

Pan Ocean Co., Ltd.
Separate Financial Statements
December 31, 2021 and 2020

Pan Ocean Co., Ltd.

Index

December 31, 2021 and 2020

Page(s)

Independent Auditor's Report	1 - 4
Separate Financial Statements	
Separate Statements of Financial Position	5
Separate Statements of Comprehensive Income.....	6
Separate Statements of Changes in Equity	7
Separate Statements of Cash Flows	8
Notes to the Separate Financial Statements	9 - 79
Report on Independent Auditor's Audit of Internal Control over Financial Reporting.....	80 - 81
Report on the Effectiveness of the Internal Control over Financial Reporting ...	82



Independent Auditor's Report

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

Opinion

We have audited the accompanying separate financial statements of Pan Ocean Co., LTD. (the "Company"), which comprise the separate statements of financial position as at December 31, 2021 and 2020 and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2021 and 2020, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

We also have audited, in accordance with Korean Standards on Auditing, the Company's Internal Control over Financial Reporting as of December 31, 2021, based on Conceptual Framework for Designing and Operating Internal Control over Financial Reporting, and our report dated March 11, 2022, expressed an unqualified opinion.

Basis for Opinion

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

Key Audit Matters

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

The voyage operating revenue and revenue from time charter

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

As described in Note 2.20 to the financial statements, the Company recognizes revenue as performance obligation is satisfied, and the underlying information for the revenue amount exist in the complex sales system. As revenue is a key performance indicator of the Company and executives, it is the matter in which intentional adjustment may arise to achieve target and has high inherent risk. Considering the above reasons, we have decided the existence of voyage operating revenue and revenue from time charter as a significant risk to pay attention.

Key audit matters addressed in the audit

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

- We obtained an understanding of and evaluated accounting policy for the voyage operating revenue and revenue from time charter.
- We tested design and effectiveness of operation of the controls related to the the voyage operating revenue and revenue from time charter.
- We tested the appropriateness of information technology general control on system of revenue recognition.
- We performed interface test between sales system and accounting system.
- We tested the existence of transaction by inspecting contracts with customers and supporting documents for the selected samples of individual transaction units.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Samuel PricewaterhouseCoopers

Seoul, Korea
March 11, 2022

This report is effective as of March 11, 2022, 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 separate 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.
Separate Statements of Financial Position
December 31, 2021 and 2020

(in thousands of US dollars)

	Notes	2021	2020
Assets			
Current assets			
Cash and cash equivalents	4,6,8	\$ 375,263	\$ 150,792
Trade receivables	4,6,7,9	189,087	118,317
Contract assets	36	97,777	50,790
Other receivables	4,6,7,10	35,764	17,485
Derivative financial assets	4,5,6,11	2,556	1,286
Other financial assets	4,6,12	25,800	22,856
Inventories	13	91,289	52,592
Other assets	7,14,22	223,269	88,650
		<u>1,040,805</u>	<u>502,768</u>
Non-current assets			
Other receivables	4,6,7,10	14,547	20,098
Derivative financial assets		1,709	-
Other financial assets	4,5,6,12	8,545	8,963
Investments in subsidiaries	15	93,737	93,737
Investments in associates	15	16,001	1,252
Vessels, property and equipment	16	4,169,973	3,541,819
Intangible assets	17	4,397	4,541
Other assets	14	1,415	2,131
		<u>4,310,324</u>	<u>3,672,541</u>
Total assets		<u>\$ 5,351,129</u>	<u>\$ 4,175,309</u>
Liabilities			
Current liabilities			
Trade payables	4,6	\$ 171,087	\$ 106,698
Borrowings	4,6,18	274,908	218,328
Derivative financial liabilities	4,5,6,11	1,629	284
Other payables	4,6,19	99,050	52,364
Provisions	20	8,468	4,193
Other liabilities	21	16,385	11,437
Contract liabilities	36	189,759	107,381
Lease liabilities	35	170,105	13,605
		<u>931,391</u>	<u>514,290</u>
Non-current liabilities			
Borrowings	4,6,18	1,328,715	1,062,066
Derivative financial liabilities	4,5,6,11	3,639	1,077
Provisions	20	19,397	20,560
Retirement benefit obligations	22	932	-
Lease liabilities	35	78,763	24,724
		<u>1,431,446</u>	<u>1,108,427</u>
Total liabilities		<u>2,362,837</u>	<u>1,622,717</u>
Equity			
Share capital	24	480,756	480,756
Capital surplus	24	651,483	651,483
Other reserves	25	1,066,640	1,067,309
Retained earning	26	789,413	353,044
Total equity		<u>2,988,292</u>	<u>2,552,592</u>
Total liabilities and equity		<u>\$ 5,351,129</u>	<u>\$ 4,175,309</u>

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

Pan Ocean Co., Ltd.
Separate Statements of Comprehensive Income
Years Ended December 31, 2021 and 2020

(in thousands of US dollars, except per share data)

	Notes	2021	2020
Sales	34	\$ 3,556,699	\$ 1,781,420
Cost of sales	27	(2,999,919)	(1,549,506)
Gross profit		556,780	231,914
Selling and administrative expenses	27	(54,384)	(44,433)
Operating profit	34	502,396	187,481
Finance income	28	24,163	16,255
Finance costs	28	(50,480)	(52,705)
Other non-operating expenses, net	29	(15,753)	(73,921)
Profit before income tax		460,326	77,110
Income tax expense	23	-	82
Profit for the year		<u>\$ 460,326</u>	<u>\$ 77,028</u>
Other comprehensive income			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of derivative financial assets and liabilities, net of tax		(669)	(1,059)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability		99	39
		<u>(570)</u>	<u>(1,020)</u>
Total comprehensive income		<u>\$ 459,756</u>	<u>\$ 76,008</u>
Earnings per share			
Basic earnings per share	30	\$ 0.86	\$ 0.14
Diluted earnings per share	30	0.86	0.14

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

Pan Ocean Co., Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2021 and 2020

<i>(in thousands of US dollars)</i>	Share capital	Capital surplus	Other reserves	Retained Earning	Total Equity
Balance at January 1, 2020	\$ 480,755	\$ 651,483	\$ 1,068,368	\$ 275,977	\$ 2,476,583
Total comprehensive income for the year					
Profit for the year	-	-	-	77,028	77,028
<i>Items that will be subsequently reclassified to profit or loss:</i>					
Change in the fair value of derivative financial assets and liabilities	-	-	(1,059)	-	(1,059)
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of defined benefit liability	-	-	-	39	39
Transactions with owners					
Changes in equity due to debt-to-equity swap	1	-	-	-	1
Balance at December 31, 2020	<u>\$ 480,756</u>	<u>\$ 651,483</u>	<u>\$ 1,067,309</u>	<u>\$ 353,044</u>	<u>\$ 2,552,592</u>
Balance at January 1, 2021	\$ 480,756	\$ 651,483	\$ 1,067,309	\$ 353,044	\$ 2,552,592
Effect of change in accounting policies					-
After adjustment	<u>480,756</u>	<u>651,483</u>	<u>1,067,309</u>	<u>353,044</u>	<u>2,552,592</u>
Total comprehensive income for the year					
Profit for the year	-	-	-	460,326	460,326
<i>Items that will be subsequently reclassified to profit or loss:</i>					
Change in the fair value of derivative financial assets and liabilities	-	-	(669)	-	(669)
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of defined benefit liability	-	-	-	99	99
Transactions with owners					
Dividends				(24,056)	(24,056)
Balance at December 31, 2021	<u>\$ 480,756</u>	<u>\$ 651,483</u>	<u>\$ 1,066,640</u>	<u>\$ 789,413</u>	<u>\$ 2,988,292</u>

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

Pan Ocean Co., Ltd.
Separate Statements of Cash Flows
Years Ended December 31, 2021 and 2020

(in thousands of US dollars)

	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operating activities	32	\$ 708,980	\$ 426,681
Interest paid		(39,528)	(38,913)
Income tax refund(Paid)		133	(360)
Net cash inflow from operating activities		<u>669,585</u>	<u>387,408</u>
Cash flows from investing activities			
Acquisition of vessels, property and equipment		(290,624)	(244,905)
Proceeds from sale of vessels, property and equipment		177	15,773
Acquisition of intangible assets		(93)	(683)
Proceeds from sale of intangible assets		245	317
Proceeds from sale of asset held-for-sale		8,758	-
Acquisition of other financial assets		(26,083)	(22,295)
Proceeds from sale of other financial assets		23,276	25,749
Acquisition of investments in subsidiaries share		-	(56,428)
Acquisition of investments in associates		(28,000)	-
Capital reduction of subsidiaries		-	1,146
Proceeds from government grants		5,583	5,599
Dividends received		-	4,312
Increase in other receivables		(330)	(191)
Decrease in other receivables		887	1,008
Interest received		516	1,519
Net cash outflow from investing activities		<u>(305,688)</u>	<u>(269,079)</u>
Cash flows from financing activities			
Proceeds from borrowings		523,142	232,564
Repayments of borrowings		(512,401)	(354,104)
Repayments of lease liabilities		(115,160)	(14,129)
Payment of financial prepayments		(8,740)	(4,141)
Payment of annual dividends		(24,054)	-
Net cash outflow from financing activities		<u>(137,213)</u>	<u>(139,810)</u>
Effect of exchange rate changes on cash and cash equivalents		(2,213)	1,245
Net increase(decrease) in cash and cash equivalents		<u>224,471</u>	<u>(20,236)</u>
Cash and cash equivalents at the beginning of the year		<u>150,792</u>	<u>171,028</u>
Cash and cash equivalents at the end of the year		<u>\$ 375,263</u>	<u>\$ 150,792</u>

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

1. General Information

Pan Ocean Co., Ltd. (the “Company”) operates marine transportation (mainly bulk carrying) and other related services. The Company was established in the Republic of Korea in May 1966. The Company listed its ordinary shares 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, 2021 is \$ 480,756 thousand and the number of shares issued is 534,569,512. As at December 31, 2021, the detail of the shareholders structure is as follows:

	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
Harim Holdings Co., Ltd.	292,400,000	54.70%
Other shareholders	242,169,512	45.30%
	<u>534,569,512</u>	<u>100.00%</u>

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separated 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 separate financial statements of the Company 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 need to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021.

- *Amendments to Korean IFRS 1109 Financial Instruments, Korean IFRS 1039 Financial Instruments: Recognition and Measurement, Korean IFRS 1107 Financial Instruments: Disclosure, Korean IFRS 1104 Insurance Contracts and Korean IFRS 1116 Lease – Interest Rate Benchmark*

Reform (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exceptions including adjust effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the financial statements.

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

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Company.

- Amendments to Korean IFRS 1103 Business Combination – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and Korean IFRS 2121 *Levies*. The amendments also clarifies that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Amendments to Korean IFRS 1016 Property, Plant and Equipment - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

- Amendments to Korean IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Annual improvements to Korean IFRS 2018-2020

Annual improvements of Korean IFRS 2018-2020 Cycle should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- Korean IFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- Korean IFRS 1116 *Leases* – Lease incentives
- Korean IFRS 1041 *Agriculture* – Measuring fair value

- Amendments to Korean IFRS 1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current.

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

- Amendment to Korean IFRS 1116 - Covid-19 - Related Rent Concessions beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendment should be applied for annual periods beginning on or after April 1, 2021, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1001 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments to Korean IFRS 1001 define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

- Korean IFRS 1008 Accounting policies, changes in accounting estimates and errors - Definition of

Accounting Estimates

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

- Korean IFRS 1012 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Company is in review for the impact of these amendments on the financial statements.

2.3 Subsidiaries and Shares in Investees accounted for using Equity Method

These separate financial statements are prepared and presented in accordance with Korean IFRS 1027 *Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries and associates in accordance with Korean IFRS 1027. Dividends from a subsidiaries or associates are recognized in profit or loss when the right to receive the dividend is established. SPCs, established to acquire vessels, were not listed as subsidiaries in a separate financial statement but listed as a single company.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

and losses are presented in the statement of profit or loss within 'Other Non-operating Income or expenses'.

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

(c) Translation to the presentation currency

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.
- income and expenses for each statement of comprehensive income are translated at average exchange rates for the reporting period.
- equity is translated at the historical exchange rate.

2.5 Financial Assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently through profit or loss
- those to be measured subsequently at fair value through other comprehensive income
- those to be measured at amortized cost.

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

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

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

designated equity investment are recognized in profit or loss.

(b) Measurement

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

A. Debt instruments

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

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

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's

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

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

(c) Impairment

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

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate 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 Company 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 comprehensive income within 'other non-operating income (expenses)' or 'finance income (costs)'

based on the nature of transactions.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has hedge relationships and designates certain derivatives as:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Company documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 5. Movements in the cash flow hedge reserve are shown in Note 11.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. A non-derivative financial asset and a non-derivative financial liability is classified as a current or non-current based on its expected maturity and its settlement, respectively.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity, limited to the cumulative change in fair value (present value) of the hedged item (the present value of the cumulative change in the future expected cash flows of the hedged item) from the inception of the hedge. The ineffective portion is recognized in 'other non-operating income (expenses)'.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within 'finance cost' at the same time as the interest expense on the hedged borrowings.

2.7 Trade Receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components. Trade receivables are subsequently measured at amortized cost using the effective interest method, less loss allowance.

2.8 Inventories

Inventories mainly comprise fuel and spare parts. 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.

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

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

2.10 Vessels, Property and Equipment

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

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

	<u>Useful lives(Years)</u>
Buildings and structures	50
Vessels	20 ~ 30
Vehicles	5
Others	2.5 ~ 10

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

2.11 Borrowing Costs

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

2.12 Intangible Assets

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

Software development costs that are directly attributable to internally generated by the Company 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 Company amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	<u>Useful lives(Years)</u>
Development costs	5
Other intangible assets	5

2.13 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.14 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.

2.15 Financial Liabilities

(a) Classification and measurement

The Company'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 Company 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 separate 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 separate statement of comprehensive income as 'finance costs', together with

interest expenses recognized on other financial liabilities.

Borrowings are to be classified as a current liabilities unless having unconditional right to postpone the due of liabilities for more than 12 months after the reporting period.

(b) Derecognition

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

2.16 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of reporting period which are unpaid. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period.

2.17 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. 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.

2.18 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 Company 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 separate 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 profit 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 Company 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 Company 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 Company 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

2.19 Employee Benefits

Most of employees and directors are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their periods of service and salary levels at the time of termination. The Company operates defined benefit plans for employees who works at sea and operates defined contribution plans for employees work at ground. In addition, the Company 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 Company operates both defined contribution and defined benefit pension plans.

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit

credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

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

(c) Other long-term employee benefits

The Company provides long-term employee benefits to only those who render service over 10 years or more. Other long-term employee benefits are measured in the same way defined benefit plan is measured, and interest arising from service costs and other long-term employee benefit liabilities and re-measurement are recognizes in profit or loss.

2.20 Revenue Recognition

(a) Identify performance obligation

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

(c) A performance obligation is satisfied at a point in time

With the implementation of Korean IFRS 1115, the Company recognizes revenue as performance obligation is satisfied at a point in time once the customer has the significant risks and rewards of ownership of the asset and the recognized revenue amount is allocated transaction price for the satisfied performance obligation.

(d) Variable consideration

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

Accordingly, consideration from customers can be vary. With implementation of Korean IFRS 1115, the Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company 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.

(e) Incremental costs of obtaining a contract

With implementation of Korean IFRS 1115, the Company recognizes as an asset the incremental costs of obtaining a contract with a customer of the Company and costs that are recognized as assets are amortized over the period that the related goods or services transfer to the customer.

2.21 Leases

(a) Lessor

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(b) Lessee

The Company leases various vessels, offices, equipment and cars. Lease contracts are typically made for fixed periods, but may have extension options as described in below.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Contracts usually contain various terms and negotiate individually.

The Company determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Company should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Company (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

Lease payment arising from extension of the lease to be included in the measurement of lease liabilities if the lessee is reasonably certain to exercise an option to extend the lease

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company uses that rate as a starting point to determine the incremental borrowing rate.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company elected not to apply the revaluation model to the right-of-use assets held by the Company.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(c) Extension and termination options

Extension and termination options are included in property leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

2.22 Debt-to-equity Swap and Debt Restructuring

When the Company 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 Company agreed with creditors to be converted into capital, but not implemented immediately, the Company accounted for the restructured debts as other capital.

2.23 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 34). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Company has four operating segments consist of bulk carrier service, container service, tanker service and other shipping services as described in note 34. 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 Company'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 Company's headquarters, head office expenses, and income tax assets and liabilities.

2.24 Approval of Issuance of the Financial Statements

The financial statements 2021 of the Company were approved for issue by the Board of Directors on February 11, 2022 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

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

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

(a) Impairment of assets

The Company periodically determines whether there is any indication that the Company's major assets may be impaired and assesses whether there is any impairment incurred if there is any indication that an assets may be impaired. The Company determines by applying both external sources of information and internal sources of information at the end of each reporting period for assessment of indication that an asset may be impaired and calculation the amounts of impairment (Note 16).

(b) 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 Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company 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 Company's revenue and expenses are denominated primarily in U.S. dollars, the functional currency. The Company'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
- foreign exchange exposures arising from repayment obligations or borrowings which are denominated in currencies other than U.S. dollars.

A vast majority of the Company's sales and operating expenses are denominated in U.S. dollars. The Company'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 Company 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 Company 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 as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Gains (losses) on foreign currency translations	\$ 7,843	\$ (8,541)
Gains (losses) on foreign currency transactions	(612)	2,135

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

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Exposures to exchange risk in relation to currencies other than USD as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Cash and cash equivalents	\$ 98,550	\$ 27,009
Trade receivables	11,776	9,048
Other receivables	1,184	1,760
Trade payables	(22,983)	(23,717)
Other non-trade payables	(7,301)	(7,401)
Long-term borrowings	(21,510)	(61,121)
Bonds	(126,529)	(91,912)
Vessel borrowings	(12,929)	(18,314)
Other	20,028	29,311
	<u>\$ (59,714)</u>	<u>\$ (135,337)</u>

The effect of a 10% increase or decrease in exchange rates on profit before tax as at December 31, 2021 and 2020, is as follows:

<i>(in thousands of US dollars)</i>	2021	2020
KRW / US dollars		
10% increase	\$ 7,071	\$ 12,303
10% decrease	(4,992)	(15,038)

(2) Price risk

The Company is exposed to charter contract price risk arising from various market conditions. The Company 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. The Company matches forward freight agreements and long-term charter contracts to effectively hedge risks. Generally, the Company enters into charter contract according to BDI (Baltic Dry Index) or other similar index.

The Company is exposed to fuel oil purchase price risk arising from various market conditions. The Company enters into commodity swap/options 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 Company matches commodity swap contracts with the fuel oil contracts. Generally, the underlying agreement pursuant to which the Company charters vessels will be based on WTI or a similar index.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The Company will then attempt to match FFAs and commodity swap contracts that the Company 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 Company limits the counterparties for such transactions to long-time market participants. Most of forward freight agreements have terms of between three to twelve months.

(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 amounts of interest-bearing financial liabilities held by the Company for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Financial liabilities with fixed interest rate	\$ 139,458	\$ 155,400
Financial liabilities with floating interest rate	1,464,165	1,124,994
	<u>\$ 1,603,623</u>	<u>\$ 1,280,394</u>

The Company 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%P increase (decrease) in interest rates would have resulted in a decrease (increase) in profit before tax as at December 31, 2021 and 2020, as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Interest rate 0.5%P increase	\$ (5,853)	\$ (4,557)
0.5%P decrease	5,853	4,557

4.1.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Outstanding balances of financial assets which represent maximum exposures of credit risk as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Non-current		
Other receivables	\$ 14,547	\$ 20,098
Derivative financial assets	1,709	0
Other financial assets	4,934	5,352
	<u>21,190</u>	<u>25,450</u>
Current		
Cash and cash equivalent ¹	371,814	148,284
Trade receivables	189,087	118,317
Other receivables	31,380	10,912
Derivative financial assets	2,556	1,286
Other financial assets	25,800	22,856
	<u>620,637</u>	<u>301,655</u>
	<u>\$ 641,827</u>	<u>\$ 327,105</u>

¹ Excludes 'cash on hand'.

The Company requests for collaterals or additional credit based on the credit of the counterparty.

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 Company's treasury department aims to maintain flexibility in funding by keeping committed credit lines available.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The table below analyses the Company'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)

	2021				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 301,666	\$ 220,978	\$ 478,775	\$ 729,043	\$ 1,730,462
Derivative financial liabilities ²	1,629	638	1,158	1,843	5,268
Trade payables	171,087	-	-	-	171,087
Other payables	96,338	-	-	-	96,338
Financial guarantee contracts	146,000	-	-	-	146,000
Lease liabilities ³	173,305	41,884	28,678	10,714	254,581
	<u>\$ 890,025</u>	<u>\$ 263,500</u>	<u>\$ 508,611</u>	<u>\$ 741,600</u>	<u>\$ 2,403,736</u>

(in thousands of US dollars)

	2020				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 243,377	\$ 312,232	\$ 327,695	\$ 497,470	\$ 1,380,774
Derivative financial liabilities ²	284	668	285	124	1,361
Trade payables	106,698	-	-	-	106,698
Other payables	51,297	-	-	-	51,297
Financial guarantee contracts	125,000	-	-	-	125,000
Lease liabilities ³	14,971	10,583	13,211	2,541	41,306
	<u>\$ 541,627</u>	<u>\$ 323,483</u>	<u>\$ 341,191</u>	<u>\$ 500,135</u>	<u>\$ 1,706,436</u>

¹ Borrowings includes \$ 126,839 thousand and \$ 100,381 thousand of finance costs as at December 31, 2021 and 2020, respectively.

² Present value of derivative financial liabilities are recognized

³ Lease liabilities include \$ 5,713 thousand and \$ 2,977 thousand of finance costs as at December 31, 2020 and 2021, respectively.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

The nominal cash flow and present value related to vessel borrowings are as follows:

	2021				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Total payment	\$ 189,463	\$ 193,947	\$ 328,424	\$ 729,043	\$ 1,440,877
Interest expenses	22,669	19,909	30,636	45,579	118,793
Present value	166,794	174,038	297,788	683,464	1,322,084

	2020				
	Less than 1 year	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Total payment	\$ 174,940	\$ 193,442	\$ 305,689	\$ 494,362	\$ 1,168,433
Interest expenses	20,869	17,078	24,068	31,778	93,793
Present value	154,071	176,364	281,621	462,584	1,074,640

4.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company'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 Company 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 Company 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 separate statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the separate statement of financial position plus net debt.

The gearing ratios as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Total borrowings	\$ 1,603,623	\$ 1,280,394
Less: cash and cash equivalents	(375,263)	(150,792)
Net debt (A)	1,228,360	1,129,602
Total equity (B)	2,988,292	2,552,592
Total capital (C = A + B)	\$ 4,216,652	\$ 3,682,194
Gearing ratio (A / C)	29%	31%

5. Fair Value of Financial Assets and Liabilities

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 Company's financial assets and liabilities in 2021. 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, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Derivative financial assets	\$ 1,709	\$ 1,709	\$ -	\$ -
	<u>1,709</u>	<u>1,709</u>	<u>-</u>	<u>-</u>
Current				
Derivative financial assets	\$ 2,556	\$ 2,556	\$ 1,286	\$ 1,286
Financial assets at fair value through profit or loss	23	23	26	26
	<u>2,579</u>	<u>2,579</u>	<u>1,312</u>	<u>1,312</u>
	<u>\$ 4,288</u>	<u>\$ 4,288</u>	<u>\$ 1,312</u>	<u>\$ 1,312</u>

Carrying amount and the fair value of financial liabilities as at December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Derivatives financial liabilities	\$ 3,639	\$ 3,639	\$ 1,077	\$ 1,077
Current				
Derivatives financial liabilities	1,629	1,629	284	284
	<u>\$ 5,268</u>	<u>\$ 5,268</u>	<u>\$ 1,361</u>	<u>\$ 1,361</u>

¹ Financial liabilities whose carrying amount is a reasonable approximation of fair value are excluded from fair value disclosures.

5.2 Fair value Hierarchy

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

- Quoted prices 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 assets and financial liabilities that are measured at fair value or its fair value is disclosed as at December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets					
Non-current					
Derivatives financial liabilities	\$	-	\$ 1,709	\$ -	\$ 1,709
Current					
Financial assets at fair value through profit or loss		-	23	-	23
Derivatives financial assets		-	2,556	-	2,556
	\$	-	\$ 4,288	\$ -	\$ 4,288
Financial liabilities					
Non-current					
Derivatives financial liabilities	\$	-	\$ 3,639	\$ -	\$ 3,639
Current					
Derivatives financial liabilities		-	1,629	-	1,629
	\$	-	\$ 5,268	\$ -	\$ 5,268

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(in thousands of US dollars)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Current				
Financial assets at fair value through profit or loss	\$ -	\$ 26	\$ -	\$ 26
Derivatives financial assets	-	1,286	-	1,286
	<u>\$ -</u>	<u>\$ 1,312</u>	<u>\$ -</u>	<u>\$ 1,312</u>
Financial liabilities				
Non-current				
Derivatives financial liabilities	\$ -	\$ 1,077	\$ -	\$ 1,077
Current				
Derivatives financial liabilities	-	284	-	284
	<u>\$ -</u>	<u>\$ 1,361</u>	<u>\$ -</u>	<u>\$ 1,361</u>

5.3 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair value of assets and liabilities categorized within Level 2 of the fair value hierarchy as at December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)	Fair value		Valuation techniques	Inputs
	2021	2020		
Assets				
Financial assets at fair value through profit or loss (current)	\$ 23	\$ 26	Market comparison technique (Carbon Fund)	Adjusted market price of underlying asset
Derivatives financial assets (current)	2,556	1,286	Market comparison technique (FFA / Bunker Swap, Interest-rate Swap)	Adjusted market price of underlying asset Interest rate of 3 month USD Libor
Derivatives financial assets (non-current)	1,709	-	Market comparison technique(Interest-rate Swap)	Interest rate of 3 month USD Libor
	<u>\$ 4,288</u>	<u>\$ 1,312</u>		
Liabilities				
Derivatives financial liabilities (current)	1,629	284	Market comparison technique (FFA / Bunker Swap, Interest-rate Swap)	Adjusted market price of underlying asset Interest rate of 3 month USD Libor
Derivatives financial liabilities (non-current)	3,639	1,077	Market comparison technique(Interest-rate Swap)	Interest rate of 3 month USD Libor
	<u>\$ 5,268</u>	<u>\$ 1,361</u>		

6. Financial Instrument by Category

(1) Categorizations of financial assets as at December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

	2021			
	Financial assets			
	at fair value			
	Financial assets at	through other	Financial assets	
	fair value through	comprehensive	at amortized cost	Total
	profit or loss	income ¹		
Non-current				
Other receivables	\$ -	\$ -	\$ 14,547	\$ 14,547
Derivatives financial assets	-	1,709	-	1,709
Other financial assets	-	3,611	4,934	8,545
	-	5,320	19,481	24,801
Current				
Cash and cash equivalents	-	-	375,263	375,263
Trade receivables	-	-	189,87	189,087
Other receivables	-	-	31,380	31,380
Derivatives financial assets	1,711	845	-	2,556
Other financial assets	23	-	25,777	25,800
	1,734	845	621,507	624,086
	\$ 1,734	\$ 6,165	\$ 640,988	\$ 648,887

¹ It includes the derivatives financial assets in hedging instruments with not applying categorizations of financial assets.

(in thousands of US dollars)

	2020			
	Financial assets			
	at fair value			
	Financial assets at	through other	Financial assets	
	fair value through	comprehensive	at amortized cost	Total
	profit or loss	income		
Non-current				
Other receivables	\$ -	\$ -	\$ 20,098	\$ 20,098
Other financial assets	-	3,611	5,352	8,963
	-	3,611	25,450	29,061
Current				
Cash and cash equivalents	-	-	150,792	150,792
Trade receivables	-	-	118,317	118,317
Other receivables	-	-	10,912	10,912
Derivatives financial assets	1,286	-	-	1,286
Other financial assets	26	-	22,830	22,856
	1,312	-	302,851	304,163
	\$ 1,312	\$ 3,611	\$ 328,301	\$ 333,224

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(2) Categorizations of financial liabilities as at December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

	2021			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities ¹	Total
Non-current				
Borrowings	\$ -	\$ 1,328,715	\$ -	\$ 1,328,715
Derivatives financial liabilities	-	-	3,639	3,639
	-	1,328,715	3,639	1,332,354
Current				
Borrowings	-	274,908	-	274,908
Derivatives financial liabilities	968	-	661	1,629
Trade payables	-	171,087	-	171,087
Other payables	-	96,339	-	96,339
	968	542,334	661	543,963
	\$ 968	\$ 1,871,049	\$ 4,300	\$ 1,876,317

¹ It includes derivatives financial liabilities in hedging instruments with not applying categorizations of financial liabilities.

(in thousands of US dollars)

	2020			
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Other financial liabilities	Total
Non-current				
Borrowings	\$ -	\$ 1,062,066	\$ -	\$ 1,062,066
Derivatives financial liabilities	-	-	1,077	1,077
	-	1,062,066	1,077	1,063,143
Current				
Borrowings	-	218,328	-	218,328
Derivatives financial liabilities	284	-	-	284
Trade payables	-	106,698	-	106,698
Other payables	-	51,297	-	51,297
	284	376,323	-	376,607
	\$ 284	\$ 1,438,389	\$ 1,077	\$ 1,439,750

¹ It includes derivatives financial liabilities in hedging instruments with not applying categorizations of financial liabilities.

7. Credit Quality of Financial Assets

(1) Trade receivables and other receivables

The aging analysis of trade and other receivables, and the provision for impaired receivable as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021		2020	
	Gross amount	Provision for impairment	Gross amount	Provision for impairment
Trade receivables:				
Not past due	\$ 163,194	\$ (48)	\$ 113,134	\$ (22)
Up to 3 months	23,690	(126)	4,042	(4)
3 to 6 months	1,618	(51)	145	(1)
Over 6 months	9,253	(8,443)	23,023	(22,000)
	<u>\$ 197,755</u>	<u>\$ (8,668)</u>	<u>\$ 140,344</u>	<u>\$ (22,027)</u>
Other receivables and others				
Not past due	\$ 90,936	\$ (16,128)	\$ 67,934	\$ (16,383)
Up to 3 months	1,085	(63)	1,036	(193)
3 to 6 months	2,459	(240)	329	(19)
Over 6 months	2,087	(702)	23,136	(22,135)
	<u>96,567</u>	<u>(17,133)</u>	<u>92,434</u>	<u>(38,730)</u>
	<u>\$ 294,322</u>	<u>\$ (25,801)</u>	<u>\$ 232,778</u>	<u>\$ (60,757)</u>

Movements in provision for impairment of trade and other receivables for the years ended December 31, 2021 and 2020 are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Trade receivables		
Beginning balance	\$ 22,027	\$ 26,017
Provision for impaired receivables during the year	285	268
Write-offs and others	(13,644)	(4,258)
Ending balance	<u>\$ 8,668</u>	<u>\$ 22,027</u>
Other receivables and others		
Beginning balance	\$ 38,730	\$ 40,358
Provision for impaired receivables during the year (reversal)	127	(1,629)
Write-offs and others	(21,724)	
Ending balance	<u>\$ 17,133</u>	<u>\$ 38,730</u>

(2) Other financial assets

The Company 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, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Cash on hand	\$ 3,449	\$ 2,508
Deposits and others	371,814	148,284
	<u>\$ 375,263</u>	<u>\$ 150,792</u>

9. Trade Receivables

Trade receivables as at December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Current :		
Trade receivables	\$ 197,755	\$ 140,344
Less: provision for impairment	(8,668)	(22,027)
	<u>\$ 189,087</u>	<u>\$ 118,317</u>

10. Other Receivables

Details of other receivables as at December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Non-current :		
Loan	\$ 22,695	\$ 25,493
Less: provision for impairment	(15,973)	(16,342)
Other receivable	474	758
Deposit provided	7,351	10,189
	<u>14,547</u>	<u>20,098</u>
Current :		
Loan	125	28
Less: provision for impairment	-	-
Prepayment	35,460	17,696

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

<i>(in thousands of US dollars)</i>	2021	2020
Less: provision for impairment	(1,006)	(2,215)
Other receivable	1,339	5,011
Less: provision for impairment	(154)	(3,035)
	<u>35,764</u>	<u>17,485</u>
	<u>\$ 50,311</u>	<u>\$ 37,583</u>

11. Derivative Financial Assets and Liabilities

(1) Derivative financial assets and liabilities as at December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Interest rate swap	\$ 1,709	\$ 3,639	\$ -	\$ 1,077
	<u>1,709</u>	<u>3,639</u>	<u>-</u>	<u>1,077</u>
Current				
Forward freight agreement	-	57	25	52
Interest rate swap	845	661	-	-
Bunker swap/option	1,711	911	1,261	232
	<u>2,556</u>	<u>1,629</u>	<u>1,286</u>	<u>284</u>
	<u>\$ 4,265</u>	<u>\$ 5,268</u>	<u>\$ 1,286</u>	<u>\$ 1,361</u>

(2) Gains and losses on valuation and transaction of derivative financial assets and liabilities for the years ended December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021		2020	
	Gains (losses) on transaction	Gains (losses) on valuation	Gains (losses) on transaction	Gains (losses) on valuation
Forward freight agreement	\$ (1,505)	\$ (57)	\$ (441)	\$ (27)
Interest rate swap	503	(669)	-	(1,059)
Bunker swap/option	6,597	801	(1,240)	1,029
	<u>\$ 5,595</u>	<u>\$ 75</u>	<u>\$ (1,681)</u>	<u>\$ (56)</u>
Other non-operating income(expenses)	\$ 5,595	\$ 744	\$ (1,681)	\$ 1,002
Other comprehensive loss	-	(669)	-	(1,059)

12. Other Financial Assets

(1) Details of other financial assets by categories as at December 31, 2021 and 2020, are follows:

<i>(in thousands of US dollars)</i>	<u>2021</u>	<u>2020</u>
Financial assets at amortized cost:		
Deposit and others ¹	\$ 30,711	\$ 28,183
Financial assets at fair value through profit or loss:		
Beneficiary certificates	23	26
Financial assets at fair value through other comprehensive income :		
Unlisted shares	3,611	3,610
Total :	<u>\$ 34,345</u>	<u>\$ 31,819</u>
Non-current	\$ 8,545	\$ 8,963
Current	25,801	22,856

¹ As at December 31, 2021, financial assets amounting to \$ 12,870 thousand (2020: \$ 9,702 thousand) are restricted in use due to an escrow for cash reimbursement according to the amended reorganization plan (Note 31).

(2) Changes in unlisted stocks and beneficiary certificates, etc. for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 3,636	\$ 4,418
Disposal	-	(785)
Gains (losses) on valuation, net	(2)	3
Ending balance	<u>\$ 3,634</u>	<u>\$ 3,636</u>

13. Inventories

Inventories as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Fuel	\$ 73,338	\$ 37,815
Spare parts and others	17,951	14,777
	<u>\$ 91,289</u>	<u>\$ 52,592</u>

The cost of inventories included in cost of sales as expenses during the year is \$ 752,675 thousand (2020: \$ 436,329 thousand).

14. Other Assets

Details of other assets as at December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Non-current :		
Retirement benefit assets	\$ -	\$ 971
Reimbursement receivables	1,415	1,160
	<u>1,415</u>	<u>2,131</u>
Current :		
Prepayments	29,122	33,261
Less: provision for impairment	-	(17,138)
Prepaid expenses	193,556	71,795
Prepaid income tax	527	660
Accrued income	64	72
	<u>223,269</u>	<u>88,650</u>
	<u>\$ 224,684</u>	<u>\$ 90,781</u>

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

15. Investments in Subsidiaries, Associates

(1) Details of subsidiaries, associates as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>		2021				
	Name of entity	Country	Interest held	Date of financial statements	Main business	Book amount
Subsidiaries	Pan Ocean (America) Inc	USA	100%	December 31, 2021	Grain Trading	\$ 62,776
	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	100%	December 31, 2021	Shipping	5,092
	Pan Ocean(China) Co., Ltd.	China	100%	December 31, 2021	Shipping	15,000
	Pan Ocean Japan Corporation	Japan	100%	December 31, 2021	Shipping	6,954
	Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	100%	December 31, 2021	Shipping	547
	POS SM Co., Ltd.	Korea	100%	December 31, 2021	Ship Management	3,368
Associates	Korea LNG Trading Co., Ltd. ¹	Korea	18%	December 31, 2021	Shipping	461
	Busan Cross Dock, Ltd.	Korea	20%	December 31, 2021	Warehousing	791
					Animal	14,749
	Harim USA, Ltd. ²	USA	22%	December 31, 2021	Slaughtering and Processing , Food Manufacturing	
						<u>\$ 109,738</u>

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

² The Company has acquired 22.36% share of Harim USA, Ltd and recognized it as investments in Associates.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(in thousands of US dollars)

		2020				
	Name of entity	Country	Interest held	Date of financial statements	Main business	Book amount
Subsidiaries	Pan Ocean (America) Inc	USA	100%	December 31, 2021	Grain Trading	\$ 62,776
	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	100%	December 31, 2021	Shipping	5,092
	Pan Ocean(China) Co., Ltd.	China	100%	December 31, 2021	Shipping	15,000
	Pan Ocean Japan Corporation	Japan	100%	December 31, 2021	Shipping	6,954
	Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	100%	December 31, 2021	Shipping	547
	POS SM Co., Ltd.	Korea	100%	December 31, 2021	Ship Management	3,368
	Korea LNG Trading Co., Ltd. ¹	Korea	18%	December 31, 2021	Shipping	461
Associates	Busan Cross Dock, Ltd.	Korea	20%	December 31, 2021	Warehousing	791
						<u>\$ 94,989</u>

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

(2) Changes in investments subsidiaries and associates for the years ended December 31, 2021 and 2020, are as follows:

		2021		
(in thousands of US dollars)		Subsidiaries	Associates	Total
Beginning balance	\$	93,737	\$ 1,252	\$ 94,989
Additions			28,000	28,000
Impairment loss ¹			(13,251)	(13,251)
Ending balance	\$	<u>93,737</u>	<u>\$ 16,001</u>	<u>\$ 109,738</u>

¹ Impairment test for Harim USA, Ltd. was carried out as a result of a continuing operating loss and recognized impairment loss on investments in associates of \$ 13,251 thousand.

		2020		
(in thousands of US dollars)		Subsidiaries	Associates	Total
Beginning balance	\$	39,261	\$ 1,252	\$ 40,513
Additions		56,428	-	56,428
Capital reduction		(1,952)	-	(1,952)
Ending balance	\$	<u>93,737</u>	<u>\$ 1,252</u>	<u>\$ 94,989</u>

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

16. Vessels, Property and Equipment

(1) Changes in vessels, property and equipment for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

	2021						
	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction in progress	Total
Opening net book amount	\$ 3,349,307	\$ 9	\$ 6,366	\$ 33	\$ 3,331	\$ 145,464	\$ 3,504,510
Additions	168,145	-	-	-	192	453,097	621,434
Disposal	(2,054)	-	-	-	-	-	(2,054)
Depreciation	(195,716)	-	(165)	(14)	(670)	-	(196,565)
Government grants	211	-	-	-	-	-	211
Reclassification	504,056	-	-	-	-	(504,056)	-
Classification of asset held-for-sale	(17,691)	-	-	-	-	-	(17,691)
Reversal of Impairment loss on vessels, property and equipment ¹	8,389	-	-	-	-	-	8,389
Closing net book amount	<u>\$ 3,814,647</u>	<u>\$ 9</u>	<u>\$ 6,201</u>	<u>\$ 19</u>	<u>\$ 2,853</u>	<u>\$ 94,505</u>	<u>\$ 3,918,234</u>

(in thousands of US dollars)

	2021				
	Lease vessels	Lease container van	Lease buildings	Lease vehicles	Total
Opening net book amount	\$ 19,736	\$ 7,752	\$ 9,615	\$ 206	\$ 37,309
Additions	323,727	6,897	-	148	330,772
Disposal	-	-	-	(9)	(9)
Depreciation	(111,465)	(2,561)	(2,177)	(130)	(116,333)
Closing net book amount	<u>\$ 231,998</u>	<u>\$ 12,088</u>	<u>\$ 7,438</u>	<u>\$ 215</u>	<u>\$ 251,739</u>

¹ In 2020, the Company received 6.6 billion won in state subsidies from Korea Ocean Business Corporation as a candidate to support the conversion of eco-friendly ships, and the Company recognized the subsidies as a deduction for the carrying amount of the acquired vessels during 2021.

² The Company has performed an impairment reversal test for 1 vessel in bulker segment to determine whether to reverse a previous impairment loss. As a result, recoverable amount of \$ 8,389 thousand was recognized due to increase in vessel's market value resulting from increase in freight rate index. Recoverable amount, calculated based on value of the vessel, was not to exceed the amount in the case previous impairment loss was not applied. Discount rate for calculation of value in use is 9.33%.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(in thousands of US dollars)

2020

	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction in progress	Total
Opening net book amount	\$ 2,954,107	\$ 9	\$ 6,531	\$ 47	\$ 4,127	\$ 216,821	\$ 3,181,642
Additions	49,818	-	-	-	179	534,762	584,759
Disposal	(21,959)	-	-	-	-	-	(21,959)
Depreciation	(174,058)	-	(165)	(14)	(975)	-	(175,212)
Government grants	98	-	-	-	-	-	98
Reclassification	606,119	-	-	-	-	(606,119)	-
Impairment loss on vessels, property and equipment ¹	(64,818)	-	-	-	-	-	(64,818)
Closing net book amount	<u>\$ 3,349,307</u>	<u>\$ 9</u>	<u>\$ 6,366</u>	<u>\$ 33</u>	<u>\$ 3,331</u>	<u>\$ 145,464</u>	<u>\$ 3,504,510</u>

(in thousands of US dollars)

2020

	Lease vessels	Lease container van	Lease buildings	Lease vehicles	Total
Opening net book amount	\$ 19,633	\$ 8,715	\$ 1,368	\$ 193	\$ 29,909
Additions	10,408	1,352	9,615	209	21,584
Disposal	-	-	-	(39)	(39)
Depreciation	(10,305)	(2,315)	(1,368)	(157)	(14,145)
Closing net book amount	<u>\$ 19,736</u>	<u>\$ 7,752</u>	<u>\$ 9,615</u>	<u>\$ 206</u>	<u>\$ 37,309</u>

¹ Due to the decrease in shipping industry market trends, the Company has performed the impairment test for 12 vessels in bulk segment, of which 10 vessels recognized the impairment loss of \$ 58,957 thousand. The recoverable amount of the vessels is calculated on a basis of the value in use and impairment losses are recognized as other non-operating expenses. Discount rate for calculation of value in use is 7.75%. The impairment loss from changes in discount rate is as follows.

(in thousands of US dollars)

Category	Change	Discount rate	Amount
Impairment losses	10% increase	8.53%	\$ 73,088
	10% decrease	6.98%	44,003

Additionally, 1 vessel held for sale recognized impairment loss amounting to \$5,861 thousands on the basis of net fair value and the vessel was sold during the period ended December 31, 2020.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(2) The acquisition costs, accumulated depreciation and accumulated impairment losses for each item of vessels, property and equipment as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021			
	Cost	Accumulated depreciation	Accumulated impairment losses	Government grants
Vessels	\$ 5,683,606	\$ (1,450,058)	\$ (411,127)	\$ (7,774)
Land	9	-	-	-
Buildings	13,518	(2,705)	(4,612)	-
Vehicles	96	(76)	-	-
Tools, furniture & fixture	31,594	(28,731)	-	(10)
Construction-in-progress	94,505	-	-	-
Lease vessels	359,219	(127,293)	-	-
Lease container van	19,533	(7,445)	-	-
Lease buildings	12,51	(4,914)	-	-
Lease vehicles	440	(225)	-	-
	<u>\$ 6,214,943</u>	<u>\$ (1,621,447)</u>	<u>\$ (415,739)</u>	<u>\$ (7,784)</u>

<i>(in thousands of US dollars)</i>	2020			
	Cost	Accumulated depreciation	Accumulated impairment losses	Government grants
Vessels	\$ 5,072,942	\$ (1,295,336)	\$ (425,971)	\$ (2,327)
Land	9	-	-	-
Buildings	13,518	(2,540)	(4,612)	-
Vehicles	96	(63)	-	-
Tools, furniture & fixture	33,089	(29,758)	-	-
Construction-in-progress	145,464	-	-	-
Lease vessels	35,564	(15,828)	-	-
Lease container van	12,636	(4,885)	-	-
Lease buildings	12,351	(2,737)	-	-
Lease vehicles	362	(156)	-	-
	<u>\$ 5,326,032</u>	<u>\$ (1,351,302)</u>	<u>\$ (430,583)</u>	<u>\$ (2,327)</u>

(3) Amount of borrowing costs capitalized for the years ended December 31, 2021 and 2020, were \$ 3,033 thousand and \$ 4,098 thousand, respectively, and the capitalization rates used to determine the amount of borrowing costs eligible for capitalization for the years ended December 31, 2021 and 2020, were 1.96% and 2.26%, respectively.

17. Intangible Assets

(1) Intangible assets as at December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Development costs	\$ 307	\$ 425
Club membership	3,978	4,053
Other intangible assets	112	63
	<u>\$ 4,397</u>	<u>\$ 4,541</u>

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021			
	Development costs	Club membership	Other intangible assets	Total
Beginning balance	\$ 425	\$ 4,053	\$ 63	\$ 4,541
Additions	25	-	68	93
Disposals	-	(75)	-	(75)
Amortization	(143)	-	(19)	(162)
Ending Balance	<u>\$ 307</u>	<u>\$ 3,978</u>	<u>\$ 112</u>	<u>\$ 4,397</u>

<i>(in thousands of US dollars)</i>	2020			
	Development costs	Club membership	Other intangible assets	Total
Beginning balance	\$ 535	\$ 3,808	\$ -	\$ 4,343
Additions	30	587	66	683
Disposals	-	(342)	-	(342)
Amortization	(140)	-	(3)	(143)
Ending Balance	<u>\$ 425</u>	<u>\$ 4,053</u>	<u>\$ 63</u>	<u>\$ 4,541</u>

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(3) The details of intangible assets as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021			
	Development costs	Club membership	Other intangible assets	Total
Acquisition cost	\$ 1,413	\$ 5,196	\$ 135	\$ 6,744
Accumulated amortization	(1,106)	-	(23)	(1,129)
Accumulated impairment loss	-	(1,218)	-	(1,218)
Net book amount	<u>\$ 307</u>	<u>\$ 3,978</u>	<u>\$ 112</u>	<u>\$ 4,397</u>

<i>(in thousands of US dollars)</i>	2020			
	Development costs	Club membership	Other intangible assets	Total
Acquisition cost	\$ 1,388	\$ 5,561	\$ 66	\$ 7,015
Accumulated amortization	(963)	-	(3)	(966)
Accumulated impairment loss	-	(1,508)	-	(1,508)
Net book amount	<u>\$ 425</u>	<u>\$ 4,053</u>	<u>\$ 63</u>	<u>\$ 4,541</u>

18. Borrowings

(1) Details of borrowings as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Non-current :		
Bond	\$ 102,176	\$ 106,912
Long-term borrowings	71,248	34,585
Vessel borrowings(*)	<u>1,155,291</u>	<u>920,570</u>
	<u>1,328,715</u>	<u>1,062,067</u>
Current :		
Current portion of bond	89,353	10,000
Current portion of long-term borrowings	18,762	54,257
Current portion of vessel borrowings(*)	<u>166,793</u>	<u>154,070</u>
	<u>274,908</u>	<u>218,327</u>
	<u>\$ 1,603,623</u>	<u>\$ 1,280,394</u>

(*) Vessel borrowings are transaction using BBCHP method from POS GD S.A. and etc.

Certain vessels, property and equipment are pledged as collaterals for the above borrowings (Note 31).

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(2) Bond issued as at December 31, 2021 and 2020, is summarized as follows:

<i>(in thousands of US dollars)</i>	Currency	Issue Date	Maturity Date	Annual interest rate	2021	2020
Unsecured private placed bond 20 th	KRW	2019-06-28	2022-06-28	2.30%	\$ 84,353	\$ 91,912
Unsecured private placed bond 21 th	KRW	2021-06-25	2024-06-25	2.15%	42,176	-
Sinhan bank FRN 2.5 years (C)	USD	2018-10-12	2021-04-12	Libor+0.95%	-	5,000
Sinhan bank FRN 3.0 years (D)	USD	2018-10-12	2021-10-12	Libor+1%	-	5,000
Sinhan bank FRN 2.0 years (A)	USD	2020-12-04	2022-12-04	Libor+1%	5,000	5,000
Sinhan bank FRN 2.5 years (B)	USD	2020-12-04	2023-06-04	Libor+1.05%	5,000	5,000
Sinhan bank FRN 3.0 years (C)	USD	2020-12-04	2023-12-04	Libor+1.1%	5,000	5,000
Korea Development Bank secured FRN	USD	2021-06-29	2024-06-28	Libor+0.85%	50,000	-
					191,529	116,912
Less: current portion of bond					(89,353)	(10,000)
					<u>\$ 102,176</u>	<u>\$ 106,912</u>

(3) Long-term borrowings as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	Currency	2021		2020	
		Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
Woori Bank	KRW	-	\$ -	AAA+1.78%	\$ 8,272
Industrial and Commercial Bank of China	KRW	-	-	2.65%	13,787
Daegu Bank	KRW	MOR+1.55%	8,435	MOR+1.55%	9,191
China Construction Bank	KRW	-	-	2.3%	13,787
Korea Development Bank	USD	-	-	Libor+1.39%	5,220
KEB Hana Bank ¹	KRW	CD+1.5%	6,327	CD+1.5%	16,085
Korea Development Bank	USD	Libor+1.65%	15,000	Libor+1.65%	19,000
Kookmin Bank	USD	Libor+1.79%	3,500	Libor+1.79%	3,500
KEB Hana Bank	USD	Libor+1.65%	25,000	-	-
Woori Bank	KRW	CD+1.5%	6,748	-	-
Woori Bank	USD	Libor+1.65%	25,000	-	-
			90,010		88,842
Less: current portion of long-term borrowings			(18,762)		(54,257)

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(in thousands of US dollars)

Currency	2021		2020	
	Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
		\$ 71,248		\$ 34,585

¹ Asset-backed loan set as a deposit-refund security for long-term transport contract of POSCO and Hyundai Glovis'.

(4) Vessel borrowings as at December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

	Currency	2021		2020	
		Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
Korea Development Bank	USD	Libor +1.7%	18,375	Libor +1.7%	21,875
Korea Development Bank	USD	L+1.45%~2%	154,598	L+1.45%~2%	189,137
SeoCho Branch	KRW	0%~0.39%	12,930	0%~0.39%	18,314
Credit Agricole Corporate and Investment Bank	USD	-	-	Libor +0.55%	2,554
Korea Export and Import Bank	USD	Libor +1.6%~1.8%	88,462	Libor +1.8%	22,896
ABN AMRO Bank N.V.	USD	-	-	Libor +1.75%~2.5%	127,042
ING Bank N.V.	USD	Libor +1.6%~1.75%	116,975	Libor +1.95%~2.95%	82,173
Korea Asset Management Corporation	USD	-	-	3.65%	17,600
Societe Generale Bank	USD	Libor +1.75%	122,920	-	-
BANK OF AMERICA, N.A.	USD	Libor +1.68%	21,950	Libor +1.68%	23,950
Woori Bank	USD	Libor +1.45%	304,110	Libor +1.45%	232,500
Standard Chartered Bank	USD	Libor +1.75%	23,430	Libor +1.75%	31,350
ING Bank	USD	Libor +1.45%~1.7%	82,008	Libor +1.7%	30,703
STANDARD CHARTERED BANK (HONG KONG) LIMITED	USD	Libor +1.3%	51,500	Libor +1.3%	72,100
Industrial Bank of Korea	USD	Libor +1.7%	66,563	Libor +1.7%	74,170
Societe generale, Hong Kong branch	USD	Libor +1.45%	38,250	Libor +1.7%	42,750
Woori Bank, Hong Kong branch	USD	Libor +1.35%	32,385	-	-
		Libor +1.50%	31,683	-	-
			1,322,084		1,074,640
Less: Current portion of finance lease liabilities			(166,793)		(154,070)
			<u>1,155,291</u>		<u>\$ 920,570</u>

19. Other Payables

Details of other liabilities as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Non-trade payable	\$ 8,162	\$ 8,819
Dividends payable	1	-
Withholdings ¹	90,887	43,545
	<u>\$ 99,050</u>	<u>\$ 52,364</u>

¹The Company received government grants related to eco-ship conversion project during the years ended December 31, 2020 and 2021.

20. Provisions

(1) Changes in provisions for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>		2021				
	Opening net book amount	Effect of accounting changes	Recognized (reversal of) provision	Paid or transferred amount(*)	Closing net book amount	
Non-current	\$ 20,560	\$ -	\$ 2,029	\$ (3,192)	\$ 19,397	
Current	4,193	-	4,561	(286)	8,468	

(*) Reclassified from provision to other liabilities related to reorganization claim or security

<i>(in thousands of US dollars)</i>		2020				
	Opening net book amount	Effect of accounting changes	Recognized (reversal of) provision	Paid or transferred amount	Closing net book amount	
Non-current	\$ 22,110	\$ -	\$ 4,922	\$ (6,472)	\$ 20,560	
Current	3,170	-	737	286	4,193	

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(2) Non-current provisions

Details of non-current provisions as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Litigation for finalization of reorganization claim or security ¹	\$ 15,044	\$ 16,403
Compensation for claims ²	4,353	4,157
	<u>\$ 19,397</u>	<u>\$ 20,560</u>

¹ As at December 31, 2021, 9 lawsuits (amounting to \$ 44,311 thousand) including litigation for finalization of reorganization claim are in progress.

² The amounts are provisions for cargo claims and vessel damages brought against the Company 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 Company 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, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Advance received	\$ 2,999	\$ 378
Accrued expense	13,386	11,059
	<u>\$ 16,385</u>	<u>\$ 11,437</u>

22. Retirement Benefit Obligations

(1) Details of the retirement benefit obligations related to defined benefit obligations recognized in the statement of financial position as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Present value of defined benefit obligation	\$ 10,002	\$ 11,086
Fair value of plan assets	(9,070)	(12,057)
	<u>\$ 932</u>	<u>\$ (971)</u>

(2) The changes in the defined benefit obligation and the plan assets for the years ended December

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

31, 2021 and 2020, are as follows:

① The changes in the defined benefit obligations

<i>(in thousands of US dollars)</i>	2021	2020
Beginning	\$ 11,086	\$ 10,378
Current service cost	2,345	2,343
Interest cost	235	259
Benefits paid	(2,521)	(2,444)
Remeasurements	(231)	(116)
Other ¹	(912)	666
Ending	<u>\$ 10,002</u>	<u>\$ 11,086</u>

¹ Other changes include the effect of currency translation difference.

② The changes in the plan assets for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Beginning	\$ 12,057	\$ 8,308
Employer contribution	372	4,788
Expected return on plan assets	264	211
Remeasurements of defined benefit liability	(132)	(77)
Benefits paid	(2,499)	(1,706)
Other ¹	(992)	533
Ending	<u>\$ 9,070</u>	<u>\$ 12,057</u>

¹ Other changes include the effect of currency translation difference.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(3) The amounts of retirement benefits recognized in the separate statements of comprehensive income are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Current service cost	\$ 2,345	\$ 2,343
Interest cost	235	259
Expected return on plan assets	(264)	(211)
Remeasurements of defined benefit liability	(99)	(39)
	<u>\$ 2,217</u>	<u>\$ 2,352</u>
Cost of sales	\$ 2,316	\$ 2,391
Other comprehensive income	(99)	(39)

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

	2021	2020
Discount rate	3.00%	2.50%
Salary growth rate	4.00%	4.00%

(5) As at December 31, 2021 and 2020, the Company has the following component as plan assets.

<i>(in thousands of US dollars)</i>	2021		2020	
	Amount	Ratio	Amount	Ratio
Deposits, etc.	\$ 9,070	100%	\$ 12,057	100%

Actual revenues generated from plan assets recognized for the years ended December 31, 2021 and 2020 are \$ 132 thousand and \$ 134 thousand respectively.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(6) Remeasurements of defined benefit liability recognized as other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Defined benefit obligation:		
- Changes in financial assumptions	\$ (420)	\$ -
- Experience adjustment	189	(116)
- Changes in demographic assumptions	-	-
	(231)	(116)
Plan assets	132	77
	<u>\$ (99)</u>	<u>\$ (39)</u>

(7) The sensitivity of the defined benefit obligation to changes in the principal assumptions as at December 31, 2021, is as follows:

① Discount rate

<i>(in thousands of US dollars)</i>	Changes in discount rate	Discount rate	Book amount	Amount of change
Defined benefit obligation	0.25% increase	3.25%	\$ 9,805	\$ (197)
	-	3.00%	10,002	-
	0.25% decrease	2.75%	10,207	205

② Salary growth rate

<i>(in thousands of US dollars)</i>	Changes in salary growth rate	Salary growth rate	Book amount	Amount of change
Defined benefit obligation	0.25% increase	4.25%	\$ 10,217	\$ 215
	-	4.00%	10,002	-
	0.25% decrease	3.75%	9,795	(207)

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

The expected maturity analysis of undiscounted pension benefits as at December 31, 2021, is as follows:

<i>(in thousands of US dollars)</i>	Less than 1 year	Between 1 year and 2 years	Between 2 year and 5 years	Over 5 years	Total
Pension benefits	\$ 1,478	\$ 1,885	\$ 4,650	\$ 6,979	\$ 14,992

The weighted average duration of the defined benefit obligations is 8.3 years.

23. Income Tax Expense

(1) Income tax expense for the years ended December 31, 2021 and 2020, is as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Current tax expense	\$ -	\$ 82
Adjustments in respect of prior years	-	-
Total income tax expense	<u>\$ -</u>	<u>\$ (82)</u>

(2) Reconciliation of effective tax rate:

<i>(in thousands of US dollars)</i>	2021	2020
Profit before income tax	<u>\$ 460,326</u>	<u>77,110</u>
Income tax expense at the domestic rates applicable to profit in the country concerned	111,399	18,661
Adjustment:		
- Non-taxable income	309	(49)
- Temporary differences incurred during the year, but not recognized as deferred tax	(110,333)	(18,955)
- Other	(1,375)	425
Income tax expense	<u>\$ -</u>	<u>(82)</u>

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(3) Changes in deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

	2021			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	89,460	\$ (2,724)	\$ -	\$ 86,736
Land	37	(1)	-	36
Gain on valuation of finance assets	160	-	-	160
Present value of defined benefit obligation	295	(71)	-	224
Derivatives	18	63	162	243
Provisions	4,764	(413)	-	4,351
Other	21,398	(12,763)	-	8,635
Total	116,132	(15,909)	162	100,385
Tax loss carryforwards	332,236	(94,586)	-	237,650
Total	448,368	(110,495)	162	338,035
Unrecognized deferred tax assets	(448,368)	110,495	(162)	(338,035)
	-	\$ -	\$ -	\$ -

(in thousands of US dollars)

	2020			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	\$ 79,969	\$ 9,491	\$ -	\$ 89,460
Land	36	1	-	37
Gain(loss) on valuation of finance assets	156	4	-	160
Present value of defined benefit obligation	501	(206)	-	295
Derivatives	(82)	(156)	256	18
Provisions	4,684	80	-	4,764
Other	20,942	456	-	21,398
Total	106,206	9,670	256	116,132
Tax loss carryforwards	361,117	(28,881)	-	332,236
Total	467,323	(19,211)	256	448,368
Unrecognized deferred tax assets	(467,323)	19,211	(256)	(448,368)
	\$ -	\$ -	\$ -	\$ -

(4) 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 Company did not recognize the deferred tax assets exceeding the deferred tax liabilities because the Company 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:

<i>(in thousands of US dollars)</i>	<u>Amount</u>	<u>Expiration date</u>
Temporary differences	\$ 414,814	
Tax loss carryforwards	-	2023
	<u>982,026</u>	2024
Total	<u>\$ 1,396,840</u>	

(5) 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 Company has a legally enforceable right to offset and intends either to settle on a net basis.

(6) The Company 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 Company 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 shares as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars except share data and par value)</i>	<u>2021</u>	<u>2020</u>
Number of authorized shares	3,000 million	3,000 million
Par value	KRW 1,000	KRW 1,000
Number of shares issued	534,569,512	534,569,512
Share capital	480,756	\$ 480,756

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(2) Changes of number of shares issued for the years ended December 31, 2021 and 2020, are as follows:

<i>(in shares)</i>	2021		2020	
	Number of shares issued	Outstanding share	Number of shares issued	Outstanding share
Beginning number of shares	534,569,512	534,569,512	534,569,207	534,569,207
Debt-to-equity swap, etc.	-	-	305	305
Ending number of shares	<u>534,569,512</u>	<u>534,569,512</u>	<u>534,569,512</u>	<u>534,569,512</u>

(3) Details of capital surplus as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Share premium	\$ 651,483	\$ 651,483

25. Other Reserves

The changes of the other reserves for the years ended December 31, 2021 and 2020, are presented in the separate statements of changes in equity. Details of other reserves as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Loss on valuation of derivative instruments	\$ (1,746)	\$ (1,077)
Gain on disposal of treasury share	996	996
Surplus from reduction of capital	1,062,677	1,062,677
Debt to be swapped to equity	<u>4,713</u>	<u>4,713</u>
	<u>\$ 1,066,640</u>	<u>\$ 1,067,309</u>

26. Retained Earnings

(1) Details of retained earnings as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Legal reserve ¹	\$ 38,571	\$ 36,165
Unappropriated retained earnings	750,842	316,879
	<u>\$ 789,413</u>	<u>\$ 353,044</u>

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

(2) The appropriation of retained earnings for the year ended December 31, 2021, is expected to be appropriated at the shareholders' meeting on March 29, 2022. The appropriation date for the year ended December 31, 2021, was March 30, 2020.

The appropriation of retained earnings for the years ended December 31, 2021 and 2020, is as follows;

<i>(in millions of Korean won)</i>	2021	2020
I. Unappropriated retained earnings		
Unappropriated retained earnings carried over from prior year	KRW 246,181	KRW 184,611
Re-measurements of defined benefit liability	117	43
Profit for the year	526,659	90,928
II. Transfer from voluntary reserves		-
III. Appropriated retained earnings		
Legal reserve	KRW 5,346	KRW 2,673
Dividend	53,457	26,728
IV. Unappropriated retained earnings to be carried forward	<u>KRW 714,154</u>	<u>KRW 246,181</u>

27. Breakdown of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Charterage	\$ 1,138,369	\$ 321,483
Port charges	296,148	195,576
Cargo expenses	170,131	112,850
Bunker fuel costs	718,400	405,890
Voyage relet costs	96,016	108,537
Depreciation and amortization	311,490	189,118
Vessel maintenance expense	51,963	41,087
Salaries and wages	135,513	107,587
Post-employment retirement benefit	7,362	6,329
Other employee benefits	38,897	31,800
Lubricant oil costs	11,264	8,499
Other cost of sales	66,483	54,354
Office rental	1,527	1,560
Impairment loss on receivables	782	718
IT expense	1,403	1,267
Taxes and dues	6,070	5,076
Other administrative expenses	2,485	2,208
Total cost of sales, selling and general administrative expenses	\$ 3,054,303	\$ 1,593,939

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

28. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

	Financial assets and liabilities through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Borrowings	Total
Finance income and costs					
Gains on valuation	\$ 1	\$ -	\$ -	\$ -	\$ 1
Losses on valuation	(3)	-	-	-	(3)
Interest income	-	198	310	-	508
Interest expense	-	-	-	(37,408)	(37,408)
Guarantee fee	-	-	-	(589)	(589)
Gains on currency translation	-	8,363	-	15,291	23,654
Losses on currency translation	-	(12,478)	-	(2)	(12,480)
	(2)	(3,917)	310	(22,708)	(26,317)
Finance income	1	8,561	310	15,291	24,163
Finance cost	(3)	(12,478)	-	(37,999)	(50,480)

(in thousands of US dollars)

	2020					
	Financial assets and liabilities through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Borrowings	Subsidiaries and associates	Total
Finance income and costs						
Gains on transaction	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 4
Losses on transaction	(21)	-	-	-	-	(21)
Interest income	-	1,080	230	-	-	1,310
Interest expense	-	-	-	(34,527)	-	(34,527)
Guarantee fee	-	-	-	(172)	-	(172)
Gains on currency translation	-	10,375	-	253	-	10,628
Losses on currency translation	-	(4)	-	(17,980)	-	(17,984)
Dividend income	-	-	76	-	4,236	4,312
	(17)	11,451	306	(52,426)	4,236	(36,450)
Finance income	4	11,455	306	254	4,236	16,255
Finance cost	(21)	(4)	-	(52,680)	-	(52,705)

29. Other Non-Operating Income (Expenses)

Other non-operating income (expenses) presented in the separate statements of comprehensive income for the years ended December 31, 2021 and 2020, are summarized as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Gains on sale of vessels, property and equipment	\$ 180	\$ 3
Losses on sale of vessels, property and equipment	(2,054)	(6,186)
Reversal of impairment loss on vessels, property and equipment	8,389	-
Impairment loss on asset held-for-sale	(8,934)	-
Gains on sale of intangible asset	170	-
Losses on sale of intangible asset	-	(25)
Gains on valuation of derivatives	744	1,002
Gains (losses) on derivative transactions, net	5,595	(1,681)
Gains (losses) on foreign currency translation, net	(3,906)	1,917
Losses on foreign currency transaction, net	(37)	(967)
Reversal of provision for claim compensation	(2,029)	(4,922)
Impairment loss on investments in subsidiaries	-	(806)
Impairment loss on vessels, property and equipment	-	(64,818)
Impairment loss on investments in associates	(13,251)	-
Gains on exemption of liabilities	-	3
Other	(620)	2,559
	<u>\$ (15,753)</u>	<u>\$ (73,921)</u>
Other comprehensive income		
Losses on valuation	(669)	(1,059)

30. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Profit for the year	\$ 460,326	\$ 77,028
Weighted average number of ordinary shares ¹	<u>534,569,512</u>	<u>534,569,260</u>
Basic earnings per share (expressed in \$ per share)	<u>\$ 0.86</u>	<u>\$ 0.14</u>

¹ Details of weighted average number of ordinary shares are as follows:

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

<i>(in shares)</i>	2021	2020
Beginning number of shares	534,569,512	534,569,207
Debt-to-equity swap, etc.	-	53
Ending number of shares	<u>534,569,512</u>	<u>534,569,260</u>

(2) Diluted earnings per share

As at December 31, 2021, the Company has no convertible notes or warrants. Therefore, basic earnings per share is identical to diluted earnings per share.

31. Contingencies, Collaterals and Commitments

(1) Litigation case

As at December 31, 2021, the Company has pending lawsuits for cargo and hull damages as a defendant with litigation costs of \$ 8,725 thousand (2020: \$ 8,336 thousand), and also has pending non-contentious cases with claim costs of \$ 7,391 thousand (2020: \$ 5,974 thousand). The Company 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 Company's debts as at December 31, 2021, are as follows:

<i>(in thousands of US dollars)</i>				
Assets pledged as collaterals	Carrying amounts	Related account	Borrowings	Description
Vessel ¹	\$ 3,170,100			
Other financial asset	7,967	Borrowings	\$ 1,322,085	Collateral on borrowings

¹ There is an arrangement (minimum commitment) to provide additional collateral or to repay some of the borrowings to meet the percentage in case that the amount of collateral is less than a certain percentage (110%~145%) of the carrying amount of the borrowing related to the ship financing. However, there are no necessary measures to be taken under this arrangement at the end of the reporting period. In addition, there is a put option agreement for certain ship financing, which is classified as current borrowings regardless of its exercise, if exercise date is within one year at the end of the reporting period.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(3) Payment guarantees and performance guarantees provided by others as at December 31, 2021, are summarized as follows:

(in thousands of US dollars / in millions of Korean won)

Guarantee provider		Guarantee amount	Guaranteed customer
Shinhan Bank Bank	\$	15,000	Korea South-east Power Co., Korea
Korea Development Bank	\$	50,134	Southern Power Co., Ltd., Korea East-west
Standard Chartered Bank	\$	4,700	Power Co., Ltd., Korea Western Power Co.,
Seoul Guarantee Insurance	\$	18,393	Ltd., Korea Midland Power Co., Ltd. and
	KRW	21,432	etc.
Korea Ocean Business Corporation	KRW	14,561	

(4) Ship Investment Agreement

As at the end of the current year, the Company has signed a contract to construct and purchase 8 vessels (total purchase price: \$ 1,027,779 thousand) to replace the old ship and to expand the fleet. These vessels will be delivered between 2022 and 2024. According to the vessel construction contract, as at December 31, 2021, the estimated future expenditure is \$ 943,291 thousand.

(5) The Company 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.

(6) The Company has entered into a credit agreement with Standard Chartered Bank and etc. for \$ 155,000 thousand. There is no outstanding borrowing balance for the credit agreement. Of these credit agreements, the limit of \$ 70,000 thousand with the Standard Chartered Bank and Mizuho Corporate Bank is a comprehensive agreement that can be used for borrowing or performance guarantees. The remaining balance of the agreements is \$ 11,571 thousand. In addition, the Company has the secured loan of credit sales limit amounting to KRW 6,000 million with KEB Hana Bank and the Company has not used the limit yet.

(7) Litigation for Finalization of Reorganization Claim or Security

The Company 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 Company 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 Company 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).

According to the revised reorganization plan, if confirmed, approximately 67% of the confirmed amounts change to equity and 33% of that should be paid by cash.

Meanwhile, the Company recognized provisions for the contingencies relating to unsettled receivables of reorganization as described in Note 20, and deposited \$ 4,931 thousand in escrow accounts for cash redemption according to the amended reorganization plan.

(8) The bond management contract for unguaranteed public bonds issued by the Company stipulates the Company's obligations, such as maintaining a debt ratio of less than 1,500% based on separate financial statements, banning the Company from exceeding 800% of equity capital for the total amount of debts to which payment guarantees or collateral rights are set, prohibiting the disposal of assets more than three times the equity capital in a single fiscal year, and prohibiting the change of the largest shareholder. Therefore, the Company may lose its due profit if it violates the above regulations.

(9) The Company has entered into long-term freight contracts with overseas shippers including Vale, the world's largest producer of iron ore, and Suzano, a Brazilian pulp and paper company, as well as POSCO, Hyundai Glovis Co.,Ltd, Korea Midland Power Co., Ltd., Korea Southern Power Co., Ltd. and Korea South-east Power Co., Ltd. In October 2005, the Company was appointed as a shipper for the Korea Gas Corporation's long-term LNG transportation. Since the first half of 2009, the Company has transported LNG contracted with Korea Gas Corporation and the contract period for transportation is 20 years.

(10) The Company has 7 LNG ship long-term time-charter out contracts with Shell tankers and others. 1 of 7 contracted vessel has been delivered and remaining 6 vessels are scheduled to be delivered between 2023 and 2024.

(11) The Company has approved its voluntary delisting from the Singapore Exchange (SGX) during the extraordinary general meeting held in December 2021 and the delisting from SGX will take place on March 21, 2022.

32. Cash Generated from Operations

(1) Details of cash generated from operations of the Company using the indirect method for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Profit for the year	\$ 460,326	\$ 77,028
Adjustment for:		
Income tax expense	-	82
Depreciation	311,328	188,974
Post-employment benefit	2,401	6,329
Amortization	162	143
Provisions	6,590	5,658
Provision for impaired receivables	782	718
Reversal of provision for other impaired receivables	(369)	(2,078)
Gains on sale of vessels, property and equipment	(180)	(3)
Losses on sale of vessels, property and equipment	2,054	6,186
Gains on sale of intangible assets	(170)	-
Losses on sale of intangible assets	-	25
Valuation gains on derivatives, net	(744)	(1,002)
Losses on sale of financial assets	-	20
Interest income	(508)	(1,311)
Interest expense	37,408	33,131
Dividend income	-	(4,312)
Reversal of impairment of vessels, property and equipment	(8,389)	-
Losses on impairment of vessels, property and equipment	-	64,818
Impairment losses on asset held-for-sale	8,934	
Foreign currency translation losses (gains), net	(7,843)	8,541
Losses on sale of investment in subsidiary	-	806
Impairment losses on investment in associates	13,251	-
Gains on exemption of liabilities	-	(3)
Gains(losses) on valuation of financial assets	2	(3)
Increase in non-current provisions	(3,404)	(4,585)
Decrease(increase) in inventories	(38,696)	3,822
Increase in trade receivables	(71,031)	(13,877)
Decrease(increase) in other receivables	(28,960)	9,770

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

<i>(in thousands of US dollars)</i>	2021	2020
Increase in other assets	(173,115)	(10,319)
Increase in trade payables	64,625	13,752
Increase in other payables	49,480	7,287
Increase in other liabilities	84,442	43,967
Decrease in retirement benefits obligation	(398)	(7,242)
Change in derivative financial assets and liabilities	1,002	359
Cash generated from operating activities	<u>\$ 708,980</u>	<u>\$ 426,681</u>

(2) Details on significant non-cash transactions for investing and financing activities for the years ended in 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021	2020
Acquisition of ships through government grants	\$ 5,658	\$ -
Acquisition of ships through vessel borrowings	333,445	335,758
Reclassification to current portion of long-term borrowings	423,517	136,422
Reclassification of lease assets	325,710	21,185
Reclassification to current portion of lease liabilities	156,500	1,921

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

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

<i>(in thousands of US dollars)</i>	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Bond	Vessel borrowings
Opening net book amount of 2020	\$ -	\$ 371,010	\$ 49,653	\$ 96,371	\$ 538,052
Acquisition of ships through vessel borrowings	-	-	-	-	335,758
Gains on foreign currency translations	-	-	4,323	5,541	1,226
Proceeds from borrowings	65,000	-	35,865	15,000	116,699
Repayments of borrowings	(65,000)	(289,104)	-	-	-
Reclassification to current portion		136,422	(55,257)	(10,000)	(71,165)
Closing net book amount of 2020	<u>\$ -</u>	<u>\$ 218,328</u>	<u>\$ 34,584</u>	<u>\$ 106,912</u>	<u>\$ 920,570</u>
Opening net book amount of 2021	\$ -	\$ 218,328	\$ 34,584	\$ 106,912	\$ 920,570
Acquisition of ships through vessel borrowings	-	-	-	-	333,445
Losses on foreign currency translations	-	-	(1,652)	(9,405)	(1,159)
Proceeds from borrowings	154,205	-	57,078	94,022	217,837
Repayments of borrowings	(154,205)	(358,196)	-	-	-
Offsetting of borrowings through financial prepayments	-	(8,741)	-	-	-
Reclassification to current portion	-	423,517	(18,762)	(89,353)	(315,402)
Closing net book amount of 2021	<u>\$ -</u>	<u>\$ 274,908</u>	<u>\$ 71,248</u>	<u>\$ 102,176</u>	<u>\$ 1,155,291</u>

<i>(in thousands of US dollars)</i>	Current portion of lease liabilities	Lease liabilities
Opening net book amount of 2020	\$ 11,684	\$ 19,632
Acquisition of lease assets	-	21,185
Derecognition of lease liability	-	(43)
Repayments of lease liabilities	-	(14,129)
Reclassification to current portion	1,921	(1,921)
Closing net book amount of 2020	<u>\$ 13,605</u>	<u>\$ 24,724</u>
Opening net book amount of 2021	\$ 13,605	\$ 24,724
Acquisition of lease assets	-	325,710
Derecognition of lease liability	-	(11)
Repayments of lease liabilities	-	(115,160)
Reclassification to current portion	156,500	(156,500)
Closing net book amount of 2021	<u>\$ 170,105</u>	<u>\$ 78,763</u>

33. Related Party Transactions

(1) Related parties as at December 31, 2021 and 2020, are as follows:

Related party	2021	2020
Parent and ultimate controlling party	Harim Holdings Co., Ltd.	Harim Holdings Co., Ltd.
Subsidiaries	Pan Ocean(America) Inc. Pan Ocean Singapore Bulk Carrier Pte. Ltd. Pan Ocean(China) Co., Ltd. Pan Ocean Japan Corporation Pan Ocean Brasil Apoio Maritimo Ltda. POS SM Co., Ltd	Pan Ocean(America) Inc. Pan Ocean Singapore Bulk Carrier Pte. Ltd. Pan Ocean(China) Co., Ltd. STX Pan Ocean(U.K.) Co., Ltd. ¹ Pan Ocean Japan Corporation Pan Ocean Brasil Apoio Maritimo Ltda. POS SM Co., Ltd
Associates	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd. Harim USA. Ltd. ²	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd.
Other related parties	Subsidiaries, Associates and other related parties of Harim Holdings Co., Ltd.	Subsidiaries, Associates and other related parties of Harim Holdings Co., Ltd.

¹ Excluded from company's related party as of December 31, 2021 due to liquidation

² Included to company's associates through acquisition of shares

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(2) Sales and purchases with related parties for the years ended December 31, 2021 and 2020, are as follows:

	2021			
	Sales and others		Purchase and others	
	Sales	Others	Purchase	Others
Parent and ultimate controlling party				
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ 2,011
Subsidiaries				
Pan Ocean (China) Co., Ltd.	-	-	3,085	-
Pan Ocean Japan Corporation	809	-	2,406	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	4,609	-	1,618	-
Pan Ocean(America), Inc.	43,157	152	2,457	-
Pan Ocean Brasil Apoio Maritimo Ltda.	-	-	460	-
POS SM Co., Ltd.	215	-	180,142	-
Associates				
Korea LNG Trading Co., Ltd.	20,667	-	-	-
Other related parties				
Jeil Feed Company Co., Ltd.	-	-	-	26
Joowon Pekin Duck Co., Ltd.	-	-	-	10
Sunjin Farm Co., Ltd.	-	-	-	16
Glyde Co., Ltd.	-	-	-	35
Evermiracle Co., Ltd.	-	-	-	3
Nbicorn Co., Ltd.	-	-	-	1
Farmsco Co.,Ltd.	-	-	-	81
Cham trading Co., ltd	-	-	-	10
Sunurihanu	-	-	-	73
Harim Co., Ltd.	-	-	30	92
	<u>\$ 69,457</u>	<u>\$ 152</u>	<u>\$ 190,198</u>	<u>\$ 2,358</u>

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(in thousands of US dollars)

	2020				
	Sales and others		Purchase and others		
	Sales	Others	Purchase	Acquisition of equity securities ¹	Others
Parent and ultimate controlling party					
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ -	\$ 1,702
Subsidiaries					
Pan Ocean (China) Co., Ltd.	-	-	2,419	-	2
Pan Ocean Japan Corporation	640	-	2,407	-	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	2,011	-	1,428	-	-
Pan Ocean(America), Inc.	34,596	183	428	-	-
Pan Ocean Brasil Apoio Maritimo LTDA	-	-	377	-	-
POS SM Co., Ltd.	173	4,458	162,221	-	-
Associates					
Korea LNG Trading Co., Ltd.	12,266	-	-	-	-
Busan Cross Dock, Ltd.	-	-	-	-	-
Other related parties					
Jeil Feed Company Co., Ltd.	-	-	-	3,809	25
Joowon Pekin Duck Co., Ltd.	-	-	-	-	14
Sunjin Farm Co., Ltd.	-	-	-	-	16
Sunjin Co., Ltd.	-	-	-	3,809	-
NS Shopping Co.,Ltd.	-	-	-	-	44
Farmsco Co.,Ltd.	-	-	-	3,809	96
Cham trading Co., ltd	-	-	-	-	8
Sunurihanu	-	-	-	-	53
Harim Co., Ltd.	-	-	-	-	56
	<u>\$ 49,686</u>	<u>\$ 4,641</u>	<u>\$ 169,280</u>	<u>\$ 11,427</u>	<u>\$ 2,016</u>

¹ The Company acquired shares of Pan Ocean(America), Inc. from other related parties during the previous period.

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(3) Financial transaction with related parties for the years ended December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars, in millions of Korean won)</i>	2021	
	Dividends paid	Cash contribution
Parent and ultimate controlling party		
Harim Holdings Co., Ltd.	KRW 14,620	-
Associates		
Harim USA, Ltd.	-	\$ 28,000

<i>(in thousands of US dollars)</i>	2020	
	Cash contribution	Capital reduction of subsidiaries
Subsidiaries		
Pan Ocean(America), Inc.	\$ 45,000	\$ -
Pan Ocean Brasil Apoio Maritimo Ltda.	-	1,146

(4) Outstanding balances arising from sales/purchases of goods and services as at December 31, 2021 and 2020, are as follows:

<i>(in thousands of US dollars)</i>	2021			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Parent and ultimate controlling party				
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ 662
Subsidiaries				
Pan Ocean Japan Corporation	-	-	142	4
Pan Ocean(China) Co., Ltd.	-	-	439	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	-	113	196	-
Pan Ocean(America), Inc.	3,670	904	76	3,813
POS SM Co., Ltd.	-	434	14,682	25
Other related parties				
Jeil Feed Company Co., Ltd.	-	346	-	-
Harim Co., Ltd.	-	-	-	1
	\$ 3,670	\$ 1,797	\$ 15,535	\$ 4,505

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(in thousands of US dollars)

	2020			
	Receivables		Payables	
	Trade receivables	Other receivables	Trade payables	Other payables
Parent and ultimate controlling party				
Harim Holdings Co., Ltd.	\$ -	\$ -	\$ -	\$ 626
Subsidiaries				
Pan Ocean Japan Corporation	-	-	164	4
Pan Ocean(China) Co., Ltd.	-	-	51	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	-	-	83	406
Pan Ocean(America), Inc.	218	128	378	-
STX Pan Ocean(U.K.) Co. Ltd. ¹	12,334	21,724	-	-
POS SM Co., Ltd.	-	426	9,086	-
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	-	-	-	-
Other related parties				
Jeil Feed Company Co., Ltd.	-	363	-	3
	<u>\$ 12,552</u>	<u>\$ 22,641</u>	<u>\$ 9,762</u>	<u>\$ 1,039</u>

¹ As at December 31, 2020, the Company has recognized the allowance for impairment for the entire receivable.

(5) Key management compensation for the years ended December 31, 2021 and 2020, is as follows:

(in thousands of US dollars)

	2021	2020
Salaries and other short-term benefits	\$ 1,659	\$ 1,078
Post-employment benefits	101	112
	<u>\$ 1,760</u>	<u>\$ 1,190</u>

(6) Details of payment guarantees provided by the Company to the related parties as at December 31, 2021, are as follows:

(in thousands of US dollars, in millions of Korean won)

Guarantee recipient	Guaranteed amount	Lender
Pan Ocean(America), Inc	\$ 146,000	Standard Chartered Bank New York Branch, Export- Import Bank of Korea, Woori America Bank

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(7) Details of performance guarantees provided by the Company to the related parties as at December 31, 2021, are as follows:

(in thousands of US dollars)

Beneficiary	Guaranteed amount	Guarantor
Pan Ocean(America), Inc	\$ 9,093	Korea Feed Association, Nonghyup Feed, Inc

(8) As at December 31, 2021, the Company is provided with a performance guarantee from the Parent Company related to the long-term transportation contract with VALE international SA.

34. Operating Segment Information

(1) Information about reportable segments

The Company has four reportable segments, as described below, which are the Company'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 Company's CEO reviews internal management reports on a quarterly basis.

The management performance result and significant financial information by each operating segment for the years ended December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)

	2021							
	Bulker	Container	Tanker	Other¹	Reportable segment total	Grain business	Non-shipping/ Unallocated	Total
Sales	\$ 3,109,615	\$ 244,563	\$ 120,479	\$ 81,827	\$ 3,556,484	\$	\$ 215	\$ 3,556,699
Operating profit (loss)	448,617	59,144	(8,484)	2,904	502,181		215	502,396
Assets	3,911,318	132,675	587,852	113,087	4,744,932		606,197	5,351,129
Liabilities	1,872,930	119,035	279,489	47,491	2,318,945		43,892	2,362,837
Acquisition of vessels, property and equipment	517,110	48,290	256,910	129,572	951,882		324	952,206
Depreciation	258,325	22,406	29,393	1,204	311,328		-	311,328
Amortization	139	14	9	-	162		-	162
Provision for (reversal of) impairment	709	45	29	-	783		(371)	412
Impairment losses on asset held-for-sale	-	-	8,934	-	8,934		-	8,934
Reversal of impairment loss	(8,389)	-	-	-	(8,389)		-	(8,389)

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

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

(in thousands of US dollars)

	2020							
	Bulker	Container	Tanker	Other ¹	Reportable segment total	Grain business	Non-shipping/ Unallocated	Total
Sales	\$ 1,483,582	\$ 164,354	\$ 120,860	\$ 12,451	\$ 1,781,247	\$ -	\$ 173	\$ 1,781,420
Operating profit	157,311	15,434	12,729	1,833	187,307	-	173	187,480
Assets	3,431,903	95,443	364,942	1,019	3,893,307	-	282,002	4,175,309
Liabilities	1,407,385	91,529	76,378	5,033	1,580,325	-	42,392	1,622,717
Acquisition of vessels, property and equipment	524,778	25,267	46,296	-	596,341	-	10,002	606,343
Depreciation	158,070	6,879	24,025	-	188,974	-	-	188,974
Amortization	119	14	10	-	143	-	-	143
Provision for(reversal of) impairment	(632)	1,010	340	-	718	-	(2,078)	(1,360)
Impairment loss	64,818	-	-	-	64,818	-	-	64,818

¹ Other segment includes other shipping services such as LNG and special shipping 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 Company'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 years ended December 31, 2021 and 2020, are as follows:

(in thousands of US dollars)	2021	2020
Asia	\$ 1,616,863	\$ 746,482
Oceania	827,377	382,731
Europe	61,117	6,699
North America	455,783	204,718
South America	527,934	394,319
Africa	67,625	46,471
	<u>\$ 3,556,699</u>	<u>\$ 1,781,420</u>

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

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

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

<i>(in thousands of US dollars)</i>	2021	2020
Revenue from voyage operation	\$ 3,051,103	\$ 1,591,986
Revenue from time charter ¹	505,596	189,434
	<u>\$ 3,556,699</u>	<u>\$ 1,781,420</u>

¹ Revenue from time charter includes \$ 43,638 thousand sublease income from right-of-use asset.

The future revenue from time charter expected to be received by time charterer as at December 31, 2021 are as follows:

<i>(in thousands of US dollar)</i>	2021
Within one year	\$ 120,294
Between 1 and 2 years	31,003
Between 2 and 3 years	11,830
Between 3 and 4 years	-
	<u>\$ 163,127</u>

(4) Revenue from external customers:

Revenues derived from a single external customer amount to 10% or more of the company's total revenues are as follows;

<i>(in thousands of US dollars)</i>	2021	2020	Segment
Customer A	\$ 330,920	\$ 242,229	Bulker
Customer B	390,658	162,018	Bulker

35. Leases

Set out below is information for leases when the Company is a lessee.

(1) Amounts recognized in the separate statement of financial position

The separate statement of financial position shows the following amounts relating to leases:

<i>(in thousands of US dollar)</i>	2021	2020
Right-of-use assets		
Vessels	\$ 231,998	\$ 19,735
Container vans	12,088	7,752
Buildings	7,438	9,615

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

Vehicles	215	206
	\$ 251,739	\$ 37,308

Additions to the right-of-use assets during the 2021 financial year were \$ 330,772 thousand (2020: \$ 21,582 thousand).

<i>(in thousands of US dollar)</i>	2021	2020
Lease liabilities		
Current	\$ 170,105	\$ 13,605
Non-current	78,763	24,724
	\$ 248,868	\$ 38,329

(2) Amounts recognized in the separate statements of comprehensive income

The separate statements of comprehensive income show the following amounts relating to leases:

<i>(in thousands of US dollar)</i>	2021	2020
Depreciation of right-of-use assets		
Vessels	\$ 111,464	\$ 10,305
Container vans	2,560	2,315
Buildings	2,177	1,368
Vehicles	130	157
	\$ 116,331	\$ 14,145
Interest expense relating to lease liabilities (included in finance cost)	3,599	1,396
Expense relating to short-term leases (included in cost of sales and administrative expenses)	1,138,891	322,445
Expense relating to leases of low-value assets that are not short-term leases (included in administrative expenses)	92	80

The total cash outflow for leases in 2021 was \$ 1,257,742 thousand (2020: \$ 338,050 thousand).

36. Contract Assets and Liabilities

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

<i>(in thousands of US dollars)</i>	2021	2020
Contract assets for carriage contracts	\$ 97,777	\$ 50,790
Contract liabilities for carriage contracts	189,759	107,381

Pan Ocean Co., Ltd.
Notes to the Separate Financial Statements
December 31, 2021 and 2020

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

(2) The revenue from the contract liabilities

Revenue recognized for the years ended December 31, 2021 and 2020, related to the carried-forward contract liabilities balance:

<i>(in thousands of US dollars)</i>	2021	2020
Revenue recognized that was included in the contract liability balance at the beginning of the year	\$ 77,288	\$ 62,068

(3) Assets recognized from costs to fulfil a contract

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

<i>(in thousands of US dollars)</i>	2021	2020
Assets recognized from costs to fulfil a contract at the end of the reporting period	\$ 185,828	\$ 68,256

The costs incurred to fulfil transportation contracts have been recognized as assets. The asset is amortized over the term of the specific contract, which does not exceed one to two months due to the nature of the transportation service. Accordingly, the Company has not recognized impairment loss on assets as at December 31, 2021.

**Report on Independent Auditor's
Audit of Internal Control over Financial Reporting**

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

Opinion on Internal Control over Financial Reporting

We have audited Pan Ocean Co., Ltd.'s (the Company) Internal Control over Financial Reporting as at December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2021, based on *Conceptual Framework for Designing and Operating Internal Control over Financial Reporting*.

We also have audited, in accordance with Korean Standards on Auditing, the separate financial statements of the Company, which comprise the separate statement of financial position as at December 31, 2021, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 11, 2022 expressed an unqualified opinion.

Basis for Opinion on Internal Control over Financial Reporting

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibility under these standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of internal control over financial reporting and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report on the Assessment of operations of the ICFR for 2021.

Those charged with governance have the responsibilities for overseeing internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted the audit in accordance with Korean Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Seung-Hee Lee, Certified Public Accountant.



Seoul, Korea
March 11, 2022

This report is effective as at March 11, 2022 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 Company's internal control over financial reporting 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.

Report on the Assessment of operations of the ICFR for 2021

To the Shareholders, Board of Directors and Audit Committee of Pan Ocean

We, as the Chief Executive Officer and the Internal Accounting Manager of Pan Ocean ("the Company"), assessed operating status of the Company's Internal Control over Financial Reporting("ICFR") for the year ending December 31, 2021.

Design and operation of ICFR is the responsibility of the Company's management, including the Chief Executive Officer and the Internal Accounting Manager.

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting' established by the Operating Committee of Internal Control over Financial Reporting in Korea (the "ICFR Committee") as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the 'Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting' established by the ICFR Committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2021, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

February 11, 2022

Joong-Ho Ahn, Chief Executive Officer



Tae-Hyung Kim, Internal Accounting Manager

