

Annual Report

I. OUTLINE OF THE COMPANY

1. Purpose of the Company

Purpose	Remark
<ol style="list-style-type: none">1. General Travel Business(Travel Agency)2. Ticketing and Sales of Airline and Boat3. Souvenir Sales4. Issuing of Selling Offers5. Real Estate Dealing and Lease6. Optional Communication Business7. Computer Programming and Supply8. Telemarketing Business9. Printing and Publishing Business10. Issuing of Periodicals11. Operating School to Train Travel Experts12. Transportation Business(Chartered Buses)13. Internet Business (Install and Provide Contents, Internet Marketing)14. E-commerce and Information Processing15. Advertisement (Internet and Outdoor Advertisement)16. Information and communication Related Business17. Web Hosting and Homepage Establishment18. Warehousing19. Tourists Hotel & Lodging business20. Operation and management of Tourists Hotels & Lodging and other incidental facilities21. Tourists Hotels & Lodging Management Business22. Investment, Development, Operation and Asset Management of the Domestic and Overseas Real Estate23. Real Estate Agent Business24. Management of Intellectual Property Rights and License Business (Brand, Trademark Rights)25. Intangible Assets Sales and Service (Knowledge, Information)26. Production and Distribution (Movies, Broadcasting, Videos and Other Cultural Products)27. Production and Distribution of Digital Contents28. Operating Performance Facilities29. Planning Performance30. Character business31. Exhibition and Event Agency32. Internet Broadcasting33. Tourism Development and Incidental Business (Marketing Counsel, Planning and Consulting)34. Education service35. Operation of Lifelong E-learning Education Facilities36. Gift Certificate Sales37. Wedding Consulting38. Amusement Park Operation39. Comprehensive Leisure Facilities and Operation Management40. Tourist Attraction Development Business41. Comprehensive Recreation Business42. International Conference Planning Business43. Camping Car Business44. Bonded Goods and Tourism Product Sales Business45. Accommodation Business46. Accommodation reservation Service47. Web Portal and Internet Information Service	

48. Franchise Business 49. Restaurant Business 50. Shopping Center Leasing and Sublease Business 51. Ticket sales related to Culture, Arts and Sports Events 52. Database Development and Sales Related to Culture, Arts and Sports 53. Investment of Cultural Projects (Performances and Film Production) 54. Organization of Events and Sponsors 55. Importation and Agency Business of Performance Publication Rights 56. Brokerage Agency Business for Copyrights and Neighboring Copyrights of Performance 57. Membership Sales and Brokerage Arrangements 58. Overseas Studies Agency Business 59. Lifelong Education Facilities Operating 60. Financial Loan and Other Financial Service Business 61. Electronic Financial Business 62. Planning and Promotion of Performance, Concert, Exhibition 63. Credit Card Business 64. Real Estate Development Business 65. Insurance Agent Business 66. All Other Incidental Businesses	
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2. Important Business

General Travel Business(Travel Agency)

3. History of the Company

A. Changes after the establishment

Date	Important Changes
Oct. 25, 1993	Established Kookjin Travel Co., Ltd. (Capital: 350 million won) 55-4 Seosomun-dong, Jung-gu, Seoul
Dec. 01, 1995	Set the company policy in 'comprehensive wholesales' and launched 'Hana Tour', independent package brand, and commenced the agency sales
Nov. 28, 2000	Listed on KOSDAQ (commenced trading)
Nov. 10, 2006	Listed on LSE(London Stock Exchange)
Nov. 01, 2011	Listed on KOSPI
Jan. 01, 2012	CEO changed - SangHwan Park and HuynSyuk Choi
Mar. 25, 2016	CEO changed - SangHwan Park and JinKook Kim
Mar. 26, 2020	CEO changed – JinKook Kim and MiSun Song

B. Change of trade name

Date	Changes
Mar. 6, 1996	Changed the name from Kookjin Travel Co., Ltd. to Hana Tour Co., Ltd. ** Purpose is to unify the brand name and company image

C. Change of location for head office

Date	Location
Oct. 25, 1993	55-4 Seosomun-dong, Jung-gu, Seoul
Mar. 22, 1996	10F Inju Building, Tour cost fees-1 Seorin-dong, Jongro-gu, Seoul
Oct. 01, 1997	11F Hanmi Building, 1 Gonpyeong-dong, Jongro-gu, Seoul
Jun. 15, 2005	1 Gongpyeong-dong, Jongro-gu, Seoul
Jul. 01. 2013	HanaTour Bldg. 41, Insadon 5-gil, Jongno-gu, Seoul

D. Merger, spin off (merger), comprehensive stock swap, transfer, important business assignment and others

On March 2, 2020, the Group issued 2,323,000 shares through capital increase with consideration in third party allocations, and it's the largest shareholder (with a 16.67% stake rate) was changed to Harmonia 1 limited company.

4. Domestic Place of Business

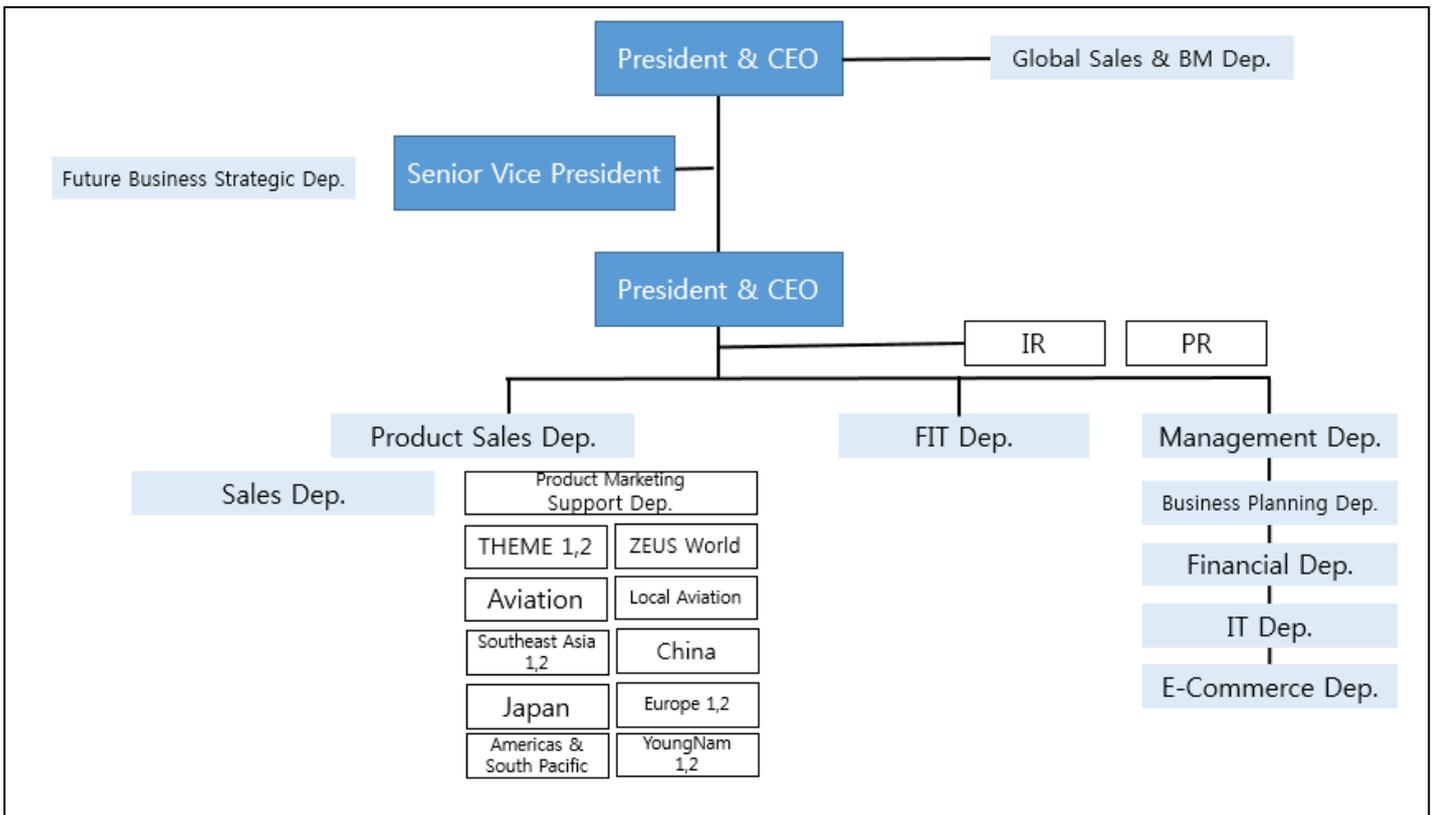
Classification	Location	Main Business
Head Office	41, Insadong 5-gil, Jongno-gu, Seoul, Republic of Korea	General Travel Business and Ticketing
Central Office	39, Namdaemun-ro 9-gil, Jung-gu, Seoul, Republic of Korea	
Sindorim Office	661, Gyeongin-ro, Guro-gu, Seoul, Republic of Korea	
Seolleung Office	325, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea	
Nowon Office	460, Nohae-ro, Nowon-gu, Seoul, Republic of Korea	
Wangsimni Office	326, Wangsimni-ro, Seongdong-gu, Seoul, Republic of Korea	
Gimpo International Airport Office	70, Haneul-gil, Gangseo-gu, Seoul, Republic of Korea	
Busan Sales Office	216, Jungang-daero, Dong-gu, Busan, Republic of Korea	
Haeundae Office	60, Centum buk-daero, Haeundae-gu, Busan, Republic of Korea	
Kimhae Airport Office	108, Gonghangjinip-ro, Gangseo-gu, Busan, Republic of Korea	
Busan Sales Office (Beomil-dong)	14, Jobang-ro, Dong-gu, Busan, Republic of Korea	
Deokcheon Office	12, Gichal-ro, Buk-gu, Busan, Republic of Korea	
Incheon Sales Office	59, Bupyeong-daero, Bupyeong-gu, Incheon, Republic of Korea	
Airport Office (Terminal1)	271, Gonghang-ro, Jung-gu, Incheon, Republic of Korea	
Airport Office (Terminal2)	446, Je2terminal-daero, Jung-gu, Incheon, Republic of Korea	
Airport Office (VIP Sending)	47, Gonghang-ro 424beon-gil, Jung-gu, Incheon, Republic of Korea	
Airport Office (Commodity Support)	124, Yeongjong-daero, Jung-gu, Incheon, Republic of Korea	
Bupyeong Office	7, Sijang-ro 51beon-gil, Bupyeong-gu, Incheon, Republic of Korea	
Daegu Sales Office	648, Gukchaebosang-ro, Jung-gu, Daegu, Republic of Korea	
Daejeon Sales Office	69, Dunsanse-ro, Seo-gu, Daejeon, Republic of Korea	
Gwangju Sales Office	136, Geumnam-ro, Buk-gu, Gwangju, Republic of Korea	
Ulsan Sales Office	105, Gangbuk-ro, Jung-gu, Ulsan, Republic of Korea	
Hwajeong Office	16, Hwajung-ro 104beon-gil, Deogyang-gu, Goyang-si, Gyeonggi-do, Republic of Korea	
Beomgye Office	180, Simin-daero, Dongan-gu, Anyang-si, Gyeonggi-do, Republic of Korea	
Suwon Office	299, Hyowon-ro, Paldal-gu, Suwon-si, Gyeonggi-do, Republic of Korea	
Bundang Office	42, Hwangsa-eul-ro 360beon-gil, Bundang-gu, Seongnam-si, Gyeonggi-do, Republic of Korea	
Gangneung Slaes Office	317, Gangneung-daero, Gangneung-si, Gangwon-do, Republic of Korea	
Chuncheon Slaes Office	110, Jungang-ro, Chuncheon-si, Gangwon-do, Republic of Korea	
Wonju Sales Office	65, Neungnadong-gil, Wonju-si, Gangwon-do, Republic of Korea	
Cheongju Sales Office	27, Biha-ro, Heungdeok-gu, Cheongju-si, Chungcheongbuk-do, Republic of Korea	
Cheonan Sales Office	48, Buldang 14-ro, Seobuk-gu, Cheonan-si, Chungcheongnam-do, Republic of Korea	
Jeonju Sales Office	269, Paldal-ro, Wansan-gu, Jeonju-si, Jeollabuk-do, Republic of Korea	
Suncheon Sales Office	34, Jangseonbaegi-gil, Suncheon-si, Jeollanam-do, Republic of Korea	
Mokpo Sales Office	282, Hugwang-daero, Samhyang-eup, Muan-gun, Jeollanam-do, Republic of Korea	

Pohang Sales Office	3, Daei-ro 46beon-gil, Nam-gu, Pohang-si, Gyeongsangbuk-do, Republic of Korea	
Changwon Sales Office	754, Changwon-daero, Seongsan-gu, Changwon-si, Gyeongsangnam-do, Republic of Korea	
Jinju Sales Office	12, Dongbu-ro 169beon-gil, Jinju-si, Gyeongsangnam-do, Republic of Korea	

5. Status of Employees (As of December 31, 2019)
(Unit: person)

Classification	Office & Operation
Men	1,117
Women	1,383
Total	2,500

6. Organization



II. INFORMATION ON SHARES

1. Total Number of Stocks, Etc.

A. Total number of stocks (As of December 31, 2019)

(Unit: share)

Classification	Types of stocks		Remark
	Common stock	Total	
I. Total number of stocks to be issued	20,000,000	20,000,000	-
II. Total number of stocks issued to this point	11,616,185	11,616,185	-
III. Total number of stocks reduced to this point	-	-	-
	1. Reduction of capital	-	-
	2. Retirement of shares	-	-
	3. Repayment of redeemed stocks	-	-
	4. Others	-	-
IV. Total number of stocks issued (II-III)	11,616,185	11,616,185	-
V. Treasury stocks	549,253	549,253	-
VI. Outstanding stocks (IV-V)	11,066,932	11,066,932	-

B. Change of capital

(1) Status of capital increase

(Unit: share, won)

Date of stock issuance	Type of issuance	Contents of issued stocks				Remark
		Types	Quantity	Par value	Issuance amount per stock	
Oct. 25, 1993	-	Common stock	35,000	10,000	10,000	Capital for incorporation
Jun. 12, 1996	Capital increase with consideration (shareholder allotment)	Common stock	21,500	10,000	10,000	-
Jul. 25, 1997	Capital increase with consideration (shareholder allotment)	Common stock	35,840	10,000	10,000	-
Oct.01, 1997	-	Common stock	184,680	5,000	-	1 to 2 shares
Dec. 02, 1999	Capital increase with consideration (shareholder allotment)	Common stock	115,320	5,000	5,000	-
Dec. 23, 1999	Capital increase with consideration (shareholder allotment)	Common stock	60,000	5,000	10,000	-
May, 05, 2000	Stock Split	Common stock	3,600,000	500	-	1 to 10 shares
Nov. 16, 2000	Capital increase with consideration (shareholder allotment)	Common stock	900,000	500	2,850	-
Aug. 26, 2003	Capital increase without consideration	Common stock	3,764,034	500	-	-
Oct. 27,2004	Capital increase with consideration (shareholder allotment)	Common stock	76,322	500	11,850	-

Oct. 27, 2004	Bonus Issue	Common stock	1,977,029	500	-	-
Nov. 11, 2006	Capital increase	Common stock	1,161,000	500	55,711	DR

(2) Status of capital decrease

(Unit: share, won)

Date of capital reduction	Type	Purpose	Contents of reduced stocks				Remark
			Types	Quantity	Face value per stock	Amount of acquisition per stock (for capital decrease for consideration)	
-	-	-	-	-	-	-	-

C. Contents of scheduled change for capital

On March 2, 2020, the Group issued 2,323,000 shares through capital increase with consideration in third party allocations, and it's the largest shareholder (with a 16.67% stake rate) was changed to Harmonia 1 limited company.

2. Matters on Dividends

A. Matters on dividend for three recent fiscal year

Classification		27 th Term	26 th Term
Face value per stock (won)		500	500
(Consolidated) Current net income (million won)		(11,952)	10,587
(Separated) Current net income (million won)		(34,655)	13,396
(Consolidated) Net income per share (won)		(752)	791
Total amount of cash dividend (million won)		11,067	14,387
Total amount of stock dividend (million won)		-	-
Dividend payout ratio (%)		-	107.4
Yield rate of cash dividend (%)	Common stock	2.0	1.9
	Preferred stock	-	-
Yield rate of stock dividend (%)	Common stock	-	-
	Preferred stock	-	-
Cash dividend per share (won)	Common stock	1,000	1,300
	Preferred stock	-	-
Stock dividend per share	Common stock	-	-
	Preferred stock	-	-

III. CONTENTS OF THE BUSINESS

1. Summary of the Business

Until 2018, Korea's outbound volume recorded a CAGR of 14.8%, showing high growth rate over the years. This was a growth rate alongside with the growth that was suggested by UNWTO and the reason for this was economic, technical growth and due to the ease of visa regulations between the countries.

However, 2019 Korea's outbound market was affected by Japan as it was the leading destination for Korean travelers for the past 4 years. In the beginning of the year, there was a spread of Japanese Flu, Korea-China government agreement to increase the number of flights between the two countries which didn't happen, and in the second half there was a boycott of Japanese products including traveling to Japan due to the political tension between the two governments which had greater impacts to the outbound market.

As the result of these factors, Korea's outbound volume decreased 13.8% YOY, Hanatour's PKG volume was 2.9 million showing approximately 21.5% decrease over 2018 records, and Air Ticket volume was 2.2 million showing a slight increase of 2.8% YOY. All in all, Hanatour's blended YOY volume growth in 2019 was -12.5% with approximately 5.1 million customers.

Regional volume split was as follows: Southeast Asia 41.3%, Japan 38.8%, China 12.7%, Europe 8.3%, South Pacific 4.7% and Americas 2.5%. Each destinations' revenue contribution was Southeast Asia 40.2%, Europe 20.7%, China 13.2%, Japan 11.6%, South Pacific 7.1% and Americas 5.8%. The above Regional mix most likely represents the Korean outbound travel preference which prefer short haul destinations with Japan, Southeast Asia and China taking majority of overall package volume.

2. Market Share Rate

The market share rate of the travel business is classified based on the calculation in which the "Total Departures from HANATOUR" is divided by the "Total Departures of Korea." (Crews are excluded from the total departing persons) The "Total Departure of Korea" is announce by Korea Tourism Organization (KNTO) and the "Total Departures from HANATOUR" is the figure which we report to Korean Association of Travel Agents (KATA).

<Market share rate based on the number of people>

Year	2019		2018		2017	
	Total Departures from HANATOUR	Total Departures of Korea	Total Departures from HANATOUR	Total Departures of Korea	Total Departures from HANATOUR	Total Departures of Korea
	5,143,867	26,920,415	5,878,013	26,928,389	5,634,020	24,837,011
Share rate	19.11%		21.83%		22.68%	

3. Characteristics of the market

There are three special characteristics that make travel industry distinctive.

First, Travel business has seasonality. The pricing and marketing strategies change in accordance to seasons. However, due to 5-work-day policy and more maturing society and corporate cultures, the gap between the demands of seasons are shrinking which demanding changes to the products and strategies of travel agents.

Second, travel industry has time limits and has no inventory. This is in-line with air transportation, and hotel business. Products have to be sold on each day or the inventories will disappear automatically. Therefore it is very important to have marketing strategy and diversified portfolio of products in order to get rid of all the inventories that the company possesses.

Third, travel industry is easy to copy. Therefore, the company needs to find new elements that would differentiate the company among competitors.

Last, travel industry is volatile. Compared to other industries it is affected by political, diplomatic, various social issues, economic issue, diseases and other aspects as well.

4. New Business Development

Not Applicable.

IV. Status of the Parent Company and Affiliated Companies

1. Status of the parent company

Not applicable.

2. Status of affiliated companies

(Unit: Share, %)

Name of the Company	Business Contents	No. of Shares	Ownership Ratio (%)
Hanatour Business Service Inc.	Travel Business	400,000	100.00
Hanatour Jeju Service Inc.	Travel Business	618,830	77.35
Hanatour ITC Service Inc.	Travel Business	24,400,000	100.00
Tour Marketing Korea Service Inc.	Travel Business	140,000	70.00
Web Tour Service Inc.	Travel Business	8,777,380	76.99
Hana T&Media Inc.	Publishing	510,000	51.00
Korea Travel Service Inc.	Travel Business	600,000	60.00
WorldisTour Co., Ltd.	Travel Business	8,000,001	50.00
H&T Marketing Inc.	Advertising	240,000	80.00
Hana Shop Co., Ltd.	Retail Business	360,000	90.00
Tourtips Inc.	Information Provision	10,000,000	100.00
Mark Hotel Co., Ltd.	Hotel Business	40,000,000	100.00
Hana Finance Service Inc.	Finance Service	9,800,000	100.00
SM duty free Co., Ltd.	Duty Free Business	12,325,387	90.13
JR Invest Company Inc.	Real Estate Business	1,000,000	100.0
Hanatour USA Inc.	Travel Business	500,000	100.00
Hanatour Europe Ltd.	Travel Business	4,200	70.00
Hanatour PTE LTD.	Travel Business	2,142,000	100.00
Hanatour Japan Co., Ltd.	Travel Business	5,619,700	51.09
Hanatour CHINA	Travel Business	-	100.00
Hanatour PTY. Ltd.	Travel Business	600,000	100.00
Hanatour HongKong Co., Ltd.	Travel Business	5,000,000	100.00
Hanatour Taiwan Service Inc.	Travel Business	-	100.00
Beijing Hana Information Technology Co., Ltd.	Software Technical Development	-	100.00
Hanatour Service (M) Sdn.Bhd.	Travel Business	1,500,000	100.00
HANATOUR EU GMBH	Travel Business	-	100.00
CAMLAO HANATOUR CO., LTD.	Travel Business	300,000	100.00
HANATOUR VIETNAM COMPANY LIMITED	Travel Business	-	85.00
HANATOUR PHILIPPINES CORP.	Travel Business	827,980	96.28
HNT ITALIA-SOCIETA' A RESPONSABILITA' LIMITATA	Travel Business	-	-

3. Concurrent status of the executive management

Executive management		Concurrent Company		
Name	Position	Company Name	Position	Assigned Task
SangHwan Park	Chairman, Chief Executive Officer and Director	HANATOUR PTE LTD.	Chief Executive Officer and Director	General Management
		Hotel&Air Co., Ltd.	Director	General Management
HeeSeok Kweon	Vice Chairman, Director	Hanatour ITC Service Inc.	Chief Executive Officer and Director	General Management
		Hotel&Air Co., Ltd.	Director	General Management
JinKook Kim	Chief Executive Officer and Director	Web Tour Service Inc.	Non-executive Director	General Management
		Hanatour China	Director	General Management
		Hotel&Air Co., Ltd.	Director	General Management

V. SUMMARY OF FINANCIAL DATA

* We've applied K-IFRS 1115 form 2018 and rewrote 2017 and 2016 Financial Results using K-IFRS 1115

1. Financial results

(In thousand won, except per share amounts)

Classification	27 th Term	26 th Term	25 th Term
Sales	462,940,363	542,073,146	535,154,599
Operating Expenses	457,256,969	515,443,456	488,051,660
Operating Income	5,683,395	26,629,690	47,102,938
Profit Before Tax	(31,876,068)	21,249,687	45,236,097
Income Tax Expense	2,779,238	7,853,355	18,984,305
Net Income	(34,655,306)	13,396,332	26,251,793
Net Income per Share(Won)	(3,131)	1,210	2,372

2. Financial position

(In thousand won)

Classification	27 th Term	25 th Term	24 rd Term
Current Assets	163,151,889	265,598,584	297,911,223
Non-Current Assets	295,927,124	207,107,324	183,373,200
Total Assets	459,079,014	472,705,908	481,284,424
Current Liabilities	226,927,968	287,134,993	292,020,444
Long-term Liabilities	98,159,130	3,643,375	4,132,373
Total Liabilities	325,087,098	290,778,368	296,152,817
Capital Stock	5,808,093	5,808,093	5,808,093
Other Paid-in Capital	58,700,030	58,700,030	58,700,030
Elements of Other Shareholder's Equity	(9,097)	(9,097)	(815,269)
Retained Earnings	69,492,890	117,428,515	121,438,753
Total Shareholder's Equity	133,991,916	181,927,541	185,131,606
Total Liabilities and Shareholder's Equity	459,079,014	472,705,908	481,284,424

VI. RISK FACTORS

Refer to III - 1. Summary of the Business

VII. MANAGEMENT

Full-time / Part-time	Name	Position	Assigned Task
Full-time	SangHwan Park	Chairman, Chief Executive Officer and Director	General Management
Full-time	HeeSeok Kweon	Senior Vice Chairman, Director	General Management
Full-time	JinKook Kim	Chief Executive Officer and Director	General Management
Part-time	JeongWoo Byun	Auditor, Outside Director	Outside Director
Part-time	JangSuk Han	Auditor, Outside Director	Outside Director
Part-time	GunHo Cho	Auditor, Outside Director	Outside Director

VIII. LIST OF MAJOR SHAREHOLDERS

Shareholder	Number of shares	Percentage
Sanghwan Park and 30 people with a special relationship	1,720,112	14.80%
HANATOUR INC.	549,253	4.73%

IX. CURRENT STATUS OF INVESTMENTS

1. Domestic

Name of the Company	Ownership Company	Ownership Ratio (%)	No. of Shares
Hanatour Business Service Inc.	HANATOUR Service Inc.	100.00	400,000
Hana Tourist Inc.	HANATOUR Service Inc.	30.23	906,981
Hanatour Jeju Service Inc.	HANATOUR Service Inc.	77.35	618,830
Hanatour ITC Service Inc.	HANATOUR Service Inc.	100.00	24,400,000
Tour Marketing Korea Service Inc.	HANATOUR Service Inc.	70.00	140,000
OK Tour Service Inc.	HANATOUR Service Inc.	48.92	9,784
Web Tour Service Inc.	HANATOUR Service Inc.	76.99	8,777,380
Hana T&Media Inc.	HANATOUR Service Inc.	51.00	510,000
Korea Travel Service Inc.	HANATOUR Service Inc.	60.00	600,000
WorldisTour Co., Ltd.	HANATOUR Service Inc.	50.00	8,000,001
H&T Marketing Inc.	HANATOUR Service Inc.	80.00	240,000
Hana Shop Co., Ltd.	HANATOUR Service Inc.	90.00	360,000

Name of the Company	Ownership Company	Ownership Ratio (%)	No. of Shares
Nextour Co., Ltd.	WEBTOUR Co., Ltd.	100.00	40,000
Hotel&Air Co., Ltd.	HANATOUR Service Inc.	50.00	1,000,000
HotelInfly, INC	HANATOUR Service Inc.	19.90	398,000
Tourtips Inc.	HANATOUR Service Inc.	100.00	10,000,000
Center Mark Hotel Inc.	HANATOUR ITC INC.	50.00	1,000,000
JR Invest Company Inc.	HANATOUR Service Inc.	100.00	1,000,000
Mark Hotel Co., Ltd.	HANATOUR Service Inc.	100.00	40,000,000
Hana Finance Service Inc.	HANATOUR Service Inc.	100.00	9,800,000
SM duty free Co., Ltd.	HANATOUR Service Inc.	90.13	12,325,387
Triple Corp.	TOURTIPS INC.	3.84	6,000
Mohajiplatform	TOURTIPS INC.	100.00	100,000
Hanatong Co., Ltd.	HANATOUR Service Inc.	50.00	-
CELINO INC	HANATOUR Service Inc.	50.00	300,000
K Culture Industry Co., Ltd.	HANATOUR Service Inc.	40.00	-
YDH LTD	HANATOUR Service Inc.	20.00	-

2. Overseas

Name of the Company	Ownership Company	Region	Ownership Ratio (%)	No. of Shares
Hanatur USA Inc.	HANATOUR Service Inc.	LA	100.00	500,000
Hanatur Europe Ltd.	HANATOUR Service Inc.	London	70.00	4,200
Hanatur PTE LTD.	HANATOUR Service Inc.	Singapore	100.00	2,142,000
Hanatur Japan Co., Ltd.	HANATOUR Service Inc.	Japan	51.09	5,619,700
U.I Sightseeing Bus LLC	HANATOUR JAPAN CO., LTD	Japan	100.00	1,900
Hanatur CHINA	HANATOUR Service Inc.	China	100.00	-
Hanatur PTY. Ltd.	HANATOUR Service Inc.	Australia	100.00	600,000
Hanatur HongKong Co., Ltd.	HANATOUR Service Inc.	Hong Kong	100.00	5,000,000
Hanatur Taiwan Service Inc.	HANATOUR Service Inc.	Taiwan	100.00	-
Hanatur Europe s.r.l	HANATOUR Service Inc.	Italy	50.00	5,250
Allegrox TM Hotel	HANATOUR JAPAN CO., LTD	Japan	100.00	396
Star Shop&Line	HANATOUR JAPAN CO., LTD	Japan	100.00	1,800
Beijing Hana Information Technology Co., Ltd.	HANATOUR Service Inc.	China	100.00	-
Hanatur Service (M) Sdn.Bhd.	HANATOUR Service Inc.	Malaysia	100.00	1,500,000
Hanatur Janpan System Vietnam	HANATOUR JAPN CO., LTD	Vietnam	100.00	-
Beijing Yitu International Travel Service Co., Ltd	HANATOUR Service Inc.	China	20.00	-
HANATOUR EU GMBH	HANATOUR Service Inc.	Germany	100.00	-
CAMLAO HANATOUR CO., LTD.	HANATOUR Service Inc.	Cambodia	100.00	300,000
HANATOUR VIETNAM COMPANY LIMITED	HANATOUR Service Inc.	Vietnam	85.00	-
HANATOUR PHILIPPINES CORP.	HANATOUR Service Inc.	Philippines	96.28	827,980
VISION TOUR, INC.	Hanatur USA Inc.	LA	100.00	300,000
HANA (ZHANGJIAJIE) TOUR CO., LTD	HANATOUR CHINA	Zhangjiajie	54.00	-

HANA (SHANGHAI) TOUR CO., LTD	HANATOUR CHINA	Shanghai	65.00	-
TMARK HOTEL VATICANO S.R.L	HANATOUR EUROPE LTD	Roma	51.00	25,500
HANA (QINGDAO) TOUR CO., LTD	HANA TOUR CHINA	Qingdao	65.00	-
HANA (XIAN) TOUR CO., LTD	HANA TOUR CHINA	Xian	65.00	-
HANA (GUILIN) TOUR CO., LTD	HANA TOUR CHINA	Guilin	65.00	-
HANA Zhuhai Marketing & Network Co., Ltd	HANATOUR HONGKON CO., LTD.	Zhuhai	100.00	-
HNT ITALIA – SOCIETA' A RESPONSABILITA' LIMITATA	HANATOUR Service Inc.	Roma	51.00	-

X. MAJOR CREDITORS

Not applicable.

XI. IMPORTANT EVENTS AFTER THE SETTLEMENT OF ACCOUNTS PERIOD

- (1) Hanatour ITC Service Inc. which is one of subsidiaries of the Group with a 100% stakes made 7,000,000 common shares reduction of capital stock with consideration on January 29, 2020
- (2) On March 2, 2020, the Group issued 2,323,000 shares through capital increase with consideration in third party allocations, and it's the largest shareholder (with a 16.67% stake rate) was changed to Harmonia 1 limited company.
- (3) After the end of the reporting period, the Group has faced uncertainty of economic activities and economic deterioration due to concerns over the long-term and spread of Corona19(COVID-19). For the field of travels and travel-related businesses, Corona19's spread has resulted in a number of cancellations and decreases in new travel reservations, and increased uncertainty about future revenue and future cash flow. However, because the ultimate effect of the situation from this uncertainty on the Group's financial position is now unpredictable, the Group's current consolidated financial statement does not reflect this effect.

XII. OTHER IMPORTANT FACTS ABOUT THE BUSINESS

None.

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Hanatour Service Inc.:

Opinion

We have audited the consolidated financial statements of Hanatour Service Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. The engagement partner on the audit resulting in this independent auditors' report is Hyun-Jin Chung.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 18, 2020

This report is effective as of March 18, 2020, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

HANATOUR SERVICE INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2019 and 2018
(In thousands of won)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	₩ 110,846,773	157,699,693
Short-term financial instruments	105,607,931	127,966,881
Trade receivables	88,143,088	97,039,691
Other receivables	9,503,873	7,123,172
Finance lease receivables	1,911,235	44,282
Inventories	33,843,943	53,074,880
Advance payments	31,064,346	32,262,902
Other current assets	10,599,262	10,598,185
Other financial assets	8,877,273	-
Current tax assets	517,328	686,690
Assets held for sale	5,134,924	5,229,149
Current financial assets at FVTPL	2,181,987	5,985,926
Total current assets	<u>408,231,963</u>	<u>497,711,451</u>
Non-current financial assets at FVTPL	4,256,975	6,451,694
Financial assets at FVOCI	1,317,191	918,120
Investments in associates and joint ventures	6,168,614	10,106,990
Long-term finance lease receivables	1,926,002	118,168
Long-term other receivables	3,094,053	-
Investment property, net	25,708,777	22,095,166
Property and equipment, net	146,338,304	109,529,904
Right-of-use assets	323,826,602	-
Intangible assets	40,533,487	22,086,411
Long-term advance payments	4,000,000	94,000
Other financial assets	31,242,031	36,953,155
Deferred tax assets	10,769,354	7,756,731
Other non-current assets	142,505	2,299,961
Total non-current assets	<u>599,323,895</u>	<u>218,410,300</u>
Total assets	<u>₩ 1,007,555,858</u>	<u>716,121,751</u>

HANATOUR SERVICE INC. AND SUBSIDIARIES
 Consolidated Statements of Financial Position, Continued
 As of December 31, 2019 and 2018

(In thousands of won)

	<u>2019</u>	<u>2018</u>
Liabilities		
Trade payables	₩ 66,698,743	99,718,809
Other payables	40,764,796	52,496,300
Income tax payables	3,784,025	3,596,862
Deposits received for travel	104,370,542	133,950,763
Advances received	22,300,072	26,046,337
Short-term borrowings	90,837,505	69,617,239
Current portion of long-term borrowings	3,389,707	2,295,649
Finance lease liabilities	47,131,157	2,768,848
Provisions	490,586	404,754
Other financial liabilities	3,774,508	3,726,934
Other current liabilities	23,960,522	18,953,087
Liabilities held for sale	-	14,246
Total current liabilities	<u>407,502,163</u>	<u>413,589,828</u>
Long-term other payables	8,287,017	11,054,850
Long-term borrowings	88,668,268	10,381,719
Debentures	1,363,052	2,286,089
Long-term provisions	1,856,401	1,687,053
Long-term finance lease liabilities	279,690,103	35,071,512
Provision for long-term employee benefits	1,945,053	1,783,010
Other financial liabilities	202,000	62,453
Other non-current liabilities	162,353	325,031
Total non-current liabilities	<u>382,174,247</u>	<u>62,651,717</u>
Total liabilities	<u><u>789,676,410</u></u>	<u><u>476,241,545</u></u>
Equity		
Capital stock	5,808,093	5,808,093
Other contributed capital	77,487,067	77,349,083
Components of other capital	538,389	(1,532,526)
Retained earnings	96,937,522	118,245,244
Equity attributable to the owners of the Parent Company	<u>180,771,071</u>	<u>199,869,894</u>
Non-controlling interests	<u>37,108,378</u>	<u>40,010,312</u>
Total equity	<u>217,879,449</u>	<u>239,880,206</u>
Total liabilities and equity	₩ <u><u>1,007,555,858</u></u>	<u><u>716,121,751</u></u>

HANATOUR SERVICE INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018

(In thousands of won, except earnings per share data)

	<u>2019</u>	<u>2018</u>
Operating revenue	₩ 763,194,958	828,273,952
Operating expense	<u>757,258,615</u>	<u>803,404,831</u>
Bad debt expense	5,625,054	3,448,001
Other operating expense	751,633,561	799,956,830
Operating income	5,936,343	24,869,121
Interest income by effective interest method	3,092,399	3,646,527
Other financial income	888,325	164,869
Financial expense	10,807,760	1,468,200
Loss from investment in associates and joint ventures	(2,795,157)	(480,313)
Other income	16,195,176	10,055,784
Other expense	<u>18,187,807</u>	<u>14,451,075</u>
Income before income taxes	(5,678,480)	22,336,713
Income taxes	<u>6,273,372</u>	<u>11,749,916</u>
Net income (loss)	₩ <u>(11,951,852)</u>	<u>10,586,797</u>
Other comprehensive income after tax expense		
Items that will never be reclassified to profit of loss:		
Loss on valuation financial assets at FVOCI	(426,975)	(198,442)
Items that are or may be reclassified subsequently to profit of loss:		
Changes in valuation of equity-accounted investees, net	12,937	(38,447)
Gain (loss) on foreign operations translation, net	<u>3,649,364</u>	<u>4,002,589</u>
Total items that are or may be reclassified subsequently to profit of loss	<u>3,235,326</u>	<u>3,765,700</u>
Total comprehensive income	₩ <u>(8,716,526)</u>	<u>14,352,497</u>
Net income attributable to:		
Owners of the Parent Company	(8,027,403)	8,749,373
Non-controlling interests	<u>(3,924,448)</u>	<u>1,837,424</u>
	₩ <u>(11,951,851)</u>	<u>10,586,797</u>
Comprehensive income attributable to:		
Owners of the Parent Company	(5,956,488)	10,778,868
Non-controlling interests	<u>(2,760,037)</u>	<u>3,573,629</u>
	₩ <u>(8,716,525)</u>	<u>14,352,497</u>
Earnings per share		
Basic earnings per share (in won)	(725)	791
Diluted earnings per share (in won)	₩ <u>(725)</u>	<u>791</u>

HANATOUR SERVICE INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018

<i>(In thousands of won)</i>	Capital Stock	Other contributed capital	Components of other capital	Retained earnings	Non- controlling interests	Total shareholders' equity
January 1, 2018	₩ 5,808,093	80,560,685	(4,368,194)	126,902,441	36,823,386	245,726,411
Adjustment on initial application	-	-	806,173	(806,173)	-	-
Adjusted balance at January 1, 2018	5,808,093	80,560,685	(3,562,021)	126,096,268	36,823,386	245,726,411
Dividends	-	-	-	(8,853,545)	-	(8,853,545)
Interim dividends	-	-	-	(7,746,852)	-	(7,746,852)
Dividends of subsidiaries	-	-	-	-	(1,564,570)	(1,564,570)
Discount on stock issuance	-	-	-	-	(48,425)	(48,425)
Stock compensation expense	-	12,322	-	-	11,558	23,880
Net income	-	-	-	8,749,373	1,837,424	10,586,797
Gain on foreign operations translation	-	-	2,221,597	-	1,780,992	4,002,589
Changes in valuation of equity accounted investees	-	-	(38,447)	-	-	(38,447)
Loss on valuation financial assets at FVOCI	-	-	(153,655)	-	(44,787)	(198,442)
Acquisition of treasury stock	-	(783,223)	-	-	(1,285,957)	(2,069,180)
Paid-in capital increase of subsidiaries	-	(2,331,223)	-	-	2,391,213	59,990
Others	-	(109,478)	-	-	109,478	-
December 31, 2018	<u>₩ 5,808,093</u>	<u>77,349,083</u>	<u>(1,532,526)</u>	<u>118,245,244</u>	<u>40,010,312</u>	<u>239,880,206</u>
January 1, 2019	₩ 5,808,093	77,349,083	(1,532,526)	118,245,244	40,010,312	239,880,206
Dividends	-	-	-	(6,640,159)	-	(6,640,159)
Interim dividends	-	-	-	(6,640,159)	-	(6,640,159)
Dividends of subsidiaries	-	-	-	-	(1,507,428)	(1,507,428)
Stock compensation expense	-	155,749	-	-	146,064	301,813
Net income	-	-	-	(8,027,404)	(3,924,448)	(11,951,852)
Gain on foreign operations translation	-	-	2,225,621	-	1,423,743	3,649,364
Changes in valuation of equity accounted investees	-	-	12,937	-	-	12,937
Loss on valuation financial assets at FVOCI	-	-	(167,643)	-	(259,332)	(426,975)
Acquisition of treasury stock	-	(416)	-	-	(534)	(950)
Paid-in capital increase of Subsidiaries	-	(17,349)	-	-	17,349	-
Changes in scope of consolidation	-	-	-	-	1,202,651	1,202,651
December 31, 2019	<u>₩ 5,808,093</u>	<u>77,487,067</u>	<u>538,389</u>	<u>96,937,522</u>	<u>37,108,377</u>	<u>217,879,448</u>

HANATOUR SERVICE INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(In thousands of won)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net income	₩ (11,951,852)	10,586,797
Additions of expenses not involving cash outflows and others	125,395,547	57,970,118
Deduction of incomes not involving cash inflows and others	(9,150,771)	(5,503,101)
Movements in operating assets and liabilities:		
Increase (decrease) in trade receivables	7,011,917	(3,405,726)
Decrease (increase) in other receivables	667,325	(1,056,388)
Decrease in inventories	17,324,541	4,707,602
Increase in advance payments	(2,650,065)	(7,054,711)
Decrease (increase) in long-term advance payments	(9,472,559)	1,906,000
Increase in other current assets	(438,816)	(2,686,544)
Increase in other non-current assets	(508,765)	(8,020)
Decrease in trade payables	(32,701,319)	(4,121,028)
Decrease in other payables	(3,324,301)	(1,196,702)
Increase (decrease) in deposits received for travel	(29,632,734)	6,840,330
Increase (decrease) in advances received	(3,720,082)	2,094,463
Increase (decrease) in other financial liabilities	4,289,423	(144,272)
Decrease in other current liabilities	(7,376,238)	(9,040,406)
Decrease in provisions	(1,439,177)	(1,476,967)
Increase in long-term other payables	2,711,288	556,418
Decrease in other long-term employee benefit	(155,500)	(110,000)
	<u>44,877,862</u>	<u>48,857,863</u>
Interest expense paid	(10,926,055)	(1,249,047)
Interest income received	3,107,324	3,417,042
Dividend income received	512,010	119,158
Income taxes paid	(8,929,854)	(30,929,031)
Net cash provided by operating activities	<u>₩ 28,641,287</u>	<u>20,215,985</u>

HANATOUR SERVICE INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2019 and 2018
(In thousands of won)

	<u>2019</u>	<u>2018</u>
Cash flows from investing activities		
Cash inflows from investing activities:		
Decrease in short-term financial instruments	₩ 269,317,824	88,807,714
Decrease in other receivables	466,260	61,067
Disposal of financial assets at FVTPL	10,052,783	9,426,373
Disposal of investment in associates and joint venture	537,160	1,313,240
Capital reduction of associates and joint venture	5,201,270	-
Disposal of property and equipment	18,146,478	803,047
Disposal of intangible assets	5,489	22,871
Disposal of intangible assets being acquired	2,773	-
Decrease in finance lease receivables	2,213,198	686,050
Decrease in other financial assets	3,566,715	2,209,249
Cash outflows from investing activities:		
Increase in short-term financial instruments	248,239,459	195,048,977
Increase in other receivables	6,306	449,276
Acquisition of financial assets at FVTPL	7,488,200	10,684,600
Acquisition of financial assets at FVOCI	804,240	598,155
Acquisition of investment in associates and joint venture	5,064,000	69,766
Acquisition of property and equipment	110,882,808	12,882,813
Acquisition of Investment property	6,924,548	222,081
Acquisition of intangible assets	28,512,859	6,602,327
Acquisition of investment subsidiaries	-	50,000
Acquisition of prepaid lease assets.	3,498,000	-
Increase in other financial assets	10,818,123	7,711,283
	(112,728,593	
Net cash provided by (used in) investing activities	₩)	(130,989,667)

HANATOUR SERVICE INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2019 and 2018
(In thousands of won)

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	₩ 216,929,251	82,541,533
Proceeds from long-term borrowings	80,576,671	6,672,390
Proceeds from debentures	-	944,170
Paid-in capital increase of subsidiaries	1,202,651	59,990
Cash outflows for financing activities:		
Repayment of short-term borrowings	199,112,653	24,735,331
Repayment of current portion of long-term borrowings	2,677,044	6,537,275
Repayment of long-term borrowings	-	192,719
Repayment of finance lease liabilities	53,541,985	1,660,047
Acquisition of treasury stocks	950	2,034,645
Payment of stock issuance expense	-	48,425
Payment of dividends	14,787,746	18,151,302
Net cash provided by (used in) financing activities	<u>28,588,195</u>	<u>36,858,339</u>
Reclassification to assets and liabilities held for sale	<u>7,125,967</u>	<u>255,165</u>
Net increase in cash and cash equivalents	<u>(48,373,143)</u>	<u>(73,660,178)</u>
Cash and cash equivalents at beginning of year	157,699,693	228,389,932
Effect of exchange rate change	<u>1,520,222</u>	<u>2,969,939</u>
Cash and cash equivalents at end of year	<u>₩ 110,846,773</u>	<u>157,699,693</u>