

Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2018 and 2017

Pan Ocean Co., Ltd. and Subsidiaries

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Independent Auditor's Report

To the Board of Directors and Shareholders of
Pan Ocean Co., LTD.

Opinion

We have audited the accompanying consolidated financial statements of Pan Ocean Co., LTD. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The voyage operating revenue and revenue from time charter

Reasons why the matter was determined to be a key audit matter

As described in Note 2.19 to the financial statements, the Group recognizes revenue as performance obligation is satisfied, and the underlying information for the revenue amount exist in the complex sales system. As revenue is a key performance indicator of the Group and executives, it is the matter in which intentional adjustment may arise to achieve target and has high inherent risk. In addition, as described in Note 2.2 to the financial statements, there is a possibility of an error due to the initial implementation of Korean IFRS 1115 Revenue from Contracts with Customers. Considering the above reasons, we have decided the voyage operating revenue and revenue from time charter as a key audit

matter.

Key audit matters addressed in the audit

For the accounting treatment on the voyage operating revenue and revenue from time charter of the Group, we conducted audit procedures including the following:

- Evaluating whether accounting policy for the voyage operating revenue and revenue from time charter conforms with Korean IFRS 1115
- Understanding and evaluating processes and controls related to the voyage operating revenue and revenue from time charter
- Confirming the appropriateness of information technology general control on system of revenue recognition
- Performing interface test between sales system and accounting system
- Performing substantive procedures for the accuracy of the amount of impact of changes in accounting policies due to the application of Korean IFRS 1115
- Confirming the existence of transaction, cut off and the accuracy of the amount by inspecting contracts with customers and supporting documents for the selected samples of individual transaction units.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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 [Korean IFRS/ Accounting Standards for Non-Public Entities in the Republic of Korea], 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.

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

Auditor's 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 auditor's 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 Korean Standards on Auditing 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 Korean Standards on Auditing, 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used 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 auditor's 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 auditor's 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yun-seok Hwang, Certified Public Accountant.

Seoul, Korea
March 19, 2019

Samuel PricewaterhouseCoopers

This report is effective as of March 19, 2019, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2018 and 2017

(In thousands of US dollars)

	Notes	2018	2017
Assets			
Current assets			
Cash and cash equivalents	4,6,8	\$ 186,668	\$ 193,810
Trade receivables	4,6,7,9	127,837	94,095
Other receivables	4,6,7,10	32,085	26,568
Derivative financial assets	4,5,6,11	1,541	3,065
Other financial assets	4,5,6,12	16,042	33,794
Inventories	13	54,602	46,906
Other assets	14	113,076	174,102
Contract assets	37	87,196	-
		<u>619,047</u>	<u>572,340</u>
Non-current assets			
Trade receivables	4,6,7,9	10	-
Other receivables	4,6,7,10	24,608	19,118
Derivative financial assets	4,5,6,11	-	174
Other financial assets	4,5,6,12	15,827	17,402
Investments in associates and joint ventures	15	2,020	2,003
Vessels, property and equipment	16	3,007,560	3,008,788
Intangible assets	17	7,704	8,975
Other assets	14	7,596	6,034
		<u>3,065,325</u>	<u>3,062,494</u>
Total assets		<u>\$ 3,684,372</u>	<u>\$ 3,634,834</u>
Liabilities and Equity			
Current liabilities			
Trade payables	4,6	\$ 80,773	\$ 81,734
Borrowings	4,6,18	340,699	298,359
Derivative financial liabilities	4,5,6,11	3,004	468
Other payables	4,6,19	57,704	61,404
Provisions	20	2,257	2,545
Other liabilities	21	47,138	64,590
Contract liabilities	37	68,107	-
		<u>599,682</u>	<u>509,100</u>
Non-current liabilities			
Borrowings	4,6,18	667,285	842,320
Derivative financial liabilities	4,5,6,11	1	14
Provisions	20	29,542	29,881
Retirement benefit obligations	22	3,793	4,286
Other payables	4,19	65	71
Other liabilities		4,577	-
		<u>705,263</u>	<u>876,572</u>
Total liabilities		<u>1,304,945</u>	<u>1,385,672</u>
Equity			
Equity attributable to the owners of the Group			
Share capital	1,24	480,755	480,727
Capital surplus	24	652,814	651,920
Other reserves	25	1,052,219	1,055,891
Retained Earning	26	178,747	41,281
		<u>2,364,535</u>	<u>2,229,819</u>
Non-controlling interests		<u>14,892</u>	<u>19,343</u>
Total equity		<u>2,379,427</u>	<u>2,249,162</u>
Total liabilities and equity		<u>\$ 3,684,372</u>	<u>\$ 3,634,834</u>

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2018 and 2017

(In thousands of US dollars, except per share amount)

	Notes	2018	2017
Sales	35	\$ 2,425,312	\$ 2,065,495
Cost of Sales	27	(2,172,563)	(1,831,946)
Gross profit		252,749	233,549
Selling and administrative expenses	27	(67,389)	(61,127)
Operating profit	35	185,360	172,422
Finance income	28	11,301	12,626
Finance costs	28	(58,133)	(52,601)
Share of profit of associates and joint ventures	15	62	233
Other non-operating expenses, net	29	(3,167)	(6,098)
Profit before income tax		135,423	126,582
Income tax expense	23	317	1,679
Profit from continuing operation		135,106	124,903
Gain(loss) from discontinuing operation, net of tax		-	-
Profit for the period		\$ 135,106	\$ 124,903
Other comprehensive income			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets		-	44
Changes in the fair value of derivative financial assets and liabilities		55	(538)
Share of other comprehensive income of associates and joint ventures		(45)	117
		10	(377)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability		(132)	612
Exchange differences		(4,927)	1,165
Total other comprehensive income for the period, net of tax		(5,049)	1,400
Total comprehensive income for the period		\$ 130,057	\$ 126,303
Profit (loss) attributable to:			
Owners of the Parent Company		138,528	126,478
Non-controlling interests		(3,422)	(1,575)
		\$ 135,106	\$ 124,903
Total comprehensive income attributable to:			
Owners of the Parent Company		134,508	127,800
Non-controlling interests		(4,451)	(1,497)
		\$ 130,057	\$ 126,303
Earnings per share	30		
Basic earnings per share		\$ 0.26	\$ 0.23
Diluted earnings per share		\$ 0.26	\$ 0.23

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2018 and 2017

	Attributable to owners of the Parent Company					Total Equity
	Share capital	Capital surplus	Other reserves	Retained Earning (Accumulated deficit)	Non- controlling interests	
<i>(In thousands of US dollars)</i>						
Balance at January 1, 2017	\$ 480,598	\$ 651,355	\$ 1,056,192	\$ (85,809)	\$ 20,840	\$ 2,123,176
Total comprehensive income for the period						
Profit (loss) for the period	-	-	-	126,478	(1,575)	124,903
<i>Items that will be subsequently reclassified to profit or loss:</i>						
Changes in the fair value of available-for-sale financial assets	-	-	44	-	-	44
Changes in the fair value of derivative financial assets and liabilities	-	-	(538)	-	-	(538)
Share of other comprehensive income of associates and joint ventures	-	-	117	-	-	117
<i>Items that will not be reclassified to profit or loss:</i>						
Remeasurements of defined benefit liability	-	-	-	612	-	612
Exchange differences	-	-	1,087	-	78	1,165
Transactions with owners						
Changes in equity due to debt-to-equity swap	129	565	(1,011)	-	-	(317)
Balance at December 31, 2017	<u>\$ 480,727</u>	<u>\$ 651,920</u>	<u>\$ 1,055,891</u>	<u>\$ 41,281</u>	<u>\$ 19,343</u>	<u>\$ 2,249,162</u>
Balance at January 1, 2018	\$ 480,727	\$ 651,920	\$ 1,055,891	\$ 41,281	\$ 19,343	\$ 2,249,162
Effect of change in accounting policies	-	-	536	(930)	-	(394)
After adjustment	<u>480,727</u>	<u>651,920</u>	<u>1,056,427</u>	<u>40,351</u>	<u>19,343</u>	<u>2,248,768</u>
Total comprehensive income for the period						
Profit (loss) for the period	-	-	-	138,528	(3,422)	135,106
<i>Items that will be subsequently reclassified to profit or loss:</i>						
Changes in the fair value of available-for-sale financial assets	-	-	-	-	-	-
Changes in the fair value of derivative financial assets and liabilities	-	-	55	-	-	55
Share of other comprehensive income of associates and joint ventures	-	-	(45)	-	-	(45)
<i>Items that will not be reclassified to profit or loss:</i>						
Remeasurements of defined benefit liability	-	-	-	(132)	-	(132)
Exchange differences	-	-	(3,898)	-	(1,029)	(4,927)
Transactions with owners						
Changes in equity due to debt-to-equity swap	28	117	(320)	-	-	(175)
Additional acquisition of the non-controlling interest with unchanged control	-	777	-	-	-	777
Balance at December 31, 2018	<u>\$ 480,755</u>	<u>\$ 652,814</u>	<u>\$ 1,052,219</u>	<u>\$ 178,747</u>	<u>\$ 14,892</u>	<u>\$ 2,379,427</u>

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

<i>(In thousands of US dollars)</i>	Notes	2018	2017
Cash flows from operating activities	33		
Cash generated from operations		\$ 298,162	\$ 277,472
Interest paid		(53,339)	(45,330)
Income tax paid		(1,168)	(848)
Net cash inflow from operating activities		<u>243,655</u>	<u>231,294</u>
Cash flows from investing activities			
Acquisition of vessels, property and equipment		(150,376)	(94,142)
Proceeds from sale of vessels, property and equipment		12,681	3
Acquisition of intangible assets		(176)	(1,352)
Proceeds from sale of intangible assets		-	523
Acquisition of other financial assets		(16,353)	(29,353)
Proceeds from sale of other financial assets		35,063	16,925
Acquisition of investments in associates and joint ventures		-	-
Proceeds from sale of assets held for sale		-	-
Dividends received		238	1,035
Increase in other receivables		(317)	(51)
Decrease in other receivables		1,084	821
Interest received		3,131	2,003
Net cash outflow from investing activities		<u>(115,025)</u>	<u>(103,588)</u>
Cash flows from financing activities			
Proceeds from borrowings		408,252	136,463
Repayments of borrowings		(543,267)	(273,522)
Repayments of lease liabilities		(349)	-
Changes in other controlling interests		(193)	-
Net cash outflow from financing activities		<u>(135,557)</u>	<u>(137,059)</u>
Effect of exchange rate changes on cash and cash equivalents		<u>(215)</u>	<u>357</u>
Net increase (decrease) in cash and cash equivalents		<u>(7,142)</u>	<u>(8,996)</u>
Cash and cash equivalents at the beginning of year		193,810	202,806
Cash and cash equivalents at the end of year		<u>\$ 186,668</u>	<u>\$ 193,810</u>

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Pan Ocean Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

1. General Information

1.1 Parent Company

Pan Ocean Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) operate marine transportation (mainly bulk carrying) and other related services. The Group was established in Republic of Korea in May 1966. The Group listed its ordinary shares on the Singapore Exchange Securities Trading Limited (“SGX”) in July 2005 and on the Korea Exchange (“KRX”) in September 2007.

The address of its registered office is Tower 8, 7, Jong-ro 5-gil, Jongno-gu, Seoul, Korea.

The paid-in capital amount as at December 31, 2018 is US\$ 480,755 thousand and the number of shares issued is 534,569,207. As at December 31, 2018, the detail of the shareholders structure is as follows:

	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
Harim Holdings Co., Ltd. (formerly, Jeil Holdings Co., Ltd.)	292,400,000	54.70%
Other shareholders	<u>242,169,207</u>	<u>45.30%</u>
	<u>534,569,207</u>	<u>100.00%</u>

Pan Ocean Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

1.2 Consolidated Subsidiaries

Details of consolidated subsidiaries as at December 31, 2018, are as follows:

	Location	Main business	2018		
			Parent company	Subsidiary	Total
Asia					
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	Shipping	100%	-	100%
Pan Ocean(China) Co., Ltd.	China	Shipping	100%	-	100%
Pan Ocean International Logistics Co., Ltd.	China	Logistics	-	100%	100%
Pan Ocean - Sinotrans Logistics Co., Ltd.	China	Logistics	-	60%	60%
Wide Sea Logistics Co., Ltd.	China	Logistics	-	100%	100%
Pan Ocean Japan Corporation	Japan	Shipping	100%	-	100%
Pan Logix Co., Ltd.	Japan	Forwarding	-	100%	100%
Pan Ocean Container (Japan) Co., Ltd.	Japan	Forwarding	-	100%	100%
POS SM Co.,Ltd	Korea	Ship management	100%	-	100%
Europe					
STX Pan Ocean(U.K.) Co., Ltd.	U.K.	Shipping	100%	-	100%
North America					
Pan Ocean(America) Inc. ¹	USA	Shipping	34%	-	34%
South America					
Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	Shipping	100%	-	100%
Others					
POS Maritime GB S.A. and others ²	Panama and others	-	-	-	-

¹ Although the Group owns less than the half of the entity's shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.

² POS Maritime GB S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2018, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group's consolidated subsidiaries.

Pan Ocean Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

1.3 Summarized Financial Information

Summarized statements of financial position for consolidated subsidiaries as at December 31, 2018, is as follows:

(in thousands of US dollars)

	2018		
	Assets	Liabilities	Equity
Asia			
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	\$ 2,315	\$ 233	\$ 2,082
Pan Ocean(China) Co., Ltd.	21,541	400	21,141
Pan Ocean International Logistics Co., Ltd.	6,755	5,401	1,354
Pan Ocean - Sinotrans Logistics Co., Ltd.	3,281	2,206	1,075
Wide Sea Logistics Co., Ltd.	5,011	1,038	3,973
Pan Ocean Japan Corporation	5,626	38	5,588
Pan Logix Co., Ltd.	2,710	747	1,963
Pan Ocean Container (Japan) Co., Ltd.	3,174	2,104	1,070
POS SM Co.,Ltd	23,574	13,703	9,871
Europe			
STX Pan Ocean(U.K.) Co., Ltd.	50	34,720	(34,670)
North America			
Pan Ocean(America) Inc. ¹	34,667	12,536	22,131
South America			
Pan Ocean Brasil Apoio Maritimo Ltda.	1,988	25	1,963
Others			
POS Maritime GB S.A. and others ²	-	-	-

¹ Although the Group owns less than the half of the entity's shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.

² POS Maritime GB S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2017, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group's consolidated subsidiaries.

Pan Ocean Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

Summarized statements of comprehensive income for consolidated subsidiaries for the year ended December 31, 2018, is as follows:

(in thousands of US dollars)

	2018		
	Sales	Operating profit (loss)	Profit (loss) for the period
Asia			
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	\$ 7,569	\$ 188	\$ 195
Pan Ocean(China) Co., Ltd.	5,193	723	1,534
Pan Ocean International Logistics Co., Ltd.	10,346	202	202
Pan Ocean - Sinotrans Logistics Co., Ltd.	5,713	21	11
Wide Sea Logistics Co., Ltd.	8,929	710	549
Pan Ocean Japan Corporation	901	111	28
Pan Logix Co., Ltd.	11,511	544	537
Pan Ocean Container (Japan) Co., Ltd.	19,676	149	149
POS SM Co.,Ltd	101,277	2,387	2,316
Europe			
STX Pan Ocean(U.K.) Co., Ltd.	-	-	(472)
North America			
Pan Ocean(America) Inc.	285,932	(1,741)	(5,389)
South America			
Pan Ocean Brasil Apoio Maritimo Ltda. ¹	373	(102)	12
Others			
POS Maritime GB S.A. and others ²	-	-	-

¹ Although the Group owns less than the half of the entity's shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.

² POS Maritime GB S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2018, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group's consolidated subsidiaries.

Pan Ocean Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

Summarized financial statements for consolidated subsidiaries as at and for the year ended December 31, 2017, is as follows:

(in thousands of US dollars)

(in thousands of US dollars)

			2017					
Subsidiary	Location	Main business	Ownership interest held by the Group (%)	Assets	Liabilities	Sales	Operating profit (loss)	Profit (loss) for the period
Asia								
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	Shipping	100%	\$ 2,188	\$ 302	\$ 13,083	\$ 898	\$ (5,848)
Pan Ocean(China) Co., Ltd.	China	Shipping	100%	21,304	679	4,271	723	574
Pan Ocean International Logistics Co., Ltd.	China	Logistics	100%	7,264	6,048	8,148	90	87
Pan Ocean - Sinotrans Logistics Co., Ltd.	China	Logistics	60%	3,256	2,139	4,415	(17)	(19)
Wide Sea Logistics Co., Ltd.	China	Logistics	100%	4,573	960	8,618	684	479
Pan Ocean Japan Corporation	Japan	Shipping	100%	5,498	64	1,079	114	29
Pan Logix Co., Ltd.	Japan	Forwarding	100%	2,165	772	10,840	489	286
Pan Ocean Container (Japan) Co., Ltd.	Japan	Forwarding	100%	2,693	1,793	19,689	162	96
POS SM Co.,Ltd	Korea	Ship management	100%	18,406	10,429	100,075	3,010	1,668
Europe								
STX Pan Ocean(U.K.) Co., Ltd.	U.K.	Shipping	100%	76	36,279	-	-	(2)
North America								
Pan Ocean(America) Inc. ¹	USA	Shipping	34%	53,082	25,605	266,972	(2,484)	(2,562)
South America								
Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	Shipping	100%	2,304	17	391	(74)	87
Others								
POS Maritime GX S.A. and others ²	Panama and others	-	-	-	-	-	-	-

¹ Although the Group owns less than the half of the entity's shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.

² POS Maritime GB S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2018, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group's consolidated subsidiaries.

Pan Ocean Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2018 and 2017

1.4 Non-controlling interests

Details of the Group's shares in non-controlling interests as at December 31, 2018 and 2017, are as follows:

		2018		
		Percentage of ownership of non-controlling interest (%)	Book amount of non-controlling interest	Profit(loss) attributable to non-controlling interests
				Total comprehensive income (loss) attributable to non-controlling interests
Pan Ocean - Sinotrans Logistics Co., Ltd.	40%	\$	429	\$ 110
Pan Ocean(America) Inc.	66%		14,462	(3,532)
		\$	14,891	\$ (3,422)
				\$ (4,451)

		2017		
		Percentage of ownership of non-controlling interest (%)	Book amount of non-controlling interest	Profit(loss) attributable to non-controlling interests
Pan Ocean - Sinotrans Logistics Co., Ltd.	40%	\$	1,350	\$ 115
Pan Ocean(America) Inc.	66%		17,993	(1,735)
		\$	19,343	\$ (1,576)

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and

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estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018. The adoption of these amendments did not have any material impact on the financial statements.

- Amendment to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure each investment separately at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the financial statements because the Group is not a venture capital organization.

- Amendment to Korean IFRS 1040 *Transfers of Investment Property*

The amendment to Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and the list of evidence for a change of use in the standard was re-characterized as a non-exclusive list of example. The amendment does not have a significant impact on the financial statements.

- Amendment to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment does not have a significant impact on the financial statements.

- Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the financial statements.

- Korean IFRS 1109 *Financial Instruments*

The Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative

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figures have not been restated, and the differences between previous book amounts and book amounts at the date of initial application are recognized to retained earnings. See Note 36 for further details on the impact of the application of the standard.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group has applied to apply Korean IFRS 1115 *Revenue from Contracts with Customers*. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. The Group elected the modified retrospective approach, and recognized the cumulative impact of initially applying the revenue standard as an adjustment to retained earnings as at January 1, 2018, the period of initial application. See Note 36 for further details on the impact of the application of the standard.

(b) *New standards and interpretations not yet adopted by the Group*

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*, Interpretation 2104 *Determining whether an Arrangement contains a Lease*, Interpretation 2015 *Operating Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, the entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective

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application); or

- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group has not yet elected the application method.

The Group did not perform an impact assessment to identify potential financial effects of applying Korean IFRS 1116.

- Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost.

When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments are effective for plan amendments, curtailments and settlements occurring in reporting periods that begin on or after 1 January 2019.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application.

- Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. This Interpretation will be applied for annual periods beginning on or after January 1, 2019, and an entity can either restate the comparative financial statements retrospectively or recognize the cumulative effect of initially applying the Interpretation as an adjustment in the beginning balance at the date of initial application.

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- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

- Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. These amendments will be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

- Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. These amendments will be applied to transactions in which an entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

- Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. These amendments will be applied for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted.

- Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. These amendments will be applied to borrowing costs incurred on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early adoption permitted.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They

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are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

(c) Joint arrangements

A joint arrangement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The consolidated financial statements are presented in US dollar, which is the Parent

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Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying effective portion of net investment hedges, or are attributable to monetary part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other income or other expenses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

(c) Translation to the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency by applying the below exchange rates. The translation differences are recognized as other comprehensive income(loss):

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expenses for each statement of profit or loss are translated at average exchange rates for the reporting period.
- equity is translated at the historical exchange rate.
- all resulting exchange differences are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

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- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain

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or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income or costs' in the year in which it arises.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continue to be recognized in profit or loss as 'finance income' when the right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income or costs' in the statement of profit or loss as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses expected credit losses on debt instruments carried at amortized cost and fair value through other comprehensive income based on forward-looking information. The impairment methodology applied depends on whether there has been a significant increase in credit risk. However, for trade receivables, the Group applies the simplified approach, which requires expected lifetime credit losses to be recognized from initial recognition of the receivables.

(d) Recognition and Derecognition

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Group classified the financial liability as 'borrowings and other liabilities' in the statement of financial position

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability

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simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' based on the nature of transactions.

2.7 Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.8 Inventories

Inventories mainly comprise fuel and spare parts. The quantity of inventories is counted at the end of every reporting period. The cost of inventories is based on the gross average cost formula, and includes expenditures for acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The book amount of inventories is recognized as cost of goods sold when profits are recognized with the consumption of inventories. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as cost of sales in the period in which the reversal occurs.

2.9 Non-current Assets (or Disposal Group) Held-for-sale

Non-current assets (or disposal group) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are measured at the lower amount between their book amount and the fair value less costs to sell.

2.10 Vessels, Property and Equipment

Vessels, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation of all vessels, property and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over

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their estimated useful lives as follows:

	<u>Useful lives(Years)</u>
Buildings and structures	50
Vessels	17 ~ 25
Vehicles	5
Others	2.5 ~ 10

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.11 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.12 Intangible Assets

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Software development costs that are directly attributable to internally generated by the Group are recognized when the criteria; such as, technically feasible, generate probable future economic benefits and other, are met. Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<u>Useful lives(Years)</u>
Development costs	5
Other Intangible Assets	5

2.13 Impairment of Non-financial Assets

Goodwill or intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.14 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other financial liabilities' in the consolidated statement of financial position.

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares calculated using the effective interest method are recognized in the consolidated statement of profit or loss as 'finance costs', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.16 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.17 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using

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the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, The Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.18 Employee Benefits

Most of employees and directors are entitled to receive a lump-sum payment upon termination of their employment with the Group based on their periods of service and salary levels at the time of termination. The Group operates defined benefit plans for employees who works at sea and operates defined contribution plans for employees work at ground. In addition, the Group contributes a certain portion of severance benefits to the National Pension Service according to the National Pension Law.

(a) Short-term employee benefits

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at undiscounted amount.

(b) Post-employment benefits

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The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contribution are recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

2.19 Revenue Recognition

From January 1, 2018, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*.

(a) Identify performance obligation

With the implementation of Korean IFRS 1115, if a performance obligation is satisfied over time the Group also recognizes the related revenue over time. The Group recognizes revenue over time based on costs incurred relative to total estimated costs to determine the extent of progress toward completion.

(b) A performance obligation is satisfied over the period

With the implementation of Korean IFRS 1115, the Group recognizes revenue as performance obligation is satisfied and the recognized revenue amount is allocated transaction price for the satisfied performance obligation. For performance obligations satisfied over time, the Company recognizes revenue over time by selecting an appropriate method for measuring the Company's progress towards complete satisfaction of that performance obligation.

(c) Variable consideration

In addition to the freight charge from contracts with customers, there may be a discount charge(dispatch money) to be paid to the shippers for early loading / unloading of cargoes or late

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fee(demurrage) to be paid to the shipping companies for delay of loading / unloading of cargoes. With implementation of Korean IFRS 1115, the Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognize revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed.

(d) Incremental costs of obtaining a contract

With implementation of Korean IFRS 1115, the Group recognizes as an asset the incremental costs of obtaining a contract with a customer of the Group and costs that are recognized as assets are amortized over the period that the related goods or services transfer to the customer. The Group plans to apply a practical expedient that permits the Group recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2.20 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charge to profit or loss on a straight-line basis over the period of lease.

Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

2.21 Debt-to-equity Swap and Debt Restructuring

When the Group issues equity securities to creditors to repay the debts (debt-to-equity swap), the difference between the book amount of debts and the fair value of the securities is recorded as gain or loss from debt restructuring. In case the Group agreed with creditors to be converted into capital, but not implemented immediately, the Group accounted for the restructured debts as other capital and the difference between the book amount of restructured debts and the fair value of the debt-equity swapped shares is recorded as gain or loss from debt restructuring.

2.22 Operating Segments

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 35). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Group has four operating segments consist of bulk carrier service, container service, tanker service and other shipping services as described in note 35. Each operating segment is a strategic business unit. The strategic business units offer different shipping services, and are managed separately because they require different technology and marketing strategies.

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Operating segments reported to the Group's chief operating decision maker include items direct attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets primarily the Group's headquarters, head office expenses, and income tax assets and liabilities.

2.23 Financial Guarantee Contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following and recognized in the statement of financial position within 'other financial liabilities'.

- the amount determined in accordance with the expected credit loss model under Korean IFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115 *Revenue from Contracts with Customers*

2.24 Approval of Issuance of the Financial Statements

The consolidated financial statements 2018 of the Group were approved for issue by the Board of Directors on February 11, 2019 and are subject to change with the approval of shareholders at their Annual General Meeting.

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3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgement and assumptions of certain items are included in relevant notes.

(a) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 23).

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the Board of Directors. The board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

4.1.1 Market risk

(1) Foreign exchange risk

The Group's revenue and expenses are denominated primarily in U.S. dollars, the functional currency. The Group's foreign exchange risks mainly comprise:

- transaction risks which arise from day-to-day requirements to pay and/or receive currencies other than U.S. dollars, and
- foreign exchange exposures arising from repayment obligations or borrowings which are

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denominated in currencies other than U.S. dollars.

A vast majority of the Group's sales and operating expenses are denominated in U.S. dollars. The Group's vessels are principally chartered in or purchased in U.S. dollars, including those vessels acquired under the terms of lease financing agreements or other similar agreements. Moreover, since the market value of the vessels is denominated in U.S. dollars, the dollar exposure related to the financing of vessels is considered an effective hedge.

The Group does not actively use foreign exchange derivative instruments as a means of hedging transaction risks. The risk is reduced through matching, as far as possible, receipts and payments in each individual currency. The Group holds bank deposits, beneficiary certificates and borrowings denominated in Korean won that are short-term in nature, therefore, foreign exchange risk of these assets and liabilities may not be material.

Gain and loss on foreign currency translations and transactions for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Gains (losses) on foreign currency translations	\$ (888)	\$ 792
Gains (losses) on foreign currency transactions	(159)	3,100

The Group is primarily exposed to exchange risk in relation to currencies other than USD.

Exposures to exchange risk in relation to currencies other than USD as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Cash and cash equivalents	\$ 42,255	\$ 27,328
Trade receivables	9,678	9,097
Other receivables	392	2,248
Trade payables	(22,685)	(17,952)
Other non-trade payables	(5,847)	(4,321)
Bonds	(31,303)	(14,000)
Other	31,012	34,911
Long-term borrowings	(55,004)	-
	<u>\$ (31,502)</u>	<u>\$ 37,310</u>

The effect of a 10% increase or decrease in exchange rates on profit before tax as at December 31, 2018 and 2017, is as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Exchange rate at the 10% increase	\$ 2,669	\$ (3,353)
end of the period 10% decrease	(3,258)	4,077

(2) Price risk

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The Group is exposed to grain purchase contract price risk arising from various market conditions. The Group enters into grain future contract to hedge, in whole and in part, the exposure to changes in fair values and cash flows of grain purchase contract as a result of market fluctuations. In order to retain hedge effectiveness, the Group matches grain future contracts with the grain purchase contracts. The Group is responding to freight-leading contracts and long-term presidential election contracts to effectively hedge risks. Generally, the underlying agreement pursuant to which the Group enters into contract based on CBOT (Chicago Board of Trade) future index.

The Group is exposed to charter contract price risk arising from various market conditions. The Group enters into forward freight agreements (FFAs) to hedge, in whole and in part, the exposure to changes in fair values and cash flows of long-term chartered-in vessels as a result of market fluctuations with respect to freight spot contract rates derived in utilizing these vessels. Usually, the Group enters into charter contract according to BDI (Baltic Dry Index) or other similar index. The Group is exposed to fuel oil purchase price risk arising from various market conditions. The Group enters into commodity swap contracts to hedge, in whole and in part, the exposure to changes in fair values and cash flows of relevant fuel oil contracts as a result of market fluctuations. In order to retain hedge effectiveness, the Group matches commodity swap contracts with the fuel oil contracts. Generally, the underlying agreement pursuant to which the Group charters vessels will be based on WTI or a similar index.

The Group will then attempt to match FFAs and commodity swap contracts that the Group has entered into with a third party, which is usually another shipping company, a shipper or a financial institution, with such charter-in agreement in terms of the duration and index in order to hedge against any market fluctuations in freight spot contract rates and fuel oil purchase prices, and "lock in" a profit margin. In order to reduce counterparty risk, all the relevant agreements require periodic cash settlement, depending on the movement of the relevant index. The Group limits the counterparties for such transactions to long-time market participants. Most of forward freight agreements have terms of between three to twelve months.

The effect of a 10% increase or decrease of in the BDI index applicable to forward freight agreements (FFAs) would have resulted in an increase (decrease) in profit before tax as at December 31, 2018 and 2017, follows:

<i>(in thousands of US dollars)</i>		2018		2017	
BDI Index	10% increase	\$	351	\$	553
	10% decrease		(351)		(553)

The effect of a 10% increase or decrease of in the index applicable to commodity swap/option would have resulted in an increase (decrease) in profit before tax as at December 31, 2018 and 2017, as follows:

<i>(in thousands of US dollars)</i>		2018		2017	
Commodity Swap/Option	10% increase	\$	842	\$	875
	10% decrease		(842)		(875)

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The Group is exposed to other price fluctuation risks associated financial assets measured at fair value through other comprehensive income that are subject to fluctuations in fair value or future cash flows due to changes in market prices. The Group regularly measures the fluctuation risk of the fair value of future cash flows of equity instruments.

(3) Interest risk

Interest rate risk is defined as the risk that the interest expenses arising from borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and interest expense.

Book amount of interest-bearing financial liabilities held by the Group as at December 31, 2018 and 2017, is as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Financial liabilities with fixed interest rate	\$ 115,347	\$ 143,953
Financial liabilities with floating interest rate	892,637	996,727
	<u>\$ 1,007,984</u>	<u>\$ 1,140,680</u>

The Group does not recognize financial instruments with fixed interest rate as financial instruments at fair value through profit or loss, and does not designate derivatives such as interest rate swap as hedge instrument of fair value hedge accounting. Therefore, changes in interest rates do not affect profit or loss.

The effect of a 0.5% increase (decrease) in interest rates would have resulted in a decrease (increase) in profit before tax as at December 31, 2018 and 2017, as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Interest rate 0.5% increase	\$ (3,984)	\$ (4,445)
0.5% decrease	3,984	4,445

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4.1.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Outstanding balances of financial assets which represent maximum exposures of credit risk as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Current		
Cash and cash equivalent ¹	\$ 185,011	\$ 193,171
Trade receivables	127,837	94,095
Other receivables	28,750	24,188
Derivative financial assets	1,541	3,065
Other financial assets	16,042	33,794
Financial guarantee contracts	1,512	1,512
	<u>360,693</u>	<u>349,825</u>
Non-current		
Trade receivables	10	-
Other receivables	24,608	19,118
Derivative financial assets	-	174
Other financial assets	12,216	13,300
	<u>36,834</u>	<u>32,592</u>
	<u>\$ 397,527</u>	<u>\$ 382,417</u>

¹ Excludes 'cash on hand'.

The Group requests for collaterals or additional credit based on the credit of the counterparty; however, these requests do not have a material impact on the credit risk that the Group is exposed to.

4.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury department aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying balances as the impact of discounting is not significant.

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	2018				
	Less than 1 month	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 377,795	\$ 337,069	\$ 200,672	\$ 192,430	\$ 1,107,966
Derivative financial liabilities	3,004	1	-	-	3,005
Trade payables	80,773	-	-	-	80,773
Other payables	56,755	60	-	-	56,815
Financial guarantee contracts	1,512	-	-	-	1,512
	<u>\$ 519,839</u>	<u>\$ 337,130</u>	<u>\$ 200,672</u>	<u>\$ 192,430</u>	<u>\$ 1,250,071</u>

¹ Borrowings consist of short-term borrowings, long-term borrowings, bonds and payables for vessels. Borrowings for vessels includes US\$ 99,982 thousand of finance costs as at December 31, 2018.

(in thousands of US dollars)

	2017				
	Less than 1 month	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 341,578	\$ 276,236	\$ 386,216	\$ 272,767	\$ 1,276,797
Derivative financial liabilities	468	14	-	-	482
Trade payables	81,735	-	-	-	81,735
Other payables	58,461	60	-	-	58,521
Financial guarantee contracts	1,512	-	-	-	1,512
	<u>\$ 483,754</u>	<u>\$ 276,310</u>	<u>\$ 386,216</u>	<u>\$ 272,767</u>	<u>\$ 1,419,047</u>

¹ Borrowings consist of short-term borrowings, long-term borrowings, bonds and payables for vessels. Borrowings for vessels included US\$ 136,118 thousand of finance costs as at December 31, 2017.

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'short and long-term borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

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The gearing ratios as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Total borrowings	\$ 1,007,984	\$ 1,140,679
Less: cash and cash equivalents	(186,668)	(193,810)
Net debt (A)	821,316	946,869
Total equity (B)	2,379,427	2,249,162
Total capital (C = A + B)	\$ 3,200,743	\$ 3,196,031
Gearing ratio (A / C)	26%	30%

5. Fair Value

5.1 Fair value of Financial Instruments by Category

There are no significant changes in the business and economic environment that affect the fair value of the Group's financial assets and liabilities in 2018. Financial instruments whose carrying amount is a reasonable approximation of fair value are excluded from fair value disclosures.

Carrying amount and the fair value of financial assets as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Derivative financial assets	\$ -	\$ -	\$ 174	\$ 174
Financial assets at fair value through profit or loss	5,658	5,658	-	-
Available-for-sale financial assets	-	-	6,528	6,528
Financial assets at fair value through other comprehensive income	3,611	3,611	-	-
Current				
Derivative financial assets	1,541	1,541	3,065	3,065
Financial assets at fair value through profit or loss	156	156	-	-
	\$ 10,966	\$ 10,966	\$ 9,767	\$ 9,767

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Carrying amount and the fair value of financial liabilities as at December 31, 2018 and 2017, are summarized as follows:

(in thousands of US dollars)	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Derivative financial liabilities	\$ 1	\$ 1	\$ 14	\$ 14
Current				
Derivative financial liabilities	3,004	3,004	468	468
	<u>\$ 3,005</u>	<u>\$ 3,005</u>	<u>\$ 482</u>	<u>\$ 482</u>

5.2 Fair value Hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value or its fair value is disclosed as at December 31, 2018 are as follows:

(in thousands of US dollars)	Level 1	Level 2	Level 3	Total
Financial assets				
Current				
Financial assets at fair value through profit or loss	\$ -	\$ 156	\$ -	\$ 156
Derivative financial assets	1,541	-	-	1,541
	<u>1,541</u>	<u>156</u>	<u>-</u>	<u>1,697</u>
Non-current				
Financial assets at fair value through profit or loss	-	5,658	-	5,658
Financial assets at fair value through other comprehensive income	-	-	3,611	3,611
Derivative financial assets	-	-	-	-
	<u>-</u>	<u>5,658</u>	<u>3,611</u>	<u>9,269</u>
	<u>\$ 1,541</u>	<u>\$ 5,814</u>	<u>\$ 3,611</u>	<u>\$ 10,966</u>
Financial liabilities				
Current				
Derivative financial liabilities	\$ 3,004	\$ -	\$ -	\$ 3,004
	<u>3,004</u>	<u>-</u>	<u>-</u>	<u>3,004</u>
Non-current				
Derivative financial liabilities	-	1	-	1

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(in thousands of US dollars)

Level 1	Level 2	Level 3	Total
-	1	-	1
\$ 3,004	\$ 1	\$ -	\$ 3,005

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as at December 31, 2017 are as follows:

(in thousands of US dollars)

	Level 1	Level 2	Level 3	Total
Financial assets				
Current				
Derivative financial assets	\$ 3,065	\$ -	\$ -	\$ 3,065
	3,065	-	-	3,065
Non-current				
Derivative financial assets	174	-	-	174
Other financial assets	-	6,528	-	6,528
	174	6,528	-	6,702
	\$ 3,239	\$ 6,528	\$ -	\$ 9,767
Financial liabilities				
Current				
Derivative financial liabilities	\$ 468	\$ -	\$ -	\$ 468
	468	-	-	468
Non-current				
Derivative financial liabilities	-	14	-	14
	-	14	-	14
	\$ 468	\$ 14	\$ -	\$ 482

5.3 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair value of assets and liabilities categorized within Level 2 of the fair value hierarchy as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	Fair value		Valuation techniques	Inputs
	2018	2017		
Assets				
Financial assets at fair value through profit or loss (current)	\$ 156	\$ -	Market comparison technique(Ship Fund)	Adjusted market price of underlying asset
Financial assets at fair value through profit or loss (non-current)	5,658	6,528	Market comparison technique(Ship Fund)	Adjusted market price of underlying asset
	\$ 5,814	\$ 6,528		
Liabilities				
Derivative financial liabilities (non-current)	\$ -	\$ -	Market comparison technique(Interest-rate Swap)	Interest rate of 3-month USD Libor

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<i>(in thousands of US dollars)</i>	Fair value	Valuation techniques	Inputs
Derivative financial liabilities		Market comparison	
(current)	1	14 technique(Interest-rate Swap)	Interest rate of 3-month USD Libor
	<u>\$ 1</u>	<u>\$ 14</u>	

6. Financial Instrument by Category

(1) Categorizations of financial assets as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018			
	Financial assets			
	Financial assets at fair value through profit or loss	at fair value through other comprehensive income	Financial assets at amortized cost	Total
Current				
Cash and cash equivalents	\$ -	\$ -	\$ 186,668	\$ 186,668
Trade receivables	-	-	127,837	127,837
Other receivables	-	-	28,750	28,750
Derivative financial assets	1,541	-	-	1,541
Other financial assets	156	-	15,886	16,042
	<u>1,697</u>	<u>-</u>	<u>359,141</u>	<u>360,838</u>
Non-current				
Trade receivables			10	10
Other receivables	-	-	24,608	24,608
Derivative financial assets	-	-	-	-
Other financial assets	5,658	3,611	6,557	15,826
	<u>5,658</u>	<u>3,611</u>	<u>31,175</u>	<u>40,444</u>
	<u>\$ 7,355</u>	<u>\$ 3,611</u>	<u>\$ 390,316</u>	<u>\$ 401,282</u>

<i>(in thousands of US dollars)</i>	2017			
	Financial assets			
	at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current				
Cash and cash equivalents	\$ -	\$ 193,810	\$ -	\$ 193,810
Trade receivables	-	94,095	-	94,095
Other receivables	-	24,188	-	24,188
Derivative financial assets	3,065	-	-	3,065
Other financial assets	-	33,794	-	33,794
	<u>3,065</u>	<u>345,887</u>	<u>-</u>	<u>348,952</u>
Non-current				

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	2017		
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets
			Total
Other receivables	-	19,118	-
Derivative financial assets	174	-	-
Other financial assets	-	6,772	10,630
	174	25,890	10,630
	\$ 3,239	\$ 371,777	\$ 10,630
			\$ 385,646

(2) Categorizations of financial liabilities as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	2018		
	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
Current			
Borrowings	\$ -	\$ 340,699	\$ 340,699
Derivative financial liabilities	3,004	-	3,004
Trade payables	-	80,773	80,773
Other payables	-	56,755	56,755
	3,004	478,227	481,231
Non-current			
Borrowings	-	671,862	671,862
Derivative financial liabilities	-	1	1
Other payables	-	60	60
	-	671,923	671,923
	\$ 3,004	\$ 1,150,150	\$ 1,153,154

(in thousands of US dollars)

	2017		
	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
Current			
Borrowing	\$ -	\$ 298,359	\$ 298,359
Derivative financial liabilities	468	-	468
Trade payables	-	81,735	81,735
Other payables	-	58,461	58,461
	468	438,555	439,023
Non-current			
Borrowings	-	842,320	842,320
Derivative financial liabilities	14	-	14
Other payables	-	60	60
	14	842,380	842,394

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		2017	
Financial liabilities at fair value through profit or loss		Other financial liabilities at amortized cost	Total
\$ 482		\$ 1,280,935	\$ 1,281,417

7. Credit Quality of Financial Assets

(1) Trade receivables and other receivable

(in thousands of US dollars)

	2018		2017	
	Gross amount	Provision for impairment	Gross amount	Provision for impairment
Trade receivables:				
Not past due	\$ 108,793	\$ (236)	\$ 77,267	\$ (71)
Up to 3 months	12,402	(387)	8,208	(206)
3 to 6 months	2,682	(1,105)	2,384	(944)
Over 6 months	14,831	(9,144)	15,661	(8,204)
	<u>138,708</u>	<u>(10,872)</u>	<u>103,520</u>	<u>(9,425)</u>
Other receivables and others:				
Not past due	114,457	(18,502)	88,791	(18,499)
Up to 3 months	798	(13)	1,266	(24)
3 to 6 months	276	(2)	89	-
Over 6 months	454	(8)	337	-
	<u>\$ 115,985</u>	<u>\$ (18,525)</u>	<u>\$ 90,483</u>	<u>\$ (18,523)</u>

Movements in provision for impairment of trade receivables and other receivables during the current and prior year are as follows:

(in thousands of US dollars)

	2018	2017
Trade receivables		
Beginning balance	\$ 9,425	\$ 11,774
(Reversal of) provision for impaired receivables during the year	2,440	(376)
Write-offs	(974)	(1,973)
Others	(19)	-
Ending balance	<u>\$ 10,872</u>	<u>\$ 9,425</u>
Other receivables and others		
Beginning balance	\$ 18,523	\$ 18,511
(Reversal of) provision for impaired receivables during the year	36	47
Write-offs	(34)	(35)
Others	-	-
Ending balance	<u>\$ 18,525</u>	<u>\$ 18,523</u>

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Trade and other receivables neither past due nor impaired relate to a number of independent customers who have no recent history of default. The aging analysis of receivables past due but not impaired as at December 31, 2018 and 2017, is as follows:

	2018					Total
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years	
Trade receivables	\$ 12,015	\$ 1,577	\$ 1,037	\$ 613	\$ 4,037	\$ 19,279
Other receivables and others	785	274	81	319	46	1,505
	<u>\$ 12,800</u>	<u>\$ 1,851</u>	<u>\$ 1,118</u>	<u>\$ 932</u>	<u>\$ 4,083</u>	<u>\$ 20,784</u>

	2017					Total
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years	
Trade receivables	\$ 8,002	\$ 1,440	\$ 1,443	\$ 1,844	\$ 4,170	\$ 16,899
Other receivables and others	1,241	89	288	3	47	1,668
	<u>\$ 9,243</u>	<u>\$ 1,529</u>	<u>\$ 1,731</u>	<u>\$ 1,847</u>	<u>\$ 4,217</u>	<u>\$ 18,567</u>

(2) Other financial assets

The Group limits its exposure to credit risk by operating funds only in short-term deposit and only with counterparties that have high credit ratings such as Korea Development Bank.

8. Cash and Cash Equivalents

Details of cash and cash equivalents as at December 31, 2018 and 2017, are summarized as follows:

	2018	2017
Cash on hand	\$ 1,657	\$ 639
Deposits and others	185,011	193,171
	<u>\$ 186,668</u>	<u>\$ 193,810</u>

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9. Trade Receivables

Trade receivables as at December 31, 2018 and 2017, are summarized as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Current :		
Trade receivables	\$ 138,709	\$ 103,520
Less: provision for impairment	(10,872)	(9,425)
	<u>\$ 127,837</u>	<u>\$ 94,095</u>
Non-current :		
Trade receivables	\$ 10	\$ -
Less: present value discounts	-	-
	<u>\$ 10</u>	<u>\$ -</u>

10. Other Receivables

Details of other receivables as at December 31, 2018 and 2017, are summarized as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Current :		
Loan	\$ 24,014	26,058
Less: provision for impairment	(16,578)	(16,612)
Prepayments	22,796	13,248
Less: provision for impairment	(105)	(67)
Other receivables	1,958	3,943
Less: provision for impairment	-	(2)
	<u>32,085</u>	<u>26,568</u>
Non-current :		
Loan	323	147
Deposit provided	24,285	18,971
	<u>24,608</u>	<u>19,118</u>
	<u>\$ 56,693</u>	<u>45,686</u>

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11. Derivative Financial Assets and Liabilities

(1) Derivative financial assets and liabilities as at December 31, 2018 and 2017, are summarized as follows:

(in thousands of US dollars)

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Forward freight agreement	\$ 512	72	1,384	\$ 107
Interest rate swap	-	1	-	14
Commodity swap/option	494	2,412	1,562	25
Grain futures	535	520	293	336
	<u>\$ 1,541</u>	<u>3,005</u>	<u>3,239</u>	<u>\$ 482</u>
Current	\$ 1,541	\$ 3,004	\$ 3,065	\$ 448
Non-current	-	1	174	14

(2) Gains and losses on valuation and transaction of derivative financial assets and liabilities for the periods ended December 31, 2018 and 2017, are summarized as follows:

(in thousands of US dollars)

	2018		2017	
	Gains (losses) on transaction, net	Gains (losses) on valuation, net	Gains (losses) on transaction, net	Gains (losses) on valuation, net
Forward freight agreement	\$ (254)	148	(437)	\$ 1,277
Interest rate swap	-	13	-	82
Commodity swap/option	641	(2,267)	217	1,537
Grain futures	(2,039)	56	(348)	(620)
	<u>\$ (1,652)</u>	<u>(2,050)</u>	<u>(568)</u>	<u>\$ 2,276</u>
Other non-operating income(expenses), net	\$ (1,652)	(2,105)	(568)	\$ 2,814
Other comprehensive income	-	55	-	(538)

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12. Other Financial Assets

(1) Details of other financial assets by categories as at December 31, 2018 and 2017, are follows:

<i>(in thousands of US dollars)</i>	<u>2018</u>	<u>2017</u>
Loans and receivables:		
Deposit and others ¹	\$ 22,443	\$ 40,566
Financial assets at fair value:		
Unlisted shares	3,611	4,102
Beneficiary certificates	5,814	6,528
	<u>9,425</u>	<u>10,630</u>
	<u>\$ 31,868</u>	<u>\$ 51,196</u>
Current	\$ 16,042	33,794
Non-current	15,826	17,402

¹ As at December 31, 2018, financial assets amounting to \$ 7,122 thousand are restricted in use due to an escrow for cash reimbursement according to the amended reorganization plan (Note 31).

(2) Equity instruments which were classified as financial assets measured at fair value through other comprehensive income (available-for-sale) but for which fair value could not be reasonably assessed are recognized at cost. Details of unmarketable equity instruments recognized at cost as at December 31, 2018 and 2017, are follows:

<i>(in thousands of US dollars)</i>	<u>2018</u>		<u>2017</u>	
	<u>Percentage of ownership</u>	<u>Book amount</u>	<u>Percentage of ownership</u>	<u>Book amount</u>
Korea P&I Club	-	-	8.90%	\$ 491
Taeyoung Grain Terminal Co., Ltd.	7.00%	\$ 3,611	7.00%	3,611
		<u>\$ 3,611</u>		<u>\$ 4,102</u>

(3) Changes in unlisted stocks and beneficiary certificates, etc. for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 10,630	\$ 11,576
Additions	-	-
Disposal	(1,202)	(990)
Gains (losses) on valuation, net	(3)	44
Ending balance	<u>\$ 9,425</u>	<u>\$ 10,630</u>

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13. Inventories

Inventories as at December 31, 2018 and 2017, are summarized as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Fuel	\$ 41,790	\$ 34,624
Spare parts and others	12,812	12,282
	<u>\$ 54,602</u>	<u>\$ 46,906</u>

The cost of inventories included in cost of sales sold as expenses during the year is US\$ 530,360 thousand (2017: US\$ 419,325 thousand).

14. Other Assets

Details of other assets as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Current :		
Prepayments	\$ 42,609	\$ 28,116
Less: provision for impairment	(1,842)	(1,842)
Prepaid expenses	71,452	58,203
Prepaid taxes	511	63
Accrued income	278	89,452
Others	69	111
	<u>113,077</u>	<u>174,103</u>
Non-current :		
Reimbursement receivables	7,490	5,651
Others	106	383
	<u>7,596</u>	<u>6,034</u>
	<u>\$ 120,673</u>	<u>\$ 180,137</u>

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15. Investments in Associates and Joint Ventures

- (1) Changes in investments in associates and joint ventures for the periods ended December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	2018		
	Korea LNG Trading Co., Ltd	Busan Cross Dock, Ltd.	Total
Associates			
Beginning balance	\$ 942	\$ 1,061	\$ 2,003
Share of profit of associates and joint ventures	40	22	62
Share of other comprehensive income of associate and joint ventures		(45)	(45)
Ending balance	\$ 982	\$ 1,038	\$ 2,020

(in thousands of US dollars)

	2017		
	Korea LNG Trading Co., Ltd	Busan Cross Dock, Ltd.	Total
Associates			
Beginning balance	\$ 761	\$ 893	\$ 1,654
Share of profit of associates and joint ventures	181	51	232
Share of other comprehensive income of associate and joint ventures		117	117
Ending balance	\$ 942	\$ 1,061	\$ 2,003

- (2) Associates and joint ventures that the Group invested are unlisted therefore there is no market price, and the table below sets summarized financial information of associates and joint ventures as at December 31, 2018 and 2017.

(in thousands of US dollars)

		2018					
		Interest held(%)	Assets	Liabilities	Sales	Operating profit (loss)	Profit for the period
Associates							
Korea LNG Trading Co., Ltd. ¹	Korea	18%	584,046	578,588	21,847	754	225
Busan Cross Dock, Ltd.	Korea	20%	7,838	2,650	6,544	256	108

¹ Although the Group holds less than 20% interest, the Group has significant influence as the Group's management participates as a member of investee's Board of Directors.

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(in thousands of US dollars)

		2017					
	Location	Interest held(%)	Assets	Liabilities	Sales	Operating profit (loss)	Profit for the period
Associates							
Korea LNG Trading Co., Ltd. ¹	Korea	18%	632,112	626,877	13,653	384	1,009
Busan Cross Dock, Ltd.	Korea	20%	8,391	3,087	7,133	481	254

¹ Although the Group holds less than 20% interest, the Group has significant influence as the Group's management participates as a member of investee's Board of Directors.

(3) The tables below provide a reconciliation of the summarized financial information (net asset) presented to the carrying amount of its interest in the associates and joint ventures.

(in thousands of US dollars)

		2018	
		Korea LNG Trading Co., Ltd.	Busan Cross Dock, Ltd.
Net asset	\$	5,458	\$ 5,188
Group's share in %		18%	20%
Book amount	\$	982	\$ 1,038

(in thousands of US dollars)

		2017	
		Korea LNG Trading Co., Ltd.	Busan Cross Dock, Ltd.
Net asset	\$	5,235	\$ 5,304
Group's share in %		18%	20%
Book amount	\$	942	\$ 1,061

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16. Vessels, Property and Equipment

(1) Changes in vessels, property and equipment for the periods ended December 31, 2018 and 2017, are as follows:

	2018						
	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction in progress	Total
Opening net book amount	\$ 2,970,089	\$ 6	\$ 13,386	\$ 397	\$ 6,507	\$ 18,403	\$ 3,008,788
Additions	21,854	-	-	68	6,603	134,220	162,745
Disposal	(10,431)	-	(100)	-	-	-	(10,531)
Depreciation	(149,502)	-	(659)	(64)	(1,538)	-	(151,763)
Impairment loss on vessels, property and equipment	(1,308)	-	-	-	-	-	(1,308)
Others	-	-	(300)	(14)	(57)	-	(371)
Closing net book amount	<u>\$ 2,830,702</u>	<u>\$ 6</u>	<u>\$ 12,327</u>	<u>\$ 387</u>	<u>\$ 11,515</u>	<u>\$ 152,623</u>	<u>\$ 3,007,560</u>

	2017						
	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction- in-progress	Total
Opening net book amount	\$ 2,994,162	\$ 6	\$ 13,678	\$ 437	\$ 5,534	\$ 29,639	\$ 3,043,456
Additions	27,372	-	-	-	576	86,012	113,960
Disposal	(1,726)	-	-	-	(13)	-	(1,739)
Depreciation	(145,113)	-	(729)	(60)	(1,516)	-	(147,418)
Replacement	95,394	-	-	-	1,855	(97,249)	-
Impairment loss on vessels, property and equipment	-	-	-	-	-	-	-
Others	-	-	437	20	71	1	529
Closing net book amount	<u>\$ 2,970,089</u>	<u>\$ 6</u>	<u>\$ 13,386</u>	<u>\$ 397</u>	<u>\$ 6,507</u>	<u>\$ 18,403</u>	<u>\$ 3,088,788</u>

For the year ended December 31, 2018, depreciation expense of US\$ 151,915 thousand includes US\$ 152 thousand subject to the capitalization of costs to fulfil a contract.

For the year ended December 31, 2018, depreciation expense of US\$ 151,915 thousand (2017: US\$ 149,886 thousand) is included in cost of sales, and US\$ 1,454 thousand (2017: US\$ 1,668 thousand) in selling and administrative expenses.

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(2) The acquisition costs, accumulated depreciation and accumulated impairment losses for each item of vessels, property and equipment as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)	2018			2017		
	Cost	Accumulated depreciation	Accumulated impairment losses	Cost	Accumulated depreciation	Accumulated impairment losses
Vessels	\$ 4,262,394	\$ (1,047,271)	\$ (384,421)	\$ 4,296,640	\$ (937,483)	\$ (389,068)
Land	6	-	-	6	-	-
Buildings	25,429	(8,491)	(4,612)	26,188	(8,190)	(4,612)
Vehicles	1,497	(1,110)	-	1,521	(1,124)	-
Tools, furniture & fixture	42,953	(31,438)	-	37,487	(30,980)	-
Construction-in-progress	152,623	-	-	18,403	-	-
	<u>\$ 4,484,902</u>	<u>\$ (1,088,310)</u>	<u>\$ (389,033)</u>	<u>\$ 4,380,245</u>	<u>\$ (977,777)</u>	<u>\$ (393,680)</u>

(3) As at December 31, 2018 and 2017, the book amounts of vessels include the following amounts where the Group is a lessee under finance leases:

(in thousands of US dollars)	2018			2017		
	Cost	Accumulated depreciation	Accumulated impairment losses	Cost	Accumulated depreciation	Accumulated impairment losses
Vessels	\$ 3,992,177	\$ (941,637)	\$ (351,633)	\$ 4,015,692	\$ (820,147)	\$ (359,508)
Construction-in-progress	26,029	-	-	18,403	-	-
	<u>\$ 4,018,206</u>	<u>\$ (941,637)</u>	<u>\$ (351,633)</u>	<u>\$ 4,034,095</u>	<u>\$ (820,147)</u>	<u>\$ (359,508)</u>

(4) Amount of borrowing costs capitalized of for the periods ended December 31, 2018 and 2017 were US\$ 3,970 thousand and US\$ 773 thousand, respectively, and the capitalization rates used to determine the amount of borrowing costs eligible for capitalization for the periods ended December 31, 2018 and 2017 were 4.20% and 3.71%, respectively.

17. Intangible Assets

(1) Intangible assets as at December 31, 2018 and 2017, are summarized as follows:

(in thousands of US dollars)	2018	2017
Computer software	\$ 223	\$ 340
Club membership	4,158	4,157
Others	3,323	4,478
	<u>\$ 7,704</u>	<u>\$ 8,975</u>

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(2) Changes in intangible assets for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018			
	Computer software	Club membership	Others	Total
Beginning balance	\$ 340	\$ 4,157	\$ 4,479	\$ 8,975
Additions	59	-	117	176
Disposals	-	-	-	-
Amortization	(175)	-	(1,099)	(1,274)
Others	-	1	(173)	(172)
Ending balance	<u>\$ 223</u>	<u>\$ 4,158</u>	<u>\$ 3,323</u>	<u>\$ 7,704</u>

<i>(in thousands of US dollars)</i>	2017			
	Computer software	Club membership	Others	Total
Beginning balance	\$ 347	\$ 3,640	\$ 4,506	\$ 8,493
Additions	143	797	413	1,353
Disposals	-	(282)	(34)	(316)
Amortization	(150)	-	(930)	(1,080)
Others	-	2	523	525
Ending balance	<u>\$ 340</u>	<u>\$ 4,157</u>	<u>\$ 4,478</u>	<u>\$ 8,975</u>

(3) Details of intangible assets as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018			
	Computer software	Club membership	Others	Total
Acquisition cost	\$ 895	\$ 7,920	\$ 5,844	\$ 14,658
Accumulated amortization	(671)	-	(2,520)	(3,192)
Accumulated impairment loss	-	(3,762)	-	(3,762)
Net book amount	<u>\$ 223</u>	<u>\$ 4,158</u>	<u>\$ 3,323</u>	<u>\$ 7,704</u>

<i>(in thousands of US dollars)</i>	2017			
	Computer software	Club membership	Others	Total
Acquisition cost	\$ 15,796	\$ 7,919	\$ 5,911	\$ 29,626
Accumulated amortization	(15,456)	-	(1,433)	(16,889)
Accumulated impairment loss	-	(3,762)	-	(3,762)
Net book amount	<u>\$ 340</u>	<u>\$ 4,157</u>	<u>\$ 4,478</u>	<u>\$ 8,975</u>

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18. Borrowings

(1) Details of borrowings as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Current :		
Short-term borrowings	\$ 25,000	\$ 44,125
Current portion of bond	25,915	25,000
Current portion of long-term borrowings	34,074	23,007
Current portion of finance lease liabilities	255,710	206,227
	<u>340,699</u>	<u>298,359</u>
Non-current :		
Bond	37,888	26,500
Long-term borrowings	97,094	67,270
Finance lease liabilities	532,303	748,550
	<u>667,285</u>	<u>842,320</u>
	<u>\$ 1,007,984</u>	<u>\$ 1,140,679</u>

Vessels, property and equipment are pledged as collaterals for the above borrowings. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Certain borrowings other than finance lease liabilities are secured by vessels (Note 31).

(2) Bond issued as at December 31, 2018 and 2017, is summarized as follows:

<i>(in thousands of US dollars)</i>	Currency	Issue date	Maturity date	Annual interest rate	2018	2017
Secured private placed bond 17 th	USD	2016.06.02	2019.06.02	Libor+1.3%	\$ 12,500	\$ 37,500
Unsecured private placed bond 18 th	KRW	2017.11.13	2019.11.13	3.2%	13,416	14,000
Unsecured privately placed bonds 19 th (KRW)	KRW	2018.06.22	2020.06.22	3.80%	17,888	-
SHINHAN BANK FRN 1.5 years (A)	USD	2018.10.12	2020.04.12	Libor+0.85%	5,000	-
SHINHAN BANK FRN 2.0 years (B)	USD	2018.10.12	2020.10.12	Libor+0.9%	5,000	-
SHINHAN BANK FRN 2.5 years (C)	USD	2018.10.12	2021.04.12	Libor+0.95%	5,000	-
SHINHAN BANK FRN 3.0 years (D)	USD	2018.10.12	2021.10.12	Libor+1%	5,000	-
					<u>63,804</u>	<u>51,500</u>
Less: current portion of bond					(25,916)	(25,000)
					<u>\$ 37,888</u>	<u>\$ 26,500</u>

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(3) Short-term borrowings as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	Currency	2018		2017	
		Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
SC Bank	USD	-	\$ -	Libor+1.78%	\$ 11,529
SC Bank	USD	-	-	Libor+1.78%	3,596
The Export-Import Bank of Korea	USD	Libor+1.19%	15,000	Libor+1.89%	19,000
China Construction Bank	USD	-	-	Libor+1.6%	10,000
Industrial and Commercial Bank of China	USD	Libor+1.55%	10,000	-	-
			<u>\$ 25,000</u>		<u>\$ 44,125</u>

(4) Long-term borrowings as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	Currency	2018		2017	
		Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
DBInsurance Co.,Ltd.	USD	7.20%	\$ 32,254	7.20%	\$ 35,976
Woori Bank	KRW	Libor+1.78%	8,049	-	-
Industrial and Commercial Bank of China	KRW	Libor+1.35%	13,416	Libor+2.03%	45,601
Korea Development Bank	USD	Libor+1.39%	8,700	Libor+1.3%	8,700
ICBC and others	USD	Libor+2.03%	30,860	-	-
KEB Hana Bank	KRW	Libor+1.5%	33,539	-	-
Korea Development Bank	USD	Libor+1.3%	4,350	-	-
			<u>131,168</u>		<u>90,277</u>
Less: current portion of long-term borrowings			<u>(34,074)</u>		<u>(23,007)</u>
			<u>\$ 97,094</u>		<u>\$ 67,270</u>

(5) Finance lease liabilities as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	Currency	2018		2017	
		Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
Mizuho Corporate Bank	USD	Libor+0.65%	\$ 6,780	Libor+0.65%	\$ 12,806
Korea Development Bank	USD	Libor+0.60%~1.70%	34,715	Libor+0.60%~1.70%	53,121
	USD	2.00%	13,662	2.00%	13,662
Credit Agricole Corporate and Investment Bank	USD	Libor+0.55%	12,771	Libor+0.55%~3.25%	24,546
	USD	-	-	5.37%	626
DNB Bank	USD	-	-	Libor+2.00%~3.50%	21,457
BNP Paribas	USD	Libor+0.325%	3,349	Libor+0.325%	6,698
Sumitomo Mitsui Banking Corporation	USD	Libor+0.9%	12,282	Libor+0.90%	16,974
Korea Export and Import Bank	USD	Libor+1.90%~3.00%	23,970	Libor+1.90%~3.00%	28,421
China Construction Bank	USD	Libor+2.65%	13,668	Libor+2.65%	17,556
Bank of China	USD	-	-	Libor+2.10%	4,444
ABN AMRO Bank N.V.	USD	Libor+2.00%~3.30%	352,865	Libor+2.00%~3.30%	423,802
	USD	Libor+1.75%	4,386	-	-
NIBC Bank	USD	-	-	Libor+2.85%	15,577
Norddeutsche Landesbank	USD	Libor+1.60%~2.80%	157,284	Libor+1.60%~2.80%	185,913

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United Overseas Bank Limited Co.	USD	-	-	Libor+2.60%	5,732
DBInsurance Co., Ltd.	USD	7.20%	16,127	7.20%	17,988
National Foundation of Fisheries Cooperatives	USD	Libor+3.5%	21,500	Libor+2.50%	21,500
ING Bank N.V.	USD	Libor+1.95%~2.95%	43,304	Libor+1.95%~2.95%	59,754
	USD	Libor+3.5%	5,000	-	-
Korea Asset Management Corporation	USD	3.65%	22,000	3.65%	24,200
Societe Generale Bank	USD	Libor+1.68%	44,351	-	-
			788,014		954,777
Less: Current portion of finance lease liabilities			(255,710)		(206,227)
			<u>\$ 532,304</u>		<u>\$ 748,550</u>

19. Other Payables

Details of other payables as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	2018	2017
Non-current :		
Leasehold deposit received	\$ 60	\$ 60
Other	5	12
Current :		
Non-trade payables	9,806	24,110
Dividend payable	-	5
Withholdings ¹	47,898	37,289
	<u>\$ 57,769</u>	<u>\$ 61,476</u>

¹ The Group received government grants related to eco-ship conversion project.

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20. Provisions

(1) Changes in provisions for the periods ended December 31, 2018 and 2017, are as follows:

	2018				
	Opening net book amount	Effect of accounting changes	Recognized (reversal of) provision	Paid or transferred amount	Closing net book amount
Current	\$ 2,545	\$ 258	\$ (546)	\$ -	\$ 2,257
Non-current	29,881	-	836	(1,175)	29,542

(in thousands of US dollars)

	2017			
	Opening net book amount	Recognized (reversal of) provision	Paid or transferred amount	Closing net book amount
Current	\$ 572	\$ (462)	\$ 2,435	\$ 2,545
Non-current	31,993	(3,409)	1,297	29,881

(2) Non-current provisions

Details of non-current provisions as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)	2018	2017
Litigation for finalization of reorganization ¹	\$ 16,790	\$ 21,170
Compensation for claims ²	12,752	8,711
	<u>\$ 29,542</u>	<u>\$ 29,881</u>

¹ As at December 31, 2018, 15 lawsuits (amounting to US\$ 56,774 thousand) including litigation for finalization of reorganization claim or security are in progress. The Group recognized provisions for realizable contingent liabilities including the litigation for finalization for reorganization claim or security. Meanwhile, the provision are exposed to an uncertainty of additional obligations that depend on the result of the litigation.

² The amounts are provisions for cargo claims and vessel damages brought against the Group by customers and vessel owners. The amount accrued during the period is recorded as other operating expenses, and recognized non-current provisions for estimated payments of legal provisions.

(3) Current provisions

The Group recognizes expected loss as current provision if it is probable that a loss will incur from voyage and time charter contracts. The amount accrued during the period is recorded in cost of sales.

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21. Other Liabilities

Details of other liabilities as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Advance received	\$ 3,870	\$ 2,422
Deferred income	-	19,865
Accrued expense	42,721	41,421
Current tax liabilities	12	717
Other	535	165
	<u>\$ 47,138</u>	<u>\$ 64,590</u>

22. Retirement Benefit Obligations

(1) The amounts of post-employment benefit obligations recognized in the statement of financial position are determined as follows:

<i>(In thousands of US dollars)</i>	2018	2017
Present value of wholly or partially funded defined benefit obligations	\$ 11,233	\$ 11,936
Fair value of plan assets	<u>(7,440)</u>	<u>(7,650)</u>
	3,793	4,286
Present value of wholly unfunded defined benefit obligations	-	-
Liabilities in the statement of financial position	<u>\$ 3,793</u>	<u>\$ 4,286</u>

(2) The changes in the present value of the defined benefit obligation and the fair value of plan assets for the periods ended December 31, 2018 and 2017, are as follows:

① The changes in the present value of the defined benefit obligations

<i>(In thousands of US dollars)</i>	2018	2017
Beginning	\$ 11,936	\$ 11,259
Current service cost	2,352	3,017
Interest cost	314	308
Benefits paid	(2,898)	(3,382)
Remeasurements	(471)	(668)
Other	-	1,402
Ending	<u>\$ 11,233</u>	<u>\$ 11,936</u>

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② The changes in the fair value of plan assets

<i>(In thousands of US dollars)</i>	2018	2017
Beginning	\$ 7,650	\$ 5,433
Employer contribution	1,416	2,257
Expected return on plan assets	219	160
Benefits paid	(1,382)	(888)
Remeasurements of defined benefit liability	(141)	(88)
Other	(322)	776
Ending	<u>\$ 7,440</u>	<u>\$ 7,650</u>

(3) The amounts of post-employment benefits recognized in the consolidated statement of comprehensive income are as follows:

<i>(In thousands of US dollars)</i>	2018	2017
Current service cost	\$ 2,315	\$ 3,017
Interest cost	309	308
Expected return on plan assets	(216)	(160)
Remeasurements of defined benefit liability	163	(580)
	<u>\$ 2,571</u>	<u>\$ 2,585</u>
Cost of sales	\$ 2,408	\$ 3,197
Other comprehensive income	163	(612)

(4) The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	2.75%	3.00%
Salary growth rate	4.00%	4.00%

(5) As at December 31, 2018 and 2017, the Group has the following component as plan assets.

<i>(in thousands of US dollars)</i>	2018		2017	
	Amount	Ratio	Amount	Ratio
Deposits, etc.	\$ 7,440	100%	\$ 7,650	100%

Actual revenues related to plan assets of US\$ 77 thousand and US\$ 76 thousand are recognized for the periods ended December 31, 2018 and 2017, respectively.

(6) Remeasurements of net defined benefit liabilities recognized as other comprehensive income for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
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Defined benefit obligation:

- Changes in financial assumptions	\$	224	\$	(193)
- Experience adjustment		(199)		(514)
- Changes in demographic assumptions		-		2
		25		(705)
Fair value of plan asset		138		93
	\$	163	\$	(612)

(7) The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:

① Discount rate

<i>(in thousands of US dollars)</i>	Changes in discount rate	Discount rate	Book amount	Amount of change
	0.25% increase	3.00%	\$ 11,058	\$ (175)
Defined benefit obligation	-	2.75%	11,233	-
	0.25% decrease	2.50%	11,415	182

② Salary growth rate

<i>(in thousands of US dollars)</i>	Changes in salary growth rate	Salary growth rate	Book amount	Amount of change
	0.25% increase	4.25%	\$ 11,424	\$ 191
Defined benefit obligation	-	4.00%	11,233	-
	0.25% decrease	3.75%	11,049	(184)

(8) Impact of defined benefit plans on future cash flows

The expected maturity analysis of undiscounted pension benefits as at December 31, 2018 is as follows.

<i>(in thousands of US dollars)</i>	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Pension benefits	\$ 1,830	\$ 1,659	\$ 4,856	\$ 7,072	\$ 15,417

The weighted average duration of the defined benefit obligations is 7.2 years.

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23. Income Tax Expense

(1) The component of income tax expense for the periods ended December 31, 2018 and 2017, is as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Current tax expense	\$ 578	\$ 1,956
Origination and reversal of temporary differences	(261)	(277)
Income tax recognized in other comprehensive income	-	-
Total income tax expense	<u>\$ 317</u>	<u>\$ 1,679</u>

(2) Reconciliation of effective tax rate:

<i>(in thousands of US dollars)</i>	2018	2017
Profit before income tax	\$ 135,423	\$ 126,582
Income tax expense at the domestic rates applicable to profit in the country concerned	32,772	30,633
Adjustment:		
- Non-taxable income	(26)	392
- Temporary differences incurred during the year, but not recognized as deferred tax	(31,131)	(30,068)
- Other	(1,298)	722
Income tax expense	<u>\$ 317</u>	<u>\$ 1,679</u>

(3) Deferred tax benefit (expenses) by origination and reversal of deferred assets and liabilities and temporary differences for the periods ended December 31, 2017 and 2016, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Deferred assets (liabilities) at the end of the year	\$ 623	\$ 371
Deferred assets (liabilities) at the beginning of the year	371	78
Deferred tax benefit (expense) by origination and reversal of temporary differences	<u>\$ (252)</u>	<u>\$ (293)</u>

(4) Changes in deferred tax assets (liabilities) for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	\$ 82,261	\$ (3,382)	\$ -	\$ 78,879
Building	-	-	-	-
Land	37	-	-	37
		59		

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Gain (loss) on valuation of finance assets	139	2	1	142
Present value of defined benefit obligation	1,016	(123)	-	893
Derivatives	(678)	1,045	(3)	364
Provisions	5,780	(830)	-	4,950
Other	8,155	12,013	204	20,372
Total	96,710	8,725	202	105,637
Tax loss carryforwards	438,206	(35,028)	-	403,178
Unrecognized deferred tax assets	(534,535)	26,359	74	(508,192)
	\$ 371	\$ 56	\$ -	\$ 623

(in thousands of US dollars)

	2017			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	\$ 84,042	\$ (1,781)	\$ -	\$ 82,261
Building	-	-	-	-
Land	37	-	-	37
Gain (loss) on valuation of finance assets	241	(46)	(56)	139
Present value of defined benefit obligation	1,415	(399)	-	1,016
Derivatives	(372)	(287)	(18)	(678)
Provisions	6,542	(762)	-	5,780
Other	83,081	(74,926)	-	8,155
Total	174,986	(78,202)	(74)	96,710
Tax loss carryforwards	590,465	(152,260)	-	438,206
Unrecognized deferred tax assets	(765,373)	230,755	74	(534,545)
	\$ 78	\$ 293	\$ -	\$ 371

(5) The possibility of realization of deferred tax assets depends on the estimated timing of the utilization of the temporary differences and the future taxable income during the carry forward periods of the deficit. The Group did not recognize the deferred tax assets exceeding the deferred tax liabilities because the Group predicted that the utilization of the deductible temporary differences and deficit carried forward is not considered probable. The unused amounts and their expiration dates for the amounts that the income tax effect has not been recognized because they are not considered probable to be realized are as follows:

(in thousands of US dollars)	Amount	Expiration date
Temporary differences	\$ 436,517	-
Tax loss carryforwards	361,001	2023
	1,278,360	2024
Total	2,075,878	

(6) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation

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authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis.

(7) The Group had applied tonnage tax from 2005 to 2008, in accordance with tax incentive limitation law, but has applied the general corporate income tax since 2009. The Group considers re-adoption of tonnage tax. Under tonnage tax system, temporary difference and tax loss carry forward may not be deductible from income of shipping business.

24. Paid-in Capital

(1) Details of ordinary share as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars, except share data and par value)

	2018	2017
Number of authorized shares	3,000 million	3,000 million
Par value	KRW 1,000	KRW 1,000
Number of shares issued	534,569,207	534,537,812
Share capital	\$ 480,755	\$ 480,727

(2) Changes of number of shares issued for the periods ended December 31, 2018 and 2017, are as follows:

(in shares)

	2018		2017	
	Number of shares issued	Outstanding share	Number of shares issued	Outstanding share
Beginning number of shares	534,537,812	534,537,812	534,392,834	534,392,834
Debt-to-equity swap, etc.	31,395	31,395	144,978	144,978
Ending number of shares	<u>534,569,207</u>	<u>534,569,207</u>	<u>534,537,812</u>	<u>534,537,812</u>

(3) Details of capital surplus as at December 31, 2018 and 2017, are as follows.

(in thousands of US dollars)

	2018	2017
Share premium	\$ 651,483	\$ 651,366
Other capital surplus	1,331	554
Total	<u>\$ 652,814</u>	<u>\$ 651,920</u>

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25. Other Reserves

The changes of the other reserves for the periods ended December 31, 2018 and 2017, are presented in the consolidated statements of changes in equity. Details of other reserves as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Equity method accounted investee's capital	\$ 72	\$ 117
Changes in the fair value of available-for-sale financial assets	-	(536)
Foreign operation currency translation differences	(16,071)	(12,173)
Changes in the fair value of derivative assets and liabilities	(1)	(57)
Gains on disposal of treasury share	830	830
Surplus from reduction of capital	1,062,678	1,062,677
Debt to be swapped to equity	4,712	5,033
	<u>\$ 1,052,220</u>	<u>\$ 1,055,891</u>

26. Retained Earnings (Accumulated Deficit)

(1) Details of retained earnings (accumulated deficit) as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Legal reserve ¹	\$ 36,165	\$ 36,165
Unappropriated retained earnings (accumulated deficit)	142,582	5,116
	<u>\$ 178,747</u>	<u>\$ 41,281</u>

¹ In accordance with the Commercial Act in the Republic of Korea, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve cannot be used as a source for cash dividends and may only be used to offset an accumulated deficit or credited to paid-in capital according to the resolution in the shareholders' meeting.

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27. Expenses by Nature

Details of expenses by nature for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Charterage	\$ 588,646	\$ 423,202
Port charges	209,899	207,668
Cargo expenses	113,045	110,902
Bunker fuel costs	530,011	415,213
Voyage relet costs	110,049	83,854
Depreciation and amortization	153,189	148,497
Vessel maintenance expense	36,232	32,134
Salaries and wages	122,543	117,525
Post-employment benefits	6,868	6,802
Other employee benefits	22,160	21,922
Lubricant oil costs	1,640	1,775
Costs of grain sales	256,514	246,123
Other costs of sales	70,759	64,350
Office rental	4,810	4,760
Impairment loss	2,476	(330)
IT expense	1,364	1,302
Taxes and dues	3,814	3,241
Other administrative expenses	4,018	4,132
Total cost of sales, selling and general administrative expenses	\$ 2,239,952	\$ 1,893,073

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28. Finance Income and Costs

Details of finance income and costs for the periods ended December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	2018					
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Derivatives	Borrowings	Total
Finance income and costs						
Gains on transaction	\$ -	\$ -	\$ 107	\$ -	\$ -	\$ 107
Losses on transaction	-	-	(107)	-	-	(107)
Interest income	-	2,533	437	-	-	2,970
Interest expense	-	-	-	-	(49,478)	(49,478)
Guarantee fee	-	-	-	-	(252)	(252)
Gains on currency translation	-	1,025	-	-	6,960	7,985
Losses on currency translation	-	(6,816)	-	-	(1,480)	(8,296)
Dividend income	-	-	239	-	-	239
	-	(3,258)	676	-	(44,250)	(46,832)
Finance income	-	3,558	783	-	6,960	11,301
Finance cost	-	(6,816)	(107)	-	(51,210)	(58,133)
Other comprehensive income						
Gains(losses) on valuation	-	-	-	55	-	55
	-	-	-	55	-	55
	\$ -	\$ (3,258)	\$ 676	\$ 55	\$ (44,250)	\$ (46,777)

(in thousands of US dollars)

	2017					
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Derivatives	Borrowings	Total
Finance income and costs						
Gains on transaction	\$ -	\$ -	\$ 227	\$ -	\$ -	\$ 227
Losses on transaction	-	-	(229)	-	-	(229)
Interest income	-	1,771	464	-	-	2,235
Interest expense	-	-	-	-	(46,014)	(46,014)
Guarantee fee	-	-	-	-	(362)	(362)
Gains on currency translation	-	8,864	-	-	267	9,131
Losses on currency translation	-	(5,820)	-	-	(176)	(5,996)
Dividend income	-	-	1,034	-	-	1,034
	-	4,815	1,496	-	(46,285)	(39,974)
Finance income	-	10,635	1,725	-	267	12,627

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Finance cost	-	(5,820)	(229)	-	(46,552)	(52,601)
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Other comprehensive income

Gains(losses) on valuation	-	-	112	(568)	-	(456)
	-	-	112	(568)	-	(456)
\$	-	\$ 4,815	\$ 1,608	\$ (568)	\$ (46,285)	\$ (40,430)

29. Other Non-Operating Income (expenses)

Other non-operating income (expenses) presented in the consolidated statement of comprehensive income for the periods ended December 31, 2018 and 2017, are summarized as follows:

(in thousands of US dollars)

	2018	2017
Gains on sale of vessels, property and equipment	\$ 2,874	\$ 3
Losses on sale of vessels, property and equipment	(724)	(1,729)
Losses on impairment of vessels, property and equipment	(1,308)	-
Gains on sale of intangible assets	-	233
Losses on sale of intangible assets	-	(11)
Gains (losses) on valuation of derivative, net	(2,105)	2,814
Losses on derivative transactions, net	(1,652)	(568)
Gains (losses) on foreign currency translation, net	(1,214)	1,599
Gains (losses) on foreign currency transaction, net	478	(841)
Reversal of provision for claim compensation	-	3,497
Loss on claim compensation	(836)	(13,189)
Impairment loss on other receivables	-	-
Gains from debt restructuring ¹	220	968
Other	1,100	1,128
	<u>\$ (3,167)</u>	<u>\$ (6,097)</u>

¹ For the year ended December 31, 2018, US\$ 220 of gain from debt restructuring was recognized and this is the difference between the fair value of shares issued as a result of litigation for finalization of reorganization and debt-to-equity swap and the carrying amount of debts subject to restructuring.

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30. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Earnings per share		
Profit for the period, attributable to the owners ¹	\$ 138,528	\$ 126,478
Weighted average number of ordinary shares ²	534,549,334	534,466,969
Basic earnings per share (expressed in US\$ per share)	\$ 0.26	\$ 0.23

¹ Profit for the period, attributable to the owners:

<i>(in thousands of US dollars)</i>	2018	2017
Earnings per share		
Profit for the period	\$ 135,106	\$ 124,903
Profit attributable to non-controlling interests	(3,422)	(1,575)
Profit attributable to owners of the Group	138,528	126,478
Earnings per share		
Profit for the period	135,106	124,903
Profit attributable to non-controlling interests	(3,422)	(1,575)
Profit attributable to owners of the Group	\$ 138,528	\$ 126,478

² Weighted average number of ordinary shares:

<i>(in shares)</i>	2018	2017
Beginning number of shares	534,537,812	534,392,834
Debt-to-equity swap, etc.	11,522	74,135
Ending number of shares	534,549,334	534,466,969

(2) Diluted earnings per share

As at December 31, 2018, the Group has no convertible bonds or warrants. Therefore, basic earnings per share is identical to diluted earnings per share.

(3) Potential ordinary share

Although the effect of semi-dilution is not taken into account in calculating the diluted earnings per share, if the debt to be transferred and the provision is settled as a liability, it can be invested and potentially dilute the basic earnings per share in the future.

31. Contingencies

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(1) Litigation case

As at December 31, 2018, the Group has pending lawsuits for cargo and hull damages as a defendant with litigation costs of US\$ 21,840 thousand, and also has pending non-contentious claims with claim costs of US\$ 9,410 thousand. The Group recognized provisions for a certain portion of the lawsuits and claims as described in Note 20 if requirements for provision recognition were met.

(2) Assets provided as collaterals for the Group's debts as at December 31, 2018 are as follows:

(in thousands of US dollars)

Assets pledged as collaterals	Carrying amounts	Related account	Borrowings and etc.	Lender	Description
Vessel ¹	\$ 2,578,368				
Other financial assets	567	Borrowings	\$ 828,931	ABN AMRO BANK N.V and etc.	Collateral on borrowings

¹ There is an arrangement (minimum commitment) to provide additional collateral or to repay some of the borrowings to meet the percentage in case that the amount of collateral is less than a certain percentage (110%~145%) of the outstanding borrowings related to the ship financing. In addition, there is a put option agreement for certain ship financing, which is classified as current borrowings regardless of its exercise, if exercise date is within one year as at the end of the reporting period.

(3) Guarantees and performance guarantees provided by others as at December 31, 2018, are summarized as follows:

(in thousands of US dollars / in millions of KRW)

Guarantee provider	Guarantee amount	Guaranteed customer
Kookmin Bank	US\$ 12,691	Korea South-east Power Co., Korea
Shinhan Bank	20,000	Southern Power Co., Ltd., Korea East-west
KEB Hana Bank	2,692	Power Co., Ltd., Korea Western Power Co.,
BNP Paribas Bank	3,796	Ltd., Korea Midland Power Co., Ltd. and etc.
Seoul Guarantee Insurance	6,000	
	KRW 15,923	

(4) Details of guarantees provided for others as at December 31, 2018, are as follows:

(in thousands of US dollars)

Beneficiary	Guarantee amount	Description of guarantee
Wilhelmsen Ships Service Ltd.	\$ 1,512	Guarantee on litigation loss ¹

¹ The Group has provided guarantee for losses that may arise in the future in relation to lawsuits regarding the accident of vessel damages occurred in Bangladesh in 2013.

(5) Ship Investment Agreement

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As at December 31, 2018, the Group has signed a contract to construct 18 vessels (total purchase price: US\$ 781,638 thousand) to replace the old ship and to expand the fleet. These vessels will be delivered between 2019 and 2021. According to the vessel construction contract, as at December 31, 2018, the estimated future expenditure is US\$ 657,182 thousand.

(6) The Group provides a single check (KRW 100 million) and a note (KRW 50 million) for the implementation of the obligations adopted by the joint committee of the Korea Offshore Transportation Association and the Yellow Sea Periodical Shipping Association.

(7) The Group has entered into a credit agreement with Standard Chartered Bank for USD 191,000 thousand. The execution amount of the loan agreement is USD 25,000 thousand.

(8) Litigation for Finalization of Reorganization Claim or Security

The Group decided to apply for a reorganization plan to the Seoul District Court in 2013 due to a maritime recession and liquidity crisis.

In addition, after the signing of a large-scale investment contract with the Harim Group-JKL Consortium in February 2015, the Group received approval for a plan to amend the plan to include early redemption after a partial exemption of residual debt, etc. in June 2015. In July 2015, the Group received a decision to terminate the reorganization process through the early redemption of reviving debts according to the revised reorganization plan (lump-sum repayment to approximately 83% of the confirmed receivables).

Meanwhile, the Group recognized provisions for the contingencies relating to unsettled receivables of reorganization as described in Note 20, and deposited \$6,555 thousand in escrow accounts for cash redemption according to the amended reorganization plan.

32. Contract of Vessel Chartering and Demising

The Group has entered into charter or presidential agreements with other companies for normal business activities.

A. substituting vessel contract

(1) Charter fees recognized by the Group as expenses for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	<u>2018</u>	<u>2017</u>
Charter fee	\$ 698,695	\$ 507,056

(2) As at December 31, 2018, the chartered amount to be paid to vessels chartered and operated by other companies is as follows:

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<i>(in thousands of US dollars)</i>	2018	2017
Less than 1 year	\$ 110,620	\$ 125,827
Over 1 year, less than 5 years	9,757	9,216
Over 5 years	298	-
Total amount	<u>\$ 120,675</u>	<u>\$ 135,043</u>

B. vessel chartering contract

(1) Charter fees recognized by the Group as income for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Charter Fee	\$ 274,948	\$ 184,556

(2) As at December 31, 2018 and 2017, the chartered amount to be received to vessels chartered and operated by other companies is as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Less than 1 year	\$ 47,354	\$ 53,002
Over 1 year, less than 5 years	2,022	8,463
Total amount	<u>\$ 49,376</u>	<u>\$ 61,464</u>

33. Cash Generated from Operations

(1) Details of cash generated from operations of the Group using the indirect method for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Profit for the period	\$ 135,106	\$ 124,903
Adjustment for:		
Income tax expense	317	1,679
Depreciation	151,763	147,417
Post-employment benefits	6,851	7,843
Amortization	1,274	1,081
Reversal of provisions	225	(3,960)

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Reversal of provision for impaired receivables	2,476	(330)
Reversal of (provision for) credit losses	-	-
Gains on sale of vessels, property and equipment	(2,874)	(3)
Losses on sale of vessels, property and equipment	724	1,729
Gains on sale of intangible assets	-	(233)
Losses on sale of intangible assets	-	11
Gains on sale of available-for-sales financial assets	(1)	(227)
Losses on sale of available-for-sales financial assets	-	229
Losses on valuation of profit or loss	109	-
Valuation gains on derivatives, net	2,105	(2,815)
Interest income	(2,970)	(2,236)
Interest expense	49,644	46,023
Dividend income	(238)	(1,035)
Losses on impairment of vessels, property and equipment	1,308	-
-Foreign currency translation losses (gains), net	888	(791)
Share of loss (profit) of associates and joint ventures	(62)	(232)
Losses on sale of investment in subsidiary	-	-
Gains on exemption of liabilities	(220)	(968)
Gains on valuation of profit or loss	(106)	-
Others	239	(122)
Change in provisions	(2,898)	1,207
Increase in inventories	(7,213)	(7,358)
Increase in trade receivables	(19,896)	(12,867)
Increase in other receivables	(28,510)	(43,875)
Increase in other assets	(3,406)	(8,863)
Increase(decrease) in trade payables	(3,541)	9,498
Decrease in rehabilitation receivables	(217)	-
Increase(decrease) in other payables	(1,570)	26,673
Increasein other liabilities	21,973	57
Decrease in post-employment benefits obligation	(5,290)	(6,590)
Change in derivative financial assets and liabilities	2,172	1,496
Cash generated from operating activities	<u>\$ 298,162</u>	<u>\$ 277,472</u>

(2) Details on significant non-cash transactions for investing and financing activities for the periods ended in 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Reclassification of provisions to reorganization liabilities	\$ 52	\$ 841
Reclassification of reorganization liabilities to equity swap debt	265	623
Changes in equity due to debt-to-equity swap	148	693

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Reclassification to current portion of long-term borrowings	334,360	240,820
Acquisition of ships through finance leases	2,924	21,219
Reclassification of ship acquisition and equity swap of Singapore corporation	-	18,566

(3) Adjustments for liabilities arising from financial activities, are as follows:

<i>(in thousands of US dollars)</i>	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Bond	Finance lease liabilities
Opening net book amount of 2017	\$ -	264,259	81,326	37,500	863,183
Gains (losses) on foreign currency translations	-	-	-	574	-
Proceeds from borrowings	44,125	-	8,700	13,426	70,214
Repayments of borrowings	-	-	(18,032)	(12,500)	(239,735)
Reclassification to current portion	-	(10,024)	(4,724)	(12,500)	54,888
Closing net book amount of 2017	<u>\$ 44,125</u>	<u>\$ 254,235</u>	<u>\$ 67,270</u>	<u>\$ 26,500</u>	<u>\$ 748,550</u>
Opening net book amount of 2018	44,125	254,235	67,270	26,500	748,550
Gains (losses) on foreign currency translations	-	-	126	(732)	-
Proceeds from borrowings	250,946	-	65,810	38,035	53,462
Repayments of borrowings	(270,071)	(273,196)	-	-	-
Reclassification to current portion	-	334,660	(36,112)	(25,916)	(269,708)
Closing net book amount of 2018	<u>25,000</u>	<u>315,699</u>	<u>97,094</u>	<u>37,887</u>	<u>532,304</u>

34. Related Party Transactions

(1) Related parties as at December 31, 2018 and 2017, are as follow:

Related party	2018	2017
Parent and ultimate controlling party	Harim Holdings Co., Ltd. (formerly, Jeil Holdings Co., Ltd.)	Jeil Holdings Co., Ltd.
Associates and joint ventures	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd.	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd.
Other related parties	Subsidiaries, Associates and other related parties of Harim Holdings Co., Ltd.	Subsidiaries, Associates and other related parties of Jeil Holdings Co., Ltd.

(2) Sales and purchases with related parties for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018			
	Sales	Others	Purchases	Others

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Associates and joint ventures				
Korea LNG Trading Co., Ltd.	\$ 25,137	\$ -	\$ -	\$ -
Other				
Jeil Feed Company, Ltd.	12,778	-	-	29
Joowon Pekin Duck Co., Ltd.	-	-	-	13
Sunjin Co., Ltd.	15,933	-	-	-
SUNJINFARM	-	-	-	53
Sunjin FS Co., Ltd.	-	-	-	8
FARMSCO	15,417	-	-	89
Cham trading co., ltd	-	-	-	8
Sunurihanu	-	-	-	19
Harim MS	-	-	-	-
Harim Co., Ltd.	8,609	-	-	63
	<u>\$ 77,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282</u>

(in thousands of US dollars)

	2017			
	Sales	Others	Purchases	Others
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	\$ 18,510	\$ -	\$ -	\$ -
Other				
Jeil Holdings Co., Ltd.	-	-	-	-
Jeil Feed Company, Ltd.	23,303	-	-	29
Joowon Pekin Duck Co., Ltd.	-	-	-	11
Sunjin Co., Ltd.	9,967	-	-	48
Sunjin FS Co., Ltd.	-	-	-	4
Nbicorn	-	-	-	2
FARMSCO	16,720	-	-	95
Charm trading co., ltd	-	-	-	6
Harim MS	-	-	-	5
Harim Co., Ltd.	12,219	-	-	55
	<u>\$ 80,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255</u>

- (3) Outstanding balances arising from sales/purchases of goods and services as at December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	2018			
	Receivables		Payables	
	Trade receivable	Others	Trade payable	Others
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	\$ -	-	\$ -	-
Other				
Jeil Feed Company, Ltd.	-	343	-	3
	<u>\$ -</u>	<u>343</u>	<u>\$ -</u>	<u>3</u>

(in thousands of US dollars)

	2017			
	Receivables		Payables	
	Trade receivable	Others	Trade payable	Others
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	1,791	-	-	-
Other				
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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Jeil Feed Company, Ltd.	-	384	-	-
Sunjin Co., Ltd.	5,161	-	-	-
	<u>6,952</u>	<u>384</u>	<u>-</u>	<u>-</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

(4) Key management compensation for the periods ended December 31, 2018 and 2017, is as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Salaries and other short-term benefits	\$ 1,145	\$ 1,021
Post-employment benefits	115	111
	<u>\$ 1,260</u>	<u>\$ 1,132</u>

(5) Details of payment guarantees provided by the Group to the related parties as at December 31, 2018 are as follows:

<i>(in millions of Korean won)</i>			
Guarantee recipient	Guaranteed amount	Lender	
Employee share ownership association	₩ 104	Heung Kook Mutual Savings Bank	

(6) As at December 31, 2018, the Group is provided with a performance guarantee from the Parent Company related to the long-term transportation contract with VALE international SA.

(7) Delegation of voting rights from related parties

As at the end of the reporting period, the Parent Company has entered into an agreement with related parties to delegate voting rights of Pan Ocean (America), Inc to the Group.

35. Operating Segment Information

(1) Information about reportable segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different shipping services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports at least on a quarterly basis.

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The management performance result and significant financial information by each operating segment for the periods ended December 31, 2018 and 2017, are as follows:

(in thousands of US dollars)

	2018								
	Bulker	Tanker	Container	Other ¹	Reportable segment total	Grain	Non-shipping ² /Unallocated	Elimination of inter-segment	Total
Sales	\$ 1,844,503	\$ 113,054	\$ 209,366	\$ 26,318	\$ 2,193,241	\$ 287,022	\$ 101,765	\$ (156,716)	\$ 2,425,312
Operating profit (loss)	174,119	538	8,254	2,716	185,627	(650)	2,392	(2,009)	185,360
Assets	2,952,909	321,216	61,019	2,450	3,337,594	24,085	366,301	(43,608)	3,684,372
Liabilities	1,099,939	34,068	37,721	5,739	1,177,467	12,370	159,433	(44,325)	1,304,945
Acquisition of vessels, property and equipment	138,038	6,792	17,165	-	161,995	-	750	-	162,745
Depreciation	127,334	21,397	2,687	-	151,418	8	76	413	151,915
Amortization	154	9	24	-	187	-	1,087	-	1,274
Provision for impairment	2,174	128	174	-	2,476	-	-	-	2,476
Losses on impairment of vessels, property and equipment	1,308	-	-	-	1,308	-	-	-	1,308

¹ Other segment includes other shipping services such as LNG and special shipping services.

² Non-shipping segment includes rental services.

³ The company's key operating segments generate revenue over period, and the grain business generates revenue when transferring goods or services.

(in thousands of US dollars)

	2017								
	Bulker	Tanker	Container	Other ¹	Reportable segment total	Grain	Non-shipping ² /Unallocated	Elimination of inter-segment	Total
Sales	\$1,540,600	\$ 122,753	\$ 166,955	\$ 18,510	\$1,848,818	\$ 267,229	\$ 100,467	\$ (151,019)	\$2,065,495
Operating profit (loss)	160,696	5,486	11,872	3,049	181,103	(2,227)	3,029	(9,483)	172,422
Assets	2,909,484	328,534	41,872	1,845	3,281,735	26,410	372,000	(45,312)	3,634,833
Liabilities	1,179,798	57,092	26,990	5,260	1,269,140	10,233	151,498	(45,200)	1,385,671
Acquisition of vessels, property and equipment	108,867	3,533	971	590	113,961	-	-	-	113,961
Depreciation	123,947	20,769	2,519	-	147,235	8	71	103	147,417
Amortization	132	10	25	-	167	-	913	-	1,080
Provision for impairment	(8,934)	(668)	(662)	-	(10,264)	-	-	9,934	(330)

¹ Other segment includes other shipping services such as LNG and special shipping services.

² Non-shipping segment includes rental services.

³ The company's key operating segments generate revenue over period, and the grain business generates revenue when transferring goods or services.

Assets by each segment consist of vessels, inventories and trade receivable, and cash, deferred income tax and other financial assets are not allocated. Liabilities by each segment consist of trade

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payables, other liabilities and borrowings. Acquisition of vessels, property and equipment primarily consist of vessel investments.

(2) Geographical segments

The Group's four reportable segments excluding other segment are operating in six geographical areas and managed multi-nationally. The main operating segment is located in Korea and segment information is allocated based on the location of loading port.

Details of revenue by geographical area for the periods ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of US dollars)</i>	2018	2017
Asia	\$ 873,316	726,687
Oceania	424,939	358,810
Europe	28,774	18,856
North America	604,524	531,809
South America	415,768	380,182
Africa	77,991	49,150
	<u>\$ 2,425,312</u>	<u>2,065,494</u>

The vessels are used all over the world, and the remaining property and equipment are primarily located in Korea; therefore, assets and capital expenditure information by geographical area are not disclosed as the disclosure of the information is immaterial.

(3) The Group derives the following types of revenue:

<i>(in thousands of US dollars)</i>	2018	2017
Revenue from contracts with customers		
Revenue from voyage operation	\$ 1,864,659	\$ 1,614,157
Other	285,704	266,781
Other		
Revenue from time charter	274,949	184,556
	<u>\$ 2,425,312</u>	<u>\$ 2,065,494</u>

(4) Revenue from external customers

Revenues of approximately US\$ 246,567 thousand (2017: US\$ 206,029 thousand), over 10% of the Group's revenue, are derived from a single external customer relating to the voyage operating revenue.

36. Changes in Accounting Policies

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36.1 Adoption of Korean IFRS 1109 *Financial Instruments*

As explained in Note 2, the Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures for prior reporting period have not been restated. The effect of application of the amendments is as follows:

(a) *Classification and Measurement of financial instruments*

The details of retained earning affected by the reclassification and measurement of financial instruments are as follows:

(in thousands of US dollars)

Beginning balance of retained earning - Korean IFRS 1039

Beginning balance – Korean IFRS 1039	\$ 41,281
Reclassification of available-for-sale securities to financial assets at fair value through profit or loss	(536)
Beginning balance of retained earning - Korean IFRS 1109	40,745
Adjustment from adoption of Korean IFRS 1115	(394)
Beginning balance of retained earning at January 1, after adjustments	<u>\$ 40,351</u>

On the date of initial application of Korean IFRS 1109, January 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

(in thousands of US dollars)

	Fair value through profit or loss	Fair value through other comprehensive income (Available-for- sale financial assets in 2017)	Amortized cost (loans and receivables in 2017)	Total
Beginning balance – Korean IFRS 1039	\$ 3,239	\$ 10,630	\$ 371,777	\$ 385,646
Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss	6,528	(6,528)	-	-
Beginning balance - Korean IFRS 1109	<u>\$ 9,767</u>	<u>\$ 4,102</u>	<u>\$ 371,777</u>	<u>\$ 385,646</u>

The impact on these changes on the Group's equity is as follows:

(in thousands of US dollars)

Effect on accumulated other comprehensive income	Effects on fair value through other comprehensive income reserve	Effect on earnings
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Beginning balance – Korean IFRS 1039	\$	(536)	\$	-	\$	41,281
Reclassification from available-for-sale financial assets to financial assets at fair value through profit or loss		536		-		(536)
Beginning balance - Korean IFRS 1109	\$	-	\$	-	\$	40,745

(i) Reclassification from available-for-sale to fair value through profit or loss

As at January 1, 2018, ship funds amounting to \$ 6,528 thousand were reclassified from available-for-sale to financial assets at fair value through profit or loss. They do not meet the criteria to be classified as at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest. Related accumulated other comprehensive income of \$ 536 thousand were transferred from the available-for-sale financial assets to retained earnings on January 1, 2018.

(ii) Reclassification of equity investments from available-for-sale to fair value through other comprehensive income

The Group elected to present changes in the fair value of the equity investments which are not held for trading, previously classified as available-for-sale in other comprehensive income. As a result, the amount, \$ 4,102 thousand was reclassified to equity investments at fair value through other comprehensive income.

(iii) Other financial assets

Equity investments held for trading and contingent considerations are all required to be held as fair value through profit or loss under Korean IFRS 1109. There was no impact on the amounts recognized in relation to these assets from the adoption of Korean IFRS 1109.

(vi) Reclassifications of financial instruments on adoption of Korean IFRS 1109

On the date of initial application, January 1, 2018, the financial instruments of the Group with any reclassifications noted, were as follows:

(in thousands of US dollars)	Measurement category		Carrying amount		
	Korean IFRS 1039	Korean IFRS 1109	Korean IFRS 1039	Korean IFRS 1109	Difference ¹
Current financial assets					
Derivative instruments	Financial assets at fair value through profit or loss**	Fair value through profit or loss**	\$ 3,065	\$ 3,065	-
Non-current financial assets					
Equity instruments	Available-for-sale financial assets	Fair value through other comprehensive income*	4,102	4,102	-
Preferred shares	Available-for-sale financial assets	Fair value through profit or loss**	6,528	6,528	-
Derivative instruments	Financial assets at	Fair value through	174	174	

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	fair value through profit or loss**	profit or loss**			
Current financial liabilities					
Derivative instruments	Financial assets at fair value through profit or loss**	Fair value through profit or loss**	468	468	-
Non-current financial liabilities					
Derivative instruments	Financial assets at fair value through profit or loss**	Fair value through profit or loss**	14	14	-

* Financial assets at fair value through other comprehensive income: Investments to equity instruments and debt instruments

** Financial assets measured at fair value through profit or loss

36.2 Adoption of Korean IFRS 1115 *Revenue from Contracts with Customers*

As explained in Note 2, the Group has applied Korean IFRS 1115 *Revenue from contracts with customers* from January 1, 2018. In accordance with the transitional provisions in Korean IFRS 1115, comparative figures have not been restated. The significant changes in accounting policies from the application of Korean IFRS 1115 and the impacts of the changes on the financial statements are as follows.

The impact on the financial statements due to the application of Korean IFRS 1115 at the date of initial application (January 1, 2018) is as follows:

	December 31, 2017		January 1, 2018
	Korean IFRS 1018 carrying amount ¹	Remeasurements	Korean IFRS 1115 carrying amount
<i>(in thousands of US dollars)</i>			
Trade receivables	\$ 94,095	\$ 16,446	\$ 110,541
Other current assets	221,009	2,568	223,577
Total assets	3,634,835	19,014	3,653,849
Provisions	2,545	258	2,803
Other non-current assets	64,590	19,150	83,740
Total liabilities	1,385,673	19,408	1,405,081
Retained earnings	40,745	(394)	40,351
Total equity	\$ 2,249,162	\$ (394)	\$ 2,248,768

¹ The amounts in this column are after the adjustments from the adoption of Korean IFRS 1109.

Under the previous standard, revenues were recognized over voyage period, which includes travel periods from departure to place of shipment. Under K-IFRS 1115, revenues are recognized over the course from departure to place of discharge. Due to the change of standards, related assets increased by \$ 19,014 thousand and related liabilities increased by \$ 19,408 thousand as at the beginning of the period.

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Financial statement line items affected by the adoption of the new rules in the current period are as follows:

Statement of financial position

<i>(in thousands of US dollars)</i>	Reported amount¹	Remeasurements	Amount before application of Korean IFRS 1115¹
Trade receivables	\$ 127,837	\$ (23,720)	\$ 104,117
Other current assets	254,876	652	255,528
Total assets	3,684,372	(23,068)	3,661,304
Provisions	2,257	(226)	2,031
Other current assets	114,696	(24,051)	90,645
Total liabilities	1,304,945	(24,277)	1,280,668
Retained earnings (accumulated deficits) ¹	178,747	1,209	179,956
Others	1,052,219	-	1,052,219
Total equity	\$ 2,379,427	\$ 1,209	\$ 2,380,636

¹ The amounts in this column are after the adjustments from the adoption of Korean IFRS 1109.

Statements of profit or loss

<i>(in thousands of US dollars)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Sales	\$ 2,425,312	\$ (1,998)	\$ 2,423,314
Cost of sales	(2,172,563)	2,847	(2,169,716)
Selling and administrative expenses	(67,389)	(35)	(67,424)
Finance costs	(46,832)	-	(46,832)
Share of profit of associates and joint ventures	62	-	62
Other non-operating expenses	(3,167)	-	(3,167)
Income tax expenses	(317)	-	(317)
Profit for the period	135,106	814	135,920
Total comprehensive income	\$ 130,057	\$ 814	\$ 130,871

Statements of cash flows

<i>(in thousands of US dollars)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
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Profit for the period	\$	135,106	\$	814	\$	135,920
Adjustments for:		225		32		257
- Reversal of provisions		225		32		257
Changes in operating assets and liabilities						
Decrease (increase) in trade receivables		(19,896)		25,717		5,821
Decrease (increase) in trade payables		(3,541)		-		(3,541)
Decrease (increase) in other assets		(10,619)		(2,417)		(13,036)
Decrease (increase) in other liabilities		21,973		(24,146)		(2,173)
Increase (decrease) in provisions		(2,898)		-		(2,898)
Others		177,812		-		177,812
Cash generated from operations	\$	298,162	\$	-	\$	298,162

The cash flows from (with) the application of Korean IFRS 1115 decreased in related assets amounting to \$ 23,299 thousand and increased in related liabilities amounting to \$ 24,145 thousand, compared to the cash flows in accordance with the previous accounting standards. However, there is no impact on net cash flows generated from operations due to the application of Korean 1115.

37. Contract Assets and Liabilities

As explained in notes 2.2.3, Korean 1115 *Revenue from Contracts with Customers* is applied from December 1, 2018.

(1) The contract assets and liabilities recognized by the Group are as follows:

<i>(in thousands of US dollars)</i>	<u>December 31, 2018</u>	<u>January 31, 2018</u>
Contract assets for carriage contracts	\$ 87,196	\$ 79,345
Contract liabilities for carriage contracts	68,107	39,849

The contract assets and the contract liabilities are included in 'contract assets' and 'contract liabilities' in statements of financial position, respectively.

(2) The revenue from the contract liabilities

Revenue recognized in the current reporting period related to the carried-forward contract liabilities balance:

<i>(in thousands of US dollars)</i>	<u>December 31, 2018</u>
Revenue recognized that was included in the contract liability balance at the beginning of the year	\$ 39,849

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(3) Assets recognized from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognized an asset in relation to costs to fulfil a transportation contract. This is presented within 'other current asset' in the statements of financial position:

(in thousands of US dollars)

	<u>2018</u>
Assets recognized from costs to fulfil a contract as at December 31	\$ 67,612

The costs incurred to fulfil transportation contracts have been recognized as assets. The asset is amortized over the term of the specific contract, which does not exceed one to two months due to the nature of the transportation service. Accordingly, the Group has not recognized impairment loss on assets as at the period-end.