

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014,
AND FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

HANATOUR SERVICE INC.

INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 17, 2016

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 of December 31, 2015 and 2014 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, 2015 and 2014 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 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 of December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.



March 17, 2016

Notice to Readers

This report is effective as of March 17, 2016, 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 financial statements and may result in modifications to the auditors' report.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES (the “Group”)

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014,
AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

**Park, Sang Hwan
Choi, Hyun Syuk
CHIEF EXECUTIVE OFFICERS
HANATOUR SERVICE INC.**

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015 AND 2014

ASSETS	Notes	December 31, 2015	December 31, 2014
		(In thousands of Korean won)	
CURRENT ASSETS:			
Cash and cash equivalents	4,22,38	₩ 146,485,490	₩ 113,930,509
Short-term financial instruments	22,34,38	60,688,614	107,352,265
Trade receivables	5,22,33,38	57,383,585	49,887,596
Other receivables	5,22,33,38	23,225,142	17,742,158
Finance lease receivables	6,22,38	1,170,671	40,215
Inventories	7	9,305,415	1,020,045
Advanced payments	8	34,070,557	21,396,505
Other current assets	8	7,702,931	5,027,830
Other financial assets	15,22,34,38	104,164	-
Current tax assets		113,158	41,981
Total current assets		340,249,727	316,439,104
NON-CURRENT ASSETS:			
Financial assets classified at fair value through profit or loss ("FVTPL")	9	1,015,625	-
Available for sale ("AFS") financial assets	10,22	7,917,997	8,284,209
Investment in associates and joint ventures	11	21,165,917	21,756,714
Long-term finance lease receivables	6,22,38	1,844,267	255,959
Investment property	12	2,393,305	4,138,245
Property and equipment	13,34	59,329,323	46,310,983
Intangible assets	14	16,929,209	12,269,509
Other financial assets	15,22,34,38	44,226,793	21,002,358
Deferred tax assets	31	8,306,858	5,831,658
Other non-current assets	8	975,059	1,103,248
Total non-current assets		164,104,353	120,952,883
Total assets		₩ 504,354,080	₩ 437,391,987

(Continued)

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2015 AND 2014

LIABILITIES AND EQUITY	Notes	December 31, 2015	December 31, 2014
		(In thousands of Korean won)	
CURRENT LIABILITIES:			
Trade payables	22,33,38	₩ 75,471,166	₩ 75,825,634
Other payables	17,22,33,38	29,728,126	21,371,303
Income tax payable		10,189,301	6,231,268
Deposits received for travel		96,002,967	82,970,308
Advance receipts		21,028,667	19,951,351
Short-term borrowings	16,22,38	19,226,920	13,325,713
Current portion of long-term borrowings	16,22,38	2,392,078	1,485,989
Finance lease liabilities	18,22,38	656,244	635,565
Provision	19	2,297,827	1,993,855
Other financial liabilities	17,22,38	2,743,830	4,536,979
Other current liabilities	20	15,703,690	14,641,211
Total current liabilities		275,440,816	242,969,176
NON-CURRENT LIABILITIES:			
Long-term other payables	17,22,38	2,871,608	2,056,718
Long-term borrowings	16,22,38	6,679,283	1,737,289
Long-term finance lease liabilities	18,22,38	1,514,806	2,081,741
Provision for long-term employee benefits		560,557	548,296
Total non-current liabilities		11,626,254	6,424,044
Total liabilities		287,067,070	249,393,220
EQUITY:			
Capital stock	23	5,808,093	5,808,093
Other contributed capital	23,26	57,322,026	57,382,591
Components of other capital	24	(1,155,344)	(1,542,404)
Retained earnings	25	134,943,490	118,640,879
Equity attributable to the owners of the			
Parent Company		196,918,265	180,289,159
Non-controlling interests		20,368,745	7,709,608
Total equity		217,287,010	187,998,767
Total liabilities and equity		₩ 504,354,080	₩ 437,391,987

(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, 2015 AND 2014

	Notes	2015	2014
		(In thousands of Korean won, except per share amounts)	
OPERATING REVENUE	27,33,36	₩ 459,425,682	₩ 385,457,930
OPERATING EXPENSE	28,33,36	<u>414,676,177</u>	<u>345,013,490</u>
OPERATING INCOME		44,749,505	40,444,440
Financial income	29,30	3,721,286	4,344,607
Financial expense	29,30	405,422	271,631
Profit and loss from investment in associates and joint ventures	29	(472,756)	380,997
Other income	29,33	7,280,498	4,920,766
Other expense	29,33	7,927,013	3,604,016
INCOME BEFORE INCOME TAX EXPENSE		46,946,098	46,215,163
INCOME TAX EXPENSE	31	<u>12,784,389</u>	<u>10,827,875</u>
NET INCOME		<u>₩ 34,161,709</u>	<u>₩ 35,387,288</u>

(Continued)

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Notes	2015	2014
(In thousands of Korean won, except per share amounts)			
OTHER COMPREHENSIVE INCOME (LOSS) AFTER INCOME TAX EXPENSE	₩	559,780	₩ (890,447)
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:		559,780	(890,447)
Changes in valuation of equity-accounted investees, net		(25,846)	7,238
Gain (loss) on foreign operations translation, net		903,761	(347,940)
Loss on valuation of AFS		(318,135)	(549,745)
TOTAL COMPREHENSIVE INCOME	₩	<u>34,721,489</u>	<u>₩ 34,496,841</u>
NET INCOME ATTRIBUTABLE TO:			
Owners of the Parent Company		31,740,498	33,437,531
Non-controlling interests		2,421,211	1,949,757
		<u>34,161,709</u>	<u>35,387,288</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Parent Company		32,127,557	32,686,574
Non-controlling interests		2,593,932	1,810,267
		<u>34,721,489</u>	<u>34,496,841</u>
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY:	32		
Basic earnings per common share		₩ 2,877	₩ 2,978
Diluted earnings per common share		₩ 2,868	₩ 2,964

(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, 2015 AND 2014

	Capital stock	Other contributed capital	Components of other capital	Retained Earnings	Non-controlling interests	Total
	(In thousands of Korean won)					
January 1, 2014	₩ 5,808,093	₩ 82,372,554	₩ (791,446)	₩ 98,776,490	₩ 6,461,431	₩ 192,627,122
Payment of cash dividend	-	-	-	(6,804,601)	-	(6,804,601)
Payment of interim cash dividend	-	-	-	(6,768,541)	-	(6,768,541)
Cash dividend of subsidiaries	-	-	-	-	(568,437)	(568,437)
Stock issuance expense of subsidiaries	-	(43,200)	-	-	-	(43,200)
Acquisition of treasury stock	-	(32,996,692)	-	-	-	(32,996,692)
Exercised stock option rights	-	5,059,730	-	-	-	5,059,730
Gain on disposal of treasury stock	-	982,385	-	-	-	982,385
Stock compensation expense	-	1,989,504	-	-	18,194	2,007,698
Net income	-	-	-	33,437,531	1,949,757	35,387,288
Loss on foreign business translation	-	-	(208,451)	-	(139,489)	(347,940)
Changes in valuation of equity-accounted investees	-	-	7,238	-	-	7,238
Loss on valuation of AFS financial assets	-	-	(549,745)	-	-	(549,745)
Additional acquisitions of investments in subsidiaries	-	(4,065)	-	-	(935)	(5,000)
Others	-	22,375	-	-	(10,913)	11,462
December 31, 2014	<u>₩ 5,808,093</u>	<u>₩ 57,382,591</u>	<u>₩ (1,542,404)</u>	<u>₩ 118,640,879</u>	<u>₩ 7,709,608</u>	<u>₩ 187,998,767</u>
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	<u>₩ 5,808,093</u>	<u>₩ 57,322,026</u>	<u>₩ (1,155,344)</u>	<u>₩ 134,943,490</u>	<u>₩ 20,368,746</u>	<u>₩ 217,287,011</u>

See accompanying notes to consolidated financial statements.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Notes	2015	2014
		(In thousands of Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations:			
Net income	₩	34,161,709	₩ 35,387,288
Additions of expenses not involving cash outflows and others	37	33,297,681	27,281,787
Deduction of incomes not involving cash inflows and others	37	(4,439,551)	(5,506,418)
Movements in operating assets and liabilities:			
Decrease(increase) in trade receivables		(7,064,784)	10,420,094
Decrease(Increase) in other receivables		(816,318)	797,186
Increase in inventories		(8,233,323)	(631,927)
Increase in advance payments		(15,232,187)	(2,341,081)
Increase in other current assets		(2,565,407)	(1,914,568)
Decrease in other non-current assets		71,870	70,063
Increase(decrease) in trade payables		(3,136,731)	22,225,048
Increase in other payables		9,347,976	6,078,719
Increase in deposits received for travel		12,983,897	16,914,105
Increase in advance receipts		726,079	3,347,692
Increase in other financial liabilities		152,074	2,112,338
Decrease in other current liabilities		(5,520,243)	(1,815,139)
Decrease in provisions		(378,782)	(485,896)
Decrease in long-term other payables		(10,897)	(56,442)
Decrease in other long-term employee benefit		(34,857)	(57,365)
		<u>43,308,206</u>	<u>111,825,484</u>
Interest expense paid		(269,654)	(194,300)
Interest income received		3,570,583	4,432,124
Dividend income received		95,179	142,788
Income taxes paid		(11,706,714)	(12,551,297)
	₩	<u>34,997,600</u>	<u>₩ 103,654,799</u>

(Continued)

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Notes	2015	2014
(In thousands of Korean won)			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities:			
Decrease in short-term financial instruments	₩	125,077,303	₩ 96,289,244
Decrease in other receivables		5,456,889	9,085,258
Disposal of investment in associates and joint venture		51	-
Disposal of property and equipment		429,878	340,750
Disposal of intangible assets		-	116,267
Decrease in finance lease receivables		198,505	21,948
Decrease in other financial assets		2,523,702	2,815,719
Net cash inflow due to business combination		4,585,882	-
		<u>138,272,210</u>	<u>108,669,186</u>
Cash outflows for investing activities:			
Increase in short-term financial instruments		77,989,964	105,859,334
Increase in other receivables		11,016,189	12,718,439
Acquisition of FVTPL		1,000,000	-
Acquisition of AFS financial assets		250,000	3,450,000
Acquisition of investment in associates and joint venture		-	1,202,291
Acquisition of investment property		-	2,670,373
Acquisition of property and equipment		16,413,808	10,316,656
Acquisition of intangible assets		8,098,714	3,653,240
Increase in other financial assets		24,448,819	8,341,018
		<u>(139,217,494)</u>	<u>(148,211,351)</u>
		<u>(945,284)</u>	<u>(39,542,165)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings		16,866,349	13,057,420
Proceeds from long-term borrowings		7,083,021	2,517,970
Paid-in capital increase of subsidiaries		5,917,638	-
Exercised stock option rights		52,446	6,333,900
		<u>29,919,454</u>	<u>21,909,290</u>
Cash outflows for financing activities:			
Repayment of short-term borrowings		12,257,904	5,373,449
Repayment of current portion of long-term borrowings		1,634,956	343,925
Repayment of finance lease liabilities		1,028,793	743,161
Acquisition of treasury stock		-	32,996,692
Payment of stock issuance expense		927,389	43,200
Acquisition of investment in subsidiaries		337,895	5,000
Payment of dividends		16,085,969	14,141,555
		<u>(32,272,906)</u>	<u>(53,646,982)</u>
		<u>(2,353,452)</u>	<u>(31,737,692)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		31,698,864	32,374,942
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR		113,930,509	81,852,584
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS		856,117	(297,017)
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>₩</u>	<u>146,485,490</u>	<u>₩</u> <u>113,930,509</u>

(Concluded)

See accompanying notes to consolidated financial statements.

HANATOUR SERVICE INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015 AND 2014
AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 of December 31, 2015, the Company’s capital stock amounted to ₩5,808 million, 18.7% of which is owned by the representative director and employees, 23.6% by foreign investors, 52.7% by minority shareholders and 5.0% held as treasury stock.

(2) Scope of consolidation

The subsidiaries including Hanatour ITC Service Inc. and 32 other entities as of December 31, 2015 are as follows:

Subsidiaries	Principal business	Location	Closing Date	Ownership ratio(%)	
				December 31, 2015	December 31, 2014
Web Tour Service Inc.	Travel intermediation service	Korea	12.31	77.67	83.82
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	83.82
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, 2015	December 31, 2014
Hanatur Japan Co., Ltd.	Travel intermediation service	Japan	12.31	70.00	70.00
Hanatur PTE LTD.	Travel intermediation service	Singapore	12.31	100.00	100.00
Hanatur CHINA	Travel intermediation service	China	12.31	100.00	100.00
Hanatur HongKong Co., Ltd.	Travel intermediation service	HongKong	12.31	100.00	100.00
Hanatur 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
Allegrox TM Hotel Management Co.,Ltd	Accommodation operating Agency	Japan	12.31	70.00	70.00
Hanatur USA Inc.	Travel intermediation service	U.S.A	12.31	100.00	100.00
Hanatur PTY. Ltd.	Travel intermediation service	Australia	12.31	100.00	100.00
Tourtips Inc.	Travel information service	Korea	12.31	100.00	100.00
Mark Hotel Co.,Ltd.	Hotel service	Korea	12.31	100.00	100.00
Hana Finance Service Inc.	Financing loan 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
Hanatur Service (M) Sdn.Bhd.	Travel information service	Malaysia	12.31	100.00	100.00
SM duty free Co., Ltd. (formerly, SMEs Duty Free Co., Ltd.)	Duty free shop	Korea	12.31	86.61	-
HanaTour Investment Management Co. , Ltd	Asset management	Korea	12.31	100.00	-
Worldshop	Insurance	Korea	12.31	90.00	-

(3) Condensed financial information of the subsidiaries

Condensed financial information of the major subsidiaries as of and for the year ended December 31, 2015 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.	₩ 15,630,646	₩ 6,011,068	₩ 15,260,148	₩ 1,548,794	₩ 1,548,794
Hanatur ITC Inc.	17,871,021	3,096,503	6,433,293	(114,170)	(114,170)
Hana T&Media Inc.	2,069,953	651,287	3,896,382	36,766	36,766
Hanatur Business Service Inc.	4,912,961	1,879,670	5,009,682	540,591	547,995
CJ Worldis Corp.	11,074,672	6,426,134	7,589,316	640,595	640,595
Hana Shop	1,217,297	698,877	1,669,038	103,549	103,549
Hanatur Japan Co., Ltd.	31,571,938	23,186,568	14,522,726	3,842,381	4,244,903
Hanatur CHINA	7,496,732	1,049,052	3,802,175	749,956	847,699
U.I. Sightseeing Bus LLC	16,095,111	10,400,054	11,987,581	2,553,006	2,817,523
Hanatur USA Inc.	8,056,791	4,330,737	3,612,365	(315,767)	(75,173)
Mark Hotel Co., Ltd.	12,992,514	920,182	6,254,376	(1,538,500)	(1,538,500)
SM duty free Co., Ltd. (formerly, SMEs Duty Free Co., Ltd.)	90,919,736	23,988,490	10,360,265	(4,753,967)	(4,753,967)

(4) Changes in the scope of consolidation

Subsidiaries newly included in and excluded from consolidation scope during the years ended December 31, 2015 and 2014 are as follows:

Description	2015	2014
Included by obtaining of control by acquisition of additional interest	SM duty free Co., Ltd. (formerly, SMEs Duty Free Co., Ltd.)	-
Newly Established	HanaTour Investment Management Co., Ltd Worldshop	Beijing Hana Information Technology Co., Ltd. Star Shop & Line. Hanatour Service (M) Sdn. Bhd. Hana Finance Service Inc.

(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 of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015				
	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd. (formerly, SMEs 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
	<u>15,947,273</u>	<u>11,111,612</u>	<u>31,571,938</u>	<u>91,253,730</u>	<u>16,441,173</u>
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
	<u>6,011,068</u>	<u>6,426,134</u>	<u>23,186,568</u>	<u>23,988,490</u>	<u>10,400,054</u>
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
	<u>₩ 9,936,205</u>	<u>₩ 4,685,478</u>	<u>₩ 8,385,370</u>	<u>₩ 67,265,240</u>	<u>₩ 6,041,119</u>
Description	December 31, 2014				
	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	U.I. Sightseeing Bus LLC	
	(In thousands of Korean Won)				
Current assets	₩ 8,481,477	₩ 9,092,560	₩ 20,866,702	₩ 3,176,339	
Non-current assets	5,245,868	636,693	11,825,410	7,248,835	
	<u>13,727,345</u>	<u>9,729,253</u>	<u>32,692,112</u>	<u>10,425,174</u>	
Current liabilities	6,179,233	5,699,795	25,618,002	3,845,068	
Non-current liabilities	25,248	21,515	2,459,239	3,356,509	
	<u>6,204,481</u>	<u>5,721,310</u>	<u>28,077,241</u>	<u>7,201,577</u>	
Equity attributable to the owners of the Parent Company	6,305,966	2,003,972	3,230,409	2,256,518	
Non-controlling interests	1,216,898	2,003,971	1,384,462	967,079	
	<u>₩ 7,522,864</u>	<u>₩ 4,007,943</u>	<u>₩ 4,614,871</u>	<u>₩ 3,223,597</u>	

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 of December 31, 2015 and 2014 are as follows:

Description	For the year ended December 31, 2015				
	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd. (formerly, SMEs Duty Free Co., Ltd.)	U.I. Sightseeing Bus LLC
	(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
Description	For the year ended December 31, 2014				
	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	U.I. Sightseeing Bus LLC	
	(In thousands of Korean Won)				
Operating revenue	₩ 12,841,566	₩ 6,762,119	₩ 8,764,565	₩ 9,101,081	
Operating income (loss)	1,138,253	117,417	2,522,422	1,872,773	
Net income	1,029,585	240,815	1,709,530	1,431,871	
Other comprehensive income (loss)	-	-	(409,367)	(252,143)	
Total comprehensive income	1,029,585	240,815	1,300,163	1,179,728	
Net income attributable to Non-controlling interest	166,546	120,407	512,859	429,561	
Total comprehensive income attributable to Non-controlling interest	166,546	120,407	390,049	353,918	

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 of December 31, 2015 and 2014 are as follows:

Description	For the year ended December 31, 2015				
	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	SM duty free Co., Ltd. (formerly, SMEs 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
	For the year ended December 31, 2014				
Description	Web Tour Service Inc.	CJ Worldis Corp.	Hanatour Japan Co., Ltd.	U.I. Sightseeing Bus LLC	
	(In thousands of Korean Won)				
Cash flows from operating activities	₩ 3,381,332	₩ 280,655	₩ 3,902,749	₩ 1,512,232	
Cash flows from investing activities	(2,976,861)	(249,537)	(11,815,534)	(376,658)	
Cash flows from financing activities	(209,400)	-	8,904,555	(820,884)	
Change in cash and cash equivalents	195,071	31,118	991,770	314,690	
Cash and cash equivalents, at beginning of year	1,996,627	3,399,179	1,404,453	1,001,566	
Effect of exchange rate change on cash and cash equivalents	-	-	(148,657)	(108,283)	
Cash and cash equivalents, at end of year	2,191,698	3,430,297	2,247,566	1,207,973	

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 years ended December 31, 2015 and 2014, are as follows:

Description	For the year ended December 31, 2015	
	SM duty free Co., Ltd. (formerly, SMEs 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. (see Note 39)

Description	For the year ended December 31, 2014	
	Tourtips Inc. (In thousands of Korean Won)	
Ownership percentage before transaction		99.75%
Ownership percentage after transaction		100.00%
Purchase consideration (A)	₩	(5,000)
Changes in non-controlling interests (B)		(935)
Changes in other contributed capital (A-B)		(4,065)

- (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 year ended December 31, 2015, are as follows:

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 (B)	622,284	46,914
Changes in other contributed capital (A-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 financial statements. Certain information included in the Korean language 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 of and for the year ended December 31, 2014, except for the K-IFRSs, that are newly introduced in 2015, 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, 2015 are as follows:

Amendments to K-IFRS 1019 – Employee Benefits

The amendments permits the Group to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions are independent of the number of years of service. The application of these amendments has no significant impact on the disclosure in the Group’s consolidated financial statements.

Annual Improvements to K-IFRS 2010-2012 Cycle

The amendments to K-IFRS 1002 (i) changes the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to K-IFRS 1103 *Business Combinations* clarify the classification and measurement of the contingent consideration in business combination. The amendments to K-IFRS 1108 clarify that a reconciliation of the total of the reportable segments’ assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The application of these amendments has no significant impact on the disclosure in the Group’s consolidated financial statements.

Annual Improvements to K-IFRS 2011-2013 Cycle

The amendments to K-IFRS 1103 clarify that it excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of K-IFRS 1103 ‘Business Combination.’ The amendments to K-IFRS 1113 ‘Fair Value Measurements’ and K-IFRS 1040 ‘Investment Properties’ exist. The application of these amendments has no significant impact on the disclosure in the Group’s consolidated financial statements.

The above mentioned changes in accounting policies have not any significant effect on 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 financial statements, and that have not been applied earlier by the Group are as follows:

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 amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2016.

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 amendments are effective for the annual periods beginning on or after January 1, 2016.

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 amendments apply prospectively for annual periods beginning on or after January 1, 2016.

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 amendments are effective for annual periods beginning on or after January 1, 2016

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 amendments to K-IFRS 1111 are effective for the annual periods beginning on or after January 1, 2016.

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

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.

-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 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 of and for the year ended on December 31, 2015 were authorized at the board of directors' meeting on February 4, 2016 and are scheduled to be authorized at the ordinary shareholder's meeting on March 25, 2016.

(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 acquiree 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 required 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 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:

	<u>Estimated useful lives (years)</u>
Buildings	10-20
Machinery	4
Vehicles	2-6
Furniture	3-6
Equipment	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:

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

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 transaction. 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.

(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 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 property and equipment; intangibles assets; deferred income; provisions; and deferred income tax.

4. CASH AND CASH EQUIVALENTS:

As of December 31, 2015 and 2014, cash and cash equivalents are as follows:

Description	December 31, 2015	December 31, 2014
	(In thousands of Korean won)	
Cash on hand	₩ 497,487	₩ 367,331
Deposit on demand and instalment deposit	145,988,003	113,563,178
	₩ 146,485,490	₩ 113,930,509

5. TRADE AND OTHER RECEIVABLES:

(1) As of December 31, 2015 and 2014, trade and other receivables are as follows:

Description	Accounts	December 31, 2015	December 31, 2014
		(In thousands of Korean won)	
Trade receivables	Accounts receivable-trade	₩ 59,185,352	₩ 51,292,367
	Allowance	(1,801,767)	(1,404,771)
		57,383,585	49,887,596
Other receivables	Short-term loans	11,865,992	7,594,557
	Allowance	(743,904)	(1,065,200)
		11,122,088	6,529,357
	Accounts receivable-other	4,836,484	4,906,742
	Allowance	(957,858)	(1,027,252)
		3,878,626	3,879,490
	Guarantee deposits	7,273,958	6,066,862
	Allowance	(180,336)	(50,095)
		7,093,622	6,016,767
	Accrued income	1,180,806	1,316,544
Allowance	(50,000)	-	
	1,130,806	1,316,544	
	₩ 23,225,142	₩ 17,742,158	

(2) The changes in allowance for doubtful accounts for the years ended December 31, 2015 and 2014 are as follows:

Accounts	December 31, 2015					
	Beginning balance	Reversal (bad debt Expense)	Write-off	Collection	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)

December 31, 2014					
Accounts	Beginning balance	Bad debt expense	Write-off	Foreign exchange differences	Ending balance
(In thousands of Korean won)					
Accounts receivable-trade	₩ (1,423,196)	₩ (231,762)	₩ 249,645	₩ 542	₩ (1,404,771)
Short-term loans	(710,000)	(405,200)	50,000	-	(1,065,200)
Accounts receivable-other	(762,199)	(266,930)	1,877	-	(1,027,252)
Guarantee deposits	-	(50,095)	-	-	(50,095)
	<u>₩ (2,895,395)</u>	<u>₩ (953,987)</u>	<u>₩ 301,522</u>	<u>₩ 542</u>	<u>₩ (3,547,318)</u>

(3) As of December 31, 2015 and 2014, receivables not impaired but overdue are as follows:

December 31, 2015					
Accounts	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
	<u>₩ 4,989,302</u>	<u>₩ 1,067,918</u>	<u>₩ 619,069</u>	<u>₩ 117,722</u>	<u>₩ 6,794,011</u>

December 31, 2014					
Accounts	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	₩ 5,431,521	₩ 863,760	₩ 375,908	₩ 46,586	₩ 6,717,775
Accounts receivable-other	680,275	153,793	66,860	-	900,928
Guarantee deposits	885,328	25,900	22,350	-	933,578
	<u>₩ 6,997,124</u>	<u>₩ 1,043,453</u>	<u>₩ 465,118</u>	<u>₩ 46,586</u>	<u>₩ 8,552,281</u>

(4) Aging analysis of impaired trade and other receivables as of December 31, 2015 and 2014 are as follows:

December 31, 2015					
Accounts	Less than 90 days	Over 90 days, less than 180 days	Over 180 days, less than 365 days	Over 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
	<u>₩ 381,074</u>	<u>₩ 2,884,611</u>	<u>₩ 1,416,887</u>	<u>₩ 2,873,722</u>	<u>₩ 7,556,294</u>

December 31, 2014					
Accounts	Less than 90 days	Over 90 days, less than 180 days	Over 180 days, less than 365 days	Over 365 days	Total
(In thousands of Korean won)					
Accounts receivable-trade	₩ -	₩ 615,530	₩ 581,746	₩ 1,035,844	₩ 2,233,120
Short-term loans	-	-	1,406,200	950,000	2,356,200
Accounts receivable-other	-	-	119,949	909,525	1,029,474
Guarantee deposits	69,290	6,360	-	14,700	90,350
	<u>₩ 69,290</u>	<u>₩ 621,890</u>	<u>₩ 2,107,895</u>	<u>₩ 2,910,069</u>	<u>₩ 5,709,144</u>

6. FINANCE LEASE RECEIVABLES:

(1) Lease contract

As of December 31, 2015, the Group has finance lease contracts, as lessor, in relation to its vehicle, furniture and software and the contract periods are 3 years and 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 of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015		December 31, 2014	
	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	₩ 1,171,020	₩ 1,170,671	₩ 40,545	₩ 40,215
Over than 1 year, less than 5 years	1,856,638	1,844,267	162,180	154,928
Over than 5 years	-	-	109,710	101,031
	<u>₩ 3,027,658</u>	<u>₩ 3,014,938</u>	<u>₩ 312,435</u>	<u>₩ 296,174</u>

(3) Current/non-current distinction of finance lease receivables as of December 31, 2015 and 2014 is as follows:

Description	December 31, 2015	December 31, 2014
(In thousands of Korean won)		
Current assets	₩ 1,170,671	₩ 40,215
Non-current assets	1,844,267	255,959
	<u>₩ 3,014,938</u>	<u>₩ 296,174</u>

7. INVENTORIES:

(1) Inventories as of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015	December 31, 2014
(In thousands of Korean won)		
Merchandise	₩ 8,628,409	₩ 966,212
Raw materials	13,504	-
Work in process	4,362	48,196
Finished goods	18,899	20,552
Valuation allowance	(13,212)	(14,949)
Supplies	16,262	34
Merchandise in transit	637,191	-
	<u>₩ 9,305,415</u>	<u>₩ 1,020,045</u>

(2) The changes in valuation allowance for the years ended December 31, 2015 and 2014 are as follows:

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

Accounts	December 31, 2014			
	Beginning balance	Loss	Reversal	Ending Balance
	(In thousands of Korean won)			
Merchandise	₩ (11,400)	₩ -	₩ 11,400	₩ -
Finished goods	(12,876)	(2,073)	-	(14,949)
	<u>₩ (24,276)</u>	<u>₩ (2,073)</u>	<u>₩ 11,400</u>	<u>₩ (14,949)</u>

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

(1) Advance payments as of December 31, 2015 and 2014 are as follows

Accounts	December 31, 2015		December 31, 2014	
	(In thousands of Korean won)			
Advance payments	₩	34,554,589	₩	21,909,516
Allowance		(484,032)		(513,011)
	<u>₩</u>	<u>34,070,557</u>	<u>₩</u>	<u>21,396,505</u>

(2) The changes in allowance for advance payments for the years ended December 31, 2015 and 2014 are as follows:

Description	December 31, 2015		December 31, 2014	
	(In thousands of Korean won)			
Beginning of year	₩	(513,011)	₩	(228,146)
Bad debt expense		(88,499)		(287,059)
Write-off		118,600		-
Foreign exchange differences		(1,122)		2,194
End of year	<u>₩</u>	<u>(484,032)</u>	<u>₩</u>	<u>(513,011)</u>

(3) Other current assets and other non-current assets as of December 31, 2015 and 2014 are as follows:

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

Description	December 31, 2014			
	Current		Non-current	
	(In thousands of Korean won)			
Prepaid expenses	₩	3,893,883	₩	1,103,248
Prepaid VAT		1,133,947		-
	<u>₩</u>	<u>5,027,830</u>	<u>₩</u>	<u>1,103,248</u>

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

(1) FVTPL as of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015	December 31, 2014
	(In thousands of Korean won)	
< Designated financial assets as measured at fair value through profit or loss >		
Convertible and redeemable preference stock (*)	₩ 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 of December 31, 2015 and 2014 are as follows:

Description	Ownershipratio (%)	December 31, 2015	December 31, 2014
		(In thousands of Korean won)	
(Marketable Equity Securities)			
Woongjin Holdings. Co., Ltd.	0.02	₩ 22,780	₩ 13,288
		<u>22,780</u>	<u>13,288</u>
(Unmarketable Equity Securities)			
Seoul Tour Marketing Inc.	2.89	334,451	334,451
Hotel and Fly Inc.	19.90	27,980	27,980
JR Invest company Inc.(*1)	15.15	3,780,320	4,206,029
Hani Tour Inc.(*2)	9.54	2,368	2,368
Kiwoom Culture Venture Investment(*2)	5.00	750,000	500,000
SMCI Fund 4(*2)	6.45	1,000,000	1,000,000
KS Credit information Co., Ltd.(*2)	16.66	2,000,000	2,000,000
SMEs Duty Free Co., Ltd. (*3)	-	-	200,000
Others(*2)	-	98	93
		<u>7,895,217</u>	<u>8,270,921</u>
		<u>₩ 7,917,997</u>	<u>₩ 8,284,209</u>

(*1) The Group recognized loss on valuation of AFS financial assets amounting to ₩425,709 thousand based on the third party valuation report as of December 31, 2015.

(*2) 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.

(*3) The entity became a subsidiary as the Company obtained control over it through the acquisition of additional interests of the entity through participating the paid-in capital increase during the year ended December 31, 2015.

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

(1) Details of the Group's investments in associates and joint ventures as of December 31, 2015 and 2014 are as follows:

Description	Nature of business	Location	End date of reporting period	December 31, 2015		December 31, 2014	
				Ownership (%)	Book value	Ownership (%)	Book value
(In thousands of Korean won)							
Hana Tourist Inc.	Travel intermediation service	Korea	12.31	30.23	₩ 1,054,276	30.23	₩ 1,077,122
Hanatour Europe s.r.l(*1)	Travel intermediation service	Italy	12.31	50.00	-	50.00	-
Hanaturist USA Inc.	Travel intermediation service	U.S.A	12.31	44.59	42,249	44.59	53,644
Good Public Training Inc.	Travel intermediation service	Korea	12.31	50.00	3,032	50.00	4,333
Center Mark Hotel Inc.	Hotel service	Korea	12.31	50.00	3,358,829	50.00	4,071,377
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	15,258,137	50.00	15,211,658
Polaris TV Co., Ltd.(*2)	Broadcasting program production service	Korea	12.31	-	-	50.00	-
KBIZ INTER BizTour Co., Ltd.	Travel intermediation service	Korea	12.31	20.00	1,444,502	20.00	1,333,688
					<u>₩ 21,165,917</u>		<u>₩ 21,756,714</u>

(*1) As of December 31, 2015, the associate discontinued its business

(*2) The Group disposed all shares of the entity and recognized gain on disposal of investments in associates amounting to ₩51 thousand during the year ended December 31, 2015.

(2) The changes in investment in associates for the years ended December 31, 2015 and 2014 are as follows:

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	-	-	-	-	-	-	-
Hanaturist 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
	<u>₩ 21,756,714</u>	<u>₩ -</u>	<u>₩ (95,179)</u>	<u>₩ (472,808)</u>	<u>₩ (25,846)</u>	<u>₩ 3,036</u>	<u>₩ 21,165,917</u>

Description	December 31, 2014						
	Beginning balance	Acquisition	Dividend	Gain(loss) on equity method	Changes of equity	Others	Ending balance
(In thousands of Korean won)							
Hana Tourist Inc.	₩ 1,218,996	₩ -	₩ (136,047)	₩ (5,827)	₩ -	₩ -	₩ 1,077,122
Hanatour Europe s.r.l	-	-	-	-	-	-	-
Hanatourist USA Inc.(*1)	53,971	1,066	(6,741)	3,223	-	2,125	53,644
Good Public Training Inc.	24,758	-	-	(20,425)	-	-	4,333
Center Mark Hotel Inc.	3,919,682	-	-	151,695	-	-	4,071,377
OK Tour Service Inc.	4,892	-	-	-	-	-	4,892
Hotel & Air Co., Ltd.	15,083,486	-	-	120,934	7,238	-	15,211,658
Polaris TV Co., Ltd	-	51	-	(51)	-	-	-
KBIZ INTER BizTour Co., Ltd.	-	1,202,240	-	131,448	-	-	1,333,688
	<u>₩ 20,305,785</u>	<u>₩ 1,203,357</u>	<u>₩ (142,788)</u>	<u>₩ 380,997</u>	<u>₩ 7,238</u>	<u>₩ 2,125</u>	<u>₩ 21,756,714</u>

(*1) The Group's ownership interests in Hanatour USA Inc. increased due to the debt-equity swap during the year ended December 31, 2014.

(3) Summary of financial information of the major associates and joint ventures as of and for the years ended December 31, 2015 and 2014 is as follows:

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
	<u>4,482,511</u>	<u>16,069,678</u>	<u>42,202,744</u>	<u>6,532,432</u>
Current liabilities	847,732	7,877,130	11,577,328	2,704,841
Non-current liabilities	9,960	1,474,890	109,142	-
	<u>857,692</u>	<u>9,352,020</u>	<u>11,686,470</u>	<u>2,704,841</u>
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

Description	December 31, 2014			
	Hana Tourist Inc.	Center Mark Hotel Inc.	Hotel & Air Co., Ltd.	KBIZ INTER BizTour Co., Ltd.
	(In thousands of Korean won)			
Current assets	₩ 3,247,907	₩ 485,454	₩ 36,735,568	₩ 5,740,521
Non-current assets	1,087,149	17,156,226	321,805	347,685
	<u>4,335,056</u>	<u>17,641,680</u>	<u>37,057,373</u>	<u>6,088,206</u>
Current liabilities	761,539	7,524,074	6,585,318	2,814,682
Non-current liabilities	10,746	1,974,850	48,739	-
	<u>772,285</u>	<u>9,498,924</u>	<u>6,634,057</u>	<u>2,814,682</u>
Operating revenue	10,989,740	7,608,803	2,028,126	3,692,992
Operating income	(41,808)	614,771	(232,981)	716,737
Net income	(19,274)	303,390	241,868	657,241
Other comprehensive income	-	-	14,476	-
Total comprehensive income	₩ (19,274)	₩ 303,390	₩ 255,344	₩ 657,241

(4) Condensed additional financial information of the Group's major associates and joint ventures as of and for the years ended December 31, 2015 and 2014, is as follows:

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

Name of the company	December 31, 2014						
	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.	₩ 390,475	₩ 441,710	₩ -	₩ 236,417	₩ 58,454	₩ -	₩ 13,226
Center Mark Hotel Inc.	264,802	7,429,777	1,974,850	21,186	11,005	382,365	-
Hotel & Air Co., Ltd.	2,383,223	4,182,886	-	77,479	548,880	3,867	53,209
KBIZ INTER BizTour Co., Ltd.	1,996,170	2,624,781	-	4,078	79,152	-	144,417

(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, 2015 and 2014, are as follows:

Description	December 31, 2015	December 31, 2014
	(In thousands of Korean Won)	
Loss for the year	₩ (11,251)	₩ (17,253)
Other comprehensive income	-	-
Total comprehensive loss	<u>₩ (11,251)</u>	<u>₩ (17,253)</u>

- (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 of December 31, 2015 is as follows:

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)			
Net asset (A)	₩ 3,624,819	₩ 6,717,658	₩ 30,516,274	₩ 3,827,591
Ownership percentage (B)	30.23%	50.00%	50.00%	20.00%
The Group's share of net asset (AxB)	1,095,881	3,358,829	15,258,137	765,518
(+)Goodwill	-	-	-	678,983
(-)Elimination of intragroup transaction	41,605	-	-	-
Book value	₩ 1,054,276	₩ 3,358,829	₩ 15,258,137	₩ 1,444,502

12. INVESTMENT PROPERTY:

- (1) Investment property as of December 31, 2015 and 2014 consists of the following:

Description	December 31, 2015		
	Land	Buildings	Total
	(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

Description	December 31, 2014		
	Land	Buildings	Total
	(In thousands of Korean won)		
Acquisition cost	₩ 2,252,696	₩ 2,101,245	₩ 4,353,941
Accumulated depreciation	-	(215,696)	(215,696)
Book value	₩ 2,252,696	₩ 1,885,549	₩ 4,138,245

- (2) The changes in investment property for the years ended December 31, 2015 and 2014 are as follows:

Description	December 31, 2015		
	Land	Buildings	Total
	(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

Description	December 31, 2014				
	Land		Buildings		Total
	(In thousands of Korean won)				
Beginning balance	₩	3,453,590	₩	519,011	₩ 3,972,601
Acquisition		805,818		1,864,555	2,670,373
Depreciation		-		(65,718)	(65,718)
Transfer(*)		(1,945,195)		(291,024)	(2,236,219)
Foreign exchange differences		(61,517)		(141,275)	(202,792)
Ending balance	₩	2,252,696	₩	1,885,549	₩ 4,138,245

(*) Transferred from investment property to property and equipment

(3) Income and expenses related to investment property for the years ended December 31, 2015 and 2014 are as follows:

Description	2015		2014	
	(In thousands of Korean won)			
Rental income	₩	749,025	₩	608,895
Operating expense		(267,702)		(113,892)
	₩	481,323	₩	495,003

(4) The fair values of investment property as of December 31, 2015 are as follows :

Description	Book value		Fair value(*)	
	(In thousands of Korean won)			
Land	₩	786,259	₩	920,704
Buildings		1,607,046		1,626,925

(*) The fair value of investment property is classified as Level 3 (unobservable inputs for the asset or liability) based on inputs that were used in valuation technique.

13. PROPERTY AND EQUIPMENT:

(1) Property and equipment as of December 31, 2015 and 2014 consists of the following:

Description	December 31, 2015								
	Land	Buildings	Machinery	Vehicles	Furniture	Equipment	Finance lease asset	Construction in progress	Total
	(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

Description	December 31, 2014								
	Land	Buildings	Machinery	Vehicles	Furniture	Equipment	Finance lease asset	Total	
	(In thousands of Korean Won)								
Acquisition cost:	₩ 25,018,123	₩ 12,283,829	₩ 1,286,616	₩ 11,287,272	₩ 12,798,492	₩ 3,479,784	₩ 3,058,976	₩ 69,213,092	
Accumulated depreciation	-	(3,850,341)	(1,063,559)	(7,768,818)	(8,570,225)	(1,208,977)	(440,189)	(22,902,109)	
Book value	₩ 25,018,123	₩ 8,433,488	₩ 223,057	₩ 3,518,454	₩ 4,228,267	₩ 2,270,807	₩ 2,618,787	₩ 46,310,983	

(2) The changes in property and equipment for the years ended December 31, 2015 and 2014 are as follows:

Description	For the year ended December 31, 2015								
	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 is 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.

Description	For the year ended December 31, 2014								
	Land(*1)	Buildings (*1)	Machinery	Vehicles	Furniture(*2)	Equipment	Finance lease asset	Total	
	(In thousands of Korean Won)								
Beginning of year	₩ 21,910,471	₩ 5,352,875	₩ 114,191	₩ 2,411,342	₩ 4,003,741	₩ 1,024,538	₩ -	₩ 34,817,158	
Acquisition	1,503,116	3,560,911	157,452	2,354,470	2,259,470	1,772,856	3,642,076	15,250,351	
Disposal	-	-	-	(3,847)	(41,225)	(8,338)	(330,275)	(383,685)	
Depreciation	-	(500,113)	(48,586)	(988,475)	(1,896,469)	(496,944)	(476,570)	(4,407,157)	
Transfer (*1,2)	1,945,195	291,024	-	-	(87,024)	-	-	2,149,195	
Effect of exchange rate	(340,659)	(271,209)	-	(255,036)	(10,226)	(21,305)	(216,444)	(1,114,879)	
End 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	

(*1) Investment property of ₩1,945,195 thousand and ₩291,024 thousand is transferred to Land and Buildings, respectively, during the year ended December 31, 2014.

(*2) Furniture of ₩87,024 thousands is transferred to software during the year ended December 31, 2014.

(3) The Group recognized depreciation expense of ₩5,967,885 thousand and ₩4,407,157 thousand as operating expense for the years ended December 31, 2015 and 2014, respectively.

14. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2015 and 2014, consist of the following:

Description	December 31, 2015							
	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

December 31, 2014

Description	Goodwill	Trademarks	Patents	Software	Membership	Other intangible assets	Intangible assets under acquisition	Total
Acquisition cost	₩ 804,879	₩ 212,276	₩ 8,275	₩ 25,455,072	₩ 1,055,497	₩ 1,509,747	₩ 1,497,981	₩ 30,543,727
Accumulated amortization	-	(103,410)	(5,341)	(16,560,986)	(143,429)	(1,181,932)	-	(17,995,098)
Accumulated impairments	-	-	-	(193,802)	(85,023)	(295)	-	(279,120)
End of year	₩ 804,879	₩ 108,866	₩ 2,934	₩ 8,700,284	₩ 827,045	₩ 327,520	₩ 1,497,981	₩ 12,269,509

(2) The changes in intangible assets for the years ended December 31, 2015 and 2014 are as follows:

For the year ended December 31, 2015

Description	Goodwill	Trademarks	Patents	Software	Membership	Other intangible assets	Intangible assets under acquisition	Total
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 current period.

(*2) The Goodwill is acquired due to SM duty free Co., Ltd. that is reclassified as a subsidiary during current period. (see Note 39)

For the year ended December 31, 2014

Description	Goodwill	Trademarks	Patents	Software(*)	Membership	Other intangible assets	Intangible assets under acquisition	Total
Beginning of year	₩ 804,879	₩ 113,533	₩ 4,185	₩ 5,379,903	₩ 943,919	₩ 268,469	₩ 3,663,556	₩ 11,178,444
Acquisition	-	34,732	-	2,266,694	39,400	147,494	1,782,890	4,271,210
Disposal	-	-	-	(6,120)	(68,005)	-	-	(74,125)
Transfer(*)	-	-	-	4,034,677	-	-	(3,947,653)	87,024
Amortization	-	(39,345)	(1,251)	(2,975,158)	(50,602)	(91,643)	-	(3,157,999)
Impairment Loss	-	-	-	-	(37,667)	-	-	(37,667)
Effect of exchange rate	-	(54)	-	288	-	3,200	(812)	2,622
End of year	₩ 804,879	₩ 108,866	₩ 2,934	₩ 8,700,284	₩ 827,045	₩ 327,520	₩ 1,497,981	₩ 12,269,509

(*) Furniture of ₩87,024 thousand is transferred to software during current period.

(3) The Group recognized amortization expense of ₩3,738,609 thousand and ₩3,157,999 thousand as operating expense for the years ended December 31, 2015 and 2014, 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 19%. 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 ₩45,384 thousand is recognized based on the impairment test for the year ended December 31, 2015.

15. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015		December 31, 2014	
	Current	Non-current	Current	Non-current
	(In thousands of Korean won)			
Long-term financial instruments	₩ -	₩ 13,908,332	₩ -	₩ 262,500
Deposits	104,164	28,609,061	-	20,434,858
Long-term loans	-	1,709,400	-	305,000
	<u>₩ 104,164</u>	<u>₩ 44,226,793</u>	<u>₩ -</u>	<u>₩ 21,002,358</u>

(2) There are no changes in allowance for long-term loans for the years ended December 31, 2015 and the changes in allowance for long-term loans for the years ended December 31, 2014 are as follows:

Description	2014
	(In thousands of Korean won)
Beginning of year	₩ (11,752)
Write-off	1,752
Reversal	10,000
End of year	<u>₩ -</u>

16. BORROWINGS:

(1) Short-term borrowings as of December 31, 2015 and 2014 are as follows:

Description	Financial institutions	Interest rate	December 31,	December 31,
		(as of December 31, 2015)	2015	2014
			(In thousands of Korean won)	
General loan	Sumitomo Mitui Bank(*1)	1.48	₩ 972,010	₩ -
	SBJ Bank(*2)	1.88~2.10	2,954,910	13,025,713
	Hana Bank(*3)	2.40	15,000,000	-
	Others	-	300,000	300,000
			<u>₩ 19,226,920</u>	<u>₩ 13,325,713</u>

(*1) As of December 31, 2015, payment guarantees are provided by the directors of subsidiaries to the financial institutions. (refer to note 33)

(*2) As of December 31, 2015, payment guarantees are provided by the directors of subsidiaries and land and buildings of consolidated entity are provided as collateral to the financial institutions. (refer to note 33 and 34)

(*3) As of December 31, 2015, payment guarantees are provided by parent company to the financial institutions.

(2) Long-term borrowings as of December 31, 2015 and 2014 are as follows:

Description	Financial institutions	Interest rate (as of December 31, 2015)	December 31,			
			2015	December 31, 2014		
(In thousands of Korean won)						
General loan	Kansai Bank(*1)	1.00~1.60	₩	1,467,337	₩	339,301
	Sumitomo Mitui Bank(*1)	0.60~1.48		1,934,299		558,231
	Mizho Bank(*1)	1.64		729,008		1,610,245
	SBJ bank(*2)	2.00~2.50		4,940,717		715,501
				9,071,361		3,223,278
Less: Current portion				(2,392,078)		(1,485,989)
			₩	6,679,283	₩	1,737,289

(*1) As of December 31, 2015, payment guarantees are provided by the directors of subsidiaries to the financial institutions. (refer to note 33)

(*2) As of December 31, 2015, payment guarantees are provided by the directors of subsidiaries and land and buildings are provided as collateral to the financial institution. (refer to note 33 and 34)

17. OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES:

(1) Other payables (current and non-current) as of December 31, 2015 and 2014 are as follows:

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

Description	December 31, 2014	
	Current	Non-current
(In thousands of Korean won)		
Accounts payable-other	₩ 4,596,044	₩ 1,996,718
Accrued expense	16,775,259	60,000
	₩ 21,371,303	₩ 2,056,718

(2) Other financial liabilities as of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015		December 31, 2014	
	(In thousands of Korean won)			
Rental deposits received	₩	2,477,451	₩	4,326,259
Operating deposits		236,063		180,548
Accrued dividends		53		24
Financial guarantee liabilities		30,263		30,148
	₩	2,743,830	₩	4,536,979

18. FINANCE LEASE LIABILITIES:

(1) Lease contract

As of December 31, 2015, 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 of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015		December 31, 2014	
	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	₩ 662,370	₩ 656,244	₩ 641,246	₩ 635,565
Over than 1 year, less than 5 years	1,593,546	1,514,806	2,104,722	1,980,710
Over than 5 years	-	-	109,710	101,031
	<u>₩ 2,255,916</u>	<u>₩ 2,171,050</u>	<u>₩ 2,855,678</u>	<u>₩ 2,717,306</u>

(3) Current/non-current distinction of finance lease liabilities as of December 31, 2015 and 2014 is as follows:

Description	December 31, 2015	December 31, 2014
	(In thousands of Korean won)	
Current assets	₩ 656,244	₩ 635,565
Non-current assets	1,514,806	2,081,741
	<u>₩ 2,171,050</u>	<u>₩ 2,717,306</u>

19. PROVISION:

As of December 31, 2015 and 2014, the Group accounts provision for award credits granted as part of its advertising activities. Expenditure expected to be paid in the future for potential 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, 2015 and 2014 are as follows:

Description	For the year ended December 31, 2015					
	January 1, 2015	Charged (reversal)	Reimbursements by third parties(*)	Used	Effect of exchange rate	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
	<u>₩ 1,993,855</u>	<u>₩ 452,647</u>	<u>₩ 228,875</u>	<u>₩ (378,781)</u>	<u>₩ 1,231</u>	<u>₩ 2,297,827</u>

(*) Out of this amount, third party reimbursement which the Group has the contractual right to receive as compensation for accident is ₩228,875 thousand which is recognized as the accounts receivable-other.

Description	For the year ended December 31, 2014				
	January 1, 2014	Charged	Reimbursements by third parties(*)	Used	December 31, 2014
	(In thousands of Korean won)				
Provision for award credits	₩ 534,226	₩ 371,927	₩ -	₩ (278,979)	₩ 627,174
Provision for sales returns	3,479	-	-	(15)	3,464
Other provision	357,004	596,104	617,011	(206,902)	1,363,217
	<u>₩ 894,709</u>	<u>₩ 968,031</u>	<u>₩ 617,011</u>	<u>₩ (485,896)</u>	<u>₩ 1,993,855</u>

(*) Out of this amount, third party reimbursement which the Group has the contractual right to receive as compensation for accident is ₩617,011 thousand which is recognized as the accounts receivable-other.

20. OTHER CURRENT LIABILITIES:

Other current liabilities as of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015		December 31, 2014	
	(In thousands of Korean won)			
Unearned income	₩	342,548	₩	155,618
Withholdings		1,682,495		1,701,573
Value-added tax withholding		5,117,668		4,927,404
Others		2,736		13,659
Deferred income		8,558,243		7,842,957
	₩	<u>15,703,690</u>	₩	<u>14,641,211</u>

Deferred income is related to award credits (customer loyalty program) that the Group pays for certain portion of travel packages through award credits in the future, when a customer purchases a travel package with a business partner card. The Group records the expected future obligations as deferred revenue and deducts it from operating revenue.

21. RETIREMENT BENEFIT PLAN:

As of December 31, 2015, 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 ₩7,973,925 thousand and ₩7,205,970 thousand, for the years ended December 31, 2015 and 2014, respectively.

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES:

(1) The book value and fair value of financial assets as of December 31, 2015 and 2014 are as follows:

Category	Accounts	December 31, 2015		December 31, 2014	
		Book value	Fair value	Book value	Fair value
(In thousands of Korean won)					
Financial assets AFS	Financial assets AFS	₩ 7,917,997	₩ 7,917,997	₩ 8,284,209	₩ 8,284,209
Loans and Receivables	Cash and cash equivalents	146,485,490	146,485,490	113,930,509	113,930,509
	Short-term financial instruments	60,688,614	60,688,614	107,352,265	107,352,265
	Trade receivables	57,383,585	57,383,585	49,887,596	49,887,596
	Other receivables	23,225,142	23,225,142	17,742,158	17,742,158
	Finance lease receivables	1,170,671	1,170,671	40,215	40,215
	Long-term finance lease receivables	1,844,267	1,844,267	255,959	255,959
	Other financial assets (current)	104,164	104,164	-	-
	Other financial assets (non-current)	44,226,793	44,226,793	21,002,358	21,002,358
FVTPL	FVTPL	1,015,625	1,015,625	-	-
		<u>₩ 344,062,348</u>	<u>₩ 344,062,348</u>	<u>₩ 318,495,269</u>	<u>₩ 318,495,269</u>

(2) The book value and fair value of financial liabilities as of December 31, 2015 and 2014 are as follows:

Category	Accounts	December 31, 2015		December 31, 2014	
		Book value	Fair value	Book value	Fair value
(In thousands of Korean won)					
Financial liabilities measured at amortized cost	Trade payables	₩ 75,471,166	₩ 75,471,166	₩ 75,825,634	₩ 75,825,634
	Other payables	29,728,126	29,728,126	21,371,303	21,371,303
	Short-term borrowings	19,226,920	19,226,920	13,325,713	13,325,713
	Current portion of long-term borrowings	2,392,078	2,392,078	1,485,989	1,485,989
	Finance lease liabilities	656,244	656,244	635,565	635,565
	Other financial liabilities	2,743,830	2,743,830	4,536,979	4,536,979
	Long-term other payables	2,871,608	2,871,608	2,056,718	2,056,718
	Long-term borrowings	6,679,283	6,679,283	1,737,289	1,737,289
	Long-term finance lease liabilities	1,514,806	1,514,806	2,081,741	2,081,741
		<u>₩ 141,284,061</u>	<u>₩ 141,284,061</u>	<u>₩ 123,056,931</u>	<u>₩ 123,056,931</u>

(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. Since the fair value is not reliably measurable for the equity securities which classified as AFS financial assets, the equity securities are presented at acquisition cost.

(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 of December 31, 2015 and 2014 are as follows:

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
	<u>₩ 22,780</u>	<u>₩ -</u>	<u>₩ 5,158,376</u>	<u>₩ 5,181,156</u>

Description	December 31, 2014			
	Level 1	Level 2	Level 3	Total
(In thousands of Korean won)				
AFS financial assets	₩ 13,288	₩ -	₩ 4,568,460	₩ 4,581,748

3) Valuation method for measurement of fair value 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, 2015	₩ 991,750	₩ 23,875
Approach to Valuation	Income approach	Option pricing model
Valuation method	Discounted cash flow method	Binomial model
Discount Rate	Cost of equity Capital(7.11%)	BB-(13.7%)
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, 2015	₩ 3,780,320
Approach to Valuation	Income approach
Valuation method	Discounted cash flow method
Discount Rate	Cost of equity Capital(6.76%)
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 fair value of AFS equity of Seoul Tour Marketing Inc. and Hotel and Fly Inc. is measured based on shares of net assets. As of December 31, 2015, the acquisition cost of AFS of the above amounts to ₩600,000 thousand and ₩39,800 thousand respectively. As of December 31, 2015, fair value of AFS of the above amounts to ₩334,451 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, 2015.

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 Value of convertible and redeemable right	Discount rate	₩ 100,700	₩ (75,700)	₩ -	₩ -
		Stock price volatility	1,200	(1,175)	-	-
JR Invest Company Inc.		Discount rate	-	-	133,864	(128,100)

7) The change of book value of AFS categorized within Level 3 for value hierarchy for the years ended December 31, 2015 and 2014, are as follows :

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
	<u>₩ 4,568,460</u>	<u>₩ 1,000,000</u>	<u>₩ -</u>	<u>₩ (410,084)</u>	<u>₩ -</u>	<u>₩ 5,158,376</u>

December 31, 2014						
Description	Beginning of year	Acquisitions	Disposals	Gain(loss) on valuation	Transfers within level	End of year
(In thousands of Korean Won)						
AFS financial assets	₩ 5,273,700	₩ -	₩ -	₩ (705,240)	₩ -	₩ 4,568,460

23. CAPITAL STOCK AND OTHER CONTRIBUTED CAPITAL:

(1) Capital stock as of December 31, 2015 and 2014 consists of the following:

Description	December 31, 2015	December 31, 2014
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 of December 31, 2015 and 2014 are as follows:

Description	December 31, 2015	December 31, 2014
(In thousands of Korean won)		
Stock paid-in capital in excess of par value	₩ 60,688,560	₩ 60,688,560
Treasury share	(35,643,628)	(37,247,137)
Gain on disposal of treasury share	11,973,390	11,859,083
Stock option	1,987,419	2,528,153
Other capital surplus(*)	18,316,285	19,553,932
	<u>₩ 57,322,026</u>	<u>₩ 57,382,591</u>

(*) Other capital surplus is mainly composed of transferred amount of stock option which is 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 of December 31, 2015 and 2014 are as follows:

Type of share	December 31, 2015			December 31, 2014		
	Number of shares	Acquisition cost	Book value	Number of shares	Acquisition cost	Book value
(In thousands of Korean won)						
Common shares	576,163 shares	₩ 35,643,628	₩ 35,643,628	602,083 shares	₩ 37,247,137	₩ 37,247,137

24. COMPONENTS OF OTHER CAPITAL:

(1) The details of components of other capital as of December 31, 2015 and 2014 are as follows:

Accounts	December 31, 2015	December 31, 2014
	(In thousands of Korean won)	
Loss on valuation of AFS financial assets	₩ (935,967)	₩ (617,832)
Loss on foreign business translation	(128,769)	(859,810)
Loss on valuation of investment securities accounted for using the equity method	(90,608)	(64,762)
	<u>₩ (1,155,344)</u>	<u>₩ (1,542,404)</u>

(2) The changes of components of other capital for the years ended December 31, 2015 and 2014 are as follows:

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
	<u>(617,832)</u>	<u>(318,135)</u>	<u>(935,967)</u>
Gain (loss) on foreign business translation	(1,115,188)	947,695	(167,493)
Less: income tax effect	255,378	(216,654)	38,724
	<u>(859,810)</u>	<u>731,041</u>	<u>(128,769)</u>
Loss on valuation of investment securities accounted for using the equity method	(64,762)	(25,846)	(90,608)
	<u>₩ (1,542,404)</u>	<u>₩ 387,060</u>	<u>₩ (1,155,344)</u>

Description	For the year ended December 31, 2014		
	January 1, 2014	Increase/Decrease	December 31, 2014
	(In thousands of Korean won)		
Loss on valuation of AFS financial assets	₩ (88,178)	₩ (713,075)	₩ (801,253)
Less: income tax effect	20,091	163,330	183,421
	<u>(68,087)</u>	<u>(549,745)</u>	<u>(617,832)</u>
Loss on foreign business translation	(860,473)	(254,715)	(1,115,188)
Less: income tax effect	209,114	46,264	255,378
	<u>(651,359)</u>	<u>(208,451)</u>	<u>(859,810)</u>
Gain (loss) on valuation of investment securities accounted for using the equity method	(72,000)	7,238	(64,762)
	<u>₩ (791,446)</u>	<u>₩ (750,958)</u>	<u>₩ (1,542,404)</u>

25. RETAINED EARNINGS:

(1) Retained earnings as of December 31, 2015 and 2014 are as follows:

Description	Accounts	December 31, 2015	December 31, 2014
(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	131,041,028	114,738,417
		<u>₩ 134,943,490</u>	<u>₩ 118,640,879</u>

(*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, 2015 and 2014, is as follows:

Description	2015	2014
(In thousands of Korean won, except for par value and dividend per share)		
Par value	₩ 500	₩ 500
Dividend rate	160.0%	140.0%
Dividend per share (*1)	800	700
Number of shares for dividends (*2)	11,040,022	11,014,102
Proposed dividend	8,832,018	7,709,871
Interim dividend (*3)	7,728,015	6,768,541
Total dividend	16,560,033	14,478,412
Net income	31,740,498	33,437,531
Dividend propensity	52.2%	43.3%

(*1) Dividend per share was calculated excluding interim dividend.

(*2) Number of shares for dividends excludes treasury share of 576,163 (previous period: 602,083 shares)

(*3) Based on the decision of board of directors meeting held on July 13, 2015, interim dividend of ₩700 (previous period: ₩600) per share for total 11,040,022 shares, excluding treasury share (previous period: 11,280,902 shares) was paid.

(3) The computation of dividend yield ratio for the years ended December 31, 2015 and 2014, is as follows:

Description	Korean won	
	2015	2014
Dividend per share (*)	1,500	1,300
Share price at the end of the year	₩ 115,000	₩ 77,900
Rate of dividend yield to market price	1.3%	1.7%

(*) 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, 2015, is as follows:

	2013.04.01 Granted	2014.04.01 Granted	Total
2015.01.01	26,130	28,680	54,810
Cancelled	(210)	(2,150)	(2,360)
Exercised	(25,920)	-	(25,920)
2015.12.31	<u>-</u>	<u>26,530</u>	<u>26,530</u>

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, 2015 are as follows:

	2012.05.04	2014.03.24	Total
2015.01.01	800,000	100,000	900,000
Exercised	(100,000)	-	(100,000)
2015.12.31	<u>700,000</u>	<u>100,000</u>	<u>800,000</u>

- (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 of December 31, 2015, are as follows:

Grant date	2012.05.24	2014.03.24
Exercise price(*)	₩ 531	₩ 903
Exercisable periods	2015-05-04 ~ 2016-05-03	2017.03.24 ~ 2018.03.24
Vesting period	Three years	Three years
Risk-free interest	3.49%	2.87%
Expected rate of extinction	3.85%	-
Expected exercisable periods	3.5 years	3.5 years
Total compensation expense (Korean won in thousands)	₩ 299,674	₩ 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, 2015 and 2014, the Group amortized ₩1,251,459 thousand and ₩2,007,698 thousand, respectively, as stock compensation expense in operating expenses and other contributed capital.

27. OPERATING REVENUE:

Operating revenue for the years ended December 31, 2015 and 2014 consists of the following:

Description	Korean won	
	2015	2014
	(In thousands of Korean won)	
Revenue from the rendering of service	₩ 434,693,411	₩ 380,300,691
Revenue from the sale of goods	24,732,272	5,157,239
	<u>₩ 459,425,683</u>	<u>₩ 385,457,930</u>

28. OPERATING EXPENSE:

The classification of expenses by nature for the years ended December 31, 2015 and 2014 is as follows:

Description	2015	2014
	(In thousands of Korean won)	
Used raw materials and merchandise	₩ 16,773,068	₩ 3,969,546
Changes in inventories	(7,618,447)	(712,147)
Salaries	106,442,922	96,858,755
Incentives	9,653,719	6,636,647
Miscellaneous salaries	331,530	269,012
Provision for severance benefits	7,973,925	7,205,970
Welfare expense	14,466,172	12,431,255
Travel and transportation	1,732,283	1,645,492
Communication	3,285,946	3,046,154
Taxes and dues	2,000,662	2,103,279
Insurance	2,449,343	2,285,595
Entertainment	2,330,223	1,933,838
Advertising	25,831,160	20,002,445
Depreciation	5,314,047	3,930,587
Depreciation of investment property	174,920	65,718
Bad debt expense	698,026	835,846
Amortization of intangible assets	3,738,609	3,157,999
Car maintenance	271,922	253,489
Training	567,236	337,722
Depreciation of finance lease assets	653,838	476,570
Card service fees	18,948,062	17,700,602
Service fees and charges	34,345,852	24,793,367
Maintenance	513,914	160,727
Supplies	2,146,910	1,621,007
Printing	1,356,357	1,640,772
Bus service cost	4,524,382	4,177,775
Hotel service cost	2,298,679	1,138,057
Rent	15,994,655	10,093,478
Per diem	1,689,186	1,503,678
Books	35,530	42,213
Tour service fee	133,141,519	111,211,763
Miscellaneous expense	568,149	1,024,812
Stock compensation expense	1,251,459	2,007,698
Other expenses	790,419	1,163,769
	₩ 414,676,177	₩ 345,013,490

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

(1) Financial income and expense for the years ended December 31, 2015 and 2014 consists of the following:

Description	Accounts	2015	2014
		(In thousands of Korean won)	
Financial income	Interest income	₩ 3,705,661	₩ 4,344,607
	Gain on valuation of FVTPL	15,625	-
		3,721,286	4,344,607
Financial expense	Interest expense	405,422	271,631

(2) Share of the gain(loss) of associates for the years ended December 31, 2015 and 2014, consists of the following:

Description	Accounts	2015	2014
(In thousands of Korean won)			
Share of the gain (loss) of Associates	Gain on valuation using equity method	₩ 250,992	₩ 407,300
	Loss on valuation using equity method	(723,799)	(26,303)
	Loss on disposal of investment in associates and joint venture	51	-
		<u>₩ (472,756)</u>	<u>₩ 380,997</u>

(3) Other income and expense for the years ended December 31, 2015 and 2014, consists of the following:

Description	Accounts	2015	2014
(In thousands of Korean won)			
Other income	Gain on foreign currency transactions	₩ 2,649,223	₩ 1,737,154
	Gain on foreign currency translation	255,271	381,146
	Gain on disposal of property and equipment	142,982	313,371
	Gain on disposal of intangible asset	-	42,142
	Gain from assets contributed	27,084	-
	Miscellaneous gains	4,205,938	2,446,953
		<u>₩ 7,280,498</u>	<u>₩ 4,920,766</u>
Other expense	Loss on foreign exchange transaction	3,834,480	₩ 2,099,347
	Loss on foreign currency translation	471,351	222,816
	Loss on disposal of property and equipment	966,655	26,032
	Loss on disposal of intangible assets	56,869	-
	Impairment of intangible assets	79,021	37,667
	Other bad debt expense	531,239	395,200
	Donation	643,616	577,349
	Miscellaneous loss	1,343,782	245,605
		<u>₩ 7,927,013</u>	<u>₩ 3,604,016</u>

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, 2015 and 2014, is as follows:

<Financial income>

Categories	Accounts	2015	2014
(In thousands of Korean won)			
FVTPL	Gain on valuation of FVTPL	₩ 15,625	₩ -
Loans and receivables	Interest income	3,705,661	4,344,607
		<u>₩ 3,721,286</u>	<u>₩ 4,344,607</u>

<Financial expense>

Categories	Accounts	2015	2014
(In thousands of Korean won)			
Financial liabilities measured at amortized cost	Interest expense	₩ 405,422	₩ 271,631

31. INCOME TAX EXPENSE:

(1) The components of income tax expense for the years ended December 31, 2015 and 2014, are as follows:

Description	2015		2014	
	(In thousands of Korean Won)			
Income tax imposed for the year	₩	15,438,752	₩	12,393,623
Change in deferred income tax assets (liabilities) due to temporary differences		(1,271,671)		(1,123,592)
Changes in tax loss carry forwards		(1,196,821)		(386,854)
Changes in tax credit carry forwards		(6,708)		-
Current income tax expenses directly charged to equity		(34,375)		(291,785)
Deferred income tax expenses directly charged to equity		(168,598)		294,691
Others		23,810		(58,208)
Income tax expense	₩	12,784,389	₩	10,827,875

(2) Tax reconciling items between income before income tax expense and income tax expense for the years ended December 31, 2015 and 2014, are as follows:

Description	2015		2014	
	(In thousands of Korean Won)			
Income before income tax expense	₩	46,946,098	₩	46,215,163
Income tax applicable tax rates		12,345,298		11,411,902
Adjustment:				
Non-taxable income		(546,123)		(972,258)
Non-deductible expenses		698,508		759,606
Tax credit		(199,431)		(19,549)
Tax loss carryforwards		-		(303,137)
Changes in unrecognized income tax assets (liabilities)		659,607		127,294
Others		(173,470)		(175,983)
	₩	439,091	₩	(584,027)
Income tax expense		12,784,389		10,827,875
Effective tax rate		27.2%		23.4%

(3) The changes in deferred income tax assets (liabilities) for the years ended December 31, 2015 and 2014 are as follows:

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)
Financial assets AFS	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

For the year ended December 31, 2015			
Deferred tax assets (liabilities)			
Description	Beginning Balance	Increase/ Decrease	Ending Balance
(In thousands of Korean won)			
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

For the year ended December 31, 2014			
Deferred tax assets (liabilities)			
Description	Beginning balance	Increase/ Decrease	Ending Balance
(In thousands of Korean won)			
Cash and cash equivalents	₩ (2,079)	₩ (1,740)	₩ (3,819)
Trade and other receivables	440,501	167,263	607,764
Inventories	5,341	(2,052)	3,289
Other current assets	2,220	(6,193)	(3,973)
Property and equipment	280,881	7,150	288,031
Intangible assets	(21,936)	5,832	(16,104)
Financial assets AFS	114,229	163,790	278,019
Investments in associates and joint ventures	(2,661)	(34,462)	(37,123)
Trade and other payables	1,118,300	368,415	1,486,715
Other current financial liabilities	81,721	5,501	87,222
Other non-current financial liabilities	-	26,029	26,029
Other current liabilities	24,584	(2,621)	21,963
Deferred revenue	1,569,055	182,650	1,751,705
Provision	185,113	136,127	321,240
Other non-current liabilities	25,219	12,831	38,050
Long-term other payables	39,871	(35,797)	4,074
Gain (Loss) on foreign business translation	277,287	131,361	408,648
Other non-current financial assets	59,134	(172)	58,962
Others	15,906	(320)	15,586
Deferred income tax assets (liabilities) due to temporary difference (A)	4,212,686	1,123,592	5,336,278
Deferred income tax assets (liabilities) due to tax loss carry forwards (B)	108,526	386,854	495,380
Deferred income tax assets (A+B)	₩ 4,321,212	₩ 1,510,446	₩ 5,831,658

(4) Details of the tax effect of temporary differences and others excluded in recognizing deferred income tax assets (liabilities) as of December 31, 2015 and 2014, are as follows:

Description	2015	2014
(In thousands of Korean Won)		
Investments in associates and subsidiaries	₩ 1,320,071	₩ 1,255,556
Tax loss carry forwards	595,092	-
Foreign tax credit (*)	83,029	3,460

(*) 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, 2015 and 2014, are as follows:

Description	2015	2014
	(In thousands of Korean Won)	
Income tax payable charged to equity:		
Gain on disposal of treasury stocks	₩ (34,375)	₩ (291,785)
Deferred income tax assets(liabilities) charged to equity:		
Loss on foreign business translation	(266,680)	131,361
Loss on valuation of AFS financial assets	98,082	163,330
	₩ (168,598)	₩ 294,691

32. EARNINGS PER SHARE:

- (1) Basic net income per share for the years ended December 31, 2015 and 2014, is computed as follows:

	2015	2014
Net income attributable to owners of the Parent Company	₩ 31,740,497,588	₩ 33,437,531,402
Weighted average number of common shares outstanding during the period	11,033,603 shares	11,228,899 shares
Basic net income per share	₩ 2,877	₩ 2,978

- (2) Diluted net income per share for the year ended December 31, 2015 and 2014, is computed as follows:

	2015	2014
Common share-Net income for calculating diluted net income per share	₩ 31,740,497,588	₩ 33,437,531,402
Adjusted weighted average number of common shares outstanding during the period	11,067,394 shares	11,281,576 shares
Diluted net income per share	₩ 2,868	₩ 2,964

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 shares for calculating diluted net income per share is computed as follows:

	2015	2014
Weighted average number of common shares for calculating basic net income per share	11,033,603 shares	11,228,899 shares
The weighted number of shares that are assumed to be issued for free due to stock option and etc.	33,791 shares	52,677 shares
Weighted average number of common shares for calculating diluted net income per share	11,067,394 shares	11,281,576 shares

33. RELATED-PARTY TRANSACTIONS:

(1) Significant transactions with related parties for the years ended December 31, 2015 and 2014, are as follows:

	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.	49,436	41,885	-	21,195	42,000	-

	For the year ended December 31, 2014					
	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.	₩ 587,458	₩ 136,047	₩ -	₩ 10,189,769	₩ -	₩ -
Hana Tourist USA Inc.	-	24,030	-	6,050	-	-
Hotel & Air Co., Ltd.	223,356	-	-	794,025	-	-
Polaris TV Co., Ltd.	14,630	-	-	525,101	-	-
Center Mark Hotel Inc.	46,650	63,659	-	16,049	48,000	-

(2) There are no significant cash transaction with related parties for the years ended December 31, 2015, however, for the years ended December 31, 2014, the information is as follows:

	December 31, 2014					
	Loans		Debts		Investment	Investment
	Increase	Decrease	Increase	Decrease	In cash	in kind
	(In thousands of Korean won)					
<Associates>						
Hana Tourist USA Inc.	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 1,066

(3) Significant receivables and payables with related parties as of December 31, 2015 and 2014, are as follows:

	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

	December 31, 2014					
	Trade receivables	Loan	Other Receivables	Trade payables	Debt	Other payables
	(In thousands of Korean won)					
<Joint ventures and associates>						
Hana Tourist Inc.	₩ 8,102	₩ -	₩ 9,967	₩ -	₩ -	₩ 1,043,563
Hana Tourist USA Inc.	-	-	-	16,488	-	-
Hotel & Air Co., Ltd.	11,815	-	744,815	1,583,342	-	35,143
Polaris TV Co., Ltd.	1,980	-	250,000	-	-	35,670
Center Mark Hotel Inc.	6,152	-	-	40,315	-	-

(4) As of December 31, 2015, 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.	₩ 8,400,000	₩ 7,000,000	Hana Bank	Repayment of borrowings

(5) As of December 31, 2015, 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	1,606,974,200	1,251,393,810	SBJ Bank and etc.	Repayment of borrowings

(6) Compensation for registered directors and unregistered directors of the Group for the years ended December 31, 2015 and 2014, is as follows:

	2015		2014	
	(In thousands of Korean won)			
Payroll expense and others	₩	2,204,342	₩	2,046,366
Severance benefit expense		204,395		170,798
	₩	2,408,737	₩	2,217,164

34. **PLEGDED ASSETS:**

(1) Pledged assets provided as collateral for the Group's performance guarantees and others as of December 31, 2015, are as follows:

Pledged assets	Book value	Guaranteed amounts	Mortgagee	Description
(In thousands of Korean won)				
Short-term financial instruments	₩ 43,528,614	₩ 43,478,614	Hana Bank and etc.	Performance guarantee and others
Long-term financial instruments	13,708,347	13,708,347	Hana Bank and etc.	Performance guarantee and others
Land and buildings	8,713,383	7,464,055	SBJ Bank	Related to borrowings
	₩ 65,950,344	₩ 64,651,016		

- (2) Pledged asset provided as collateral to the third party other than related parties as of December 31, 2015, is 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 and others

35. COMMITMENTS AND CONTINGENCIES:

- (1) As of December 31, 2015, the Group is involved in 15 lawsuits as a defendant. These lawsuits are for compensation for damages amounting to ₩1,259,852 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 recognize contingent liabilities, in relation of the lawsuits, as the other provision. As of December 31, 2015, ₩1,259,852 thousand, amount in relation of the lawsuits, is recognized as other provision.
- (2) Payment guarantees provided by the third parties other than related parties as of December 31, 2015, are as follows:

Provider	Currency	Guaranteed limits	Currency	Guaranteed amounts	Description
		(In thousands of Korean won)			
Hana Bank	USD	7,000,000	USD	174,984	Performance guarantee and others
			JPY	1,500,000	
			CHF	100,000	
			EUR	230,000	
			HKD	700,000	
	HKD	700,000			
	KRW	50,065,000	KRW	50,065,000	
Seoul Guarantee Insurance Company	KRW	35,461,816	KRW	32,565,368	Performance guarantee and others
Shinhan Bank	KRW	1,053,000	KRW	1,053,000	
Korea Tourism Association	KRW	3,210,000	KRW	3,210,000	
Hua Nan Commercial Bank	TWD	5,000,000	TWD	5,000,000	
BBCN Bank	USD	625,166	USD	625,166	
UOB Bank	SGD	101,000	SGD	101,000	

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 segment for the years December 31, 2015 and 2014 are as follows:

	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	₩ 31,724,816	₩ (26,627,571)	₩ 459,425,682
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)	2,899,908	(4,453)	44,749,505

For the year ended December 31, 2014

	Travel	Duty free shop	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Operating revenue	₩ 371,826,053	₩ 5,284,327	₩ 28,758,620	₩ (20,411,070)	₩ 385,457,930
Operating expense	334,174,859	5,235,443	26,014,258	(20,411,070)	345,013,490
Operating income	37,651,194	48,884	2,744,362	-	40,444,440

(3) Total assets and liabilities by the Group's reportable segment as of December 31, 2015 and 2014 are as follows:

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

December 31, 2014					
	Travel	Duty free shop	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Total assets	₩ 474,743,261	₩ 2,733,484	₩ 34,921,568	₩ (75,006,326)	₩ 437,391,987
Total liabilities	258,833,897	1,867,752	12,240,643	(23,549,073)	249,393,219

(4) Geographical analysis of revenue and performance of the Group as of and for the years ended December 31, 2015 and 2014, are as follows:

December 31, 2015					
	Korea	Asia	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Operating revenue	₩ 426,929,442	₩ 54,387,662	₩ 4,736,149	₩ (26,627,571)	₩ 459,425,682
Operating expense	395,312,094	41,127,706	4,859,494	(26,623,118)	414,676,177
Operating income	31,617,348	13,259,956	(123,345)	(4,453)	44,749,505
Non-current asset	265,162,695	22,880,999	1,020,546	(124,959,887)	164,104,353

December 31, 2014					
	Korea	Asia	Others	Consolidation adjustments	Total for the Group
	(In thousands of Korean Won)				
Operating revenue	₩ 372,024,318	₩ 29,397,218	₩ 4,447,464	₩ (20,411,070)	₩ 385,457,930
Operating expense	336,662,661	24,717,655	4,044,244	(20,411,070)	345,013,490
Operating income	35,361,657	4,679,563	403,220	-	40,444,440
Non-current asset	152,216,927	20,215,574	1,165,908	(52,645,527)	120,952,882

(5) There is no single customer from which the Group's operating revenue is derived over 10% for the years ended December 31, 2015 and 2014.

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) Additions of expenses not involving cash outflows and others for the years ended December 31, 2015 and 2014, are as follows:

Description	2015	2014
	(In thousands of Korean won)	
Salaries	₩ 173,955	₩ 186,142
Advertising	494,720	371,927
Depreciation	5,314,047	3,930,586
Depreciation of investment property	174,920	65,718
Bad debt expense	698,026	835,846
Amortization of intangible assets	3,738,609	3,157,999
Depreciation of finance lease assets	653,838	476,570
Other expenses	(80,926)	596,104
Stock compensation expense	1,251,459	2,007,698
Interest expense	405,423	271,631
Loss on valuation using equity method	723,799	26,303
Loss on foreign currency translation	471,351	222,816
Loss on disposal of property and equipment	966,655	26,032
Loss on disposal of intangible assets	56,869	-
Impairment of intangible assets	79,021	37,667
Other bad debt expense	531,239	395,200
Deferred revenue	4,746,418	3,797,673
Miscellaneous loss	42,000	48,000
Income tax expense	12,784,389	10,827,875
Rent	71,869	-
	₩ 33,297,681	₩ 27,281,787

- (3) Deductions of income not involving cash inflows and others for the years ended December 31, 2015 and 2014, are as follows:

Description	2015	2014
	(In thousands of Korean won)	
Interest income	₩ 3,705,661	₩ 4,344,607
Gain on valuation using equity method	250,991	407,300
Gain on foreign currency translation	255,271	381,146
Gain on disposal of property and equipment	142,982	313,371
Gain on disposal of intangible assets	-	42,142
Miscellaneous gains	41,886	17,852
Gain on disposal of investment in associates and joint venture	51	-
Gain on valuation of FVTPL	15,625	-
Gain from assets contributed	27,084	-
	₩ 4,439,551	₩ 5,506,418

- (4) Investing and financing activities of non-cash transactions for the years ended December 31, 2015 and 2014, are as follows:

Description	2015	2014
	(In thousands of Korean won)	
Transfer of intangible assets under acquisition to software	₩ 1,559,717	₩ 3,947,653
Transfer of intangible assets under acquisition to trademark	7,484	-
Increase in accounts payables in relation to property and equipment acquisition	4,332,374	4,008,925
Increase in finance lease liabilities in relation to finance lease assets acquisition	2,044,818	2,717,306
Increase in accounts payables in relation to intangible assets acquisition	701,718	617,970
Transfer of investment property to property and equipment	1,700,479	2,236,219
Liquidity substitution of long-term debts	2,392,078	1,485,989

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 ratio of the Group as of December 31, 2015 and 2014, are as follows:

	December 31, 2015	December 31, 2014
	(In thousands of Korean won)	
Total liabilities	₩ 287,067,070	₩ 249,393,219
Total equity	217,287,010	187,998,767
Debt-to-equity ratio	132.1%	132.7%

(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 of December 31, 2015, are 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	₩	146,485,490	₩	146,485,490
Short-term financial instruments		60,688,614		60,688,614
Trade receivables		57,383,585		57,383,585
Other receivables		23,225,142		23,225,142
Finance lease receivables		1,170,671		1,170,671
Long-term finance lease receivables		1,844,267		1,844,267
Other financial assets (current)		104,164		104,164
Other financial assets (non-current)		44,226,793		44,226,793

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:

	Less than 1 year		1~2 years		More than 2 years		Total	Book value
	(In thousands of Korean won)							
Financial liabilities without interest	₩	107,719,640	₩	1,389,696	₩	1,675,131	₩	110,784,467
Financial liabilities with interest		22,528,871		2,243,912		6,224,026		30,996,809
Financial guarantee contract		8,400,000		-		-		8,400,000
								30,263

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 of December 31, 2015 are summarized as follows:

Currency	Monetary assets		Monetary liabilities	
(In thousands of Korean won)				
USD	₩	6,344,950	₩	7,968,346
EUR		264,637		872,825
JPY		1,192,549		4,089,652
CNY		1,842,835		957,817
HKD		1,845,953		12,097
AUD		146		37,516
CAD		8,172		-
SGD		8,409		-

The Group's sensitivity to an increase (decrease) in Korean won (functional currency of the Group) against the major foreign currencies as of December 31, 2015, is as follows

Currency	5% Increase	5% Decrease
(In thousands of Korean won)		
USD	₩ (81,170)	₩ 81,170
EUR	(30,409)	30,409
JPY	(144,855)	144,855
CNY	44,251	(44,251)
HKD	91,693	(91,693)
AUD	(1,869)	1,869
CAD	409	(409)
SGD	420	(420)

This is a sensitivity of management's valuation on financial assets and liabilities denominated in foreign currency as of December 31, 2015, 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 ₩11,766 thousand for the years ended December 31, 2015. This effect is mainly due to the borrowings with variable interest rates.

39. ACQUISITION OF INVESTMENT IN SUBSIDIARY:

The Group participated disproportionate paid-in capital increase of SMEs Duty Free Co., Ltd. and secured a 67.33% of SMEs Duty Free Co., Ltd.'s capital stock in 2015. Consequently, SMEs Duty Free Co., Ltd. is reclassified as a subsidiary. Since then, The Group acquired additional interests of SMEs Duty Free Co., Ltd.'s capital stock and owns 86.61% of SMEs Duty Free Co., Ltd.'s capital stock as of December 31, 2015.

(1) Fair value of the consideration transferred at the acquisition date is follows:

	Fair value of the consideration	
	(In thousands of Korean won)	
Cash and cash equivalents	₩	9,900,000
AFS financial assets		200,000
	₩	10,100,000

(2) In relation to acquisition of investment in subsidiary, non-controlling interests (32.67%) in an acquiree that the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. Non-controlling interests after paid-in capital increase at its acquisition-date amount to 4,737,964 thousand.

(3) Fair value of the identifiable assets acquired and liabilities assumed before paid-in capital increase at the acquisition date is follows:

Description	2015
Current assets	
Cash and cash equivalents	₩ 985,882
Other receivables	52
Other current assets	20,238
Fair value of the identifiable assets	<u>₩ 1,006,172</u>
Current liabilities	
Other payables	₩ 880
Other current financial liabilities	1,322
Fair value of the identifiable liabilities	<u>₩ 2,202</u>
Sum of fair value of the identifiable net assets	<u>₩ 1,003,970</u>

(4) Goodwill acquired through the business combination during the years ended December 31, 2015 is as follows:

	2015
	(In thousands of Korean won)
Consideration transferred	₩ 10,100,000
Less : Non-controlling interests	4,737,964
Add : Fair value of the identifiable net assets after paid-in capital increase.	(14,503,970)
Goodwill	<u>₩ 333,994</u>

40. EVENTS AFTER THE REPORTING PERIOD:

The Group has no significant events after the reporting period.