

PAN OCEAN CO., LTD.

(Incorporated in the Republic of Korea)

FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2016

PART I. INFORMATION REQUIRED FOR ANNUAL ANNOUNCEMENT

1.(a)(i) A statement of comprehensive income (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

For the year ended 31 December 2016 (in thousands of US\$)

	The Group		
	2016	2015	%
	Year Ended 31 December	Year Ended 31 December	
Sales	1,616,997	1,605,284	0.7%
Cost of sales	(1,423,998)	(1,357,471)	4.9%
Gross profit	192,999	247,813	-22.1%
Selling and administrative expenses	(48,219)	(51,532)	-6.4%
Operating profit	144,780	196,281	-26.2%
Finance income	13,419	39,946	-66.4%
Finance costs	(52,008)	(104,667)	-50.3%
Other non-operating income (loss), net	(21,776)	(95,202)	-77.1%
Gain(loss) related to investments in associates and joint ventures	352	(282)	N/M
Profit before income tax	84,767	36,076	135.0%
Income tax expense	1,766	728	142.6%
Profit from continuing operation	83,001	35,348	134.8%
Loss from discontinuing operations, net of tax	-	(1,254)	N/M
Profit for the year	83,001	34,094	143.4%
Other Comprehensive income(loss)			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets	(981)	762	N/M
Changes in the fair value of derivative financial assets	737	(36)	N/M
Share of the other comprehensive income of associates and joint ventures	337	308	9.4%
	93	1,034	-91.0%
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	450	(578)	N/M
Exchanges differences	3,140	(7,811)	N/M
Total other comprehensive income(loss) for the year, net of tax	3,683	(7,355)	N/M
Total comprehensive income for the year	86,684	26,739	224.2%
Profit (loss) attributable to:			
Owners of the Group	83,682	34,085	145.5%
Non-controlling interests	(681)	9	N/M
	83,001	34,094	143.4%
Total comprehensive income (loss) attributable to:			
Owners of the Group	87,390	26,750	226.7%
Non-controlling interests	(706)	(11)	6318.2%
	86,684	26,739	224.2%

N/M : Not meaningful

1.(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (in thousands of US\$).

	The Group		The Company	
	At 31 Dec 2016	At 31 Dec 2015	At 31 Dec 2016	At 31 Dec 2015
Assets				
Current assets				
Cash and cash equivalents	202,806	237,344	160,991	190,619
Trade receivables	77,122	98,243	66,841	81,826
Other receivables	20,013	20,986	18,708	18,905
Derivative financial assets	2,451	32	1,649	32
Other financial assets	6,615	1,170	3,000	1,070
Inventories	39,548	34,164	39,548	34,162
Other assets	125,855	139,929	123,137	128,414
Assets held for sale	-	2,417	-	2,649
	474,410	534,285	413,874	457,677
Non-current assets				
Trade receivables	-	71	-	71
Other receivables	19,580	12,655	16,863	10,571
Other financial Assets	31,257	16,050	27,979	16,050
Investments in subsidiaries	-	-	50,655	48,983
Investments in associates and joint ventures	1,654	1,333	1,252	1,498
Vessels, property and equipment	3,043,456	3,106,110	3,005,646	3,065,422
Intangible assets	8,493	7,261	3,916	4,059
Deferred tax assets	78	21	-	-
Other assets	4,560	3,344	4,525	3,344
	3,109,078	3,146,845	3,110,836	3,149,998
Total assets	3,583,488	3,681,130	3,524,710	3,607,675
Liabilities				
Current liabilities				
Trade payables	67,364	72,640	63,857	56,941
Borrowings	269,307	232,982	264,259	225,217
Derivative financial liabilities	525	1,772	21	1,714
Other payables	35,176	43,725	33,199	40,946
Provisions	572	1,837	3,008	1,837
Income tax liabilities	356	250	-	-
Other liabilities	60,217	72,600	55,045	64,012
	433,517	425,806	419,389	390,667
Non-current liabilities				
Borrowings	988,707	1,063,847	982,009	1,053,801
Derivative financial liabilities	90	213	90	213
Provisions	31,993	107,071	31,557	107,071
Retirement benefit obligations	5,923	9,526	5,826	9,526
Deffered income tax liabilities	22	-	-	-
Other payables	60	60	-	-
	1,026,795	1,180,717	1,019,482	1,170,611
Total liabilities	1,460,312	1,606,523	1,438,871	1,561,278
Equity				
Share capital	480,598	471,717	480,598	471,717
Capital surplus	651,355	627,169	650,802	626,615
Other reserves	1,056,192	1,124,116	1,069,049	1,141,252
Accumulated deficit	(85,809)	(169,941)	(114,610)	(193,187)
Equity attributable to owners of the Group & Company	2,102,336	2,053,061	2,085,839	2,046,397
Non-controlling interest	20,840	21,546	-	-
Total equity	2,123,176	2,074,607	2,085,839	2,046,397
Total equity and liabilities	3,583,488	3,681,130	3,524,710	3,607,675

1.(b)(ii) Aggregate amount of group's borrowings and debt securities(in thousands of US\$)

	At 31 Dec. 2016		At 31 Dec. 2015	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less	256,807	12,500	232,982	-
Amount repayable after one year	951,207	37,500	1,029,717	34,130
	1,208,014	50,000	1,262,699	34,130

Details of collateral

The Group's borrowings are secured by way of :

- legal mortgages over certain vessels or building and land of the Company ;
- legal charges over certain bank accounts ; and
- assignment of insurance of certain vessels

1.(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year (in thousands of US\$).

	The Group	
	Year ended 31 Dec	
	2016	2015
Cash flows from operating activities		
Cash generated from operations	258,860	322,184
Interest paid	(41,464)	(57,360)
Income tax paid	(978)	(1,328)
Net cash inflow(outflow) by operating activities	216,418	263,496
Cash flows from investing activities		
Acquisition of vessels, property and equipment	(85,702)	(48,379)
Proceeds from sale of vessels, property and equipment	20,593	57
Acquisition of intangible assets	(1,989)	(850)
Proceeds from sale of intangible assets	-	408
Acquisition of other financial assets	(43,869)	(5,806)
Proceeds from sale of other financial assets	23,194	9,719
Acquisition of investments in associates & Joint venture	(42)	(40)
Proceeds from sale of subsidiaries share	2,694	4,635
Dividend received	341	1,140
Loans provided	(5)	(6)
Loans collected	2,900	224
Cash flow change due to change in consolidation scope	-	(647)
Interest received	2,058	4,941
Net cash inflow(outflow) from investing activities	(79,827)	(34,604)
Cash flows from financing activities		
Proceeds from borrowings	143,235	176,310
Repayment of borrowings	(313,906)	(480,388)
Repayment of reorganization liabilities	-	(787,009)
Issuance of stocks	-	715,644
Change of non-controlling interests	-	20,997
Net cash inflow(outflow) financing activities	(170,671)	(354,446)
Currency translation differences (cash and cash equivalents)	(866)	(1,648)
Net increase(decrease) in cash and cash equivalents	(34,080)	(125,554)
Cash and cash equivalents at beginning of the year	237,344	364,546
Cash and cash equivalents at end of the year	202,806	237,344

1.(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (in thousands of US\$)

	Attributable to owners of the Group				Non-controlling Interest	Total equity
	Share capital	Capital surplus	Other reserves	Accumulated deficit		
Balance as of January 1, 2015	192,334	142,228	1,161,906	(203,448)	1,177	1,294,197
Comprehensive income (loss)						
Profit for the year	-	-	-	34,085	9	34,094
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	762	-	-	762
Changes in the fair value of derivative financial assets and liabilities	-	-	(36)	-	-	(36)
Share of the other comprehensive income of associates and joint venture	-	-	308	-	-	308
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(578)	-	(578)
Exchanges differences	-	-	(7,791)	-	(20)	(7,811)
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	14,442	27,205	(72,426)	-	-	(30,779)
Capital increase by issuance of stock	306,334	457,572	-	-	-	763,906
Capital reduction without refund	(41,393)	-	41,393	-	-	-
Changes in consolidation scope and other	-	164	-	-	20,380	20,544
Balance as of December 31, 2015	471,717	627,169	1,124,116	(169,941)	21,546	2,074,607
Balance as of January 1, 2016	471,717	627,169	1,124,116	(169,941)	21,546	2,074,607
Comprehensive income (loss)						
Profit(loss) for the year	-	-	-	83,682	(681)	83,001
Items that will be reclassified subsequently to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	(981)	-	-	(981)
Changes in the fair value of derivative financial assets and liabilities	-	-	737	-	-	737
Share of the other comprehensive income of associates and joint ventures	-	-	337	-	-	337
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	450	-	450
Exchanges differences	-	-	3,165	-	(25)	3,140
Transactions with owners recorded directly in equity:						
Changes in equity due to debt-equity swap	8,881	24,186	(71,182)	-	-	(38,115)
Balance as of December 31, 2016	480,598	651,355	1,056,192	(85,809)	20,840	2,123,176

	Share capital	Capital surplus	Other reserves	Accumulated deficit	Total equity
Balance as of January 1, 2015	192,334	141,839	1,171,353	(236,413)	1,269,113
Comprehensive income (loss)					
Profit for the year	-	-	-	43,804	43,804
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	762	-	762
Changes in the fair value of derivative financial assets and liabilities	-	-	171	-	171
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	(578)	(578)
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	14,442	27,204	(72,427)	-	(30,781)
Capital reduction without refund	(41,393)	-	41,393	-	-
Capital increase by issuance of stock	306,334	457,572	-	-	763,906
Balance as of December 31, 2015	<u>471,717</u>	<u>626,615</u>	<u>1,141,252</u>	<u>(193,187)</u>	<u>2,046,397</u>
Balance as of January 1, 2016	471,717	626,615	1,141,252	(193,187)	2,046,397
Comprehensive income (loss)					
Profit for the year	-	-	-	78,127	78,127
Items that will be reclassified subsequently to profit or loss:					
Changes in the fair value of available-for-sale financial assets	-	-	(981)	-	(981)
Changes in the fair value of derivative financial assets and liabilities	-	-	(40)	-	(40)
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit liability	-	-	-	450	450
Transactions with owners recorded directly in equity:					
Changes in equity due to debt-equity swap	8,881	24,187	(71,182)	-	(38,114)
Balance as of December 31, 2016	<u>480,598</u>	<u>650,802</u>	<u>1,069,049</u>	<u>(114,610)</u>	<u>2,085,839</u>

1.(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

<i>(in shares)</i>	<u>At 31 Dec 2016</u>		<u>At 31 Dec 2015</u>	
	<u>Number of shares issued</u>	<u>outstanding stock</u>	<u>Number of shares issued</u>	<u>outstanding stock</u>
Beginning number of shares	524,425,070	524,425,070	214,538,500	214,538,500
Share consolidation without refund			(45,635,846)	(45,635,846)
Debt-equity swap	9,967,764	9,967,764	15,522,416	15,522,416
Capital increase with issuing new stock			340,000,000	340,000,000
Ending number of shares	<u>534,392,834</u>	<u>534,392,834</u>	<u>524,425,070</u>	<u>524,425,070</u>

1.(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	<u>The Issuer</u> <u>At 31 Dec. 2016</u>	<u>The Issuer</u> <u>At 31 Dec. 2015</u>
Total number of issued shares	534,392,834	524,425,070
Less number of shares held as treasury shares	-	-
Total number of issued shares excluding treasury shares of the issuer	<u>534,392,834</u>	<u>524,425,070</u>

1.(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current period and as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have been audited in accordance with Korean International Financial Reporting Standards

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in financial statements for the period ended 31 December 2016 compared with the audited financial statements for the year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	<u>The Group</u>	<u>The Group</u>
	<u>2016</u>	<u>2015</u>
	12 months	12 months
	ended 31 Dec	ended 31 Dec
Earnings per share for profit attributable to owners of the Company during the period (expressed in US\$ per share)		
(a) Basic	0.16	0.09
(b) Diluted	0.16	0.09
Earnings per share – continuing operations for profit attributable to owners of the Company during the year (expressed in US\$ per share)		
(a) Basic	0.16	0.09
(b) Diluted	0.16	0.09

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the

(a) Current financial period reported on; and

(b) Immediately preceding financial year (in US\$).

	<u>The Group</u>		<u>The Company</u>	
	At 31 Dec.	At 31 Dec.	At 31 Dec.	At 31 Dec.
	2016	2015	2016	2015
Net asset value per ordinary share based on issued share capital of the issuer	3.97	3.96	3.90	3.90

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

(1) Income Statement

FY 2016 VS FY 2015

The group achieved sales of US\$ 1,617million, increase of 0.7% compared to the same period in the prior year. And Costs of sales was increased by US\$ 67 million from US\$ 1,357 million as of 2015 to US\$ 1,424 million as of 2016.

For that factors mentioned above, the group recorded operating profit of US\$ 145 million in 2016, as compared to the operating profit of US\$ 196 million in the corresponding period of preceding financial year.

Pursuant to the amended rehabilitation plan, the Group recognized the profit and loss from debt restructuring including debt-equity swap. It recorded the gain of US\$ 83 million in 2016 and the loss of US\$ 115 million in 2015.

And losses on impairment of vessel, property and equipment had recorded US\$ 115 million in 2016.

Consequently, Profit for the year, which had recorded US\$ 83 million in 2016, as compared US\$ 34 million in 2015.

(2) Balance Sheet & Cash Flow

The group's total assets decreased US\$ 98 million, from US\$ 3,681 million as of 31 December 2015 to US\$ 3,583 million as of 31 December 2016.

Total liabilities of the Group decreased US\$ 147 million, from US\$1,607 million as of 31 December 2015 to US\$ 1,460 million as of 31 December 2016.

Cash flows from operating activities were surplus amounting to US\$ 217 million but Net cash used in investing activities and financing activities for 2016 recorded the deficit amounting to US\$ 250 million.

9. Where a forecast or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12months.

China has continued to evolve its structure of economic growth from an industrial to a services base. The average BDI for 2016 recorded 673, recording the lowest annual average BDI since 1999, due to low demand for raw material with structural changes in China. However, dry bulk market would revive as more bulkers are projected to be phased out by demolition this year.

47.2 Mil.DWT of bulker was delivered in 2016 despite many owners to cancel the orders or to defer delivery schedule, 28.9 Mil. DWT of bulker was phased out by demolition thanks to more expensive regular maintenance and stricter environment regulations. As a consequence, the fleet growth has declined from 2.7% in 2015 to 2.4% in 2016 constantly.

There is a hope that could set off over-supply pressure. Maritime financing environment is tight which hindered new orders, and given the current low level of vessel time chartering rate, aged vessel will be put more pressure on increment of overage scrapping.

In demand side, China's imports of iron ore in 2016 reached new annual high, and its growth rate has increased from 3% in 2015 to 7% in 2016. Global coal import has decreased by 1% to 1.12 billion tones in 2016, reflecting falling oil price and unstable economy of the developing company. However, seaborne dry bulk trade will be revived since major countries are trying to boost their economy and Global grain export is expected to grow by 3% to 486 million tones in 2017 which cause.

According to IMF World Economic Outlook, world GDP growth forecast is to be accelerated to 3.4% in 2017 from 3.1% in 2016, and may to be further in 2018.

11. If a decision regarding dividend has been made: N/A

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1) (a) (ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	Twelve months Ended 31 Dec. 2016.	Twelve months Ended 31 Dec. 2015.	Twelve months Ended 31 Dec. 2016.	Twelve months Ended 31 Dec. 2015.
	PanOcean(America), Inc.	-	971 2)	13,008 3)
Sunjin Co., Ltd.	-	7,799 5)	2,642 4)	-
Farmsco	-	8,405 6)	6,704 4)	-
Jeil Feed Company, Ltd.	340 9)	8,573 7)	6,344 4)	-
Harim Co., Ltd.	-	873 8)	2,608 4)	-
Jeil Holdings Co., Ltd.	717 10)	3,268 10)	-	-
Total	1,057	29,889	31,306	-

1) The group has no shareholders' mandate pursuant to Rule 920 relating to Interested person transactions in 2015

2) Sales relating to voyage in 2015

3) Sales relating to voyage and Agent commission in 2016 under shareholders' mandate pursuant to Rule 920

4) The group's effective interest of transaction relating to sales grain to interested person (Sunjin, Farmsco, Jeil Feed Company, Harim) under shareholders' mandate pursuant to Rule 920

5) The group's effective interest of transaction relating to sales grain to Sunjin of US\$0.8M and issuance shares of PanOcean(America) of US\$7M.

6) The group's effective interest of transaction relating to sales grain to Farmsco of US\$1.4M and issuance shares of PanOcean(America) of US\$7M.

7) The group's effective interest of transaction relating to sales grain to Jeil Feed Company of US\$1.6M and issuance shares of PanOcean(America) of US\$7M.

8) The group's effective interest of transaction relating to sales grain to Harim of US\$0.8M.

9) Deposit for lease of a building.

10) The value of the transaction is the interest payable on the bond to Jeil Holdings.

The group issued unsecured private placed bond to Jeil holdings KRW 157,950 million and repaid amounting KRW 117,950 million in 2015. and repaid the remaining balance amount to KRW 40,000 million in 2016.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous.

Not applicable

15. Reconciliations of K-IFRS with IFRS

There has been a change in listing status of the Group on the Mainboard of the SGX-ST from primary listing to secondary listing since 23 January 2013 and in compliance with statutory reporting purposes, the Group continues to prepare consolidated financial statements in accordance with Korea International Financial Reporting Standards ("K-IFRS").

The Group adopted the amendments pursuant to the amended K-IFRS No. 1001, 'Presentation of Financial Statements' from the annual period ended December 31, 2012. The Group's operating profit (loss) is calculated as revenue less: (1) cost of goods sold, and (2) selling, general and administrative expenses, and is

presented separately in the consolidated statement of comprehensive income.

Whereas, IFRS does not explicitly define operating profit (loss), but it is interpreted that all profit (loss) items except ones clearly excluded from operating activities be included in operating profit (loss).

Based on this interpretation, the operating profit (loss) of the Group for 2016 and 2015 shall be adjusted as below:

(In thousands of US dollars)

	The Group	
	2016	2015
Operating profit(loss) In K-IFRS	144,780	196,281
Adjustment :		
Gain on sale of vessels, property and equipment	3,399	1,748
Loss on sale of vessels, property and equipment	(7,428)	(28)
Gain on impairment of vessels, property and equipment	0	101,597
Loss on impairment of vessels, property and equipment	(114,554)	(102,824)
Gain (loss) on valuation of derivatives, net	1,628	(1,682)
Gain (loss) on derivative transactions, net	2,551	(7,186)
Gain (loss) on foreign currency translations, net	(1,276)	(1,955)
Gain (loss) on foreign currency transactions, net	1,769	11,434
Expense of provision and marine accident	12,132	20,190
Donations	(82)	(82)
Allowance for (reversal of) doubtful accounts	(1,500)	(4,531)
Other	(627)	3,050
Operating profit(loss) In IFRS	<u>40,792</u>	<u>216,012</u>