS.” This helps it to meet the needs of its many work-sites promptly and improve communications between the head office and work-sites.

In addition, the company has assembled a team of more than 200 specialists versed in quality control and management issues. In 2007, in order to execute more overseas contracts, the company initiated a program of in-house training courses to foster quality managers especially for plant projects. They were then assigned to its various work-sites.

In 1993, HDEC became the first Korean construction company to obtain the ISO 9001 quality standard certification. It also won the grand prize at the Korea Quality Management Awards in 1997. In 2002, the company adopted the global-standard ISO 9001:2000 Quality Management System (QMS), instituting an era of even higher-quality management.

In the case of plant piping work, the company guarantees state-of-the-art construction management (CM) through the Integrated Piping Control System (IPCS). It has also developed an Advanced Quality Inspection System (AQIS) that combines the functions of the Hyundai Quality Rating System (HQRS), Value Engineering, a Human Resources Management System (HRM), and Personal Digital Assistants (PDAs). This allows the company to continuously augment its quality levels through the evaluation and analysis of processes and results relating to project quality systems, construction quality, cost reductions, and quality-related expenses.

In order to ensure the quality of machinery and equipment (which combine to make up a considerable portion of its plant construction costs), HDEC relies on quality-control specialists with an in-depth knowledge of machinery and equipment. In addition, the company conducts regular inspections of its machinery and equipment suppliers. These are reflected in the evaluation of partner companies and help them to detect and prevent problems in a proactive manner.

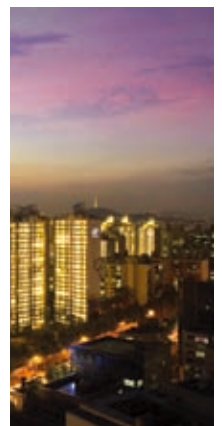
This commitment to quality has earned HDEC two extremely important certifications. One is from the American Society of Mechanical Engineers (ASME) for NA (nuclear assembly), NPT (nuclear partials), and NS (nuclear supports); the other, from the Korean Electric Power Industry Codes and Standards MN/SN/EN/DN, attests to the quality of its nuclear power machinery, structures, operations, and boilers. It also boasts an American National Board of Boiler and Pressure Vessel Inspectors NR certification for the repair, modification, and replacement of nuclear power plants. In 2006, it became the first player in the industry to obtain a Class TC

(Transportation Containments)/SC (Storage Containments) license for the construction of radioactive waste treatment plants, helping it to extend its business interests even further.

HDEC operates a centralized technical information office for the collection, analysis, processing, editing, and utilization of various kinds of data. The office currently contains 26,820 items of generalized data, 39,003 items of technical data, and 1,706 items of audio/visual materials, along with about 50 types of standards (10 in DVDs), 550 periodicals, and 8,932,784 pages of designs and documents on microfilm. It has also produced a series of quality-related CD-ROMs, condensing a vast amount of construction and projects-related documentation, records, and blueprints into an easily accessible format. These resources are used by divisions that are researching similar types of projects or to identify ways of improving construction quality.

Beginning from 2007, the company has been publishing the HINT, a collection of project failure cases and ancillary technological information. In 2008, it introduced a construction work documentation and computerized management system. These allow users to obtain information on past and current projects and see how problems arising at work-sites can be resolved.

HDEC is committed to attaining world-class quality levels by aiming for total customer satisfaction through continuous improvements to its operating systems and processes. To this end, it has developed indicators to evaluate its quality competitiveness on all projects via preventive quality management activities and the objective measurement of tasks and accomplishments.



# Technology R&D





## HYUNDAI INSTITUTE OF CONSTRUCTION TECHNOLOGY (HICT)

HICT is furnished with a variety of specially customized, state-of-the-art facilities. Housed in three buildings, its team of highly-trained engineers, scientists, and support workers is tasked with conducting research and development initiatives for HDEC's construction sites around the world.

### Civil Infrastructures

Two large shaking tables, large scale structure lab, dynamic and static triaxial apparatuses, pile dynamic analyzer, initial stress measuring unit, geo-radar, electrical resistivity system and noise vibration monitoring system, 500-ton concrete and rock testing facility, concrete calorimeter, dynamic shear rheometer, gyratory compactor, etc.

### Architectural Engineering

(Buildings)  
Walk-in climate simulation chamber, wind tunnel laboratory, acoustic laboratory, indoor air-quality laboratory, heat flow measuring chamber, etc.

### Environmental Engineering

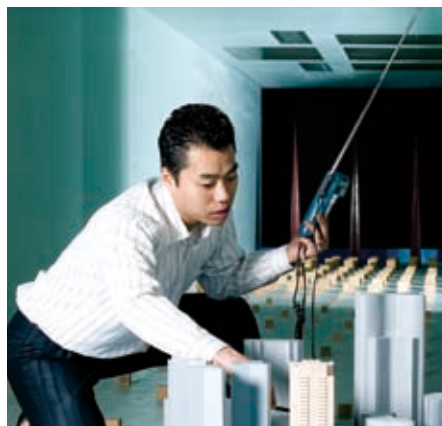
GC, GC-MS, AAs, HPLC, UVs, IC, TOC, elemental analyzer, oxygen bomb calorimeter, particle counter, zeta potential analyzer, etc.

### Design And Engineering

Design work for domestic and foreign projects, tender designs for foreign projects, design work for domestic turn-key projects.

### CURRENT RESEARCH PROJECTS

- Efficient Dredging Technologies
- Progressive Improvement of Very Soft Ground
- Development of a New Support System to Minimize Ground Deformation during Tunneling
- Improvements in Tunnel Design & Construction Methods
- Evaluation of the Capacity and Behavior of Large Pile Foundations
- Improvements to Retaining Structures and Slope Reinforcement Using Expansive Cement
- Bio-Energy Production and Applications from Organic Wastes Anaerobic Digester
- Aquatic Ecology Restoration Technology: Development of Techniques for Fluvial Riverbed Restoration and Stream Land-Forming Management
- Low Energy and Cost Effective Building and Equipment Technologies
- Employment of Renewable Energy in Architectural and Civil Works Considering Local Characteristics and Landscapes
- Technical Solutions to Reduce CO2 Emissions for Sustainable Construction
- Development of Super-High-Strength Concrete
- Development of Super-Low Heat-Concrete for Mass Concrete Structures
- Development of High-Durability and Fire-Resistant Concrete
- Nano-Concrete for Blast-Resistant Structures
- Thin-Layered Pavement with Environment Friendly Ceramic Materials
- Development of Smart Highway Pavement for Bridge Decks
- Development of Hybrid Structural Systems
- Evaluation of Seismic Performance for Special Structures
- Aerodynamic Analyses of Long-Span Bridges
- GPS Health Monitoring Systems for Construction and Maintenance
- Construction Techniques for Offshore Structures Generating Renewable Ocean Energy



\*Korean Won has been converted into US\$ at a rate of 1,257.5 won/dollar,  
the basic exchange rate as of Dec. 31, 2008.

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# Building for growth with change and creativity

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In order to retain its position as “the best enterprise in Korea,” the company intends to reinforce its top-ranked domestic engineering and construction abilities by ensuring the highest possible level of competitiveness.

## Five-Year Financial Summary

( In millions of Korean Won )

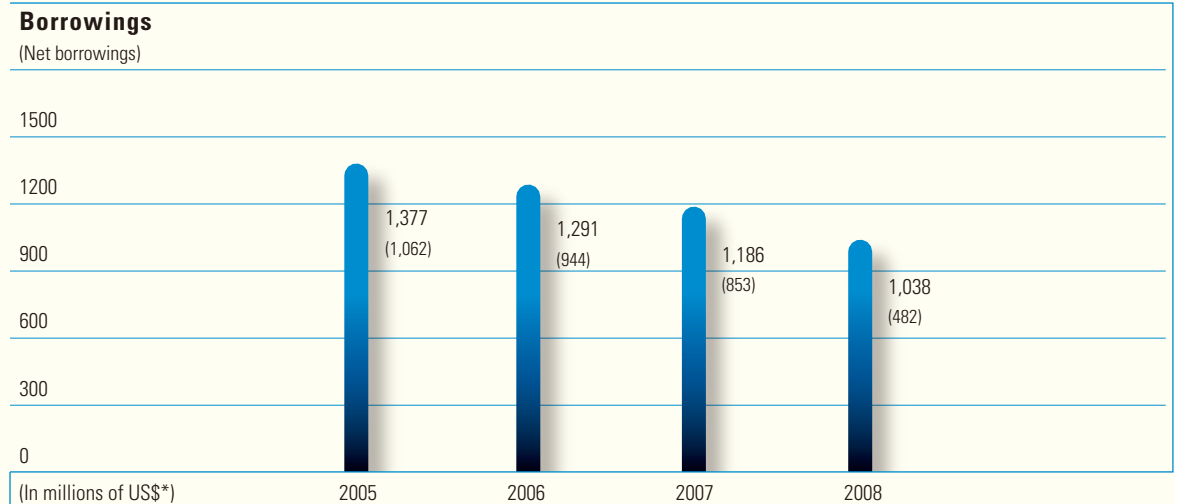
	2008	2007	2006	2005	2004
<b>Sales</b>	7,271,097	5,649,098	5,084,899	4,285,136	4,646,116
Cost	6,523,550	5,067,521	4,476,644	3,702,939	4,188,219
Selling & Administrative Expenses	267,341	219,522	213,869	145,977	141,823
<b>Operating Income</b>	480,206	362,055	394,386	436,220	316,074
Non-operating Income	601,337	205,502	157,365	103,127	132,582
Non-operating Expenses	533,545	179,610	288,905	342,933	496,156
( Interest Expenses )	(81,246)	(96,235)	(101,212)	(108,865)	(115,395)
<b>Income before Income Taxes</b>	547,998	387,947	262,846	196,414	-47,501
Income Taxes	174,524	110,563	-134,758	-130,108	-114,812
<b>Net Income</b>	373,474	277,384	397,604	326,522	67,311
<b>Total Assets</b>	8,143,810	6,671,243	5,708,986	5,122,698	4,526,622
Current Assets	5,281,577	4,030,945	3,274,094	2,922,565	2,387,877
Property, Plant and Equipment	696,775	614,050	607,010	628,444	693,294
Investments	2,165,458	2,026,248	1,827,882	1,571,689	1,445,451
<b>Total Liabilities</b>	5,250,716	4,384,588	3,886,341	3,807,123	3,643,520
Current Liabilities	4,372,216	3,262,298	2,395,378	2,949,549	2,407,299
Long-term Liabilities	878,500	1,122,290	1,490,963	857,574	1,236,221
<b>Total Shareholders' Equity</b>	2,893,094	2,286,655	1,822,645	1,315,575	883,102
<b>Total Liabilities &amp; Shareholders' Equity</b>	8,143,810	6,671,243	5,708,986	5,122,698	4,526,622
<b>Paid-in Capital</b>	555,486	554,755	553,670	547,153	545,794

( In thousands of US\$ )

	2008	2007	2006	2005	2004
<b>Sales</b>	5,782,184	6,021,209	5,469,986	4,230,144	4,451,155
Cost	5,187,714	5,401,323	4,815,667	3,655,419	4,012,473
Selling & Administrative Expenses	212,596	233,982	230,065	144,103	135,871
<b>Operating Income</b>	381,874	385,904	424,254	430,622	302,811
Non-operating Income	478,201	219,038	169,283	101,803	127,018
Non-operating Expenses	424,291	191,441	310,784	338,531	475,336
( Interest Expenses )	(64,609)	(102,574)	(108,877)	(107,468)	(110,553)
<b>Income before Income Taxes</b>	435,784	413,501	282,752	193,894	-45,507
Income Taxes	138,787	117,845	-144,963	-128,438	-109,994
<b>Net Income</b>	296,997	295,656	427,715	322,332	64,487
<b>Total Assets</b>	6,476,191	7,110,683	6,141,336	5,056,958	4,336,676
Current Assets	4,200,061	4,296,467	3,522,046	2,885,059	2,287,678
Property, Plant and Equipment	554,095	654,498	652,979	620,379	664,202
Investments	1,722,035	2,159,718	1,966,311	1,551,520	1,384,796
<b>Total Liabilities</b>	4,175,521	4,673,404	4,180,659	3,758,266	3,490,631
Current Liabilities	3,476,911	3,477,189	2,576,783	2,911,697	2,306,283
Long-term Liabilities	698,610	1,196,215	1,603,876	846,569	1,184,348
<b>Total Shareholders' Equity</b>	2,300,670	2,437,279	1,960,677	1,298,692	846,045
<b>Total Liabilities &amp; Shareholders' Equity</b>	6,476,191	7,110,683	6,141,336	5,056,958	4,336,676
<b>Paid-in Capital</b>	441,738	591,297	595,601	540,131	522,892
<b>Applied exchange rate</b>	₩ 1,257.50	₩ 938.20	₩ 929.60	₩ 1,013.00	₩ 1,043.80

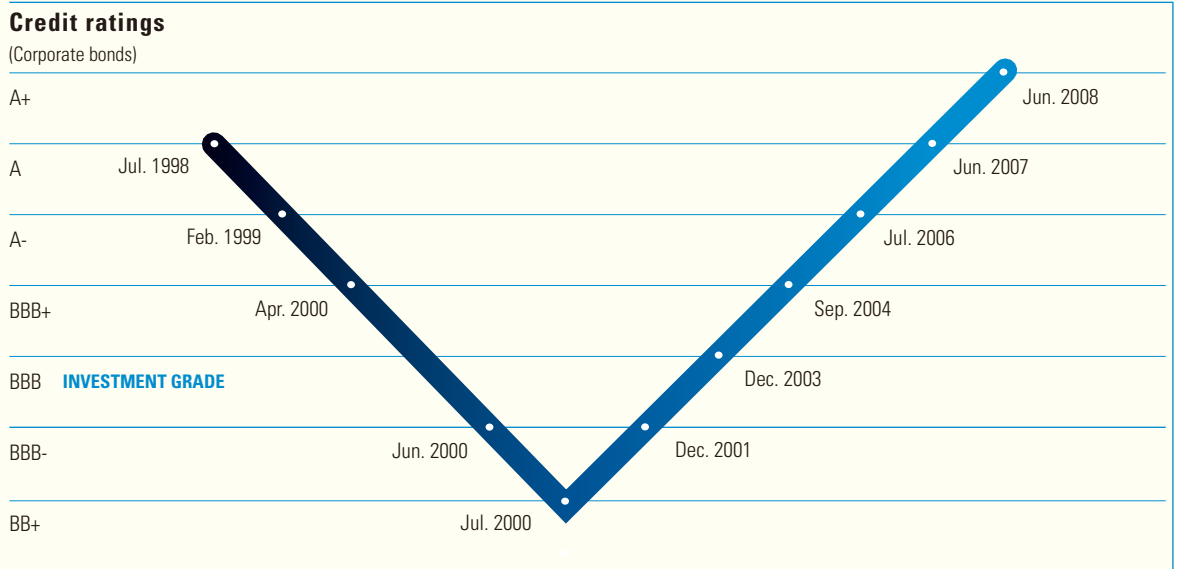
## Financial Review

HDEC's financial soundness improved in 2008 through the continuous repayment of borrowings and a noticeable increase in net income. Borrowings decreased by US\$ 148 million to US\$ 1.0 billion at year-end, while net borrowings considering cash lessened by US\$ 371 million to US\$ 482 million.



The company experienced high growth in both sales and net income. It also stabilized its earnings structure and ability to generate cash from operating activities, and continued improving its financial structure through the continuous generation of profits. As a result, Korea's top three credit rating agencies—the Korea Information Service, Korea Ratings, and National Information & Credit Evaluations—upgraded their ratings for HDEC's corporate bonds and commercial paper to "A+" and "A2+," respectively, from "A" and "A2" the previous year.

These upgrades enabled the company to reduce its financing expenses following declines in corporate bond and commercial paper issuing rates. This should also lead to upward adjustments to internal ratings by financial and guarantee institutions, resulting in even further reductions in its financing expenses and guarantee fees. The company expects to see improvements to financial conditions both at home and overseas, strengthened operational competitiveness, heightened external market credibility, and an advance in its corporate values.

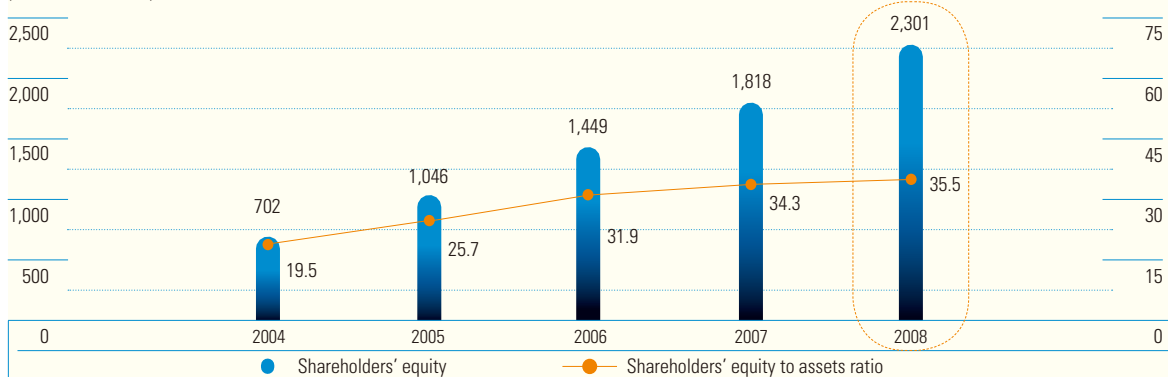


\* Korean Won has been converted into US\$ at a rate of 1,257.5 won/dollar, the basic exchange rate as of Dec. 31, 2008.

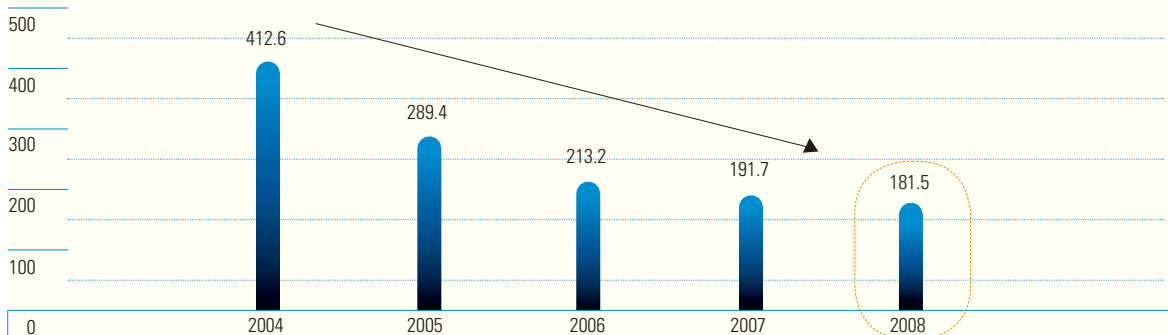
Shareholders' equity expanded by 26.5% over the year to reach US\$ 2.3 billion at year-end, due to an increase in retained earnings following an improvement in operating results. The liabilities to shareholders' equity ratio and the shareholders' equity to assets ratio improved by 10.2% and 1.2%, respectively, to 181.5% and 35.5%.

### Shareholders' equity

(In millions of US\$\*)



### Liabilities-to-shareholders' equity ratio (%)



The company expects to lower its 2009 liabilities-to-shareholders' equity ratio to the 160% level through the repayment of loans.

## INDEPENDENT AUDITORS' REPORT

English Translation of a Report Originally Issued in Korean

### TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.:


We have audited the accompanying non-consolidated balance sheet of Hyundai Engineering & Construction Co., Ltd. (the "Company") as of December 31, 2008, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year ended December 31, 2008, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The 2007 financial statements of the Company presented herein for comparative purposes, were audited by Samjong KPMG whose report dated February 22, 2008, expressed an unqualified opinion on those statements. The non-consolidated financial statements as of December 31, 2007, audited by Samjong KPMG, did not reflect accumulated effects of accounting changes that were discussed in Note 2. The accompanying financial statements as of December 31, 2007, which are comparatively presented, were restated and reflected accumulated effects of such accounting changes.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and the results of its operations, changes in its retained earnings and its equity, and its cash flows for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Our audits also comprehended the translation of Korean Won amounts into U.S. Dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. Dollar amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are intended for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.



February 24, 2009

#### Notice to Readers

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This report is effective as of February 24, 2009, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

# NON-CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents (Note 12)	₩ 698,344	₩ 418,050	\$ 555,343	\$ 332,445
Short-term financial instruments (Note 3)	50	245	40	195
Short-term investment securities (Notes 4 and 22)	569,228	14,579	452,666	11,594
Trade receivables, less allowance for doubtful accounts of ₩59,732 million in 2008 and ₩42,074 million in 2007 (Notes 9, 13 and 18)	1,537,327	1,891,937	1,222,526	1,504,522
Other receivables, less allowance for doubtful accounts of ₩62,755 million in 2008 and ₩66,514 million in 2007 (Notes 9, 10 and 13)	491,252	485,566	390,658	386,136
Advanced payments, less allowance for doubtful accounts of ₩94 million in 2008 and ₩92 million in 2007	563,043	296,176	447,748	235,528
Prepaid expenses, less allowance for doubtful accounts of ₩3,225 million in 2008 and ₩4,596 million in 2007	366,825	259,944	291,710	206,715
Foreign exchange forward contracts (Note 24)	40,235	-	31,996	-
Current portion of deferred tax assets (Note 20)	-	111,547	-	88,705
Inventories (Notes 2 and 7)	721,899	370,598	574,075	294,710
Other current assets	293,374	182,303	233,299	144,973
	<b>5,281,577</b>	<b>4,030,945</b>	<b>4,200,061</b>	<b>3,205,523</b>
Non-current assets:				
Long-term investment securities (Notes 4 and 22)	813,699	1,164,827	647,077	926,304
Investment securities accounted for using the equity method (Notes 5 and 22)	419,593	281,174	333,672	223,598
Investment in properties (Notes 6 and 8)	231,955	-	184,457	-
Long-term financial instruments (Note 3)	35	35	28	28
Long-term loans receivable, less allowance for doubtful accounts of ₩13,776 million in 2008 and ₩13,903 million in 2007	177,858	118,157	141,438	93,962
Foreign exchange forward contracts (Note 24)	40,768	-	32,420	-
Property, plant and equipment, net of accumulated depreciation and impairment of ₩396,219 million in 2008 and ₩328,301 million in 2007 (Notes 7, 8, 22 and 26)	696,775	614,050	554,095	488,310
Other long-term receivables - Iraq, less allowance for doubtful accounts of ₩425,849 million in 2008 and ₩335,730 million in 2007 (Notes 9 and 10)	345,496	257,769	274,748	204,985
Other long-term receivables, less present value discount of ₩812 million in 2008 and ₩188 million in 2007 (Notes 9 and 13)	5,327	21,552	4,238	17,138
Guarantee deposits	73,652	93,464	58,570	74,325
Deferred tax assets (Note 20)	54,567	82,844	43,393	65,880
Other non-current assets, less allowance for doubtful accounts of ₩392 million in 2008 and ₩1,775 million in 2007 (Note 9)	2,508	6,426	1,994	5,110
	<b>2,862,233</b>	<b>2,640,298</b>	<b>2,276,130</b>	<b>2,099,640</b>
<b>Total Assets</b>	<b>₩ 8,143,810</b>	<b>₩ 6,671,243</b>	<b>\$ 6,476,191</b>	<b>\$ 5,305,163</b>



	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities:				
Trade payables (Note 13)	₩ 1,179,194	₩ 1,087,774	\$ 937,729	\$ 865,029
Short-term borrowings (Notes 11 and 12)	508,172	187,730	404,113	149,288
Other payables (Note 13)	318,249	291,992	253,081	232,201
Advances from customers (Note 18)	1,718,129	1,123,020	1,366,305	893,058
Provision for losses from construction contracts (Note 18)	31,778	44,082	25,271	35,055
Current portion of long-term debt (Note 11)	412,017	464,926	327,648	369,722
Current portion of deferred tax liabilities (Note 20)	73,324	-	58,309	-
Foreign exchange forward contracts (Note 24)	52,677	-	41,890	-
Other current liabilities	78,676	62,774	62,565	49,920
	<b>4,372,216</b>	<b>3,262,298</b>	<b>3,476,911</b>	<b>2,594,273</b>
Long-term liabilities:				
Long-term debt (Notes 11 and 23)	384,612	838,245	305,854	666,596
Accrued severance benefits, net of individual severance insurance deposits for employees of ₩59,276 million in 2008 and ₩57,807 million in 2007 (Note 2)	234,549	195,621	186,520	155,563
Provision for warranty costs (Note 18)	105,734	53,952	84,083	42,904
Guarantee deposits received on construction contracts	121,991	34,472	97,013	27,413
Foreign exchange forward contracts (Note 24)	31,614	-	25,140	-
	<b>878,500</b>	<b>1,122,290</b>	<b>698,610</b>	<b>892,476</b>
<b>Total Liabilities</b>	<b>5,250,716</b>	<b>4,384,588</b>	<b>4,175,521</b>	<b>3,486,749</b>
<b>Commitments and contingencies (Note 23)</b>				
Shareholders' equity:				
Capital stock (Note 14)	555,486	554,755	441,738	441,157
Capital surplus (Note 14)	807,469	792,985	642,122	630,604
Capital adjustments (Notes 17, 20 and 21)	(2,805)	(374)	(2,231)	(297)
Accumulated other comprehensive income (Notes 4, 5, 16, 20 and 26)	446,023	198,099	354,690	157,534
Retained earnings (Note 15)	1,086,921	741,190	864,351	589,416
<b>Total Shareholders' Equity</b>	<b>2,893,094</b>	<b>2,286,655</b>	<b>2,300,670</b>	<b>1,818,414</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>₩ 8,143,810</b>	<b>₩ 6,671,243</b>	<b>\$ 6,476,191</b>	<b>\$ 5,305,163</b>

See accompanying notes to non-consolidated financial statements.

# NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Won		US\$ (Note 2)	
	(In millions, except per share amounts)	(In thousands, except per share amounts)	(In millions, except per share amounts)	(In thousands, except per share amounts)
	2008	2007	2008	2007
<b>Sales (Notes 13, 18 and 26):</b>				
Engineering and construction	₩ 7,037,657	₩ 5,252,080	\$ 5,596,546	\$ 4,176,604
Housing and other sales	233,440	397,018	185,638	315,720
	7,271,097	5,649,098	5,782,184	4,492,324
<b>Cost of sales (Notes 13, 18 and 19):</b>				
Engineering and construction	6,327,756	4,734,072	5,032,013	3,764,670
Housing and other sales	195,794	333,449	155,701	265,168
	6,523,550	5,067,521	5,187,714	4,029,838
<b>Gross profit (Notes 18 and 26)</b>	<b>747,547</b>	<b>581,577</b>	<b>594,470</b>	<b>462,486</b>
Selling and administrative expenses (Note 29)	267,341	219,522	212,596	174,569
<b>Operating income</b>	<b>480,206</b>	<b>362,055</b>	<b>381,874</b>	<b>287,917</b>
Other income (expenses), net:				
Interest expense, net (Note 4)	(28,565)	(42,341)	(22,716)	(33,671)
Foreign currency transaction loss, net	(21,077)	(4,365)	(16,761)	(3,471)
Foreign currency translation gain, net	86,962	3,217	69,155	2,558
Gain (Loss) on valuation of equity securities using the equity method, net (Note 5)	(76,796)	30,739	(61,070)	24,445
Loss on valuation of derivatives, net (Note 24)	(2,846)	-	(2,263)	-
Gain on disposition of Property, plant and equipment, net	165,952	10,004	131,970	7,955
Other, net	(55,838)	28,638	(44,405)	22,774
	67,792	25,892	53,910	20,590
<b>Income before income tax</b>	<b>547,998</b>	<b>387,947</b>	<b>435,784</b>	<b>308,507</b>
<b>Income tax expense (Note 20)</b>	<b>174,524</b>	<b>110,563</b>	<b>138,787</b>	<b>87,923</b>
<b>Net income</b>	<b>₩ 373,474</b>	<b>₩ 277,384</b>	<b>\$ 296,997</b>	<b>\$ 220,584</b>
<b>Earnings per common share (Note 21)</b>	<b>₩ 3,366</b>	<b>₩ 2,505</b>	<b>\$ 2.68</b>	<b>\$ 1.99</b>
<b>Earnings per common share – assuming dilution (Note 21)</b>	<b>₩ 3,364</b>	<b>₩ 2,503</b>	<b>\$ 2.68</b>	<b>\$ 1.99</b>

See accompanying notes to non-consolidated financial statements.

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
<b>RETAINED EARNINGS BEFORE APPROPRIATIONS:</b>				
Unappropriated retained earnings carried over from prior years	₩ 38,863	₩ 31,996	\$ 30,905	\$ 25,444
Net income	373,474	277,384	296,997	220,584
	<b>412,337</b>	<b>309,380</b>	<b>327,902</b>	<b>246,028</b>
<b>APPROPRIATIONS:</b>				
Legal reserve	5,555	2,774	4,418	2,207
Cash dividends (Note 27) (10% on par value at ₩500 per common share and 11% on par value at ₩550 per preferred share in 2008)	55,554	27,743	44,178	22,062
Reserve for overseas business losses	100,000	100,000	79,523	79,523
Reserve for technology development	100,000	50,000	79,523	39,761
Reserve for business expansion	50,000	40,000	39,761	31,809
Discretionary reserve	50,000	50,000	39,761	39,761
	<b>361,109</b>	<b>270,517</b>	<b>287,164</b>	<b>215,123</b>
<b>UNAPPROPRIATED RETAINED EARNINGS</b>				
<b>TO BE CARRIED FORWARD TO SUBSEQUENT YEAR</b>	<b>₩ 51,228</b>	<b>₩ 38,863</b>	<b>\$ 40,738</b>	<b>\$ 30,905</b>

See accompanying notes to non-consolidated financial statements.

# NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Won (In millions)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at Jan. 1, 2007	₩ 553,670	₩ 784,143	₩ 211	₩ 20,815	₩ 463,806	₩1,822,645
Effect of accounting changes	-	12	290	(302)	-	-
Balance after adjustment	553,670	784,155	501	20,513	463,806	1,822,645
Effect of change in the stock option	1,085	8,842	1,518	-	-	11,445
Net income	-	-	-	-	277,384	277,384
Decrease in foreign based operations translation adjustments	-	-	-	(6,569)	-	(6,569)
Variance of subsidiaries on fluctuation of equity	-	(12)	(2,393)	-	-	(2,405)
Increase in unrealized gain on valuation of investment securities	-	-	-	183,386	-	183,386
Increase in loss on valuation of equity method accounted investments	-	-	-	769	-	769
<b>Balance at Dec. 31, 2007</b>	<b>₩ 554,755</b>	<b>₩ 792,985</b>	<b>₩ (374)</b>	<b>₩ 198,099</b>	<b>₩ 741,190</b>	<b>₩2,286,655</b>
Balance at Jan. 1, 2008	₩ 554,755	₩ 792,985	₩ 1,729	₩ 195,996	₩ 741,190	₩2,286,655
Effect of accounting changes	-	-	(2,103)	2,103	-	-
Balance after adjustment	554,755	792,985	(374)	198,099	741,190	2,286,655
Dividend	-	-	-	-	(27,743)	(27,743)
Balance after appropriations	554,755	792,985	(374)	198,099	713,447	2,258,912
Effect of change in the stock option	731	14,484	(540)	-	-	14,675
Net income	-	-	-	-	373,474	373,474
Other capital adjustments	-	-	(1,891)	-	-	(1,891)
Increase in foreign based operations translation adjustments	-	-	-	85,393	-	85,393
Increase in unrealized gain on valuation of investment securities	-	-	-	156,526	-	156,526
Increase in loss on valuation of equity method accounted investments	-	-	-	6,005	-	6,005
<b>Balance at Dec. 31, 2008</b>	<b>₩ 555,486</b>	<b>₩ 807,469</b>	<b>₩ (2,805)</b>	<b>₩ 446,023</b>	<b>₩1,086,921</b>	<b>₩2,893,094</b>

US\$ (Note 2) (In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at Jan. 1, 2007	\$ 440,295	\$ 623,573	\$ 167	\$ 16,553	\$ 368,832	\$ 1,449,420
Effect of accounting changes	-	10	231	(241)	-	-
Balance after adjustment	440,295	623,583	398	16,312	368,832	1,449,420
Effect of change in the stock option	862	7,030	1,209	-	-	9,101
Net income	-	-	-	-	220,584	220,584
Decrease in foreign based operations translation adjustments	-	-	-	(5,224)	-	(5,224)
Variance of subsidiaries on fluctuation of equity	-	(9)	(1,904)	-	-	(1,913)
Increase in unrealized gain on valuation of investment securities	-	-	-	145,834	-	145,834
Increase in loss on valuation of equity method accounted investments	-	-	-	612	-	612
<b>Balance at Dec. 31, 2007</b>	<b>\$ 441,157</b>	<b>\$ 630,604</b>	<b>\$ (297)</b>	<b>\$ 157,534</b>	<b>\$ 589,416</b>	<b>\$ 1,818,414</b>
Balance at Jan. 1, 2008	\$ 441,157	\$ 630,604	\$ 1,376	\$ 155,861	\$ 589,416	\$ 1,818,414
Effect of accounting changes	-	-	(1,673)	1,673	-	-
Balance after adjustment	441,157	630,604	(297)	157,534	589,416	1,818,414
Dividend	-	-	-	-	(22,062)	(22,062)
Balance after appropriations	441,157	630,604	(297)	157,534	567,354	1,796,352
Effect of change in the stock option	581	11,518	(430)	-	-	11,669
Net income	-	-	-	-	296,997	296,997
Other capital adjustments	-	-	(1,504)	-	-	(1,504)
Increase in foreign based operations translation adjustments	-	-	-	67,907	-	67,907
Increase in unrealized gain on valuation of investment securities	-	-	-	124,474	-	124,474
Increase in loss on valuation of equity method accounted investments	-	-	-	4,775	-	4,775
<b>Balance at Dec. 31, 2008</b>	<b>\$ 441,738</b>	<b>\$ 642,122</b>	<b>\$ (2,231)</b>	<b>\$ 354,690</b>	<b>\$ 864,351</b>	<b>\$ 2,300,670</b>

See accompanying note to non-consolidated financial statements.

# NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
<b>Cash flows from operating activities:</b>				
Net income	₩ 373,474	₩ 277,384	\$ 296,997	\$ 220,584
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation	35,726	24,870	28,410	19,777
Bad debt expense	21,533	3,751	17,124	2,983
Provision for severance benefits	61,248	59,187	48,706	47,067
Interest expense	1,990	2,118	1,583	1,684
Gain on disposal of investment securities, net	(15,237)	(7,295)	(12,117)	(5,801)
Loss (Gain) on valuation of equity securities using the equity method, net	76,796	(30,739)	61,070	(24,445)
Gain on disposal of property, plant and equipment, net	(165,952)	(10,004)	(131,970)	(7,955)
Loss on impairment of investment securities	4,086	12,420	3,249	9,877
Amortization (Reversal) of loss on foreign-based operations translation	11,079	(14,501)	8,810	(11,532)
Loss on valuation of derivatives, net	2,846	-	2,263	-
Other gain, net	(26,744)	(53,464)	(21,266)	(42,515)
	<b>7,371</b>	<b>(13,657)</b>	<b>5,862</b>	<b>(10,860)</b>
<b>Changes in operating assets and liabilities:</b>				
Decrease (Increase) in trade receivable	163,655	(380,449)	130,143	(302,544)
Increase in other receivables	(32,032)	(174,109)	(25,473)	(138,456)
Increase in advanced payments	(266,896)	(82,635)	(212,243)	(65,714)
Increase in prepaid expenses	(105,531)	(60,601)	(83,921)	(48,192)
Increase in other current assets	(111,093)	(88,617)	(88,344)	(70,471)
Increase in inventories	(375,023)	(3,215)	(298,229)	(2,557)
Decrease in current portion of deferred tax assets	95,460	10,410	75,913	8,278
Decrease in deferred tax assets	28,043	100,153	22,301	79,645
Decrease in other long-term accounts receivable	1,625	34,128	1,292	27,140
Increase (Decrease) in trade payables	91,420	(167,435)	72,700	(133,149)
Increase in other payables	24,139	75,055	19,196	59,686
Increase in advances from customers	596,389	636,643	474,266	506,277
Increase in foreign - based operations translation adjustments	173,692	13,617	138,125	10,829
Decrease in current portion of deferred tax liabilities	(3,004)	-	(2,389)	-
Increase in deferred tax liabilities	32,794	-	26,079	-
Other, net	81,188	28,324	64,561	22,523
	<b>394,826</b>	<b>(58,731)</b>	<b>313,977</b>	<b>(46,705)</b>
	<b>775,671</b>	<b>204,996</b>	<b>616,836</b>	<b>163,019</b>

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
<b>Cash flows from investing activities:</b>				
<b>Cash inflows from investing activities:</b>				
Disposal of short-term investment securities	₩ 14,579	₩ 19,525	\$ 11,594	\$ 15,527
Disposal of property, plant and equipment	17,552	26,491	13,958	21,066
Reduction in other long-term receivables	19,965	1,991	15,877	1,583
Withdrawal of short-term financial instruments	199	26,620	158	21,169
Capital reduction of investment securities accounted for using the equity method	16,217	-	12,896	-
Collection of long-term loans	114,781	126,192	91,277	100,351
Reduction in other assets	83,071	19,242	66,060	15,303
	<b>266,364</b>	<b>220,061</b>	<b>211,820</b>	<b>174,999</b>
<b>Cash outflows from investing activities:</b>				
Extension of long-term loans	176,572	101,373	140,415	80,615
Acquisition of property, plant and equipment	175,074	38,725	139,224	30,795
Acquisition of long-term investment securities	57,825	50,524	45,984	40,178
Additions to other assets	87,874	122,382	69,880	97,322
	<b>497,345</b>	<b>313,004</b>	<b>395,503</b>	<b>248,910</b>
	<b>(230,981)</b>	<b>(92,943)</b>	<b>(183,683)</b>	<b>(73,911)</b>
<b>Cash inflow from financing activities:</b>				
Proceeds from short-term borrowings	1,541,043	-	1,225,482	-
Proceeds from long-term debt	-	139,416	-	110,868
Exercise of stock option	8,277	9,817	6,582	7,807
	<b>1,549,320</b>	<b>149,233</b>	<b>1,232,064</b>	<b>118,675</b>
<b>Cash outflow from financing activities:</b>				
Repayment of short-term borrowings	1,245,500	74,207	990,457	59,012
Repayment of long-term debt including current portion	540,446	205,470	429,778	163,396
Payment of cash dividends	27,743	-	22,062	-
Others	27	7	22	6
	<b>1,813,716</b>	<b>279,684</b>	<b>1,442,319</b>	<b>222,414</b>
	<b>(264,396)</b>	<b>(130,451)</b>	<b>(210,255)</b>	<b>(103,739)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>280,294</b>	<b>(18,398)</b>	<b>222,898</b>	<b>(14,631)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>418,050</b>	<b>436,448</b>	<b>332,445</b>	<b>347,076</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>₩ 698,344</b>	<b>₩ 418,050</b>	<b>\$ 555,343</b>	<b>\$ 332,445</b>

See accompanying notes to non-consolidated financial statement.

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 1. THE COMPANY

Hyundai Engineering & Construction Co., Ltd. (the "Company") was incorporated on January 10, 1950, under the laws of the Republic of Korea to engage in civil engineering and construction business. On December 22, 1984, the Company listed its shares on the Korea Exchange, and a total of 111,097,220 shares (par value: ₩5,000) of stock are issued and are outstanding ₩555,486 million. The Company's shareholders as of December 31, 2008 are as follows:

	Number of shares owned	Percentage of ownership (%)
Korea Development Bank	16,289,508	14.66
Woori Bank	15,952,494	14.36
Korea Exchange Bank	13,778,324	12.40
Kookmin Bank	5,625,545	5.06
Shinhan Bank	4,533,923	4.08
National Agricultural Cooperative Federation	3,461,296	3.12
Hana Bank	2,240,154	2.02
Others	49,215,976	44.30
	111,097,220	100.00

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying financial statements.

The non-consolidated financial statements prepared for submission to the annual shareholders' meeting were approved by the Company's board of directors on February 24, 2009.

### Adoption of Statements of Korea Accounting Standards ("SKAS")

The Korean Accounting Standards Board ("KASB") of the Korean Accounting Institute ("KAI") has published a series of Statements of Korea Accounting Standards, which replace the existing financial accounting standards, established by the Korean Financial and Supervisory Board. The Company prepared its financial statements as of December 31, 2008 in accordance with the SKAS No. 1 through No. 25.



### Application of New and Amended SKAS and Other Pronouncements

SKAS and other pronouncements that were amended by the KASB of the KAI for the year ended December 31, 2007 and newly adopted by the Company for the year ended December 31, 2008 are summarized below.

SKAS and other pronouncements	Major changes
SKAS No. 5, <i>Property, Plant and Equipment</i>	<ul style="list-style-type: none"> <li>- Assets that are under constructions or development and expected to be used as inventories are excluded from the scope of scope of the SKAS No. 5.</li> <li>- Spare parts and repair tools are classified as property, plant and equipment subject to the SKAS No. 5 when the following conditions are met: (i) the useful life is more than a year; (ii) the asset's use is supplemental to other tangible assets; and (iii) the frequency of the asset's use is irregular.</li> </ul>
SKAS No. 15, <i>Investments in Associates</i>	<ul style="list-style-type: none"> <li>- Amended to clarify exclusion of receivables collected after the balance sheet date or short-term loans from the scope of long-term receivables from investee</li> <li>- Amended to clarify that the subsidiary's net assets on the consolidated balance sheet is compared to the acquisition costs upon additional acquisition of shares in a subsidiary</li> </ul>
SKAS No. 16, <i>Income Taxes</i>	<ul style="list-style-type: none"> <li>- Footnote disclosure requirements were amended to (i) include the total income tax effect and the detail on intraperiod tax allocation within the income tax composition disclosure; (ii) eliminate disclosure requirement on detail of tax adjustment items; and (iii) require disclosure on relationship between income before tax and income tax expense.</li> </ul>
SKAS No. 20, <i>Related Party Disclosures</i>	<ul style="list-style-type: none"> <li>- An entity discloses the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces the consolidated financial statements available for public use, the name of the next most senior parent that produces the consolidated financial statements is disclosed.</li> </ul>

Korea Financial Accounting Standards, SKAS and other pronouncements that were issued by KAI and the Financial Supervisory Service for the year ended December 31, 2008 and adopted by the Company for the year ended December 31, 2008 are summarized below.

SKAS and other pronouncements	Major changes
SKAS No. 15, <i>Investments in Associates</i>	<ul style="list-style-type: none"> <li>- Clarifies that in applying the equity method to subsidiaries, except for those instances where the total investment is equal to or less than zero, the net assets and net income or loss on the non-consolidated financial statements of the subsidiary is identical to the net interest in the subsidiary's net assets and net income or loss on the consolidated financial statements of the parent.</li> <li>- Clarifies that Subparagraphs (Ga) to (Sa) of the paragraph 39 are illustrative. In addition, the difference between the consideration for the net interest and the net interest in the net assets of the subsidiary, as described under Subparagraphs (Na) to (Ra), is recognized as additional-paid-in-capital in the consolidated financial statements of the parent.</li> </ul>
Opinion on application of Accounting Standards 06-2, <i>Accounting for Recognition of Deferred Tax Related to Investments on a Subsidiary</i>	<ul style="list-style-type: none"> <li>- Temporary differences related to investments in subsidiary, equity method investee or joint venture are not classified by origin but treated as a lump-sum difference in considering whether to recognize deferred tax assets or liabilities. However, temporary differences arising from certain transactions under SKAS No. 16, such as elimination of inter-company transactions through equity method income or loss are treated as separate differences.</li> </ul>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Adoption of the amended SKAS and other pronouncements as summarized above for the year ended December 31, 2008 does not have material impact on the shareholder's equity of the Company as of December 31, 2008 and the Company's results of operation for the year ended December 31, 2008.

The 2007 financial statements, which are presented for comparative purposes, are restated in accordance with the newly amended SKAS and other pronouncements. The newly amended SKAS and other pronouncements do not affect the Company's net assets and net income of the prior period.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements for the years ended December 31, 2008 are identical to those for the year ended December 31, 2007 except the accounting changes above.

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

## **Basis of Translating Financial Statements**

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. Dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩1,257.50 to US\$1.00, the basic exchange rate at December 31, 2008. Such translations should not be construed as representations that the Korean Won amounts could be converted into US\$ at that or any other rate.

## **Revenue Recognition**

Revenues from construction contracts are recognized using the percentage of completion method, measured by the units of work performed. Revenues from housing are recognized using the percentage of completion method for the lotting-out contracts. Revenues from other than the above are recognized when the Company's revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company.

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks and short-term financial instruments with original maturities of less than ninety days, which can be converted into cash and whose risk of value fluctuation arising from changes of interest rates is not material.

## **Allowance for Doubtful Accounts**

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and prior years' collection experience. However, when principals of trade accounts and notes receivable, interest rate or repayment period are changed unfavorably for the creditor by a court imposition, such as on commencement of reorganization, or by mutual agreements and the difference between nominal value and present value is material, the difference is recognized as bad debt expense.

## **Inventories**

Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined using the first-in, first-out method for supplies, specific identification method for plots of land and materials-in-transit, and weighted-average method for finished and unfinished housing units. The cost of construction support materials is determined at cost less an accumulated expense occurred. The amount of any write-down of inventories to net realizable value due to obsolescence or excess inventory and other losses of inventories occurring in the normal course of business are recognized as cost of revenues and such valuation losses are deducted from the inventories as allowance for valuation losses.

The Company recognizes interest costs and other financial charges on borrowings associated with inventories that require a long period in the acquisition, construction or production as an expense in the period incurred.

Inventories as of December 31, 2008 and 2007 are as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Lots	₩ 381,161	₩ 289,317	\$ 303,110	\$ 230,073
Valuation reserve	(5,731)	(5,734)	(4,557)	(4,560)
Completed house	-	38,938	-	30,965
Valuation reserve	-	(15,213)	-	(12,098)
House in process	529	-	421	-
Supplies	50,786	24,215	40,386	19,256
Goods not yet delivered	288,387	30,352	229,334	24,137
Construction support materials	6,767	8,723	5,381	6,937
<b>Total</b>	<b>₩ 721,899</b>	<b>₩ 370,598</b>	<b>\$ 574,075</b>	<b>\$ 294,710</b>

### Investments in Securities other than those Accounted for Using the Equity Method

#### Classification of Securities

At acquisition, the Company classifies securities into one of the three categories; trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as current assets, whereas available-for-sale and held-to-maturity securities are classified as non-current assets, except for those whose maturity dates or whose likelihood of being disposed of are within one year from balance sheet date, which are classified as current assets.

#### Valuation of Securities

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sales securities are also valued at fair value, with unrealized gains or losses included in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and accumulated other comprehensive income (loss) is included in current income.

However, available-for-sales securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at the balance sheet date.

The fair value of non-marketable securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

or equity security, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in accumulated other comprehensive income (loss). Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in accumulated other comprehensive income (loss) and amortized over the remaining term of the securities using the effective interest method. If held-to-maturity securities are disposed or redeemed before the maturity date, any securities could not be categorized to held-to-maturity within 3 fiscal years after the disposal and redemption.

## Investment Securities Accounted for Using the Equity Method

Equity securities held for investment in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over the reasonable periods within 20 years using the straight-line method. Under the equity method, the change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company's net income (loss), retained earnings and accumulated other comprehensive income (loss), in accordance with the causes of the change, which consist of the investee's net income (loss), changes in retained earnings and changes in capital surplus, capital adjustments and accumulated other comprehensive income (loss). Unrealized profit arising from sales by the Company to equity method investees is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity method investees to the Company or sales between equity method investees is also eliminated. The Company has used the most available financial statements of the controlled investees, which have not been audited and reviewed due to the timing of closing of the controlled investees' financial statements.

If the amount recoverable from investment securities accounted for using the equity method is less than its carrying amount, impairment loss is recognized. The Company determines whether there is objective evidence that impairment loss has been incurred, and when such evidence exists, impairment loss is recognized as impairment losses. The recoverable amount is determined as the higher of value in use or expected amount of net cash inflows from disposal of the investment securities accounted for using the equity method. The amount of impairment loss is included in current earnings.

When applying the equity method by translating the financial statements of an investee operating overseas, the Company applies (a) the foreign exchange rate as of the Company's balance sheet date to the investee's assets and liabilities, (b) the foreign exchange rate as of the date on which the Company acquired its equity interest in the investee to the Company's share of the investee's equity interest, and (c) the foreign exchange rate as of each transaction date to the remaining equity interest in the investee after excluding any increase in retained earnings after the Company's acquisition of its equity interest in the investee. For the income statement items, the average rate for the pertinent period is applied in the translation. After translating into Korean won, from the difference between the total equity and the amount obtained by deducting liabilities from assets, the amount relating to the Company's share of the investee's equity interest is accounted for as accumulated other comprehensive income (loss).

## Interest in Joint Ventures

In respect of jointly controlled operations, the Company includes, in its non-consolidated financial statements, the assets that it controls and the liabilities and expenses it has incurred, plus its share of the income from the joint operations. For its interest in jointly controlled assets, the Company recognizes, in the non-consolidated financial statements, its share of the assets it jointly controls, the liabilities jointly incurred and net income, plus the liabilities and expenses it has incurred, if any. In addition, the Company accounts for its interest in a jointly controlled entity using the equity method of accounting.

### Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, (except for assets revalued upward in accordance with the Asset Revaluation Law of Korea), net of accumulated depreciation. The acquisition cost of property, plant and equipment is comprised of its purchase price or manufacturing costs and any other directly attributable costs of bringing the asset to the working condition of its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are treated as additions to property, plant and equipment. The interest incurred on borrowings to finance the purchase of construction of property, plant and equipment and manufacture of inventories are charged to current income.

Depreciation is computed using the straight-line method, based on the estimated useful lives of the assets as described below.

	Useful lives (years)
Buildings	11 – 60
Structures	2 – 50
Machinery and equipment	1 – 35
Vehicles	2 – 10
Tools and furniture	2 – 20

The Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset are considerably less than its carrying amount as a result of technological obsolescence or rapid decline in market value. When it is determined that a tangible asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized.

### Discounts on Debentures

Discounts on debentures are amortized over the redemption period of the debentures using the effective interest rate method. Amortization of discounts is recognized as interest expense on the debentures.

### Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loans (borrowings) transactions are stated at present value, if the difference between nominal value and present value is material. The difference between nominal value and present value is presented as present value discount. The present value discount is amortized using the effective interest method, and the amortization is included in interest expense or interest income.

### Restructuring of Receivables

When interest rate and repayment period are changed unfavorably against the creditor by composition proceedings, reorganization, or liquidation procedures, or by mutual agreements and the difference between nominal value and present value is material, the difference is expensed using the allowance for doubtful accounts. The difference between the nominal value and present value is amortized using the effective interest method, and amortization is included in interest income.

### Foreign Currency Translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing exchange rates on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Seoul Money Brokerage Service Ltd. Basic Rate, which was ₩1,257.50 and ₩938.20 to US\$1.00 at December 31, 2008 and 2007, respectively, and translation gains or losses are reflected in current operations.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the current rate of exchange at the balance sheet date while profit and loss items in the statement of income are translated at the average rate and capital account at the historical rate. The translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are accounted for on a net basis and accumulated as an accumulated other comprehensive income (loss).

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees were to resign amount to ₩299,005 million (US\$ 237,777 thousand) and ₩258,806 million (US\$ 205,810 thousand) as of December 31, 2008 and 2007, respectively.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivable against the severance payment. Such receivables are presented as a deduction from accrued severance benefits.

The Company has purchased individual severance indemnity insurance with Samsung Life Insurance Co., Ltd. and other insurance companies. The insurance deposits in which the beneficiary is a respective employee are presented as deduction from accrued severance benefits.

Actual payments of severance indemnities amounted to ₩21,049 million (US\$ 16,739 thousand) and ₩41,202 million (US\$ 32,765 thousand) for the years ended December 31, 2008 and 2007, respectively.

## Income Tax Expense and Deferred Income Taxes

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting and according to the expected reversal date of the specific temporary difference if they are not related to an asset or liability for financial reporting, including deferred tax assets related to carryforwards. Deferred tax assets and liabilities in the same current or non-current classification are offset if these relate to income tax levied by the same tax jurisdictions.

## Provision for Foreseeable Losses from Construction Contracts

When a loss on construction is expected based on cost estimates, the expected loss is charged to current operations and is included in the balance sheet as a provision for foreseeable losses from construction contracts.

## Provision for Construction Warranty

The Company provides provision for estimated warranty costs relating to construction defects during the warranty period. Estimated costs of construction warranties are charged to current income on completion of construction and are included in the balance sheet as provision for warranty costs.

## Stock Options

The stock option program allows the Company's employees to acquire shares of the Company for a specified price at specified times. The option exercise price is generally fixed at below the market price of the underlying shares at the grant date. The Company values equity-settled stock options based on option pricing model under the fair value method and recognizes this value as an expense and capital adjustment over the period in which the options vest. When the options are exercised, equity is increased by the amount of the proceeds received which is equal to the exercise price. However, compensation cost for cash-settled stock options is measured each period based on the current stock price and is recognized as an expense and a liability over the service period.

## Derivative Instruments

Derivative instruments are recorded either as an asset or a liability measured principally at the fair value of rights or obligations associated with the derivative contracts. The unrealized gain or loss from derivative transactions is recognized in current operations. However, for derivative instruments with the purpose of hedging exposure to the variability in cash flows of a forecasted transaction, the hedge-effective portion of the derivative's gain or loss is deferred as an accumulated other comprehensive income

(loss), a component of shareholders' equity. The deferred gain or loss will be adjusted to the related asset or liability that resulted from the forecasted transaction or adjusted to income when the forecasted transaction affects the income statement. The ineffective portion of the gain or loss is recognized in current operations.

### 3. RESTRICTED FINANCIAL INSTRUMENTS

Financial instruments, which are restricted in use for guarantee for debt or other business purposes as of December 31, 2008 and 2007, are summarized as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Short-term financial instruments	₩ -	₩ 245	\$ -	\$ 195
Long-term financial instruments	35	35	28	28
<b>Total</b>	<b>₩ 35</b>	<b>₩ 280</b>	<b>\$ 28</b>	<b>\$ 223</b>

### 4. SHORT-TERM AND LONG-TERM INVESTMENT SECURITIES

**(1) Short-term and long-term investment securities as of December 31, 2008 and 2007, all of which are classified into available-for-sale securities and held-to-maturity securities, consist of the following:**

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Short-term investment securities:				
Available-for-sale securities	₩ 556,675	₩ -	\$ 442,683	\$ -
Held-to-maturity securities	12,553	14,579	9,983	11,594
	569,228	14,579	452,666	11,594
Long-term investment securities:				
Available-for-sale securities	732,146	1,092,270	582,224	868,605
Held-to-maturity securities	81,553	72,557	64,853	57,699
	813,699	1,164,827	647,077	926,304
<b>Total</b>	<b>₩ 1,382,927</b>	<b>₩ 1,179,406</b>	<b>\$ 1,099,743</b>	<b>\$ 937,898</b>

#### (2) Available-for-sale securities

(i) Available-for-sale securities as of December 31, 2008 and 2007 consist of the following:

	Won (In millions)		
	2008		2007
	Acquisition cost	Book value	Book value
Short-term investment securities:			
Non-marketable securities	₩ 300,972	₩ 556,675	₩ -
Long-term investment securities:			
Marketable securities	182,579	452,579	519,029
Non-marketable securities	401,589	279,567	573,241
	584,168	732,146	1,092,270
<b>Total</b>	<b>₩ 885,140</b>	<b>₩ 1,288,821</b>	<b>₩ 1,092,270</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

US\$ (Note 2) (In thousands)

	2008		2007
	Acquisition cost	Book value	Book value
Short-term investment securities:			
Non-marketable securities	\$ 239,342	\$ 442,683	\$ -
Long-term investment securities:			
Marketable securities	145,192	359,904	412,747
Non-marketable securities	319,355	222,320	455,858
	464,547	582,224	868,605
<b>Total</b>	<b>\$ 703,889</b>	<b>\$ 1,024,907</b>	<b>\$ 868,605</b>

(ii) Marketable securities stated at fair value included in long-term investment securities as of December 31, 2008 and 2007 consist of the following:

Won (In millions)

Name of company	Number of shares	Percentage of ownership (%)	2008		2007
			Acquisition cost	Book value	Book value
Hyundai Merchant Marine Co., Ltd.	12,706,914	8.30	₩ 143,634	₩ 434,769	₩ 499,954
Shinhan Financial Group Co., Ltd.	351,530	0.07	32,916	10,440	18,807
Meritz Investment Bank	112,751	0.18	452	72	191
Ssangyong Cement Industrial Co., Ltd.	3,876	0.005	46	26	63
Doosan Construction & Engineering Co., Ltd.	899	0.001	54	5	14
Kuwait Offset Fund	Not issued	-	5,477	7,267	-
<b>Total</b>			<b>₩ 182,579</b>	<b>₩ 452,579</b>	<b>₩ 519,029</b>

US\$ (Note 2) (In thousands)

Name of company	Number of shares	Percentage of ownership (%)	2008		2007
			Acquisition cost	Book value	Book value
Hyundai Merchant Marine Co., Ltd.	12,706,914	8.30	\$ 114,222	\$ 345,741	\$ 397,578
Shinhan Financial Group Co., Ltd.	351,530	0.07	26,176	8,302	14,956
Meritz Investment Bank	112,751	0.18	359	57	152
Ssangyong Cement Industrial Co., Ltd.	3,876	0.005	37	21	50
Doosan Construction & Engineering Co., Ltd.	899	0.001	43	4	11
Kuwait Offset Fund	Not issued	-	4,355	5,779	-
<b>Total</b>			<b>\$ 145,192</b>	<b>\$ 359,904</b>	<b>\$ 412,747</b>



(iii) Non-marketable securities as of December 31, 2008 and 2007 consist of the following:

Name of company	Number of shares	Percentage of ownership (%)	2008		2007
			Acquisition cost	Book value	Book value
Won (In millions)					
Short-term investment securities:					
Airport Railroad Co., Ltd. <sup>(*)</sup>	50,274,000	27.00	₩ 251,370	₩ 407,219	₩ -
Seoul Beltway Co., Ltd.	7,360,000	8.00	36,800	118,732	-
Ilsan Grand Bridge Corp. <sup>(*)</sup>	2,560,348	24.50	12,802	30,724	-
			300,972	556,675	-
Long-term investment securities:					
Airport Railroad Co., Ltd. <sup>(*)</sup>	50,274,000	27.00	-	-	251,370
Seoul Beltway Co., Ltd.	7,360,000	8.00	-	-	36,800
Ilsan Grand Bridge Corp. <sup>(*)</sup>	2,560,348	24.50	-	-	12,802
Hyundai Asan Co., Ltd.	1,785,484	19.92	89,274	26,586	30,492
Busan Newport Co., Ltd.	9,174,340	9.28	45,872	45,872	45,872
Hyundai Finance Corp.	1,700,000	9.29	9,888	9,888	9,888
Korea Housing Guarantee Co., Ltd.	3,178,617	0.55	67,765	20,501	16,968
Seoul-Chuncheon Highway Co., Ltd.	6,476,000	10.00	32,380	32,380	32,380
Seoul Metro Line 9 Co., Ltd.	2,553,522	7.64	12,768	12,768	12,768
The Third Kyungin Highway Co., Ltd.	4,945,349	17.68	24,727	24,727	24,727
Kangnam Beltway Co., Ltd.	414,000	2.96	2,070	2,070	2,070
The Korea Economic Daily Co., Ltd.	1,153,830	6.17	5,769	5,769	5,769
HDVI (Vietnam) <sup>(*)</sup>	-	5.00	1,280	1,280	1,280
TICO (India) <sup>(*)</sup>	4,000,000	9.09	1,096	1,096	1,096
DOBR (Brazil) <sup>(*) &amp; (2)</sup>	-	100.00	3,719	152	152
Korea Construction Financial Cooperative	51,834	1.46	50,603	50,603	50,603
Others <sup>(*) &amp; (3)</sup>			54,378	45,875	38,204
			401,589	279,567	573,241
<b>Total</b>			<b>₩ 702,561</b>	<b>₩ 836,242</b>	<b>₩ 573,241</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

US\$ (Note 2) (In thousands)

Name of company	Number of shares	Percentage of ownership (%)	2008		2007
			Acquisition cost	Book value	Book value
Short-term investment securities:					
Airport Railroad Co., Ltd. <sup>(*)</sup>	50,274,000	27.00	\$ 199,897	\$ 323,832	\$ -
Seoul Beltway Co., Ltd.	7,360,000	8.00	29,264	94,419	-
Ilsan Grand Bridge Corp. <sup>(*)</sup>	2,560,348	24.50	10,181	24,432	-
			239,342	442,683	-
Long-term investment securities:					
Airport Railroad Co., Ltd. <sup>(*)</sup>	50,274,000	27.00	-	-	199,897
Seoul Beltway Co., Ltd.	7,360,000	8.00	-	-	29,264
Ilsan Grand Bridge Corp. <sup>(*)</sup>	2,560,348	24.50	-	-	10,181
Hyundai Asan Co., Ltd.	1,785,484	19.92	70,993	21,142	24,248
Busan Newport Co., Ltd.	9,174,340	9.28	36,479	36,479	36,479
Hyundai Finance Corp.	1,700,000	9.29	7,863	7,863	7,863
Korea Housing Guarantee Co., Ltd.	3,178,617	0.55	53,889	16,304	13,493
Seoul-Chuncheon Highway Co., Ltd.	6,476,000	10.00	25,750	25,750	25,750
Seoul Metro Line 9 Co., Ltd.	2,553,522	7.64	10,153	10,153	10,153
The Third Kyungin Highway Co., Ltd.	4,945,349	17.68	19,664	19,664	19,664
Kangnam Beltway Co., Ltd.	414,000	2.96	1,646	1,646	1,646
The Korea Economic Daily Co., Ltd.	1,153,830	6.17	4,588	4,588	4,588
HDVI (Vietnam) <sup>(*)</sup>	-	5.00	1,018	1,018	1,018
TICO (India) <sup>(*)</sup>	4,000,000	9.09	872	872	872
DOBR (Brazil) <sup>(*) &amp; (2)</sup>	-	100.00	2,957	120	120
Korea Construction Financial Cooperative	51,834	1.46	40,241	40,241	40,241
Others <sup>(*) &amp; (3)</sup>			43,242	36,480	30,381
			319,355	222,320	455,858
<b>Total</b>			<b>\$ 558,697</b>	<b>\$ 665,003</b>	<b>\$ 455,858</b>

(\*) HDVI: Hyundai Vinashin Shipyard Co., Ltd.

TICO: Tidel Park Limited

DOBR: Hyundai Construction Do Brazil Ltd.

(2) Investments in small affiliates with total assets less than ₩7,000 million are recorded at cost, except where the effect of applying the equity method of accounting for investments on the financial statements is material.

(3) The Company invested in a number of companies which were established pursuant to the Private Investment Law. Even though it holds more than a 20% interest in each of these investees, the Company classified such investments as available-for-sale securities, rather than using the equity method in the valuation thereof because of its inability to exercise control over their financing or operating activities.

Equity securities are stated at acquisition costs except when fair value can be reliably estimated. All net book values of investment equity securities above are valued as of the nearest balance sheet date, which are not audited or reviewed, and this may have a difference based on financial reports as of December 31, 2008, which are audited or reviewed.

(iv) Changes in unrealized holding gain

Changes in unrealized gain for the years ended December 31, 2008 and 2007 are summarized as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Beginning balance	₩ 341,927	₩ 88,981	\$ 271,910	\$ 70,760
Changes in unrealized gain	183,776	252,946	146,144	201,150
Ending balance	525,703	341,927	418,054	271,910
Income tax effect	(121,280)	(94,030)	(96,445)	(74,775)
<b>Net balance at end of year</b>	<b>₩ 404,423</b>	<b>₩ 247,897</b>	<b>\$ 321,609</b>	<b>\$ 197,135</b>

(v) Changes in accumulated impairment loss of non-marketable securities for the year ended December 31, 2008 are summarized as follows:

Name of company	Won (In millions)				US\$ (Note 2) (In thousands)			
	Beginning	Increase (Decrease)	Reversal	Ending	Beginning	Increase (Decrease)	Reversal	Ending
Hyundai Asan Co., Ltd.	₩ 58,782	₩ 3,906	₩ -	₩ 62,688	\$ 46,745	\$ 3,106	\$ -	\$ 49,851
Korea Housing Guarantee Co., Ltd.	50,797	-	3,533	47,264	40,395	-	2,810	37,585
DOBR (Brazil)	3,567	-	-	3,567	2,837	-	-	2,837
Others	8,323	180	-	8,503	6,619	143	-	6,762
<b>Total</b>	<b>₩121,469</b>	<b>₩ 4,086</b>	<b>₩ 3,533</b>	<b>₩122,022</b>	<b>\$ 96,596</b>	<b>\$ 3,249</b>	<b>\$ 2,810</b>	<b>\$ 97,035</b>

**(3) Held-to-maturity securities as of December 31, 2008 and 2007 are summarized as follows:**

Assets	Maturity	2008		2007
		Face value	Book value	Book value
Current assets:				
Central and municipal government bonds	In 1 year	₩ 12,553	₩ 12,553	₩ 14,579
Non-current assets:				
Central and municipal government bonds	After 1 year through 5 years	74,277	74,277	63,381
	After 5 years Through 10 years	7,276	7,276	9,176
		81,553	81,553	72,557
<b>Total</b>		<b>₩ 94,106</b>	<b>₩ 94,106</b>	<b>₩ 87,136</b>

Assets	Maturity	2008		2007
		Face value	Book value	Book value
Current assets:				
Central and municipal government bonds	In 1 year	\$ 9,983	\$ 9,983	\$ 11,594
Non-current assets:				
Central and municipal government bonds	After 1 year through 5 years	59,067	59,067	50,402
	After 5 years Through 10 years	5,786	5,786	7,297
		64,853	64,853	57,699
<b>Total</b>		<b>\$ 74,836</b>	<b>\$ 74,836</b>	<b>\$ 69,293</b>

The Company recorded interest income of ₩2,361 million (US\$ 1,878 thousand) and ₩2,800 million (US\$ 2,227 thousand) on held-to-maturity securities for the years ended December 31, 2008 and 2007, respectively.

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (4) Pledged securities

The Company's pledged securities as of December 31, 2008 are summarized as follows:

Won (In millions)						
Securities	Book value		Pledged amount		Mortgagee	Description
For borrowings and construction warranty:						
Hyundai Merchant Marine Co., Ltd.	₩	219,632	₩	219,632	KEB <sup>(1)</sup>	For borrowings
Hyundai Finance Corp.		9,888		8,500	Hyundai Finance Corp.	For construction warranty & others
Central and municipal government bonds		85,605		85,605	KDB <sup>(1)</sup> & others	For construction warranty & others
		<b>315,125</b>		<b>313,737</b>		
For affiliates:						
Ilsan Grand Bridge Corp.		30,724		12,802	Woori Bank & others	Pledge
Airport Railroad Co., Ltd.		407,219		251,370	KDB <sup>(1)</sup> & others	Pledge
Others		2,674		3,475	Woori Bank & others	Pledge
		<b>440,617</b>		<b>267,647</b>		
For others:						
Seoul Beltway Co., Ltd.		118,732		36,800	KDB <sup>(1)</sup>	Joint liability on guarantee of investors
Kangnam Beltway Co., Ltd.		2,070		2,691	KDB <sup>(1)</sup>	Pledge
Busan Newport Co., Ltd.		45,872		59,633	Kookmin Bank & others	Pledge
Seoul-Chuncheon Highway Co., Ltd.		32,380		42,094	Kookmin Bank & others	Pledge
Seoul Metro Line 9 Co., Ltd.		12,768		16,598	Shinhan Bank & others	Pledge
		<b>211,822</b>		<b>157,816</b>		
<b>Total</b>	<b>₩</b>	<b>967,564</b>	<b>₩</b>	<b>739,200</b>		

US\$ (Note 2) (In thousands)

Securities	Book value	Pledged amount	Mortgagee	Description
For borrowings and construction warranty:				
Hyundai Merchant Marine Co., Ltd.	\$ 174,658	\$ 174,658	KEB <sup>(*)</sup>	For borrowings
Hyundai Finance Corp.	7,863	6,759	Hyundai Finance Corp.	For construction warranty & others
Central and municipal government bonds	68,076	68,076	KDB <sup>(*)</sup> & others	For construction warranty & others
	<b>250,597</b>	<b>249,493</b>		
For affiliates:				
Ilsan Grand Bridge Corp.	24,433	10,181	Woori Bank & others	Pledge
Airport Railroad Co., Ltd.	323,832	199,897	KDB <sup>(*)</sup> & others	Pledge
Others	2,126	2,763	Woori Bank & others	Pledge
	<b>350,391</b>	<b>212,841</b>		
For others:				
Seoul Beltway Co., Ltd.	94,419	29,264	KDB <sup>(*)</sup>	Joint liability on guarantee of investors
Kangnam Beltway Co., Ltd.	1,646	2,140	KDB <sup>(*)</sup>	Pledge
Busan Newport Co., Ltd.	36,479	47,422	Kookmin Bank & others	Pledge
Seoul-Chuncheon Highway Co., Ltd.	25,750	33,474	Kookmin Bank & others	Pledge
Seoul Metro Line 9 Co., Ltd.	10,153	13,199	Shinhan Bank & others	Pledge
	<b>168,447</b>	<b>125,499</b>		
<b>Total</b>	<b>\$ 769,435</b>	<b>\$ 587,833</b>		

(\*) KDB: Korea Development Bank  
KEB: Korea Exchange Bank

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 5. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Equity securities accounted for using the equity method as of December 31, 2008 and 2007 are as follows:

Won (In millions)

Name of company	Shares owned	Percentage of ownership	2008		
			Acquisition cost	Net asset value	Book value
Busan Exhibition and Convention Center	2,580,000	21.70	₩ 25,800	₩ 28,073	₩ 20,681
Hyundai Engineering Co., Ltd.	2,933,000	72.55	14,665	116,528	115,502
Hyundai Engineering & Steel Industries Co., Ltd.	6,858,600	99.40	34,293	56,663	56,257
Busan Jeongkwan Energy Co., Ltd. <sup>(2)</sup>	1,010,328	56.76	5,052	-	-
Hyundai Farm Land & Development Co., Ltd.	892,800	72.00	4,464	18,932	15,101
Hyundai City Development Co., Ltd.	67,396,238	100.00	336,981	332,704	171,562
Kyung-In Canal Co., Ltd.	3,643,622	52.31	18,218	2,142	2,142
Hyunchong Architects & Engineers Assoc.	115,458	63.44	402	5,320	5,320
MEEDCO (Saudi) <sup>(1)</sup>	4,900	49.00	699	22,711	22,711
HATCO (Singapore) <sup>(1)</sup>	1,500,000	100.00	925	1,214	1,214
CITRA (Indonesia) <sup>(1)</sup>	7,600	95.00	838	-	-
WUXI (China) <sup>(1)</sup>	Not issued	100.00	5,337	9,103	9,103
<b>Total</b>			<b>₩ 447,674</b>	<b>₩ 593,390</b>	<b>₩ 419,593</b>

US\$ (Note 2) (In thousands)

Name of company	Shares owned	Percentage of ownership	2008		
			Acquisition cost	Net asset value	Book value
Busan Exhibition and Convention Center	2,580,000	21.70	\$ 20,517	\$ 22,324	\$ 16,446
Hyundai Engineering Co., Ltd.	2,933,000	72.55	11,662	92,666	91,850
Hyundai Engineering & Steel Industries Co., Ltd.	6,858,600	99.40	27,271	45,060	44,737
Busan Jeongkwan Energy Co., Ltd. <sup>(2)</sup>	1,010,328	56.76	4,017	-	-
Hyundai Farm Land & Development Co., Ltd.	892,800	72.00	3,550	15,055	12,009
Hyundai City Development Co., Ltd.	67,396,238	100.00	267,977	264,576	136,431
Kyung-In Canal Co., Ltd.	3,643,622	52.31	14,487	1,703	1,703
Hyunchong Architects & Engineers Assoc.	115,458	63.44	320	4,231	4,231
MEEDCO (Saudi) <sup>(1)</sup>	4,900	49.00	556	18,060	18,060
HATCO (Singapore) <sup>(1)</sup>	1,500,000	100.00	736	965	965
CITRA (Indonesia) <sup>(1)</sup>	7,600	95.00	666	-	-
WUXI (China) <sup>(1)</sup>	Not issued	100.00	4,244	7,240	7,240
<b>Total</b>			<b>\$ 356,003</b>	<b>\$ 471,880</b>	<b>\$ 333,672</b>

Won (In millions)

Name of company	2007				
	Shares owned	Percentage of ownership	Acquisition cost	Net asset value	Book value
Busan Exhibition and Convention Center	2,580,000	21.70	₩ 25,800	₩ 28,503	₩ 20,935
Hyundai Engineering Co., Ltd.	2,933,000	72.55	14,665	62,063	61,334
Hyundai Engineering & Steel Industries Co., Ltd.	4,970,000	99.40	24,850	40,260	39,782
Busan Jeongkwan Energy Co., Ltd. <sup>(*)</sup>	1,010,328	56.76	5,052	3,337	-
Hyundai Farm Land & Development Co., Ltd.	892,800	72.00	4,464	15,472	12,506
Hyundai City Development Co., Ltd.	23,060,000	100.00	115,300	114,679	111,130
Kyung-In Canal Co., Ltd.	6,887,094	52.31	34,435	19,463	19,463
MEEDCO (Saudi) <sup>(*)</sup>	4,900	49.00	699	7,993	7,993
HATCO (Singapore) <sup>(*)</sup>	1,500,000	100.00	925	436	436
CITRA (Indonesia) <sup>(*)</sup>	7,600	95.00	838	-	-
WUXI (China) <sup>(*)</sup>	Not issued	100.00	5,337	7,595	7,595
<b>Total</b>			<b>₩ 232,365</b>	<b>₩ 299,801</b>	<b>₩ 281,174</b>

US\$ (Note 2) (In thousands)

Name of company	2007				
	Shares owned	Percentage of ownership	Acquisition cost	Net asset value	Book value
Busan Exhibition and Convention Center	2,580,000	21.70	\$ 20,517	\$ 22,666	\$ 16,648
Hyundai Engineering Co., Ltd.	2,933,000	72.55	11,662	49,354	48,775
Hyundai Engineering & Steel Industries Co., Ltd.	4,970,000	99.40	19,761	32,016	31,636
Busan Jeongkwan Energy Co., Ltd. <sup>(*)</sup>	1,010,328	56.76	4,017	2,654	-
Hyundai Farm Land & Development Co., Ltd.	892,800	72.00	3,550	12,304	9,945
Hyundai City Development Co., Ltd.	23,060,000	100.00	91,690	91,196	88,374
Kyung-In Canal Co., Ltd.	6,887,094	52.31	27,384	15,478	15,478
MEEDCO (Saudi) <sup>(*)</sup>	4,900	49.00	556	6,356	6,356
HATCO (Singapore) <sup>(*)</sup>	1,500,000	100.00	736	347	347
CITRA (Indonesia) <sup>(*)</sup>	7,600	95.00	666	-	-
WUXI (China) <sup>(*)</sup>	Not issued	100.00	4,244	6,039	6,039
<b>Total</b>			<b>\$ 184,783</b>	<b>\$ 238,410</b>	<b>\$ 223,598</b>

(\*) MEEDCO: Middle East Engineering &amp; Development Co., Ltd.

HATCO: Hyundai Asian Technics (PTE) Ltd.

CITRA: PT. Hyundai Citra

WUXI: Hyundai Engineering &amp; Construction (Wuxi) Co., Ltd.

(\*) Securities of Busan Jeongkwan Energy Co., Ltd. is pledged for affiliates' borrowings.

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (2) Changes in the equity securities accounted for using the equity method for the years ended December 31, 2008 and 2007 are as follows:

Won (In millions)

Company <sup>(*)</sup>	2008				
	Beginning	Equity income (loss)	Accumulated other comprehensive income (loss) <sup>(**)</sup>	Other increase (decrease) <sup>(**)</sup>	Ending
Busan Exhibition and Convention Center	₩ 20,935	₩ 291	₩ (545)	₩ -	₩ 20,681
Hyundai Engineering Co., Ltd.	61,334	55,652	(17)	(1,467)	115,502
Hyundai Engineering & Steel Industries Co., Ltd.	39,782	7,032	-	9,443	56,257
Busan Jeongkwan Energy Co., Ltd. <sup>(**)</sup>	-	-	-	-	-
Hyundai Farm Land & Development Co., Ltd.	12,506	3,265	-	(670)	15,101
Hyundai City Development Co., Ltd.	111,130	(159,474)	-	219,906	171,562
Kyung-In Canal Co., Ltd.	19,463	(1,104)	-	(16,217)	2,142
Hyunchong Architects & Engineers Assoc. <sup>(**)</sup>	-	4,938	20	362	5,320
MEEDCO (Saudi)	7,993	10,533	4,185	-	22,711
HATCO (Singapore)	436	555	223	-	1,214
CITRA (Indonesia) <sup>(**)</sup>	-	-	-	-	-
WUXI (China)	7,595	1,516	3,978	(3,986)	9,103
<b>Total</b>	<b>₩ 281,174</b>	<b>₩ (76,796)</b>	<b>₩ 7,844</b>	<b>₩ 207,371</b>	<b>₩ 419,593</b>

US\$ (Note 2) (In thousands)

Company <sup>(*)</sup>	2008				
	Beginning	Equity income (loss)	Accumulated other comprehensive income (loss) <sup>(**)</sup>	Other increase (decrease) <sup>(**)</sup>	Ending
Busan Exhibition and Convention Center	\$ 16,648	\$ 231	\$ (433)	\$ -	\$ 16,446
Hyundai Engineering Co., Ltd.	48,775	44,256	(14)	(1,167)	91,850
Hyundai Engineering & Steel Industries Co., Ltd.	31,636	5,592	-	7,509	44,737
Busan Jeongkwan Energy Co., Ltd. <sup>(**)</sup>	-	-	-	-	-
Hyundai Farm Land & Development Co., Ltd.	9,945	2,596	-	(532)	12,009
Hyundai City Development Co., Ltd.	88,374	(126,818)	-	174,875	136,431
Kyung-In Canal Co., Ltd.	15,478	(877)	-	(12,898)	1,703
Hyunchong Architects & Engineers Assoc. <sup>(**)</sup>	-	3,927	16	288	4,231
MEEDCO (Saudi)	6,356	8,376	3,328	-	18,060
HATCO (Singapore)	347	441	177	-	965
CITRA (Indonesia) <sup>(**)</sup>	-	-	-	-	-
WUXI (China)	6,039	1,206	3,163	(3,168)	7,240
<b>Total</b>	<b>\$ 223,598</b>	<b>\$ (61,070)</b>	<b>\$ 6,237</b>	<b>\$ 164,907</b>	<b>\$ 333,672</b>

<sup>(\*)</sup> Accumulated other comprehensive income (loss) is gross of related tax effects.

<sup>(\*\*)</sup> Other decreases of Hyundai Engineering Co., Ltd., Hyundai Farm Land & Development Co., Ltd. and WUXI (China) are dividends for the year ended December 31, 2008. Other decrease of Kyung-In Canal Co., Ltd. is a capital reduction. Other increase of Hyunchong Architects & Engineers Assoc. is generated by reclassification into equity securities accounted for using the equity method and dividend for the year ended December 31, 2008. Other increase of Hyundai Engineering & Steel Industries Co., Ltd. is purchased by paid-in capital increase. Other increase of Hyundai City Development Co., Ltd. is investment in kind.

<sup>(\*\*)</sup> The Company discontinued applying the equity method of accounting for its investments in Busan Jeongkwan Energy Co., Ltd. as the Company's share in the investee was reduced to zero. Accordingly, the accumulated amount of unrecognized loss is ₩16,249 million (US\$ 12,922 thousand) as of December 31, 2008.

<sup>(\*\*)</sup> The Company applied the equity method of accounting for its investments in Hyunchong Architects & Engineers Assoc. this year, which was previously classified as available-for-sale securities as of December 31, 2007.

<sup>(\*\*)</sup> The Company discontinued applying the equity method of accounting for its investments in CITRA (Indonesia) as the Company's share in the investee was reduced to zero. Accordingly, the accumulated amount of unrecognized loss is ₩1,957 million (US\$ 1,556 thousand) as of December 31, 2008.

<sup>(\*\*)</sup> The Company used unaudited financial statements of these companies when applying the equity method of accounting.



Won (In millions)

Company	2007				
	Beginning	Equity income (loss)	Accumulated other comprehensive income (loss) <sup>(*)</sup>	Other increase (decrease) <sup>(**)</sup>	Ending
Busan Exhibition and Convention Center <sup>(*)</sup>	₩ 20,604	₩ 331	₩ -	₩ -	₩ 20,935
Hyundai Engineering Co., Ltd. <sup>(*)</sup>	46,637	17,894	(2,464)	(733)	61,334
Hyundai Engineering & Steel Industries Co., Ltd.	33,782	6,000	-	-	39,782
Busan Jeongkwan Energy Co., Ltd. <sup>(*)</sup>	1,243	(1,243)	-	-	-
Hyundai Farm Land & Development Co., Ltd.	8,296	4,210	-	-	12,506
Hyundai City Development Co., Ltd.	-	(3,606)	(564)	115,300	111,130
Kyung-In Canal Co., Ltd. <sup>(*)</sup>	-	-	-	19,463	19,463
MEEDCO (Saudi) <sup>(*)</sup>	800	7,121	72	-	7,993
HATCO (Singapore) <sup>(*)</sup>	876	(477)	37	-	436
CITRA (Indonesia) <sup>(*)</sup>	-	-	-	-	-
WUXI (China) <sup>(*)</sup>	7,804	509	599	(1,317)	7,595
<b>Total</b>	<b>₩ 120,042</b>	<b>₩ 30,739</b>	<b>₩ (2,320)</b>	<b>₩ 132,713</b>	<b>₩ 281,174</b>

US\$ (Note 2) (In thousands)

Company	2007				
	Beginning	Equity income (loss)	Accumulated other comprehensive income (loss) <sup>(*)</sup>	Other increase (decrease) <sup>(**)</sup>	Ending
Busan Exhibition and Convention Center <sup>(*)</sup>	\$ 16,385	\$ 263	\$ -	\$ -	\$ 16,648
Hyundai Engineering Co., Ltd. <sup>(*)</sup>	37,087	14,230	(1,959)	(583)	48,775
Hyundai Engineering & Steel Industries Co., Ltd.	26,865	4,771	-	-	31,636
Busan Jeongkwan Energy Co., Ltd. <sup>(*)</sup>	988	(988)	-	-	-
Hyundai Farm Land & Development Co., Ltd.	6,597	3,348	-	-	9,945
Hyundai City Development Co., Ltd.	-	(2,868)	(448)	91,690	88,374
Kyung-In Canal Co., Ltd. <sup>(*)</sup>	-	-	-	15,478	15,478
MEEDCO (Saudi) <sup>(*)</sup>	636	5,663	57	-	6,356
HATCO (Singapore) <sup>(*)</sup>	697	(379)	29	-	347
CITRA (Indonesia) <sup>(*)</sup>	-	-	-	-	-
WUXI (China) <sup>(*)</sup>	6,206	405	476	(1,048)	6,039
<b>Total</b>	<b>\$ 95,461</b>	<b>\$ 24,445</b>	<b>\$ (1,845)</b>	<b>\$ 105,537</b>	<b>\$ 223,598</b>

<sup>(\*)</sup> Accumulated other comprehensive income (loss) is gross of related tax effects.

<sup>(\*\*)</sup> Other decreases of Hyundai Engineering Co., Ltd. and WUXI (China) are dividends for the year ended December 31, 2007. Other increase of Hyundai City Development Co., Ltd. and Kyung-In Canal Co., Ltd. is generated by reclassification into equity securities accounted for using the equity method.

<sup>(\*)</sup> The Company discontinued applying the equity method of accounting for its investments in Busan Jeongkwan Energy Co., Ltd. as the Company's share in the investee was reduced to zero. Accordingly, the accumulated amount of unrecognized loss is ₩5,587 million (US\$ 4,443 thousand) as of December 31, 2007.

<sup>(\*)</sup> The Company applied the equity method of accounting for its investments in Kyung-In Canal Co., Ltd. in the prior year.

<sup>(\*)</sup> The Company discontinued applying the equity method of accounting for its investments in CITRA (Indonesia) as the Company's share in the investee was reduced to zero. Accordingly, the accumulated amount of unrecognized loss is ₩1,402 million (US\$ 1,115 thousand) as of December 31, 2007.

<sup>(\*)</sup> The Company used unaudited financial statements of these companies when applying the equity method of accounting.

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(3) Under the equity method, there is no difference between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee as of December 31, 2008 and 2007.

(4) Unrealized profits arising from affiliates that the Company eliminated under the equity method as of December 31, 2008 and 2007 are as follows:

Won (In millions)

Company	2008			
	Beginning	Arising	Realized profit	Ending
Busan Exhibition and Convention Center	₩ 7,568	₩ -	₩ 176	₩ 7,392
Hyundai Engineering Co., Ltd.	729	1,026	729	1,026
Hyundai Engineering & Steel Industries Co., Ltd.	478	-	72	406
Busan Jeongkwan Energy Co., Ltd.	8,924	7,301	-	16,225
Hyundai Farm Land & Development Co., Ltd.	2,966	3,945	3,080	3,831
Hyundai City Development Co., Ltd.	3,549	157,593	-	161,142
<b>Total</b>	<b>₩ 24,214</b>	<b>₩ 169,865</b>	<b>₩ 4,057</b>	<b>₩ 190,022</b>

US\$ (Note 2) (In thousands)

Company	2008			
	Beginning	Arising	Realized profit	Ending
Busan Exhibition and Convention Center	\$ 6,018	\$ -	\$ 140	\$ 5,878
Hyundai Engineering Co., Ltd.	580	816	580	816
Hyundai Engineering & Steel Industries Co., Ltd.	380	-	57	323
Busan Jeongkwan Energy Co., Ltd.	7,097	5,806	-	12,903
Hyundai Farm Land & Development Co., Ltd.	2,359	3,137	2,449	3,047
Hyundai City Development Co., Ltd.	2,822	125,323	-	128,145
<b>Total</b>	<b>\$ 19,256</b>	<b>\$ 135,082</b>	<b>\$ 3,226</b>	<b>\$ 151,112</b>

Won (In millions)

Company	2007			
	Beginning	Arising	Realized profit	Ending
Busan Exhibition and Convention Center	₩ 7,744	₩ -	₩ 176	₩ 7,568
Hyundai Engineering Co., Ltd.	-	729	-	729
Hyundai Engineering & Steel Industries Co., Ltd.	528	-	50	478
Busan Jeongkwan Energy Co., Ltd.	2,688	6,236	-	8,924
Hyundai Farm Land & Development Co., Ltd.	2,782	3,137	2,953	2,966
Hyundai City Development Co., Ltd.	-	3,549	-	3,549
<b>Total</b>	<b>₩ 13,742</b>	<b>₩ 13,651</b>	<b>₩ 3,179</b>	<b>₩ 24,214</b>

US\$ (Note 2) (In thousands)

Company	2007			
	Beginning	Arising	Realized profit	Ending
Busan Exhibition and Convention Center	\$ 6,158	\$ -	\$ 140	\$ 6,018
Hyundai Engineering Co., Ltd.	-	580	-	580
Hyundai Engineering & Steel Industries Co., Ltd.	420	-	40	380
Busan Jeongkwan Energy Co., Ltd.	2,138	4,959	-	7,097
Hyundai Farm Land & Development Co., Ltd.	2,212	2,495	2,348	2,359
Hyundai City Development Co., Ltd.	-	2,822	-	2,822
<b>Total</b>	<b>\$ 10,928</b>	<b>\$ 10,856</b>	<b>\$ 2,528</b>	<b>\$ 19,256</b>

**(5) Unrecognized accumulated loss due to discontinuance of equity method:**

Won (In millions)

Company	Current term	Accumulated amount forward from the previous term	Total
Busan Jeongkwon Energy Co., Ltd.	₩ 10,662	₩ 5,587	₩ 16,249
CITRA (Indonesia)	555	1,402	1,957
<b>Total</b>	<b>₩ 11,217</b>	<b>₩ 6,989</b>	<b>₩ 18,206</b>

US\$ (Note 2) (In thousands)

Company	Current term	Accumulated amount forward from the previous term	Total
Busan Jeongkwon Energy Co., Ltd.	\$ 8,479	\$ 4,443	\$ 12,922
CITRA (Indonesia)	441	1,115	1,556
<b>Total</b>	<b>\$ 8,920</b>	<b>\$ 5,558</b>	<b>\$ 14,478</b>

**(6) The summarized financial information of investees:**

Won (In millions)

Company	2008				
	Assets	Liabilities	Net assets	Sales	Net income (loss)
Busan Exhibition and Convention Center	₩ 140,491	₩ 11,102	₩ 129,389	₩ 16,154	₩ 652
Hyundai Engineering Co., Ltd.	430,919	270,291	160,628	752,739	77,928
Hyundai Engineering & Steel Industries Co., Ltd.	109,729	52,724	57,005	216,196	7,017
Busan Jeongkwon Energy Co., Ltd.	143,964	144,008	(44)	773	(5,923)
Hyundai Farm Land & Development Co., Ltd.	28,659	2,364	26,295	30,265	5,736
Hyundai City Development Co., Ltd.	348,590	15,886	332,704	-	(1,882)
Kyung-In Canal Co., Ltd.	5,486	1,392	4,094	-	(2,110)
Hyunchong Architects & Engineers Assoc.	12,375	3,989	8,386	28,035	3,446
MEEDCO (Saudi)	359,514	313,164	46,350	498,916	24,438
HATCO (Singapore)	4,331	3,117	1,214	10,629	388
CITRA (Indonesia)	6,019	8,079	(2,060)	816	69
WUXI (China)	11,063	1,960	9,103	8,594	535

US\$ (Note 2) (In thousands)

Company	2008				
	Assets	Liabilities	Net assets	Sales	Net income (loss)
Busan Exhibition and Convention Center	\$ 111,722	\$ 8,829	\$ 102,894	\$ 12,846	\$ 518
Hyundai Engineering Co., Ltd.	342,679	214,943	127,736	598,600	61,971
Hyundai Engineering & Steel Industries Co., Ltd.	87,260	41,928	45,332	171,925	5,580
Busan Jeongkwon Energy Co., Ltd.	114,484	114,519	(35)	615	(4,710)
Hyundai Farm Land & Development Co., Ltd.	22,790	1,880	20,911	24,068	4,561
Hyundai City Development Co., Ltd.	277,209	12,633	264,576	-	(1,497)
Kyung-In Canal Co., Ltd.	4,363	1,107	3,256	-	(1,678)
MEEDCO (Saudi)	285,896	249,037	36,859	396,752	19,434
HATCO (Singapore)	3,444	2,479	965	8,452	309
CITRA (Indonesia)	4,786	6,425	(1,638)	649	55
WUXI (China)	8,798	1,559	7,239	6,834	425

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Won (In millions)

Company	2007				
	Assets	Liabilities	Net assets	Sales	Net income (loss)
Busan Exhibition and Convention Center	₩ 144,282	₩ 12,914	₩ 131,368	₩ 12,617	₩ 625
Hyundai Engineering Co., Ltd.	227,388	141,838	85,550	371,983	25,276
Hyundai Engineering & Steel Industries Co., Ltd.	93,051	52,548	40,503	195,861	6,471
Busan Jeongkwan Energy Co., Ltd.	73,001	67,121	5,880	-	(1,028)
Hyundai Farm Land & Development Co., Ltd.	27,393	5,904	21,489	25,724	6,097
Hyundai City Development Co., Ltd.	115,822	1,143	114,679	-	(57)
Kyung-In Canal Co., Ltd.	40,930	3,726	37,204	-	1,321
MEEDCO (Saudi)	238,745	222,434	16,311	301,443	14,477
HATCO (Singapore)	1,365	929	436	1,724	(131)
CITRA (Indonesia)	4,559	6,034	(1,475)	790	(45)
WUXI (China)	21,526	13,932	7,594	48,253	1,209

US\$ (Note 2) (In thousands)

Company	2007				
	Assets	Liabilities	Net assets	Sales	Net income (loss)
Busan Exhibition and Convention Center	\$ 114,737	\$ 10,270	\$ 104,468	\$ 10,033	\$ 497
Hyundai Engineering Co., Ltd.	180,825	112,794	68,032	295,812	20,100
Hyundai Engineering & Steel Industries Co., Ltd.	73,997	41,788	32,209	155,754	5,146
Busan Jeongkwan Energy Co., Ltd.	58,052	53,377	4,676	-	(817)
Hyundai Farm Land & Development Co., Ltd.	21,784	4,695	17,089	20,456	4,849
Hyundai City Development Co., Ltd.	92,105	909	91,196	-	(45)
Kyung-In Canal Co., Ltd.	32,549	2,963	29,586	-	1,050
MEEDCO (Saudi)	189,857	176,886	12,971	239,716	11,513
HATCO (Singapore)	1,085	739	347	1,371	(104)
CITRA (Indonesia)	3,625	4,798	(1,173)	628	(36)
WUXI (China)	17,118	11,079	6,039	38,372	961

## 6. INVESTMENT IN PROPERTIES

Investment properties owned by the Company for payment in substitutes for the year ended December 31, 2008 are as follows:

Won (In millions)

	2008					
	Acquisitions	Losses on valuation of inventories	Book value before subtraction	Losses on valuation of investments	Estimated recoverable amount	Ending
Investment in properties	₩ 266,012	₩ (14,166)	₩ 251,846	₩ (19,891)	₩ 231,955	₩ 231,955

US\$ (Note 2) (In thousands)

	2008					
	Acquisitions	Losses on valuation of inventories	Book value before subtraction	Losses on valuation of investments	Estimated recoverable amount	Ending
Investment in properties	\$ 211,540	\$ (11,265)	\$ 200,275	\$ (15,818)	\$ 184,457	\$ 184,457

## 7. PROPERTY, PLANT AND EQUIPMENT

(1) The changes in property, plant and equipment for the years ended December 31, 2008 and 2007 are as follows:

Won (In millions)

	2008					
	Beginning	Acquisitions	Disposals	Depreciation <sup>(1)</sup>	Others <sup>(2)</sup>	Ending
Land <sup>(3)</sup>	₩ 404,240	₩ 216	₩ 74,496	₩ -	₩ 28	₩ 329,988
Buildings <sup>(3)</sup>	81,290	-	-	2,469	(427)	78,394
Structures <sup>(3)</sup>	7,480	372	-	486	(1,266)	6,100
Machinery and equipment <sup>(3 &amp; 4)</sup>	92,142	133,114	294	24,907	18,896	218,951
Vehicle	4,157	13,057	197	2,404	950	15,563
Tools and furniture	13,525	7,633	340	5,460	523	15,881
Construction-in-progress	11,216	20,682	-	-	-	31,898
	<b>₩ 614,050</b>	<b>₩ 175,074</b>	<b>₩ 75,327</b>	<b>₩ 35,726</b>	<b>₩ 18,704</b>	<b>₩ 696,775</b>

US\$ (Note 2) (In thousands)

	2008					
	Beginning	Acquisitions	Disposals	Depreciation <sup>(1)</sup>	Others <sup>(2)</sup>	Ending
Land <sup>(3)</sup>	\$ 321,463	\$ 172	\$ 59,241	\$ -	\$ 22	\$ 262,416
Buildings <sup>(3)</sup>	64,644	-	-	1,963	(340)	62,341
Structures <sup>(3)</sup>	5,948	296	-	386	(1,007)	4,851
Machinery and equipment <sup>(3 &amp; 4)</sup>	73,274	105,856	234	19,807	15,027	174,116
Vehicle	3,306	10,383	157	1,912	756	12,376
Tools and furniture	10,756	6,070	270	4,342	415	12,629
Construction-in-progress	8,919	16,447	-	-	-	25,366
	<b>\$ 488,310</b>	<b>\$ 139,224</b>	<b>\$ 59,902</b>	<b>\$ 28,410</b>	<b>\$ 14,873</b>	<b>\$ 554,095</b>

Won (In millions)

	2007					
	Beginning	Acquisitions	Disposals	Depreciation <sup>(1)</sup>	Others <sup>(2)</sup>	Ending
Land <sup>(3)</sup>	₩ 422,621	₩ -	₩ 18,381	₩ -	₩ -	₩ 404,240
Buildings <sup>(3)</sup>	66,793	4,279	84	2,305	12,607	81,290
Structures <sup>(3)</sup>	7,955	-	-	475	-	7,480
Machinery and equipment <sup>(3 &amp; 4)</sup>	92,877	16,509	1,610	16,467	833	92,142
Vehicle	2,642	2,529	137	926	49	4,157
Tools and furniture	11,926	6,388	126	4,697	34	13,525
Construction-in-progress	2,196	9,020	-	-	-	11,216
	<b>₩ 607,010</b>	<b>₩ 38,725</b>	<b>₩ 20,338</b>	<b>₩ 24,870</b>	<b>₩ 13,523</b>	<b>₩ 614,050</b>

US\$ (Note 2) (In thousands)

	2007					
	Beginning	Acquisitions	Disposals	Depreciation <sup>(1)</sup>	Others <sup>(2)</sup>	Ending
Land <sup>(3)</sup>	\$ 336,080	\$ -	\$ 14,617	\$ -	\$ -	\$ 321,463
Buildings <sup>(3)</sup>	53,116	3,403	67	1,833	10,025	64,644
Structures <sup>(3)</sup>	6,326	-	-	378	-	5,948
Machinery and equipment <sup>(3 &amp; 4)</sup>	73,858	13,128	1,280	13,095	663	73,274
Vehicle	2,101	2,011	109	736	39	3,306
Tools and furniture	9,485	5,080	100	3,735	26	10,756
Construction-in-progress	1,746	7,173	-	-	-	8,919
	<b>\$ 482,712</b>	<b>\$ 30,795</b>	<b>\$ 16,173</b>	<b>\$ 19,777</b>	<b>\$ 10,753</b>	<b>\$ 488,310</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(\*\*1) Depreciation includes the depreciation of construction equipment owned by the Company which is not in use amounting to ₩2,119 million (US\$ 1,685 thousand) and ₩2,548 million (US\$ 2,026 thousand) for the years ended December 31, 2008 and 2007, respectively.

(\*\*2) Others include adjustments between depreciation expense and accumulated depreciation resulting from overseas operations translation adjustment, impairment loss and transferred amount.

(\*\*3) As of December 31, 2008, the disposal of the Company's land in Seosan is being negotiated with local fishermen who had incurred losses in relation to development of the land. In addition, the excess of book value over estimated realizable value of the land is recognized as an impairment loss on land and in the case of buildings with uncertain prospects of profitability, the excess of book value over estimated realizable value is recorded as an impairment loss on buildings.

(\*\*4) Certain construction equipment owned by the Company, which is not in use, amounts to ₩8,124 million (US\$ 10,216 thousand) and ₩9,410 million (US\$ 6,460 thousand) as of December 31, 2008 and 2007, respectively.

## (2) The published value of land as of December 31, 2008 and 2007 is as follows:

Won (In millions)

Description	2008		2007	
	Book value	Public value	Book value	Public value
Land (Tangible assets)	₩ 329,988	₩ 503,655	₩ 404,240	₩ 551,020
Plots of Land (Inventories)	375,430	263,145	283,583	175,036
	<b>₩ 705,418</b>	<b>₩ 766,800</b>	<b>₩ 687,823</b>	<b>₩ 726,056</b>

US\$ (Note 2) (In thousands)

Description	2008		2007	
	Book value	Public value	Book value	Public value
Land (Tangible assets)	\$ 262,416	\$ 400,521	\$ 321,463	\$ 438,187
Plots of Land (Inventories)	298,553	209,260	225,513	139,194
	<b>\$ 560,969</b>	<b>\$ 609,781</b>	<b>\$ 546,976</b>	<b>\$ 577,381</b>

## 8. INSURED ASSETS

Assets insured as of December 31, 2008 and 2007 are as follows:

Won (In millions)

Description	Assets	Book value	Insurance coverage	Insurance company
Fire Insurance	Buildings	₩ 67,345	₩ 80,362	Hyundai Fire & Marine and others
	Investment in government bonds	5,538	7,001	
	Temporary establishment	4,449	54,522	
		<b>₩ 77,332</b>	<b>₩ 141,885</b>	

US\$ (Note 2) (In thousands)

Description	Assets	Book value	Insurance coverage	Insurance company
Fire Insurance	Buildings	\$ 53,555	\$ 63,906	Hyundai Fire & Marine and others
	Investment in government bonds	4,404	5,567	
	Temporary establishment	3,538	43,358	
		<b>\$ 61,497</b>	<b>\$ 112,831</b>	

Machinery and equipment located at overseas project sites are insured pursuant to the requirements under the related construction contracts.

## 9. VALUATION AT PRESENT VALUE

The Company's long-term accounts receivable evaluated at present value as of December 31, 2008 and 2007 consist of the following:

Won (In millions)

	Long-term other receivables		Long-term accounts receivable		Other long-term receivables	
	2008	2007	2008	2007	2008	2007
Term of collection	04.01~13.08	04.01~13.01	04.08~11.12	04.08~13.10	06.07~28.01	06.07~28.01
Interest rate <sup>(*)</sup>	4.50%,7.42%		4.50%		6.32%, 8.28%	
Nominal value	₩ 5,808	₩ 1,907	₩ 4,700	₩ 8,832	₩ 795,486	₩ 611,510
Present value	4,996	1,719	4,201	6,938	369,240	275,484
Present value discount	812	188	499	1,894	426,246	336,026

US\$ (Note 2) (In thousands)

	Long-term other receivables		Long-term accounts receivable		Other long-term receivables	
	2008	2007	2008	2007	2008	2007
Term of collection	04.01~13.08	04.01~13.01	04.08~11.12	04.08~13.10	06.07~28.01	06.07~28.01
Interest rate <sup>(*)</sup>	4.50%,7.42%		4.50%		6.32%, 8.28%	
Nominal value	\$ 4,619	\$ 1,517	\$ 3,738	\$ 7,023	\$ 632,593	\$ 486,290
Present value	3,973	1,367	3,341	5,517	293,630	219,073
Present value discount	646	150	397	1,506	338,963	267,217

<sup>(\*)</sup> The present value is calculated by applying the weighted-average interest rate at the time of the related transaction.

Won (In millions)

	Other long-term receivables		Other non-current assets		Other long-term receivables - Iraq	
	2008	2007	2008	2007	2008	2007
Nominal value	₩ 5,808	₩ 1,907	₩ 4,700	₩ 8,832	₩ 795,486	₩ 611,510
Present value discount	812	188	499	1,894	426,246	336,026
Current assets	-	-	1,800	1,600	24,141	18,011
Current portion of present value discount	-	-	107	119	397	296
Non-current assets, net	4,996	1,719	2,508	5,457	345,496	257,769

US\$ (Note 2) (In thousands)

	Other long-term receivables		Other non-current assets		Other long-term receivables - Iraq	
	2008	2007	2008	2007	2008	2007
Nominal value	\$ 4,619	\$ 1,517	\$ 3,738	\$ 7,023	\$ 632,593	\$ 486,290
Present value discount	646	150	397	1,506	338,963	267,217
Current assets	-	-	1,431	1,272	19,198	14,323
Current portion of present value discount	-	-	84	95	316	235
Non-current assets, net	3,973	1,367	1,994	4,340	274,748	204,985

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 10. OTHER LONG-TERM RECEIVABLES - IRAQ

In 2005, the Company and Citigroup Global Market Inc., an agent for the Government of Iraq, entered into an agreement on the adjustment and collection schedule for the Company's long-term receivables of US\$949,261 thousand and unrecorded accrued interest thereon.

### (1) Terms of agreement

	Description
The amount of confirmed receivables	US\$ 1,654,920 thousand
The amount of principal	US\$ 330,985 thousand
Interest rate	5.8% (Fixed interest rate)
Collection of principal	Collection on semi-annual installments from July 15, 2020 to January 15, 2028
Collection of accrued interest	Every six months from July 15, 2006
Total amount of principal & interest	US\$ 681,333 thousand

### (2) The collection schedule for the principal and interest receivables as of December 31, 2008 is as follows:

	US\$ (In thousands)		
	Principal	Interest	Total
2009.01.01~2009.12.31	\$ -	\$ 19,197	\$ 19,197
2010.01.01~2010.12.31	-	19,197	19,197
2011.01.01~2011.12.31	-	19,197	19,197
2012.01.01~	330,985	244,017	575,002
<b>Total</b>	<b>\$ 330,985</b>	<b>\$ 301,608</b>	<b>\$ 632,593</b>

(3) In accordance with the Statement of Korea Accounting Standards No. 13 - "Troubled Debt Restructuring", the Company recorded receivables amounting to US\$ 681,333 thousand, which represents the future cash flows of principal and interest. The Company recognized the difference of the present value at the beginning and end of the year as interest income and deducted ₩21,167 million (US\$ 16,833 thousand) to the provision for bad debts.

The provision for bad debts on the receivables from the Iraq Government is subject to change contingent upon the progress of the implementation of the above agreement.

## 11. DEBENTURES AND LONG AND SHORT-TERM BORROWINGS

### (1) Short-term borrowings as of December 31, 2008 and 2007 are as follows:

	Description	Lender	Interest rate	Won (In millions)	
				2008	2007
Borrowings (foreign currency)	Technology aid loan	EXIM (*) and others	1M LIBOR+2.15%	₩ 62,875	₩ 56,292
	General loan	ARAB and others	3M EURIBOR+1.20%	53,287	41,438
	Trade financing	KEB	3M LIBOR+0.68%	84,285	-
	Usance bill	EXIM	3M LIBOR+3.0%	37,725	-
				238,172	97,730
Borrowings (Korean Won)	Technology aid loan	EXIM	5.65%~6.41%	270,000	90,000
				<b>₩ 508,172</b>	<b>₩ 187,730</b>

(\*) EXIM: The Export-Import Bank of Korea



US\$ (Note 2) (In thousands)

	Description	Lender	Interest rate	2008	2007
Borrowings (foreign currency)	Technology aid loan	EXIM <sup>TM</sup> and others	1M LIBOR+2.15%	\$ 50,000	\$ 44,765
	General loan	ARAB and others	3M EURIBOR+1.20%	42,375	32,953
	Trade financing	KEB	3M LIBOR+0.68%	67,026	-
	Usanse bill	EXIM	3M LIBOR+3.0%	30,000	-
				189,401	77,718
Borrowings (Korean Won)	Technology aid loan	EXIM	5.65%~6.41%	214,712	71,570
				<b>\$ 404,113</b>	<b>\$ 149,288</b>

**(2) Debentures as of December 31, 2008 and 2007 are as follows:**

Won (In millions)

Description	Maturity date	Interest rate	2008	2007
Unguaranteed debentures	05.07.27~10.08.13	4.97~6.08%	₩ 390,000	₩ 770,000
Unguaranteed debentures	06.05.11~10.05.11	6.66%	300,000	375,000
Unguaranteed debentures (Foreign currencies)	06.07.03~09.07.03	6M LIBOR+0.60%		
			46,527	93,820
			736,527	1,238,820
Less: Current portion			(396,527)	(455,000)
Less: Discount on bonds issued			(1,745)	(3,549)
			<b>₩ 338,255</b>	<b>₩ 780,271</b>

US\$ (Note 2) (In thousands)

Description	Maturity date	Interest rate	2008	2007
Unguaranteed debentures	05.07.27~10.08.13	4.97~6.08%	\$ 310,138	\$ 612,326
Unguaranteed debentures	06.05.11~10.05.11	6.66%	238,569	298,211
Unguaranteed debentures (Foreign currencies)	06.07.03~09.07.03	6M LIBOR+0.60%		
			37,000	74,608
			585,707	985,145
Less: Current portion			(315,330)	(361,829)
Less: Discount on bonds issued			(1,387)	(2,823)
			<b>\$ 268,990</b>	<b>\$ 620,493</b>

**(3) Long-term borrowings as of December 31, 2008 and 2007 are as follows:**

Won (In millions)

Description	Lender	Interest rate	2008	2007
Credit loans	Korea Housing Guarantee	1.00%	₩ 44,667	₩ 44,667
Energy loans	Korea Exchange Bank	4.25%	17,250	23,000
Energy loans	KDB Capital Insurance Company	5.50%	118	587
			62,035	68,254
Less: Current portion			(15,678)	(10,280)
			<b>₩ 46,357</b>	<b>₩ 57,974</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Description	Lender	Interest rate	US\$ (Note 2) (In thousands)	
			2008	2007
Credit loans	Korea Housing Guarantee	1.00%	\$ 35,520	\$ 35,520
Energy loans	Korea Exchange Bank	4.25%	13,718	18,290
Energy loans	KDB Capital Insurance Company	5.50%	94	468
			49,332	54,278
Less: Current portion			(12,468)	(8,175)
			<b>\$ 36,864</b>	<b>\$ 46,103</b>

**(4) The maturities of long-term borrowings and debentures as of December 31, 2008, before discounts, are as follows:**

Year	Won (In millions)		
	Debentures	Long-term borrowings	Total
2010.1.1~2010.12.31	₩ 340,000	₩ 9,810	₩ 349,810
2011.1.1~2011.12.31	-	4,061	4,061
2012.1.1~2012.12.31	-	4,061	4,061
There after	-	28,425	28,425
<b>Total</b>	<b>₩ 340,000</b>	<b>₩ 46,357</b>	<b>₩ 386,357</b>

Year	US\$ (Note 2) (In thousands)		
	Debentures	Long-term borrowings	Total
2010.1.1~2010.12.31	\$ 270,377	\$ 7,802	\$ 278,179
2011.1.1~2011.12.31	-	3,229	3,229
2012.1.1~2012.12.31	-	3,229	3,229
There after	-	22,604	22,604
<b>Total</b>	<b>\$ 270,377</b>	<b>\$ 36,864</b>	<b>\$ 307,241</b>

## 12. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

**(1) Monetary assets and liabilities denominated in foreign currencies in domestic business unit as of December 31, 2008 and 2007 are as follows:**

Account	Foreign currencies (In thousands)		Won (In millions)	
	2008	2007	2008	2007
<b>Assets:</b>				
Cash and cash equivalents	\$ 151,999	\$ 15,478	₩ 191,139	₩ 14,522
	€ 0.2	€ 2,007	€ 0.4	2,773
			191,139	17,295
<b>Liabilities:</b>				
Short-term borrowings	\$ 64,744	\$ 60,000	₩ 81,416	₩ 56,292
	€ 1,943	-	3,450	-
	CHF 3,811	-	4,539	-
			<b>89,405</b>	<b>56,292</b>

**(2) The assets and liabilities of the Company's branches outside the Republic of Korea are translated at the rate of exchange in effect at the balance sheet date. Assets and liabilities of overseas branches as of December 31, 2008 and 2007 are as follows:**

Account	Won (In millions)			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Current	₩ 1,723,517	₩ 1,521,306	₩ 875,904	₩ 578,903
Non-current	653,989	118,019	413,007	117,316
	<b>₩ 2,377,506</b>	<b>₩ 1,639,325</b>	<b>₩ 1,288,911</b>	<b>₩ 696,219</b>

Account	US\$ (Note 2) (In thousands)			
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Current	\$ 1,370,590	\$ 1,209,786	\$ 696,544	\$ 460,360
Non-current	520,071	93,852	328,435	93,293
	<b>\$ 1,890,661</b>	<b>\$ 1,303,638</b>	<b>\$ 1,024,979</b>	<b>\$ 553,653</b>

### 13. RELATED PARTY TRANSACTIONS

**(1) The Company's subsidiaries as of December 31, 2008 are as follows:**

Name of company
Hyundai Engineering Co., Ltd., Hyundai Engineering & Steel Industries Co., Ltd., Busan Jeongkwan Energy Co., Ltd., Hyundai Farm Land & Development Co., Ltd., Hyundai City Development Co., Ltd., Kyung-In Canal Co., Ltd., Hyunchong Architects & Engineers Assoc. and WUXI (China).

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (2) Related party transactions of the Company for the years ended December 31, 2008 and 2007 are as follows:

		Won (In millions)			
Relationship	Related parties	Description	2008	2007	
Subsidiaries	Hyundai Engineering Co., Ltd.	Purchases	₩ 77,923	₩ 71,282	
		Other sales	78	1	
		Other income	1	6	
	Hyundai Engineering & Steel Industries Co., Ltd.	Purchases	101,377	94,906	
		Other sales	1,138	1,514	
		Other income	524	352	
	Busan Jeongkwan Energy Co., Ltd.	Sales	44,523	34,011	
		Purchases	2,188	1	
	Kyung-In Canal Co., Ltd.	Other sales	41	42	
	Hyundai Farm Land & Development Co., Ltd.	Purchases	4,403	2,579	
		Other sales	8,104	8,713	
	Hyundai City Development Co., Ltd.	Other sales	119	-	
		Other income	157,594	3,644	
Hyunchong Architects & Engineers Assoc.	Purchases	13,858	13,723		
	Purchases	10,629	1,724		
Investee under significant influence	HATCO (Singapore)	Purchases	10,629	1,724	
Others	Airport Railroad Co., Ltd.	Sales	115,308	131,386	
		Purchases	-	172	
	Ilsan Grand Bridge Corp.	Sales	-	9,512	
	Kyungnam Highway Co., Ltd.	Sales	3,412	-	
	Kaya Railroad Co., Ltd.	Sales	8,506	-	
	Hyundai Consulting & Information Co., Ltd.	Other sales	13	-	
		Purchases	8,717	6,458	
	Hyundai Human Resources Education Center	Other sales	149	145	
		Purchases	1,645	1,507	
	Songdo Land Mark City	Other income	52	-	
	Jinju Chungchun Co., Ltd.	Sales	3,281	-	
	Ulsan Chungchun Co., Ltd.	Sales	8,389	-	
	Miraeseum	Sales	17,673	-	
<b>Total</b>		<b>Sales</b>	<b>₩ 201,092</b>	<b>₩ 174,909</b>	
<b>Total</b>		<b>Purchases</b>	<b>220,740</b>	<b>192,352</b>	
<b>Total</b>		<b>Other sales</b>	<b>9,642</b>	<b>10,415</b>	
<b>Total</b>		<b>Other income</b>	<b>158,171</b>	<b>4,002</b>	

US\$ (Note 2) (In thousands)

Relationship	Related parties	Description	2008	2007
Subsidiaries	Hyundai Engineering Co., Ltd.	Purchases	\$ 61,967	\$ 56,685
		Other sales	62	1
		Other income	1	5
	Hyundai Engineering & Steel Industries Co., Ltd.	Purchases	80,618	75,472
		Other sales	905	1,204
		Other income	417	280
	Busan Jeongkwan Energy Co., Ltd.	Sales	35,406	27,047
		Purchases	1,740	1
	Kyung-In Canal Co., Ltd.	Other sales	33	33
	Hyundai Farm Land & Development Co., Ltd.	Purchases	3,501	2,051
		Other sales	6,445	6,929
	Hyundai City Development Co., Ltd.	Other sales	95	-
		Other income	125,323	2,898
		Purchases	11,020	10,913
Investee under Significant influence	Hyunchong Architects & Engineers Assoc.	Purchases	11,020	10,913
	HATCO (Singapore)	Purchases	8,452	1,371
Others	Airport Railroad Co., Ltd.	Sales	91,696	104,482
		Purchases	-	137
	Ilsan Grand Bridge Corp.	Sales	-	7,564
	Kyungnam Highway Co., Ltd.	Sales	2,713	-
	Kaya Railroad Co., Ltd.	Sales	6,764	-
		Other sales	10	-
	Hyundai Consulting & Information Co., Ltd.	Purchases	6,933	5,136
		Other sales	118	115
	Hyundai Human Resources Education Center	Purchases	1,308	1,198
		Other income	41	-
	Songdo Land Mark City	Other income	41	-
	Jinju Chungchun Co., Ltd.	Sales	2,609	-
	Ulsan Chungchun Co., Ltd.	Sales	6,671	-
	Miraeseum	Sales	14,055	-
<b>Total</b>		<b>Sales</b>	<b>\$ 159,914</b>	<b>\$ 139,093</b>
<b>Total</b>		<b>Purchases</b>	<b>175,539</b>	<b>152,964</b>
<b>Total</b>		<b>Other sales</b>	<b>7,668</b>	<b>8,282</b>
<b>Total</b>		<b>Other income</b>	<b>125,782</b>	<b>3,183</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (3) Outstanding balance with related parties as of December 31, 2008 and 2007 are as follows:

Won (In millions)

Relationship	Related parties	2008					
		Receivables			Payables		
		Trade receivables	Othe receivables	Others	Trade payables	Other payables	Others
Subsidiaries	Hyundai Engineering Co., Ltd.	₩ -	₩ -	₩ 1	₩ 8,479	₩ 6,258	₩ -
	Hyundai Engineering & Steel Industries Co., Ltd.	-	4,360	228	332	-	478
	Busan Jeongkwan Energy Co., Ltd.	9,404	-	7,600	-	-	-
	Hyunchong Architects & Engineers Assoc.	-	-	-	264	860	-
	Hyundai City Development Co., Ltd.	-	12	-	-	-	1,830
	Hyundai Farm Land & Development Co., Ltd.	-	-	-	-	703	-
	WUXI (China)	-	-	-	-	6,286	-
Investee under significant influence	MEEDCO (Saudi)	-	140,288	-	-	-	-
	HATCO (Singapore)	-	2,326	-	-	-	-
	CITRA (Indonesia)	-	438	-	-	-	-
	Busan Exhibition & Convention Center Ltd.	54	-	-	-	-	-
Others	Airport Railroad Co., Ltd.	39,818	-	-	-	-	4,171
	Hyundai Consulting & Information Co., Ltd.	-	14	-	1,654	632	-
	Kaya Railroad Co., Ltd.	5,487	1	-	-	-	-
	Kyungnam Highway Co., Ltd.	2,430	-	-	-	-	-
	Jinju Chungchun Co., Ltd.	1,857	-	-	-	-	-
	Ulsan Chungchun Co., Ltd.	6,200	-	-	-	-	-
	Miraeseum	4,705	-	-	-	-	-
	LPHD (Indonesia) <sup>(*)</sup>	-	6,979	-	-	-	-
	HDDZ (Malaysia) <sup>(*)</sup>	-	5,700	-	-	-	-
	HDHK (Hong Kong) <sup>(*)</sup>	-	94	-	-	-	-
	HNIG (Nigeria) <sup>(*)</sup>	-	824	-	-	-	-
	OHQD (Philippines) <sup>(*)</sup>	-	1,570	-	-	-	-
	RVBC (Russia) <sup>(*)</sup>	-	21,306	-	-	-	-

US\$ (Note 2) (In thousands)

Relationship	Related parties	2008					
		Receivables			Payables		
		Trade receivables	Othe receivables	Others	Trade payables	Other payables	Others
Subsidiaries	Hyundai Engineering Co., Ltd.	\$ -	\$ -	\$ 1	\$ 6,743	\$ 4,977	\$ -
	Hyundai Engineering & Steel Industries Co., Ltd.	-	3,467	181	264	-	380
	Busan Jeongkwan Energy Co., Ltd.	7,478	-	6,044	-	-	-
	Hyunchong Architects & Engineers Assoc.	-	-	-	210	684	-
	Hyundai City Development Co., Ltd.	-	10	-	-	-	1,455
	Hyundai Farm Land & Development Co., Ltd.	-	-	-	-	559	-
	WUXI (China)	-	-	-	-	4,999	-
Investee under significant influence	MEEDCO (Saudi)	-	111,561	-	-	-	-
	HATCO (Singapore)	-	1,850	-	-	-	-
	CITRA (Indonesia)	-	348	-	-	-	-
	Busan Exhibition & Convention Center Ltd.	43	-	-	-	-	-
Others	Airport Railroad Co., Ltd.	31,665	-	-	-	-	3,317
	Hyundai Consulting & Information Co., Ltd.	-	10	-	1,315	502	-
	Kaya Railroad Co., Ltd.	4,363	1	-	-	-	-
	Kyungnam Highway Co., Ltd.	1,932	-	-	-	-	-
	Jinju Chungchun Co., Ltd.	1,477	-	-	-	-	-
	Ulsan Chungchun Co., Ltd.	4,930	-	-	-	-	-
	Miraeseum	3,742	-	-	-	-	-
	LPHD (Indonesia) <sup>(1)</sup>	-	5,550	-	-	-	-
	HDDZ (Malaysia) <sup>(1)</sup>	-	4,533	-	-	-	-
	HDHK (Hong Kong) <sup>(1)</sup>	-	75	-	-	-	-
	HNIG (Nigeria) <sup>(1)</sup>	-	655	-	-	-	-
	OHQD (Philippines) <sup>(1)</sup>	-	1,249	-	-	-	-
	RVBC (Russia) <sup>(1)</sup>	-	16,943	-	-	-	-

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Won (In millions)

Relationship	Related parties	2007					
		Receivables			Payables		
		Trade receivables	Othe receivables	Others	Trade payables	Other payables	Others
Subsidiaries	Hyundai Engineering Co., Ltd.	₩ -	₩ 16	₩ 24	₩ 4,437	₩ 6,117	₩ -
	Hyundai Engineering & Steel Industries Co., Ltd.	-	19,500	126	13,178	-	-
	Busan Jeongkwon Energy Co., Ltd.	10,567	-	-	-	-	-
	Hyundai Farm Land & Development Co., Ltd.	-	-	-	-	35	-
	Kyung-In Canal Co., Ltd.	-	4	-	-	-	-
	Hyundai City Development Co., Ltd.	-	431	-	-	-	-
	WUXI (China)	-	-	-	-	3,086	-
Investee under significant influence	MEEDCO (Saudi)	-	147,233	-	-	-	-
	HATCO (Singapore)	-	1,542	-	-	-	-
	CITRA (Indonesia)	-	1,103	-	-	-	-
Others	Machang Bridge Corp.	1,037	-	-	-	-	-
	Hyunchong Architects & Engineers Assoc.	-	-	-	343	687	-
	Airport Railroad Co., Ltd.	35,921	-	-	-	-	-
	The Third Kyungin Highway Co., Ltd.	6,870	-	-	-	-	-
	Ilsan Grand Bridge Corp.	769	-	-	-	-	-
	Hyundai Consulting & Information Co., Ltd.	-	14	-	95	684	-
	Kaya Railroad Co., Ltd.	-	-	-	-	-	883
	LPHD (Indonesia) <sup>(*)</sup>	-	6,098	-	-	-	-
	HDDZ (Malaysia) <sup>(*)</sup>	-	3,169	-	-	-	-
	PTHI (Indonesia) <sup>(*)</sup>	-	60	-	-	-	-
	RVBC (Russia) <sup>(*)</sup>	-	21,556	-	-	-	-
	HDHK (Hong Kong) <sup>(*)</sup>	-	70	-	-	-	-
	HNIG (Nigeria) <sup>(*)</sup>	-	649	-	-	-	-
	OHQD (Philippines) <sup>(*)</sup>	-	1,713	-	-	-	-



US\$ (Note 2) (In thousands)

Relationship	Related parties	2007					
		Receivables			Payables		
		Trade receivables	Othe receivables	Others	Trade payables	Other payables	Others
Subsidiaries	Hyundai Engineering Co., Ltd.	\$ -	\$ 13	\$ 19	\$ 3,528	\$ 4,864	\$ -
	Hyundai Engineering & Steel Industries Co., Ltd.	-	15,507	100	10,480	-	-
	Busan Jeongkwon Energy Co., Ltd.	8,403	-	-	-	-	-
	Hyundai Farm Land & Development Co., Ltd.	-	-	-	-	28	-
	Kyung-In Canal Co., Ltd.	-	3	-	-	-	-
	Hyundai City Development Co., Ltd.	-	343	-	-	-	-
	WUXI (China)	-	-	-	-	2,454	-
Investee under significant influence	MEEDCO (Saudi)	-	117,084	-	-	-	-
	HATCO (Singapore)	-	1,226	-	-	-	-
	CITRA (Indonesia)	-	877	-	-	-	-
Others	Machang Bridge Corp.	825	-	-	-	-	-
	Hyunchong Architects & Engineers Assoc.	-	-	-	273	546	-
	Airport Railroad Co., Ltd.	28,565	-	-	-	-	-
	The Third Kyungin Highway Co., Ltd.	5,463	-	-	-	-	-
	Ilsan Grand Bridge Corp.	612	-	-	-	-	-
	Hyundai Consulting & Information Co., Ltd.	-	11	-	75	545	-
	Kaya Railroad Co., Ltd.	-	-	-	-	-	702
	LPHD (Indonesia) <sup>(*)</sup>	-	4,849	-	-	-	-
	HDDZ (Malaysia) <sup>(*)</sup>	-	2,520	-	-	-	-
	PTHI (Indonesia) <sup>(*)</sup>	-	48	-	-	-	-
	RVBC (Russia) <sup>(*)</sup>	-	17,142	-	-	-	-
	HDHK (Hong Kong) <sup>(*)</sup>	-	56	-	-	-	-
	HNIG (Nigeria) <sup>(*)</sup>	-	516	-	-	-	-
	OHQD (Philippines) <sup>(*)</sup>	-	1,362	-	-	-	-

(\*) ANCC: Arian International Contractors Company

LPHD: Pt. Lippo-Hyundai Development

HDDZ: Hyundai Doz (M) Sdn. Bhd.

PTHI: Pt. Hyundai Indonesia Eng &amp; Construction

RVBC: Vladivostok Business Center Ltd.

HDHK: Hyundai Hong Kong Eng &amp; Construction Pte. Ltd.

HNIG: Hyundai Engineering &amp; Construction Company NIG Ltd.

OHQD: Oriental Hyundai Quarry Development Corporation

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (4) Details of allowance for doubtful accounts related with account balances with related parties as of December 31, 2008 and 2007 are as follows:

		Won (In millions)	
Relationship	Related parties	2008	
		Receivables	Allowance
Investee under significant influence	MEEDCO (Saudi)	₩ 140,288	₩ 10,676
	HATCO (Singapore)	2,326	2,256
	CITRA (Indonesia)	438	438
Others	LPHD (Indonesia)	6,979	6,979
	HDDZ (Malaysia)	5,700	5,700
	HDHK (Hong Kong)	94	94
	HNIG (Nigeria)	824	824
	RVBC (Russia)	21,306	21,306
	OHQD (Philippines)	1,570	1,570
<b>Total</b>		<b>₩ 179,525</b>	<b>₩ 49,843</b>

		US\$ (Note 2) (In thousands)	
Relationship	Related parties	2008	
		Receivables	Allowance
Investee under significant influence	MEEDCO (Saudi)	\$ 111,560	\$ 8,490
	HATCO (Singapore)	1,850	1,794
	CITRA (Indonesia)	348	348
Others	LPHD (Indonesia)	5,550	5,550
	HDDZ (Malaysia)	4,533	4,533
	HDHK (Hong Kong)	75	75
	HNIG (Nigeria)	655	655
	RVBC (Russia)	16,943	16,943
	OHQD (Philippines)	1,249	1,249
<b>Total</b>		<b>\$ 142,763</b>	<b>\$ 39,637</b>

		Won (In millions)	
Relationship	Related parties	2007	
		Receivables	Allowance
Investee under significant influence	MEEDCO (Saudi)	₩ 147,233	₩ 7,972
	HATCO (Singapore)	1,542	1,542
	CITRA (Indonesia)	1,103	1,103
Others	LPHD (Indonesia)	6,098	6,098
	HDDZ (Malaysia)	3,169	3,169
	PTHI (Indonesia)	60	60
	RVBC (Russia)	21,556	21,556
	HDHK (Hong Kong)	70	70
	HNIG (Nigeria)	649	649
	OHQD (Philippines)	1,713	1,713
<b>Total</b>		<b>₩ 183,193</b>	<b>₩ 43,932</b>

US\$ (Note 2) (In thousands)

Relationship	Related parties	2007	
		Receivables	Allowance
Investee under significant influence	MEEDCO (Saudi)	\$ 117,084	\$ 6,340
	HATCO (Singapore)	1,226	1,226
	CITRA (Indonesia)	877	877
Others	LPHD (Indonesia)	4,849	4,849
	HDDZ (Malaysia)	2,520	2,520
	PTHI (Indonesia)	48	48
	RVBC (Russia)	17,142	17,142
	HDHK (Hong Kong)	56	56
	HNIG (Nigeria)	516	516
	OHQD (Philippines)	1,362	1,362
<b>Total</b>		<b>\$ 145,680</b>	<b>\$ 34,936</b>

**(5) Guarantees provided by related companies as of December 31, 2008 and 2007 are as follows:**

Won (In millions)

Company	Type of guarantee	2008	2007	Security holder
Hyundai Engineering & Steel Industries Co., Ltd.	Debt guarantee	₩ 12,965	₩ 13,020	Korea Exchange Bank

US\$ (Note 2) (In thousands)

Company	Type of guarantee	2008	2007	Security holder
Hyundai Engineering & Steel Industries Co., Ltd.	Debt guarantee	\$ 10,310	\$ 10,354	Korea Exchange Bank

**(6) The Company has provided guarantees or collateral for related companies as of December 31, 2008 and 2007 as follows:**

Relationship	Company	2008			
		Korean Won (In millions)	US\$ (Note 2) (In thousands)	Type of guarantee	Security holder
Subsidiaries	Busan Jeongkwan Energy Co., Ltd.	₩ 5,052	\$ 4,017	Pledged securities	Kookmin Bank and others
Investee under significant influence	MEEDCO (Saudi)	365,515	290,668	Debt guarantee	BSF, RYD <sup>(*)</sup> and others
		166,260	132,215	Construction guarantee	BSF, RYD <sup>(*)</sup> and others
Others	Ilsan Grand Bridge Corp.	12,802	10,181	Pledged securities	Woori Bank and others
	Airport Railroad Co., Ltd.	251,370	199,896	Pledged securities	Korea Industry Bank and others
	Kaya Railroad Co., Ltd.	2,072	1,648	Pledged securities	Woori Bank and others
	Ulsan Chungchun Co., Ltd.	669	532	Pledged securities	IBK and others
	Mileseum Corp.	734	584	Pledged securities	Kyung-nam Bank and others
<b>Total</b>		<b>₩ 804,474</b>	<b>\$ 639,741</b>		

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Relationship	Company	2007			
		Korean Won (In millions)	US\$ (Note 2) (In thousands)	Type of guarantee	Security holder
Subsidiaries	Busan Jeongkwan Energy Co., Ltd.	₩ 5,052	\$ 4,017	Pledged securities	Kookmin Bank and others
	Hyundai Farm Land & Development Co., Ltd.	6,000	4,771	Debt guarantee	National Agricultural Cooperative Federal
Investee under significant influence	MEEDCO (Saudi)	277,992	221,067	Debt guarantee	NCB <sup>(*)</sup> and others
		160,619	127,729	Construction guarantee	NCB <sup>(*)</sup> and others
Others	Ilsan Grand Bridge Corp.	12,802	10,181	Pledged securities	Woori Bank and others
	Airport Railroad Co., Ltd.	251,370	199,897	Pledged securities	Korea Industry Bank and others
	Kaya Railroad Co., Ltd.	2,072	1,648	Pledged securities	Woori Bank and others
	Machang Bridge Corp.	13,193	10,491	Pledged securities	Kookmin Bank
<b>Total</b>		<b>₩ 729,100</b>	<b>\$ 579,801</b>		

(\*) BSF, RYD: Bank Saudi Fransi, Riyad / NCB: National Commercial Bank

## (7) Key management personnel compensation for the years ended December 31, 2008 and 2007 are as follows:

Description	Won (In millions)	
	2008	2007
Salaries	₩ 26,932	₩ 25,411
Severance benefits	7,480	6,913
Share-based payment	193	35
	<b>₩ 34,615</b>	<b>₩ 32,359</b>

Description	US\$ (Note 2) (In thousands)	
	2008	2007
Salaries	\$ 21,426	\$ 20,208
Severance benefits	5,948	5,497
Share-based payment	153	28
	<b>\$ 27,527</b>	<b>\$ 25,733</b>

## 14. SHAREHOLDERS' EQUITY

### (1) Capital stock as of December 31, 2008 and 2007 is as follows:

Description	2008	2007
Authorized (shares)	7,000,000,000 shares	7,000,000,000 shares
Par value (Korean won)	₩ 5,000	₩ 5,000
Outstanding (shares)		
Ordinary share	110,998,364 shares	110,852,174 shares
Preferred share	98,856 shares	98,856 shares

**(2) Changes in common stock and preferred stock for the years ended December 31, 2008 and 2007 are as follows:**

Won (In millions)

	Capital stock		Capital surplus
	Common stock	Preferred stock	
Balance at January 1, 2007	₩ 553,176	₩ 494	₩ 250,952
Exercise of stock options	1,085	-	8,842
Balance at December 31, 2007	554,261	494	259,794
Exercise of stock options	731	-	9,204
Balance at December 31, 2008	554,992	494	268,998

US\$ (Note 2) (In thousands)

	Capital stock		Capital surplus
	Common stock	Preferred stock	
Balance at January 1, 2007	\$ 439,901	\$ 393	\$ 199,564
Exercise of stock options	863	-	7,032
Balance at December 31, 2007	440,764	393	206,596
Exercise of stock options	581	-	7,319
Balance at December 31, 2008	441,345	393	213,915

**15. RETAINED EARNINGS****(1) Legal reserves**

The Korean Commercial Code requires the Company to appropriate as a legal reserve an amount equal to at least 10% of annual cash dividends for each accounting period until the reserve equals 50% of capital. This reserve is not available for the payment of cash dividends but may be transferred to common stock or used to offset accumulated deficit, if any, through a resolution of shareholders.

**(2) Voluntary reserves as of December 31, 2008 and 2007 are as follows:**

Won (In millions)

Description	2008	2007
Reserve for financial structure improvements	₩ 61,810	₩ 61,810
Reserve for overseas business losses	170,000	70,000
Reserve for technology development	100,000	50,000
Reserve for business expansion	240,000	200,000
Other voluntary reserves	100,000	50,000
	₩ 671,810	₩ 431,810

US\$ (Note 2) (In thousands)

Description	2008	2007
Reserve for financial structure improvements	\$ 49,153	\$ 49,153
Reserve for overseas business Losses	135,189	55,667
Reserve for technology development	79,523	39,761
Reserve for business expansion	190,855	159,046
Other voluntary reserves	79,523	39,761
	\$ 534,243	\$ 343,388

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (3) Reserve for financial structure improvements

Until December 26, 2007, the Regulations on Securities Issuance and Disclosure require the Company to appropriate a reserve for improvement of financial structure an amount equal to at least 50% of the net gain on sale of property, plant and equipment, and 10% of net income for each year until the Company's shareholders' equity equals 30% of total assets. The reserve may be used to reduce a deficit or transferred to common stock in connection with a free issue of shares.

Effective December 27, 2007, the above requirement has been removed and the Company is no longer required to appropriate a reserve for improvement of financial structure and consequently, the existing balance as of December 31, 2007 is now regarded as a voluntary reserve.

## 16. STATEMENTS OF COMPREHENSIVE INCOME

Account	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Net income	₩ 373,474	₩ 277,384	\$ 296,997	\$ 220,584
Other comprehensive income (loss):				
Gain on valuation of long-term investment securities (Tax effects: 2008: ₩ (27,250) million, 2007: ₩ (69,560) million)	156,526	183,386	124,474	145,834
Foreign-based operations translation adjustments (Tax effects: 2008: ₩ (30,650) million, 2007: ₩ 2,492 million)	85,393	(6,569)	67,907	(5,224)
Negative changes in equity arising on application of the equity method (Tax effects: 2008: ₩ (1,836) million, 2007: ₩ (123) million)	6,551	324	5,209	258
Changes in equity arising on application of the equity method (Tax effects: 2008: ₩ 1 million, 2007: ₩ (169) million)	(546)	445	(434)	354
<b>Comprehensive income</b>	<b>₩ 621,398</b>	<b>₩ 454,970</b>	<b>\$ 494,153</b>	<b>\$ 361,806</b>

## 17. SHARE-BASED PAYMENTS

### (1) The terms and conditions of grants as of December 31, 2008 are as follows:

	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant
Type of agreement	Share options	Share options	Share options
Date of grant	2002.03.27	2007.10.09	2008.11.12
The holders	Officers and employees	Officers and employees	Officers and employees
Number of unexercised	81,409 shares	-	456,251 shares
Exercise price	₩ 45,250	2-1: ₩ 75,500 2-2: ₩ 71,540	₩ 40,230
Exercisable period	04.03.28~09.03.27	07.10.09~08.10.14	08.11.12~09.11.11

**(2) Changes in the number of stock options for the years ended December 31, 2008 and 2007 are as follows:**

	Shares		
	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant
January 1, 2007	389,623	-	-
Granted	-	245,341	-
Forfeited or Expired	-	(492)	-
Exercised	(216,950)	-	-
December 31, 2007	172,673	244,849	-
Granted	-	-	456,251
Forfeited or Expired	-	(189,923)	-
Exercised	(91,624)	(54,926)	-
December 31, 2008	81,409	-	456,251

**(3) Details of total expense recognized as employee costs for the years ended December 31, 2008 and 2007 are as follows:**

Description	Won (In millions)			
	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant	Total
Accumulated expense recognized until the prior year arising from share-based payment transactions	₩ 267	₩ 1,635	₩ -	₩ 1,902
Total expense recognized for the year arising from share-based payment transactions	-	5,259	1,145	6,404
Remaining expense to be recognized in the future years	-	-	7,359	7,359
	₩ 267	₩ 6,894	₩ 8,504	₩ 15,665

Description	US\$ (Note 2) (In thousands)			
	1 <sup>st</sup> Grant	2 <sup>nd</sup> Grant	3 <sup>rd</sup> Grant	Total
Accumulated expense recognized until the prior year arising from share-based payment transactions	\$ 212	\$ 1,300	\$ -	\$ 1,512
Total expense recognized for the year arising from share-based payment transactions	-	4,182	911	5,093
Remaining expense to be recognized in the future years	-	-	5,852	5,852
	\$ 212	\$ 5,482	\$ 6,763	\$ 12,457

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 18. SUMMARY OF MAJOR CONSTRUCTION CONTRACTS

### (1) Balance of construction contracts:

Won (In millions)

Project	Customer	Construction period	Beginning	Increase (Decrease)	Revenue recognized	Ending
Civil works:						
Saemangeum Tideland Reclamation Project II	Korea Agriculture & Rural Infrastructure Corp.	92.06~09.12	₩ 30,943	₩ 59,302	₩ 46,651	₩ 43,594
Seongnam Janghowon Road Construction	Seoul Regional Construction & Management Administration	01.08~09.02	114,102	-	23,045	91,057
Kyungju Detouring Road Project (Naenam-Oeidong)	Busan Regional Construction & Management Administration	06.02~11.01	120,253	11,721	11,100	120,874
Incheon Airport Railroad 2-1	Airport Railroad Co., Ltd.	04.04~09.12	106,301	-	61,994	44,307
Ori-Suwon Electric Railroad 5 <sup>th</sup> Construction Project	Korea Rail Network Authority	05.04~10.04	100,256	-	21,560	78,696
Ulsan Newport Southern Breakwater Area 1	Ulsan Regional Maritime Affairs & Port Office	04.12~09.05	30,826	2,780	20,892	12,714
Amsa Grand Bridge Project	Seoul Facility Safety Bureau	06.04~11.03	110,908	9,404	18,636	101,676
U.A.E Palm Deira Reclamation Project	VAN OORD	06.01~08.10	18,737	3,262	21,999	-
U.A.E Jebel Ali Container Terminal	Dubai Ports Authority	06.06~08.09	61,542	16,901	78,443	-
U.A.E Marin Project for Khalifa Port	ADPC (Abu-Dhabi Port Company)	07.10~10.09	114,277	34,693	35,110	113,860
Kuwait South Pier LNG	Excelerate	07.09~09.04	-	109,870	76,115	33,755
Kuwait New Refinery Project, Package #5	KNPC	08.05~12.03	-	1,324,777	6,974	1,317,803
Sri Lanka Colombo Port Expansion Project	SLPA (Sri Lanka Ports Authority)	08.04~12.04	-	424,524	53,675	370,849
Singapore Reclamation For Pasir Panjang Terminal Phases 3&4	MPA	07.10~13.04	576,161	182,114	149,748	608,527
Reclamation of Jurong Island Phase 4	Jurong Town Corporations	00.06~09.07	172,439	41,485	13,821	200,103
Others			3,175,401	1,488,411	1,325,780	3,338,032
			<b>4,732,146</b>	<b>3,709,244</b>	<b>1,965,543</b>	<b>6,475,847</b>
Building works:						
Seoul Forest Hillstate	KT Corporation	06.06~09.05	95,631	-	70,517	25,114
Pangyo Newtown Project (3 Lot)	Korea National Housing Corporation	06.11~09.05	94,473	13,427	74,384	33,516
Osong Bio-Health Technopolis Project	Ministry Health, Welfare and Family Affairs	07.11~10.11	-	116,109	25,183	90,926
Eunpyeong Newtown Phase3 Area D	Seoul Housing Corp.	07.05~09.11	108,493	-	46,554	61,939
Yongin Sanghyun Hillstate	H Construction Co., Ltd.	07.05~09.10	155,341	16,035	91,654	79,722
Paju Dangdong Hillstate	Kichang Plus Co., Ltd.	07.03~09.08	91,323	549	51,833	40,039
Yongin Sungbok Hillstate 2&3	Eleven Construction Co., Ltd.	08.02~10.08	-	307,229	86,839	220,390
Bulgwang 7 Block Apartment Building Redevelopment	Bulgwang 7 Block Redevelopment Union	08.10~11.07	-	206,733	12,456	194,277



Won (In millions)

Project	Customer	Construction period	Beginning	Increase (Decrease)	Revenue recognized	Ending
Proposed Residential Development at HoiFan Road, Hongkong	AP Joy Limited	01.01~09.01	₩ 7,567	₩ 6,965	₩ 10,606	₩ 3,926
Singapore Redevelopment of OUH & CAAP Bldg.	Clifford Development Pte Ltd.	07.07~10.03	109,254	35,080	24,100	120,234
One Shenton Way Residential Development, Singapore	City Development	07.06~10.08	98,797	31,494	23,587	106,704
Singapore Pasir Ris Condominium Project	Clifford Development Pte Ltd.	08.07~11.04	-	263,308	4,470	258,838
Proposed Condominium Redevelopment at West Coast Park, Singapore	West Coast J/V	06.06~09.04	48,848	11,568	43,097	17,319
Singapore Yishun General Hospital	Ministry of Health	08.03~10.02	-	311,801	43,060	268,741
Vietnam BITEXCO Financial Center Project	BITEXCO	08.06~10.10	-	113,090	2,460	110,630
Others			2,606,989	2,183,427	2,096,313	2,694,103
			<b>3,416,716</b>	<b>3,616,815</b>	<b>2,707,113</b>	<b>4,326,418</b>
Plant works/Electrical works:						
Construction of the Yonghung Thermal Power Plant Units 3 & 4	Korea South East Power Co., Ltd.	03.12~09.03	19,428	9,360	27,694	1,094
Shin-Kori Nuclear Power Plant Units 1&2	Korea Hydro & Nuclear Power Co., Ltd.	03.08~11.12	198,108	41,390	115,308	124,190
Incheon LNG Receiving Terminal 4th Extension Project (# 19, 20 Tank)	Korea Gas Corporation	04.07~09.06	18,768	15,565	20,043	14,290
Construction of the Paju Gyoha Steam Supply and Power Generation	Korea District Heating Corp.	07.03~10.04	103,919	2,201	10,425	95,695
Flue Gas De-sulfurization for Yonghung Thermal Power Plant Units #3, 4	Korea South East Power Co., Ltd.	06.01~09.10	4,061	-	3,553	508
Kuwait Shuaiba North Co-Generation	Mitsui & Co., Ltd.	07.07~10.01	695,840	163,247	334,904	524,183
A1-Khalij 4X350MW Power Plant Project	General Electricity Company of Libya	08.10~13.01	674,125	192,739	7,188	859,676
Qatar Pearl GTL-LPU (C5) Project	Qatar Shell GTL Ltd.	06.08~10.09	638,484	187,800	334,895	491,389
Qatar QAFCO 5 Project (Ammonia & UREA)	Qatar Fertilizer Company (S.A.Q)	07.12~11.06	862,881	277,157	138,144	1,001,894
Qatar Ras Laffan 'C' IWPP Project	Mitsui & Co., Ltd.	08.05~11.04	-	2,579,845	176,420	2,403,425
Khurais Central Processing Facilities	Aramco Overseas Company B.V.	06.09~09.04	298,993	77,840	316,781	60,052
Others			2,467,834	2,395,572	879,646	3,983,760
			<b>5,982,441</b>	<b>5,942,716</b>	<b>2,365,001</b>	<b>9,560,156</b>
Total Construction Contracts			<b>14,131,303</b>	<b>13,268,775</b>	<b>7,037,657</b>	<b>20,362,421</b>
Housing units lotting-out construction:						
Kimpo Gochon Hillstate Apartment Project		05.10~08.04	150,951	(5,673)	145,278	-
Yongin Heungduk Developing Land 2-3B/L		08.04~10.08	-	196,889	58,408	138,481
Total Housing units lotting-out construction			150,951	191,216	203,686	138,481
<b>Total</b>			<b>₩ 14,282,254</b>	<b>₩ 13,459,991</b>	<b>₩ 7,241,343</b>	<b>₩ 20,500,902</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

US\$ (Note 2) (In thousands)

Project	Customer	Construction period	Beginning	Increase (Decrease)	Revenue recognized	Ending
Civil works:						
Saemangeum Tideland Reclamation Project II	Korea Agriculture & Rural Infrastructure Corp.	92.06~09.12	\$ 24,607	\$ 47,158	\$ 37,098	\$ 34,667
Seongnam Janghowon Road Construction	Seoul Regional Construction & Management Administration	01.08~09.02	90,737	-	18,326	72,411
Kyungju Detouring Road Project (Naenam-Oeidong)	Busan Regional Construction & Management Administration	06.02~11.01	95,629	9,320	8,827	96,122
Incheon Airport Railroad 2-1	Airport Railroad Co., Ltd.	04.04~09.12	84,534	-	49,300	35,234
Ori-Suwon Electric Railroad 5 <sup>th</sup> Construction Project	Korea Rail Network Authority	05.04~10.04	79,727	-	17,146	62,581
Ulsan Newport Southern Breakwater Area 1	Ulsan Regional Maritime Affairs & Port Office	04.12~09.05	24,514	2,211	16,614	10,111
Amsa Grand Bridge Project	Seoul Facility Safety Bureau	06.04~11.03	88,197	7,479	14,820	80,856
U.A.E Palm Deira Reclamation Project	VAN OORD	06.01~08.10	14,900	2,594	17,494	-
U.A.E Jebel Ali Container Terminal	Dubai Ports Authority	06.06~08.09	48,940	13,440	62,380	-
U.A.E Marin Project for Khalifa Port	ADPC (Abu-Dhabi Port Company)	07.10~10.09	90,876	27,589	27,920	90,545
Kuwait South Pier LNG	Excelerate	07.09~09.04	-	87,372	60,529	26,843
Kuwait New Refinery Project, Package #5	KNPC	08.05~12.03	-	1,053,501	5,546	1,047,955
Sri Lanka Colombo Port Expansion Project	SLPA (Sri Lanka Ports Authority)	08.04~12.04	-	337,594	42,684	294,910
Singapore Reclamation For Pasir Panjang Terminal Phases 3&4	MPA	07.10~13.04	458,180	144,822	119,084	483,918
Reclamation of Jurong Island Phase 4	Jurong Town Corporations	00.06~09.07	137,128	32,990	10,991	159,127
Others			2,525,169	1,183,627	1,054,296	2,654,500
			<b>3,763,138</b>	<b>2,949,697</b>	<b>1,563,055</b>	<b>5,149,780</b>
Building works:						
Seoul Forest Hillstate	KT Corporation	06.06~09.05	76,049	-	56,078	19,971
Pangyo Newtown Project (3 Lot)	Korea National Housing Corporation	06.11~09.05	75,128	10,677	59,152	26,653
Osong Bio-Health Technopolis Project	Ministry Health, Welfare and Family Affairs	07.11~10.11	-	92,333	20,026	72,307
Eunpyeong Newtown Phase3 Area D	Seoul Housing Corp.	07.05~09.11	86,277	-	37,021	49,256
Yongin Sanghyun Hillstate	H Construction Co., Ltd.	07.05~09.10	123,532	12,751	72,886	63,397
Paju Dangdong Hillstate	Kichang Plus Co., Ltd.	07.03~09.08	72,623	436	41,219	31,840
Yongin Sungbok Hillstate 2&3	Eleven Construction Co., Ltd.	08.02~10.08	-	244,317	69,057	175,260
Bulgwang 7 Block Apartment Building Redevelopment	Bulgwang 7 Block Redevelopment Union	08.10~11.07	-	164,400	9,905	154,495
Proposed Residential Development at HoiFan Road, Hongkong	AP Joy Limited	01.01~09.01	6,017	5,539	8,434	3,122
Singapore Redevelopment of OUH & CAAP Bldg	Clifford Development Pte Ltd.	07.07~10.03	86,882	27,897	19,165	95,614

US\$ (Note 2) (In thousands)

Project	Customer	Construction period	Beginning	Increase (Decrease)	Revenue recognized	Ending
One Shenton Way Residential Development, Singapore	City Development	07.06~10.08	\$ 78,566	\$ 25,045	\$ 18,757	\$ 84,854
Singapore Pasir Ris Condominium Project	Clifford Development Pte Ltd.	08.07~11.04	-	209,390	3,555	205,835
Proposed Condominium Redevelopment at West Coast Park, Singapore	West Coast J/V	06.06~09.04	38,845	9,200	34,272	13,773
Singapore Yishun General Hospital	Ministry of Health	08.03~10.02	-	247,954	34,243	213,711
Vietnam BITECO Financial Center Project	BITECO	08.06~10.10	-	89,932	1,956	87,976
Others			2,073,151	1,736,324	1,667,048	2,142,427
			<b>2,717,070</b>	<b>2,876,195</b>	<b>2,152,774</b>	<b>3,440,491</b>
Plant works/Electrical works:						
Construction of the Yonghung Thermal Power Plant Units 3&4	Korea South East Power Co., Ltd.	06.08~08.06	15,450	7,443	22,023	870
Shin-Kori Nuclear Power Plant Units 1&2	Korea Hydro & Nuclear Power Co., Ltd.	03.08~11.12	157,541	32,914	91,696	98,759
Incheon LNG Receiving Terminal 4th Extension Project (# 19, 20 Tank)	Korea Gas Corporation	04.07~09.06	14,925	12,378	15,939	11,364
Construction of the Paju Gyoha Steam Supply and Power Generation	Korea District Heating Corp.	07.03~10.04	82,639	1,750	8,290	76,099
Flue Gas De-sulfurization for Yonghung Thermal Power Plant Units #3, 4	Korea South East Power Co., Ltd.	06.01~09.10	3,229	-	2,825	404
Kuwait Shuaiba North Co-Generation	Mitsui & Co., Ltd.	07.07~10.01	553,352	129,818	266,325	416,845
A1-Khalij 4X350MW Power Plant Project	General Electricity Company of Libya	08.10~13.01	536,083	153,272	5,716	683,639
Qatar Pearl GTL-LPU(C5) Project	Qatar Shell GTL Ltd.	06.08~10.09	507,741	149,344	266,318	390,767
Qatar QAFCO 5 Project (Ammonia & UREA)	Qatar Fertilizer Company (S.A.Q)	07.12~11.06	686,188	220,403	109,856	796,735
Qatar Ras Laffan 'C' IWPP Project	Mitsui & Co., Ltd.	08.05~11.04	-	2,051,566	140,294	1,911,272
Khurais Central Processing Facilities	Aramco Overseas Company B.V.	06.09~09.04	237,768	61,900	251,913	47,755
Others			1,962,492	1,905,030	699,522	3,168,000
			<b>4,757,408</b>	<b>4,725,818</b>	<b>1,880,717</b>	<b>7,602,509</b>
Total Construction Contract			<b>11,237,616</b>	<b>10,551,710</b>	<b>5,596,546</b>	<b>16,192,780</b>
Housing units lotting-out construction:						
Kimpo Gochon Hillstate Apartment Project		05.10~08.04	120,041	(4,512)	115,529	-
Yongin Heungduk Developing Land 2-3B/L		08.04~10.08	-	156,572	46,448	110,124
Total Housing units lotting-out construction			120,041	152,060	161,977	110,124
<b>Total</b>			<b>\$ 11,357,657</b>	<b>\$ 10,703,770</b>	<b>\$ 5,758,523</b>	<b>\$ 16,302,904</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (2) The receivables and advances received on construction-in-progress as of December 31, 2008

Won (In millions)

Project	Advances received		Receivables			
			Billed	Unbilled	Total	
Construction contracts						
Civil works:						
Saemangeum Tideland Reclamation Project II	₩	10,925	₩	-	₩	-
Seongnam Janghowon Road Construction		-		15,874		15,874
Kyungju Detouring Road Project (Naenam-Oeidong)		-		6,376		6,376
Incheon Airport Railroad 2-1		-	5,422	23,883		29,305
Ori-Suwon Electric Railroad 5 <sup>th</sup> Construction Project		-	2,100	5,867		7,967
Ulsan Newport Southern Breakwater Area 1		8,334	-	-		-
Amsa Grand Bridge Project		-	-	8,551		8,551
U.A.E Marin Project for Khalifa Port		-	1,814	17,354		19,168
Kuwait South Pier LNG		-	2,357	6,448		8,805
Kuwait New Refinery Project, Package #5		20,815	-	-		-
Sri Lanka Colombo Port Expansion Project		-	-	3,173		3,173
Reclamation for Pasir Panjang Terminal Phase 3&4		-	-	28,979		28,979
Reclamation of Jurong Island Phase 4		31,011	-	-		-
Others		65,333	48,901	257,165		306,066
		<b>136,418</b>	<b>60,594</b>	<b>373,670</b>		<b>434,264</b>
Building works:						
Seoul Forest Hillstate		-	-	5,200		5,200
Pangyo Newtown Project (3 Lot)		-	-	10,654		10,654
Osong Bio-Health Techno polis Project		-	-	8,523		8,523
Eunpyeong Newtown 3-D Project		-	849	10,116		10,965
Yongin Sanghyun Hillstate		-	-	49,781		49,781
Paju Dangdong Hillstate		-	-	16,275		16,275
Yongin Sungbok Hillstate 2&3		-	22,640	25,939		48,579
Bulgwang 7 Block Apartment Building Redevelopment		3,044	-	-		-
Proposed Residential Development at Hoi Fan Road, Hongkong		-	154	19,364		19,518
Singapore Redevelopment of OUH & CAAP Bldg		-	2,367	-		2,367
One Shenton Way Residential Development, Singapore		-	2,949	-		2,949
Singapore Pasir Ris Condominium Project		3,876	-	-		-
Proposed Condominium Redevelopment at West Coast Park, Singapore		-	3,173	-		3,173
Singapore Yishun General Hospital		-	6,443	-		6,443
Vietnam BITECO Financial Center Project		11,336	-	-		-
Others		188,307	26,181	212,886		239,067
		<b>206,563</b>	<b>64,756</b>	<b>358,738</b>		<b>423,494</b>

Won (In millions)

Project	Advances received	Receivables		
		Billed	Unbilled	Total
Plant works/Electrical works:				
Construction of the Yonghung Thermal Power Plant Units 3&4	₩ -	₩ 2,456	₩ -	₩ 2,456
Shin-Kori Nuclear Power Plant Units 1&2	-	-	51,184	51,184
Incheon LNG Receiving Terminal 4 <sup>th</sup> Extension Project (# 19, 20 Tank)	-	1,619	1,011	2,630
Paju Combined Power Plant	1,242	-	-	-
Flue Gas De-sulfurization for Yonghung Thermal Power Plant Units #3, 4	-	-	237	237
U.A.E Madinat 400KV TL	-	7,861	15,789	23,650
Kuwait Supply & Installation of 300/132KV Overhead	-	989	14,943	15,932
Kuwait Greenbelt'W'300/132/11KV Gis Substation	-	15,870	4,985	20,855
Kuwait Jaber Al Ahmed 300KV	10,494	-	-	-
Kuwait Shuaiba North CO-Generation	-	39,410	-	39,410
A1-Khalij 4X350MW Power Plant Project	129,135	-	-	-
Libya SARIR 3 X 250MV Simple Cycle Power	27,190	-	-	-
Libya 400KV OHTL Project	13,354	-	-	-
Qatar Pearl GTL-LPU(C5) Project	65,464	-	-	-
Qatar Qafco 5 Project (Ammonia & UREA)	121,139	-	-	-
Qatar Ras Laffan 'W' IWPP Project	505,665	-	-	-
Saudi Khurais Central Processing Facilities - Gas Trains Package	2,398	-	-	-
Others	56,683	15,569	75,693	91,262
	<b>932,764</b>	<b>83,774</b>	<b>163,842</b>	<b>247,616</b>
Housing units lotting-out construction:				
Kimpo Gochon Hillstate Apartment Project	-	5,273	-	5,273
Yongin Heungduk Developing Land 2-3B/L	19,367	350	-	350
	19,367	5,623	-	5,623
	<b>₩ 1,295,112</b>	<b>₩ 214,747</b>	<b>₩ 896,250</b>	<b>₩ 1,110,997</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

US\$ (Note 2) (In thousands)

Project	Advances received	Receivables		
		Billed	Unbilled	Total
Construction contracts				
Civil works:				
Saemangeum Tideland Reclamation Project II	\$ 8,688	\$ -	\$ -	\$ -
Seongnam Janghowon Road Construction	-	-	12,623	12,623
Kyungju Detouring Road Project (Naenam-Oeidong)	-	-	5,070	5,070
Incheon Airport Railroad 2-1	-	4,312	18,992	23,304
Ori-Suwon Electric Railroad 5 <sup>th</sup> Construction Project	-	1,670	4,666	6,336
Ulsan Newport Southern Breakwater Area 1	6,627	-	-	-
Amsa Grand Bridge Project	-	-	6,800	6,800
U.A.E Marin Project for Khalifa Port	-	1,443	13,800	15,243
Kuwait South Pier LNG	-	1,874	5,128	7,002
Kuwait New Refinery Project, Package #5	16,553	-	-	-
Sri Lanka Colombo Port Expansion Project	-	-	2,523	2,523
Reclamation for Pasir Panjang Terminal Phase 3&4	-	-	23,045	23,045
Reclamation of Jurong Island Phase 4	24,661	-	-	-
Others	51,954	38,887	204,506	243,393
	<b>108,483</b>	<b>48,186</b>	<b>297,153</b>	<b>345,339</b>
Building works:				
Seoul Forest Hillstate	-	-	4,135	4,135
Pangyo Newtown Project (3 Lot)	-	-	8,472	8,472
Osong Bio-Health Technopolis Project	-	-	6,778	6,778
Eunpyeong Newtown 3-D Project	-	675	8,045	8,720
Yongin Sanghyun Hillstate	-	-	39,587	39,587
Paju Dangdong Hillstate	-	-	12,942	12,942
Yongin Sungbok Hillstate 2&3	-	18,004	20,627	38,631
Bulgwang 7 Block Apartment Building Redevelopment	2,421	-	-	-
Proposed Residential Development at Hoi Fan Road, Hongkong	-	122	15,399	15,521
Singapore Redevelopment of OUH & CAAP Bldg	-	1,882	-	1,882
One Shenton Way Residential Development, Singapore	-	2,345	-	2,345
Singapore Pasir Ris Condominium Project	3,082	-	-	-
Proposed Condominium Redevelopment at West Coast Park, Singapore	-	2,523	-	2,523
Singapore Yishun General Hospital	-	5,124	-	5,124
Vietnam BITEXCO Financial Center Project	9,015	-	-	-
Others	149,747	20,821	169,294	190,115
	<b>164,265</b>	<b>51,496</b>	<b>285,279</b>	<b>336,775</b>

US\$ (Note 2) (In thousands)

Project	Advances received	Receivables		
		Billed	Unbilled	Total
Plant works/Electrical works:				
Construction of the Yonghung Thermal Power Plant Units 3&4	\$ -	\$ 1,953	\$ -	\$ 1,953
Shin-Kori Nuclear Power Plant Units 1&2	-	-	40,703	40,703
Incheon LNG Receiving Terminal 4th Extension Project (# 19, 20 Tank)	-	1,287	804	2,091
Paju Combined Power Plant	988	-	-	-
Flue Gas De-sulfurization for Yonghung Thermal Power Plant Units #3, 4	-	-	188	188
U.A.E Madinat 400KV TL	-	6,251	12,556	18,807
Kuwait Supply & Installation of 300/132KV Overhead	-	786	11,884	12,670
Kuwait Greenbelt 'W' 300/132/11KV Gis Substation	-	12,620	3,964	16,584
Kuwait Jaber Al Ahmed 300KV	8,345	-	-	-
Kuwait Shuaiba North CO-Generation	-	31,340	-	31,340
A1-Khalij 4X350MW Power Plant Project	102,692	-	-	-
Libya SARIR 3 X 250MV Simple Cycle Power	21,622	-	-	-
Libya 400KV OHTL Project	10,619	-	-	-
Qatar Pearl GTL-LPU(C5) Project	52,059	-	-	-
Qatar Qafco 5 Project (Ammonia & UREA)	96,333	-	-	-
Qatar Ras Laffan 'C' IWPP Project	402,119	-	-	-
Saudi Khurais Central Processing Facilities - Gas Trains Package	1,907	-	-	-
Others	45,077	12,382	60,193	72,575
	<b>741,761</b>	<b>66,619</b>	<b>130,292</b>	<b>196,911</b>
Housing units lotting-out construction:				
Kimpo Gochon Hillstate Apartment Project	-	4,193	-	4,193
Yongin Heungduk Developing Land 2-3B/L	15,401	15,401	279	-
	15,401	4,472	-	4,472
<b>Total</b>	<b>\$ 1,029,910</b>	<b>\$ 170,773</b>	<b>\$ 712,724</b>	<b>\$ 883,497</b>

(3) Cumulative cost and income on construction-in-progress as of December 31, 2008 are summarized as follows:

Project	Won (In millions)		US\$ (Note 2) (In thousands)	
	Cumulative cost	Cumulative income	Cumulative cost	Cumulative income
Civil works	₩ 4,676,121	₩ 660,223	\$ 3,718,585	\$ 525,058
Building works	2,575,997	285,548	2,048,507	227,076
Plant works/Electrical works	2,971,248	276,344	2,362,821	219,757
<b>Total</b>	<b>₩ 10,223,366</b>	<b>₩ 1,222,115</b>	<b>\$ 8,129,913</b>	<b>\$ 971,861</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**(4) The estimated losses on construction-in-progress as of December 31, 2008 and 2007 are summarized as follows:**

Project	Won (In millions)			
	2008		2007	
	Estimated losses	Provision for construction losses	Estimated losses	Provision for construction losses
Kyungju Detouring Road Project (Naenam-Oeidong)	₩ 5,451	₩ 5,451	₩ 5,423	₩ 5,423
Song-do Coast Road Expansion	2,636	2,636	3,811	3,811
The Expansion Works Between Damyang and Seongsan of the Highway No.12	9,673	9,673	-	-
U.A.E Abu Dhabi 5 Substation	132	132	642	642
U.A.E Dubai 132/11kV Substation	185	185	-	-
U.A.E Dubai 400KV 'M' Substation	184	184	-	-
Others	13,517	13,517	34,206	34,206
<b>Total</b>	<b>₩ 31,778</b>	<b>₩ 31,778</b>	<b>₩ 44,082</b>	<b>₩ 44,082</b>

Project	US\$ (Note 2) (In thousands)			
	2008		2007	
	Estimated losses	Provision for construction losses	Estimated losses	Provision for construction losses
Kyungju Detouring Road Project (Naenam-Oeidong)	\$ 4,335	\$ 4,335	\$ 4,313	\$ 4,313
Song-do Coast Road Expansion	2,096	2,096	3,031	3,031
The Expansion Works Between Damyang and Seongsan of the Highway No.12	7,692	7,692	-	-
U.A.E Abu Dhabi 5 Substation	105	105	511	511
U.A.E Dubai 132/11kV Substation	147	147	-	-
U.A.E Dubai 400KV 'M' Substation	146	146	-	-
Others	10,750	10,750	27,200	27,200
<b>Total</b>	<b>\$ 25,271</b>	<b>\$ 25,271</b>	<b>\$ 35,055</b>	<b>\$ 35,055</b>

**(5) The changes in provision for construction warranty for the years ended December 31, 2008 and 2007 are as follows:**

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
	Beginning	₩ 53,952	₩ 33,917	\$ 42,904
Used amount	41,457	31,190	32,967	24,804
Provision for construction warranty	93,239	51,225	74,146	40,736
<b>Ending</b>	<b>₩ 105,734</b>	<b>₩ 53,952</b>	<b>\$ 84,083</b>	<b>\$ 42,904</b>



## (6) A summary of major joint construction projects as of December 31, 2008 is as follows:

Won (In millions)

Project	Construction period	Construction contracts	Contract amount attributable to Company	Company percentage	Lead contractor
Seongnam Janghowon Road Construction	01.08.01~09.02.28	₩ 294,367	₩ 176,620	60.00%	Hyundai E&C Co., Ltd.
South-Eastern Double Railway Project	06.03.30~10.09.26	276,302	124,336	45.00%	Hyundai E&C Co., Ltd.
Jeju University Hospital	04.10.04~09.01.30	82,442	54,412	66.00%	Hyundai E&C Co., Ltd.
Yanggu National Road Improvement Project	01.08.30~09.12.31	69,182	19,025	27.50%	SK E&C Co., Ltd.
Nong-Hyup Choong Ang Construction	06.08.16~10.11.30	84,651	29,628	35.00%	Samsung C&T Co., Ltd.
Bohun Central Hospital	07.11.19~10.09.27	69,873	48,911	70.00%	Hyundai E&C Co., Ltd.
Geogum Island Link Bridge	02.12.01~11.12.31	227,099	181,679	80.00%	Hyundai E&C Co., Ltd.
Shin-Kori Nuclear Power Plant Units 1&2	03.08.01~11.12.31	853,612	428,513	50.20%	Hyundai E&C Co., Ltd.
Construction of the Yonghung Thermal Power Plant Units 3&4	03.12.29~09.03.31	373,182	186,591	50.00%	Hyundai E&C Co., Ltd.
Ulsan South Breakwater Project	04.12.28~09.05.28	199,219	115,547	58.00%	Hyundai E&C Co., Ltd.
Incheon LNG19, 20	04.07.27~09.06.30	314,942	103,931	33.00%	GS E&C Co., Ltd.
Shin-Kori Nuclear Power Plant Units 3&4	07.04.01~14.09.30	765,763	329,278	43.00%	Hyundai E&C Co., Ltd.
Eunpyeong Newtown 3-D Project	07.05.15~09.11.30	192,305	115,383	60.00%	Hyundai E&C Co., Ltd.
Busan Jeong-kwan Co-generation Power Plant Project	04.09.08~11.11.30	166,219	116,353	70.00%	Hyundai E&C Co., Ltd.
Seongnam Janghowon Road Construction	01.08.01~09.02.28	234,089	140,453	60.00%	Hyundai E&C Co., Ltd.
South-Eastern Double Railway Project	06.03.30~10.09.26	219,723	98,876	45.00%	Hyundai E&C Co., Ltd.
Jeju University Hospital	04.10.04~09.01.30	65,560	43,270	66.00%	Hyundai E&C Co., Ltd.
Yanggu National Road Improvement Project	01.08.30~09.12.31	55,016	15,129	27.50%	SK E&C Co., Ltd.
Nong-Hyup Choong Ang Construction	06.08.16~10.11.30	67,317	23,561	35.00%	Samsung C&T Co., Ltd.
Bohun Central Hospital	07.11.19~10.09.27	55,565	38,895	70.00%	Hyundai E&C Co., Ltd.
Geogum Island Link Bridge	02.12.01~11.12.31	180,596	144,476	80.00%	Hyundai E&C Co., Ltd.
Shin-Kori Nuclear Power Plant Units 1&2	03.08.01~11.12.31	678,817	340,766	50.20%	Hyundai E&C Co., Ltd.
Construction of the Yonghung Thermal Power Plant Units 3&4	03.12.29~09.03.31	296,765	148,383	50.00%	Hyundai E&C Co., Ltd.
Ulsan South Breakwater Project	04.12.28~09.05.28	158,425	91,886	58.00%	Hyundai E&C Co., Ltd.
Incheon LNG19, 20	04.07.27~09.06.30	250,451	82,649	33.00%	GS E&C Co., Ltd.
Shin-Kori Nuclear Power Plant Units 3&4	07.04.01~14.09.30	608,957	261,851	43.00%	Hyundai E&C Co., Ltd.
Eunpyeong Newtown 3-D Project	07.05.15~09.11.30	152,926	91,756	60.00%	Hyundai E&C Co., Ltd.
Busan Jeong-kwan Co-generation Power Plant Project	04.09.08~11.11.30	132,182	92,527	70.00%	Hyundai E&C Co., Ltd.

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 19. COST OF CONSTRUCTION

Cost of construction for the years ended December 31, 2008 and 2007 are as follows:

Won (In millions)

	2008		2007	
	Engineering & Construction	Housing	Engineering & Construction	Housing
Material cost	₩ 2,597,165	₩ 92,113	₩ 1,587,111	₩ 157,432
Labor cost	373,579	4,997	301,490	7,428
Outside processing expenses	2,556,570	27,707	2,227,193	120,831
Overhead	816,783	51,611	581,724	25,159
Total cost of construction	6,344,097	176,428	4,697,518	310,850
Transfer (Reversal) of provision for construction loss	(16,341)	-	36,554	-
Change in inventories & others	-	(529)	-	4,907
<b>Annual cost of construction</b>	<b>₩ 6,327,756</b>	<b>₩ 175,899</b>	<b>₩ 4,734,072</b>	<b>₩ 315,757</b>

US\$ (Note 2) (In thousands)

	2008		2007	
	Engineering & Construction	Housing	Engineering & Construction	Housing
Material cost	\$ 2,065,340	\$ 73,251	\$ 1,262,116	\$ 125,194
Labor cost	297,081	3,974	239,753	5,907
Outside processing expenses	2,033,058	22,033	1,771,128	96,088
Overhead	649,529	41,043	462,604	20,008
Total semi-annual cost of construction	5,045,008	140,301	3,735,601	247,197
Transfer (Reversal) of provision for construction loss	(12,995)	-	29,069	-
Change in inventories & others	-	(421)	-	3,902
<b>Annual cost of construction</b>	<b>\$ 5,032,013</b>	<b>\$ 139,880</b>	<b>\$ 3,764,670</b>	<b>\$ 251,099</b>

## 20. INCOME TAX EXPENSE AND DEFERRED TAX

(1) Income tax expense for the years ended December 31, 2008 and 2007 is as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Current income tax	₩ 21,232	₩ -	\$ 16,884	\$ -
Changes in deferred income taxes				
due to temporary differences	87,260	37,419	69,392	29,757
Changes in deferred income taxes				
due to tax deficit & others	125,886	139,529	100,107	110,957
Total tax effect	234,378	176,948	186,385	140,714
Income tax directly adjusted in equity	(59,854)	(66,385)	(47,598)	(52,791)
<b>Income tax expense</b>	<b>₩ 174,524</b>	<b>₩ 110,563</b>	<b>\$ 138,787</b>	<b>\$ 87,923</b>

(2) The components of the differences between taxable income and net income before income tax for the years ended December 31, 2008 and 2007 are as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Income before income tax	₩ 547,998	₩ 387,947	\$ 435,784	\$ 308,507
Assessed tax on the current applicable rates	150,669	106,669	119,816	84,826
Adjustment				
Tax-exempt income	(757)	(2,361)	(602)	(1,878)
Tax-exempt expense	319	5,835	254	4,640
Tax Credit	(531)	-	(422)	-
Differences due to income tax rates change	26,742	-	21,266	-
Others	(1,918)	420	(1,525)	335
<b>Income tax expense</b>	<b>₩ 174,524</b>	<b>₩ 110,563</b>	<b>\$ 138,787</b>	<b>\$ 87,923</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**(3) The changes in accumulated temporary difference and deferred income tax assets (liabilities) for the year ended December 31, 2008 are as follows:**

Won (In millions)

	Accumulated temporary differences			Deferred tax assets (liabilities)		
	Beginning	Increase (Decrease)	Ending	Beginning	Increase (Decrease)	Ending
Interest income	₩ (20,857)	₩ (493)	₩ (21,350)	₩ (5,736)	₩ 569	₩ (5,167)
Revaluation surplus & others	(10,762)	606	(10,156)	(2,960)	725	(2,235)
Valuation of the equity method	(91,234)	(76,773)	(168,007)	(15,377)	(6,766)	(22,143)
Contribution for retirement allowances	(57,807)	(1,469)	(59,276)	(15,897)	2,856	(13,041)
Gain (Loss) on foreign exchange translation	-	(86,962)	(86,962)	-	(21,045)	(21,045)
Gain (Loss) on valuation of derivatives	-	2,846	2,846	-	868	868
Allowance for bad debt	107,072	43,476	150,548	29,445	4,440	33,885
Provision for construction loss	43,870	(12,272)	31,598	12,064	(4,417)	7,647
Provision for construction warranty	53,798	50,115	103,913	14,795	8,066	22,861
Oversea operation translation credit (debit)	472,368	-	472,368	-	-	-
Loss on valuation of the equity method (Investment in kind)	-	157,590	157,590	-	34,670	34,670
Gain on disposal of tangible assets (Provision for reduction entry)	-	(157,590)	(157,590)	-	(34,670)	(34,670)
Loss on reduction of long-term securities	250,265	2,696	252,961	28,506	(5,662)	22,844
Provision for severance and retirement benefit	252,593	31,236	283,829	69,463	(7,021)	62,442
Contingent liability & others	20,378	14,326	34,704	5,605	208	5,813
Impairment losses on property, plant, and equipment	21,007	(855)	20,152	4,868	(1,148)	3,720
Loss on valuation of investments	47,429	17,650	65,079	13,041	1,277	14,318
Valuation of inventories	19,671	1,215	20,886	5,410	(356)	5,054
Temporary differences	1,107,791	(14,658)	1,093,133	143,227	(27,406)	115,821
Capital changes due to investment securities using the equity method	(1,422)	(8,388)	(9,810)	(322)	(1,836)	(2,158)
Gain on valuation of long-term securities	(341,927)	(183,777)	(525,704)	(94,030)	(27,250)	(121,280)
Negative capital changes due to investment securities using the equity method	719	544	1,263	8	(1)	7
Oversea operation translation credit (debit)	69,225	(116,042)	(46,817)	19,037	(30,650)	(11,613)
Other capital adjustments	2,687	1,774	4,461	584	(117)	467
Temporary difference directly adjusted in equity	(270,718)	(305,889)	(576,607)	(74,723)	(59,854)	(134,577)
Unappropriated retained earnings	449,772	(449,772)	-	123,687	(123,687)	-
Deferred tax credits	2,199	(2,199)	-	2,199	(2,199)	-
<b>Total</b>	<b>₩1,289,044</b>	<b>₩ (772,518)</b>	<b>₩ 516,526</b>	<b>₩ 194,391</b>	<b>₩ (213,146)</b>	<b>₩ (18,756)</b>

US\$ (Note 2) (In thousands)

	Accumulated temporary differences			Deferred tax assets (liabilities)		
	Beginning	Increase (Decrease)	Ending	Beginning	Increase (Decrease)	Ending
Interest income	\$ (16,586)	\$ (392)	\$ (16,978)	\$ (4,561)	\$ 452	\$ (4,109)
Revaluation surplus & others	(8,559)	481	(8,078)	(2,355)	579	(1,776)
Valuation of the equity method	(72,552)	(61,052)	(133,604)	(12,228)	(5,381)	(17,609)
Contribution for retirement allowances	(45,970)	(1,168)	(47,138)	(12,642)	2,271	(10,371)
Gain (Loss) on foreign exchange translation	-	(69,155)	(69,155)	-	(16,736)	(16,736)
Gain (Loss) on valuation of derivatives	-	2,263	2,263	-	690	690
Allowance for bad debt	85,147	34,573	119,720	23,416	3,530	26,946
Provision for construction loss	34,887	(9,759)	25,128	9,594	(3,513)	6,081
Provision for construction warranty	42,782	39,853	82,635	11,765	6,415	18,180
Oversea operation translation credit (debit)	375,641	-	375,641	-	-	-
Loss on valuation of the equity method (Investment in kind)	-	125,320	125,320	-	27,571	27,571
Gain on disposal of tangible assets (Provision for reduction entry)	-	(125,320)	(125,320)	-	(27,571)	(27,571)
Loss on reduction of long-term securities & others	199,018	2,144	201,162	22,669	(4,503)	18,166
Provision for severance and retirement benefit	200,869	24,840	225,709	55,239	(5,583)	49,656
Contingent liability & others	16,205	11,393	27,598	4,457	166	4,623
Impairment losses on property, plant, and equipment	16,705	(680)	16,025	3,871	(913)	2,958
Loss on valuation of investments	37,717	14,036	51,753	10,371	1,015	11,386
Valuation of inventories	15,643	966	16,609	4,302	(283)	4,019
Temporary differences	880,947	(11,657)	869,290	113,898	(21,794)	92,104
Capital changes due to investment securities using the equity method	(1,131)	(6,670)	(7,801)	(256)	(1,460)	(1,716)
Gain on valuation of long-term securities	(271,910)	(146,145)	(418,055)	(74,775)	(21,670)	(96,445)
Negative capital changes due to investment securities using the equity method	572	432	1,004	6	-	6
Oversea operation translation credit (debit)	55,050	(92,280)	(37,230)	15,139	(24,374)	(9,235)
Other capital adjustments	2,136	1,412	3,548	464	(93)	371
Temporary difference directly adjusted in equity	(215,283)	(243,251)	(458,534)	(59,422)	(47,597)	(107,019)
Unappropriated retained earnings	357,672	(357,672)	-	98,359	(98,359)	-
Deferred tax credits	1,749	(1,749)	-	1,749	(1,749)	-
<b>Total</b>	<b>\$ 1,025,085</b>	<b>\$ (614,329)</b>	<b>\$ 410,756</b>	<b>\$ 154,584</b>	<b>\$ (169,499)</b>	<b>\$ (14,915)</b>

**(4) The Company has recognized deferred tax liabilities (net amount) amounting to ₩18,756 million (US\$ 14,915 thousand) because it is probable that future profit will be available against which the Company can utilize the related benefit.**

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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## (5) The components not recognized as deferred tax asset as of December 31, 2008 are as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	Accumulated temporary differences	Tax effect	Accumulated temporary differences	Tax effect
Loss on valuation of the equity method	₩ 74,527	₩ 16,396	\$ 59,266	\$ 13,039
Loss on reduction of long-term securities	74,596	16,411	59,321	13,050
Impairment losses on property, plant, and equipment	3,237	712	2,574	566
Oversea operation translation credit (debit)	472,368	103,921	375,641	82,641
Negative capital changes due to investment securities using the equity method	1,545	340	1,229	270
Other capital adjustments	2,336	514	1,857	409
<b>Total</b>	<b>₩ 628,609</b>	<b>₩ 138,294</b>	<b>\$ 499,888</b>	<b>\$ 109,975</b>

## (6) Temporary differences not recognized as deferred tax liability as of December 31, 2008 are as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Gain on valuation of the equity method	₩ 67,359	₩ 14,819	\$ 53,566	\$ 11,784

Gain on valuation of the equity method above is excluded in calculating the deferred income tax based on the assumption that the gain will be used for dividend in the future.

## (7) The deferred tax assets and liabilities that were directly charged or credited to accumulated other comprehensive income as of December 31, 2008 and 2007 are as follows:

	Won (In millions)					
	2008			2007		
	Temporary differences	Tax effect	Net amount	Temporary differences	Tax effect	Net amount
Capital changes due to investment securities using the equity method	₩ 9,810	₩ (2,158)	₩ 7,652	₩ 1,422	₩ (322)	₩ 1,100
Gain on valuation of the long-term securities	525,704	(121,280)	404,424	341,927	(94,030)	247,897
Negative capital changes due to investment securities using the equity method	(1,263)	7	(1,256)	(719)	9	(710)
Oversea operation translation credit (debit)	46,817	(11,613)	35,204	(69,225)	19,037	(50,188)
Other capital adjustments	(4,461)	467	(3,994)	(2,687)	584	(2,103)
<b>Total</b>	<b>₩ 576,607</b>	<b>₩ (134,577)</b>	<b>₩ 442,030</b>	<b>₩ 270,718</b>	<b>₩ (74,722)</b>	<b>₩ 195,996</b>

	US\$ (Note 2) (In thousands)					
	2008			2007		
	Temporary differences	Tax effect	Net amount	Temporary differences	Tax effect	Net amount
Capital changes due to investment securities using the equity method	\$ 7,801	\$ (1,716)	\$ 6,085	\$ 1,131	\$ (256)	\$ 875
Gain on valuation of the long-term securities	418,055	(96,445)	321,610	271,910	(74,775)	197,135
Negative capital changes due to investment securities using the equity method	(1,005)	6	(999)	(572)	7	(565)
Oversea operation translation credit (debit)	37,230	(9,235)	27,995	(55,050)	15,139	(39,911)
Other capital adjustments	(3,547)	371	(3,176)	(2,136)	464	(1,672)
<b>Total</b>	<b>\$ 458,534</b>	<b>\$ (107,019)</b>	<b>\$ 351,515</b>	<b>\$ 215,283</b>	<b>\$ (59,421)</b>	<b>\$ 155,862</b>

**(8) As of December 31, 2008, deferred income tax assets (liabilities) before offsetting are as follows:**

				Won (In millions)
	Account	Current	Non-current	Total
Components that adjusted to income tax expenses	Deferred assets	₩ 29,216	₩ 186,683	₩ 215,899
	Deferred liabilities	(26,212)	(73,866)	(100,077)
		3,004	112,817	115,822
Components that were directly charged or credited to the equity	Deferred assets	-	3,308	3,308
	Deferred liabilities	(76,328)	(61,558)	(137,886)
		(76,328)	(58,250)	(134,578)
<b>Total</b>		<b>₩ (73,324)</b>	<b>₩ 54,567</b>	<b>₩ (18,756)</b>

				US\$ (Note 2) (In thousands)
	Account	Current	Non-current	Total
Components that adjusted to income tax expenses	Deferred assets	\$ 23,234	\$ 148,455	\$ 171,689
	Deferred liabilities	(20,845)	(58,740)	(79,584)
		2,389	89,715	92,105
Components that were directly charged or credited to the equity	Deferred assets	-	2,631	2,631
	Deferred liabilities	(60,698)	(48,953)	(109,651)
		(60,698)	(46,322)	(107,020)
<b>Total</b>		<b>\$ (58,309)</b>	<b>\$ 43,393</b>	<b>\$ (14,915)</b>

**(9) Accrued income tax and receivables-refund before offsetting are as follows:**

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Accrued income tax before offsetting	₩ 21,232	₩ -	\$ 16,884	\$ -
Receivables-refund of prior years income tax before offsetting	5,077	6,164	4,037	4,902
<b>Accrued income tax (Receivables-refund of prior years income tax) after offsetting</b>	<b>₩ 16,155</b>	<b>₩ (6,164)</b>	<b>\$ 12,847</b>	<b>\$ (4,902)</b>

**(10) The effective income tax rates for the years ended December 31, 2008 and 2007 are as follows:**

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Income tax (A)	₩ 174,524	₩ 110,563	\$ 138,786	\$ 87,923
Income before income tax (B)	547,998	387,947	435,784	308,507
<b>Effective income tax rate ((A)/(B))</b>	<b>31.85%</b>	<b>28.50%</b>	<b>31.85%</b>	<b>28.50%</b>

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 21. EARNINGS PER SHARE

(1) Basic earnings per share for the years ended December 31, 2008 and 2007 is as follows:

	Won (In millions, except earnings per share)		US\$ (Note 2) (In thousands, except earnings per share)	
	2008	2007	2008	2007
Net income	₩ 373,474	₩ 277,384	\$ 296,997	\$ 220,584
(-) Dividend on preferred stock/others	(54)	(30)	(43)	(24)
Net income applicable to common stock	373,420	277,354	296,954	220,560
Weighted-average number of common shares outstanding	110,953,070	110,725,044	110,953,070	110,725,044
<b>Earnings per share in won &amp; US\$</b>	<b>₩ 3,366</b>	<b>₩ 2,505</b>	<b>\$ 2.68</b>	<b>\$ 1.99</b>

(2) Diluted per share for the years ended December 31, 2008 and 2007 is as follows:

	Won (In millions, except earnings per share)		US\$ (Note 2) (In thousands, except earnings per share)	
	2008	2007	2008	2007
Net income applicable to common stock	₩ 373,420	₩ 277,354	\$ 296,954	\$ 220,560
(+) Expenses for stock option	-	-	-	-
Net income attributable to common stock (diluted)	373,420	277,354	296,954	220,560
Weighted-average number of common stock outstanding and common equivalent shares	110,990,236	110,827,987	110,990,236	110,827,987
<b>Diluted earnings per share in won &amp; US\$</b>	<b>₩ 3,364</b>	<b>₩ 2,503</b>	<b>\$ 2.68</b>	<b>\$ 1.99</b>

## 22. PLEDGED ASSETS AND GUARANTEES

(1) As of December 31, 2008, certain portion of the Company's assets pledged as collateral for borrowings are summarized as follows:

Assets	Won (In millions)		US\$ (Note 2) (In thousands)		Mortgagee	Description
	Book value	Pledged amount	Book value	Pledged amount		
Long (short)-term investment securities	₩ 967,564	₩ 739,200	\$ 769,435	\$ 587,833	KEB <sup>(*)</sup> & others	Pledge & others
Investment securities accounted for using the equity method	-	5,052	-	4,017	KEB & others	Pledge & others
Land and buildings	110,182	107,102	87,619	85,171	KEB	For borrowings & others
<b>Total</b>	<b>₩ 1,077,746</b>	<b>₩ 851,354</b>	<b>\$ 857,054</b>	<b>\$ 677,021</b>		

(\*) KEB: Korea Exchange Bank

(2) As of December 31, 2008, in connection with housing contractors and development companies, the Company has provided payment guarantees up to ₩5,940,701 million (US\$ 4,724,216 thousand) and in connection with companies which were established pursuant to the Private Investment Law, inclusive of Seoul Beltway Co., Ltd., the Company has provided payment guarantees up to ₩246,216 million (US\$ 195,798 thousand).



**(3) Guarantees provided by others except for affiliates as of December 31, 2008 are as follows:**

Guarantor	Guarantee for	Korean Won (In millions)	US\$ (Note 2) (In thousands)	Lender
Korea Construction Financial Cooperative	Construction & others	₩ 5,023,690	\$ 3,994,983	Customer
Seoul Guarantee Insurance Co., Ltd.	Construction & others	1,262,704	1,004,138	Customer
Korea Housing Guarantee Co., Ltd.	Housing & others	806,519	641,367	Customer
Korea Exchange Bank	Advances & others	955	759	Customer
Korea Exchange Bank & others	Oversea construction	2,933,989	2,333,192	Customer
<b>Total</b>		<b>₩10,027,857</b>	<b>\$ 7,974,439</b>	

**23. | COMMITMENTS AND CONTINGENCIES**

(1) The Company has been named a defendant in 137 claims primarily arising in the normal course of the Company's business. As of December 31, 2008, these claims seek an aggregate damages of ₩185,327 million (US\$ 147,377 thousand). The accompanying non-consolidated financial statements as of December 31, 2008 do not reflect any adjustments which might result from the ultimate effect of these claims.

(2) As part of commercial practice of the Korean construction industry, the Company bears product warranty liability for specified time periods under contractual provisions. In connection with the product warranty liability, Korea Construction Financial Corporation, a government agency, and other financial institutions have provided guarantees for the Company's warranty liability up to approximately ₩3,622,942 million (US\$ 2,881,067 thousand) for the Company as of December 31, 2008. In addition, the Company has pledged a portion of its investment securities as collateral for such liability as of December 31, 2008.

(3) The Company entered into bank overdraft agreements with 9 banks for an aggregate credit line of ₩139,000 million (US\$ 110,537 thousand) and letter of credit opening agreements with several overseas banks for an aggregate credit line of US\$ 1,157,779 thousand.

(4) The Company has pledged 23 blank checks and 7 blank notes, as well as a note with face value of ₩680 million (US\$ 541 thousand), as collateral for borrowings and payment guarantees.

(5) The bond issuance contracts provide for such terms and conditions that the debt-to-equity ratio is to be kept at less than 800%, collateral is not to exceed 200% of capital stock, disposal of assets is not to exceed ₩2,000 billion a year. If the Company fails to meet such conditions, the Company's rights may be forfeited. Bonds issued with the above conditions amounted to ₩390,000 million (US\$ 310,139 thousand).

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 24. DERIVATIVES

The Company entered into derivative contract related to forward to hedge the exposure to changes in foreign exchange. Contract terms of derivative contract as of December 31, 2008 are as follows:

Contractor	Purchase amount	Sold amount	The number of contracts	Contract rate
SC Korea first Bank	₩ 165,792 million	€ 107,076 thousand	76	1,520.94 ~ 1,578.60
SC Korea first Bank	\$ 476,806 thousand	€ 315,519 thousand	49	1.5067 ~ 1.5277
SC Korea first Bank	€ 172,411 thousand	\$ 227,851 thousand	6	1.3190 ~ 1.3244
SC Korea first Bank	₩ 212,588 million	\$ 213,663 thousand	46	981.30 ~ 1,027.50
Morgan Stanley	CHF 9,707 thousand	\$ 8,437 thousand	4	1.1484 ~ 1.1513
Morgan Stanley	€ 64,513 thousand	\$ 85,410 thousand	24	1.3157 ~ 1.330075

The Company measured derivatives at fair market value. Consequently, the Company accounted gain and loss on valuation of derivatives amounting to ₩71,470 million (US\$ 56,835 thousand) and ₩74,316 million (US\$ 59,098 thousand), respectively, as of December 31, 2008.

## 25. SUPPLEMENTAL CASH FLOW INFORMATION

Significant transactions not affecting cash flows for the years ended December 31, 2008 and 2007 are as follows:

	Won (In millions)		US\$ (Note 2) (In thousands)	
	2008	2007	2008	2007
Transfer to investment in real properties from receivables on construction contracts	₩ 177,518	₩ -	\$ 141,167	\$ -
Increase (decrease) in accumulated other comprehensive income due to valuation of investments using the equity method	7,844	(1,878)	6,238	(1,493)
Transfer to current-portion of long-term investment securities	300,972	14,579	239,342	11,594
Increase in gain on valuation of long-term investment securities	183,777	183,386	146,145	145,834
Transfer to current-portion of long-term liabilities from bonds	396,527	455,000	315,330	361,829
Transfer to current-portion of long-term liabilities from long-term debts	15,678	6,220	12,468	4,946
Increase in investment securities accounted for using the equity method through investment in kind	221,681	-	176,287	-

## 26. SEGMENT INFORMATION

### (1) Business segments

(a) The Company's operations are divided into the following segments by type of products and services:

Segment	Products or Services	Major customers
Building works	Buildings, structures, and others	The Office of Supply, CDPL and others
Civil works	Roads, bridges, housing site development and others	Korea Highway Corp., KNPC and others
Plant works/Electrical works	Power stations, gas facilities, electric work and others	The Office of Supply, Korea Electric Power Corp. (KEPCO), Qatar Shell GTL Ltd.
Other	Real estate leasing and others	KEPCO and others

(b) The information for each operating segment as of and for the years ended December 31, 2008 and 2007 are summarized as follows:

Won (In millions)

	2008				
	Building works	Civil works	Plant works/ Electrical works	Other	Total
Revenue:					
Sales to customers	₩ 2,707,113	₩ 1,965,543	₩ 2,365,001	₩ 233,440	₩ 7,271,097
Inter-segment sales	-	-	-	-	-
	2,707,113	1,965,543	2,365,001	233,440	7,271,097
Gross profit	359,058	246,095	105,409	36,985	747,547
Property, plant and equipment	2,812	123,634	104,667	465,662	696,775
Depreciation	1,153	15,466	10,138	8,969	35,726

US\$ (Note 2) (In thousands)

	2008				
	Building works	Civil works	Plant works/ Electrical works	Other	Total
Revenue:					
Sales to customers	\$ 2,152,774	\$ 1,563,056	\$ 1,880,717	\$ 185,637	\$ 5,782,184
Inter-segment sales	-	-	-	-	-
	2,152,774	1,563,056	1,880,717	185,637	5,782,184
Gross profit	285,533	195,702	83,824	29,411	594,470
Property, plant and equipment	2,236	98,317	83,234	370,308	554,095
Depreciation	917	12,299	8,062	7,132	28,410

Won (In millions)

	2007				
	Building works	Civil works	Plant works/ Electrical works	Other	Total
Revenue					
Sales to customers	₩ 2,432,702	₩ 1,509,425	₩ 1,309,953	₩ 397,018	₩ 5,649,098
Inter-segment sales	-	-	-	-	-
	2,432,702	1,509,425	1,309,953	397,018	5,649,098
Gross profit	263,714	224,385	29,909	63,569	581,577
Property, plant and equipment	3,137	68,057	15,488	527,368	614,050
Depreciation	1,079	7,572	2,963	13,256	24,870

US\$ (Note 2) (In thousands)

	2007				
	Building works	Civil works	Plant works/ Electrical works	Other	Total
Revenue					
Sales to customers	\$ 1,934,554	\$ 1,200,338	\$ 1,041,712	\$ 315,720	\$ 4,492,324
Inter-segment sales	-	-	-	-	-
	1,934,554	1,200,338	1,041,712	315,720	4,492,324
Gross profit	209,713	178,437	23,784	50,552	462,486
Property, plant and equipment	2,495	54,121	12,317	419,377	488,310
Depreciation	858	6,021	2,356	10,542	19,777

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## (2) Sales by region for the years ended December 31, 2008 and 2007 are as follows:

Won (In millions)

	2008				
	Domestic	Southeast Asia	Middle East	Other	Total
Revenue:					
Sales to customers	₩ 4,816,282	₩ 354,940	₩ 2,025,985	₩ 73,890	₩ 7,271,097
Inter-segment sales	-	-	-	-	-
	4,816,282	354,940	2,025,985	73,890	7,271,097
Gross profit	574,713	47,618	121,648	3,568	747,547
Property, plant and equipment	477,376	97,631	121,750	18	696,775
Depreciation	12,019	5,007	18,682	18	35,726
Foreign-based operations translation adjustments <sup>(*)</sup>	-	14,605	(73,711)	12,289	(46,817)

US\$ (Note 2) (In thousands)

	2008				
	Domestic	Southeast Asia	Middle East	Other	Total
Revenue:					
Sales to customers	\$ 3,830,045	\$ 282,258	\$ 1,611,121	\$ 58,760	\$ 5,782,184
Inter-segment sales	-	-	-	-	-
	3,830,045	282,258	1,611,121	58,760	5,782,184
Gross profit	457,028	37,867	96,738	2,837	594,470
Property, plant and equipment	379,623	77,639	96,819	14	554,095
Depreciation	9,558	3,982	14,856	14	28,410
Foreign-based operations translation adjustments <sup>(*)</sup>	-	11,614	(58,617)	9,773	(37,230)

The Company completed ten construction sites including Gas Processing Facility Project in Libya. Loss on foreign-based operations translation of ₩11,079 million (US\$ 8,810 thousand) related to these projects was recorded as other expense for the year ended December 31, 2008.

Won (In millions)

	2007				
	Domestic	Southeast Asia	Middle East	Other	Total
Revenue:					
Sales to customers	₩ 4,565,549	₩ 157,573	₩ 919,255	₩ 6,721	₩ 5,649,098
Inter-segment sales	-	-	-	-	-
	4,565,549	157,573	919,255	6,721	5,649,098
Gross profit	577,775	28,473	(24,218)	(453)	581,577
Property, plant and equipment	537,854	7,194	68,968	34	614,050
Depreciation	11,587	4,142	9,125	16	24,870
Foreign-based operations translation adjustments <sup>(*)</sup>	-	32,054	37,865	(694)	69,225

US\$ (Note 2) (In thousands)

	2007				
	Domestic	Southeast Asia	Middle East	Other	Total
Revenue:					
Sales to customers	\$ 3,630,655	\$ 125,307	\$ 731,018	\$ 5,344	\$ 4,492,324
Inter-segment sales	-	-	-	-	-
	3,630,655	125,307	731,018	5,344	4,492,324
Gross profit	459,463	22,643	(19,259)	(361)	462,486
Property, plant and equipment	427,717	5,721	54,845	27	488,310
Depreciation	9,214	3,294	7,256	13	19,777
Foreign-based operations translation adjustments <sup>(*)</sup>	-	25,490	30,111	(551)	55,050

(\*) Income tax effect is excluded.

## 27. DIVIDENDS

(1) Dividends and dividends to net income ratio for the years ended December 31, 2008 and 2007 are computed as follows:

Won (In millions, except par value)

Description	2008		2007	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Outstanding shares	98,856 shares	110,998,364 shares	98,856 shares	10,852,174 shares
Par value	₩ 5,000	₩ 5,000	₩ 5,000	₩ 5,000
Dividend rate	11%	10%	6%	5%
Cash dividends	₩ 54	₩ 55,499	₩ 30	₩ 27,713
Net income	₩ 373,474		₩ 277,384	
Pay-out ratio <sup>(*)</sup>	14.87%		10.00%	

(\*) Expected dividend divided by net income

US\$ (Note 2) (In thousands, except par value)

Description	2008		2007	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Outstanding shares	98,856 shares	110,998,364 shares	98,856 shares	110,852,174 shares
Par value	\$ 3,976	\$ 3,976	\$ 3,976	\$ 3,976
Dividend rate	11%	10%	6%	5%
Cash dividends	\$ 0.04	\$ 44.13	\$ 0.02	\$ 22.04
Net income	\$ 296,997		\$ 220,584	
Pay-out ratio <sup>(*)</sup>	14.87%		10.00%	

(\*) Expected dividend divided by net income

(2) Dividend yield ratios for the years ended December 31, 2008 and 2007 are computed as follows:

Won (In millions)

Description	2008		2007	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Dividend per share	₩ 550	₩ 500	₩ 300	₩ 250
Closing price at year end	₩ 26,200	₩ 57,100	₩ 65,800	₩ 88,200
Dividend yield rate	2.10%	0.88%	0.46%	0.28%

US\$ (Note 2) (In thousands)

Description	2008		2007	
	Preferred Stock	Common Stock	Preferred Stock	Common Stock
Dividend per share	\$ 0.44	\$ 0.40	\$ 0.24	\$ 0.20
Closing price at year end	\$ 20.83	\$ 45.41	\$ 52.33	\$ 70.14
Dividend yield rate	2.10%	0.88%	0.46%	0.28%

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

## 28. RESULTS OF OPERATIONS FOR THE LAST INTERIM PERIOD

The unaudited financial performance for the three months ended December 31, 2008 and 2007 is summarized as follows:

Won (In millions except for share amounts)

Description	2008 4 <sup>th</sup> Quarter	2007 4 <sup>th</sup> Quarter
Sales	₩ 2,216,070	₩ 1,785,170
Operating income	74,349	117,508
Net income	32,395	70,962
Earnings per share	292	640

US\$ (Note 2) (In thousands, except for share amounts)

Description	2008 4 <sup>th</sup> Quarter	2007 4 <sup>th</sup> Quarter
Sales	\$ 1,762,282	\$ 1,419,618
Operating income	59,124	93,446
Net income	25,761	56,431
Earnings per share	0.23	0.51

## 29. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses for years ended December 31, 2008 and 2007 are as follows:

Won (In millions)

US\$ (Note 2) (In thousands)

	2008		2007		2008		2007	
Wages	₩	96,065	₩	82,435	\$	76,394	\$	65,555
Provision for severance benefits		16,002		15,591		12,725		12,398
Employee benefits		20,368		15,447		16,197		12,284
Travel		3,028		2,921		2,408		2,323
Taxes and dues		4,773		4,169		3,796		3,315
Depreciation		4,201		3,864		3,341		3,073
Insurance		1,365		1,368		1,085		1,088
Advertising		21,621		24,996		17,194		19,878
Development costs		48,104		37,303		38,254		29,664
Commissions and fees		6,091		4,751		4,844		3,778
Rent		2,073		1,471		1,649		1,170
Others		43,650		25,206		34,709		20,043
<b>Total</b>	<b>₩</b>	<b>267,341</b>	<b>₩</b>	<b>219,522</b>	<b>\$</b>	<b>212,596</b>	<b>\$</b>	<b>174,569</b>

## INTERNAL ACCOUNTING CONTROL SYSTEM (IACS) REVIEW REPORT

English Translation of a Report Originally Issued in Korean

**TO THE REPRESENTATIVE DIRECTOR  
HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.:**

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of Hyundai Engineering & Construction Co., Ltd. (the "Company") as of December 31, 2008. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2008, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a Company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2008, and we did not review its IACS subsequent to December 31, 2008. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.



February 24, 2009

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## REPORT ON THE OPERATIONS OF INTERNAL ACCOUNTING CONTROL SYSTEM

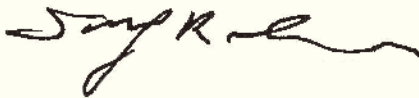
### TO THE BOARD OF DIRECTORS AND INTERNAL AUDITOR (AUDIT COMMITTEE) OF HYUNDAI ENGINEERING & CONSTRUCTION CO., LTD.:

I, as the Internal Accounting Control Officer ("IACO") of Hyundai Engineering & Construction Co., Ltd. (the "Company"), have assessed the status of the design and operations of the Company's internal accounting control system ("IACS") as of December 31, 2008.

The Company's management, including IACO, is responsible for the design and operations of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial statement preparation and presentation for external uses. I, as the IACO, applied the IACS Standards established by the IACS Operations Committee for the assessment of design and operations of the IACS.

Based on the assessment of the operations of IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2008, in all material respects, in accordance with the IACS Standards issued by the IACS Operations Committee.

January 23, 2009



**Sung-Real Lee**

Internal Accounting Control Officer



**Jong-Soo Lee**

Chief Executive Officer





## BOARD OF DIRECTORS

---



**Joong-Kyum Kim**

CEO /  
Chairman of  
Board of Directors  
& President



**Sung-Real Lee**

COO /  
Head of Division,  
Investment & Business  
Development  
Division



**Ok-Kyun Jung**

CFO /  
Head of Division,  
Management &  
Corporate Business  
Division



**Su-Yeon Kim**

Non-Standing  
Director



**Yeong-Ho Park**

Non-Standing  
Director



**Jong-Chan Lee**

Non-Standing  
Director



**Kwang-Chun Shon**

Non-Standing  
Director

**Joong-Kyum Kim**

CEO /  
Chairman of  
Board of Directors  
& President

**Sung-Real Lee**

COO /  
Head of Division,  
Investment & Business  
Development  
Division

**Yung-Soo Kim**

COO /  
Head of Division,  
Division of Housing  
Works

**Jong-Ho Kim**

COO /  
Head of Division,  
Plant Division

**Hyo-Won Sohn**

COO /  
Head of Division,  
Division of Building  
Works

**Pyung-Kook Sul**

COO /  
Head of Division,  
Civil & Environment  
Division

**Won-Bok Kim**

COO /  
Head of Division,  
Power & Energy  
Division

**Soo-Yul Lee**

COO /  
Head of Division,  
Domestic Business  
Division

**Ho-Sang Kim**

COO /  
Head of Division,  
Overseas Business  
Division

**Ok-Kyun Jung**

CFO /  
Head of Division,  
Management &  
Corporate Business  
Division

## GLOBAL NETWORK

### ASIA

#### Singapore

7, Temasek boulevard #40-01A  
Suntec Tower One, Singapore 038987  
Tel 65-63371577  
Fax 65-63376955

#### Hong Kong

Unit 501-2, 5th Floor, Park  
Building, 476 Castle Peak Road,  
Cheung Sha Wan, Kowloon,  
Hong Kong  
Tel 852-29051812  
Fax 852-25735332

#### Indonesia

Gendung Bri II, 15th floor jti.  
Jend Sudirman No. 44-46  
Jakarta10210, Indonesia  
Tel 62-21-571-3700  
Fax 62-21-571-9080

#### Vietnam

Unit 902, 9th Floor, Sun Red  
River Building, 23 Phan Chu Trinh Str.,  
Hoan Kiem Dist., Hanoi, Vietnam  
Tel 84-4-933-3971  
Fax 84-4-933-3973

#### Malaysia

Lot 11-1-12 Jalan 3/109F Danau  
Business Centre Taman Danau  
Desa, 58100 Kuala Lumpur,  
Malaysia  
Tel 60-3-7981-0200,  
60-3-7980-6814  
Fax 60-3-7981-0675

#### Bangladesh

House No. 1/C, 1st Floor,  
Road No. 10, Barihara,  
Dhaka-1212, Bangladesh  
Tel 880-2-882-9233  
Fax 880-2-882-3241

#### India

Room No. 576, Hotel Samrat,  
Chanakyapuri, New Delhi-110021  
India  
Tel 91-11-2467-4551~3,  
91-11-2688-2465  
Fax 91-11-2467-4550

#### Japan

Room No. 608, 6th Floor,  
Yurakucho Bldg, 1-10-1 Yuraku-Cho,  
Chiyoda-Ku, Tokyo, Japan, 100-0006  
Tel 81-3-5288-8291~3  
Fax 81-3-5288-9022

### MIDDLE EAST

#### UAE

P.O. Box 8198, Room No. 404,  
Al-Yamamah Tower, Deira, Dubai,  
UAE  
Tel 9714-2954008  
Fax 9714-2950309

#### Iran

4th Floor, No. 4, West Atefi Street,  
Opposite Mellat Park, ValiAsr Ave.,  
Tehran, Iran  
Tel 98-21-2204-2500  
Fax 98-21-22050571

#### Kuwait

Building 5, Street 24, Block 4, Sabah  
Al-Salem, Kuwait P.O. Box 24314,  
Safat, Kuwait  
Tel 965-552-9060  
Fax 965-552-9146

#### Saudi Arabia

Al Rakah, P.O. Box 77249 Al Khobar  
31952, King Faisal Street with Khalid  
Bin Waleed St., Auto-Moto Centre  
Building "H" Office No. 10, 1st Floor  
Kingdom of Saudi Arabia  
Tel 966-1-450-6255,  
966-1-264-3700  
Fax 966-1-470-2005

#### Qatar

Villa #9, Wadi Al Qata St. #884,  
Al Nuaija Area #44 P.O. Box 24466,  
Doha, Qatar  
Tel 974-455-0668  
Fax 974-467-8856

#### Iraq

P.O. Box 1180 Baghdad, Iraq Al  
Mansour Area District #609 Street  
#1, House #25, Baghdad, Iraq  
Tel 964-1-543-7682  
Fax 964-1-543-8822

### EUROPE

#### United Kingdom

1st Floor, Chiswick Place 272  
Gunnersbury Avenue, London,  
W45QU, United Kingdom  
Tel 44-20-8747-2922  
Fax 44-20-8747-2929

### NORTH AMERICA

#### USA

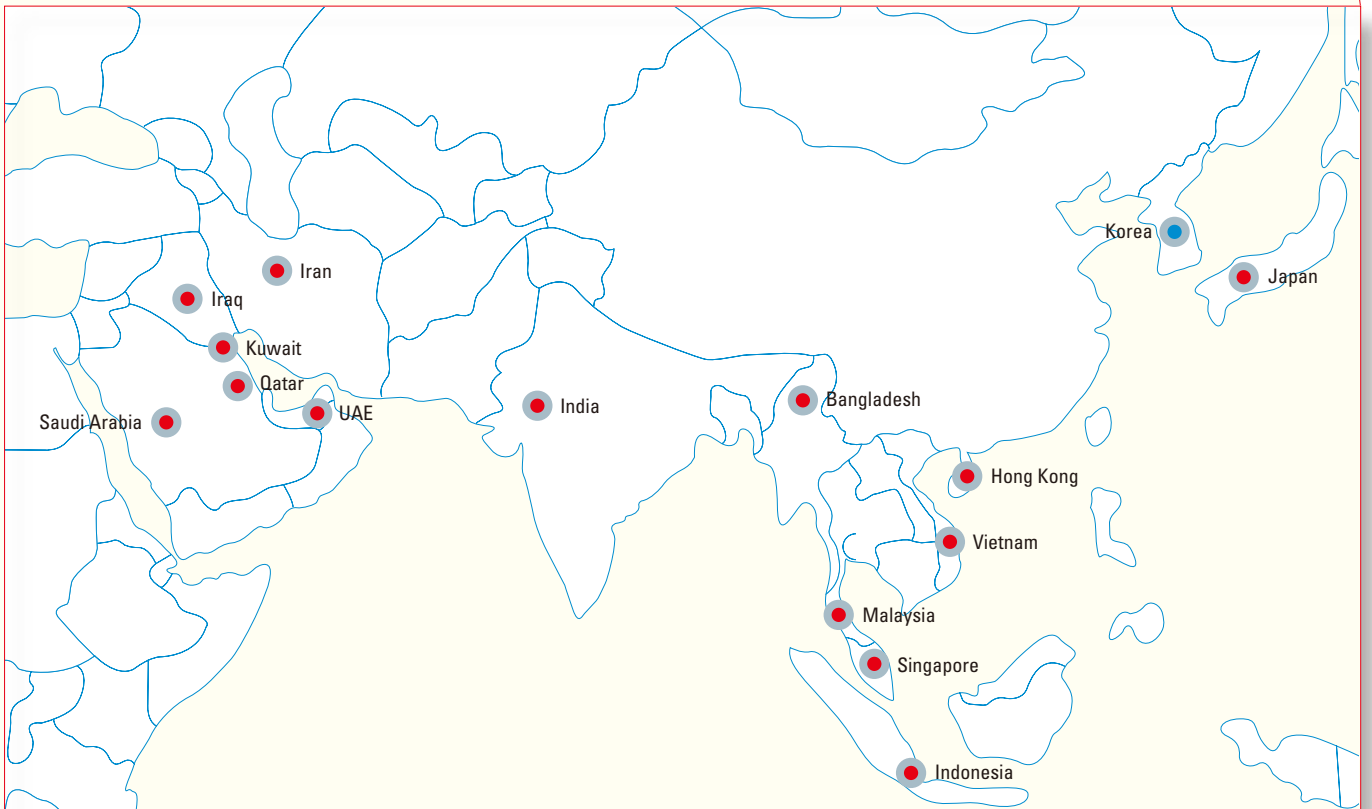
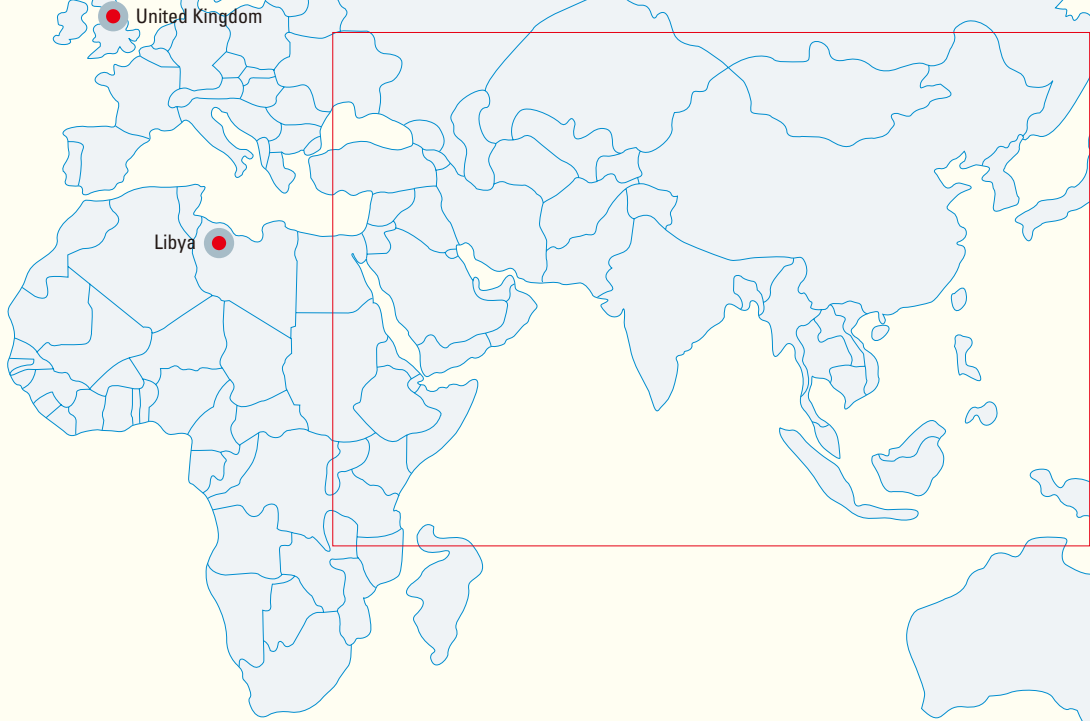
300 Sylvan Avenue Englewood Cliffs,  
New Jersey 07632, USA  
Tel 1-201-8164063  
Fax 1-201-8164070

### AFRICA

#### Libya

P.O. Box 80062, Tripoli, Libya  
Tel 218-21-4833263  
Fax 218-21-4835113





## CORPORATE DATA

Date of Establishment	May 25,1947
Head Office	140-2, Kye-dong, Jongno-gu, Seoul, Korea Tel 82-2-746-1114
Internet Website	<a href="http://www.hdec.co.kr">www.hdec.co.kr</a>
	The Stock was listed on Korea Exchange on Dec.12,1984 (Code No.:000720)
Paid-in Capital	US\$ 441 million
Common Stock	110,998,364 shares
Preferred Stock	98,856 shares
Independent Accountants	Deloitte Anjin LLC 14th floor, Hanwha Securities Bldg., 23-5 Yoido-dong, Youngdeungpo-gu, Seoul 150-717, Korea Tel 82-2-6676/1000 Fax 82-2-6674/2114