HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015,
AND FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

HANATOUR SERVICE INC.

INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 16, 2017

To the Shareholders and the Board of Directors of
Hanatour Service Inc.:

We have audited the accompanying consolidated financial statements of Hanatour Service Inc. (the "Company") and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2016 and 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an audit opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

March 16, 2017

Notice to Readers

This report is effective as at March 16, 2017, 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 consolidated financial statements and may result in modifications to the auditors' report.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES (the "Group")

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016 AND 2015,
AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Group.

Park, Sang Hwan
Kim, Jin Kook
CHIEF EXECUTIVE OFFICERS
HANATOUR SERVICE INC.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016 AND 2015

ASSETS	Notes	December 31, 2016	December 31, 2015
		(In thousands of Korean won)	
CURRENT ASSETS:			
Cash and cash equivalents	4,22,38	₩ 156,047,480	₩ 146,485,490
Short-term financial instruments	22,34,38	26,068,166	60,688,614
Trade receivables	5,22,33,38	80,388,918	57,383,585
Other receivables	5,22,33,38	19,048,243	23,225,142
Finance lease receivables	6,22,38	1,012,665	1,170,671
Inventories	7	24,348,212	9,305,415
Advanced payments	8	31,006,430	34,070,557
Other current assets	8	7,599,271	7,702,931
Other financial assets	15,22,38	2,249	104,164
Current tax assets		134,313	113,158
Total current assets		345,655,947	340,249,727
NON-CURRENT ASSETS:			
Financial assets classified at fair value through profit or loss ("FVTPL")	9,22	1,013,875	1,015,625
Available for sale (“AFS”) financial assets	10,22	5,562,979	7,917,997
Investment in associates and joint ventures	11	11,784,439	21,165,917
Long-term finance lease receivables	6,22,38	850,833	1,844,267
Investment property	12,34	2,358,799	2,393,305
Property and equipment	13,34	91,758,218	59,329,323
Intangible assets	14	15,943,119	16,929,209
Other financial assets	15,22,34,38	34,352,021	44,226,793
Deferred tax assets	31	8,047,965	8,306,858
Other non-current assets	8	2,921,448	975,059
Total non-current assets		174,593,695	164,104,353
Total assets		₩ 520,249,642	₩ 504,354,080

(Continued)

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2016 AND 2015

LIABILITIES AND EQUITY	Notes	December 31, 2016	December 31, 2015
		(In thousands of Korean won)	
CURRENT LIABILITIES:			
Trade payables	22,33,38	₩ 77,119,716	₩ 75,471,166
Other payables	17,22,33,38	35,792,263	29,728,126
Income tax payable		8,292,735	10,189,301
Deposits received for travel		113,274,612	96,002,967
Advance receipts		23,126,895	21,028,667
Short-term borrowings	16,22,38	3,410,430	19,226,920
Current portion of long-term borrowings	16,22,38	2,974,745	2,392,078
Finance lease liabilities	18,22,38	939,325	656,244
Provision	19	2,130,865	2,297,827
Other financial liabilities	17,22,38	3,311,722	2,743,830
Other current liabilities	20	16,278,623	15,703,690
Total current liabilities		286,651,931	275,440,816
NON-CURRENT LIABILITIES:			
Long-term other payables	17,22,38	7,647,420	2,871,608
Long-term borrowings	16,22,38	7,973,961	6,679,283
Bonds	16,22,38	3,245,100	-
Long-term finance lease liabilities	18,22,38	1,683,522	1,514,806
Provision for long-term employee benefits		693,860	560,557
Other non-current liabilities		277,500	-
Total non-current liabilities		21,521,363	11,626,254
Total liabilities		308,173,294	287,067,070
EQUITY:			
Capital stock	23	5,808,093	5,808,093
Other contributed capital	23,26	58,105,899	57,322,026
Components of other capital	24	(831,843)	(1,155,344)
Retained earnings	25	126,400,362	134,943,490
Equity attributable to the owners of the Parent Company		189,482,511	196,918,265
Non-controlling interests		22,593,837	20,368,745
Total equity		212,076,348	217,287,010
Total liabilities and equity		₩ 520,249,642	₩ 504,354,080

(Concluded)

See accompanying notes to consolidated financial statements.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Notes	2016	2015
		(In thousands of Korean won, except per share amounts)	
OPERATING REVENUE	27,33,36	₩ 595,538,710	₩ 459,425,683
OPERATING EXPENSE	28,33,36	574,606,757	414,676,177
OPERATING INCOME		20,931,953	44,749,506
Financial income	29,30	2,491,010	3,721,286
Financial expense	29,30	641,956	405,422
Loss from investment in associates and joint ventures	29	(202,936)	(472,757)
Other income	29,33	10,395,372	7,280,498
Other expense	29,33	9,027,552	7,927,013
INCOME BEFORE INCOME TAX EXPENSE		23,945,891	46,946,098
INCOME TAX EXPENSE	31	16,418,440	12,784,389
NET INCOME		₩ 7,527,451	₩ 34,161,709

(Continued)

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Notes	2016	2015
		(In thousands of Korean won, except per share amounts)	
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX EXPENSE		₩ 469,220	₩ 559,780
Items that may be reclassified subsequently to profit or loss:		469,220	559,780
Changes in valuation of equity-accounted investees, net		4,341	(25,846)
Gain on foreign operations translation, net		491,795	903,761
Loss on valuation of AFS		(26,916)	(318,135)
TOTAL COMPREHENSIVE INCOME		₩ 7,996,671	₩ 34,721,489
NET INCOME ATTRIBUTABLE TO:			
Owners of the Parent Company		8,035,742	31,740,498
Non-controlling interests		(508,291)	2,421,211
		7,527,451	34,161,709
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Parent Company		8,359,244	32,127,557
Non-controlling interests		(362,573)	2,593,932
		7,996,671	34,721,489
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY:	32		
Basic earnings per common share		₩ 727	₩ 2,877
Diluted earnings per common share		₩ 726	₩ 2,868

(Concluded)

See accompanying notes to consolidated financial statements.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital stock	Other contributed capital	Components of other capital	Retained Earnings	Non-controlling interests	Total
			(In thousands of Korean won)			
January 1, 2015	₩ 5,808,093	₩ 57,382,591	₩ (1,542,404)	₩ 118,640,879	₩ 7,709,608	₩ 187,998,767
Payment of cash dividend	-	-	-	(7,709,871)	-	(7,709,871)
Payment of interim cash dividend	-	-	-	(7,728,015)	-	(7,728,015)
Cash dividend of subsidiaries	-	-	-	-	(655,207)	(655,207)
Stock issuance expense of subsidiaries	-	(793,069)	-	-	(131,561)	(924,630)
Exercised stock option rights	-	(180,083)	-	-	(6,060)	(186,143)
Gain on disposal of treasury stock	-	114,307	-	-	-	114,307
Stock compensation expense	-	1,242,859	-	-	8,599	1,251,458
Net income	-	-	-	31,740,498	2,421,211	34,161,709
Gain on foreign business translation	-	-	731,041	-	172,721	903,762
Changes in valuation of equity-accounted investees	-	-	(25,846)	-	-	(25,846)
Loss on valuation of AFS financial assets	-	-	(318,135)	-	-	(318,135)
Paid-in capital increase of subsidiaries	-	(391,261)	-	-	6,058,152	5,666,891
Changes in scope of consolidation	-	-	-	-	4,737,964	4,737,964
Others	-	(53,318)	-	-	53,318	-
December 31, 2015	₩ 5,808,093	₩ 57,322,026	₩ (1,155,344)	₩ 134,943,490	₩ 20,368,746	₩ 217,287,011
January 1, 2016	₩ 5,808,093	₩ 57,322,026	₩ (1,155,344)	₩ 134,943,490	₩ 20,368,746	₩ 217,287,011
Payment of cash dividend	-	-	-	(8,832,018)	-	(8,832,018)
Payment of interim cash dividend	-	-	-	(7,746,852)	-	(7,746,852)
Cash dividend of subsidiaries	-	-	-	-	(295,539)	(295,539)
Discount on Stock issuance	-	-	-	-	(111,059)	(111,059)
Disposal of treasury stock	-	1,664,755	-	-	-	1,664,755
Exercised stock option rights	-	(1,983,268)	-	-	-	(1,983,268)
Gain on disposal of treasury stock	-	245,732	-	-	-	245,732
Stock compensation expense	-	247,281	-	-	3,634	250,915
Net income	-	-	-	8,035,742	(508,291)	7,527,451
Gain on foreign business translation	-	-	346,076	-	145,719	491,795
Changes in valuation of equity-accounted investees	-	-	4,341	-	-	4,341
Loss on valuation of AFS financial assets	-	-	(26,916)	-	-	(26,916)
Paid-in capital increase of subsidiaries	-	609,373	-	-	2,990,627	3,600,000
December 31, 2016	₩ 5,808,093	₩ 58,105,899	₩ (831,843)	₩ 126,400,362	₩ 22,593,837	₩ 212,076,348

See accompanying notes to consolidated financial statements.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Notes	2016	2015
		(In thousands of Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations:			
Net income		₩ 7,527,451	₩ 34,161,709
Additions of expenses not involving cash outflows and others	37	47,400,813	33,297,681
Deduction of incomes not involving cash inflows and others	37	(3,862,192)	(4,439,551)
Movements in operating assets and liabilities:			
Increase in trade receivables		(23,503,304)	(7,064,784)
Increase in other receivables		(1,615,371)	(816,318)
Increase in inventories		(15,108,796)	(8,233,323)
Decrease(Increase) in advance payments		5,241,184	(15,232,187)
Increase in other current assets		(1,762,472)	(2,565,407)
Decrease(Increase) in other non-current assets		(9,940)	71,870
Increase(Decrease) in trade payables		1,742,703	(3,136,731)
Increase in other payables		12,893,929	9,347,976
Increase in deposits received for travel		17,271,797	12,983,897
Increase in advance receipts		2,347,053	726,079
Increase in other financial liabilities		570,132	152,074
Decrease in other current liabilities		(4,218,700)	(5,520,243)
Decrease in provisions		(1,020,811)	(378,782)
Decrease in long-term other payables		(20,243)	(10,897)
Decrease in other long-term employee benefit		(118,000)	(34,857)
		43,756,234	43,308,206
Interest expense paid		(844,469)	(269,654)
Interest income received		3,043,962	3,570,583
Dividend income received		91,949	95,179
Income taxes paid		(18,545,895)	(11,706,714)
		₩ 27,501,781	₩ 34,997,600

(Continued)

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Notes	2016	2015
		(In thousands of Korean won)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities:			
Decrease in short-term financial instruments		₩ 58,948,372	₩ 125,077,303
Decrease in other receivables		20,048,764	5,456,889
Disposal of AFS financial assets		2,738,080	-
Disposal of investment in associates and joint venture		638,297	51
Capital reduction of associates and joint venture		5,000,000	-
Disposal of property and equipment		803,976	429,878
Decrease in finance lease receivables		1,170,997	198,505
Decrease in other financial assets		14,995,029	2,523,702
Net cash inflow due to business combination		-	4,585,882
		104,343,515	138,272,210
Cash outflows for investing activities:			
Increase in short-term financial instruments		24,272,291	77,989,964
Increase in other receivables		12,403,486	11,016,189
Acquisition of FVTPL		-	1,000,000
Acquisition of AFS financial assets		270,011	250,000
Acquisition of investment in associates and joint venture		1,548,800	-
Acquisition of property and equipment		48,028,731	16,413,808
Acquisition of intangible assets		4,054,650	8,098,714
Increase in other financial assets		7,068,681	24,448,819
		(97,646,650)	(139,217,494)
		6,696,865	(945,284)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings		11,128,434	16,866,349
Proceeds from long-term borrowings		3,394,730	7,083,021
Proceeds from bonds		4,157,511	-
Paid-in capital increase of subsidiaries		3,488,941	5,970,084
		22,169,616	29,919,454
Cash outflows for financing activities:			
Repayment of short-term borrowings		27,213,152	12,257,904
Repayment of current portion of long-term borrowings		2,897,903	1,634,956
Repayment of finance lease liabilities		713,087	1,028,793
Acquisition of treasury stocks		-	337,895
Payment of stock issuance expense		-	927,389
Payment of dividends		16,874,408	16,085,969
		(47,698,550)	(32,272,906)
		(25,528,934)	(2,353,452)
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,669,712	31,698,864
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR		146,485,490	113,930,509
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		892,278	856,117
CASH AND CASH EQUIVALENTS, AT END OF YEAR		₩ 156,047,480	₩ 146,485,490

(Concluded)

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016 AND 2015
AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. GENERAL:

(1) Parent Company

Hanatour Service Inc. (the "Company" or "Parent Company") was incorporated on November 1, 1993, under the laws of the Republic of Korea to engage in the business of travel intermediation service and related services. On November 24, 2000, all shares of the Company were listed on Korea Exchange Korean Securities Dealers Automated Quotations market ("KRX KOSDAQ"). In addition, on November 7, 2006, 1,161,000 shares of the Company were listed on London Stock Exchange by issuance of depository of receipts. On November 1, 2011, the Company's shares were delisted from KRX KOSDAQ, and changed its listing to Korea Exchange Korea Composite Stock Price Index ("KRX KOSPI").

The head office of the Company is located in 41, Insadong 5-gil, Jongno-gu, Seoul, Korea. As at December 31, 2016, the Company's capital stock amounted to ₩5,808 million, 18.6% of which is owned by the representative director and employees, 19.2% by foreign investors, 57.5% by non-controlling domestic shareholders and 4.7% held as treasury stock.

(2) Scope of consolidation

The subsidiaries including Hanatour ITC Service Inc. and 32 other entities as at December 31, 2016 are as follows:

Subsidiaries	Principal business	Location	Closing Date	Ownership ratio(%) December 31, 2016	Ownership ratio(%) December 31, 2015
Web Tour Service Inc.	Travel intermediation service	Korea	12.31	77.67	77.67
Hanatouryouth Service Inc.	Travel intermediation service	Korea	12.31	100.00	100.00
Hanatour Jeju Service Inc.	Travel intermediation service	Korea	12.31	77.35	77.35
Namkang Tour Inc.	Travel intermediation service	Korea	12.31	100.00	100.00
Tour Marketing Korea Service Inc.	Travel intermediation service	Korea	12.31	70.00	70.00
Hanatour ITC Service Inc.	Travel intermediation service	Korea	12.31	100.00	100.00
Hana T&Media Inc.	Publication	Korea	12.31	51.00	51.00
Hanatour Business Service Inc.	Travel intermediation service	Korea	12.31	100.00	100.00
Korea Travel Service Inc.	Travel intermediation service	Korea	12.31	60.00	60.00
Hanauhak Inc.	Travel intermediation service	Korea	12.31	51.00	51.00
CJ Worldis Corp.	Travel intermediation service	Korea	12.31	50.00	50.00
H&T Marketing Inc.	Advertising agency service	Korea	12.31	80.00	80.00
Nextour Co., Ltd.	Travel intermediation service	Korea	12.31	77.67	77.67
Hanashop Co., Ltd.	Electronic commerce service	Korea	12.31	90.00	90.00
Hanatour Europe Ltd.	Travel intermediation service	United Kingdom	12.31	70.00	70.00

Subsidiaries	Principal business	Location	Closing Date	December 31, 2016	December 31, 2015
Hanatour Japan Co., Ltd.	Travel intermediation service	Japan	12.31	70.00	70.00
Hanatour PTE LTD.	Travel intermediation service	Singapore	12.31	100.00	100.00
Hanatour CHINA	Travel intermediation service	China	12.31	100.00	100.00
Hanatour HongKong Co., Ltd.	Travel intermediation service	HongKong	12.31	100.00	100.00
Hanatour Taiwan Service Inc.	Travel intermediation service	Taiwan	12.31	100.00	100.00
U.I. Sightseeing Bus LLC	Transportation service	Japan	12.31	70.00	70.00
Hanatour USA Inc.	Travel intermediation service	U.S.A	12.31	100.00	100.00
Hanatour PTY. Ltd.	Travel intermediation service	Australia	12.31	100.00	100.00
Tourtips Inc.	Travel information service	Korea	12.31	100.00	100.00
Allegrox TM Hotel Management Co.,Ltd	Accommodation operating Agency	Japan	12.31	70.00	70.00
Mark Hotel Co.,Ltd.	Hotel service	Korea	12.31	100.00	100.00
Beijing Hana Information Technology Co., Ltd.	Software technology service	China	12.31	100.00	100.00
Star Shop&Line	Duty free shop	Japan	12.31	70.00	70.00
Hanatour Service (M) Sdn.Bhd.	Travel information service	Malaysia	12.31	100.00	100.00
Hana Finance Service Inc.	Financing loan service	Korea	12.31	100.00	100.00
SM duty free Co., Ltd.	Duty free shop	Korea	12.31	82.54	86.61
HanaTour Investment Management Co. , Ltd	Asset management	Korea	12.31	100.00	100.00
Worldshop	Insurance	Korea	12.31	90.00	90.00

(3) Condensed financial information of the subsidiaries

Condensed financial information of the major subsidiaries as at and for the year ended December 31, 2016 is as follows:

Name of subsidiaries	Assets	Liabilities	Revenue	Net income (loss)	Total comprehensive income (loss)
	(In thousands of Korean Won)				
Web Tour Service Inc.	₩ 17,623,126	₩ 6,995,054	₩ 15,653,012	₩ 1,387,730	₩ 1,387,730
Hanatour ITC Service Inc.	16,718,770	2,932,701	6,292,561	(988,450)	(988,450)
Hana T&Media Inc.	2,031,944	686,854	3,511,909	(73,577)	(73,577)
Hanatour Business Service Inc.	5,813,571	2,396,450	5,095,404	586,387	583,830
CJ Worldis Corp.	7,970,374	2,776,687	8,025,291	545,150	545,150
Hanatour Japan Co., Ltd.	36,690,851	22,811,805	18,121,232	5,083,914	5,493,676
Hanatour CHINA	9,166,637	924,559	5,897,687	2,068,253	1,794,398
U.I. Sightseeing Bus LLC	28,396,485	19,921,239	15,176,155	2,473,129	2,780,188
Hanatour USA Inc.	9,462,639	5,409,519	4,368,215	200,490	324,892
STAR SHOP&LINE	8,133,039	4,061,163	20,209,660	1,581,942	1,694,021
Mark Hotel Co., Ltd.	14,742,721	5,981,720	18,249,450	(3,311,332)	(3,311,332)
SM duty free Co., Ltd.	54,118,567	12,792,827	94,088,357	(29,094,447)	(29,094,447)

(4) Changes in the scope of consolidation

There are no changes in the scope of consolidation for the year ended December 31, 2016 and the changes in the scope of consolidation for the year ended December 31, 2015 were as follows:

Description	2015
Included by obtaining of control by acquisition of additional interest	SM duty free Co., Ltd.
Newly Established	HanaTour Investment Management Co. , Ltd Worldshop

(5) Condensed financial position and non-controlling interests of subsidiaries of the Group of which non-controlling interest is material for the consolidated financial statements of the Group as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016				
	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd.	U.I. Sightseeing Bus LLC
	(In thousands of Korean Won)				
Current assets	₩ 12,172,219	₩ 7,442,920	₩ 25,633,692	₩ 28,914,683	₩ 9,400,535
Non-current assets	5,450,907	527,454	11,057,159	25,203,884	18,995,950
	17,623,126	7,970,374	36,690,851	54,118,567	28,396,485
Current liabilities	6,926,779	2,749,478	16,350,330	12,792,827	6,334,449
Non-current liabilities	68,275	27,209	6,461,475	-	13,586,790
	6,995,054	2,776,687	22,811,805	12,792,827	19,921,239
Equity attributable to the owners of the Parent Company	8,255,187	2,596,844	9,715,332	34,110,527	5,932,672
Non-controlling interests	2,372,885	2,596,843	4,163,714	7,215,213	2,542,574
	₩ 10,628,072	₩ 5,193,687	₩ 13,879,046	₩ 41,325,740	₩ 8,475,246

Description	December 31, 2015				
	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd.	U.I. Sightseeing Bus LLC
	(In thousands of Korean Won)				
Current assets	₩ 10,223,414	₩ 10,553,118	₩ 20,214,995	₩ 62,518,362	₩ 7,891,282
Non-current assets	5,723,859	558,494	11,356,943	28,735,368	8,549,891
	15,947,273	11,111,612	31,571,938	91,253,730	16,441,173
Current liabilities	5,944,773	6,402,023	17,279,402	23,988,490	5,432,523
Non-current liabilities	66,295	24,111	5,907,166	-	4,967,531
	6,011,068	6,426,134	23,186,568	23,988,490	10,400,054
Equity attributable to the owners of the Parent Company	7,717,790	2,342,739	5,869,759	58,257,924	4,228,783
Non-controlling interests	2,218,415	2,342,739	2,515,611	9,007,316	1,812,336
	₩ 9,936,205	₩ 4,685,478	₩ 8,385,370	₩ 67,265,240	₩ 6,041,119

Condensed financial information above is incorporating the adjustments of goodwill generated from business combination, fair values and differences between accounting policies, but intra-group transaction has not been eliminated.

(6) Condensed operating results and income attributable to non-controlling interests of non-wholly owned subsidiaries of the Group of which non-controlling interest is material for the consolidated financial statements of the Group for the years ended as at December 31, 2016 and 2015 are as follows:

Description	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd.	U.I. Sightseeing Bus LLC
	For the year ended December 31, 2016				
	(In thousands of Korean Won)				
Operating revenue	₩ 15,653,012	₩ 8,025,291	₩ 18,121,232	₩ 94,088,357	₩ 15,176,155
Operating income (loss)	1,361,342	500,472	6,977,175	(27,902,973)	3,620,230
Net income (loss)	1,387,730	545,150	5,083,914	(29,094,447)	2,473,129
Other comprehensive income	-	-	409,762	-	307,059
Total comprehensive income (loss)	1,387,730	545,150	5,493,676	(29,094,447)	2,780,188
Net income (loss) attributable to Non-controlling interest	309,833	272,575	1,525,174	(4,626,947)	741,939
Total comprehensive income (loss) attributable to Non-controlling interest	309,833	272,575	1,648,103	(4,626,947)	834,056

Description	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd.	U.I. Sightseeing Bus LLC
	For the year ended December 31, 2015				
	(In thousands of Korean Won)				
Operating revenue	₩ 15,260,148	₩ 7,589,316	₩ 14,522,726	₩ 10,360,265	₩ 11,987,581
Operating income (loss)	1,819,501	545,419	5,714,898	(6,370,842)	3,769,540
Net income (loss)	1,548,794	640,595	3,842,381	(4,753,967)	2,553,006
Other comprehensive income	-	-	402,522	-	264,517
Total comprehensive income (loss)	1,548,794	640,595	4,244,903	(4,753,967)	2,817,523
Net income (loss) attributable to Non-controlling interest	320,263	320,298	1,152,714	(1,032,764)	765,902
Total comprehensive income (loss) attributable to Non-controlling interest	320,263	320,298	1,273,471	(1,032,764)	845,257

Condensed financial information above is incorporating the adjustments of goodwill generated from business combination, fair values and differences between accounting policies, but intra-group transaction has not been eliminated.

(7) Condensed cash flows of non-wholly owned subsidiaries of the Group that have material non-controlling interests for the years ended as at December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016				
Description	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd.	U.I. Sightseeing Bus LLC
	(In thousands of Korean Won)				
Cash flows from operating activities	₩ (273,454)	₩ (2,669,287)	₩ 518,989	₩ (33,982,057)	₩ 2,370,337
Cash flows from investing activities	(636,777)	(252,454)	486,495	(3,501,018)	(5,286,094)
Cash flows from financing activities	(395,513)	-	(1,265,534)	(11,511,059)	2,228,727
Change in cash and cash equivalents	(1,305,744)	(2,921,741)	(260,050)	(48,994,134)	(687,030)
Cash and cash equivalents, at beginning of year	2,680,167	4,793,902	2,498,785	50,893,740	6,830,658
Effect of exchange rate change on cash and cash equivalents	3,208	-	174,219	5,102	475,543
Cash and cash equivalents, at end of year	1,377,631	1,872,161	2,412,954	1,904,708	6,619,171

	For the year ended December 31, 2015				
Description	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd.	U.I. Sightseeing Bus LLC
	(In thousands of Korean Won)				
Cash flows from operating activities	₩ 1,548,409	₩ 1,519,595	₩ (1,619,554)	₩ (8,471,370)	₩ 5,488,808
Cash flows from investing activities	(1,558,316)	(155,990)	8,328,746	(27,307,294)	(1,235,466)
Cash flows from financing activities	498,376	-	(6,589,470)	71,980,681	1,087,238
Change in cash and cash equivalents	488,469	1,363,605	119,722	36,202,017	5,340,580
Cash and cash equivalents, at beginning of year	2,191,698	3,430,297	2,247,566	14,685,564	1,207,973
Effect of exchange rate change on cash and cash equivalents	-	-	131,497	6,159	282,105
Cash and cash equivalents, at end of year	2,680,167	4,793,902	2,498,785	50,893,740	6,830,658

Condensed financial information above is incorporating the adjustments of goodwill generated from business combination, fair values and differences between accounting policies, but intra-group transaction has not been eliminated.

(8) Increase in the Company's ownership interests in its subsidiaries and the consequent effects on the equity attributable to the owners of the Parent Company for the year ended December 31, 2015 are as follows:

Description		For the year ended December 31, 2015 SM duty free Co., Ltd.
		(In thousands of Korean Won)
Ownership percentage before additional paid-in capital increase		67.33%
Ownership percentage after additional paid-in capital increase		86.61%
Total amount of paid-in capital increase of subsidiary (A) (*)	₩	58,033,620
Purchase consideration of the Parent Company (B)		53,153,875
Changes in interest of the owners of the Parent Company (C)		52,644,667
Changes in non-controlling interests (A-C)		5,388,953
Changes in other contributed capital (C-B)		(509,208)

(*) Effects on shareholders' equity are caused by additional acquisition of interests after obtaining control of the company.

(9) Decrease in the Company's ownership interests in its subsidiaries without a loss of control and the consequent effects on the equity attributable to the owners of the Parent Company for the years ended December 31, 2016 and 2015 are as follows:

Description		For the year ended December 31, 2016 SM duty free Co., Ltd.
		(In thousands of Korean Won)
Ownership percentage before additional paid-in capital increase		86.61%
Ownership percentage after additional paid-in capital increase		82.54%
Total amount of paid-in capital increase of subsidiary (A)	₩	3,600,000
Purchase consideration of the Parent Company (B)		-
Changes in interest of the owners of the Parent Company (C)		609,373
Changes in non-controlling interests (A-C)		2,990,627
Changes in other contributed capital (C-B)		609,373

Description		For the year ended December 31, 2015 Web Tour Service Inc.	 Nextour Co., Ltd. (*)
		(In thousands of Korean Won)	
Ownership percentage before additional paid-in capital increase		83.82%	83.82%
Ownership percentage after additional paid-in capital increase		77.67%	77.67%
Total amount of paid-in capital increase of investment in subsidiary(A)	₩	787,145	-
Purchase consideration of the Parent Company (B)		-	-
Changes in interest of the owners of the Parent Company(C)		164,861	(46,914)
Changes in non-controlling interests(A-C)		622,284	46,914
Changes in other contributed capital(C-B)		164,861	(46,914)

(*) The company is wholly owned by Web Tour Service Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Hanatour Service Inc. and its subsidiaries (the "Group") maintains its official accounting records in the Republic of Korean Won and prepares its consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language. Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language consolidated financial statements. Certain information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Group's financial position, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

(1) Basis of Consolidated Financial Statements Presentation

The significant accounting policies used for the preparation of the consolidated financial statements are summarized below. These accounting policies are consistent with those applied to the consolidated financial statements as at and for the year ended December 31, 2015, except for the K-IFRSs that are newly introduced in 2016, as explained below.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

1) New and revised standards that have been applied from the year beginning on January 1, 2016 are as follows:

Amendments to K-IFRS 1110 – Consolidated Financial Statements & K-IFRS 1112 Disclosure of interests in other entities & K-IFRS 1028 Investment in associates

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Amendments to K-IFRS 1111 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to K-IFRS 1111 provides guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 Business Combinations. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Amendments to K-IFRS 1001 – Presentation of Financial Statements

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Amendments to K-IFRS 1016 – Property, Plant and Equipment

The amendments to K-IFRS 1016 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Amendments to K-IFRS 1038 – Intangible Assets

The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets, which the presumption can only be limited when the intangible asset expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Annual Improvements to K-IFRS 2012-2014 cycle
The Annual Improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 'Non-current Assets Held for Sale and Discontinued Operations' for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), such a change is considered as a continuation of the original plan of disposal not as a change to a plan of sale. Other amendments in the Annual Improvements include K-IFRS 1107 'Financial Instruments: Disclosures', K-IFRS 1019 'Employee Benefits', and K-IFRS 1034 'Interim Financial Reporting'. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

2) New and revised standards that have been issued but are not yet effective as of the authorization date for issue of consolidated financial statements, and that have not been applied earlier by the Group are as follows:

Enactments to K-IFRS 1109 – Financial Instruments

The enactments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The amendments are effective for annual periods beginning on or after 1 January 2018

The Group is assessing preliminary financial impact of adoption of K-IFRS 1109. The general impact of the new standard on the consolidated financial statement is as follows :

A. Classification and measurement of financial assets
When the Group adopts new standard of K-IFRS 1109, the Group classifies financial assets as seen in the table below based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset: as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). If the host contract is determined in a hybrid contract, an entity may classify the entire hybrid contract as a financial asset rather than separating the embedded derivative from the host contract

	Contractual cash flow characteristic	
Business model	Solely payments of principal and interest	Otherwise
Objective is to hold financial assets in order to collect contractual cash flows	Measured at amortised cost (*1)	
The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets	FVOCI (*1)	FVTPL (*2)
Objective is to sell financial assets and others	FVTPL	

(*1) An entity may designate as measured at FVTPL to eliminate or significantly reduce an accounting mismatch (irrevocable).
(*2) An entity may designate as FVOCI for investments in equity instruments that are not held for trading (irrevocable).

The Group has AFS financial assets of ₩5,562,979 thousand, loans and receivables of ₩317,775,575 thousand and financial assets at FVTPL of ₩1,013,875 thousand in the consolidated statements of financial position as at December 31, 2016.

B. Classification and measurement of financial liabilities.
For financial liabilities designated as at FVTPL using the fair value option, K-IFRS 1109 requires the effects of changes in fair value attributable to an entity's credit risk to be recognised in other comprehensive income. The amounts presented in other comprehensive income are not subsequently transferred to profit or loss unless this treatment of the credit risk component creates or enlarges a measurement mismatch.

As at December 31, 2016, the Group has financial liabilities measured at amortised cost of ₩144,098,204 thousand.

C. Impairment: Financial assets and contract assets
Under K-IFRS 1039, the impairment is recognised only when there is an objective evidence of impairment based on incurred loss model, but under K-IFRS 1109, impairment is recognised based on expected credit loss model for debt instrument, lease receivables, contract assets, loan contracts and financial guarantee contracts that are measured at amortised cost or fair value through other comprehensive income.

In K-IFRS 1109, financial assets are classified into three stages depending on the extent of increase in the credit risk on financial instruments since initial recognition. The loss allowance is measured at an amount equal to 12-month expected credit losses or the lifetime expected credit losses and therefore credit losses will be recognised earlier than under the incurred loss model of K-IFRS 1039.

	Case	The loss allowance
Stage 1	Non-significant increase in credit risk since initial recognition	12-month expected credit losses : The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Significant increase in credit risk since initial recognition	Lifetime expected credit losses: The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired financial assets	

Under K-IFRS 1109, an entity shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

As at December 31, 2016, the Group has loans, receivables and AFS financial assets and the loss allowance for these assets are ₩5,998,220 thousand.

D. Hedge Accounting
The new standard, K-IFRS 1109, retains the mechanics of hedge accounting in K-IFRS 1039. Under the new model, it is possible for an entity to reflect its risk management activities on the financial statements by focusing on principle-based hedge effectiveness assessment instead of simply complying with a rule-based approach under the K-IFRS 1039.

The new model introduced greater flexibility to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and overhauling the quantitative hedge effectiveness (80 – 125%) test.

In accordance with the transition requirements, entities with initial application may continue to retain the existing requirements under K-IFRS 1039 as their accounting policy.

With the introduction of K-IFRS 1109, necessary implementation procedures include preparation of the financial impact analysis, establishment of accounting policies and system and its stabilization. The financial statements of the year of adoption is affected not only by the accounting policies judgementally set-forth by the management, but also by the economic conditions of the Group during the period.

Enactments to K-IFRS 1115 – Revenue from Contracts with Customers

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces a 5-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018- Revenue, K-IFRS 2113 - Customer Loyalty Programmes, K-IFRS 2115-Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers, and K-IFRS 2031-Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after January 1, 2018.

Regarding K-IFRS 1115, the group is going to prepare the adoption in 2017, and at the same time, the group is going to organize the internal management process, and build the accounting system.
In addition, the group is planning to analyze the financial effects of the adoption by the end of 2017, and disclose the results at the 2017 financial statement footnote.

Amendments to K-IFRS 1102 – Share-based Payment

The amendments include 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment; 2) share-based payment transaction in which the Group settles the share-based payment arrangement, net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety, if otherwise would be classified as equity-settled without the net settlement feature; and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1007 – Statement of Cash Flows

The amendments require that changes in liabilities arising from financial activities are disclosed. The amendments are effective for annual periods beginning on or after January 1, 2017.

Amendments to K-IFRS 1012 – Income Taxes

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profits may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

The Group is examining effects of above-mentioned enactments and amendments on the Group’s consolidated financial statements.

The consolidated financial statements of the Group as at and for the year ended December 31, 2016 were authorized at the board of directors’ meeting on February 1, 2017 and are scheduled to be authorized at the ordinary shareholder’s meeting on March 24, 2017.

(2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (or its subsidiaries). Control is achieved only when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of its return

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Even though the Company has less than a majority of the voting rights of an investee, it still has power over the investee if the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. Therefore, the Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company. The carrying amount of non-controlling interests consists of the amount of those non-controlling interests at the initial recognition and the changes in shares of the non-controlling interests in equity since the date of the acquisition. Total comprehensive income (or loss) is attributed to the owners of the Company and to the non-controlling interests even if the non-controlling interest has a deficit balance as a result of the attribution.

Changes in the Group's ownership interests in subsidiaries, without a loss of control, are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable K-IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(3) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in income or expense as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities, and contingent liabilities that meet the condition for recognition under K-IFRS 1103 are recognized at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with K-IFRS 1102 *Share-based Payment* at the acquisition date
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-current Assets Held* for *Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in income or expense as a bargain purchase gain.

Goodwill is not amortized but tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to a cash generating unit ("CGU") of the Group, which is expected to have synergy effect from business combination. A CGU that has goodwill is tested for impairment every year or when an event occurs that indicates impairment. If the recoverable amount of a CGU is less than its carrying amount, the impairment will first decrease the goodwill allocated to that CGU, and the remaining impairment will be allocated among other assets relative to its carrying value. An impairment loss recognized for goodwill is not reversed in a subsequent period. When disposing a subsidiary, related goodwill will be included in gain or loss from disposal.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039 *Financial Instruments: Recognition and Measurement*, or K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in income or expense

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in income or expense. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to income or expense where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Investments in associates and interests in joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over its policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The investment in an associate or a joint venture is initially recognized at cost and accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. The entire carrying amount of the investment including goodwill is tested for impairment and presented at the amount less accumulated impairment losses. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the group retains an interest in the former associate or joint venture, it measures the retained interest at fair value at the date the Group lose significant influence or joint control and the fair value is regarded as its fair value on initial recognition in accordance with K-IFRS 1039. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposals of the associate or joint venture.
In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be require if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued. When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to maintain significant influence over an associate, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. If the interest on associate or joint venture satisfies definition of non-current asset held for sale, it is recognized in accordance with K-IFRS 1105.

In the case of conversion between interest in associate and joint venture, the group continues to use the equity method and does not remeasure retained interest.

Unrealized gains from transactions between the Group and its associates or joint ventures are eliminated up to the shares in associate(joint venture) stocks. Unrealized losses are also eliminated unless evidence of impairment in assets transferred is produced. If the accounting policy of associates or joint ventures differs from the Group, financial statements are adjusted accordingly before applying equity method of accounting. If the Group's ownership interest in an associate or a joint venture is reduced, but the significant influence is continued, the Group reclassifies to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

(5) Cash and Cash Equivalents

Cash and cash equivalents include cash, including checks issued by others; checking accounts; ordinary deposits; and financial instruments with maturities (or date of redemption) of three months or less from acquisition that can be easily converted into cash and whose value changes are not material due to changes in interest rates.

(6) Financial assets

All financial assets are recognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss ("FVTPL") that are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale ("AFS") financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Financial assets at FVTPL

A financial asset is classified as FVTPL if it has been acquired principally for the purpose of selling in the near term. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in income or expense.

2) Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold until maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment, with revenue recognized on an effective-yield basis.

3) AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are measured at fair value. However, investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

A gain or loss on changes in fair value of AFS financial assets is recognized in other comprehensive income, except for impairment loss, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets. Accumulated other comprehensive income is reclassified to current gain or loss from equity at the time of impairment recognition or elimination of related financial assets. Dividends on an AFS equity instrument are recognized in income or expense when the Group's right to receive payment is established.

AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and related derivatives to be settled by the equity instruments are measured at cost less accumulated impairment losses

4) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are initially measured at fair value. Loans and receivables are measured at amortized cost using the effective interest method, except for receivables when the recognition of interest would be immaterial.

5) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset’s original effective interest rate computed at initial recognition.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in income or expense.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or expense to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized in income or expense are not reversed through income or expense. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

6) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories, except for those in in-transit, are measured under the moving average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The carrying amount of inventories sold in the period and the amount of any write-down of inventories to net realizable value and all losses of inventories in the period; less the amount of any reversal in the period of any write-down of the inventories, arising from an increase in net realizable value, is recognized as expense during the period.

(8) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost and transaction costs are included in the initial measurement. After initial recognition, the book value of investment property is presented at the cost less accumulated depreciation and accumulated impairment.

Subsequent costs are recognized as the carrying amount of the asset when, and only when it is probable that future economic benefits associated with the asset will flow to the company, and the cost of the asset can be measured reliably, or recognized as a separate asset if appropriate. The carrying amount of what was replaced is derecognized. The costs incurred subsequently to add to repairs and maintenance of the property are included in expense in the period incurred.

Land is not depreciated, and other investment properties are depreciated based on the respective assets' estimated useful lives of 10 or 20 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the period in which the property is derecognized.

(9) Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Assets acquired from investment in-kind, by donation, or free of charge are stated at fair value.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Buildings	7-20
Machinery	4
Vehicles	3-6
Furniture	4-6
Equipment	4-6
Finance lease asset	3-5

The Group reviews the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

(10) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Amortization is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Estimated useful lives (years)
Trademarks	5~10
Patents	5
Software	4~6
Membership	Contract period or indefinite
Other intangible assets	4~10

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost) Subsequent to initial recognition, the intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in income or expense when the asset is derecognized.

(11) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in income or expense. Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in income or expense.

(12) Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

2) Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognized less, cumulative amortization recognized in accordance with the K-IFRS 1018 *Revenue*

3) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in income or expense. The net gain or loss recognized in income or expense incorporates any interest paid on the financial liability and is included in the 'financial expense' line item in the consolidated statement of comprehensive income.

4) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

5) Derecognition of financial liabilities

The Group only derecognizes financial liabilities when the Group's obligations are discharged, canceled or expired. The difference between the consideration and the derecognized carrying amount of financial liabilities is recognized in current profit or loss.

(13) Retirement benefit costs

For defined contribution benefit plan, the Group recognizes retirement benefit expense related to its contributions as current expense when employees have rendered service entitling them to the contributions.

At the end of each reporting period, defined benefit obligations are calculated by an actuary using the Projected Unit Credit Method. The remeasurements of the net defined benefit liability (asset) comprising actuarial gain or loss from changes in actuarial assumptions or differences between actuarial assumptions and actual results, return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) and any change in the effect of the asset ceiling are recognized in other comprehensive income of the consolidated statements of comprehensive income, which is immediately recognized as retained earnings. Those recognized in retained earnings will not be reclassified to profit or loss of the current period. Past service costs are recognized in profit and loss when the plan amendment or curtailment occurs and net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate determined at the beginning of the annual reporting period.

The net defined benefit liability (asset) on consolidated financial statements is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

(14) Deposits received for travel and advance receipts

The Group accounts for the total considerations received from customers for travel package deposits until the relevant obligations are performed, as deposits.

The Group accounts for the considerations received from customers for gift vouchers which can be used for the travel packages and considerations received from the business partners who participate in customer loyalty programs, in accordance with agreements for award credits, as advance receipts.

(15) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(16) Revenue recognition

1) Revenue from the rendering of services

The Group's main business is its travel intermediation service, which includes selling of air-tickets, hotel rooms, tour packages, etc. The Group functions as an intermediary agent between the provider and the end-customer. When the Group determines that a performance obligation is satisfied, only the amount equivalent to the value for travel agency's service among total selling price is recognized as revenue.

The Group grants award credits that customers can redeem for awards, such as free or discounted travel packages. The fair value of the award credits is estimated by considering the fair value of the expected services, the expected collection rate and period of collection.

The fair value of the consideration received or receivable from the customer is allocated to award credits and revenue transactions. The consideration allocated to the award credits is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

2) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group.

3) Interest income

Interest income is recognized if it is probable that future economic benefits will flow to the Group and the amount can be measured reliably. Interest income is recognized through passage of time by effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset on initial recognition.

4) Dividend income

Dividends are recognized as revenue when the right to dividends is determined.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in income or expense in the period in which they are incurred.

(18) Equity-settled share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

(19) Foreign currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Korean won, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in income or expense in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to income or expense on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Korean Won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, partial disposal of interest on joint arrangements or partial disposal of interest on associate including a foreign operation which becomes financial instrument including a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to income or expense. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to income or expense.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests in equity and are not recognized in income or expense. For all other partial disposals (i.e. decrease of interest on associates or joint ventures not involving loss of significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to income or expense.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(20) Income tax

Income tax consists of current tax and deferred tax.

1) Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when:

- there is a legally enforceable right to offset current tax assets against current tax liabilities;
- they relate to income tax levied by the same taxation authority; and
- the Group intends to settle its current tax assets and liabilities on a net basis

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in income or expense, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(21) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of K-IFRS 1102 *"Share-based payment"*, leasing transactions that are within the scope of K-IFRS 1017, *"Lease"*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in K-IFRS 1002*, "Inventories"* or value in use in K-IFRS 1036*, "Impairment of Assets".*

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described below.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT CONSIDERATION AND MAJOR SOURCES OF ESTIMATION UNCERTAINTIES:

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that cannot be identified from other sources. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or both in the period of the revision and future periods if the revision affects both current and future periods. The main items in the consolidated financial statements that are affected by the estimates and judgments are the investment property; property and equipment; intangibles assets; deferred income; provisions; and deferred income tax.

4. CASH AND CASH EQUIVALENTS:

As at December 31, 2016 and 2015, cash and cash equivalents are as follows:

Description	December 31, 2016		December 31, 2015	
	(In thousands of Korean won)			
Cash on hand	₩	1,351,158	₩	497,487
Deposit on demand and instalment deposit		154,696,322		145,988,003
	₩	156,047,480	₩	146,485,490

5. TRADE AND OTHER RECEIVABLES:

(1) As at December 31, 2016 and 2015, trade and other receivables are as follows:

Description	Accounts	December 31, 2016		December 31, 2015	
		(In thousands of Korean won)			
Trade receivables	Accounts receivable-trade	₩	83,703,746	₩	59,185,352
	Allowance		(3,314,828)		(1,801,767)
			80,388,918		57,383,585
Other receivables	Short-term loans		3,861,872		11,865,992
	Allowance		(1,128,345)		(743,904)
			2,733,527		11,122,088
	Accounts receivable-other		10,131,157		4,836,484
	Allowance		(1,006,300)		(957,858)
			9,124,857		3,878,626
	Guarantee deposits		7,318,895		7,273,958
	Allowance		(375,535)		(180,336)
			6,943,360		7,093,622
	Accrued income		409,711		1,180,806
	Allowance		(163,212)		(50,000)
			246,499		1,130,806
		₩	19,048,243	₩	23,225,142

(2) The changes in allowance for doubtful accounts for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016									
Accounts	Beginning balance		Bad debt Expense		Write-off		Foreign exchange differences		Ending balance	
	(In thousands of Korean won)									
Accounts receivable-trade	₩	(1,801,767)	₩	(1,750,033)	₩	243,529	₩	(6,557)	₩	(3,314,828)
Short-term loans		(743,904)		(436,000)		48,709		2,850		(1,128,345)
Accounts receivable-other		(957,858)		(53,204)		4,762		-		(1,006,300)
Guarantee deposits		(180,336)		(195,199)		-		-		(375,535)
Accrued income		(50,000)		(113,957)		-		745		(163,212)
	₩	(3,733,865)	₩	(2,548,393)	₩	297,000	₩	(2,962)	₩	(5,988,220)

Accounts	December 31, 2015 Beginning balance	Reversal (bad debt Expense)	Write-off	Foreign exchange differences	Ending balance
	(In thousands of Korean won)				
Accounts receivable-trade	₩ (1,404,771)	₩ (548,680)	₩ 159,683	₩ (7,999)	₩ (1,801,767)
Short-term loans	(1,065,200)	(481,239)	802,535	-	(743,904)
Accounts receivable-other	(1,027,252)	69,394	-	-	(957,858)
Guarantee deposits	(50,095)	(130,241)	-	-	(180,336)
Accrued income	-	(50,000)	-	-	(50,000)
	₩ (3,547,318)	₩ (1,140,766)	₩ 962,218	₩ (7,999)	₩ (3,733,865)

(3) As at December 31, 2016 and 2015, receivables not impaired but overdue are as follows:

Accounts	December 31, 2016 Less than 90 days	Over than 90 days, less than 180 days	Over than 180 days, less than 365 days	Over than 365 days	Total
	(In thousands of Korean won)				
Accounts receivable-trade	₩ 4,074,517	₩ 703,264	₩ 391,397	₩ 104,311	₩ 5,273,489
Accounts receivable-other	668,213	90,550	237,235	22,469	1,018,467
Guarantee deposits	884,160	18,564	430,384	-	1,333,108
	₩ 5,626,890	₩ 812,378	₩ 1,059,016	₩ 126,780	₩ 7,625,064

Accounts	December 31, 2015 Less than 90 days	Over than 90 days, less than 180 days	Over than 180 days, less than 365 days	Over than 365 days	Total
	(In thousands of Korean won)				
Accounts receivable-trade	₩ 3,679,706	₩ 475,521	₩ 421,243	₩ 42,311	₩ 4,618,781
Accounts receivable-other	629,992	172,941	130,258	10,711	943,902
Guarantee deposits	679,604	419,456	67,568	64,700	1,231,328
	₩ 4,989,302	₩ 1,067,918	₩ 619,069	₩ 117,722	₩ 6,794,011

(4) Aging analysis of impaired trade and other receivables as at December 31, 2016 and 2015 are as follows:

Accounts	December 31, 2016 Less than 90 days	Over than 90 days, less than 180 days	Over than 180 days, less than 365 days	Over than 365 days	Total
	(In thousands of Korean won)				
Accounts receivable-trade	₩ 23,791	₩ 3,098,676	₩ 2,263,583	₩ 2,307,540	₩ 7,693,590
Short-term loans	433,150	-	-	1,314,689	1,747,839
Accounts receivable-other	52,902	1,643	14,260	942,988	1,011,793
Guarantee deposits	115,086	120	33,050	249,278	397,534
Accrued income	13,101	13,101	25,918	111,092	163,212
	₩ 638,030	₩ 3,113,540	₩ 2,336,811	₩ 4,925,587	₩ 11,013,968

Accounts	December 31, 2015 Less than 90 days		Over than 90 days, less than 180 days		Over than 180 days, less than 365 days		Over than 365 days		Total	
	(In thousands of Korean won)									
Accounts receivable-trade	₩	-	₩	2,030,066	₩	1,002,686	₩	1,558,305	₩	4,591,057
Short-term loans		48,709		772,284		407,405		260,000		1,488,398
Accounts receivable-other		-		51,686		3,571		920,547		975,804
Guarantee deposits		332,365		5,575		3,225		109,870		451,035
Accrued income		-		25,000		-		25,000		50,000
	₩	381,074	₩	2,884,611	₩	1,416,887	₩	2,873,722	₩	7,556,294

6. FINANCE LEASE RECEIVABLES:

(1) Lease contract

As at December 31, 2016, the Group has finance lease contracts, as lessor, in relation to its vehicle, equipment and software and the contract periods are 3 or 6 years. Lessee of the vehicle has a bargain purchase option to exercise at the end point of the contract. Meanwhile, the vehicle is provided for the Group as collateral for finance lease receivables.

(2) Finance lease receivables as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016				December 31, 2015			
	Minimum lease payment		Present value of minimum lease payment		Minimum lease payment		Present value of minimum lease payment	
	(In thousands of Korean won)							
Less than 1 year	₩	1,013,036	₩	1,012,665	₩	1,171,020	₩	1,170,671
Over than 1 year, less than 5 years		859,893		850,833		1,856,638		1,844,267
	₩	1,872,929	₩	1,863,498	₩	3,027,658	₩	3,014,938

(3) Current/non-current distinction of finance lease receivables as at December 31, 2016 and 2015 is as follows:

Description	December 31, 2016		December 31, 2015	
	(In thousands of Korean won)			
Current assets	₩	1,012,665	₩	1,170,671
Non-current assets		850,833		1,844,267
	₩	1,863,498	₩	3,014,938

7. **INVENTORIES**:

(1) Inventories as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
Merchandise	₩ 23,777,426	₩ 8,628,409
Valuation allowance	(180,000)	-
Raw materials	82,814	13,504
Work in process	-	4,362
Finished goods	18,048	18,899
Valuation allowance	(12,361)	(13,212)
Supplies	24,711	16,262
Merchandise in transit	637,574	637,191
	₩ 24,348,212	₩ 9,305,415

(2) The changes in valuation allowance for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016			
Accounts	Beginning balance	Loss	Reversal	Ending Balance
	(In thousands of Korean won)			
Merchandise	₩ -	₩ (180,000)	₩ -	₩ (180,000)
Finished goods	(13,212)	-	851	(12,361)
	₩ (13,212)	₩ (180,000)	₩ 851	₩ (192,361)

	December 31, 2015			
Accounts	Beginning balance	Loss	Reversal	Ending Balance
	(In thousands of Korean won)			
Finished goods	₩ (14,949)	₩ -	₩ 1,737	₩ (13,212)

8. ADVANCE PAYMENTS, OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS:

(1) Advance payments as at December 31, 2016 and 2015 are as follows

Accounts	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
Advance payments	₩ 32,534,679	₩ 34,554,589
Allowance	(1,528,249)	(484,032)
	₩ 31,006,430	₩ 34,070,557

(2) The changes in allowance for advance payments for the years ended December 31, 2016 and 2015 are as follows:

Description	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
Beginning of year	₩ (484,032)	₩ (513,011)
Bad debt expense	(1,046,029)	(88,499)
Write-off	3,630	118,600
Foreign exchange differences	(1,818)	(1,122)
End of year	₩ (1,528,249)	₩ (484,032)

(3) Other current assets and other non-current assets as at December 31, 2016 and 2015 are as follows:

	December 31, 2016	
Description	Current	Non-current
	(In thousands of Korean won)	
Prepaid expenses	₩ 5,112,346	₩ 2,921,448
Prepaid VAT	2,486,925	-
	₩ 7,599,271	₩ 2,921,448

	December 31, 2015	
Description	Current	Non-current
	(In thousands of Korean won)	
Prepaid expenses	₩ 4,543,726	₩ 975,059
Prepaid VAT	3,159,205	-
	₩ 7,702,931	₩ 975,059

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”):

(1) Financial assets at FVTPL as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
< Designated financial assets as measured at FVTPL >		
Convertible and redeemable preference stock (*)	₩ 1,013,875	₩ 1,015,625

(*) The financial asset is a compound financial instrument which includes conversion right and right of redemption. As the embedded derivatives are not considered to be closely related to the host contract, which is common stock, the Company designated the compound financial instrument as at FVTPL.

10. AFS SECURITIES:

(1) AFS securities as at December 31, 2016 and 2015 are as follows:

Description	Ownership ratio (%)	December 31, 2016	December 31, 2015
		(In thousands of Korean won)	
(Marketable Equity Securities)			
Woongjin Holdings. Co., Ltd.	0.02	₩ 19,501	₩ 22,780
		19,501	22,780
(Unmarketable Equity Securities)			
Seoul Tour Marketing Inc.(*1)	-	-	334,451
Hotel and Fly Inc.	19.90	27,980	27,980
JR Invest company Inc.(*2)	15.15	3,753,016	3,780,320
Hani Tour Inc.(*3)	9.54	2,368	2,368
Kiwoom Culture Venture Investment(*3)	5.00	740,000	750,000
SMCI Fund 4(*3)	6.45	1,000,000	1,000,000
KS Credit information Co., Ltd.(*4)	-	-	2,000,000
Jtrip INC(*3)	0.40	20,000	-
Others(*3)	-	114	98
		5,543,478	7,895,217
		₩ 5,562,979	₩ 7,917,997

(*1) The Group disposed all shares of the entity and recognized loss on disposal of AFS financial assets amounting to ₩14,771 thousand during the year ended December 31, 2016.

(*2) The Group recognized loss on valuation of AFS financial assets amounting to ₩27,304 thousand based on the third party valuation report as at December 31, 2016.

(*3) The Group is measuring AFS investments at cost since they are neither traded in an active market nor those fair value can be estimated reliably.

(*4) The Group disposed of all shares of the entity and recognized gain on disposal of AFS financial assets amounting to ₩158,400 thousand during the year ended December 31, 2016.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Details of the Group's investments in associates and joint ventures as at December 31, 2016 and 2015 are as follows:

Description	Nature of business	Location	End date of reporting period	December 31, 2016 Ownership (%)	December 31, 2016 Book value	December 31, 2015 Ownership (%)	December 31, 2015 Book value
					(In thousands of Korean won)		
Hana Tourist Inc.	Travel intermediation service	Korea	12.31	30.23	₩ 1,123,133	30.23	₩ 1,054,276
Hanatour Europe s.r.l(*1)	Travel intermediation service	Italy	12.31	50.00	-	50.00	-
Hanatourist USA Inc(*2)	Travel intermediation service	U.S.A	12.31	-	-	44.59	42,249
Good Public Training Inc.	Travel intermediation service	Korea	12.31	50.00	3,130	50.00	3,032
Center Mark Hotel Inc.	Hotel service	Korea	12.31	50.00	3,092,809	50.00	3,358,829
OK Tour Service Inc.	Travel intermediation service	Korea	12.31	48.92	4,892	48.92	4,892
Hotel & Air Co., Ltd.	Travel intermediation service	Korea	12.31	50.00	5,439,351	50.00	15,258,137
KBIZ INTER BizTour Co., Ltd.	Travel intermediation service	Korea	12.31	20.00	1,467,578	20.00	1,444,502
Titicaca Corp. (*3)	Service	Korea	12.31	20.00	308,039	-	-
Zhangjiajie Youlan Canyin Co.,Ltd(*4)	Restaurant Business	Korea	12.31	40.00	345,507	-	-
					₩ 11,784,439		₩ 21,165,917

(*1) As at December 31, 2016, the associate discontinued its business.
(*2) The associate went to liquidation and the Group recognized loss on disposal of investments in associates amounting to ₩993 thousand during the year ended December 31, 2016.
(*3) The Group acquired 40% of interest ownership of Titicaca Corp., and subsequently disposed 20% of the interest during the year ended December 31, 2016. From the disposal, the Group recognized gain on disposal of in associates amounting to ₩291,961 thousand.
(*4) The associate was established during the year ended December 31, 2016.

(2) The changes in investment in associates for the years ended December 31, 2016 and 2015 are as follows:

Description	Beginning balance	Acquisition (Disposals)	Dividend	Gain(loss) on equity method	Changes of equity	Others	Ending balance
	December 31, 2016						
				(In thousands of Korean won)			
Hana Tourist Inc.	₩ 1,054,276	₩ -	₩ (90,698)	₩ 159,555	₩ -	₩ -	₩ 1,123,133
Hanatour Europe s.r.l	-	-	-	-	-	-	-
Hanatourist USA Inc	42,249	(40,874)	-	(2,544)	-	1,169	-
Good Public Training Inc.	3,032	-	-	98	-	-	3,130
Center Mark Hotel Inc.	3,358,829	-	-	(266,020)	-	-	3,092,809
OK Tour Service Inc.	4,892	-	-	-	-	-	4,892
Hotel & Air Co., Ltd(*1).	15,258,137	(10,000,000)	-	176,873	4,341	-	5,439,351
KBIZ INTER BizTour Co., Ltd.	1,444,502	-	-	23,076	-	-	1,467,578
Titicaca Corp.	-	891,961	-	(583,922)	-	-	308,039
Zhangjiajie Youlan Canyin Co.,Ltd	-	342,300	-	(1,020)	-	4,227	345,507
	₩ 21,165,917	₩ (8,806,613)	₩ (90,698)	₩ (493,904)	₩ 4,341	₩ 5,396	₩ 11,784,439

(*1) Its book value was reduced due to paid in capital decrease for the year ended December 31, 2016.

Description	December 31, 2015 Beginning balance	Acquisition	Dividend	Gain(loss) on equity method	Changes of equity	Others	Ending balance
	(In thousands of Korean won)						
Hana Tourist Inc.	₩ 1,077,122	₩ -	₩ (90,698)	₩ 67,852	₩ -	₩ -	₩ 1,054,276
Hanatour Europe s.r.l	-	-	-	-	-	-	-
Hanatourist USA Inc.	53,644	-	(4,481)	(9,950)	-	3,036	42,249
Good Public Training Inc.	4,333	-	-	(1,301)	-	-	3,032
Center Mark Hotel Inc.	4,071,377	-	-	(712,548)	-	-	3,358,829
OK Tour Service Inc.	4,892	-	-	-	-	-	4,892
Hotel & Air Co., Ltd.	15,211,658	-	-	72,325	(25,846)	-	15,258,137
Polaris TV Co., Ltd	-	-	-	-	-	-	-
KBIZ INTER BizTour Co., Ltd.	1,333,688	-	-	110,814	-	-	1,444,502
	₩ 21,756,714	₩ -	₩ (95,179)	₩ (472,808)	₩ (25,846)	₩ 3,036	₩ 21,165,917

(3) Summary of financial information of the major associates and joint ventures as at and for the years ended December 31, 2016 and 2015 is as follows:

Description	December 31, 2016 Hana Tourist Inc	Center Mark Hotel Inc.	Hotel & Air Co., Ltd.	KBIZ INTER BizTour Co., Ltd	Titicaca Corp.	Zhangjiajie Youlan Canyin Co.,Ltd
	(In thousands of Korean Won)					
Current assets	₩ 4,347,823	₩ 1,027,694	₩ 36,060,723	₩ 4,822,503	₩ 1,356,609	₩ 381,976
Non-current assets	710,572	14,023,135	824,159	410,054	236,973	481,790
	5,058,395	15,050,829	36,884,882	5,232,557	1,593,582	863,766
Current liabilities	1,169,817	7,890,281	25,910,766	1,289,584	53,385	-
Non-current liabilities	7,102	974,930	95,414	-	-	-
	1,176,919	8,865,211	26,006,180	1,289,584	53,385	-
Operating revenue	11,692,136	6,571,753	2,431,810	2,545,616	-	-
Operating income	645,352	(385,327)	201,062	70,951	(1,464,358)	(2,705)
Net income (loss)	556,657	(532,040)	343,883	115,382	(1,459,803)	(2,551)
Other comprehensive income	-	-	18,545	-	-	-
Total comprehensive income	₩ 556,657	₩ (532,040)	₩ 362,428	₩ 115,382	₩ (1,459,803)	₩ (2,551)

Description	December 31, 2015 Hana Tourist Inc.	Center Mark Hotel Inc.	Hotel & Air Co., Ltd.	KBIZ INTER BizTour Co., Ltd.
	(In thousands of Korean won)			
Current assets	₩ 3,880,927	₩ 568,869	₩ 41,854,772	₩ 6,151,768
Non-current assets	601,584	15,500,809	347,972	380,664
	4,482,511	16,069,678	42,202,744	6,532,432
Current liabilities	847,732	7,877,130	11,577,328	2,704,841
Non-current liabilities	9,960	1,474,890	109,142	-
	857,692	9,352,020	11,686,470	2,704,841
Operating revenue	11,444,579	5,788,589	2,192,409	3,498,562
Operating income	406,919	(1,072,243)	(155,445)	630,858
Net income	362,048	(1,425,097)	144,650	554,067
Other comprehensive income	-	-	(51,692)	-
Total comprehensive income	₩ 362,048	₩ (1,425,097)	₩ 92,958	₩ 554,067

(4) Condensed additional financial information of the Group's major associates and joint ventures as at and for the years ended December 31, 2016 and 2015, is as follows:

Name of the company	December 31, 2016						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
	(In thousands of Korean Won)						
Hana Tourist Inc.	₩ 798,088	₩ 681,122	₩ -	₩ 188,042	₩ 40,204	₩ -	₩ 136,224
Center Mark Hotel Inc.	820,148	7,529,549	874,930	23,295	518	232,015	-
Hotel & Air Co., Ltd.	585,721	12,123,169	-	49,046	218,331	-	84,842
KBIZ INTER BizTour Co., Ltd.	1,008,729	1,202,343	-	11,410	60,899	-	14,707
Titicaca Corp.	60,284	40,928	-	29,063	4,538	-	-
Zhangjiajie Youlan Canyin Co.,Ltd	362,126	-	-	-	154	-	-

Name of the company	December 31, 2015						
	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
	(In thousands of Korean Won)						
Hana Tourist Inc.	₩ 815,752	₩ 505,192	₩ -	₩ 208,093	₩ 46,048	₩ -	₩ 73,408
Center Mark Hotel Inc.	377,846	7,828,147	1,374,890	21,847	1,752	254,017	-
Hotel & Air Co., Ltd.	2,196,804	1,995,498	-	75,570	327,501	8,689	27,626
KBIZ INTER BizTour Co., Ltd.	2,071,205	2,488,267	-	8,059	74,935	-	132,586

(5) The aggregate amounts of the Group's share of the associates' and joint ventures', that are not individually material, profit and comprehensive income for the years ended December 31, 2016 and 2015, are as follows:

Description	December 31, 2016	December 31, 2015
	(In thousands of Korean Won)	
Profit (loss) for the year	₩ 98	₩ (11,251)
Other comprehensive income	-	-
Total comprehensive income (loss)	₩ 98	₩ (11,251)

(6) The reconciliation from net assets of the Group's major associates and joint ventures to the book value of the investments in associates and joint ventures as at December 31, 2016 is as follows:

Description	Hana Tourist Inc	Center Mark Hotel Inc.	Hotel & Air Co., Ltd.	KBIZ INTER BizTour Co., Ltd	Titicaca Corp.	Zhangjiajie Youlan Canyin Co.,Ltd
	December 31, 2016 (In thousands of Korean Won)					
Net asset (A)	₩ 3,881,476	₩ 6,185,618	₩ 10,878,702	₩ 3,942,973	₩ 1,540,197	₩ 863,766
Ownership percentage (B)	30.23%	50.00%	50.00%	20.00%	20.00%	40.00%
The Group's share of net asset (AxB)	1,173,475	3,092,809	5,439,351	788,595	308,039	345,507
(+)Goodwill	-	-	-	678,983	-	-
(-)Elimination of intragroup transaction	50,342	-	-	-	-	-
Book value	₩ 1,123,133	₩ 3,092,809	₩ 5,439,351	₩ 1,467,578	₩ 308,039	₩ 345,507

12. INVESTMENT PROPERTY:

(1) Investment property as at December 31, 2016 and 2015 consists of the following:

Description	Land	Buildings	Total
	December 31, 2016 (In thousands of Korean won)		
Acquisition cost	₩ 838,675	₩ 1,940,583	₩ 2,779,258
Accumulated depreciation	-	(420,459)	(420,459)
Book value	₩ 838,675	₩ 1,520,124	₩ 2,358,799

Description	Land	Buildings	Total
	December 31, 2015 (In thousands of Korean won)		
Acquisition cost	₩ 786,259	₩ 1,819,297	₩ 2,605,556
Accumulated depreciation	-	(212,251)	(212,251)
Book value	₩ 786,259	₩ 1,607,046	₩ 2,393,305

(2) The changes in investment property for the years ended December 31, 2016 and 2015 are as follows:

Description	Land	Buildings	Total
	December 31, 2016 (In thousands of Korean won)		
Beginning balance	₩ 786,259	₩ 1,607,046	₩ 2,393,305
Depreciation	-	(199,928)	(199,928)
Foreign exchange differences	52,416	113,006	165,422
Ending balance	₩ 838,675	₩ 1,520,124	₩ 2,358,799

Description	Land	Buildings	Total
	December 31, 2015 (In thousands of Korean won)		
Beginning balance	₩ 2,252,696	₩ 1,885,549	₩ 4,138,245
Depreciation	-	(174,920)	(174,920)
Transfer(*)	(1,508,395)	(192,084)	(1,700,479)
Foreign exchange differences	41,958	88,501	130,459
Ending balance	₩ 786,259	₩ 1,607,046	₩ 2,393,305

(*) Transferred from investment property to property and equipment.

(3) Income and expenses related to investment property for the years ended December 31, 2016 and 2015 are as follows:

Description	2016	2015
	(In thousands of Korean won)	
Rental income	₩ 319,539	₩ 749,025
Operating expense	(201,705)	(267,702)
	₩ 117,834	₩ 481,323

(4) The fair values of investment property as at December 31, 2016 are as follows :

Description	Book value	Fair value(*)
	(In thousands of Korean won)	
Land	₩ 838,675	₩ 982,083
Buildings	1,520,124	1,735,386

(*) The fair value of investment property, based on the assessment that was independently performed by external appraisal agencies, is classified as Level 3 (unobservable inputs for the asset or liability) on the fair value hierarchy based on inputs that were used in the valuation technique.

13. PROPERTY AND EQUIPMENT:

(1) Property and equipment as at December 31, 2016 and 2015 consists of the following:

Description	Land	Buildings	Machinery	Vehicles	Furniture	Equipment	Finance lease asset	Construction in progress	Total
	December 31, 2016								
	(In thousands of Korean Won)								
Acquisition cost:	₩ 27,746,398	₩ 32,664,454	₩ 1,319,537	₩ 24,992,760	₩ 17,199,811	₩ 20,661,863	₩ 3,736,939	₩ 617,318	₩ 128,939,080
Accumulated depreciation	-	(7,009,653)	(1,219,164)	(11,485,448)	(10,814,306)	(5,311,084)	(1,341,207)	-	(37,180,862)
Book value	₩ 27,746,398	₩ 25,654,801	₩ 100,373	₩ 13,507,312	₩ 6,385,505	₩ 15,350,779	₩ 2,395,732	₩ 617,318	₩ 91,758,218

Description	Land	Buildings	Machinery	Vehicles	Furniture	Equipment	Finance lease asset	Construction in progress	Total
	December 31, 2015								
	(In thousands of Korean Won)								
Acquisition cost:	₩ 26,743,424	₩ 11,344,881	₩ 1,286,616	₩ 14,355,135	₩ 14,301,485	₩ 5,725,159	₩ 2,938,651	₩ 8,770,029	₩ 85,465,380
Accumulated depreciation	-	(4,122,859)	(1,140,617)	(9,087,821)	(9,140,453)	(1,707,740)	(936,567)	-	(26,136,057)
Book value	₩ 26,743,424	₩ 7,222,022	₩ 145,999	₩ 5,267,314	₩ 5,161,032	₩ 4,017,419	₩ 2,002,084	₩ 8,770,029	₩ 59,329,323

(2) The changes in property and equipment for the years ended December 31, 2016 and 2015 are as follows:

Description	Land	Buildings	Machinery	Vehicles	Furniture	Equipment	Finance lease asset	Construction in progress	Total
	For the year ended December 31, 2016								
	(In thousands of Korean Won)								
Beginning of year	₩ 26,743,424	₩ 7,222,022	₩ 145,999	₩ 5,267,314	₩ 5,161,032	₩ 4,017,419	₩ 2,002,084	₩ 8,770,029	₩ 59,329,323
Acquisition	772,624	13,387,402	35,320	10,871,296	4,153,840	10,830,628	1,310,475	4,122,690	45,484,275
Disposal	(18,485)	(4,323)	-	(529,908)	(190,418)	(51)	(2,754)	-	(745,939)
Depreciation	-	(2,895,808)	(80,946)	(2,440,612)	(2,757,590)	(4,025,305)	(743,799)	-	(12,944,060)
Transfer (*1,2)	-	7,727,273	-	295,875	4,000	4,530,282	(295,875)	(12,261,555)	-
Effect of exchange rate	248,835	218,235	-	43,347	14,641	(2,194)	125,601	(13,846)	634,619
End of year	₩ 27,746,398	₩ 25,654,801	₩ 100,373	₩ 13,507,312	₩ 6,385,505	₩ 15,350,779	₩ 2,395,732	₩ 617,318	₩ 91,758,218

(*1) Construction in progress of ₩7,727,273 thousand, ₩4,000 thousand and ₩4,530,282 thousand are transferred to Buildings, Furniture and Equipment, respectively, during the year ended December 31, 2016.

(*2) Finance lease asset of ₩295,875 thousands is transferred to vehicles during the year ended December 31, 2016.

	For the year ended December 31, 2015								
Description	Land(*1)	Buildings (*1)	Machinery	Vehicles(*2)	Furniture	Equipment	Finance lease asset	Construction in progress	Total
	(In thousands of Korean Won)								
Beginning of year	₩ 25,018,123	₩ 8,433,488	₩ 223,057	₩ 3,518,454	₩ 4,228,267	₩ 2,270,807	₩ 2,618,787	₩ -	₩ 46,310,983
Acquisition	-	-	-	2,848,024	3,056,570	2,735,121	356,305	8,770,029	17,766,049
Disposal	-	(760,453)	-	(229,886)	(65,797)	(188,725)	(8,689)	-	(1,253,550)
Depreciation	-	(814,064)	(77,058)	(1,525,538)	(2,074,394)	(822,993)	(653,838)	-	(5,967,885)
Transfer (*1,2)	1,508,395	192,084	-	428,659	-	-	(428,659)	-	1,700,479
Effect of exchange rate	216,906	170,967	-	227,601	16,386	23,209	118,178	-	773,247
End of year	₩ 26,743,424	₩ 7,222,022	₩ 145,999	₩ 5,267,314	₩ 5,161,032	₩ 4,017,419	₩ 2,002,084	₩ 8,770,029	₩ 59,329,323

(*1) Investment property of ₩1,508,395 thousand and ₩192,084 thousand are transferred to Land and Buildings, respectively, during the year ended December 31, 2015.

(*2) Finance lease asset of ₩428,659 thousands is transferred to vehicles during the year ended December 31, 2015.

(3) The Group recognized depreciation expense of ₩12,944,060 thousand and ₩5,967,885 thousand as operating expense for the years ended December 31, 2016 and 2015, respectively.

14. INTANGIBLE ASSETS:

(1) Intangible assets as at December 31, 2016 and 2015, consist of the following:

	December 31, 2016							
Description	Goodwill	Trademarks	Patents	Software	Membership	Other intangible assets	Intangible assets under acquisition	Total
	(In thousands of Korean won)							
Acquisition cost	₩ 1,138,873	₩ 365,175	₩ 8,275	₩ 32,487,097	₩ 1,055,497	₩ 6,849,103	₩ 865,329	₩ 42,769,349
Accumulated amortization	-	(205,439)	(7,540)	(23,531,868)	(232,158)	(2,097,591)	-	(26,074,596)
Accumulated impairments	(437,877)	-	-	(193,802)	(86,023)	(295)	(33,637)	(751,634)
End of year	₩ 700,996	₩ 159,736	₩ 735	₩ 8,761,427	₩ 737,316	₩ 4,751,217	₩ 831,692	₩ 15,943,119

	December 31, 2015							
Description	Goodwill	Trademarks	Patents	Software	Membership	Other intangible assets	Intangible assets under acquisition	Total
	(In thousands of Korean won)							
Acquisition cost	₩ 1,138,873	₩ 258,449	₩ 8,275	₩ 28,433,381	₩ 1,055,497	₩ 6,231,566	₩ 1,902,664	₩ 39,028,705
Accumulated amortization	-	(147,493)	(6,593)	(19,937,988)	(194,031)	(1,455,250)	-	(21,741,355)
Accumulated impairments	(45,384)	-	-	(193,802)	(85,023)	(295)	(33,637)	(358,141)
End of year	₩ 1,093,489	₩ 110,956	₩ 1,682	₩ 8,301,591	₩ 776,443	₩ 4,776,021	₩ 1,869,027	₩ 16,929,209

(2) The changes in intangible assets for the years ended December 31, 2016 and 2015 are as follows:

Description		Goodwill		Trademarks		Patents		Software		Membership		Other intangible assets		Intangible assets under acquisition		Total
For the year ended December 31, 2016																
(In thousands of Korean won)																
Beginning of year	₩	1,093,489	₩	110,956	₩	1,682	₩	8,301,591	₩	776,443	₩	4,776,021	₩	1,869,027	₩	16,929,209
Acquisition		-		67,835		-		1,896,764		-		451,002		1,330,276		3,745,877
Disposal		-		-		-		(2)		-		(8,333)		-		(8,335)
Amortization		-		(57,878)		(947)		(3,600,434)		(38,127)		(652,351)		-		(4,349,737)
Transfer(*)		-		38,458		-		2,162,589		-		182,500		(2,383,547)		-
Impairment loss		(392,493)		-		-		-		(1,000)		-		-		(393,493)
Effect of exchange rate		-		365		-		919		-		2,378		15,936		19,598
End of year	₩	700,996	₩	159,736	₩	735	₩	8,761,427	₩	737,316	₩	4,751,217	₩	831,692	₩	15,943,119

(*) Intangible assets under acquisition of ₩38,458 thousand, ₩2,162,589 thousand and ₩182,500 thousand are transferred to trademarks, software and other intangible assets, respectively, during the year ended December 31, 2016.

Description		Goodwill		Trademarks		Patents		Software		Membership		Other intangible assets		Intangible assets under acquisition		Total
For the year ended December 31, 2015																
(In thousands of Korean won)																
Beginning of year	₩	804,879	₩	108,866	₩	2,934	₩	8,700,284	₩	827,045	₩	327,520	₩	1,497,981	₩	12,269,509
Acquisition		-		38,419		-		1,450,270		-		4,715,016		1,978,757		8,182,462
Disposal		-		-		-		(43,569)		-		-		(13,300)		(56,869)
Transfer(*1)		-		7,484		-		1,559,717		-		-		(1,567,201)		-
Amortization		-		(44,012)		(1,252)		(3,370,693)		(50,602)		(272,050)		-		(3,738,609)
Impairment loss		(45,384)		-		-		-		-		-		(33,637)		(79,021)
Acquisition due to business combination(*2)		333,994		-		-		-		-		-		-		333,994
Effect of exchange rate		-		199		-		5,582		-		5,535		6,427		17,743
End of year	₩	1,093,489	₩	110,956	₩	1,682	₩	8,301,591	₩	776,443	₩	4,776,021	₩	1,869,027	₩	16,929,209

(*1) Intangible assets under acquisition of ₩7,484 thousand and ₩1,559,717 are transferred to trademarks and software, respectively, during the year ended December 31, 2015.
(*2) The Goodwill is acquired due to SM duty free Co., Ltd. that is reclassified as a subsidiary during the year ended December 31, 2015.

(3) The Group recognized amortization expense of ₩4,349,737 thousand and ₩3,738,609 thousand as operating expense for the years ended December 31, 2016 and 2015, respectively.

(4) Goodwill

The recoverable amount of the Group's each CGU, to which the goodwill is allocated for the purpose of impairment testing, is measured at its' value-in-use calculated by cash flow projections based on financial budgets approved by management covering a four-year period, and the pre-tax discount rate applied to the cash flow projections is 17%. The growth rate that was used in the estimation of future cash flows for each CGU does not exceed the long-term average growth rate of industrial classification in the region where each CGU belongs to. Impairment loss of ₩392,493 thousand is recognized based on the impairment test for the year ended December 31, 2016.

15. OTHER FINANCIAL ASSETS:

(1) Other financial assets as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016 Current	December 31, 2016 Non-current	December 31, 2015 Current	December 31, 2015 Non-current
	(In thousands of Korean won)			
Long-term financial instruments	₩ -	₩ 201,985	₩ -	₩ 13,908,332
Deposits	2,249	32,351,451	104,164	28,609,061
Long-term loans	-	1,798,585	-	1,709,400
	₩ 2,249	₩ 34,352,021	₩ 104,164	₩ 44,226,793

16. BORROWINGS:

(1) Short-term borrowings as at December 31, 2016 and 2015 are as follows:

Description	Financial institutions	Interest rate (as at December 31, 2016)	December 31, 2016	December 31, 2015
			(In thousands of Korean won)	
General loans	Sumitomo Bank(*)	1.48	₩ 3,110,430	₩ 972,010
	SBJ Bank	-	-	2,954,910
	Hana Bank	-	-	15,000,000
	Others	-	300,000	300,000
			₩ 3,410,430	₩ 19,226,920

(*) As at December 31, 2016, payment guarantees are provided by the directors of subsidiaries to the financial institutions (refer to note 33).

(2) Long-term borrowings as at December 31, 2016 and 2015 are as follows:

Description	Financial institutions	Interest rate (as at December 31, 2016)	December 31, 2016	December 31, 2015
			(In thousands of Korean won)	
General loan	Kansai Bank(*1)	0.93~1.60	₩ 2,916,225	₩ 1,467,337
	Sumitomo Bank(*2)	0.49~1.48	1,413,545	1,934,299
	Mizuho Bank	-	-	729,008
	SBJ bank(*1,3)	2.00~2.50	5,354,242	4,940,717
	Commerce&Industry Fund(*3)	1.15	474,341	-
			10,158,353	9,071,361
Less: Current portion			(2,184,392)	(2,392,078)
			₩ 7,973,961	₩ 6,679,283

(*1) As at December 31, 2016, payment guarantees are provided by the directors of subsidiaries and land and buildings are provided as collateral to the financial institution (refer to notes 33 and 34).
(*2) As at December 31, 2016, payment guarantees are provided by the directors of subsidiaries to the financial institutions (refer to note 33).
(*3) As at December 31, 2016, payment guarantees are provided by the Group to the financial institutions.

(3) Bonds as at December 31, 2016 are as follows:

Description	Maturity date	Interest rate (as at December 31, 2016)		December 31, 2016
Guaranteed bonds (*1)	2021.10.29	0.15	₩	2,073,620
Guaranteed bonds (*2)	2021.12.20	0.23		2,073,620
Less : Discount on Bonds Payable				(111,788)
				4,035,452
Less: Current portion				(790,352)
			₩	3,245,100

(*1) As at December 31, 2016, payment guarantees on the principal and interests are provided by Mizuho bank to the subsidiaries(refer to note 35).
(*2) As at December 31, 2016, payment guarantees on the principal and interests are provided by Kansai bank to the subsidiaries(refer to note 34, 35). And for guarantees, the Group provided financial institutions and as collateral, land and buildings.

17. OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES:

(1) Other payables (current and non-current) as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016			
	Current		Non-current	
	(In thousands of Korean won)			
Accounts payable-other	₩	7,760,303	₩	7,587,420
Accrued expense		28,031,960		60,000
	₩	35,792,263	₩	7,647,420

Description	December 31, 2015			
	Current		Non-current	
	(In thousands of Korean won)			
Accounts payable-other	₩	7,062,296	₩	2,695,668
Accrued expense		22,665,830		175,940
	₩	29,728,126	₩	2,871,608

(2) Other financial liabilities as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016		December 31, 2015	
	(In thousands of Korean won)			
Rental deposits received	₩	2,868,886	₩	2,477,451
Operating deposits		427,675		236,063
Accrued dividends		86		53
Financial guarantee liabilities		15,075		30,263
	₩	3,311,722	₩	2,743,830

18. FINANCE LEASE LIABILITIES:

(1) Lease contract

As at December 31, 2016, the Group has a finance lease contracts, as lessee, in relation to its vehicles and the contract period is 3-6 years. The Group has a bargain purchase option to exercise at the end point of the contract. Meanwhile, the lessors legally take possession of the finance lease assets to put up collateral for finance lease payables.

(2) Finance lease liabilities as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016 Minimum lease payment	December 31, 2016 Present value of minimum lease payment	December 31, 2015 Minimum lease payment	December 31, 2015 Present value of minimum lease payment
	(In thousands of Korean won)			
Less than 1 year	₩ 948,757	₩ 939,325	₩ 662,370	₩ 656,244
Over than 1 year, less than 5 years	1,758,418	1,683,522	1,593,546	1,514,806
	₩ 2,707,175	₩ 2,622,847	₩ 2,255,916	₩ 2,171,050

(3) Current/non-current distinction of finance lease liabilities as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
Current assets	₩ 939,325	₩ 656,244
Non-current assets	1,683,522	1,514,806
	₩ 2,622,847	₩ 2,171,050

19. PROVISION:

As at December 31, 2016 and 2015, the Group accounts provision for award credits granted as part of its advertising activities. Expenditure expected to be paid in the future for compensation loss is accounted as other provision. Increase (or decrease) of both provisions are recognised as operating expense (or reversal of operating expenses). The changes in provision for the years ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016					
Description	January 1, 2016	Charged (reversal)	Reimburse-ments by third parties(*)	Used	Effect of exchange rate	December 31, 2016
	(In thousands of Korean won)					
Provision for award credits	₩ 879,616	₩ 911,077	₩ -	₩ (583,420)	₩ -	₩ 1,207,273
Provision for sales returns	3,401	-	-	-	-	3,401
Other provision	1,414,810	243,927	(283,507)	(453,635)	(1,404)	920,191
	₩ 2,297,827	₩ 1,155,004	₩ (283,507)	₩ (1,037,055)	₩ (1,404)	₩ 2,130,865

(*) Out of this amount, third party reimbursement which the Group has the contractual right to receive as compensation for accident is recognized as the accounts receivable-other.

Description	January 1, 2015	Charged (reversal)	Reimburse-ments by third parties(*)	Used	Effect of exchange rate	December 31, 2015
	For the year ended December 31, 2015					
	(In thousands of Korean won)					
Provision for award credits	₩ 627,174	₩ 494,720	₩ -	₩ (242,278)	₩ -	₩ 879,616
Provision for sales returns	3,464	-	-	(63)	-	3,401
Other provision	1,363,217	(42,073)	228,875	(136,440)	1,231	1,414,810
	₩ 1,993,855	₩ 452,647	₩ 228,875	₩ (378,781)	₩ 1,231	₩ 2,297,827

(*) Out of this amount, third party reimbursement which the Group has the contractual right to receive as compensation for accident is recognized as the accounts receivable-other.

20. OTHER CURRENT LIABILITIES:

Other current liabilities as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
Unearned income	₩ 313,259	₩ 342,548
Withholdings	2,012,164	1,682,495
Value-added tax withholding	5,932,092	5,117,668
Others	9,712	2,736
Deferred income	8,011,396	8,558,243
	₩ 16,278,623	₩ 15,703,690

Deferred income is related to the customer loyalty program that the Group pays the award credits, which is available for the future use, for the certain portion of purchased amount of travel packages, and this is applicable to the customers who joined the HanaTour Mileage Club. The Group recognises the expected future obligations as deferred revenue and deducts it from operating revenue.

21. RETIREMENT BENEFIT PLAN:

As at December 31, 2016, the Group is operating a defined contribution benefit plan. The Group recognized retirement benefit expense related to the defined contribution benefit plan in the amount of ₩9,039,209 thousand and ₩7,973,925 thousand for the years ended December 31, 2016 and 2015, respectively.

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

(1) The book value and fair value of financial assets as at December 31, 2016 and 2015 are as follows:

Category	Accounts	December 31, 2016 Book value	December 31, 2016 Fair value	December 31, 2015 Book value	December 31, 2015 Fair value
		(In thousands of Korean won)			
Financial assets AFS	Financial assets AFS	₩ 5,562,979	₩ 5,562,979	₩ 7,917,997	₩ 7,917,997
Loans and Receivables	Cash and cash equivalents	156,047,480	156,047,480	146,485,490	146,485,490
	Short-term financial instruments	26,068,166	26,068,166	60,688,614	60,688,614
	Trade receivables	80,388,918	80,388,918	57,383,585	57,383,585
	Other receivables	19,048,243	19,048,243	23,225,142	23,225,142
	Finance lease receivables	1,012,665	1,012,665	1,170,671	1,170,671
	Long-term finance lease receivables	850,833	850,833	1,844,267	1,844,267
	Other financial assets (current)	2,249	2,249	104,164	104,164
	Other financial assets (non- current)	34,352,021	34,352,021	44,226,793	44,226,793
FVTPL	FVTPL	1,013,875	1,013,875	1,015,625	1,015,625
		₩ 324,347,429	₩ 324,347,429	₩ 344,062,348	₩ 344,062,348

(2) The book value and fair value of financial liabilities as at December 31, 2016 and 2015 are as follows:

Category	Accounts	December 31, 2016 Book value	December 31, 2016 Fair value	December 31, 2015 Book value	December 31, 2015 Fair value
		(In thousands of Korean won)			
Financial liabilities measured at amortized cost	Trade payables	₩ 77,119,716	₩ 77,119,716	₩ 75,471,166	₩ 75,471,166
	Other payables	35,792,263	35,792,263	29,728,126	29,728,126
	Short-term borrowings	3,410,430	3,410,430	19,226,920	19,226,920
	Current portion of long-term borrowings	2,974,745	2,974,745	2,392,078	2,392,078
	Finance lease liabilities	939,325	939,325	656,244	656,244
	Other financial liabilities	3,311,722	3,311,722	2,743,830	2,743,830
	Long-term other payables	7,647,420	7,647,420	2,871,608	2,871,608
	Long-term borrowings	7,973,961	7,973,961	6,679,283	6,679,283
	Bonds	3,245,100	3,245,100	-	-
	Long-term finance lease liabilities	1,683,522	1,683,522	1,514,806	1,514,806
		₩ 144,098,204	₩ 144,098,204	₩ 141,284,061	₩ 141,284,061

(3) The Group estimates the acquisition cost or amortized cost of financial assets and liabilities to be substantially not different from the fair value, except AFS financial assets and FVTPL. Meanwhile, for certain AFS equity investments, of which fair value cannot be reliably measured, the Group presents their acquisition costs as the fair value as exceptions.

(4) Financial instruments that are measured at fair value subsequent to initial recognition are grouped into Levels 1, 2, or 3, based on the degree to which the fair value is observable, as described below:

1) The standard groups of fair value

Level 1:	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3:	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2) Fair value measurements of financial instruments by fair-value hierarchy levels as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016 Level 1	Level 2	Level 3	Total
	(In thousands of Korean won)			
FVTPL	₩ -	₩ -	₩ 1,013,875	₩ 1,013,875
AFS financial assets	19,501	-	3,780,996	3,800,497
	₩ 19,501	₩ -	₩ 4,794,871	₩ 4,814,372

Description	December 31, 2015 Level 1	Level 2	Level 3	Total
	(In thousands of Korean won)			
FVTPL	₩ -	₩ -	₩ 1,015,625	₩ 1,015,625
AFS financial assets	22,780	-	4,142,751	4,165,531
	₩ 22,780	₩ -	₩ 5,158,376	₩ 5,181,156

3) Valuation method for measurement of FVTPL categorized within Level 3 of the fair-value hierarchy is as follows :

Description	Convertible and redeemable preference stock: Common stock	Value of conversion right and right of redemption
	(In thousands of Korean Won)	
Fair value at December 31, 2016	₩ 972,825	₩ 41,050
Approach to Valuation	Income approach	Option pricing model
Valuation method	Discounted cash flow method	Binomial model
Discount Rate	Cost of equity Capital(14.97%)	BB-(14.96%)
Interrelationship between unobservable inputs in market and fair value measurement	If cost of equity capital(discount rate) declines, the fair value of unlisted stocks increases.	If stock price volatility inclines, the fair value of conversion right and right of redemption increases.

4) AFS financial assets categorized within Level 3 of the fair-value hierarchy are securities which are not based on observable market data. Valuation method for measurement of fair value is as follows :

Description	JR Invest Company Inc.
	(In thousands of Korean Won)
Fair value at December 31, 2016	₩ 3,753,016
Approach to Valuation	Income approach
Valuation method	Discounted cash flow method
Discount Rate	Cost of equity Capital(9.34%)
Interrelationship between unobservable inputs in market and fair value measurement	If cost of equity capital(discount rate) declines, the fair value of unlisted stocks increases.

The Group disposed its AFS investment in Seoul Tour Marketing Inc. during the year ended December 31, 2016. The fair value of AFS investment in Hotel and Fly Inc. is measured using share values of net assets. As at December 31, 2016, the acquisition cost and the fair value of the investment in Hotel and Fly Inc. are ₩39,800 thousand and ₩27,980 thousand, respectively.

5) There is no change in approach to valuation used for measuring fair value of AFS categorized within Level 3 for the year ended December 31, 2016.

6) The effect of significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair-value hierarchy on comprehensive income are as follows :

Description		Unobservable inputs	Change of unobservable inputs reasonably possible	Net Income		Comprehensive Income	
				Advantageous change	Disadvantageous change	Advantageous change	Disadvantageous change
				(In thousands of Korean Won)			
Convertible and redeemable preference stock	Common stock	Discount rate	+/-1.00%	₩ 64,750	₩ (56,250)	₩ -	₩ -
	Value of convertible and redeemable right	Stock price volatility	+/-1.00%	850	(825)	-	-
JR Invest Company Inc.		Discount rate	+/-1.00%	-	-	104,885	(101,118)

7) The change in book value of FVTPL and AFS categorized within Level 3 fair value hierarchy for the years ended December 31, 2016 and 2015, are as follows:

	December 31, 2016					
Description	Beginning of year	Acquisitions	Disposals	Gain(loss) on valuation	Transfers within level	End of year
	(In thousands of Korean Won)					
FVTPL	₩ 1,015,625	₩ -	₩ -	₩ (1,750)	₩ -	₩ 1,013,875
AFS financial assets	4,142,751	-	(334,451)	(27,304)	-	3,780,996
	₩ 5,158,376	₩ -	₩ (334,451)	₩ (29,054)	₩ -	₩ 4,794,871

	December 31, 2015					
Description	Beginning of year	Acquisitions	Disposals	Gain(loss) on valuation	Transfers within level	End of year
	(In thousands of Korean Won)					
FVTPL	₩ -	₩ 1,000,000	₩ -	₩ 15,625	₩ -	₩ 1,015,625
AFS financial assets	4,568,460	-	-	(425,709)	-	4,142,751
	₩ 4,568,460	₩ 1,000,000	₩ -	₩ (410,084)	₩ -	₩ 5,158,376

23. CAPITAL STOCK AND OTHER CONTRIBUTED CAPITAL:

(1) Capital stock as at December 31, 2016 and 2015 consists of the following:

Description	December 31, 2016	December 31, 2015
Type of share	Common share	Common share
Authorized	20,000,000 shares	20,000,000 shares
Par value	₩ 500	₩ 500
Issued	11,616,185 shares	11,616,185 shares
Common share amount	₩ 5,808,093 thousand	₩ 5,808,093 thousand

(2) Details of other contributed capital as at December 31, 2016 and 2015 are as follows:

Description	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
Stock paid-in capital in excess of par value	₩ 60,688,560	₩ 60,688,560
Treasury share	(33,978,873)	(35,643,628)
Gain on disposal of treasury share	12,219,122	11,973,390
Stock option	44,742	1,987,419
Other capital surplus(*)	19,132,348	18,316,285
	₩ 58,105,899	₩ 57,322,026

(*) Other capital surplus is mainly composed of the stock options which were transferred into the account as they were expired.

(3) The Group manages its treasury shares in order to stabilize fluctuations in share prices in the market and for stock options grants to its employees. Treasury shares retained by the Group as at December 31, 2016 and 2015 are as follows:

	December 31, 2016			December 31, 2015		
Type of share	Number of shares	Acquisition cost	Book value	Number of shares	Acquisition cost	Book value
			(In thousands of Korean won)			
Common shares	549,253 shares	₩ 33,978,873	₩ 33,978,873	576,163 shares	₩ 35,643,628	₩ 35,643,628

24. COMPONENTS OF OTHER CAPITAL:

(1) The details of components of other capital as at December 31, 2016 and 2015 are as follows:

Accounts	December 31, 2016		December 31, 2015	
	(In thousands of Korean won)			
Loss on valuation of AFS financial assets	₩	(962,883)	₩	(935,967)
Gain (Loss) on foreign business translation		217,307		(128,769)
Loss on valuation of investment securities accounted for using the equity method		(86,267)		(90,608)
	₩	(831,843)	₩	(1,155,344)

(2) The changes of components of other capital for the years ended December 31, 2016 and 2015 are as follows:

Description	For the year ended December 31, 2016					
	January 1, 2016		Increase/Decrease		December 31, 2016	
	(In thousands of Korean won)					
Loss on valuation of AFS financial assets	₩	(1,217,470)	₩	(30,596)	₩	(1,248,066)
Less: income tax effect		281,503		3,680		285,183
		(935,967)		(26,916)		(962,883)
(Loss) gain on foreign business translation		(167,493)		449,161		281,668
Less: income tax effect		38,724		(103,085)		(64,361)
		(128,769)		346,076		217,307
(Loss) gain on valuation of investment securities accounted for using the equity method		(90,608)		4,341		(86,267)
	₩	(1,155,344)	₩	323,501	₩	(831,843)

Description	For the year ended December 31, 2015					
	January 1, 2015		Increase/Decrease		December 31, 2015	
	(In thousands of Korean won)					
Loss on valuation of AFS financial assets	₩	(801,253)	₩	(416,217)	₩	(1,217,470)
Less: income tax effect		183,421		98,082		281,503
		(617,832)		(318,135)		(935,967)
(Loss) gain on foreign business translation		(1,115,188)		947,695		(167,493)
Less: income tax effect		255,378		(216,654)		38,724
		(859,810)		731,041		(128,769)
Loss on valuation of investment securities accounted for using the equity method		(64,762)		(25,846)		(90,608)
	₩	(1,542,404)	₩	387,060	₩	(1,155,344)

25. **RETAINED EARNINGS**:

(1) Retained earnings as at December 31, 2016 and 2015 are as follows:

Description	Accounts	December 31, 2016	December 31, 2015
		(In thousands of Korean won)	
Statutory reserve	Legal reserve (*1)	₩ 2,904,046	₩ 2,904,046
Voluntary reserve	Reserve for business improvement	15,265	15,265
	Legal reserve (*2)	983,151	983,151
Unappropriated retained earnings	Unappropriated retained earnings	122,497,900	131,041,028
		₩ 126,400,362	₩ 134,943,490

(*1) The Commercial Code of the Republic of Korea requires the Group to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.
(*2) The reserve in excess of 50% of its capital stock issued is classified as voluntary reserve.

(2) The computation of the proposed dividends and dividend propensity of the Parent Company for the years ended December 31, 2016 and 2015, is as follows:

Description	2016	2015
	(In thousands of Korean won, except for par value and dividend per share)	
Par value	₩ 500	₩ 500
Dividend rate	160%	160%
Dividend per share (*1)	800	800
Number of shares for dividends (*2)	11,066,932	11,040,022
Proposed dividend	8,853,546	8,832,018
Interim dividend (*3)	7,746,852	7,728,015
Total dividend	16,600,398	16,560,033
Net income	8,035,742	31,740,498
Dividend propensity	206.6%	52.2%

(*1) Dividend per share was calculated excluding interim dividend.
(*2) Number of shares for dividends excludes treasury share of 549,253 (previous period: 576,163 shares)
(*3) Based on the decision of board of directors meeting held on July 13, 2016, interim dividend of ₩700 (previous period: ₩700) per share for total 11,066,932 shares, excluding treasury share (previous period: 11,040,022 shares) was paid.

(3) The computation of dividend yield ratio for the years ended December 31, 2016 and 2015, is as follows:

	Korean won	
Description	2016	2015
Dividend per share (*)	1,500	1,500
Share price at the end of the year	₩ 66,100	₩ 115,000
Rate of dividend yield to market price	2.3%	1.3%

(*) Dividend per share is including interim dividend.

26. SHARE BASED PAYMENT:

(1) The Group has granted stocks to certain directors and employees. Details of changes in stocks granted for the year ended December 31, 2016, is as follows:

	2014.04.01 Granted
2016.01.01	26,910
Exercised	(26,910)
2016.12.31	-

Based on the resolution of the Board of Directors, the Group granted stocks for free to the directors and employees as compensation when certain conditions of service for the specific period are met. The total fair value of the compensation on the grant date will be recognized on straight-line basis during vesting period (2years) as stock compensation expense.

(2) The Group granted stock options to certain directors and employees. Details of changes in stock options for the year ended December 31, 2016 are as follows:

	2012.05.04 Granted	2014.03.24 Granted	Total
2016.01.01	700,000	100,000	800,000
Cancelled	(700,000)	-	(700,000)
2016.12.31	-	100,000	100,000

(3) The Group calculated the total compensation expense by the fair value method using the Black-Scholes model. Details of calculations for the outstanding stock options as at December 31, 2016, are as follows:

Grant date		2014.03.24
Exercise price	₩	903
Exercisable periods		2017.03.24 ~ 2018.03.23
Vesting period		Three years
Risk-free interest		2.87%
Expected rate of extinction		-
Expected exercisable periods		3.5 years
Total compensation expense (Korean won in thousands)	₩	48,738

(4) The Group amortizes the total compensation expense on that straight-line method from grant date over the stipulated service periods. For the years ended December 31, 2016 and 2015, the Group amortized ₩250,915 thousand and ₩1,251,459 thousand, respectively, as stock compensation expense in operating expenses and other contributed capital.

27. OPERATING REVENUE:

Operating revenue for the years ended December 31, 2016 and 2015 consists of the following:

Description	Korean won			
	2016		2015	
	(In thousands of Korean won)			
Revenue from the rendering of service	₩	478,689,468	₩	434,693,411
Revenue from the sale of goods		116,849,242		24,732,272
	₩	595,538,710	₩	459,425,683

28. OPERATING EXPENSE:

The classification of expenses by nature for the years ended December 31, 2016 and 2015 is as follows:

Description	2016	2015
	(In thousands of Korean won)	
Used raw materials and merchandise	₩ 56,708,789	₩ 16,773,068
Changes in inventories	(14,965,038)	(7,618,447)
Salaries	124,752,604	106,442,922
Incentives	8,698,101	9,653,719
Miscellaneous salaries	386,944	331,530
Provision for severance benefits	9,039,209	7,973,925
Welfare expense	17,145,174	14,466,172
Travel and transportation	1,987,727	1,732,283
Communication	4,042,114	3,285,946
Taxes and dues	5,441,196	2,000,662
Insurance	2,974,035	2,449,343
Entertainment	2,672,617	2,330,223
Advertising	41,479,814	25,831,160
Depreciation	12,200,261	5,314,047
Depreciation of investment property	199,928	174,920
Bad debt expense	3,044,464	698,026
Amortization of intangible assets	4,349,737	3,738,609
Car maintenance	365,206	271,922
Training	580,740	567,236
Depreciation of finance lease assets	743,799	653,838
Card service fees	22,322,328	18,948,062
Service fees and charges	63,569,181	34,345,852
Maintenance	601,813	513,914
Supplies	3,229,809	2,146,910
Printing	1,379,451	1,356,357
Bus service cost	5,841,423	4,524,382
Hotel service cost	5,578,890	2,298,679
Rent	46,244,927	15,994,655
Per diem	1,551,631	1,689,186
Books	30,547	35,530
Tour service fee	140,404,045	133,141,519
Miscellaneous expense	991,954	568,149
Stock compensation expense	250,915	1,251,459
Other expenses	762,422	790,419
	₩ 574,606,757	₩ 414,676,177

29. FINANCIAL INCOME(EXPENSE), SHARE OF THE GAIN (LOSS) OF ASSOCIATES AND OTHER REVENUE(EXPENSE):

(1) Financial income and expense for the years ended December 31, 2016 and 2015 consists of the following:

Description	Accounts	2016	2015
		(In thousands of Korean won)	
Financial income	Interest income	₩ 2,331,360	₩ 3,705,661
	Dividend income	1,250	-
	Gain on disposal of AFS financial assets	158,400	-
	Gain on valuation of FVTPL	-	15,625
		₩ 2,491,010	₩ 3,721,286
Financial expense	Interest expense	625,434	405,423
	Loss on disposal of AFS financial assets	14,771	-
	Loss on valuation of FVTPL	1,750	-
		₩ 641,955	₩ 405,423

(2) Share of the gain (loss) of associates for the years ended December 31, 2016 and 2015, consists of the following:

Description	Accounts	2016	2015
		(In thousands of Korean won)	
Share of the gain (loss) of Associates	Gain on valuation using equity method	₩ 359,603	₩ 250,991
	Loss on valuation using equity method	(853,507)	(723,799)
	Gain on disposal of investment in associates and joint venture	291,961	51
	Loss on disposal of investment in associates and joint venture	(993)	-
		₩ (202,936)	₩ (472,757)

(3) Other revenue and expense for the years ended December 31, 2016 and 2015, consists of the following:

Description	Accounts	2016	2015
		(In thousands of Korean won)	
Other revenue	Gain on foreign currency transaction	₩ 5,408,907	₩ 2,649,223
	Gain on foreign currency translation	569,581	255,271
	Gain on disposal of property and equipment	121,740	142,982
	Gain from assets contributed	13,109	27,084
	Miscellaneous gains	4,282,035	4,205,938
		₩ 10,395,372	₩ 7,280,498
Other expense	Loss on foreign currency transaction	6,129,963	₩ 3,834,480
	Loss on foreign currency translation	827,109	471,351
	Loss on disposal of property and equipment	63,703	966,655
	Loss on disposal of intangible assets	8,335	56,869
	Impairment of intangible assets	393,493	79,021
	Other bad debt expense	549,957	531,239
	Donation	784,409	643,616
	Miscellaneous loss	270,583	1,343,782
		₩ 9,027,552	₩ 7,927,013

30. GAIN (LOSS) BY CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES:

Financial income (expense) by categories of financial assets and liabilities for the years ended December 31, 2016 and 2015, is as follows:

<Financial income>

Categories	Accounts	2016	2015
		(In thousands of Korean won)	
AFS financial assets	Gain on disposal of AFS financial assets	₩ 158,400	₩ -
Loans and receivables	Interest income	2,331,360	3,705,661
FVTPL	Dividend income	1,250	-
	Gain on valuation of FVTPL	-	15,625
		₩ 2,491,010	₩ 3,721,286

<Financial expense>

Categories	Accounts	2016	2015
		(In thousands of Korean won)	
Financial liabilities measured at amortized cost	Interest expense	₩ 625,434	₩ 405,423
AFS financial assets	Loss on disposal of AFS financial assets	14,771	-
FVTPL	Loss on valuation of FVTPL	1,750	-
		₩ 641,955	₩ 405,423

31. INCOME TAX EXPENSE:

(1) The components of income tax expense for the years ended December 31, 2016 and 2015, are as follows:

Description	2016	2015
	(In thousands of Korean Won)	
Income tax imposed for the year	₩ 16,349,304	₩ 15,438,752
Change in deferred income tax assets (liabilities) due to temporary differences	(727,475)	(1,271,671)
Changes in tax loss carry forwards	1,005,260	(1,196,821)
Changes in tax credit carry forwards	(18,892)	(6,708)
Current income tax expenses directly charged to equity	(72,780)	(34,375)
Deferred income tax expenses directly charged to equity	(144,140)	(168,598)
Others	27,163	23,810
Income tax expense	₩ 16,418,440	₩ 12,784,389

(2) Tax reconciling items between income before income tax expense and income tax expense for the years ended December 31, 2016 and 2015, are as follows:

Description	2016	2015
	(In thousands of Korean Won)	
Income before income tax expense	₩ 23,945,891	₩ 46,946,098
Income tax applicable tax rates	3,979,075	12,345,298
Adjustment:		
Non-taxable income	(584,016)	(546,123)
Non-deductible expenses	1,244,523	698,508
Tax credit	(575,498)	(199,431)
Changes in unrecognized income tax assets	11,660,183	659,607
Additional income taxes for prior years	814,861	-
Others	(120,688)	(173,470)
	₩ 12,439,365	₩ 439,091
Income tax expense	16,418,440	12,784,389
Effective tax rate	68.6%	27.2%

(3) The changes in deferred income tax assets (liabilities) for the years ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016					
	Deferred tax assets (liabilities)					
Description		Beginning Balance		Increase/ Decrease		Ending Balance
	(In thousands of Korean won)					
Cash and cash equivalents	₩	(88)	₩	39	₩	(49)
FVTPL		(3,613)		443		(3,170)
Trade and other receivables		730,519		821,007		1,551,526
Inventories		2,907		39,413		42,320
Other current assets		4,355		(121,226)		(116,871)
Investment property		(132,978)		(796)		(133,774)
Property and equipment		614,507		96,133		710,640
Intangible assets		(4,627)		9,110		4,483
AFS financial assets		376,944		(58,045)		318,899
Investments in associates and joint ventures		116,827		61,974		178,801
Trade and other payables		1,027,147		(49,104)		978,043
Other current financial liabilities		1,090,984		48,297		1,139,281
Other current liabilities		212,487		(5,196)		207,291
Deferred revenue		1,918,880		(157,715)		1,761,165
Provision		352,866		21,012		373,878
Other non-current liabilities		68,529		63,000		131,529
Long-term other payables		7,431		571		8,002
Gain (Loss) on foreign business translation		141,967		(147,807)		(5,840)
Other non-current financial assets		(3,959)		112,260		108,301
Others		86,864		(5,895)		80,969
Deferred income tax assets (liabilities) due to temporary difference (A)		6,607,949		727,475		7,335,424
Deferred income tax assets (liabilities) due to tax loss carry forwards (B)		1,692,201		(1,005,260)		686,941
Deferred income tax assets (liabilities) due to tax credit carry forwards (C)		6,708		18,892		25,600
Deferred income tax assets (A+B+C)	₩	8,306,858	₩	(258,893)	₩	8,047,965

Description	For the year ended December 31, 2015					
	Deferred tax assets (liabilities)					
	Beginning Balance		Increase/ Decrease		Ending Balance	
	(In thousands of Korean won)					
Cash and cash equivalents	₩	(3,819)	₩	3,731	₩	(88)
FVTPL		-		(3,613)		(3,613)
Trade and other receivables		607,764		122,755		730,519
Inventories		3,289		(382)		2,907
Other current assets		(3,973)		8,328		4,355
Investment property		-		(132,978)		(132,978)
Property and equipment		288,031		326,476		614,507
Intangible assets		(16,104)		11,477		(4,627)
AFS financial assets		278,019		98,925		376,944
Investments in associates and joint ventures		(37,123)		153,950		116,827
Trade and other payables		1,486,715		(459,568)		1,027,147
Other current financial liabilities		87,222		1,003,762		1,090,984
Other non-current financial liabilities		26,029		(26,029)		-
Other current liabilities		21,963		190,524		212,487
Deferred revenue		1,751,705		167,175		1,918,880
Provision		321,240		31,626		352,866
Other non-current liabilities		38,050		30,479		68,529
Long-term other payables		4,074		3,357		7,431
Gain (Loss) on foreign business translation		408,648		(266,681)		141,967
Other non-current financial assets		58,962		(62,921)		(3,959)
Others		15,586		71,278		86,864
Deferred income tax assets (liabilities) due to temporary difference (A)		5,336,278		1,271,671		6,607,949
Deferred income tax assets (liabilities) due to tax loss carry forwards (B)		495,380		1,196,821		1,692,201
Deferred income tax assets (liabilities) due to tax credit carry forwards (C)		-		6,708		6,708
Deferred income tax assets (A+B+C)	₩	5,831,658	₩	2,475,200	₩	8,306,858

(4) Details of the tax effect of temporary differences and others excluded in recognizing deferred income tax assets (liabilities) as at December 31, 2016 and 2015, are as follows:

Description	2016		2015	
	(In thousands of Korean Won)			
Investments in associates and subsidiaries	₩	4,906,437	₩	1,320,071
Tax loss carry forwards		8,668,910		595,092
Foreign tax credit (*)		83,073		83,029

(*) The foreign tax credit may be carried forward for the next five tax years.

(5) Current tax payables and deferred income tax assets (liabilities) charged to equity for the years ended December 31, 2016 and 2015, are as follows:

Description	2016		2015	
	(In thousands of Korean Won)			
Income tax payable charged to equity:				
Gain on disposal of treasury stocks	₩	(72,780)	₩	(34,375)
Deferred income tax assets (liabilities) charged to equity:				
Gain on foreign business translation		(147,807)		(266,680)
Loss on valuation of AFS financial assets		3,667		98,082
	₩	(144,140)	₩	(168,598)

32. **EARNINGS PER SHARE**:

(1) Basic net income per share for the years ended December 31, 2016 and 2015, is computed as follows:

	2016	2015
Net income attributable to owners of the Parent Company	₩ 8,035,742,480	₩ 31,740,497,588
Weighted average number of common shares outstanding during the period	11,060,221shares	11,033,603 shares
Basic net income per share	₩ 727	₩ 2,877

(2) Diluted net income per share for the years ended December 31, 2016 and 2015, is computed as follows:

	2016	2015
Common share-Net income for calculating diluted net income per share	₩ 8,035,742,480	₩ 31,740,497,588
Adjusted weighted average number of common shares outstanding during the period	11,066,932 shares	11,067,394 shares
Diluted net income per share	₩ 726	₩ 2,868

Common share-Net income for calculating diluted net income per share is the same as Common share-Net income for basic net income per share. Weighted average number of common shared for calculating diluted net income per share is computed as follows:

	2016	2015
Weighted average number of common shares for calculating basic net income per share	11,060,221 shares	11,033,603 shares
The weighted number of shares that are assumed to be issued for free due to stock option and etc.	6,711 shares	33,791 shares
Weighted average number of common shares for calculating diluted net income per share	11,066,932 shares	11,067,394 shares

33. RELATED-PARTY TRANSACTIONS:

(1) Significant transactions with related parties for the years ended December 31, 2016 and 2015, are as follows:

	For the year ended December 31, 2016					
	Operating revenue	Other revenue	Disposal of property	Operating expense	Other expense	Purchase of property
	(In thousands of Korean won)					
<Joint ventures and associates>						
Hana Tourist Inc.	₩ 174,566	₩ 90,698	₩ -	₩ 11,548,232	₩ -	₩ 28,899
Hana Tourist USA Inc.	-	2,843	-	1,666	-	-
Hotel & Air Co., Ltd.	87,302	-	-	955,150	-	-
Center Mark Hotel Inc	91,971	36,189	-	196,011	21,000	-
Titicaca Corp.	45,000	-	-	-	-	-

	For the year ended December 31, 2015					
	Operating revenue	Other revenue	Disposal of property	Operating expense	Other expense	Purchase of property
	(In thousands of Korean won)					
<Joint ventures and associates>						
Hana Tourist Inc.	₩ 537,536	₩ 90,698	₩ -	₩ 10,751,381	₩ -	₩ 137,615
Hana Tourist USA Inc.	-	21,599	-	1,625	-	-
Hotel & Air Co., Ltd.	136,593	-	-	911,931	-	-
Polaris TV Co., Ltd.	-	-	-	30,000	-	-
Center Mark Hotel Inc.	46,436	41,885	-	21,195	42,000	-

(2) There were no significant cash transactions with related parties for the year ended December 31, 2015, however, for the year ended December 31, 2016, the information is as follows:

	December 31, 2016					
	Loans		Debts		Reduction of capital stock	Liquidating dividends
	Increase	Decrease	Increase	Decrease		
	(In thousands of Korean won)					
<Joint ventures and associates>						
Hana Tourist USA Inc.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 39,881
Hotel & Air Co., Ltd.	-	-	-	-	10,000,000	-
<Others>						
Directors	247,504	-	-	-	-	-

(3) Significant receivables and payables with related parties as at December 31, 2016 and 2015, are as follows:

	December 31, 2016					
	Trade receivables	Loan	Other Receivables	Trade payables	Debt	Other payables
	(In thousands of Korean won)					
<Joint ventures and associates>						
Hana Tourist Inc.	₩ 17,112	₩ -	₩ 25,731	₩ 13	₩ -	₩ 1,242,089
Hotel & Air Co., Ltd.	4,712	-	13,361,065	1,231,514	-	43,922
Center Mark Hotel Inc.	62,381	-	100,121	1,725	-	18,908
Titicaca Corp.	22,500	-	-	-	-	277,500

	December 31, 2015					
	Trade receivables	Loan	Other Receivables	Trade payables	Debt	Other payables
	(In thousands of Korean won)					
<Joint ventures and associates>						
Hana Tourist Inc.	₩ 6,417	₩ -	₩ 47,083	₩ 2,200	₩ -	₩ 885,726
Hana Tourist USA Inc.	-	-	-	13,549	-	-
Hotel & Air Co., Ltd.	976	-	5,105,320	567,619	-	21,135
Center Mark Hotel Inc.	114,665	-	100,088	3,449	-	16,679

(4) As at December 31, 2016, payment guarantee that the Group provided for the related parties is as follows:

Related party	Guaranteed limits	Guaranteed amounts	Warrantee	Description
	(In thousands of Korean Won)			
<Joint venture>				
Center Mark Hotel Inc.	₩ 4,200,000	₩ 3,500,000	Hana Bank	Repayment of borrowings

(5) As at December 31, 2016, payment guarantee that the Group was provided from the related parties is as follows:

Provider	Currency	Guaranteed limits	Guaranteed amounts	Warrantee	Description
Directors of subsidiaries	JPY	1,489,639,091	1,072,610,320	SBJ Bank and etc.	Repayment of borrowings

(6) Compensation for registered directors and unregistered directors of the Group for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
	(In thousands of Korean won)	
Payroll expense and others	₩ 2,758,637	₩ 2,204,342
Severance benefit expense	242,758	204,395
	₩ 3,001,395	₩ 2,408,737

34. PLEDGED ASSETS:

(1) Pledged assets provided as collateral for the Group's performance guarantees and others as at December 31, 2016, are as follows:

Pledged assets	Book value	Guaranteed amounts	Mortgagee	Description
	(In thousands of Korean won)			
Short-term financial instruments	₩ 16,741,726	₩ 16,442,974	Hana Bank and etc.	Performance guarantee and others
Long-term financial instruments	2,000	2,000	Hana Bank and etc.	Performance guarantee and others
Land and buildings	9,617,859	7,551,656	SBJ Bank and etc.	Related to borrowings and others
	₩ 26,361,585	₩ 23,996,630		

(2) Pledged assets provided as collateral to the third party other than related parties as at December 31, 2016, are as follows:

Pledged assets	Book value	Guaranteed amounts	Beneficiary	Mortgagee	Description
	(In thousands of Korean won)				
Short-term financial instruments	₩ 40,000	₩ 40,000	Hana Pass Inc.	Hana card	Performance guarantee

35. COMMITMENTS AND CONTINGENCIES:

(1) As at December 31, 2016, the Group is involved in 11 lawsuits as a defendant. These lawsuits are for compensation for damages amounting to ₩2,575,659 thousand and the outcome of such lawsuits cannot currently be determined. However, the Group management expect the outcome of these lawsuits would not have a material impact on the Group's financial position, results of operations or cash flows. Meanwhile, the Group recognizes the other provision for expenses which may occur due to lawsuits. As at December 31, 2016, ₩556,389 thousand, amount in relation to the lawsuits, is recognized as Other provision.

(2) Payment guarantees provided by the third parties other than related parties as at December 31, 2016, are as follows:

Provider	Currency	Guaranteed limits	Currency	Guaranteed amounts	Description
		(In thousands of Korean won)			
Hana Bank	USD	7,200,000	USD	842,801	Performance guarantee and others
			JPY	1,500,000	
			CHF	100,000	
			EUR	230,000	
	HKD	700,000	HKD	700,000	
	KRW	8,696,800	KRW	8,421,800	
Seoul Guarantee Insurance Company	KRW	80,013,644	KRW	76,719,244	
Shinhan Bank	KRW	1,000,000	KRW	1,000,000	
Korea Tourism Association	KRW	3,210,000	KRW	3,210,000	
CTBC Bank	TWD	2,500,000	TWD	2,500,000	
Bank Of Hope	USD	591,000	USD	591,000	
UOB Bank	SGD	101,000	SGD	101,000	
Mizuho Bank	JPY	200,050,552	JPY	200,050,552	
Kansai Bank	JPY	200,003,900	JPY	200,003,900	

36. SEGMENT INFORMATION:

(1) The Group has a travel segment, a duty free shop segment and others segment. The travel segment is engaged in the business of travel intermediation service and related services. The duty free shop segment operates duty free shops. Others segment include the hotel service, transportation service and other activities, which cannot be classified in the travel segment or in the duty free shop segment.

(2) Operating revenue and operating income by the Group's reportable segments for the years ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31, 2016				
	Travel	Duty free shop	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Operating revenue	₩ 463,942,488	₩ 114,298,017	₩ 51,010,659	₩ (33,712,454)	₩ 595,538,710
Operating expense	419,401,578	139,787,617	49,116,136	(33,698,574)	574,606,757
Operating income	44,540,910	(25,489,600)	1,894,523	(13,880)	20,931,953

	For the year ended December 31, 2015				
	Travel	Duty free shop	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Operating revenue	₩ 428,811,957	₩ 25,516,480	₩ 31,724,817	₩ (26,627,571)	₩ 459,425,683
Operating expense	382,754,552	29,719,835	28,824,908	(26,623,118)	414,676,177
Operating income	46,057,405	(4,203,355)	2,899,909	(4,454)	44,749,505

(3) Total assets and liabilities by the Group's reportable segment as at December 31, 2016 and 2015 are as follows:

	December 31, 2016				
	Travel	Duty free shop	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Total assets	₩ 546,451,154	₩ 62,251,606	₩ 66,982,655	₩ (155,435,773)	₩ 502,249,642
Total liabilities	303,340,596	16,853,990	30,864,855	(42,886,147)	308,173,294

	December 31, 2015				
	Travel	Duty free shop	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Total assets	₩ 516,904,192	₩ 96,167,780	₩ 54,000,200	₩ (162,718,092)	₩ 504,354,080
Total liabilities	277,452,057	26,858,679	17,610,250	(34,853,916)	287,067,070

(4) Geographical analysis of revenue and performance of the Group as at and for the years ended December 31, 2016 and 2015, are as follows:

	December 31, 2016				
	Korea	Asia	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Operating revenue	₩ 551,062,225	₩ 72,483,493	₩ 5,705,446	₩ (33,712,454)	₩ 595,538,710
Operating expense	548,327,889	54,621,501	5,355,941	(33,698,574)	574,606,757
Operating income	2,734,336	17,861,992	349,505	(13,880)	20,931,953
Non-current asset	253,544,055	35,709,272	744,485	(115,404,117)	174,593,695

	December 31, 2015				
	Korea	Asia	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Operating revenue	₩ 426,929,443	₩ 54,387,662	₩ 4,736,149	₩ (26,627,571)	₩ 459,425,683
Operating expense	395,312,094	41,127,706	4,859,494	(26,623,118)	414,676,177
Operating income	31,617,349	13,259,956	(123,345)	(4,454)	44,749,505
Non-current asset	265,162,695	22,880,999	1,020,546	(124,959,887)	164,104,353

(5) There is no single customer from which the Group’s operating revenue is derived over 10% for the years ended December 31, 2016 and 2015.

37. CASH FLOWS:

(1) Cash and cash equivalents in the consolidated statements of cash flows are the same as the cash and cash equivalents in the consolidated statements of financial position.

(2) Expenses not involving cash outflows and others for the years ended December 31, 2016 and 2015, are as follows:

Description	2016	2015
	(In thousands of Korean won)	
Salaries	₩ 150,864	₩ 173,955
Severance and retirement benefits	795,462	-
Advertising	911,077	494,720
Depreciation	12,200,260	5,314,047
Depreciation of investment property	199,928	174,920
Bad debt expense	3,044,464	698,026
Amortization of intangible assets	4,349,737	3,738,609
Depreciation of finance lease assets	743,799	653,838
Other expenses	(98,436)	(80,926)
Stock compensation expense	250,915	1,251,459
Interest expense	625,434	405,423
Loss on valuation using equity method	853,507	723,799
Loss on foreign currency translation	827,109	471,351
Loss on disposal of property and equipment	63,703	966,655
Loss on disposal of intangible assets	8,335	56,869
Loss on disposal of investment in associates and joint ventures	993	-
Loss on disposal of AFS financial assets	14,771	-
Loss on valuation of Inventories	180,000	-
Loss on valuation of FVTPL	1,750	-
Impairment of intangible assets	393,493	79,021
Other bad debt expense	549,957	531,239
Deferred revenue	4,754,513	4,746,418
Miscellaneous loss	-	42,000
Income tax expense	16,418,440	12,784,389
Rent	160,738	71,869
	₩ 47,400,813	₩ 33,297,681

(3) Income not involving cash inflows and others for the years ended December 31, 2016 and 2015, are as follows:

Description	2016	2015
	(In thousands of Korean won)	
Interest income	₩ 2,331,360	₩ 3,705,661
Gain on valuation using equity method	359,603	250,991
Gain on foreign currency translation	569,581	255,271
Gain on disposal of property and equipment	121,740	142,982
Dividend income	1,250	-
Miscellaneous gains	15,188	41,886
Gain on disposal of investment in associates and joint venture	291,961	51
Gain on disposal of AFS financial assets	158,400	-
Gain on valuation of FVTPL	-	15,625
Gain from assets contributed	13,109	27,084
	₩ 3,862,192	₩ 4,439,551

(4) Investing and financing activities of non-cash transactions for the years ended December 31, 2016 and 2015, are as follows:

Description	2016	2015
	(In thousands of Korean won)	
Transfer of intangible assets under acquisition to software	₩ 1,654,223	₩ 1,559,717
Transfer of intangible assets under acquisition to right of trade mark	38,458	7,484
Transfer of intangible assets under acquisition to other intangible assets	182,500	-
Transfer of finance lease assets to vehicles	682,363	-
Transfer of construction in progress to buildings	7,727,273	-
Transfer of construction in progress to other facilities	4,530,282	-
Increase in accounts payables in relation to property and equipment acquisition	477,443	4,332,374
Increase in finance lease liabilities in relation to finance lease assets acquisition	2,622,847	2,044,818
Increase in accounts payables in relation to intangible assets acquisition	392,945	701,718
Transfer of investment property to property and equipment	-	1,700,479
Liquidity substitution of long-term debts	2,184,392	2,392,078
Liquidity substitution of long-term bonds	790,352	-

38. RISK MANAGEMENT:

(1) Capital risk management

The Group performs capital management to maintain its ability to continuously provide profits to shareholders and its interest parties, and to maintain optimum capital structure to reduce capital expenditures. The overall capital risk management policy of the Group is unchanged from the prior period.

The Group is not subject to regulatory capital constraints and it uses its shareholders' equity as an index for capital management. The Group uses debt ratio, such as debt-to-equity ratio, as a reference for capital risk management. However, the Group's capital risk is highly correlated to the change in customer travel demands.

Debt-to-equity ratios of the Group as at December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
	(In thousands of Korean won)	
Total liabilities	₩ 308,173,294	₩ 287,067,070
Total equity	212,076,348	217,287,010
Debt-to-equity ratio	145.3%	132.1%

(2) Financial risk

1) Financial risk management

The Group is exposed to various financial risks, such as market risk (foreign exchange risk, interest rate risk, credit risk and liquidity risk related to financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to a degree acceptable to the Group. Overall financial risk management policy of the Group is the same as the prior period. The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyse exposures by degree and magnitude of the risks.

2) Credit risk

Exposure to credit risk is relatively low. However, credit risk exists until the Group receives the services related to the advance payments made by the Group to business partners, and also related to customer payments through credit card companies. To manage these credit risks, the Group makes transactions with reputable financial institutions. The Group decides credit transaction limits based on the evaluation of business partners/customer credit through information obtained from the credit bureau and disclosed financial position at committing contracts. For the companies with credit rating below a certain level, credit is covered by secured transactions or payment guarantee under the approval of the credit department. In addition, if necessary, the Group estimates an allowance for potential amount deemed not recoverable in the future.
For banks and financial institutions, the Group is making transactions with the reputable financial institutions, such as Kookmin Bank, to minimize its credit risk.
The maximum amount of financial assets exposed to credit risk as at December 31, 2016, is as follows (value of the financial assets acquired and the effect of credit reinforcement are not considered):

	Book value	Maximum exposure amount
	(In thousands of Korean won)	
Cash and cash equivalents	₩ 156,047,480	₩ 156,047,480
Short-term financial instruments	26,068,166	26,068,166
Trade receivables	80,388,918	80,388,918
Other receivables	19,048,243	19,048,243
Finance lease receivables	1,012,665	1,012,665
Long-term finance lease receivables	850,833	850,833
Other financial assets (current)	2,249	2,249
Other financial assets (non-current)	34,352,021	34,352,021

3) Liquidity risk

The Group has established an appropriate liquidity risk management framework to manage Group's short, medium and long-term funding and liquidity management requirements and the group consistently evaluates and reviews the budget and actual cash expenditure. The Group manages liquidity risk by maintaining the large portion of investment in liquid financial instruments with low risk.

The following table presents a maturity analysis for financial liabilities:

	Undiscounted cash flow				
	Less than 1 year	1~2 years	More than 2 years	Total	Book value
	(In thousands of Korean won)				
Financial liabilities without interest	₩ 116,208,627	₩ 7,587,420	₩ 60,000	₩ 123,856,047	₩ 123,856,047
Financial liabilities with interest	7,570,427	7,555,438	5,701,576	20,827,441	20,227,083
Financial guarantee contract	4,200,000	-	-	4,200,000	15,075

Undiscounted cash flow calculations have been used for above financial liabilities and these liabilities include the amounts of interest payable. The obligations denominated in a foreign currency represent a variable amount with the exchange rate referenced on the consolidated statement of financial position date.

4) Foreign currency risk

The Group is exposed to risk of various foreign currencies, especially when it makes payment for travel expenses. In order to minimize the foreign currency risk of the Group, the payment duration of the financial obligation is shortened and the contracts are written in its functional currency (Korean won), whenever possible.

Monetary assets and liabilities denominated in foreign currency as at December 31, 2016 are summarized as follows:

Currency	Monetary assets	Monetary liabilities
	(In thousands of Korean won)	
USD	₩ 7,381,132	₩ 7,767,138
EUR	442,889	1,526,631
JPY	2,409,832	934,093
CNY	2,128,592	655,659
GBP	857	-
HKD	225,524	-
AUD	69,685	37,275
CAD	8,669	-
SGD	18,379	-
TWD	212	-
CHF	39,582	13,397

The Group’s sensitivity to an increase (decrease) in Korean won (functional currency of the Group) against the major foreign currencies as at December 31, 2016, is as follows

Currency	5% Increase	5% Decrease
	(In thousands of Korean won)	
USD	₩ (19,300)	₩ 19,300
EUR	(54,187)	54,187
JPY	73,787	(73,787)
CNY	73,647	(73,647)
GBP	43	(43)
HKD	11,276	(11,276)
AUD	1,621	(1,621)
CAD	433	(433)
SGD	919	(919)
TWD	11	(11)
CHF	1,309	(1,309)

This is a sensitivity of management’s valuation on financial assets and liabilities denominated in foreign currency as at December 31, 2016, and it is the measure of the sensitivity of income before income tax expense.

5) Interest rate risk

The Group is exposed to interest rate risk since it borrows funds with fixed and variable interest rates. The Group maintains a balance between borrowings with variable interest rate and fixed interest rate to manage interest rate risk. Risk aversion activity is evaluated regularly with adjusting conditions and nature of interest rates.

The sensitivity analysis is performed with the assumption that liabilities with variable interest rates at the end of fiscal year existed during the corresponding year-end, based on exposures to interest rate risk of both financial assets and financial liabilities. When reporting interest rate risk to management internally, an analysis based on an increase/decrease of 50 basis points is used, which represents the management consideration for a reasonable possibility of change in interest rates.

Based on the sensitivity analysis, assuming all other variables to be the same, if interest rate is 50 basis points higher/lower than current interest rates, the Group’s income would decrease/increase by ₩36,539 thousand for the year ended December 31, 2016. This effect is mainly due to the borrowings with variable interest rates.