Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Financial Statements
December 31, 2017 and 2016

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Independent Auditor's Report

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

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, 2017 and 2016, 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 and other explanatory information.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pan Ocean Co., LTD. and its subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean IFRS.

Emphasis of Matter
Without qualifying our opinion, we draw attention to the following matter.

- Uncertainty of estimates and existence of significant contingency

As described in notes 20 and 31, the Group recognized provisions for realizable contingent liabilities including the litigation for finalization of reorganization claim or security. However, an unrealizable contingent liability of US$ 61,982 thousand was not recognized as provisions; therefore, the provisions are exposed to an uncertainty of additional obligations that depends on the result of the litigation.

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 financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 15, 2018

This report is effective as of March 15, 2018, 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, 2017 and 2016

(In thousands of US dollars)	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents	4,6,8	$ 193,810	$ 202,806
Trade receivables	4,6,7,9	94,095	77,122
Other receivables	4,6,7,10	26,568	20,013
Derivative financial assets	4,5,6,11	3,065	2,451
Other financial assets	4,6,12	33,794	6,615
Inventories	13	46,906	39,548
Other assets	14	174,102	125,855
		572,340	474,410
Non-current assets			
Other receivables	4,6,7,10	19,118	19,580
Derivative financial assets	4,5,6,11	174	-
Other financial assets	4,5,6,12	17,402	31,257
Investments in associates and joint ventures	15	2,003	1,654
Vessels, property and equipment	16	3,008,788	3,043,456
Intangible assets	17	8,975	8,493
Other assets	14	6,034	4,638
		3,062,494	3,109,078
Total assets		$ 3,634,834	$ 3,583,488
Liabilities and Equity			
Current liabilities			
Trade payables	4,6	$ 81,734	$ 67,364
Borrowings	4,6,18	298,359	269,307
Derivative financial liabilities	4,5,6,11	468	525
Other payables	4,6,19	61,404	35,176
Provisions	20	2,545	572
Other liabilities	21	64,590	60,573
		509,100	433,517
Non-current liabilities			
Borrowings	4,6,18	842,320	988,707
Derivative financial liabilities	4,5,6,11	14	90
Provisions	20	29,881	31,993
Retirement benefit obligations	22	4,286	5,923
Other payables	4,6,19	71	82
		876,572	1,026,795
Total liabilities		1,385,672	1,460,312
Equity			
Equity attributable to the owners of the Group			
Share capital	1,24	480,727	480,598
Capital surplus	24	651,920	651,355
Other reserves	25	1,055,891	1,056,192
Retained Earning(Accumulated deficit)	26	41,281	(85,809)
		2,229,819	2,102,336
Non-controlling interests		19,343	20,840
Total equity		2,249,162	2,123,176
Total liabilities and equity		$ 3,634,834	$ 3,583,488

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, 2017 and 2016

(In thousands of US dollars, except per share amount)	**Notes**	**2017**	**2016**
Sales	35	$ 2,065,495	$ 1,616,997
Cost of Sales	27	(1,831,946)	(1,423,998)
Gross profit		233,549	192,999
Selling and administrative expenses	27	(61,127)	(48,219)
Operating profit	35	172,422	144,780
Finance income	28	12,626	13,419
Finance costs	28	(52,601)	(52,008)
Share of profit of associates and joint ventures	15	233	352
Other non-operating expenses, net	29	(6,098)	(21,776)
Profit before income tax		126,582	84,767
Income tax expense	23	1,679	1,766
Profit from continuing operation		124,903	83,001
Gain(loss) from discontinuing operation, net of tax		-	-
Profit for the period		$ 124,903	$ 83,001
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	(981)
Changes in the fair value of derivative financial assets and liabilities		(538)	737
Share of other comprehensive income of associates and joint ventures		117	337
		(377)	93
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability		612	450
Exchange differences		1,165	3,140
Total other comprehensive income for the period, net of tax		1,400	3,683
Total comprehensive income for the period		$ 126,303	$ 86,684
Profit (loss) attributable to:			
Owners of the Parent Company		126,478	83,682
Non-controlling interests		(1,575)	(681)
		$ 124,903	$ 83,001
Total comprehensive income attributable to:			
Owners of the Parent Company		127,800	87,390
Non-controlling interests		(1,497)	(706)
		$ 126,303	$ 86,684
Earnings per share	30		
Basic earnings per share		$ 0.23	$ 0.16
Diluted earnings per share		$ 0.23	$ 0.16

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, 2017 and 2016

(In thousands of US dollars)	Attributable to owners of the Parent Company					
	Share capital	Capital surplus	Other reserves	Retained Earning (Accumulated deficit)	Non- controlling interests	Total Equity
Balance at January 1, 2016	$ 471,717	$ 627,169	$ 1,124,116	$ (169,941)	$ 21,546	$ 2,074,607
Total comprehensive income for the period						
Profit (loss) for the period	-	-	-	83,682	(681)	83,001
Items that will be subsequently reclassified 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 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
Exchange differences	-	-	3,165	-	(25)	3,140
Transactions with owners						
Changes in equity due to debt-to-equity swap	8,881	24,186	(71,182)	-	-	(38,115)
Balance at December 31, 2016	$ 480,598	$ 651,355	$ 1,056,192	$ (85,809)	$ 20,840	$ 2,123,176
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
Items that will be subsequently reclassified to profit or loss:						
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
Items that will not be reclassified to profit or loss:						
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	$ 480,727	$ 651,920	$ 1,055,891	$ 41,281	$ 19,343	$ 2,249,162

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, 2017 and 2016

(In thousands of US dollars)	Notes	2017	2016
Cash flows from operating activities	33		
Cash generated from operations		$ 277,472	$ 259,268
Interest paid		(45,330)	(41,464)
Income tax paid		(848)	(978)
Net cash inflow from operating activities		231,294	216,826
Cash flows from investing activities			
Acquisition of vessels, property and equipment		(94,142)	(85,702)
Proceeds from sale of vessels, property and equipment		3	20,593
Acquisition of intangible assets		(1,352)	(1,989)
Proceeds from sale of intangible assets		523	-
Acquisition of other financial assets		(29,353)	(43,869)
Proceeds from sale of other financial assets		16,925	23,194
Acquisition of investments in associates and joint ventures		-	(42)
Proceeds from sale of assets held for sale		-	2,694
Dividends received		1,035	341
Loans provided		(51)	(5)
Loans collected		821	2,900
Interest received		2,003	2,058
Net cash outflow from investing activities		(103,588)	(79,827)
Cash flows from financing activities			
Proceeds from borrowings		136,463	143,235
Repayments of borrowings		(273,522)	(313,906)
Net cash outflow from financing activities		(137,059)	(170,671)
Effect of exchange rate changes on cash and cash equivalents		357	(866)
Net decrease in cash and cash equivalents		(9,353)	(33,672)
Cash and cash equivalents at the beginning of year		202,806	237,344
Cash and cash equivalents at the end of year		$ 193,810	$ 202,806

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

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 Company was established in Republic of Korea in May 1966. The Company 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, 2017 is US$ 480,727 thousand and the number of shares issued is 534,537,812. As at December 31, 2017, the detail of the shareholders structure is as follows:

	Number of shares	Percentage of ownership (%)
Jeil Holdings Co., Ltd.	272,000,000	50.89%
Poseidon 2014 LLC	40,800,000	7.63%
Other shareholders	221,737,812	41.48%
	534,537,812	100.00%

1.2 Consolidated Subsidiaries

1) Details of consolidated subsidiaries as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)

			2017					
Subsidiary	**Location**	**Main business**	**Ownership interest held by the Group (%)**	**Assets**	**Liabilities**	**Sales**	**Operating profit (loss)**	**Total comprehensive income (loss)**
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. [2]	China	Logistics	100%	7,264	6,048	8,148	90	87
Pan Ocean - Sinotrans Logistics Co., Ltd. [2]	China	Logistics	60%	3,256	2,139	4,415	(17)	(19)
Wide Sea Logistics Co., Ltd. [2]	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. [3]	Japan	Forwarding	100%	2,165	772	10,840	489	286
Pan Ocean Container (Japan) Co., Ltd. [3]	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. [4]	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 [1]	Panama and others	-	-	-	-	-	-	-

[1] POS Maritime GX 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.
[2] Subsidiaries of Pan Ocean (China) Co., Ltd.
[3] Subsidiaries of Pan Ocean Japan Corporation.
[4] Although the Group owns less than half of the entity's share and voting power, management has determined that the Group controls the entity by virtue of an agreement with its other shareholders.

The summarized financial information and financial statements of each subsidiary are dated December 31, 2017.

(in thousands of US dollars)

Subsidiary	Location	Main business	2016 Ownership interest held by the Group (%)	Assets	Liabilities	Sales	Operating profit (loss)	Total comprehensive income (loss)
Asia								
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	Shipping	100%	$ 33,688	$ 44,083	$ 24,555	$ 1,179	$ 1,704
Pan Ocean(China) Co., Ltd.	China	Shipping	100%	19,344	531	3,768	996	865
Pan Ocean International Logistics Co., Ltd.[2]	China	Logistics	100%	6,548	5,489	4,941	213	213
Pan Ocean - Sinotrans Logistics Co., Ltd. [2]	China	Logistics	60%	3,584	2,060	5,339	32	23
Wide Sea Logistics Co., Ltd. [2]	China	Logistics	100%	4,080	1,150	7,748	469	339
Pan Ocean Japan Corporation	Japan	Shipping	100%	5,838	604	41,545	292	(101)
Pan Logix Co., Ltd. [3]	Japan	Forwarding	100%	2,147	1,072	10,447	380	236
Pan Ocean Container (Japan) Co., Ltd. [3]	Japan	Forwarding	100%	3,020	2,241	18,161	206	305
POS SM Co.,Ltd	Korea	Ship management	100%	16,412	10,917	64,224	2,676	2,355
Europe								
STX Pan Ocean(U.K.) Co., Ltd.	U.K.	Shipping	100%	66	33,066	-	-	2,038
North America								
Pan Ocean(America) Inc. [4]	USA	Shipping	34%	34,301	3,648	202,256	(1,475)	(1,177)
South America								
Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	Shipping	100%	2,257	15	318	(184)	77
Others								
POS Maritime GX S.A. and others [1]	Panama and others	-	-	-	-	-	-	-

[1] POS Maritime GX S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2016, 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.
[2] Subsidiaries of Pan Ocean (China) Co., Ltd.
[3] Subsidiaries of Pan Ocean Japan Corporation.
[4] Although the Group owns less than half of the entity's share and voting power, management has determined that the Group controls the entity by virtue of an agreement with its other shareholders.

2) Details of the Group's shares in non-controlling interests as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	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	$ 112
Pan Ocean(America) Inc.	66%	17,993	(1,688)
		$ 19,343	$ (1,576)

(in thousands of US dollars)	2016		
	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%	$ 610	$ 94
Pan Ocean(America) Inc.	66%	20,230	(775)
		$ 20,840	$ (681)

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

2.2 Changes in Accounting Policy 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, 2017. The adoption of these amendments did not have any material impact on the financial statements.

- Amendments to Korean IFRS 1007 *Statement of Cash Flows*

Amendments to Korean IFRS 1007 *Statement of Cash flows* require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- Amendments to Korean IFRS 1012 *Income Tax*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.

- Amendments to Korean IFRS 1112 *Disclosures of Interests in Other Entities*

Amendments to Korean IFRS 1112 clarify when an entity's interest in a subsidiary, a joint venture or an associate is classified as held for sales in accordance with Korean IFRS 1105, the entity is required to disclose other information except for summarized financial information in accordance with Korean IFRS 1112.

(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, 2017 and have not been early adopted by the Group are set out below.

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

When an investment in an associate or a joint venture is held by, or it 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 that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendments clarify that an entity shall make this election separately for each associate of joint venture, at initial recognition of the associate or joint venture. The Group will apply these amendments retrospectively for annual periods beginning on or after January 1, 2018, and early adoption is permitted. The Group does not expect the amendments to have a significant impact on the financial statements.

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

Paragraph 57 of 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 provides a list of circumstances as examples. The amendment will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the amendment to have a significant impact on the financial statements.

- Amendments 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 amendments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the amendments to have a significant impact on the financial statements.

- Enactments to Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to these enactments, 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. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. These enactments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the enactments to have a significant impact on the financial statements.

- 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 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 new standard for financial instruments issued on September 25, 2015 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. This standard will replace Korean IFRS 1039 *Financial Instruments: Recognition and Measurement*. The Group will apply the standards for annual periods beginning on or after January 1, 2018.

The standard requires retrospective application with some exceptions. For example, an entity is not required to restate prior period in relation to classification and measurement (including impairment) of financial instruments. The standard requires prospective application of its hedge accounting requirements for all hedging relationships except the accounting for time value of options and other exceptions.

Korean IFRS 1109 *Financial Instruments* requires three main areas including: (a) classification and measurement of financial assets on the basis of the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets, (b) a new impairment model of financial instruments based on the expected credit losses, and (c) hedge accounting including expansion of the range of eligible hedging instruments and hedged items that qualify for hedge accounting or change of a method of hedge effectiveness assessment.

An effective implementation of Korean IFRS 1109 requires preparation processes including financial impact assessment, accounting policy establishment, accounting system development and the system stabilization. The impact on the Group’s financial statements due to the application of the standard is dependent on judgements made in applying the standard, financial instruments held by the Group and macroeconomic variables.

With the implementation of Korean IFRS 1109, the Group neither prepared for internal management process nor began to adjust accounting system for financial instruments reporting. Also, the Group did not analyze the financial effects of applying the standard. Meanwhile, the following areas are likely to be affected in general.

(a) Classification and Measurement of Financial Assets

When implementing Korean IFRS 1109, the classification of financial assets will be driven by the Group's business model for managing the financial assets and contractual terms of cash flow. The following table shows the classification of financial assets measured subsequently at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. If a hybrid contract contains a host that is a financial asset, the classification of the hybrid contract shall be determined for the entire contract without separating the embedded derivative.

Business model for the contractual cash flows characteristics	**Solely represent payments of principal and interest**	**All other**
Hold the financial asset for the collection of the contractual cash flows	Measured at amortized cost[1]	Recognized at fair value through profit or loss[2]
Hold the financial asset for the collection of the contractual cash flows and sale	Recognized at fair value through other comprehensive income [1]	
Hold for sale	Recognized at fair value through profit or loss	

[1] A designation at fair value through profit or loss is allowed only if such designation mitigates an accounting mismatch (irrevocable).

[2] Equity investments not held for trading can be recorded in other comprehensive income (irrevocable).

With the implementation of Korean IFRS 1109, the criteria to classify the financial assets at amortized cost or at fair value through other comprehensive income are more strictly applied than the criteria applied with Korean IFRS 1039. Accordingly, the financial assets at fair value through profit or loss may increase by implementing Korean IFRS 1109 and may result an extended fluctuation in profit or loss.

As at December 31, 2017, the Group owns loans and receivables of US$ 371,777 thousand, financial assets available-for-sales of US$ 10,629 thousand and financial assets at fair value through profit or loss of US$ 3,239 thousand.

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. As at December 31, 2017, the Group measured loans and receivables of US$ 371,777 thousand at amortized cost.

According to Korean IFRS 1109, equity instruments that are not held for trading, the Group can make an irrevocable election at initial recognition to classify the instruments as assets measured at fair value through other comprehensive income, which all subsequent changes in fair value being recognized in other comprehensive income and not recycled to profit or loss. As at December 31, 2017, the Group holds equity instruments of US$ 10,629 thousand classified as financial assets available-for-sale and for the year ended December 31, 2017, there was no recycled unrealized gain or loss arose from the equity instruments to profit or loss.

According to Korean IFRS 1109, debt instruments those contractual cash flows do not represent solely payments of principal and interest and held for trading, and equity instruments that are not designated as instruments measured at fair value through other comprehensive income are measured at fair value through profit or loss.

(b) Classification and Measurement of Financial Liabilities

Korean IFRS 1109 requires the amount of the change in the liability's fair value attributable to changes in the credit risk to be recognized in other comprehensive income, unless this treatment of the credit risk component creates or enlarges a measurement mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

Under Korean IFRS 1039, all financial liabilities designated at fair value through profit or loss recognized their fair value movements in profit or loss. However, under Korean IFRS 1109, certain fair value movements will be recognized in other comprehensive income and as a result profit or loss from fair value movements may decrease.

(c) Impairment: Financial Assets and Contract Assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under Korean IFRS 1039. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and certain financial guarantee contracts.

Under Korean IFRS 1109 'expected loss' model, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. The Group will always recognize (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition.

Stage[1]		Loss allowance
1	No significant increase in credit risk after initial recognition[2]	12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12

		months after the reporting date)
2	Significant increase in credit risk after initial recognition	Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)
3	Credit-impaired	

[1] A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. It is also required for contract assets or trade receivables that are not, according to Korean IFRS 1115 *Revenue from Contracts with Customers*, considered to contain a significant financing component. Additionally, the Group can elect an accounting policy of recognizing lifetime expected credit losses for all contract assets and/or all trade receivables, including those that contain a significant financing component.

[2] If the financial instrument has low credit risk at the end of the reporting period, the Group may assume that the credit risk has not increased significantly since initial recognition.

Under Korean IFRS 1109, the asset that is credit-impaired at initial recognition would recognize all changes in lifetime expected credit losses since the initial recognition as a loss allowance with any changes recognized in profit or loss.

As at December 31, 2017, the Group owns debt investment carried at amortized cost of US$ 397,883 thousand and the Group recognized loss allowance of US$ 26,106 thousand for these assets

(d) Hedge Accounting

Hedge accounting mechanics (fair value hedges, cash flow hedges and hedge of net investments in a foreign operations) required by Korean IFRS 1039 remains unchanged in Korean IFRS 1109, however, the new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Korean IFRS 1109 allows more hedging instruments and hedged items to qualify for hedge accounting, and relaxes the hedge accounting requirement by removing two hedge effectiveness tests that are a prospective test to ensure that the hedging relationship is expected to be highly effective and a quantitative retrospective test (within range of 80-125%) to ensure that the hedging relationship has been highly effective throughout the reporting period.

With implementation of Korean IFRS 1109, volatility in profit or loss may be reduced as some items that were not eligible as hedged items or hedging instruments under Korean IFRS 1039 are now eligible under Korean IFRS 1109.

When the Group first applies Korean IFRS 1109, it may choose as its accounting policy choice to continue to apply all of the hedge accounting requirements of Korean IFRS 1039 instead of the requirements of Korean IFRS 1109.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group will apply Korean IFRS 1115 *Revenue from Contracts with Customers* issued on November 6, 2015 for annual reporting periods beginning on or after January 1, 2018. Earlier adoption is permitted under Korean IFRS. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers.*

Korean IFRS 1018 and other current revenue standard identify revenue as income that arises in the course of ordinary activities of an entity and provides guidance on a variety of different types of revenue, such as, sale of goods, rendering of services, interest, dividends, royalties and construction contracts. However, the new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customers can be recognized:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

With the implementation of Korean IFRS 1115, the Group neither prepared for internal management process nor began to adjust accounting system as at December 31, 2017. And, the Group did not analyze the financial effects of applying the standard. The Group plans to perform an impact assessment to identify potential financial effects on the financial statements of applying Korean IFRS 1115 for the three-month period ended March 31, 2018 and will disclose the result of the impact assessment on the notes to the interim financial statements as at March 31, 2018. Meanwhile, the following areas are likely to be affected in general.

(a) Identify performance obligation

With the implementation of Korean IFRS 1115, the Group identifies performance obligations from contract with a customer. The timing of revenue recognition depends on a performance obligation is satisfied at a point in time or over time.

(b) A performance obligation is satisfied over time

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.

(c) Variable consideration

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. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

(d) Allocating the transaction price

With implementation of Korean IFRS 1115, the transaction price in an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the goods or services being provided to a customer. The Group determines the standalone selling price for each separate performance obligation by using ‘adjust market assessment approach’. In limited circumstances, the Group plans to use ‘expected cost plus a margin approach’ to estimate expected cost plus a reasonable margin.

(e) 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 expects to recover those costs, 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 an entity to expense the costs to obtain a contract as incurred when the expected amortization period is one year or less.

2.3 Consolidation

(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 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 recoded 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 Company's functional currency.

(b) Transactions and balances

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.

2.5 Financial Assets

(a) Classification and measurement

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. And, loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss within other income or other expenses. Gains or losses arising from changes in the available-for-sale financial assets are recognized in other comprehensive income, and amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(b) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

The Group considers that there is objective evidence of impairment if significant financial difficulties of the debtor, or delinquency in interest or principal payments is indicated. Moreover, in the case of equity investments classified as available-for-sale, a significant decline in the fair value of the security below its cost or prolonged decline is also considered as an objective evidence of impairment.

(c) Derecognition

If the Group transfers a financial asset and the transfer does not result in derecognition because the Group has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as ‘borrowings and other liabilities’ in the statement of financial position.

(d) 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 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 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.

2.8 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.

2.9 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 their estimated useful lives as follows:

	Useful lives(Years)
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.

2.10 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.

2.11 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:

	Useful lives(Years)
Development costs	5
Other Intangible Assets	5

2.12 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.

2.13 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.

2.14 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.

2.15. 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 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.

2.16 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

The Group operates both defined contribution and defined benefit pension plans.
A defined contribution plan is in which the Group pays a fixed amount of contributions to a separate fund, and the contributions are recognized as an expense when employees have rendered services during the period.

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.

2.17 Revenue Recognition

The Group recognizes revenue from time charters and voyage charters which consist of contracts of affreightment and freight contracts offered on the spot market. The terms of time charters are specific and there are no estimations involved in the revenue recognition. Under a voyage charter, the Group agrees to provide a vessel for the transport of specific goods between specific ports in return for the payment of an agreed upon freight per ton of cargo or, alternatively, for a specified total amount. Revenue from voyage charter is recognized on a percentage of completion method by measuring the revenues and associated voyage costs; such as, fuel and port charges, over the estimated duration of the voyage.

The management uses judgments to estimate the total number of days of a voyage of a vessel to compute the amount of revenue and expense to recognize for the voyage in progress at the end of each reporting period using the percentage of completion method on a discharge-to-discharge basis. The management uses assumptions to estimate operating capability (speed and fuel consumption), voyage route and port based on historical data.

2.18 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.

2.19 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.

2.20 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.

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.

2.21 Approval of Issuance of the Financial Statements

The consolidated financial statements 2017 of the Group were approved for issue by the Board of Directors on February 8, 2018 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 addressed below.

(a) Revenue recognition

The Group recognizes revenue in relation to the provision of marine transportation services on a progress basis. On the other hand, when applying the progress criteria, a procedure is required to estimate the number of days that have elapsed to date in proportion to the total number of days scheduled for operation provided by the Group.

(b) 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).

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(d) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 22).

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 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, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Gains (losses) on foreign currency translations	$	792	$	(1,258)
Gains (losses) on foreign currency transactions		3,100		(1,295)

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, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Cash and cash equivalents	$	27,328	$	66,921
Trade receivables		9,097		14,880
Other receivables		2,248		774
Trade payables		(17,952)		(30,509)
Other non-trade payables		(4,321)		(8,523)
Bonds		(14,000)		-
Other		34,911		26,103
	$	37,310	$	69,646

The effect of a 10% increase or decrease in exchange rates on profit before tax as at December 31, 2017 and 2016, is as follows:

(in thousands of US dollars)			2017		2016
Exchange rate at the	10% increase	$	(3,353)	$	(4,601)
end of the period	10% decrease		4,077		5,628

(2) Price risk

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 as at December 31, 2017 and 2016, follows:

(in thousands of US dollars)		**2017**	**2016**
BDI Index	10% increase	$ 553	$ (45)
	10% decrease	(553)	45

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, 2017 and 2016, as follows:

(in thousands of US dollars)		**2017**	**2016**
Commodity	10% increase	$ 875	$ 906
Swap/Option	10% decrease	(875)	(906)

The Group is exposed to other price fluctuation risks associated with available-for-sale equity instruments 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.

The effect of a 10% increase or decrease of in the marketable available-for-sale financial assets would have resulted in an increase (decrease) in profit before tax as at December 31, 2017 and 2016, as follows:

(in thousands of US dollars)		2017		2016	
Increase (decrease) in comprehensive income before tax	10% increase	$	618	$	748
	10% decrease		(618)		(748)

(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, 2017 and 2016, is as follows:

(in thousands of US dollars)	2017		2016	
Financial liabilities with fixed interest rate	$	143,953	$	81,206
Financial liabilities with floating interest rate		996,727		1,176,808
	$	1,140,680	$	1,258,014

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, 2017 and 2016, as follows:

(in thousands of US dollars)		2017		2016	
Interest rate	0.5% increase	$	(4,445)	$	(5,166)
	0.5% decrease		4,445		5,166

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, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Current				
Cash and cash equivalent [1]	$	193,171	$	201,456
Trade receivables		94,095		77,122
Other receivables		24,188		19,862
Derivative financial assets		3,065		2,451
Other financial assets		33,794		6,615
Financial guarantee contracts		1,513		1,511
		349,826		309,017
Non-current				
Other receivables		19,118		19,580
Derivative financial assets		174		-
Other financial assets		13,300		27,155
		32,592		46,735
	$	382,418	$	355,752

[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.

(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	$ 1,367,961
Derivative financial liabilities	468	14	-	-	482
Trade payables	81,735	-	-	-	81,735
Other payables	61,404	60	-	-	61,464
Financial guarantee contracts	1,513	-	-	-	1,513
	$ 486,698	$ 276,310	$ 386,216	$ 272,767	$ 1,513,155

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

(in thousands of US dollars)	2016				
	Less than 1 month	**Between 1 and 2 years**	**Between 2 and 4 years**	**Over 4 years**	**Total**
Borrowings [1]	$ 311,592	$ 271,405	$ 515,355	$ 300,560	$ 1,398,912
Derivative financial liabilities	525	90	-	-	615
Trade payables	67,364	-	-	-	67,364
Other payables	35,176	60	-	-	35,236
Financial guarantee contracts	1,511	-	-	-	1,511
	$ 416,168	$ 271,555	$ 515,355	$ 300,560	$ 1,503,638

[1] Borrowings consist of short-term borrowings, long-term borrowings, bonds and payables for vessels. Borrowings for vessels includes US$ 140,898 thousand of finance costs as at December 31, 2016.

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.

The gearing ratios as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017		2016	
Total borrowings	$	1,140,679	$	1,258,014
Less: cash and cash equivalents		(193,810)		(202,806)
Net debt (A)		946,869		1,055,208
Total equity (B)		2,249,162		2,123,176
Total capital (C = A + B)	$	3,196,031	$	3,178,384
Gearing ratio (A / C)		30%		33%

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 2017. 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, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017				2016			
	Carrying amount		Fair value		Carrying amount		Fair value	
Non-current								
Other financial assets [1]	$	6,528	$	6,528	$	7,474	$	7,474
Derivative financial assets		174	$	174		-		-
Current								
Derivative financial assets		3,065		3,065		2,451		2,451
	$	9,767	$	9,767	$	9,925	$	9,925

[1] Other financial assets are available-for-sale financial assets that are measured at fair value. If the fair value of equity instruments can not be reliably measured, it is measured at cost and excluded from fair value disclosures.

Carrying amount and the fair value of financial liabilities as at December 31, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Derivative financial liabilities	$ 14	$ 14	$ 90	$ 90
Current				
Derivative financial liabilities	468	468	525	525
	$ 482	$ 482	$ 615	$ 615

(*) Financial liabilities whose carrying amount is a reasonable approximation of fair value are excluded from fair value disclosures.

5.2 Financial Instrument Measured at Cost

Details of financial instruments measured at cost as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017	2016
Other financial assets [1]	$ 4,102	$ 4,102

[1] The fair values of unmarketable equity instruments cannot be reliably measured because of uncertainty of future cash flow estimation and difficulty in computation of reliable discount rate.

5.3 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, 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

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, 2016 are as follows:

(in thousands of US dollars)	Level 1	Level 2	Level 3	Total
Financial assets				
Current				
Derivative financial assets	$ 2,451	$ -	$ -	$ 2,451
	2,451	-	-	2,451
Non-current				
Other financial assets	-	7,474	-	7,474
	-	7,474	-	7,474
	$ 2,451	$ 7,474	$ -	$ 9,925
Financial liabilities				
Current				
Derivative financial liabilities	$ 525	$ -	$ -	$ 525
	525	-	-	525
Non-current				
Derivative financial liabilities	-	90	-	90
	-	90	-	90
	$ 525	$ 90	$ -	$ 615

5.4 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, 2017 and 2016, are as follows:

(in thousands of US dollars)	Fair value 2017	Fair value 2016	Valuation techniques	Inputs
Assets				
Other financial assets (non-current)	$ 6,528	$ 7,474	Market comparison technique(Ship Fund)	Adjusted market price of underlying asset
Liabilities				
Derivative financial liabilities (non-current)	$ 14	$ 90	Market comparison technique(Interest-rate Swap)	Interest rate of 3-month USD Libor

6. Financial Instrument by Category

(1) Categorizations of financial assets as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	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
	3,065	345,887	-	348,952
Non-current				
Other receivables	-	19,118	-	19,118
Derivative financial assets	174	-	-	174
Other financial assets	-	6,772	10,630	17,402
	174	25,890	10,630	36,694
	$ 3,239	$ 371,777	$ 10,630	$ 385,646

(in thousands of US dollars)	2016			
	Financial assets at fair value through profit or loss	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
Current				
Cash and cash equivalents	$ -	$ 202,806	$ -	$ 202,806
Trade receivables	-	77,122	-	77,122
Other receivables	-	19,862	-	19,862
Derivative financial assets	2,451	-	-	2,451
Other financial assets	-	6,615	-	6,615
	2,451	306,405	-	308,856
Non-current				
Other receivables	-	19,580	-	19,580
Other financial assets	-	19,681	11,576	31,257
	-	39,261	11,576	50,837
	$ 2,451	$ 345,666	$ 11,576	$ 359,693

Categorizations of financial liabilities as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017		
	Financial liabilities at fair value through profit or loss	**Other financial liabilities at amortized cost**	**Total**
Current			
Borrowings	$ -	$ 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
	$ 482	$ 1,280,935	$ 1,281,417

(in thousands of US dollars)	2016		
	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
Current			
Borrowings	$ -	$ 269,307	$ 269,307
Derivative financial liabilities	525	-	525
Trade payables	-	67,364	67,364
Other payables	-	33,422	33,422
	525	370,093	370,618
Non-current			
Borrowings	-	988,707	988,707
Derivative financial liabilities	90	-	90
Other payables	-	60	60
	90	988,767	988,857
	$ 615	$ 1,358,860	$ 1,359,475

7. Credit Quality of Financial Assets

(1) Trade receivables and other receivable

The aging analysis of trade other receivables, and the provision for impaired receivable as at December 31, 2017 and 2016, is as follows:

(in thousands of US dollars)	2017		2016	
	Gross amount	Provision for impairment	Gross amount	Provision for impairment
Trade receivables:				
Not past due	$ 77,267	$ (71)	$ 66,128	$ (1,386)
Up to 3 months	8,208	(206)	7,749	(260)
3 to 6 months	2,384	(944)	596	(102)
Over 6 months	15,661	(8,204)	14,423	(10,026)
	103,520	(9,425)	88,896	(11,774)
Other receivables and others:				
Not past due	88,791	(18,499)	74,170	(18,494)
Up to 3 months	1,266	(24)	1,661	-
3 to 6 months	89	-	91	(2)
Over 6 months	337	-	129	(15)
	$ 90,483	$ (18,523)	$ 76,051	$ (18,511)

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)	2017	2016
Trade receivables		
Beginning balance	$ 11,774	$ 76,139
(Reversal of) provision for impaired receivables during the year	(376)	(9,182)
Write-offs	(1,973)	(55,101)
Others	-	(82)
Ending balance	$ 9,425	$ 11,774
Other receivables and others		
Beginning balance	$ 18,511	$ 19,124
(Reversal of) provision for impaired receivables during the year	47	(1,761)
Write-offs	(35)	(431)
Others	-	1,579
Ending balance	$ 18,523	$ 18,511

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, 2017 and 2016, is as follows:

(in thousands of US dollars)	2017					
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years	Total
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
	$ 9,243	$ 1,529	$ 1,731	$ 1,847	$ 4,217	$ 18,567

(in thousands of US dollars)	2016					
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years	Total
Trade receivables	$ 7,489	$ 494	$ 180	$ 229	$ 3,988	$ 12,380
Other receivables and others	1,661	89	39	75	-	1,864
	$ 9,150	$ 583	$ 219	$ 304	$ 3,988	$ 14,244

(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, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	**2017**	**2016**
Cash on hand	$ 639	$ 1,350
Deposits and others	193,171	201,456
	$ 193,810	$ 202,806

9. Trade Receivables

Trade receivables as at December 31, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	**2017**	**2016**
Current :		
Trade receivables	$ 103,520	$ 88,896
Less: provision for impairment	(9,425)	(11,774)
	$ 94,095	$ 77,122

10. Other Receivables

Details of other receivables as at December 31, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	**2017**	**2016**
Current :		
Loan	$ 26,058	$ 24,333
Less: provision for impairment	(16,612)	(16,638)
Prepayments	13,248	7,394
Less: provision for impairment	(67)	(22)
Other receivables	3,943	4,946
Less: provision for impairment	(2)	-
	26,568	20,013
Non-current :		
Loan	147	141
Deposit provided	18,971	19,439
	19,118	19,580
	$ 45,686	$ 39,593

11. Derivative Financial Assets and Liabilities

(1) Derivative financial assets and liabilities as at December 31, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	2017		2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward freight agreement	$ 1,384	$ 107	$ 83	$ -
Interest rate swap	-	14	-	90
Commodity swap/option	1,562	25	1,566	21
Grain futures	293	336	802	504
	$ 3,239	$ 482	$ 2,451	$ 615
Current	$ 3,065	$ 468	$ 2,451	$ 525
Non-current	174	14	-	90

(2) Gains and losses on valuation and transaction of derivative financial assets and liabilities for the periods ended December 31, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	2017		2016	
	Gains (losses) on transaction, net	**Gains (losses) on valuation, net**	**Gains (losses) on transaction, net**	**Gains (losses) on valuation, net**
Forward freight agreement	$ (437)	$ 1,277	$ 224	$ 83
Interest rate swap	-	82	-	(40)
Commodity swap/option	217	1,537	2,327	776
Grain futures	(348)	(620)	-	1,546
	$ (568)	$ 2,276	$ 2,551	$ 2,365
Other non-operating income(expenses), net	$ (568)	$ 2,814	$ 2,551	$ 1,628
Other comprehensive income	-	(538)	-	737

12. Other Financial Assets

(1) Details of other financial assets by categories as at December 31, 2017 and 2016, are follows:

(in thousands of US dollars)	2017	2016
Loans and receivables:		
Deposit and others[1]	$ 40,566	$ 26,296
Available-for-sales financial assets:		
Unlisted shares	4,102	4,102
Beneficiary certificates	6,528	7,474
	10,630	11,576
	$ 51,196	$ 37,872
Current	$ 33,794	$ 6,615
Non-current	17,402	31,257

[1] As at December 31, 2017, financial assets amounting to KRW 7,853 million are restricted in use as an escrow for cash reimbursement according to the amended reorganization plan (Note 31).

(2) Equity instruments which were classified as 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, 2017 and 2016, are follows:

(in thousands of US dollars)	2017		2016	
	Percentage of ownership	Book amount	Percentage of ownership	Book amount
Korea P&I Club	8.25%	$ 491	8.25%	$ 491
Taeyoung Grain Terminal Co., Ltd.	7.00%	3,611	7.00%	3,611
		$ 4,102		$ 4,102

(3) Changes in available-for-sale financial assets for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017	2016
Beginning balance	$ 11,576	$ 16,050
Additions	-	4,251
Disposal	(990)	(8,755)
Gains (losses) on valuation, net	44	30
Ending balance	$ 10,630	$ 11,576

13. Inventories

Inventories as at December 31, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	**2017**	**2016**
Fuel	$ 34,624	$ 28,669
Spare parts and others	12,282	10,879
	$ 46,906	$ 39,548

The cost of inventories included in cost of sales sold as expenses during the year is US$ 419,237 thousand (2016: US$ 297,571 thousand).

14. Other Assets

Details of other assets as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**	**2016**
Current :		
Prepayments	$ 28,116	$ 19,798
Less: provision for impairment	(1,842)	(1,850)
Prepaid expenses	58,203	49,104
Prepaid taxes	63	532
Accrued income – shipping	89,452	57,759
Others	111	512
	174,103	125,855
Non-current :		
Reimbursement receivables	5,651	4,560
Others	383	78
	6,034	4,638
	$ 180,137	$ 130,493

15. Investments in Associates and Joint Ventures

(1) Changes in investments in associates and joint ventures for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017			
	Korea LNG Trading Co., Ltd	Busan Cross Dock, Ltd.	YEGRINA Co., Ltd.[1]	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

[1] As at December 31, 2017, the liquidation procedure is in progress.

[2] The liquidation procedure of Sea Best Maritime Ltd. has been completed in 2017.

(in thousands of US dollars)	2016				
	Korea LNG Trading Co., Ltd	Busan Cross Dock, Ltd.	YEGRINA Co., Ltd.[1]	Sea Best Maritime, Ltd.[1]	Total
Associates					
Beginning balance	$ 466	$ 824	$ 43	$ -	$ 1,333
Acquisition	-	-	42		42
Share of profit of associates and joint ventures	289	98	(35)	-	352
Share of other comprehensive income of associate and joint ventures	6	(28)	-	-	(22)
Replacement	-	(1)	(50)	-	(51)
Ending balance	$ 761	$ 893	$ -	$ -	$ 1,654

[1] As at December 31, 2016, the liquidation procedure is in progress.

(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, 2017 and 2016.

The financial statements of the associates and joint ventures are dated as at December 31, 2017.

(in thousands of US dollars)		2017					
	Location	Interest held(%)	Assets	Labilities	Sales	Operating profit (loss)	Total comprehensive income (loss)
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.

The financial statements as at December 31, 2016 were used to disclose financial information of associates and joint ventures.

(in thousands of US dollars)		2016					
	Location	Interest held(%)	Assets	Labilities	Sales	Operating profit (loss)	Total comprehensive income (loss)
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
YEGRINA Co., Ltd.	Korea	-	-	-	-	-	-
Joint ventures							
Sea Best Maritime, Ltd.	China	50%	-	-	-	-	-

[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)	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

(in thousands of US dollars)	2016			
	Korea LNG Trading Co., Ltd.	**Busan Cross Dock, Ltd.**	**YEGRINA Co., Ltd.**	**Sea Best Maritime, Ltd.**
Net asset	$ 4,229	$ 4,464	$ -	$ -
Group's share in %	18%	20%	-	50%
Book amount	$ 761	$ 893	$ -	$ -

16. Vessels, Property and Equipment

(1) Changes in vessels, property and equipment for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	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	$ 2,970,089	$ 6	$ 13,386	$ 397	$ 6,507	$ 18,403	$ 3,088,788

(in thousands of US dollars)	2016						
	Vessels	**Land**	**Buildings**	**Vehicles**	**Tools, furniture & fixture**	**Construction in progress**	**Total**
Opening net book amount	$ 3,026,507	$ 6	$ 14,876	$ 527	$ 5,719	$ 58,474	$ 3,106,109
Additions	12,438	-	-	-	3,470	207,953	223,861
Disposal	(26,330)	-	-	-	(6)	-	(26,335)
Depreciation	(139,513)	-	(775)	(74)	(4,756)	-	(145,118)
Replacement	235,614	-	-	-	1,174	(236,788)	-
Impairment loss on vessels, property and equipment	(114,554)	-	-	-	-	-	(114,554)
Others	-	-	(423)	(16)	(67)	-	(506)
Closing net book amount	$ 2,994,162	$ 6	$ 13,678	$ 437	$ 5,534	$ 29,639	$ 3,043,456

For the year ended December 31, 2017, depreciation expense of US$ 145,796 thousand (2016: US$ 143,359 thousand) is included in cost of sales, and US$ 1,622 thousand (2016: US$ 1,759 thousand) in selling and administrative expenses.

(2) The acquisition costs, accumulated depreciation and accumulated impairment losses for each item of vessels, property and equipment as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017 Cost	2017 Accumulated depreciation	2017 Accumulated impairment losses	2016 Cost	2016 Accumulated depreciation	2016 Accumulated impairment losses
Vessels	$ 4,296,640	$ (937,483)	$ (389,068)	$ 4,194,467	$ (811,237)	$ (389,068)
Land	6	-	-	6	-	-
Buildings	26,188	(8,190)	(4,612)	25,400	(7,110)	(4,612)
Vehicles	1,521	(1,124)	-	1,443	(1,006)	-
Tools, furniture & fixture	37,487	(30,980)	-	40,622	(35,088)	-
Construction-in-progress	18,403	-	-	29,639	-	-
	$ 4,380,245	$ (977,777)	$ (393,680)	$ 4,291,577	$ (854,441)	$ (393,680)

(3) As at December 31, 2017 and 2016, the book amounts of vessels include the following amounts where the Group is a lessee under finance leases:

(in thousands of US dollars)	2017 Cost	2017 Accumulated depreciation	2017 Accumulated impairment losses	2016 Cost	2016 Accumulated depreciation	2016 Accumulated impairment losses
Vessels	$ 4,015,692	$ (820,147)	$ (359,508)	$ 3,837,560	$ (691,248)	$ (361,166)
Construction-in-progress	18,403	-	-	27,785	-	-
	$ 4,034,095	$ (820,147)	$ (359,508)	$ 3,865,345	$ (691,248)	$ (361,166)

(4) Amount of borrowing costs capitalized of for the periods ended December 31, 2017 and 2016 were US$ 773 thousand and US$ 4,548 thousand, respectively, and the capitalization rates used to determine the amount of borrowing costs eligible for capitalization for the periods ended December 31, 2017 and 2016 were 3.71% and 4.86%, respectively.

17. Intangible Assets

(1) Intangible assets as at December 31, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	2017	2016
Computer software	$ 340	$ 347
Club membership	4,157	3,640
Others	4,478	4,506
	$ 8,975	$ 8,493

(2) Changes in intangible assets for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	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)
Other	-	2	523	-
Ending balance	$ 340	$ 4,157	$ 4,478	$ 8,975

(in thousands of US dollars)	2016			
	Computer software	**Club membership**	**Others**	**Total**
Beginning balance	$ 491	$ 3,637	$ 3,133	$ 7,261
Additions	-	-	1,989	1,989
Disposals	-	-	-	-
Amortization	(144)	-	(448)	(592)
Other	-	3	(168)	(165)
Ending balance	$ 347	$ 3,640	$ 4,506	$ 8,493

(3) Details of intangible assets as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	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	$ 340	$ 4,157	$ 4,478	$ 8,975

(in thousands of US dollars)	2016			
	Computer software	**Club membership**	**Others**	**Total**
Acquisition cost	$ 17,387	$ 7,995	$ 4,506	$ 29,888
Accumulated amortization	(17,040)	-	-	(17,040)
Accumulated impairment loss	-	(4,355)	-	(4,355)
Net book amount	$ 347	$ 3,640	$ 4,506	$ 8,493

18. Borrowings

(1) Details of borrowings as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**	**2016**
Current :		
Short-term borrowings	$ 44,125	$ 1,699
Current portion of bond	25,000	12,500
Current portion of long-term borrowings	23,007	18,284
Current portion of finance lease liabilities	206,227	236,824
	298,359	269,307
Non-current :		
Bond	26,500	37,500
Long-term borrowings	67,270	81,326
Finance lease liabilities	748,550	869,881
	842,320	988,707
	$ 1,140,679	$ 1,258,014

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, 2017 and 2016, is summarized as follows:

(in thousands of US dollars)	**Currency**	**Issue date**	**Maturity date**	**Annual interest rate**	**2017**	**2016**
Unsecured private placed bond 17th	USD	2016.6.2	2019.6.2	Libor+1.30%	$ 37,500	$ 50,000
Unsecured private placed bond 18th	KRW	2017.11.13	2019.11.13	3.20%	14,000	-
Less: current portion of bond					(25,000)	(12,500)
					$ 26,500	$ 37,500

(3) Short-term borrowings as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		**2017**		**2016**	
	Currency	**Annual interest rate**	**Carrying amount**	**Annual interest rate**	**Carrying amount**
KEB Hana Bank	USD	-	$ -	Libor+9.75%	$ 1,699
SC Bank	USD	Libor+1.78%	11,529	-	-
SC Bank	USD	Libor+1.78%	3,596	-	-
The Export-Import Bank of Korea	USD	Libor+1.89%	19,000	-	-
China Construction Bank	USD	Libor+1.60%	10,000	-	-
			$ 44,125		$ 1,699

(4) Long-term borrowings as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016	
	Currency	**Annual interest rate**	**Carrying amount**	**Annual interest rate**	**Carrying amount**
Dongbu Insurance Co.,Ltd.	USD	7.20%	$ 35,976	7.20%	$ 39,698
ICBC	USD	Libor+2.03%	45,601	Libor+2.03%	59,912
Korea Development Bank	USD	Libor+1.30%	8,700	-	-
			90,277		99,610
Less: current portion of long-term borrowings			(23,007)		(18,284)
			$ 67,270		$ 81,326

(5) Finance lease liabilities as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016	
	Currency	**Annual interest rate**	**Carrying amount**	**Annual interest rate**	**Carrying amount**
Mizuho Corporate Bank	USD	Libor+0.65%	$ 12,806	Libor+0.65%	$ 18,834
Korea Development Bank	USD	Libor+0.60%~1.70%	53,121	Libor+0.60%~1.00%	44,608
	USD	2.00%	13,662	2.00%	13,662
Credit Agricole Corporate and Investment Bank	USD	Libor+0.55%~3.25%	24,546	Libor+0.55%~3.25%	37,060
	USD	5.37%	626	5.37%	3,135
DNB Bank	USD	Libor+2.00%~3.50%	21,457	Libor+2.60%~3.50%	39,776
BNP Paribas	USD	Libor+0.325%	6,698	Libor+0.325%	10,047
Sumitomo Mitsui Banking Corporation	USD	Libor+0.90%	16,974	Libor+0.90%	21,667
Korea Export and Import Bank	USD	Libor+1.90%~3.00%	28,421	Libor+3.00%	20,976
China Construction Bank	USD	Libor+2.65%	17,556	Libor+2.65%	21,445
Bank of China	USD	Libor+2.10%	4,444	Libor+2.10%~2.50%	25,369
ABN AMRO Bank N.V.	USD	Libor +2.00%~3.30%	423,802	Libor +2.50%~4.00%	473,410
NIBC Bank	USD	Libor+2.85%	15,577	Libor+2.85%~2.875%	30,519
Norddeutsche Landesbank	USD	Libor+1.60%~2.80%	177,155	Libor+1.60%~2.80%	214,543
United Overseas Bank Limited Co.	USD	Libor+2.60%	5,732	Libor+2.60%	7,000
Dongbu Insurance Co., Ltd.	USD	7.20%	17,988	7.20%	19,849
CJL NO. 1 LLC	USD	-	-	5.19%	4,863
DVB Transport Finance Ltd, Tokyo Branch	USD	-	-	Libor+3.35%	3,452
National Foundation of Fisheries Cooperatives	USD	Libor+2.50%	21,500	Libor+2.50%	21,500
ING Bank N.V.	USD	Libor+1.95%~2.95%	59,754	Libor+2.50%	74,990
Korea Asset Management Corporation	USD	3.65%	24,200	-	-
Norddeutsche Landesbank(Singapore)	USD	Libor+2.80%	8,758		-
			954,777		1,106,705
Less: Current portion of finance lease liabilities			(206,227)		(236,824)
			$ 748,550		$ 869,881

19. Other Payables

Details of other payables as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Non-current :				
Leasehold deposit received		60		60
Other		11		22
Current :				
Non-trade payables	$	24,110	$	8,652
Dividend payable		5		5
Withholdings		37,289		26,519
	$	61,476	$	35,248

20. Provisions

(1) Changes in provisions for the periods ended December 31, 2017 and 2016, are as follows:

(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

(in thousands of US dollars)	2016							
	Opening net book amount		Recognized (reversal of) provision		Paid or transferred amount		Closing net book amount	
Current	$	1,837	$	(868)	$	(397)	$	572
Non-current		107,071		(10,094)		(64,984)		31,993

(2) Non-current provisions

Details of non-current provisions as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Litigation for finalization of reorganization [1]	$	21,170	$	24,233
Compensation for claims [2]		8,711		7,760
	$	29,881	$	31,993

[1] As at December 31, 2017, 22 lawsuits (amounting to US$ 83,152 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.

21. Other Liabilities

Details of other liabilities as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017	2016
Advance received	$ 2,422	$ 913
Deferred income	19,865	27,383
Accrued expense	41,421	31,741
Current tax liabilities	717	356
Other	165	180
	$ 64,590	$ 60,217

22. Retirement Benefit Obligations

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

(In thousands of US dollars)	2017	2016
Present value of wholly or partially funded defined benefit obligations	$ 11,936	$ 11,259
Fair value of plan assets	(7,650)	(5,433)
	4,286	5,826
Present value of wholly unfunded defined benefit obligations	-	97
Liabilities in the statement of financial position	$ 4,286	$ 5,923

(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, 2017 and 2016, are as follows:

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

(In thousands of US dollars)	**2017**	**2016**
Beginning	$ 11,259	$ 12,755
Current service cost	3,017	2,196
Interest cost	308	318
Benefits paid	(3,382)	(3,165)
Remeasurements	(668)	(486)
Other	1,402	(359)
Ending	$ 11,936	$ 11,259

② The changes in the fair value of plan assets

(In thousands of US dollars)	**2017**	**2016**
Beginning	$ 5,433	$ 3,229
Employer contribution	2,257	2,598
Expected return on plan assets	160	78
Benefits paid	(888)	(241)
Remeasurements of defined benefit liability	(88)	(36)
Other	776	(195)
Ending	$ 7,650	$ 5,433

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

(In thousands of US dollars)	**2017**	**2016**
Current service cost	$ 3,017	$ 2,196
Interest cost	308	305
Expected return on plan assets	(160)	(78)
Remeasurements of defined benefit liability	(580)	(450)
	$ 2,585	$ 1,973
Cost of sales	$ 3,197	$ 2,423
Other comprehensive income	(612)	(450)

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

	2017	2016
Discount rate	3.00%	2.75%
Salary growth rate	4.00%	4.00%

(5) As at December 31, 2017 and 2016, the Group has the following component as plan assets.

(in thousands of US dollars)	2017		2016	
	Amount	Ratio	Amount	Ratio
Deposits, etc.	$ 7,650	100%	$ 5,433	100%

Actual revenues related to plan assets of US$ 63 thousand and US$ 42 thousand are recognized for the periods ended December 31, 2017 and 2016, respectively.

(6) Remeasurements of net defined benefit liabilities recognized as other comprehensive income for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	2017	2016
Defined benefit obligation:		
- Changes in financial assumptions	$ (193)	$ -
- Experience adjustment	(514)	(570)
- Changes in demographic assumptions	2	-
	(705)	(570)
Fair value of plan asset	(93)	(41)
	$ (612)	$ (529)

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

① Discount rate

(in thousands of US dollars)	Changes in discount rate	Discount rate	Book amount	Amount of change
	0.25% increase	3.25%	$ 11,757	$ (179)
Defined benefit obligation	-	3.00%	11,936	-
	0.25% decrease	2.75%	12,122	187

② Salary growth rate

(in thousands of US dollars)	Changes in salary growth rate	Salary growth rate	Book amount	Amount of change
	0.25% increase	4.25%	$ 12,133	$ 197
Defined benefit obligation	-	4.00%	11,936	-
	0.25% decrease	3.75%	11,745	(190)

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

The expected maturity analysis of undiscounted pension benefits as at December 31, 2017 is as follows.

(in thousands of US dollars)	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
Pension benefits	$ 2,409	$ 2,018	$ 4,991	$ 7,138	$ 16,556

Expected contributions to post-employment benefit plans for the year ending December 31, 2018 are USD 2,023 thousand, and the weighted average duration of the defined benefit obligations is 6.7 years.

23. Income Tax Expense

(1) The component of income tax expense for the periods ended December 31, 2017 and 2016, is as follows:

(in thousands of US dollars)	2017	2016
Current tax expense	$ 1,956	$ 1,826
Origination and reversal of temporary differences	(277)	(60)
Income tax recognized in other comprehensive income	-	-
Income tax expense	$ 1,679	$ 1,766

(2) Reconciliation of effective tax rate:

(in thousands of US dollars)	2017	2016
Profit before income tax	$ 126,582	$ 84,767
Income tax expense at the domestic rates applicable to profit in the country concerned	30,633	20,514
Adjustment:		
- Non-taxable income	392	(18,356)
- Temporary differences incurred during the year, but not recognized as deferred tax	(30,068)	2,181
- Other	722	(2,573)
Income tax expense	$ 1,679	$ 1,766

(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:

(in thousands of US dollars)	**2017**	**2016**
Deferred assets (liabilities) at the end of the year	$ 371	$ 78
Deferred assets (liabilities) at the beginning of the year	78	21
Deferred tax benefit (expense) by origination and reversal of temporary differences	$ (293)	$ (57)

(4) Changes in deferred tax assets (liabilities) for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**			
	Beginning balance	**Profit or loss**	**Other comprehensive income**	**Ending balance**
Vessel	$ 84,042	$ (1,781)	$ -	$ 82,261
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

(in thousands of US dollars)	**2016**			
	Beginning balance	**Profit or loss**	**Other comprehensive income**	**Ending balance**
Vessel	$ 61,209	$ 22,833	$ -	$ 84,042
Land	37	-	-	37
Gain (loss) on valuation of finance assets	205	-	36	241
Present value of defined benefit obligation	2,163	(748)	-	1,415
Derivatives	459	(801)	(30)	(372)
Provisions	25,102	(18,560)	-	6,542
Other	83,458	(377)	-	83,081
Total	172,633	2,347	6	174,986
Tax loss carryforwards	619,963	(29,498)	-	590,465
Unrecognized deferred tax assets	(792,575)	27,208	(6)	(765,373)
	$ 21	$ 57	$ -	$ 78

(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	$ 378,542	-
Tax loss carryforwards	504,309	2023
	1,210,909	2024
Total	2,093,760	

(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 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, 2017 and 2016, are as follows:

(in thousands of US dollars, except share data and par value)	**2017**	**2016**
Number of authorized shares	3,000 million	3,000 million
Par value	KRW 1,000	KRW 1,000
Number of shares issued	534,537,812	534,392,834
Share capital	$ 480,727	$ 480,598

(2) Changes of number of shares issued for the periods ended December 31, 2017 and 2016, are as follows:

(in shares)	**2017**		**2016**	
	Number of shares issued	**Outstanding share**	**Number of shares issued**	**Outstanding share**
Beginning number of shares	534,392,834	534,392,834	524,425,070	524,425,070
Debt-to-equity swap, etc.	144,978	144,978	9,967,764	9,967,764
Ending number of shares	534,537,812	534,537,812	534,392,834	534,392,834

(3) Details of capital surplus as at December 31, 2017 and 2016, are as follows.

(in thousands of US dollars)	**2017**	**2016**
Share premium	$ 651,366	$ 650,802
Other capital surplus	554	554
Total	651,920	651,355

25. Other Reserves

The changes of the other reserves for the periods ended December 31, 2017 and 2016, are presented in the consolidated statements of changes in equity. Details of other reserves as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Equity method accounted investee's capital	$	117	$	-
Changes in the fair value of available-for-sale financial assets		(536)		(580)
Foreign operation currency translation differences		(12,173)		(13,261)
Changes in the fair value of derivative assets and liabilities		(57)		481
Gains on disposal of treasury share		830		830
Surplus from reduction of capital		1,062,677		1,062,677
Debt to be swapped to equity		5,033		6,045
	$	1,055,891	$	1,056,192

26. Retained Earnings (Accumulated Deficit)

(1) Details of retained earnings (accumulated deficit) as at December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Legal reserve[1]	$	36,165	$	36,165
Undisposed retained earnings (accumulated deficit)		5,116		(121,974)
	$	41,281	$	(85,809)

[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.

27. Expenses by Nature

Details of expenses by nature for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)		2017		2016
Charterage	$	423,202	$	267,005
Port charges		207,668		201,825
Cargo expenses		110,902		89,403

Bunker fuel costs	415,213	283,363
Voyage relet costs	83,854	58,189
Depreciation and amortization	148,497	145,710
Vessel maintenance expense	32,134	28,581
Salaries and wages	92,048	93,490
Post-employment benefits	6,802	6,521
Other employee benefits	47,400	42,784
Lubricant oil costs	1,775	4,267
Other cost of sales	310,473	247,166
Office rental	4,760	6,597
Impairment loss	(330)	(11,018)
IT expense	1,302	1,477
Taxes and dues	3,241	2,747
Other administrative expenses	4,132	4,110
Total cost of sales, selling and general administrative expenses	$ 1,893,073	$ 1,472,217

28. Finance Income and Costs

Details of finance income and costs for the periods ended December 31, 2017 and 2016, are as follows:

(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						
Losses on transaction	$ -	$ -	$ 227	$ -	$ -	$ 227
Gains 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
Finance cost	-	(5,820)	(229)	-	(46,552)	(52,601)
Other comprehensive income						
Gains(losses) on valuation	-	-	112	(568)	-	(456)
	-	-	112	(568)	-	(456)
	$ -	$ 4,815	$ 1,608	$ (568)	$ (46,285)	$ (40,430)

(in thousands of US dollars)	2016					
	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						
Losses on transaction	$ -	$ -	$ 177	$ -	$ -	$ 177
Interest income	-	2,191	198	-	-	2,389
Interest expense	-	-	-	-	(38,060)	(38,060)
Guarantee fee	-	-	-	-	(390)	(390)
Gains on currency translation	-	202	-	-	10,310	10,512
Losses on currency translation	-	(12,739)	-	-	(819)	(13,558)
Dividend income	-	-	341	-	-	341
	-	(10,346)	716	-	(28,959)	(38,589)
Finance income	-	2,393	716	-	10,310	13,419
Finance cost	-	(12,739)	-	-	(39,269)	(52,008)
Other comprehensive income						
Gains(losses) on valuation	-	-	(981)	737	-	(244)
	-	-	(981)	737	-	(244)
	$ -	$ (10,346)	$ (265)	$ 737	$ (28,959)	$ (38,833)

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, 2017 and 2016, are summarized as follows:

(in thousands of US dollars)	**2017**	**2016**
Gains on sale of vessels, property and equipment	$ 3	$ 3,399
Losses on sale of vessels, property and equipment	(1,729)	(7,428)
Gains on sale of intangible assets	233	-
Losses on sale of intangible assets	(11)	-
Gains on derivative transactions, net	2,814	1,628
Gains (losses) on foreign currency translation, net	1,599	(1,276)
Gains (losses) on foreign currency transaction, net	(841)	1,769
Loss on claim compensation	(13,189)	-
Reversal of provision for claim compensation	3,497	12,132
Losses on investments in subsidiaries	-	(475)
Losses on impairment of vessels, property and equipment	-	(114,554)
Impairment loss on other receivables	-	(1,500)
Gains from debt restructuring[1]	968	82,686

Other	1,128	1,843
	$ (6,097)	$ (21,776)

[1] For the year ended December 31, 2017, US$ 968 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.

30. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**	**2016**
Earnings per share		
Profit for the period, attributable to the owners [1]	$ 126,478	$ 83,682
Weighted average number of ordinary shares [2]	534,466,969	531,492,844
Basic earnings per share (expressed in US$ per share)	$ 0.23	$ 0.16

[1] Profit for the period, attributable to the owners:

(in thousands of US dollars)	**2017**	**2016**
Earnings per share		
Profit for the period	$ 124,903	$ 83,001
Profit attributable to non-controlling interests	(1,575)	(681)
Profit attributable to owners of the Group	126,478	83,682
Earnings per share		
Profit for the period	124,903	83,001
Profit attributable to non-controlling interests	(1,575)	(681)
Profit attributable to owners of the Group	$ 126,478	$ 83,682

[2] Weighted average number of ordinary shares:

(in shares)	**2017**	**2016**
Beginning number of shares	534,392,834	524,425,070
Debt-to-equity swap, etc.	74,135	7,067,774
Ending number of shares	534,466,969	531,492,844

(2) Diluted earnings per share

As at December 31, 2017, 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

(1) Litigation case

As at December 31, 2017, the Group has pending lawsuits for cargo and hull damages as a defendant with litigation costs of US$ 25,651 thousand, and also has pending non-contentious claims with claim costs of US$ 8,521 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, 2017 are as follows:

(in thousands of US dollars)

Assets pledged as collaterals	Carrying amounts	Related account	Borrowings and etc.	Lender	Description
Vessel[1]	$ 2,823,866	Borrowings	$ 999,453	ABN AMRO BANK N.V and etc.	Collateral on borrowings
Other financial assets	560				

[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 (100%~140%) of the outstanding borrowings related to the ship financing.

(3) Guarantees provided by others as at December 31, 2017, are summarized as follows:

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

Guarantee provider	Guarantee amount		Guaranteed customer
Kookmin Bank	US$	38,381	Korea South-east Power Co., Korea Southern Power Co., Ltd., Korea East-west Power Co., Ltd., Korea Western Power Co., Ltd., Korea Midland Power Co., Ltd. and etc.
Korea Development Bank		2,841	
KEB Hana Bank		5,633	
BNP Paribas Bank		1,119	
Seoul Guarantee Insurance		5,500	

KRW	13,392

(4) Details of guarantees provided for others as at December 31, 2017, 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 the next two-year lawsuits regarding the accident of vessel damages occurred in Bangladesh in 2013.

(5) Ship Investment Agreement

As at December 31, 2017, the Group has signed a contract to construct 11 vessels (total purchase price: US$ 592,585 thousand) to replace the old ship and to expand the fleet. These vessels will be delivered between 2018 and 2021. According to the vessel construction contract, as at December 31, 2017, the estimated future expenditure is US$ 575,043 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 104,000 thousand. The execution amount of the loan agreement is USD 44,124 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 KRW 7,253 million 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.

(1) Charter fees recognized by the Group as expenses for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**	**2016**
Charter fee	$ 507,056	$ 325,194

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

(in thousands of US dollars)	**2017**	**2016**
Less than 1 year	$ 125,827	$ 85,912
Over 1 year, less than 5 years	9,216	6,878
Total amount	$ 135,043	$ 92,790

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, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**	**2016**
Profit for the period	$ 124,903	$ 83,001
Adjustment for:		
Income tax expense	1,679	1,461
Depreciation	147,417	145,710
Post-employment benefits	7,843	6,275
Reversal of provisions	(2,509)	(10,804)
Reversal of provision for impaired receivables	(317)	(11,018)
Reversal of provision for impaired other receivables	-	(257)
Gains on sale of vessels, property and equipment	(3)	(3,399)
Losses on sale of vessels, property and equipment	1,729	7,419
Gains on sale of available-for-sales financial assets	-	(177)
Losses on sale of available-for-sales financial assets	229	-
Valuation gains on derivatives, net	(2,681)	(1,628)
Interest income	(2,263)	(2,131)
Interest expense	46,154	38,157
Dividend income	(1,035)	(205)
Losses on impairment of vessels, property and equipment	-	119,850
Foreign currency translation losses (gains), net	(791)	1,464
Share of loss (profit) of associates and joint ventures	(232)	(352)
Losses on sale of investment in subsidiary	-	178

	2017	2016
Gains on exemption of liabilities	(968)	(82,686)
Others	(693)	(5,110)
Change in provisions	-	(3,515)
Increase in inventories	(7,358)	(5,385)
Decrease (increase) in trade receivables	(12,867)	27,376
Decrease (increase) in other receivables	(43,875)	14,221
Decrease in other assets	(9,104)	(1,140)
Increase(decrease) in trade payables	9,498	(2,191)
Increase(decrease) in other payables	26,673	(41,361)
Increase(decrease) in other liabilities	57	(5,694)
Decrease in post-employment benefits obligation	(6,590)	(7,367)
Change in derivative financial assets and liabilities	1,496	(1,424)
Cash generated from operating activities	$ 277,472	$ 259,268

(2) Details on significant non-cash transactions for investing and financing activities for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**	**2016**
Reclassification of provisions to reorganization liabilities	$ 841	$ 58,114
Reclassification of reorganization liabilities to equity swap debt	623	41,170
Changes in equity due to debt-to-equity swap	693	112,410
Reclassification to current portion of long-term borrowings	240,820	264,477
Acquisition of ships through finance lease	21,219	155,760

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

(in thousands of US dollars)	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Bond	Finance lease liabilities
Opening net book amount of 2016	$ -	$ 225,218	$ 39,698	$ 34,130	$ 979,974
Gains (losses) on foreign currency translations	-	-	-	-	-
Proceeds from borrowings	-	-	60,491	49,972	4,888
Repayments of borrowings	-	(151,823)	(4,334)	(34,110)	(243,735)
Reclassification to current portion	-	190,865	(14,529)	(12,492)	122,056
Closing net book amount of 2016	$ -	$ 267,608	$ 81,326	$ 37,500	$ 863,183
Opening net book amount of 2017	-	267,608	81,326	37,500	863,183
Gains (losses) on foreign currency translations	-	-	-	574	-
Proceeds from borrowings	44,125	-	8,700	13,426	63,515
Repayments of borrowings	-	(245,976)	-	-	-
Reclassification to current portion	-	232,603	(22,756)	(25,000)	(184,846)
Closing net book amount of 2017	$ 44,125	$ 254,235	$ 67,270	$ 26,500	$ 748,550

34. Related Party Transactions

(1) Related parties as at December 31, 2017 and 2016, are as follow:

Related party	2017	2016
Parent and ultimate controlling party	Jeil Holdings Co., Ltd.	Jeil Holdings Co., Ltd.
Associates and joint ventures	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd. YEGRINA Co., Ltd. [1]	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd. YEGRINA Co., Ltd. Sea Best Maritime Ltd.
Other related parties	Subsidiaries, Associates and other related parties of Jeil Holdings Co., Ltd.	Subsidiaries, Associates and other related parties of Jeil Holdings Co., Ltd.

[1] As at December 31, 2017, the liquidation procedure is in progress.

(2) Sales and purchases with related parties for the periods ended December 31, 2017 and 2016, are as follows:

(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
	$ 80,719	$ -	$ -	$ 255

(in thousands of US dollars)	2016			
	Sales	**Others**	**Purchases**	**Others**
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	$ 17,765	$ -	$ -	$ -
Other				
Jeil Holdings Co., Ltd.	-	-	-	717
Jeil Feed Company, Ltd.	18,594	-	-	10
Joowon Pekin Duck Co., Ltd.	-	-	-	28
Sunjin Co., Ltd.	7,743	-	-	75
Sunjin FS Co., Ltd.	-	-	-	6
FARMSCO	19,649	-	-	96
Charm trading co., ltd	-	-	-	4
Sunurihanu	-	-	-	40
Harim Co., Ltd.	7,644	-	-	32
	$ 71,395	$ -	$ -	$ 1,008

(3) Outstanding balances arising from sales/purchases of goods and services as at December 31, 2017 and 2016, are as follows:

(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				
Jeil Feed Company, Ltd.	-	384	-	-
Sunjin Co., Ltd.	5,161	-	-	-
	$ 6,952	$ 384	$ -	$ -

(in thousands of US dollars)	2016			
	Receivables		**Payables**	
	Trade	**Others**	**Trade**	**Others**

	receivable		payable	
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	$ -	$ -	$ -	$ -
Other				
Jeil Feed Company, Ltd.	-	340	-	11
	$ -	$ 340	$ -	$ 11

(4) Key management compensation for the periods ended December 31, 2017 and 2016, is as follows:

(in thousands of US dollars)	2017	2016
Salaries and other short-term benefits	$ 1,021	$ 1,011
Post-employment benefits	111	159
	$ 1,132	$ 1,170

(5) Details of payment guarantees provided by the Group to the related parties as at December 31, 2017 are as follows:

(in millions of Korean won)

Guarantee recipient	Guaranteed amount	Lender
Employee share ownership association	₩ 258	Heung Kook Mutual Savings Bank

(6) As at December 31, 2017, the Group is provided with a performance guarantee from the Parent Company related to the long-term transportation contract with VALE international SA.

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. The following summary describes the operations in each of the Group's main reportable segments:

- Bulk carrier service (BLKR) mainly includes marine transportation service employing diverse sizes of dry bulk vessels.
- Container service (CNTR) mainly includes marine transportation service employing container cargo.
- Tanker service (TNKR) mainly includes marine transportation services of liquid or "wet"

cargo through tankers.

- Other shipping mainly includes marine transportation services to transport Liquefied Natural Gas (LNG) and other special carrier service.

The management performance result and significant financial information by each operating segment for the periods ended December 31, 2017 and 2016, are as follows:

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

(in thousands of US dollars)	2016								
	Bulker	**Tanker**	**Container**	**Other[1]**	**Reportable segment total**	**Grain**	**Non-shipping[2] /Unalloca -ted**	**Elimination of inter-segment**	**Total**
Sales	$1,195,408	$150,161	$137,990	$17,765	$1,501,324	$202,496	$64,647	$ (151,470)	$1,616,997
Operating profit (loss)	106,702	16,761	13,216	3,997	140,676	(1,235)	2,736	2,603	144,780
Assets	2,892,847	379,609	39,176	2,002	3,313,634	14,472	319,123	(63,740)	3,583,489
Liabilities	1,223,006	126,074	27,994	5,772	1,382,846	3,574	152,340	(78,448)	1,460,312
Acquisition of vessels, property and equipment	215,495	3,330	393		219,218	-	4,643	-	223,861
Depreciation	118,897	20,517	5,632	-	145,046	8	64	-	145,118
Amortization	121	14	25	-	160	-	432	-	592
Provision for impairment	(7,517)	(842)	(578)	-	(8,937)	-	(257)	(324)	(9,518)
Losses on impairment of vessels, property and equipment	119,850	-	-	-	119,850	-	-	-	119,850

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

[2] Non-shipping segment includes rental and ship management 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 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, 2017 and 2016, are as follows:

(in thousands of US dollars)	**2017**	**2016**
Asia	$ 726,687	$ 607,810
Oceania	358,810	301,142
Europe	18,856	14,610
North America	531,809	344,812
South America	380,182	320,842
Africa	49,150	27,781
	$ 2,065,494	$ 1,616,997

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:

(in thousands of US dollars)	**2017**	**2016**
Revenue from voyage operation	$ 1,614,157	$ 1,317,763
Revenue from time charter	184,556	96,315
Other	266,781	202,919
	$ 2,065,494	$ 1,616,997

(4) Revenue from external customers

Revenues of approximately US$ 206,029 thousand (2016: US$ 181,876 thousand), over 10% of the Group's revenue, are derived from a single external customer relating to the voyage operating revenue.