June 26, 2008

ACTION

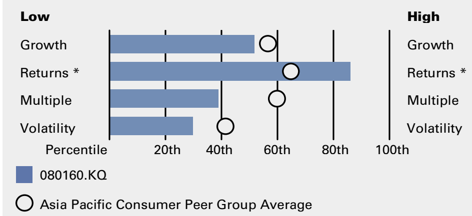
Removed from Asia Pacific Sell List
Modetour Network (080160.KQ)

Upgrade to Neutral given less demanding valuation; lowering TP

What happened

We upgrade Modetour to Neutral from Sell, as we believe valuation has become less demanding following recent share price weakness. The stock is down 50% since we downgraded it to Sell on Feb 25, 2008 (vs. KOSPI unchanged), on disappointing 1Q2008 results and weak YTD outbound traffic growth. Over the last 12 months, Modetour's share price is down 51%, vs. a 3% fall for the KOSPI.

Investment Profile: Modetour Network



* Returns = Return on Capital. For a complete description of the investment profile measures please refer to the disclosure section of this document.

Current view

There is no major change to our view on Modetour's fundamentals. We see 1) slowdown in outbound traffic growth (forecast +2% yoy in 2008E and +6% yoy in 2009E vs. +15% yoy in 2007), especially amid strong crude oil prices, weakening Won and sluggish consumer sentiment; and 2) potential downside risk to 2008E – 2009E consensus earnings estimates (by 22-37%). However, even based on our lower-than-consensus earnings estimates (we have cut our 2008E-2010E EPS by 9-21%), Modetour is now trading at FY2008E P/E of 15X (or PEG ratio of 1.0X), similar to Hana Tour's current PEG ratio of 1.0X (or lower than Modetour's historical low-end average P/E of 20X). Though we lower our 12-month target price to W25,000 (from W35,500) owing to our downward earnings revisions (to reflect weaker-than-expected YTD results and lower outbound traffic growth assumptions) and slower long-term earnings growth prospects, we upgrade our rating to Neutral given less demanding valuation after the recent share price fall. Our new target price is derived by applying a target FY2008E P/E of 16x (derived from applying a PEG ratio of 1.1x, which is overseas peers' average PEG ratio). We think our target 2008E P/E of 16x – a 22% discount to Modetour's historical low-end average P/E - is justified given Modetour's slower annual EPS growth of +15% p.a. in FY2008E - 2010E vs. +41% p.a. annual EPS growth in FY2005-2007. Risks are slower-than-expected outbound traffic growth / market share gains.

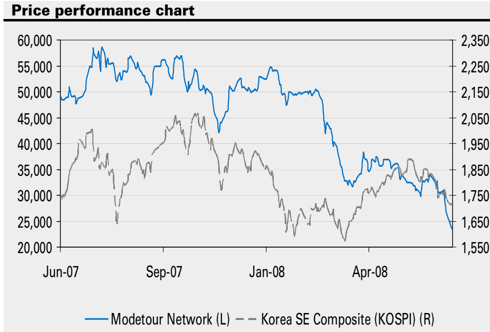
INVESTMENT LIST MEMBERSHIP

Neutral

Key data	Current
Price (W)	23,500
12 month price target (W)	25,000
Market cap (W bn / US$ mn)	197.4 / 191.0
Foreign ownership (%)	22.1

	12/07	12/08E	12/09E	12/10E
EPS (W) New	**1,353**	**1,581**	**1,836**	**2,055**
EPS revision (%)	0.0	(8.7)	(14.3)	(21.0)
EPS growth (%)	31.6	16.8	16.1	11.9
EPS (dil) (W) New	**1,353**	**1,581**	**1,836**	**2,055**
P/E (X)	17.4	14.9	12.8	11.4
P/B (X)	3.4	3.0	2.4	2.0
EV/EBITDA (X)	23.0	10.6	8.7	7.5
Dividend yield (%)	1.2	1.8	2.3	2.8
ROE (%)	21.5	21.4	20.7	19.0

Price performance chart



Share price performance (%)	3 month	6 month	12 month
Absolute	(28.1)	(53.4)	(52.0)
Rel. to Korea SE Composite	(29.9)	(47.9)	(50.9)

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 6/25/2008 close.

Coverage View: Neutral

South Korea:
Entertainment & Leisure

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Modetour Network: Summary financials

Profit model (W bn)	12/07	12/08E	12/09E	12/10E
Total revenue	**94.4**	**111.2**	**132.8**	**156.7**
Cost of goods sold	0.0	0.0	0.0	0.0
SG&A	(80.0)	(96.1)	(115.6)	(138.5)
R&D	--	--	--	--
Other operating profit/(expense)	0.0	0.0	0.0	0.0
EBITDA	**15.0**	**15.5**	**17.7**	**18.9**
Depreciation & amortization	(0.7)	(0.5)	(0.5)	(0.6)
EBIT	**14.3**	**15.0**	**17.2**	**18.2**
Interest income	2.3	3.4	4.2	5.1
Interest expense	0.0	0.0	0.0	0.0
Income/(loss) from uncons. subs.	(1.5)	(1.0)	(1.0)	(1.0)
Others	0.7	0.7	0.6	0.6
Pretax profits	**15.9**	**18.1**	**21.1**	**23.0**
Income tax	(4.5)	(4.9)	(5.7)	(5.7)
Minorities	0.0	0.0	0.0	0.0
Net income pre-preferred dividends	**11.4**	**13.3**	**15.4**	**17.3**
Preferred dividends	0.0	0.0	0.0	0.0
Net income (pre-exceptionals)	**11.4**	**13.3**	**15.4**	**17.3**
Post-tax exceptionals	0.0	0.0	0.0	0.0
Net income	**11.4**	**13.3**	**15.4**	**17.3**
EPS (basic, pre-except) (W)	1,353	1,581	1,836	2,055
EPS (basic, post-except) (W)	1,353	1,581	1,836	2,055
EPS (diluted, post-except) (W)	1,353	1,581	1,836	2,055
DPS (W)	290	420	550	650
Dividend payout ratio (%)	21.4	26.6	30.0	31.6
Free cash flow yield (%)	4.9	12.4	12.2	14.1

Growth & margins (%)	12/07	12/08E	12/09E	12/10E
Sales growth	42.1	17.8	19.4	18.0
EBITDA growth	47.4	3.7	14.1	6.3
EBIT growth	46.7	5.1	14.4	5.9
Net income growth	39.1	16.8	16.1	11.9
EPS growth	31.6	16.8	16.1	11.9
Gross margin	100.0	100.0	100.0	100.0
EBITDA margin	15.9	14.0	13.4	12.0
EBIT margin	15.2	13.5	13.0	11.6

Cash flow statement (W bn)	12/07	12/08E	12/09E	12/10E
Net income pre-preferred dividends	11.4	13.3	15.4	17.3
D&A add-back	0.7	0.5	0.5	0.6
Minorities interests add-back	0.0	0.0	0.0	0.0
Net (inc)/dec working capital	(14.1)	11.6	0.1	0.5
Other operating cash flow	19.6	(2.3)	6.0	6.6
Cash flow from operations	**17.6**	**23.1**	**22.1**	**25.0**
Capital expenditures	(1.1)	(1.0)	(1.0)	(1.0)
Acquisitions	11.9	(12.7)	(5.8)	(6.1)
Divestitures	0.0	0.0	0.0	0.0
Others	(17.0)	2.4	(1.3)	(0.7)
Cash flow from investments	**(6.2)**	**(11.3)**	**(8.1)**	**(7.9)**
Dividends paid (common & pref)	(1.5)	0.0	(3.5)	(4.6)
Inc/(dec) in debt	0.0	0.0	0.0	0.0
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0
Other financing cash flows	(0.5)	(1.7)	0.0	0.0
Cash flow from financing	**(2.0)**	**(1.7)**	**(3.5)**	**(4.6)**
Total cash flow	**9.4**	**10.0**	**10.5**	**12.6**

Balance sheet (W bn)	12/07	12/08E	12/09E	12/10E
Cash & equivalents	23.3	33.4	43.8	56.4
Accounts receivable	9.6	16.0	19.2	22.6
Inventory	0.0	0.0	0.0	0.0
Other current assets	56.5	63.8	73.2	83.3
Total current assets	**89.4**	**113.3**	**136.2**	**162.4**
Net PP&E	1.2	1.7	2.2	2.6
Net intangibles	0.0	0.0	0.0	0.0
Total investments	3.3	5.3	8.3	11.4
Other long-term assets	3.6	14.3	17.1	20.2
Total assets	**97.4**	**134.5**	**163.8**	**196.5**
Accounts payable	20.6	35.5	43.1	51.7
Short-term debt	0.0	0.0	0.0	0.0
Other current liabilities	15.5	25.9	30.9	36.5
Total current liabilities	**36.0**	**61.4**	**74.0**	**88.2**
Long-term debt	0.0	0.0	0.0	0.0
Other long-term liabilities	3.8	6.3	7.6	8.9
Total long-term liabilities	3.8	6.3	7.6	8.9
Total liabilities	**39.8**	**67.8**	**81.6**	**97.1**
Preferred shares	**0.0**	**0.0**	**0.0**	**0.0**
Total common equity	**57.6**	**66.8**	**82.2**	**99.4**
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	**97.4**	**134.5**	**163.8**	**196.5**
BVPS (W)	**6,861**	**7,947**	**9,783**	**11,837**

Ratios	12/07	12/08E	12/09E	12/10E
ROE (%)	21.5	21.4	20.7	19.0
ROA (%)	13.5	11.4	10.3	9.6
ROACE (%)	28.4	31.8	34.4	33.0
Inventory days	NM	NM	NM	NM
Receivables days	28.7	42.1	48.4	48.7
Payable days	NM	NM	NM	NM
Net debt/equity (%)	(40.5)	(50.0)	(53.3)	(56.7)
Interest cover - EBIT (X)	NM	NM	NM	NM

Valuation	12/07	12/08E	12/09E	12/10E
P/E (analyst) (X)	17.4	14.9	12.8	11.4
P/B (X)	3.4	3.0	2.4	2.0
EV/EBITDA (X)	23.0	10.6	8.7	7.5
Dividend yield (%)	1.2	1.8	2.3	2.8

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.

Analyst Contributors

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Exhibit 1: Earnings revisions

(W bn)	---------- Previous ----------			----- New -----			----- % change -----		
	FY2008E	FY2009E	FY2010E	FY2008E	FY2009E	FY2010E	FY2008E	FY2009E	FY2010E
Sales	116.6	142.3	172.6	111.2	132.8	156.7	(4.7)	(6.7)	(9.2)
Airline ticket sales	35.7	40.0	45.8	32.9	36.2	39.9	(8.0)	(9.6)	(12.8)
No. of travellers	1,136,567	1,393,637	1,699,778	1,051,963	1,228,241	1,434,265	(7.4)	(11.9)	(15.6)
ASP (Won1,000)	31,448	28,711	26,950	31,271	29,449	27,846	(0.6)	2.6	3.3
Package tour sales	76.2	97.0	120.9	73.9	91.9	111.6	(3.0)	(5.3)	(7.7)
No. of travellers	831,200	1,049,884	1,309,789	763,280	923,771	1,116,883	(8.2)	(12.0)	(14.7)
ASP (Won1,000)	91,641	92,437	92,285	96,839	99,452	99,908	5.7	7.6	8.3
Others	4.7	5.2	5.9	4.4	4.7	5.2	(7.3)	(9.4)	(12.4)
Operating expense	99.2	121.5	147.7	96.1	115.6	138.5	(3.1)	(4.9)	(6.3)
Operating profit	17.4	20.8	24.9	15.0	17.2	18.2	(13.7)	(17.3)	(26.7)
Recurring profit	20.3	25.1	30.5	18.1	21.1	23.0	(10.8)	(16.2)	(24.8)
Net profit	14.5	18.0	21.8	13.3	15.4	17.3	(8.6)	(14.1)	(20.8)
Margin									
OP margin (%)	15.0	14.6	14.4	13.5	13.0	11.6			
RP margin (%)	17.4	17.7	17.7	16.3	15.9	14.7			
NP margin (%)	12.5	12.6	12.6	11.9	11.6	11.0			

Source: Company data, Bloomberg, Goldman Sachs Research estimates.

Exhibit 2: 2Q2008E results preview

(W bn)	2Q2007	3Q2007	4Q2007	1Q2008	GSE 2Q2008E	YoY chg (%)	QoQ chg (%)	Consensus	Var (%)
Sales	19.4	29.5	22.8	26.5	21.7	12.2	(18.1)	27.8	(21.9)
OP	1.7	5.0	2.6	5.3	1.4	(16.9)	(73.1)	2.7	(46.3)
RP	1.5	5.8	2.8	6.2	1.8	15.0	(71.5)	2.8	(37.1)
NP	1.1	4.1	2.1	4.5	1.3	21.5	(71.0)	2.6	(50.1)
Margin									
Operating margin (%)	8.9	16.9	11.2	20.0	6.6			9.5	
Recurring margin (%)	8.0	19.6	12.1	23.5	8.2			10.2	
Net margin (%)	5.6	13.8	9.1	17.0	6.0			9.4	

Note: We expect the company to report in mid-August
Source: Company data, Bloomberg, Goldman Sachs Research estimates.

Exhibit 3: GSE vs. market consensus

(W bn)	GSE		Consensus		Diff (%)	
	FY2008E	FY2009E	FY2008E	FY2009E	FY2008E	FY2009E
Sales	111.2	132.8	123.6	155.8	(10.1)	(14.8)
OP	15.0	17.2	21.3	29.5	(29.2)	(41.7)
RP	18.1	21.1	23.5	31.3	(22.8)	(32.8)
NP	13.3	15.4	17.1	24.4	(22.3)	(36.8)
Margin (%)						
Operating margin	13.5	13.0	17.2	18.9		
Recurring margin	16.3	15.9	19.0	20.1		
Net margin	11.9	11.6	13.8	15.7		

Source: Company data, Bloomberg, Goldman Sachs Research estimates.

Exhibit 4: Overseas peers valuation comparison

Company	Ticker	Rating	P/E (X)			PEG ratio	ROE (%)			3-yr annual NP growth
			FY2008E	FY2009E	FY2010E		FY2008E	FY2009E	FY2010E	(FY2008~2010E, %)
Priceline.com	PCLN.O	Buy	23.5	18.9	16.2	1.1	31.7	28.8	25.5	22.2
China Travel	0308.HK	NC	14.6	14.6	14.4	1.1	7.9	7.7	7.4	13.0
Ctrip	CTRP	Buy	45.5	29.0	20.0	1.1	29.8	34.7	38.3	42.8
HIS	9603.T	NC	15.2	13.4	12.3	1.4	7.0	7.5	7.6	11.0
Hana Tour	039130.KQ	Neutral	13.8	11.7	10.3	1.0	25.5	24.4	23.7	13.3
Modetour Network	080160.KQ	Neutral	15.2	13.1	11.7	1.0	21.4	20.7	19.0	14.9
Average			**24.5**	**18.2**	**14.5**	**1.1**	**27.1**	**27.1**	**26.6**	**23.3**

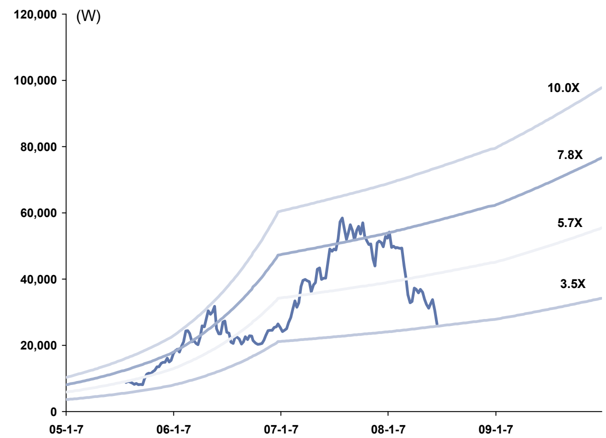
For important disclosures, please go to http://www.gs.com/research/hedge.html

Source: Company data, Bloomberg, Goldman Sachs Research estimates.

Exhibit 5: Modetour's P/E band

Source: Wisenet, Company data, Goldman Sachs Research estimates.

Exhibit 6: Modetour's P/B band



Source: Wisenet, Company data, Goldman Sachs Research estimates.

Exhibit 7: Share price performance versus peer group

Prices as of close June 24, 2008

Company	Ticker	Primary analyst	Price currency	Price as of 06/24/08	Price performance since 02/25/08	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Consumer Peer Group								
Modetour Network	**080160.KQ**	**Paul Hwang**	**KRW**	**24,000.00**	**-49.8%**	**-24.4%**	**-52.4%**	**-51.1%**
Astra Agro Lestari	AALI.JK	Patrick Tiah, CFA	IDR	29,750.00	-12.5%	16.4%	21.7%	109.5%
Bright Dairy	600597.SS	Yifan Deng	CNY	7.13	-39.6%	-43.9%	-42.2%	-37.0%
Cheil Worldwide	030000.KS	Mina Kim	KRW	241,500.00	-5.5%	5.0%	-16.9%	-12.8%
China Agri-Industries Holding	0606.HK	Yifan Deng	HKD	5.67	0.0%	39.7%	8.6%	0.9%
China Foods	0506.HK	Yifan Deng	HKD	3.62	-27.2%	-2.4%	-37.2%	-32.0%
China Yurun Food Group	1068.HK	Yifan Deng	HKD	12.90	28.7%	51.8%	-5.8%	56.0%
CJ Home Shopping	035760.KQ	Paul Hwang	KRW	67,500.00	21.6%	9.2%	30.3%	-5.6%
Dynasty Fine Wines Group	0828.HK	Yifan Deng	HKD	1.50	-25.0%	1.4%	-51.1%	-55.6%
Esprit Holdings	0330.HK	Joshua Lu	HKD	87.45	-8.0%	0.7%	-25.2%	-11.8%
Golden Eagle Retail Group	3308.HK	Joshua Lu	HKD	7.50	-10.7%	18.3%	-10.9%	19.0%
Gome Electrical Appliances Holding	0493.HK	Joshua Lu	HKD	3.78	-14.6%	-2.4%	-23.1%	26.4%
GS Home Shopping	028150.KQ	Paul Hwang	KRW	67,100.00	13.2%	16.7%	-3.9%	-25.4%
Hana Tour Service	039130.KQ	Paul Hwang	KRW	34,700.00	-42.8%	-22.9%	-49.1%	-60.8%
Hite Brewery	000140.KS	Mina Kim	KRW	112,500.00	-2.2%	-3.0%	-16.7%	-10.0%
Hyundai Department Store	069960.KS	Paul Hwang	KRW	91,700.00	9.8%	4.7%	-21.3%	-12.7%
Indofood Agri Resources	IFAR.SI	Patrick Tiah, CFA	SGD	2.87	3.6%	27.6%	27.0%	139.2%
IOI Corporation	IOIB.KL	Patrick Tiah, CFA	MYR	7.55	-6.2%	14.4%	2.7%	32.8%
Kangwon Land	035250.KS	Paul Hwang	KRW	22,800.00	5.6%	9.6%	-9.9%	2.9%
KT&G	033780.KS	Mina Kim	KRW	89,000.00	7.2%	20.6%	7.2%	39.7%
Kuala Lumpur Kepong	KLKK.KL	Patrick Tiah, CFA	MYR	17.50	-5.9%	8.7%	6.1%	29.6%
Kweichow Moutai	600519.SS	Yifan Deng	CNY	136.63	-30.6%	-29.0%	-34.7%	13.1%
Li & Fung	0494.HK	Joshua Lu	HKD	26.65	-3.4%	-6.5%	-18.5%	-1.8%
London Sumatra Indonesia	LSIP.JK	Patrick Tiah, CFA	IDR	10,650.00	-17.4%	22.4%	7.0%	63.8%
Lotte Shopping	023530.KS	Paul Hwang	KRW	317,000.00	-4.2%	6.4%	-21.4%	-15.4%
Mengniu Dairy	2319.HK	Yifan Deng	HKD	22.10	3.0%	27.3%	-18.1%	-16.6%
Nong Shim	004370.KS	Mina Kim	KRW	216,000.00	8.0%	20.7%	6.1%	-17.7%
Orion	001800.KS	Mina Kim	KRW	223,500.00	6.9%	31.9%	-11.5%	-22.3%
Parkson Retail Group	3368.HK	Joshua Lu	HKD	53.90	-28.0%	-9.5%	-39.4%	7.6%
People's Food Holdings	PPFH.SI	Yifan Deng	SGD	1.01	3.1%	-1.0%	-9.0%	-47.4%
President Chain Store	2912.TW	Rosa Lo	TWD	104.00	3.5%	-15.1%	24.0%	6.1%
PT Indofood	INDF.JK	Patrick Tiah, CFA	IDR	2,450.00	-13.3%	10.1%	0.0%	19.5%
Ruentex Industries	2915.TW	Rosa Lo	TWD	24.40	-14.7%	-15.6%	-1.6%	18.4%
Shinsegae	004170.KS	Paul Hwang	KRW	560,000.00	-3.8%	-3.3%	-22.5%	-9.7%
Stella International Holdings	1836.HK	Joshua Lu	HKD	14.10	2.6%	8.6%	-17.3%	NA
Suning Appliance Co.	002024.SZ	Joshua Lu	CNY	39.50	-40.0%	-28.8%	-42.0%	-20.7%
Tsingtao Brewery (A)	600600.SS	Yifan Deng	CNY	19.30	-42.7%	-27.8%	-49.1%	-27.0%
Tsingtao Brewery (H)	0168.HK	Yifan Deng	HKD	17.50	-22.7%	-7.9%	-33.3%	-11.3%
Uni-President Enterprise	1216.TW	Rosa Lo	TWD	38.00	-14.8%	-19.5%	-1.4%	23.6%
Wilmar International	WLIL.SI	Patrick Tiah, CFA	SGD	5.20	4.0%	26.5%	5.5%	66.7%
Yanjing Brewery	000729.SZ	Yifan Deng	CNY	15.30	-24.9%	-17.7%	-24.4%	-1.3%
Yantai Changyu Pioneer Wine (A)	000869.SZ	Yifan Deng	CNY	63.99	-26.4%	-12.6%	-21.9%	3.4%
Yantai Changyu Pioneer Wine (B)	200869.SZ	Yifan Deng	HKD	48.47	-5.0%	12.7%	-13.7%	34.5%
Yili Industrial	600887.SS	Yifan Deng	CNY	16.38	-14.4%	-5.7%	-33.5%	-41.1%
CJ CheilJedang	097950.KS	Mina Kim	KRW	263,000.00	-4.4%	14.8%	-9.0%	NA
China Nepstar Chain Drugstore Ltd.	NPD	Joshua Lu	USD	9.30	-19.6%	-21.0%	-46.5%	NA
Amorepacific	090430.KS	Mina Kim	KRW	666,000.00	8.6%	32.7%	-2.6%	-4.9%
LG Household & Healthcare	051900.KS	Mina Kim	KRW	209,500.00	15.7%	23.2%	8.8%	52.4%
Asiatic Development	ASIA.KL	Patrick Tiah, CFA	MYR	8.50	1.2%	14.1%	6.3%	34.9%
Bosideng International Holdings	3998.HK	Joshua Lu	HKD	1.30	-20.2%	15.1%	-50.8%	NA
LG Fashion	093050.KS	Christine Cho	KRW	28,850.00	6.1%	16.1%	-6.0%	-5.7%
Maoye International Holdings	0848.HK	Joshua Lu	HKD	2.69	NA	NA	NA	NA
Peace Mark Holdings	0304.HK	Joshua Lu	HKD	6.10	-29.0%	7.6%	-49.3%	-41.8%
Want Want China Holdings	0151.HK	Yifan Deng	HKD	3.05	NA	NA	NA	NA
Xinyu Hengdeli Holdings	3389.HK	Joshua Lu	HKD	3.14	-21.7%	7.2%	-21.5%	-12.5%
Yue Yuen Industrial	0551.HK	Joshua Lu	HKD	20.20	-11.6%	-10.4%	-27.1%	-16.4%
Korea SE Composite (KOSPI)				1,711	0.1%	3.4%	-10.9%	-3.4%

Source: Factset, Quantum Database

Reg AC

I, Paul Hwang, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Korea Machinery: Doosan Heavy Industries & Construction, DSME, DSME (GDR), Hanjin Heavy Industries, Hyundai Heavy Industries, Hyundai Mipo Dockyard, Samsung Heavy Industries, STX Shipbuilding, Sung Kwang Bend, TK Corp.

Korea Mid-Caps: Daelim Industrial, Daewoo Engineering & Construction, Doosan Construction & Engineering, GS Engineering & Construction, Hyundai Development, Hyundai Engineering & Construction, Hyunjin Materials, Kolon Engineering & Construction, Sewon Cellontech, Taewoong, Unison.

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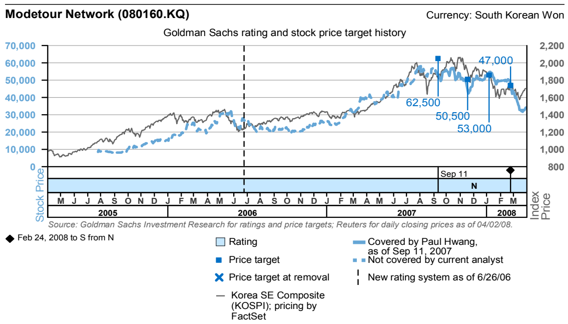
Price target and rating history chart(s)



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