



**Credit Report**

Your reference : XXXXX  
Total number of pages : 18

Subscriber No. : XXXX  
Our reference No. : 9XXXXX  
Type of report : Standard

Enquiry on : X. XXX CO., LTD  
XXX XXXXXXXXXXXX, Yeongdeungpo-Gu  
Seoul, Korea, Korea, Republic Of

Report Date : July 23, 2020

**REPORT ON** : X.XXX CO., LTD.  
(XXXXX) Xrd Floor, XXX,  
XXXXXXXXXXXX-XX Yeongdeungpo-gu  
Seoul, Korea, Korea, Republic Of

**Score: (out of 10)**

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**Score Explanation:**

It is a financial rating which assesses the probability of companies defaulting within one year. The assessments are presented over ten distinct positions, each reflecting an average default rate in the coming year: the lower a company's credit score is, the riskier its situation is; the higher its score is, the less risky its situation is.

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**Different levels and description:**

Default	Very high risk			Medium high risk		Low risk				
0	1	2	3	4	5	6	7	8	9	10

**0**: Insolvency/preliminary/debt regulation proceedings

**1**: Extremely high risk of insolvency

**2**: Very high risk of insolvency

**3**: High risk

**4**: Significant risk

**5**: Medium high risk

**6**: Acceptable risk

**7**: Moderate risk

**8**: Low risk

**9**: Very low risk

**10**: Excellent risk

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**CREDIT RECOMMENDATION WITHOUT OBLIGATION**

**Recommended maximum credit: KRW 2,911,771.44 (Unit: KRW 1,000)**

**SUMMARY:**

Founded	:	20XX
Legal form	:	Small & Medium enterprises
Registration date	:	April 6, 20XX
Activity	:	Manufacture of health functional foods
Staff	:	31 (2019.12.31)
Issued Capital	:	4,255 (Unit: million KRW, %) year 2019
Annual revenue	:	47,611 (Unit: million KRW, %) year 2019
Total assets	:	40,899 (Unit: million KRW, %) year 2019
Payments	:	No complaints
Litigation record	:	Clear

**All figures are shown in KRW unless otherwise stated.**

**IDENTIFICATION**

Company name : X.XXX CO., LTD.

Business address : (XXXXX) Xrd Floor, XXX,  
XXXXXXXXXX-XX Yeongdeungpo-gu  
Seoul, Korea, Korea, Republic Of

Tel. : 02-6391-XXXX  
Website : www.XXXXX.com

TEL : 02-6391-XXXX  
FAX : 02-6391-XXXX

Registered address : (XXXXX) Xrd Floor, XXX,  
XXXXXXXXXX-XX Yeongdeungpo-gu  
Seoul, Korea, Korea, Republic Of

**LEGAL FORM**

Subject is established as Statutory audited / Small & Medium enterprises on April 6, 20XX

Tax Identification 105-87-7XXXX  
President(CEO) XXX, Hyeon XXXX  
Incorporation # 110111-483XXXX

**NATURE OF BUSINESS**

Industry Name Manufacture of health functional foods  
Industry Code (KSIC) C10XXX  
# of Companies in the industry 620 companies

**SHAREHOLDER**

Major Shareholders (as of 2016.12.31)

Name of Shareholder	No. of Shares	Percentage
XXX, Hyeon XXXX	20,000	100.00

**MANAGEMENT (as of 2016.12.31)**

Position	Name	Date of Birth
CEO	XXX, XXXXX Yong	19XX.02.26

CEO XXX, XXXXX Yong (Born in Feb. 19XX) established the company in April 20XX and has managed the company since then.

**HISTORY**Date    Details

2013.12.01	“XXXXXX Probiotics Story“ entered Lotte Department Store
2013.12.01	“XXXXXX Probiotics Story“ entered Shinsegae Department Store
2013.07.24	Launched “XXXXXX Probiotics Story“ to XXXX AND XXXXXXXX CO., LTD.
2013.06.28	Launched “XXXXXX Probiotics Story“ to XXX Home XXXXXXXX Co., Ltd.
2013.06.01	Contracted exclusive sales agreement in Chr. XXXXXX lactobacillus (Denmark company)
2012.11.01	Changed the company’s name to “XXXXX ENZYME XX.,LTD.”
2012.05.26	Launched “XX Mi XXXX Happy enzyme“ to XX Home Shopping XX., Ltd.
2012.04.06	Changed the company’s name to “XXXXX N ZYME XX., LTD.”
2012.03.07	Launched “XX Mi Hee XXXXX enzyme“ to XXXXX AND SHOPPING XX., LTD.
2007.09.01	Changed the company’s name to “XXXXX N ZYME CO.”

**ACTIVITY**

The company is specialized in manufacturing and distributing health functional foods. Mainly, the company manufactures health functional foods such as lactobacillus, vitamins and Omega-3 by collaborating with XXXXX (affiliated company located in Denmark). The products are merchandised through online and offline channels such as home shopping channels and department stores or supplied to overseas customers. As a result, the company reported sales of KRW 28,253,000,000 in 2017, KRW 38,191,000,000 in 2018 and KRW 47,611,000,000 in 2019.

Revenue Details (No Data) (Unit: million KRW, %)

Category/Product	Amount	Amount	Amount
-	-	-	-

Major Customers (Selling Information) ( as of 2019.12.31) (Unit: million KRW, %)

Customer Name	Tax ID #	Sales Amount	Ratio
XXX.	-	47,611	100.00
Total		47,611	100.00

Major Suppliers (Purchasing Information) (as of 2019.12.31) (Unit: million KRW, %)

Supplier Name	Tax ID #	Sales Amount	Ratio
XXX.	-	13,282	100.00
Total		13,282	100.00

**STAFF**

The number of staff is given to be 31 (2019.12.31)

Employee Details (as of 2016.12.31)

Executive Officers	General Admin.	Technical Workers	Production Workers	Others	Total
0	0	0	0	9	9

**PARENT COMPANY/ SUBSIDIARIES/ AFFILIATION**

Company Name		XXXXXXX ApS
President (CEO)		Lasse XXXXX
Industry (KSIC)		Not known
Address		XXXXXXX X, DK-XXXX, Copenhagen K, Denmark
Financial Highlights	Total Assets	-
	Equity Capital	-
Fiscal Year:	Net Sales	-
	Net Income	-

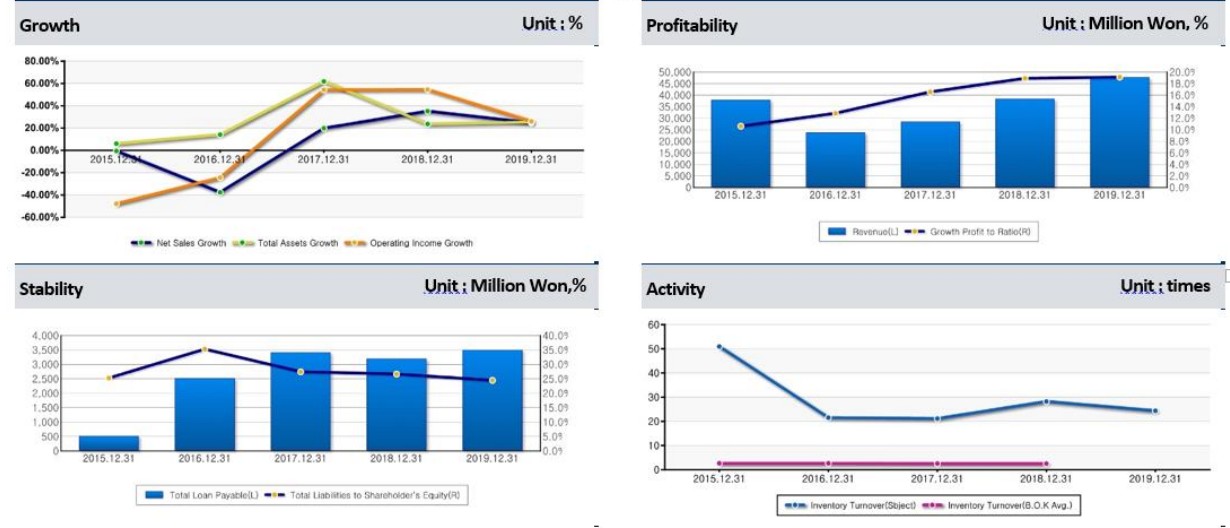
Company Name		XXXXXXX Hyosung XXXXXX
President (CEO)		Not known
Industry (KSIC)		Not known
Address		Room XXXA, XXXX Plaza, Hongxin SD XXXX, Minhang, Shanghai, China
Financial Highlights	Total Assets	-
	Equity Capital	-
Fiscal Year:	Net Sales	-
	Net Income	-

**FINANCE**

Financial Highlights (Unit: million KRW)

Fiscal Yr.	Total Asset	Total Liability	Total Stockholder's Equity	Sales(Net)	Operating Income	Net Income
2019.12.31	40,899	8,044	32,855	47,611	9,110	7,239
2018.12.31	32,600	6,859	25,741	38,191	7,229	5,555
2017.12.31	26,360	5,677	20,683	28,253	4,678	3,172
Audit Opinion	-		Fiscal Year End	-		

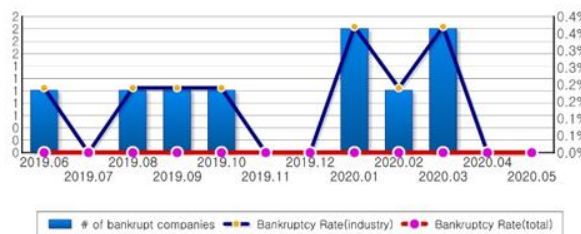
### Time Series Analysis of Financial Ratio

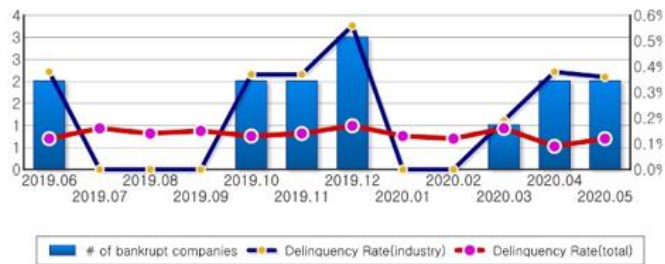


### Financial Analysis of (Manufacture of health functional foods) Industry (Unit : million KRW, %)

	Industry Average (Financial)	2017	2018	2019
Financial	Total Asset	1,482,794	1,852,163	2,226,483
	Total Stockholder's Equity	731,937	1,001,121	1,104,478
	Sales(NET)	1,304,050	1,790,356	2,327,327
	Operating Income	108,720	130,956	218,265
	Net Income	73,253	33,645	100,639
Financial Ratio	Operating Income to Net Sales Ratio	8	7	9
	Net Income to Total Assets Ratio	6	2	5
	Debt Ratio	103	85	102
	Current Ratio	140	154	145
	Net Sales Growth	21	37	26

### Bankruptcy Rate Analysis (Unit: %)



**Delinquency Rate Analysis (Unit : %)****Key Financial Ratio**

Ratio	Unit	2017.12.31	2018.12.31	2019.12.31	B.O.K. Avg. (2018)	XXXX Industry Avg. (2019)
Operating Income to Net Sales Ratio	%	16.56	18.93	19.13	5.63	9.38
Net Income to Total Assets Ratio	%	14.88	18.84	19.70	5.44	4.91
Interest Coverage Ratio	Times	19.31	25.62	29.67	7.03	10.09
EBITDA/Sales(Net)	%	17.10	19.31	19.46	11.29	12.69

Ratio	Unit	2017.12.31	2018.12.31	2019.12.31	B.O.K. Avg. (2018)	XXXX Industry Avg. (2019)
Debt Ratio	%	27.45	26.65	24.48	76.57	101.59
Current Ratio	%	466.71	238.54	162.70	128.69	144.81
Total Borrowings to Total Assets	%	12.89	9.75	8.52	25.02	29.60
Fixed Assets to Long-term Capital	%	64.42	64.22	84.89	89.81	78.20

Ratio	Unit	2017.12.31	2018.12.31	2019.12.31	B.O.K. Avg. (2018)	XXXX Industry Avg. (2019)
Net Sales Growth Rate	%	19.90	35.17	24.67	7.80	25.51
Net Income Growth Rate	%	41.09	75.15	30.31	-	173.75
Total Asset Turnover Ratio	Times	1.33	1.30	1.30	0.95	1.13
Receivable Turnover Ratio	Times	20.69	25.74	16.86	9.37	9.54



## Reference

Ratio	Formula	Description
Operating Income to Net Sales Ratio	$\text{Operating Income} / \text{Sales(Net)} \times 100$	It is an index that compares the sales and operating profit of the company's operation performance; the higher the index the high efficiency of operating business since the profit earned is high with the same sales.
Net Income to Total Assets Ratio	$(\text{Net Income} / \text{Avg Total Assets}) \times 100$	It is an index that compares the assets held by company and gained profit by company, and it shows how efficiently the asset held by the company is being operating. The higher the better.
Interest Coverage Ratio	$\text{Operating Income} / \text{Financial Charges}$	It is an index that compares operating profit from outcome of the company's operating activities and financial expenses of the cost of outsourced funds, the higher the high ability to repay the debt principal and interest through the sales activities of the company.
EBITDA/Sales(Net)	$(\text{EBITDA} / \text{Sales(Net)}) \times 100$	EBITDA, sum amount of depreciation cost and intangible assets that does not require cash from operating profit, is used as the substitution index of cash flow from operating activities. The higher the better because compared to the sales, earned cash is larger when the ratio is high.
Debt Ratio	$(\text{Total Liabilities} / \text{Total Stockholders' Equity}) \times 100$	It is an index that compares the borrowed capital (debt), the source of corporate assets, and equity share capital. The financial structure is poor when the debt ratio goes high because it means high burden of repayment of debt. Less than 200% of debt ratio is normal.
Current Ratio	$(\text{Total Current Assets} / \text{Total Current Liabilities}) \times 100$	It is an index that compares the size of current assets that can be cashed within 1 year and current liabilities to be repaid within one year of the assets that are held by the company. As it evaluates the company's ability to pay short-term borrowings, the higher the better ability to pay short-term borrowings.
Total Borrowings to Total Assets	$(\text{Total Borrowings} / \text{Total Assets}) \times 100$	It is an index that compares the size of the total assets that are held by the company and the debt repayment by the company. The higher ratio means the high burden of repayment of debt.
Fixed Assets to Long-term Capital	$\{(\text{Total Non-Current Assets} - \text{Total Deferred Assets}) / (\text{Total Stockholders' Equity} + \text{Total Non-Current Liabilities})\} \times 100$	Because the non-current assets take long time to liquidate through operating activities, it has to be obtained with less short-term financing obligations when purchasing such as non-current liabilities and shareholders' equity.
Net Sales Growth Rate	$(\text{Net Sales of Current Period} / \text{Net Sales of Previous Period-1}) \times 100$	It is an index showing the degree of increased in sales year-on-year, and is desirable to have the positive (+) value.
Net Income Growth Rate	$(\text{Net Income of Current Period} / \text{Net Income of Previous Period-1}) \times 100$	It is an index showing the degree of increased in net profit year-on-year, and is desirable to have the positive (+) value. If the net income for the year or the previous year's value is less than 0, the value cannot be displayed.
Total Asset Turnover Ratio	$\text{Net Sales} / \text{Average Total}$	With the value of sales of the company divided by the total assets, this index shows how efficiently the total capital invested in the

	Assets	company is being used.
Receivable Turnover Ratio	Net Sales / Average Account	With the value of sales of the company divided by the annual average amount of accounts receivable, high level means quick liquidation of the trade receivables that are held by the company. If the turnover of receivables is excessively lower than the industry average, there are possibilities of liquidity problems due to elongation of trade receivables collection period.

### Financial Status

For the year ended in Dec. 31st, 2019, the company sales grew by 24.7% to KRW 47,611,000,000 on a year-over-year basis since the company obtained contracts from customers. In terms of profitability, the company reported 19.1% ratio of operating profits to net sales which is similar to the preceding year since burden in sales cost was eased, even though burden in selling & administrative expenses expanded by increase in broadcasting, sales commissions and advertising. In addition, the ratio of net profits-to-net sales posted 15.2% which improved on a YoY basis by increase in gain on foreign currency transactions and gain on valuation using equity method of accounting. Overall, the company's profit structure showed satisfactory for the industry average.

In terms of financial stability, overall the company's financial structure maintained in a satisfactory status for the industry average. The stability index of the company improved (80.3% of the ratio of the owner's equity, 24.5% of the debt ratio and 8.5% of the ratio of total borrowings to total assets) on a year-over-year basis. This resulted in the expansion in owner's equity by retained incomes, even though the amount of debts expanded by increase in trade account payable and account payable-others.

In terms of cash flow, the cash flow from operating activities has maintained a positive (+) state affected by net-profit. Meanwhile, the company has covered necessary funds for acquiring securities using equity method and securities available for sale, and paying short-term loans and dividends with fund inflows and cash reserves.

### Statement of Financial Position (GAAP)

(Unit: million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
TOTAL CURRENT ASSETS	10,880	41.3	15,962	49.0	12,924	31.6
Total Quick Assets	9,409	35.7	14,727	45.2	10,256	25.1
(Cash & Cash Equivalents)	8,161	31.0	12,496	38.3	5,260	12.9
(A/R-construction, other receivables-operations)	1,166	4.4	1,796	5.5	3,847	9.4
Total Inventory	1,470	5.6	1,235	3.8	2,668	6.5
TOTAL NON-CURRENT ASSETS	15,480	58.7	16,638	51.0	27,974	68.4
Total Tangible Assets	13,231	50.2	13,160	40.4	13,126	32.1
(Land)	11,895	45.1	11,895	36.5	11,895	29.1
(Construction in-progress)	21	0.1	-	-	-	-
Total Intangible Assets	22	0.1	38	0.1	32	0.1
Total Investments Assets	1,838	7.0	2,400	7.4	13,658	33.4
TOTAL ASSETS	26,360	100.0	32,600	100.0	40,899	100.0
Total Current Liabilities	2,331	8.8	6,692	20.5	7,944	19.4
(Trade account payable)	706	2.7	1,172	3.6	1,990	4.9
(Short-term borrowings)	500	1.9	-	-	-	-

Total Non-current liabilities	3,346	12.7	168	0.5	100	0.2
(Total bonds)	2,899	11.0	-	-	-	-
(Long-term borrowings)	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>5,677</b>	<b>21.5</b>	<b>6,859</b>	<b>21.0</b>	<b>8,044</b>	<b>19.7</b>
(Capital stocks)	11	0.0	11	0.0	11	0.0
(Capital surplus)	5,475	20.8	5,475	16.8	5,475	13.4
(Retained earnings)	15,197	57.7	20,752	63.7	27,674	67.7
(Capital adjustments etc.)	-	-	-497	-1.5	-305	-0.7
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>20,683</b>	<b>78.5</b>	<b>25,741</b>	<b>79.0</b>	<b>32,855</b>	<b>80.3</b>

※ Ratio represents the component ratio to total assets.

### Debt Structure (GAAP)

(Unit : million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>SHORT-TERM BORROWINGS</b>	<b>500</b>	<b>1.9</b>	<b>3,179</b>	<b>9.8</b>	<b>3,486</b>	<b>8.5</b>
Short-term Borrowings	500	1.9	-	-	-	-
Current Portion of Long-term Borrowings	-	-	-	-	-	-
Total short-term Bond	-	-	3,179	9.8	3,486	8.5
<b>LONG-TERM BORROWINGS</b>	<b>2,899</b>	<b>11.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Bonds	2,899	11.0	-	-	-	-
Long-term Borrowings	-	-	-	-	-	-
<b>TOTAL BORROWINGS</b>	<b>3,399</b>	<b>12.9</b>	<b>3,179</b>	<b>9.8</b>	<b>3,486</b>	<b>8.5</b>
Financing Lease Liabilities	-	-	-	-	-	-
<b>TOTAL BORROWINGS (Including Financing Lease Liabilities)</b>	<b>3,399</b>	<b>12.9</b>	<b>3,179</b>	<b>9.8</b>	<b>3,486</b>	<b>8.5</b>

※ Ratio of Total Borrowings represents the component ratio to Total Assets where as other ratio represents the component ratio to Total Borrowings (including financing lease liabilities)

### Income Statement (GAAP)

(Unit: million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>SALES (NET)</b>	<b>28,253</b>	<b>100.0</b>	<b>38,191</b>	<b>100.0</b>	<b>47,611</b>	<b>100.0</b>
Cost of Sales	7,671	27.2	11,489	30.1	13,282	27.9
<b>GROSS PROFIT</b>	<b>20,582</b>	<b>72.8</b>	<b>26,701</b>	<b>69.9</b>	<b>34,329</b>	<b>72.1</b>
Selling & General Admin. Expenses	15,904	56.3	19,472	51.0	25,219	53.0
(Depreciation)	150	0.5	135	0.4	144	0.3
(Bad Debt Expenses)	-13	0.0	-	-	-	-
(Personnel Expenses)	1,321	4.7	2,095	5.5	2,529	5.3
<b>OPERATING INCOME</b>	<b>4,678</b>	<b>16.6</b>	<b>7,229</b>	<b>18.9</b>	<b>9,110</b>	<b>19.1</b>
Non-operating Income	240	0.8	574	1.5	904	1.9
(Interest Income)	8	0.0	10	0.0	43	0.1
Non-operating Expenses	876	3.1	712	1.9	911	1.9
(Interest Expenses)	242	0.9	282	0.7	307	0.6

Ongoing Business Income(Loss) Before Income Tax Expenses	4,041	14.3	7,091	18.6	9,103	19.1
Income Taxes Expenses for Ongoing Business Income(Loss)	870	3.1	1,536	4.0	1,864	3.9
NET INCOME	3,172	11.2	5,555	14.5	7,239	15.2

※ Ratio represents the component ratio to Sales amount

### Cash Flow Analysis (GAAP)

(Unit : million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
NET INCOME	3,172	0.0	5,555	0.0	7,239	0.0
ADJUSTED NET INCOME	3,434	0.0	6,162	0.0	7,554	0.0
(Net Inc. in A/R)	-393	0.0	555	0.0	2,048	0.0
(Net Inc. in Inventories)	401	0.0	114	0.0	1,433	0.0
(Net Inc. in Trade Account Payable)	-150	0.0	466	0.0	818	0.0
Net Cash from Operations	3,421	0.0	6,099	0.0	4,465	0.0
Net Cash from Non-operation	-3,363	0.0	-1,544	0.0	-11,700	0.0
Capital Short & Over	58	0.0	4,555	0.0	-7,235	0.0
Net Cash from Financing	5,144	0.0	-220	0.0	0	0.0
(Capital Increase with Consideration)	4,245	0.0	-	-	-	-
(Net Inc. in LT Borrowings)	-	-	-	-	-	-
(Net Inc. in Bonds)	2,899	0.0	280	0.0	0	0.0
(Net Inc. in ST Borrowings)	-2,000	0.0	-500	0.0	-	-
Net Inc. In Cash & Cash Equivalents	5,201	0.0	4,335	0.0	-7,235	0.0
Cash at the Beginning of the Period	2,960	0.0	8,161	0.0	12,496	0.0
Cash at the End of the Period	8,161	0.0	12,496	0.0	5,260	0.0

※ Ratio represents the component ratio to Sales amount

### Statement of Financial Position (IFRS, Non-consolidated)

(Unit : million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
TOTAL NON-CURRENT ASSETS	15,480	58.7	16,707	51.2	27,974	68.4
Total Tangible Assets	13,231	50.2	13,160	40.4	13,126	32.1
Total Intangible Assets	22	0.1	38	0.1	32	0.1
Investment Assets Noncurrent	1,838	7.0	2,400	7.4	13,658	33.4
Trade and other Receivables	389	1.5	1,040	3.2	1,112	2.7
Other Non-financial Asset	-	-	-	-	-	-
TOTAL CURRENT ASSETS	10,880	41.3	15,893	48.8	12,924	31.6
Total Inventory	1,470	5.6	1,235	3.8	2,668	6.5
Trade and other Receivables	1,227	4.7	1,830	5.6	4,503	11.0
Investment Assets Current	-	-	-	-	-	-
Other Non-financial Asset	22	0.1	333	1.0	493	1.2
Cash & Cash Equivalents	8,161	31.0	12,496	38.3	5,260	12.9

TOTAL ASSETS	26,360	100.0	32,600	100.0	40,899	100.0
Issued Capital (Capital Stocks)	4,255	16.1	4,255	13.1	4,255	10.4
Retained Earnings	11	0.0	11	0.0	11	0.0
Elements of Other Stockholder's Equity	15,197	57.7	20,752	63.7	27,674	67.7
TOTAL STOCKHOLDERS' EQUITY	1,231	4.7	734	2.3	926	2.3
TOTAL STOCKHOLDERS' EQUITY	20,683	78.5	25,741	79.0	32,855	80.3
Total Non-current Liabilities (Total Borrowings)	3,370	12.8	168	0.5	191	0.5
Total Current Liabilities (Trade and other Payables)	2,899	11.0	-	-	-	-
Total Current Liabilities (Trade and other Payables)	2,307	8.8	6,692	20.5	7,853	19.2
Total Borrowings	1,067	4.0	2,120	6.5	3,155	7.7
Total Borrowings	500	1.9	3,179	9.8	3,486	8.5
TOTAL LIABILITES	5,677	21.5	6,859	21.0	8,044	19.7

※ Ratio represents the component ratio to total assets.

#### Debt Structure (IFRS)

(Unit : million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
TOTAL BORROWINGS CURRENT	500	1.9	3,179	9.8	3,486	8.5
Short-term borrowings	500	1.9	-	-	-	-
Current portion of long-term liabilities	-	-	3,179	9.8	3,486	8.5
Total Short-term Bond	-	-	-	-	-	-
TOTAL BORROWINGS NON- CURRENT	2,899	11.0	-	-	-	-
(Total Bonds)	2,899	11.0	-	-	-	-
(Long-term Borrowings)	-	-	-	-	-	-
TOTAL BORROWINGS	3,399	12.9	3,179	9.8	3,486	8.5
Financing Lease Liabilities	-	-	-	-	-	-
TOTAL BORROWINGS (Including Financing Lease Liabilities)	3,399	12.9	3,179	9.8	3,486	8.5

※ Ratio of Total Borrowings represents the component ratio to Total Assets where as other ratio represents the component ratio to Total Borrowings (including financing lease liabilities)

#### Income Statement (IFRS, Non-Consolidated)

(Unit : million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
REVENUE (NET)	28,253	100.0	38,191	100.0	47,611	100.0
Cost of Sales	7,671	27.2	11,489	30.1	13,282	27.9
GROSS PROFIT	20,582	72.8	26,701	69.9	34,329	72.1
Selling & General Admin. Expenses	15,904	56.3	19,472	51.0	25,219	53.0
(Depreciation)	150	0.5	135	0.4	144	0.3
(Bad Debt Expenses)	-13	0.0	-	-	-	-
(Personnel Expenses)	1,321	4.7	2,095	5.5	2,529	5.3

OPERATING INCOME(Loss)	4,678	16.6	7,229	18.9	9,110	19.1
Non-operating Income	240	0.8	574	1.5	904	1.9
(Finance Income)	17	0.1	21	0.1	55	0.1
Non-operating Expenses	876	3.1	712	1.9	911	1.9
(Finance Expenses)	242	0.9	282	0.7	307	0.6
Ongoing Business Income(Loss) Before Income Tax Expenses	4,041	14.3	7,091	18.6	9,103	19.1
Income Taxes Expenses for Ongoing Business Income(Loss)	870	3.1	1,536	4.0	1,864	3.9
NET INCOME	3,172	11.2	5,555	14.5	7,239	15.2

※ Ratio represents the component ratio to Sales amount

### Cash Flow Analysis (IFRS, Non-Consolidated)

(Unit : million KRW, %)

Accounting Item	2017.12.31		2018.12.31		2019.12.31	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
NET INCOME	3,172	0.0	5,555	0.0	7,239	0.0
ADJUSTED NET INCOME	3,303	0.0	5,686	0.0	7,353	0.0
(Net Inc. in A/R)	-393	0.0	555	0.0	2,048	0.0
(Net Inc. in Inventories)	401	0.0	114	0.0	1,433	0.0
(Net Inc. in Trade Account Payable)	-150	0.0	466	0.0	818	0.0
Net Cash from Operations	3,290	0.0	5,623	0.0	4,263	0.0
Net Cash from Non-operation	-3,232	0.0	-1,069	0.0	-11,498	0.0
Capital Short & Over	58	0.0	4,555	0.0	-7,235	0.0
Net Cash from Financing	5,144	0.0	-220	0.0	0	0.0
(Capital Increase with Consideration)	4,245	0.0	-	-	-	-
(Net Inc. in LT Borrowings)	-	-	-	-	-	-
(Net Inc. in Bonds)	2,899	0.0	280	0.0	0	0.0
(Net Inc. in ST Borrowings)	-2,000	0.0	-500	0.0	-	-
Net Inc. In Cash & Cash Equivalents	5,201	0.0	4,335	0.0	-7,235	0.0
Cash at the Beginning of the Period	2,960	0.0	8,161	0.0	12,496	0.0
Cash at the End of the Period	8,161	0.0	12,496	0.0	5,260	0.0

※ Ratio represents the component ratio to Sales amount

### **PAYMENT**

No complaints

### **MORTGAGE RECORD**

N/A

**LITIGATION**

		No. of Records	Amount of Litigation	Amount of Litigation	Amount of Litigation
Defendant	Ongoing Case	-	-	-	-
	Closed	Lost	-	-	-
		Partially Lost	-	-	-
		Won	-	-	-
		Others	-	-	-
	Total	-	-	-	-
Plaintiff	Ongoing Case	-	-	-	-
	Closed	Lost	-	-	-
		Partially Lost	-	-	-
		Won	-	-	-
		Others	-	-	-
	Total	-	-	-	-

**BANKER**

Kookmin Bank

**CREDIT OPINION WITHOUT OBLIGATION**

There are no objections regarding the payment of financial obligations.

Credit to the recommended limit should be acceptable but should be monitored on a regular basis.

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**MAJOR MACRO ECONOMIC INDICATORS OF South Korea\*****COUNTRY RISK ASSESSMENT\*****Country Risk Assessment: A3****MAJOR MACRO ECONOMIC INDICATORS**

	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.7	2.7	1.8	2.0
Inflation (yearly average, %)	1.9	1.5	0.5	1.0
Budget balance (% GDP)	2.8	2.5	0.0	-1.5
Current account balance (% GDP)	4.6	4.5	3.5	3.5
Public debt (% GDP)	37.6	37.9	40.1	43.5

(e): Estimate. (f): Forecast.

**STRENGTHS**

- Diversified industrial base
- Leader in high-end electronics
- High private and public R&D spending
- Good educational system
- Diversified FDIs in Asia

**WEAKNESSES**

- Competition from China (steel, shipbuilding, electronics)
- High level of household debt
- Ageing population
- High youth unemployment
- Net commodity importer
- Overrepresentation of chaebols in the economy
- Proximity to North Korea

**RISK ASSESSMENT****Growth on the back of public spending**

Growth will remain sluggish in 2020. Most of the upside will come on the back of budgetary support, with the contribution of net exports improving gradually thanks to a positive base effect in the second



half. External demand should remain sluggish despite recent developments surrounding a partial trade deal between the United States and China – its largest trade partner – via supply chain links. This is especially true for semiconductors and displays, South Korea's largest exports by value. Semiconductor exports suffered from a -25% YOY drop in prices in the first nine months of 2019. Some upside in Q4 is possible, pending developments with the launch of South Korea's 5G network. Industrial conglomerates (chaebols) will continue to face pressures on the profitability front, leading to slower private investment in ICT, automotive and electronics. Investments into the construction sector will remain especially subdued, on the back of stricter mortgage restrictions to control real estate prices. Nonetheless, another year of expansionary fiscal policy should boost public investment, offsetting the decline in private investment. Domestic consumption will decline over the following quarters, constrained by high household debt levels and a sluggish labour market, featuring high youth unemployment (around 10%). Inflation will likely edge up closer to Bank of Korea's (BOK) 2.00% target in 2020, on the back of higher food prices. This means that BOK may implement an additional 25 bps interest cut in the first quarter of 2020, but will pause for the remainder of the year. The onus of stimulating the economy will therefore fall on the Ministry of Finance, which will announce more aggressive fiscal stimulus measures, resulting in a budget deficit.

### **First budget deficit and stable current account surplus**

The budget deficit will widen due to a more expansionary fiscal policy. Since the 2.9% minimum wage increase in 2019 did little to boost activity or employment, the 2020 budget will instead focus on infrastructure investment and government expenditure on research and development. Corporate taxes remain amongst the highest in the OECD (at around 30%), contributing to higher tax revenues. In addition, the government is expecting to sell a net KRW 60.2 trillion worth of treasury bonds to finance this deficit, which would be the biggest on record. Despite increased government borrowing, South Korea features moderate public debt levels, amongst the lowest among high-income economies and below the OECD average (85% domestic owned). External debt also remains low, accounting for 25% of GDP. On the contrary, household debt continued to rise in 2019, reaching 93% of GDP or 161% of disposable income. This is amongst the highest in the world and remains a source of concern.

The current account surplus will remain positive thanks to a large trade surplus, in 2020. Export growth should be slightly lower than that of imports, due to mounting trade war ailments. The steadying of relations with China should help by boosting tourist numbers, after plummeting in 2017. Foreign exchange (FX) reserves will remain at a comfortable level, but a combination of KRW depreciation and a narrower current account surplus will limit any upside. Policymakers should not be too concerned about moderate FX depreciation, as the South Korean economy does not have a financing gap, and a weaker won benefits the export sector.

### **Less wind behind Moon's sails**

President Moon Jae-in secured a victory for the Democratic Party during elections in 2017. His agenda initially focused on improving GDP through measures to boost wages and public employment, while reducing the influence of the chaebols. However, these policies have had limited effects in reducing existing headwinds, leading to a shift in stance that is more sanguine towards the chaebol, which has not gone down well with his electorate. Additionally, a political scandal that resulted in the resignation of Justice Minister Cho Kuk, further contributed to Moon's decline in the polls, reaching 39% according to a survey by Gallup. President Moon's drive to engage in a strategic dialogue with Pyongyang has also had mixed results. North Korea is threatening to back away from a 2018 agreement to denuclearize the Peninsula, while ballistic missile tests resumed in late 2019. The Democratic Party may lose support during the legislative elections of April 2020 as a result. Lastly, an ongoing trade dispute with Japan over South Korea's ruling that Japan pays reparations for Second World War crimes is a lingering threat, as Korean companies depend on Japan for 90% of their demand of key technology imports.

For further information of country rating and payment experience such as Assets – weaknesses – risk outlook; Industries overview; Insolvency trend; Means of payment and collection methods; and Nonpayment index, please visit our group's official homepage at [www.coface.com](http://www.coface.com) or go directly to your interest at [http://www.coface.com/CofacePortal/COM\\_en\\_EN/pages/home/risks\\_home](http://www.coface.com/CofacePortal/COM_en_EN/pages/home/risks_home)

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