

## **KCGI sent an inquiry letter to the Board of Directors of Delta Airlines on its equity investment in Hanjin KAL**

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KCGI, a Korean private equity fund with a mission to focus on improving corporate governance, currently owns 15.98% of Hanjin KAL through its wholly-owned investment purpose vehicles with Grace Holdings LLC owning the primary shareholding position. On June 28, 2019, Grace Holding LLC sent an official inquiry letter to the Board of Directors of Delta Airlines on its recent equity stake acquisition of Hanjin KAL.

Since its foundation in July 2018, KCGI has held its firm belief that key subsidiary companies owned by Hanjin KAL offer the potential to become leading players in aviation and shipping on the global domain. Based upon this conviction, KCGI has been putting out consistent efforts to improve corporate governance practices and establish a responsible management process and structure at Hanjin KAL, while continuing to bolster its equity investments in Hanjin KAL. Alongside with KCGI's efforts and investments, we note that general investors on the Korean stock market have also been growing the expectations that improvement in corporate governance, corporate management accountability, and public trust toward Hanjin KAL, and, thus, its corporate value would continue to be enhanced. As a result, since KCGI made its first public disclosure on November 15, 2018, to the Korea Stock Exchange on its equity stake acquisition of Hanjin KAL, Hanjin KAL share prices have risen by almost 60% until June 20, 2019.

However, the price of Hanjin KAL shares fell 15.1% on the KSE trading day of June 21 upon the news that Delta Airlines announced its Hanjin KAL equity stake acquisition of 4.3% on June 20 EST. During the period of June 21 and June 27, Hanjin KAL share prices went down by almost 30%, with the result that all the general shareholders of Hanjin KAL suffered massive losses for such a short period. Many local newspapers have commented that behind Delta's equity stake acquisition stands its intention to support the management control of the Cho Family as the White-Knight. Amid such sharp downfalls in Hanjin KAL share prices, KCGI, reflecting on such newspaper reports, feels it hard to avoid arriving at suspicions that this deplorable consequence for Hanjin KAL share prices immediately following Delta's acquisition announcement must have something to do with such prevailing perceptions in the Korean stock market.

Given these circumstances, KCGI sent an inquiry letter to the Board of Directors of Delta Airlines to address the following points:

- ① As KCGI stressed in its previous press release dated on June 21, 2019, KCGI welcomes Delta's equity investment in Hanjin KAL and is delighted to have become co-shareholders. KCGI also looks forward to working closely together with Delta Airlines to lead Korean Air to place a better focus on aviation business itself by disposing of numerous idle non-core assets and improving governance practices.
- ② Concurrently, KCGI also expresses its concerns over the negative responses from the market participants as evident in significant drops in Hanjin KAL share prices. Moreover, if the equity stake acquisition were indeed concluded to support the private management control of the Cho family itself, as both local newspapers and investors suspect, the Board of Delta should note that it may well constitute a violation of the Financial Supervisory Services regulations and the Capital Markets Act.

In the letter to the Board of Directors of Delta Airlines, KCGI, as co-shareholders of Hanjin KAL, also raises three simple questions as follows:

- ① Were the directors of Delta fully aware of the ongoing legal investigations?
- ② Were the directors of Delta fully aware of the proxy fight at this year's annual shareholders

meeting of Hanjin Group companies?

- ③ What is the “true” consideration for the equity stake acquisition of Hanjin KAL by Delta Airline?

KCGI