

<APPENDIX>

HISTORY OF HYUNDAI BUSINESS GROUP

. Growth of Hyundai Group

1. Start-up Period (1930s-1950s)

- **Hyundai Business Group begins with “ Kyeong II ”, a wholesale rice store, in the 1930s**
 - Founder and Honorary Chairman of Hyundai Business Group Chung Ju-yung, whose pen name Asan became the name of his foundation, started as a delivery man for the “ Bok Heung ” rice store, in 1934. Acquiring the very store in 1938, he re-named the store “ Kyeong II ” and launched his career as an entrepreneur.
 - The true beginning of the Hyundai Business Group was marked by Chairman Chung’s acquisition of the “ Ado Service ” car repair shop in 1940.
- **The incubating grounds for a conglomerate were created with the merger of Hyundai Auto Service and Hyundai Engineering and Construction in January 1950.**
 - After the Liberation from Japanese colonization, Chairman Chung set up Hyundai Auto Service mainly dealing with US occupation troops. With the establishment of Hyundai Engineering and Construction in 1947, the history of the Hyundai Business Group began.
 - Only half a year after Hyundai Engineering and Construction was established, the Korean War broke out. Yet the Hyundai Business Group saw this as a window of opportunity for growth, receiving construction orders placed by the government and U.S. military based on its credibility, which proved to be stepping-stones for rapid growth.
 - During this period, Hyundai Merchant Marine was also established and soon signed a deal on storage of foreign capital with the government, as well as operation of coastal maritime business.

2. Period of Growth into Global Business (1960s-1970s)

- **Throughout the 1960s, Hyundai ’s construction business grew to be large-scale and global and expanded into automobiles, cement, construction materials and trading**
 - By its successful bid for Thailand ’s Pattani-Narathiwat Expressway project in 1965, Hyundai became the first Korean business ever to make inroads into overseas markets. Afterwards it expanded to Vietnam, Alaska, Australia and Indonesia.
 - With the launching of Hyundai Motors in 1967, Hyundai entered the automobile manufacturing

business. In 1976, the first ever domestically designed automobile "Pony" was produced.

–From the 1970s, Hyundai succeeded in building world-level production capacity in heavy industries, such as steel materials, automobile, shipbuilding and industrial plant export and turning them into export industries

- Hyundai built a dockyard in 1972 and in the same year received and executed an order for two 260 thousand-ton vessels from a Greek shipping business. In 1973, Hyundai Heavy Industries was established.
- Hyundai left an unprecedented record in the history of shipbuilding by constructing a dockyard and building vessels ordered at the same time in just two years and three months. Hyundai Mipo Dockyard was also established.
- Hyundai Corporation began as a general trading company focusing on overseas exports. Hyundai made its way into the iron and steel industry by acquiring Inchon Steel and Daehan Aluminum Manufacturing.

3. Period of Advance into High-Tech Industry (1980s)

–From 1980s, Hyundai became actively engaged in the electronics industry, which was expected to be the heart of high-tech industry

- As automobile exports exceeded domestic demand in the 1980s, the need for electronics in car manufacturing increased. Electronics also became urgently needed in Hyundai's core competences.
- To meet such demand, the Hyundai Business Group announced its entry into high-tech electronics in 1982 and established Hyundai Electronics Industries a year later to join the semiconductor and electronics industry.

–Focus of business was placed on export markets rather than domestic market through independent technology development

- A local subsidiary, Modern Electrosystems Inc. (MEI), was set up in the U.S. to concentrate on acquiring the latest technology and developing high-tech products.
- Hyundai Electronics Industries used its experience of developing 256K DRAM to come up with 1M DRAM through its own development. In the electrosystems area, Hyundai was able to develop its own designs for personal computers, car-phones, key phones and car radios, contributing to expanding Korea's overall exports.

–In step with fast changes in the financial market such as capital market integration, Hyundai participated in financial market restructuring by establishing Hyundai Securities

- Dongbang Marine Insurance was incorporated into the Hyundai Business Group and thus

Hyundai Marine & Fire Insurance was born in 1983 to grow into a global financial corporation. Kookil Securities was acquired and later became Hyundai Securities in 1986.

4. Period of Re-Launching as World-Class Top Businesses (1990s-Present)

– In the 1990s, Hyundai switched from growth-oriented management to soundness-oriented management

- Under the slogan of “Choice and Concentration ” at the end of 1997, Hyundai undertook serious self-help restructuring measures to concentrate its resources on core competences.
- Hyundai Business Group reduced 53 out of 79 affiliates and subsidiaries through merger, disaffiliation and sales. The remaining affiliates are being re-organized according to world-competitive core competencies of automobile, electronics, heavy industries, construction and financial industries.

– In consideration of global trends and future global competitiveness, affiliates were re-grouped as five small groups with independent management systems

- Hyundai Motors, valued at 34 trillion won with ten affiliates, was the first to be disaffiliated from the Hyundai Business Group in August 2000.
- Hyundai Electronics Industries, whose assets are over 20 trillion won, is scheduled to be separated from the Hyundai Business Group in 2001. Hyundai Heavy Industries, worth over 10 trillion won, is considering separation in the second half of 2001 through share liquidation and resolution of cross-unit payment guarantees.
- Re-organization into small groups will serve as a momentum for the Hyundai Business Group to be reborn into world-class top businesses.

– Hyundai Business Group is turning to a global management system in response to the era of limitless competition

- As of the end of 2000, the Hyundai Business Group is building a global network linking some 250 overseas branches and local subsidiaries around the world.
- Majority shareholders are registered as directors for accountable management and management systems centered around the board of directors is enhanced. All these achievements and advanced approaches such as protection of minority shareholders ’ rights were introduced to maximize shareholder profit.
- Hyundai was the first business in Korea to adopt the outside director system. From 1996, Hyundai produced combined financial statements on related non-financial businesses. By raising transparency in corporate governance, Hyundai is preparing to become a 21st-century world-class business entity.

1. Biography of Honorary Chairman Chung Ju-yung

- 1915. 11 Born in Asan Village, Tongchon Country, Kangwon Province
- 1930. 3 Graduated from Songjun Elementary School
- 1940. 3 Established Ado Service Factory
- 1947. 5 Established Hyundai Engineering & Construction Co.,Ltd.
- 1967. 2 Established Hyundai Motor Co.
- 1973. 12 Established Hyundai Heavy Industries Co.,Ltd.
- 1977. 2 Appointed as the 13th Chairman of Federation of Korean Industries (Served five terms until 1987)
- 1977. 7 Established Hyundai Precision and Industry Co.,Ltd. Established the Asan Foundation
- 1977. 10 Awarded C.B.E Medal From Queen Elizabeth II
- 1981. 5 Appointed as Chairman of the Seoul Olympic Bidding Committee
- 1981. 11 Appointed as Vice Chairman of the Seoul Olympic Organizing Committee
- 1982. 7 Appointed as President of Korea Sports Council
- 1983. 5 Established Hyundai Electronics Industries Co.,Ltd.
- 1985. 10 Awarded the Luxembourg Laurel Wreath Medal
- 1988. 2 Awarded the Korean Presidential Mugunghwa Medal
- 1989. 7 Appointed as Chairman of the Korea-Russia Economic Association
- 1992. 12 Announced candidacy for presidency : Ran as Presidential Candidate for United People's Party
- 1998. 2 Awarded the Olympic Order from IOC
- 1998. 4 Appointed Grand Officer of the Norwegian Order of Merit by King Harald of Norway
- 1998. 11 Awarded the Industry and Business Leadership Award by the Korea Management Association
- 1999. 6 Awarded the Enterprise Establishment Award by the Korean Academy of Business Historians

2. Websites Related to Chung Ju-yung and Hyundai

Honorary Chairman Chung Ju-yung 's Cyber Museum
<http://www.chungjuyung.pe.kr/>

Hyundai Business Group
<http://www.hyundai.net>

Hyundai Websites
http://www.hyundai.com/hd2000/sub_website.htm

Hyundai Engineering and Construction
<http://en.hdec.co.kr/>

Hyundai Motor Company
<http://www.hyundai-motor.com/eng/index.html>

Hyundai Heavy Industries
<http://www.hhi.co.kr/english/product/main.html>

Hyundai Electronics Industries
<http://www.hei.co.kr/eng/index.html>

The Asan Foundation
<http://www.asanwelfare.or.kr/index2.html>

Asan Medical Center
<http://www.amc.seoul.kr/>

Mount Kumgang Tour Website
<http://www.ilovecruise.com/english/index.html>