

Pan Ocean Co., Ltd.
Separate Financial Statements
December 31, 2016

Pan Ocean Co., Ltd.

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December 31, 2016 and 2015

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Independent Auditor's Report

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

We have audited the accompanying separate financial statements of Pan Ocean Co., Ltd. (the Company), which comprise the separate statement of financial position as at December 31, 2016, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory information.

Management's responsibilities for the financial statement

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

Auditor's responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

Uncertainty of estimates and existence of significant contingency

As described in note 20 and 31, the Group reserved provisions for the probable amounts that are reliably estimated to be additionally approved as rehabilitation claims. However, the contingent amounts of US\$ 79,455 thousand which were excluded from provisions may be different from the Company's expectation according to actual result from the judgement.

Other Matters

The separate financial statements of the Company for the year ended December 31, 2015, were audited by Nexia Samduk who expressed an unmodified opinion on those statements on March 11, 2016.

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

The signature is written in a cursive, handwritten style. It reads "Samil PricewaterhouseCoopers". The "S" is large and loops around the "amil". "PricewaterhouseCoopers" is written in a more standard cursive script.

Seoul, Korea
March 14, 2017

This report is effective as at March 14, 2017, 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 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, 2016 and 2015

<i>(in thousands of US dollars)</i>	Notes	2016	2015
Assets			
Current assets			
Cash and cash equivalents	4,5,6,8	\$ 160,991	\$ 190,619
Trade receivables	4,5,6,7,9	66,841	81,826
Other receivables	4,5,6,10	18,708	18,905
Derivative financial assets	4,5,6,11	1,649	32
Other financial assets	4,5,6,12	3,000	1,070
Inventories	13	39,548	34,162
Other assets	14	123,137	128,414
Assets held for sale		-	2,649
		<u>413,874</u>	<u>457,677</u>
Non-current assets			
Trade receivables	4,5,6,7,9	-	71
Other receivables	4,5,6,7,10	16,863	10,571
Other financial assets	4,5,6,12	27,979	16,050
Investments in subsidiaries	15	50,655	48,983
Investments in associates and joint ventures	15	1,252	1,498
Vessels, property and equipment	16	3,005,646	3,065,422
Intangible assets	17	3,916	4,059
Other assets	14	4,525	3,344
		<u>3,110,836</u>	<u>3,149,998</u>
Total assets		<u>\$ 3,524,710</u>	<u>\$ 3,607,675</u>
Liabilities			
Current liabilities			
Trade payables	4,5,6	\$ 63,857	\$ 56,941
Borrowings	4,5,6,18	264,259	225,217
Derivative financial liabilities	4,5,6,11	21	1,714
Other payables	4,5,6,19	33,199	40,946
Provisions	20	3,008	1,837
Other liabilities	21	55,045	64,012
		<u>419,389</u>	<u>390,667</u>
Non-current liabilities			
Borrowings	4,5,6,18	982,009	1,053,801
Derivative financial liabilities	4,5,6,11	90	213
Provisions	20	31,557	107,071
Retirement benefit obligations	22	5,826	9,526
		<u>1,019,482</u>	<u>1,170,611</u>
Total liabilities		<u>1,438,871</u>	<u>1,561,278</u>
Equity			
Share capital	24	480,598	471,717
Capital surplus	24	650,802	626,615
Other reserves	25	1,069,049	1,141,252
Accumulated deficit	26	(114,610)	(193,187)
Total equity		<u>2,085,839</u>	<u>2,046,397</u>
Total liabilities and equity		<u>\$ 3,524,710</u>	<u>\$ 3,607,675</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, 2016 and 2015

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

	Notes	2016	2015
Sales	35	\$ 1,385,976	\$ 1,553,377
Cost of sales	27	(1,215,704)	(1,319,125)
Gross profit		170,272	234,252
Selling and administrative expenses	27	(32,699)	(37,615)
Operating profit		137,573	196,637
Finance income	28	13,793	43,484
Finance costs	28	(51,066)	(103,980)
Other non-operating expenses, net	29	(21,752)	(92,337)
Profit before income tax		78,548	43,804
Income tax expense	23	421	-
Profit for the year		\$ 78,127	\$ 43,804
Other comprehensive income			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of available-for-sale financial assets, net of tax		(981)	762
Changes in the fair value of derivative financial assets and liabilities, net of tax		(40)	171
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability		450	(578)
		(571)	355
Total comprehensive income for the year		\$ 77,556	\$ 44,159
Earnings per share	30		
Basic earnings per share		\$ 0.15	\$ 0.11
Diluted earnings per share		0.15	0.11

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

Pan Ocean Co., Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2016 and 2015

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

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, 2016 and 2015

<i>(in thousands of US dollars)</i>	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operating activities	33	\$ 249,231	\$ 326,047
Interest paid		(41,199)	(56,881)
Income tax refund(paid)		62	(928)
Net cash inflow from operating activities		<u>208,094</u>	<u>268,238</u>
Cash flows from investing activities			
Acquisition of vessels, property and equipment		(85,365)	(47,664)
Proceeds from sale of vessels, property and equipment		20,584	20
Proceeds from sale of intangible assets		-	408
Acquisition of other financial assets		(36,844)	(4,194)
Proceeds from sale of other financial assets		23,192	9,172
Acquisition of investments in subsidiaries		(1,672)	(7,696)
Proceeds from sale of investments in subsidiaries		2,649	-
Acquisition of investments in associates and joint ventures		(42)	(40)
Proceeds from sale of investments in associates and joint ventures		-	4,635
Dividends received		2,776	4,629
Loans provided		(5)	-
Loans collected		2,896	218
Interest received		1,220	4,260
Net cash outflow from investing activities		<u>(70,611)</u>	<u>(36,252)</u>
Cash flows from financing activities			
Proceeds from borrowings		143,235	176,310
Repayments of borrowings		(310,160)	(477,040)
Repayment of reorganization liabilities		-	(787,009)
Proceeds from capital increase		-	715,644
Net cash outflow from financing activities		<u>(166,925)</u>	<u>(372,095)</u>
Net decrease in cash and cash equivalents		<u>(29,442)</u>	<u>(140,109)</u>
Cash and cash equivalents at the beginning of the year		190,619	330,866
Effect of exchange rate changes on cash and cash equivalents		(186)	(138)
Cash and cash equivalents at the end of the year		<u>\$ 160,991</u>	<u>\$ 190,619</u>

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

1. General Information

1.1 The Company

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

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

The paid-in capital amount as at December 31, 2016, is US\$ 480,598 thousand and the number of shares issued is 534,392,834. As at December 31, 2016, the detail of the shareholders structure is as follows:

	Number of shares	Percentage of ownership (%)
Jeil Holdings Co., Ltd.	272,000,000	50.90%
Poseidon 2014 LLC.	68,000,000	12.72%
Other shareholders	194,392,834	36.38%
	534,392,834	100.00%

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate 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 the separate financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards 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, 2016. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

- Disclosure Initiative – Amendments to Korean IFRS 1001 Presentation of Financial Statements

Korean IFRS 1001 *Presentation of Financial Statements* clarifies that materiality applies to the exclusion or inclusion or aggregation of the disclosures in the notes. And also, clarifies that the share of OCI arising from equity-accounted should be presented in total for items which will and will not be reclassified to profit or loss. Additional amendments are made in relation to a particular order of the notes and other.

- Clarification of Acceptable methods of Depreciation and Amortization – Amendments to Korean IFRS 1016 Property, Plant and Equipment, and Korean IFRS 1038 Intangible assets

- Investment entities: Applying the Consolidation Exception – Amendments to Korean IFRS 1110 Consolidated Financial Statements, Korean IFRS 1028 Investments in Associates and Joint Ventures, and Korean IFRS 1112 Disclosures of Interests in Other Entities

- Amendments made to Korean IFRS 1110 *Consolidated Financial Statements* clarify that the exception from preparing consolidated financial statement is also available to intermediate parent entities which are subsidiaries of investment entities. If an investment entity has a subsidiary that is an investment entity and whose activities are providing services that related to the investment entity's investment activities, the investment entity measures the subsidiary at fair value through profit or loss.
- Amendments made to Korean IFRS 1028 *Investments in Associates and Joint Ventures* clarify that entities which are not investment entities but have an interest in an associate which is an investment entity have a policy choice when applying the equity method of accounting.
- Amendments made to Korean IFRS 1112 *Disclosures of Interests in Other Entities* clarify that an investment entity which does not prepare consolidated financial statements should present disclosures relating to investment entities required by Korean IFRS 1112.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to Korean IFRS 1111 Joint Arrangements

Amendments to Korean IFRS 1111 *Joint Arrangements* clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. An investor requires to apply the principles of business combination accounting when the investor

acquires an interest in a joint operation that constitutes a business.

- Annual Improvements to Korean IFRS 2012-2014 Cycle

Annual Improvements to Korean IFRS 2012-2014 Cycle consist of the following amendments. The application does not have a material impact on the separate financial statements.

- Korean IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operation* – clarifies when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not have to be accounted for as such.
- Korean IFRS 1107 *Financial Instruments: Disclosures* – clarifies the specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement', and also clarifies that the additional disclosures relating to the amendments in 2012 '*Offsetting of Financial Assets and Financial Liabilities*' only need to be included in interim reports if required by Korean IFRS 1034 *Interim Financial Reporting*.
- Korean IFRS 1019 *Employee Benefits* clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency in which the liabilities are denominated that is important, and not the country where they arise.
- Korean IFRS 1034 *Interim Financial Reporting* clarifies what is meant by the reference in the standard to '*information disclosed elsewhere in the interim financial report*'; and also amended requirements for a cross-reference from the interim financial statements to the location of that information.

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

Certain new accounting standards and interpretations that have been published that are not mandatory for December 31, 2016 reporting periods and have not been early adopted by the Company are set out below.

- Amendment of Korean IFRS 1007 *Statement of Cash Flows*

Amendments to Korean IFRS 1007 *Statement of Cash flows* requires to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. The Company will apply this amendment for annual reporting periods beginning on or after January 1, 2017 with early application permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Amendment of Korean IFRS 1012 *Income Tax*

Amendments to Korean IFRS 1012 clarify how to account for deferred tax assets related to debt instruments measured at fair value. Korean IFRS 1012 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments issued clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. The Company will apply the amendments for annual periods beginning on or after January 1, 2017 with early application permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

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

Amendments to Korean IFRS 1102 clarifies accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. And also, clarifies that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The Company will apply the amendments for annual periods beginning on or after January 1, 2018 with early application permitted. The Company does not expect the amendments to have a significant impact on the separate financial statements.

- Korean IFRS 1109 *Financial instruments*

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

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

Korean IFRS 1109 *Financial Instruments* requires all financial assets to be classified and measured on the basis of the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. A new impairment model, an expected credit loss model, is introduced and any subsequent changes in expected credit losses will be recognized in profit or loss. Also, hedge accounting rules amended to extend the hedging relationship, which consists only of eligible hedging instruments and hedged items, qualifies for hedge accounting.

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

instruments held by the Company and macroeconomic variables.

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

① Classification and measurement of financial assets

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

Business model	Contractual cash flow characteristics	
	Principal and interest only	All other
<i>Hold the financial asset for the collection of the contractual cash flows</i>	Measured at amortized cost ¹	Recognized at fair value through profit or loss ²
<i>Hold the financial asset for the collection of the contractual cash flows and trading</i>	Recognized at fair value through other comprehensive income ¹	
<i>Hold for trading</i>	Recognized at fair value through profit or loss	

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

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

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

② Classification and measurement of financial liabilities

Korean IFRS 1109 requires the amount of the change in the liability's fair value attributable to changes in the credit risk to be recognized in other comprehensive income, unless this treatment of the credit risk component creates or enlarges a measurement mismatch. Amounts presented in

other comprehensive income are not subsequently transferred to profit or loss.

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

③ Impairment: Financial assets and contract assets

Korean IFRS 1109 sets out a new forward looking 'expected loss' impairment model which replaces the incurred loss model under Korean IFRS 1039 that impaired assets if there is an objective evidence and applies to:

- Financial assets measured at amortized cost
- Debt investments measured at fair value through other comprehensive income, and
- Certain loan commitments and financial guaranteed contracts.

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

Stage ¹		Loss allowance
1	No significant increase in credit risk after initial recognition ²	12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date)
2	Significant increase in credit risk after initial recognition	Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)
3	Objective evidence of impairment	

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

² If the financial instrument has low credit risk at the reporting date, the Company may assume that the credit risk has not increased significantly since initial recognition.

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

③ Hedge accounting

Hedge accounting mechanics (fair value hedges, cash flow hedges and hedge of net investments in a foreign operations) required by Korean IFRS 1039 remains unchanged in Korean IFRS 1109, however, the new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. Korean IFRS 1109 allows more hedging instruments and hedged items to qualify for hedge accounting, and relaxes the hedge accounting requirement by removing two hedge effectiveness tests that are a prospective test to ensure that the hedging relationship is expected to be highly effective and a quantitative retrospective test (within range of 80-120 %) to ensure that the hedging relationship has been highly effective throughout the reporting period.

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

- Korean IFRS No. 1115, *Revenue from contracts with customers*

The Company will apply Korean IFRS 1115 *Revenue from Contracts with Customers* issued on November 6, 2015 replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of assets from customers*.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue from contract with customer can be recognized:

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

The Company will apply this standard for annual reporting periods beginning on or after January 1, 2018 with early application permitted. The Company does not expect the standard to have a significant impact on the separate 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.

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 US dollar, which is the Parent Company's functional currency.

(b) Transactions and balances

If the functional currency is not the currency of a hyper inflationary economy, the assets and liabilities presented in the statement of financial position (also the comparative statement) are translated at the closing rate at the end of the reporting period. The income and expenses for each statement of profit or loss (also the comparative statement) are translated using the exchange rates at the dates of the transactions, and all resulting exchange differences are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification and measurement

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

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

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss within other income or other expenses. Gains or losses arising from changes in the available-for-sale financial assets are recognized in other

comprehensive income, and amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(b) Impairment

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

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

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

(c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'borrowings and other liabilities' in the statement of financial position (Note 8).

(d) 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 re-measured at their fair value. Changes in the fair value of the

derivatives that are not qualified for hedge accounting are recognized in the statement of profit or loss within 'other non-operating income (expenses)' or 'finance income (costs)' according to the nature of transactions.

2.7 Inventories

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

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

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

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

2.9 Vessels, property and equipment

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

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

The depreciation method, residual values and useful lives of vessels, property and equipment are reviewed at each financial year-end and, if appropriate, accounted for as changes in accounting

estimates.

2.10 Borrowing Costs

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

2.11 Intangible Assets

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

Software development costs that are directly attributable to internally generated by the 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>
Software	5

2.12 Impairment of Non-financial Assets

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

2.13 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 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 statement of income as 'finance costs', together with interest expenses recognized on other financial liabilities.

(b) Derecognition

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

2.14 Provisions

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

2.15. Current and Deferred Tax

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

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The 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 nor taxable profit nor 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.

2.16 Employee Benefits

According to the payment provision of the employees and directors' severance benefit, employees and directors are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay 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 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.

A defined contribution plan is in which the Company pays a fixed amount of contributions to a separate fund and the contributions are recognized as an expense when employees has rendered services during the period.

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

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

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

2.17 Revenue Recognition

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

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

2.18 Lease

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

Leases where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

2.19 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 and the difference between the book amount of restructured debts and the fair value of the debt-equity swapped shares is recorded as gain or loss from debt restructuring.

2.20 Operating Segments

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

Operating segments reported to the 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.

2.21 Approval of Issuance of the Financial Statements

The separate financial statements 2016 of the Company were approved for issue by the Board of Directors on February 7, 2017 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

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

(b) Income taxes

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

(c) Fair value of financial instruments

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

(d) Net defined benefit liability

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

4. Financial Risk Management

4.1 Financial Risk Factors

The Company's activities expose it 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 costs 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

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- currencies other than U.S. dollars, and
- foreign exchange exposures arising from repayment obligations or borrowings which are denominated in currencies other than U.S. dollars.

A vast majority of the Company's sales and operating expenses were 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 to hedge 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, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	<u>2016</u>	<u>2015</u>
Gains(Losses) on foreign currency translations	\$ (1,288)	\$ 1,071
Gains(Losses) on foreign currency transactions	(960)	7,273

The Company is primarily exposed to exchange risk in relation to currencies other than USD. Exposures to exchange risk in relation to currencies other than USD for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 41,033	\$ 59,757
Trade receivables	8,233	8,520
Other receivables	143	213
Trade payables	(17,502)	(10,528)
Other non-trade payables	(7,351)	(7,076)
Finance lease liabilities	-	(19,625)
Bonds	-	(34,130)
Other	26,103	30,954
	<u>\$ 50,659</u>	<u>\$ 28,085</u>

As at December 31, 2016 and 2015, the effect of a 10% increase or decrease in exchange rates on profit before tax is as follows:

<i>(in thousands of US dollars)</i>	<u>2016</u>	<u>2015</u>
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Exchange rate	10% increase	\$	(4,064)	\$	(2,522)
	10% decrease		5,630		3,122

(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. Usually, 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 bunker 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 bunker 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.

The Company will then attempt to match FFAs and bunker 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, which is usually every month, 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.

As to December 31, 2016 and 2015, the effect of a 10% increase or decrease of in the BDI index applicable to forward freight agreements (FFAs) would have resulted in an increase (decrease) in profit before tax as follows:

In thousands of US dollars		2016	2015
BDI index	10% increase	\$ (45)	\$ 11
	10% decrease	45	(11)

As to December 31, 2016 and 2015 the effect of a 10% increase or decrease of in the index applicable to commodity swap would have resulted in an increase (decrease) in profit before tax as follows:

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In thousands of US dollars		2016	2015
Commodity swap	10% increase	\$ 906	\$ 193
	10% decrease	(906)	(193)

(3) Interest risk

The Company determines that the interest rate risk associated with floating rate financial assets is immaterial because the maturities of these assets are primarily less than three months. The Company is exposed to interest rate risk arising from the volatility of benchmark interest rates (especially LIBOR), as a majority of borrowings are on a floating rate basis.

Book amounts of interest-bearing financial liabilities held by the Company for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Fixed interest rate	\$ 81,206	\$ 143,599
Floating interest rate	1,165,062	1,135,419
	<u>\$ 1,246,268</u>	<u>\$ 1,279,018</u>

The Company generally 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.

As at December 31, 2016 and 2015, the effect of a 0.5% increase (decrease) in interest rates would have resulted in a decrease (increase) in profit before tax as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Interest rate	0.5% increase	\$ (5,066)
	0.5% decrease	5,066

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 and investment securities. Outstanding balances of financial assets which represent maximum exposures of credit risk as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Non-current		
Trade receivables	\$ -	\$ 71
Other receivables	16,863	10,571
Other financial assets	23,877	11,949
	<u>40,740</u>	<u>22,591</u>
Current		
Cash and cash equivalent ¹	159,642	189,455
Trade receivables	66,841	81,826
Other receivables	18,708	18,905
Derivative financial assets	1,649	32
Other financial assets	3,000	1,070
	<u>249,840</u>	<u>291,288</u>
	<u>\$ 290,580</u>	<u>\$ 313,879</u>

¹ Excludes 'cash on hand'.

The Company claims pledges or additional credits according to the credit of counter parties, but these requests do not have a material impact on the Company's exposure to credit risk.

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.

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 their carrying balances as the impact of discounting is not significant.

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(in thousands of US dollars)

	2016				
	Less than 1 month	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 291,356	\$ 268,034	\$ 523,819	\$ 300,560	\$ 1,383,769
Derivative financial liabilities	21	90	-	-	111
Trade payables	63,857	-	-	-	63,857
Other payables	32,582	-	-	-	32,582
	<u>\$ 387,816</u>	<u>\$ 268,124</u>	<u>\$ 523,819</u>	<u>\$ 300,560</u>	<u>\$ 1,480,319</u>

(in thousands of US dollars)

	2015				
	Less than 1 month	Between 1 and 2 years	Between 2 and 4 years	Over 4 years	Total
Borrowings ¹	\$ 264,805	\$ 258,386	\$ 422,189	\$ 480,401	\$ 1,425,781
Derivative financial liabilities	1,714	-	213	-	1,927
Trade payables	56,941	-	-	-	56,941
Other payables	40,946	-	-	-	40,946
	<u>\$ 364,406</u>	<u>\$ 258,386</u>	<u>\$ 422,402</u>	<u>\$ 480,401</u>	<u>\$ 1,525,595</u>

¹ Borrowings consist of short-term borrowings, long-term borrowings, bonds and payables for vessels. Borrowings for vessels included US\$ 137,501 thousand and US\$ 146,763 thousand of finance costs as at December 31, 2016 and 2015, respectively.

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.

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The gearing ratios as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Total borrowings	\$ 1,246,268	\$ 1,279,018
Less: cash and cash equivalents	<u>(160,991)</u>	<u>(190,619)</u>
Net debt	1,085,277	1,088,399
Total equity	<u>2,085,839</u>	<u>2,046,397</u>
Total capital	<u>\$ 3,171,116</u>	<u>\$ 3,134,796</u>
Gearing ratio	34%	35%

5. Fair Value

5.1 Fair value of Financial Instruments by Category

There is no significant change in the business and economic environments that affects the fair value of financial assets and liabilities of the Company during the year ended December 31, 2016.

Carrying amount and the fair value of financial assets as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Trade receivables ¹	\$ -	\$ -	\$ 71	\$ 71
Other receivables ¹	16,863	16,863	10,571	10,571
Other financial assets ^{1,2}	<u>23,877</u>	<u>23,877</u>	<u>11,948</u>	<u>11,948</u>
	<u>40,740</u>	<u>40,740</u>	<u>22,590</u>	<u>22,590</u>
Current				
Cash and cash equivalent ¹	160,991	160,991	190,619	190,619
Trade receivables ¹	66,841	66,841	81,826	81,826
Other receivables ¹	18,708	18,708	18,905	18,905
Derivative financial assets	1,649	1,649	32	32
Other financial assets ¹	<u>3,000</u>	<u>3,000</u>	<u>1,070</u>	<u>1,070</u>
	<u>251,189</u>	<u>251,189</u>	<u>292,452</u>	<u>292,452</u>
	<u>\$ 291,929</u>	<u>\$ 291,929</u>	<u>\$ 315,042</u>	<u>\$ 315,042</u>

¹ The carrying amount is a reasonable approximation of fair value.

² Equity instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.

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Carrying amount and the fair value of financial liabilities as at December 31, 2016 and 2015, are summarized as follows:

<i>(in thousands of US dollars)</i>	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Borrowings ¹	\$ 982,009	\$ 982,009	\$ 1,053,801	\$ 1,053,801
Derivatives financial liabilities	90	90	213	213
	<u>982,099</u>	<u>982,099</u>	<u>1,054,014</u>	<u>1,054,014</u>
Current				
Trade payables ¹	63,857	63,857	56,941	56,941
Borrowings ¹	264,259	264,259	225,217	225,217
Other payables ¹	32,582	32,582	40,946	40,946
Derivatives financial liabilities ¹	21	21	1,714	1,714
	<u>360,719</u>	<u>360,719</u>	<u>324,818</u>	<u>324,818</u>
	<u>\$ 1,342,818</u>	<u>\$ 1,342,818</u>	<u>\$ 1,378,832</u>	<u>\$ 1,378,832</u>

¹ The carrying amount is a reasonable approximation of fair value.

5.2 Financial Instrument Measured at Cost

Details of financial instruments measured at cost as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Other financial assets ¹	\$ 4,102	\$ 4,102

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

5.3 Fair value Hierarchy

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

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as at December 31, 2016, are as follows:

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<i>(in thousands of US dollars)</i>	Level 1	Level 2	Level 3	Total
Financial assets				
Non-current				
Other financial assets	\$ -	\$ 7,474	\$ -	\$ 7,474
	-	7,474	-	7,474
Current				
Derivatives financial assets	1,649	-	-	1,649
	1,649	-	-	1,649
	\$ 1,649	\$ 7,474	\$ -	\$ 9,123
Financial liabilities				
Non-current				
Derivatives financial liabilities	\$ -	\$ 90	\$ -	\$ 90
	-	90	-	90
Current				
Derivatives financial liabilities	21	-	-	21
	21	-	-	21
	\$ 21	\$ 90	\$ -	\$ 111

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, 2015, are as follows:

<i>(in thousands of US dollars)</i>	Level 1	Level 2	Level 3	Total
Financial assets				
Non-current				
Other financial assets	\$ -	\$ 11,946	\$ -	\$ 11,946
	-	11,946	-	11,946
Current				
Derivatives financial assets	32	-	-	32
	32	-	-	32
	\$ 32	\$ 11,946	\$ -	\$ 11,978
Financial liabilities				
Non-current				
Derivatives financial liabilities	\$ -	\$ 213	\$ -	\$ 213
	-	213	-	213
Current				
Derivatives financial liabilities	1,714	-	-	1,714
	1,714	-	-	1,714
	\$ 1,714	\$ 213	\$ -	\$ 1,927

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5.4 Valuation Technique and the Inputs

Valuation techniques and inputs used in the fair value of assets and liabilities categorized within Level 2 of the fair value hierarchy as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

(in thousands of US dollars)		Valuation techniques		Inputs	
Fair value					
2016	2015				
Assets					
Other financial assets (non-current)	\$ 7,474	\$ 11,946	Market comparison technique	Adjusted market price of underlying asset	
Liabilities					
Derivatives financial liabilities (non-current)	90	213	Market comparison technique	Interest rate of 3 month Libor	

6. Financial Instrument by Category

(1) Categorizations of financial assets as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current				
Cash and cash equivalents	\$ -	\$ 160,991	\$ -	\$ 160,991
Trade receivables	-	66,841	-	66,841
Other receivables	-	18,708	-	18,708
Derivatives financial assets	1,649	-	-	1,649
Other financial assets	-	3,000	-	3,000
	1,649	249,540	-	251,189
Non-current				
Other receivables	-	16,863	-	16,863
Other financial assets	-	16,403	11,576	27,979
	-	33,266	11,576	44,842
	\$ 1,649	\$ 282,806	\$ 11,576	\$ 296,031

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	2015			
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Total
Current				
Cash and cash equivalent	\$ -	\$ 190,619	\$ -	\$ 190,619
Trade receivables	-	81,826	-	81,826
Other receivables	-	18,905	-	18,905
Derivative financial assets	32	-	-	32
Other financial assets	-	1,070	-	1,070
	<u>32</u>	<u>292,420</u>	<u>-</u>	<u>292,452</u>
Non-current				
Trade receivables	-	71	-	71
Other receivables	-	10,571	-	10,571
Other financial assets	-	3	16,047	16,050
	<u>-</u>	<u>10,645</u>	<u>16,047</u>	<u>26,692</u>
	<u>\$ 32</u>	<u>\$ 303,065</u>	<u>\$ 16,047</u>	<u>\$ 319,144</u>

Categorizations of financial liabilities as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016		
	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
Current			
Borrowing	\$ -	\$ 264,259	\$ 264,259
Derivatives financial liabilities	21	-	21
Trade payables	-	63,857	63,857
Other payables	-	32,582	32,582
	<u>21</u>	<u>360,698</u>	<u>360,719</u>
Non-current			
Borrowings	-	982,009	982,009
Derivatives financial liabilities	90	-	90
	<u>90</u>	<u>982,009</u>	<u>982,099</u>
	<u>\$ 111</u>	<u>\$ 1,342,707</u>	<u>\$ 1,342,818</u>

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(in thousands of US dollars)

	2015		
	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortized cost	Total
Current			
Borrowing	\$ -	\$ 225,217	\$ 225,217
Derivatives financial liabilities	1,714	-	1,714
Trade payables	-	56,941	56,941
Other payables	-	40,946	40,946
	<u>1,714</u>	<u>323,104</u>	<u>324,818</u>
Non-current			
Borrowings	-	1,053,801	1,053,801
Derivatives financial liabilities	213	-	213
	<u>213</u>	<u>1,053,801</u>	<u>1,054,014</u>
	<u>\$ 1,927</u>	<u>\$ 1,376,905</u>	<u>\$ 1,378,832</u>

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, 2016 and 2015 are as follows:

(in thousands of US
dollars)

	2016		2015	
	Gross amount	Provision for impairment	Gross amount	Provision for impairment
Trade receivables:				
Not past due	\$ 55,095	\$ (3,533)	\$ 72,858	\$ (4,087)
Up to 3 months	9,341	(1,692)	13,767	(6,661)
3 to 6 months	4,949	(4,019)	5,977	(4,839)
Over 6 months	<u>49,820</u>	<u>(43,120)</u>	<u>105,508</u>	<u>(100,626)</u>
	<u>\$ 119,205</u>	<u>\$ (52,364)</u>	<u>\$ 198,110</u>	<u>\$ (116,213)</u>
Other receivables and others:				
Not past due	\$ 71,740	\$ (20,939)	\$ 72,847	\$ (19,766)
Up to 3 months	1,661	-	1,617	(34)
3 to 6 months	91	(2)	231	(22)
Over 6 months	<u>19,833</u>	<u>(19,295)</u>	<u>21,579</u>	<u>(21,156)</u>
	<u>\$ 93,325</u>	<u>\$ (40,236)</u>	<u>\$ 96,274</u>	<u>\$ (40,978)</u>

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

<i>(in thousands of US dollars)</i>	2016	2015
Trade receivables		
Beginning balance	\$ 116,213	\$ 127,663
(Reversal of) provision for impaired receivables during the year	(8,747)	(3,485)
Write-offs and others	(55,102)	(7,965)
Ending balance	<u>\$ 52,364</u>	<u>\$ 116,213</u>
Other receivables and others		
Beginning balance	\$ 40,978	\$ 39,913
(Reversal of) provision for impaired receivables during the year	(311)	4,221
Write-offs and others	(431)	(3,156)
Ending balance	<u>\$ 40,236</u>	<u>\$ 40,978</u>

The aging analysis of receivables past due but not impaired as at December 31, 2016 is as follows:

<i>(in thousands of US dollars)</i>	2016				
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years
Trade receivables	\$ 7,649	\$ 930	\$ 835	\$ 1,879	\$ 3,986
Other receivables and others	1,661	89	79	154	305
	<u>\$ 9,310</u>	<u>\$ 1,019</u>	<u>\$ 914</u>	<u>\$ 2,033</u>	<u>\$ 4,291</u>
					<u>\$ 17,567</u>

The aging analysis of receivables past due but not impaired as at December 31, 2015 is as follows:

<i>(in thousands of US dollars)</i>	2015				
	Less than 3 months	3 to 6 months	6 months to 1 year	1 year to 2 years	More than 2 years
Trade receivables	\$ 7,106	\$ 1,138	\$ 1,706	\$ 1,398	\$ 1,778
Other receivables and others	1,583	209	51	372	-
	<u>\$ 8,689</u>	<u>\$ 1,347</u>	<u>\$ 1,757</u>	<u>\$ 1,771</u>	<u>\$ 1,778</u>
					<u>\$ 15,341</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, 2016 and 2015, are summarized as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Cash on hand	\$ 1,349	\$ 1,164
Deposits and others	159,642	189,455
	<u>\$ 160,991</u>	<u>\$ 190,619</u>

9. Trade Receivables

(1) Trade receivables as at December 31, 2016 and 2015, are summarized as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Current :		
Trade receivables	\$ 119,205	\$ 198,015
Less: provision for impairment	(52,364)	(116,189)
	<u>66,841</u>	<u>81,826</u>
Non-current :		
Trade receivables	-	95
Less: present value discount	-	(24)
	<u>-</u>	<u>71</u>
	<u>\$ 66,841</u>	<u>\$ 81,897</u>

10. Other Receivables

(1) Details of other receivables as at December 31, 2016 and 2015, are summarized as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Current :		
Loan	\$ 24,333	\$ 28,364
Less: provision for impairment	(16,638)	(17,081)

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Prepayment	8,515	6,426
Less: provision for impairment	(1,678)	(1,744)
Other receivable	7,106	8,142
Less: provision for impairment	(2,930)	(5,202)
	<u>18,708</u>	<u>18,905</u>
Non-current :		
Loan	135	258
Deposit	16,728	10,313
	<u>16,863</u>	<u>10,571</u>
	<u>\$ 35,571</u>	<u>\$ 29,476</u>

11. Derivative Financial Assets and Liabilities

(1) Derivative financial assets and liabilities as at December 31, 2016 and 2015, are summarized as follows:

(in thousands of US dollars)

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Forward freight agreement	\$ 83	\$ -	\$ -	\$ 28
Interest rate swap	-	90	-	213
Commodity swap/option	1,566	21	32	1,686
	<u>\$ 1,649</u>	<u>\$ 111</u>	<u>\$ 32</u>	<u>\$ 1,927</u>
Current	\$ 1,649	\$ 21	\$ 32	\$ 1,714
Non-current	-	90	-	213

(2) Gains and losses on valuation and transaction of derivative financial assets and liabilities for the periods ended December 31, 2016 and 2015, are summarized as follows:

(in thousands of US dollars)

	2016		2015	
	Gains(Losses) on transaction	Gains(Losses) on valuation	Gains(Losses) on transaction	Gains(Losses) on valuation
Forward freight agreement	\$ 224	\$ 83	\$ 87	\$ (28)
Interest rate swap	-	(40)	-	171
Commodity swap/option	2,328	1,545	(7,319)	(1,654)
	<u>\$ 2,552</u>	<u>\$ 1,588</u>	<u>\$ (7,232)</u>	<u>\$ (1,511)</u>
Other non-operating income(expenses)	\$ 2,552	\$ 1,628	\$ (7,232)	\$ (1,682)
Other comprehensive income(expenses)	-	(40)	-	171

12. Other Financial Assets

(1) Details of other financial assets by categories as at December 31, 2016 and 2015, are follows:

<i>(in thousands of US dollars)</i>	2016	2015
Loans and receivables:		
Deposit and others ¹	\$ 19,403	\$ 1,070
Available-for-sales financial assets:		
Unlisted shares	4,102	4,102
Beneficiary certificates	7,474	11,948
	<u>11,576</u>	<u>16,050</u>
	<u>\$ 30,979</u>	<u>\$ 17,120</u>
Current	\$ 3,000	\$ 1,070
Non-current	27,979	16,050

¹ As at December 31, 2016, financial assets amounting to US\$ 16,500 thousand are provided as pledges for borrowings and guarantees.

(2) Equity instruments which were classified as available-for-sale, but for which fair value could not be reasonably assessed are recognized at cost. Details of unlisted equity instruments recognized at cost as at December 31, 2016 and 2015, are follows:

<i>(in thousands of US dollars)</i>	2016		2015	
	Percentage of ownership	Book amount	Percentage of ownership	Book amount
Korea P&I Club	8.25%	\$ 491	8.25%	\$ 491
Taeyoung Grain Terminal Co., Ltd.	7.00%	3,611	7.00%	3,611
		<u>\$ 4,102</u>		<u>\$ 4,102</u>

(3) Changes in available-for-sale financial assets for the periods ended December 31, 2016 and 2015 are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Beginning balance	\$ 16,050	\$ 19,497
Additions	4,251	2,670
Disposal	(8,755)	(6,880)
Gains (losses) on valuation, net	30	763
Ending balance	<u>\$ 11,576</u>	<u>\$ 16,050</u>

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13. Inventories

Inventories as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Fuel	\$ 28,669	\$ 24,218
Spare parts and others	10,879	9,944
	\$ 39,548	\$ 34,162

The cost of inventories included in cost of sales as an expense during the year is US\$ 307,360 thousand(2015: US\$ 377,662 thousand).

14. Other Assets

Details of other assets as at December 31, 2016 and 2015, are summarized as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Current :		
Prepayments	\$ 36,507	\$ 42,772
Less: provision for impairment	(18,989)	(16,951)
Prepaid expenses	47,760	43,631
Prepaid income tax	445	-
Accrued income – shipping	57,414	58,962
	123,137	128,414
Non-current :		
Reimbursement receivables	4,525	3,344
	4,525	3,344
	\$ 127,662	\$ 131,758

15. Investments in Subsidiaries, Associates and Joint Ventures

(1) Details of subsidiaries, associates and joint ventures as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>		2016				
	Name of entity	Country	Interest held	Closing date	Main business	Book amount
Subsidiaries	Pan Ocean (America) Inc. ¹	USA	34%	December 31, 2016	Shipping	\$ 12,700
	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	100%	December 31, 2016	Shipping	8,253

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	Pan Ocean(China) Co., Ltd.	China	100%	December 31, 2016	Shipping	15,000
	STX Pan Ocean(U.K.) Co., Ltd.	U.K.	100%	December 31, 2016	Shipping	-
	Pan Ocean Japan Corporation	Japan	100%	December 31, 2016	Shipping	6,954
	Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	100%	December 31, 2016	Shipping	4,380
	POS SM Co., Ltd.	Korea	100%	December 31, 2016	Ship Management	3,368
Associates	Korea LNG Trading Co., Ltd. ²	Korea	18%	December 31, 2016	Shipping	461
	Busan Cross Dock, Ltd.	Korea	20%	December 31, 2016	Warehousing	791
Joint venture	Sea Best Maritime, Ltd.	China	50%	December 31, 2015	Shipping	-
						<u>\$ 51,907</u>

¹ Although the Company owns less than half of the entity's share and voting power, management has determined that the Company controls the entity by virtue of an agreement with its other shareholders.

² 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.

(in thousands of US dollars)

				2015		
	Name	Country	Interest held	Closing date	Main business	Book amount
Subsidiaries	Pan Ocean (America) Inc. ¹	USA	34%	December 31, 2015	Shipping	\$ 12,700
	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	100%	December 31, 2015	Shipping	8,253
	Pan Ocean(China) Co., Ltd.	China	100%	December 31, 2015	Shipping	15,000
	STX Pan Ocean(U.K.) Co., Ltd.	U.K.	100%	December 31, 2015	Shipping	-
	Pan Ocean Japan Corporation	Japan	100%	December 31, 2015	Shipping	6,954
	Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	100%	December 31, 2015	Shipping	4,380
	POS SM Co., Ltd.	Korea	100%	December 31, 2015	Ship management	1,696
Associates	Korea LNG Trading Co., Ltd. ²	Korea	18%	December 31, 2015	Shipping	461
	Mirae Asset Agri-Energy Fund #4 ³	Korea	25%	December 31, 2015	Investment	-
	Busan Cross Dock, Ltd.	Korea	20%	December 31, 2015	Warehousing	791
	YEGRINA Co., Ltd	Korea	44%	December 31, 2015	Baking	246
Joint venture	Sea Best Maritime, Ltd.	China	50%	December 31, 2015	Shipping	-
						<u>\$ 50,481</u>

¹ Although the Company owns less than half of the entity's share and voting power, management has determined that the Company controls the entity by virtue of an agreement with its other

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shareholders.

² Although the Company's percentage of ownership is below 20%, the Company classified Korea LNG Trading Co., Ltd. as an associate because the Company is able to exercise significant influence over the investees since the Company can participate in making decision.

³ As Mirae Asset Agri-Energy Fund #4 is under liquidating, the Company classified its share as held for sale.

(2) Changes in investments in subsidiaries, associates and joint ventures during the years ended December 31, 2016 and 2015 are as follows.

(in thousands of US dollars)	2016		
	Subsidiaries	Associates	Total
Beginning balance	\$ 48,983	\$ 1,498	\$ 50,481
Acquisition	1,672	42	1,714
Replacement	-	(288)	(288)
Ending balance	<u>\$ 50,655</u>	<u>\$ 1,252</u>	<u>\$ 51,907</u>

(in thousands of US dollars)	2015		
	Subsidiaries	Associates	Total
Beginning balance	\$ 41,287	\$ 6,756	\$ 48,043
Acquisition	7,696	40	7,736
Replacement	-	(5,298)	(5,298)
Ending balance	<u>\$ 48,983</u>	<u>\$ 1,498</u>	<u>\$ 50,481</u>

16. Vessels, Property and Equipment

(1) Changes in vessels, property and equipment for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)	2016						
	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction -in-progress	Total
Opening net book amount	\$ 2,994,983	\$ 6	\$ 6,831	\$ 18	\$ 5,110	\$ 58,474	\$ 3,065,422
Additions	12,438	-	-	-	3,127	207,954	223,519
Disposal	(26,330)	-	-	-	-	-	(26,330)
Depreciation	(137,585)	-	(159)	(5)	(4,661)	-	(142,410)
Replacement	235,614	-	-	-	1,174	(236,788)	-
Impairment loss on vessels,	<u>(114,554)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,554)</u>

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property and equipment							
Closing net book amount	\$ 2,964,565	\$ 6	\$ 6,672	\$ 13	\$ 4,750	\$ 29,640	\$ 3,005,646

(in thousands of US dollars)	2015						
	Vessels	Land	Buildings	Vehicles	Tools, furniture & fixture	Construction -in-progress	Total
Opening net book amount	\$ 3,110,661	\$ 6	\$ 6,991	\$ 24	\$ 9,675	\$ 32,724	\$3,160,081
Additions	21,843	-	-	-	71	25,750	47,664
Disposal	-	-	-	-	(15)	-	(15)
Depreciation	(136,294)	-	(160)	(6)	(4,621)	-	(141,081)
Impairment loss on vessels, property and equipment	(1,227)	-	-	-	-	-	(1,227)
Closing net book amount	\$ 2,994,983	\$ 6	\$ 6,831	\$ 18	\$ 5,110	\$ 58,474	\$3,065,422

For the year ended December 31, 2016, depreciation expense of US\$ 141,429 thousand (2015: US\$ 140,116 thousand) is included in cost of sales, and US\$ 981 thousand (2015: US\$ 966 thousand) in selling and administrative expenses.

(2) Impairment loss

The Company tests for impairment of vessels and other properties at the end of each reporting period. The impairment test methods used depending on the purpose of the assets and their current status are as follows:

	Method of estimation	Pre-tax discount rate	Principal assumptions and considered circumstances
Vessels on voyage and in construction progress	Impairment is recognized for the carrying amount of the vessels exceeding its value in use.	6.79% 6.77%	useful life, disposal value and others

Future cash flows and discount rates applied for impairment test fluctuate based on the environmental changes in marine shipping industries. The table below summarizes the impact of expected cash flows and discount rate on the Company's profit before tax for the period. The analysis is based on the assumption that the management expected cash flows and discount rate are difference from the actual cash flows and discount rate by 10%.

(In thousands of US dollars)		2016	2015
Expected cash flows	10% increase	\$ 22,234	\$ 70,040
	10% decrease	(35,513)	(76,001)
Discount rate	10% increase	(18,117)	(44,256)
	10% decrease	14,950	45,885

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(3) The acquisition costs, accumulated depreciation and accumulated impairment losses for each item of vessels, property and equipment as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016			2015		
	Cost	Accumulated depreciation	Accumulated Impairment losses	Cost	Accumulated depreciation	Accumulated Impairment losses
Vessels	\$ 4,141,744	\$ (797,643)	\$ (379,535)	\$ 4,097,140	\$ (804,846)	\$ (297,313)
Land	6	-	-	6	-	-
Buildings	13,240	(1,956)	(4,612)	13,240	(1,797)	(4,612)
Vehicles	56	(43)	-	56	(37)	-
Tools, furniture & fixture	38,417	(33,668)	-	36,409	(31,298)	-
Construction-in-progress	29,640	-	-	58,474	-	-
	<u>\$ 4,223,103</u>	<u>\$ (833,310)</u>	<u>\$ (384,147)</u>	<u>\$ 4,205,325</u>	<u>\$ (837,978)</u>	<u>\$ (301,925)</u>

(4) As at December 31, 2016 and 2015, the book amounts of vessels include the following amounts where the Company is a lessee under finance leases:

<i>(in thousands of US dollars)</i>	2016			2015		
	Cost	Accumulated depreciation	Accumulated Impairment losses	Cost	Accumulated depreciation	Accumulated Impairment losses
Vessels	\$ 3,785,901	\$ (678,563)	\$ (351,633)	\$ 3,830,537	\$ (704,675)	\$ (293,550)
Construction-in-progress	27,785	-	-	-	-	-
	<u>\$ 3,813,686</u>	<u>\$ (678,563)</u>	<u>\$ (351,633)</u>	<u>\$ 3,830,537</u>	<u>\$ (704,675)</u>	<u>\$ (293,550)</u>

(5) Amount of borrowing costs capitalized of for the periods ended December 31, 2016 and 2015 were US\$ 4,033 thousand and US\$ 2,266 thousand, respectively, and the capitalization rates used to determine the amount of borrowing costs eligible for capitalization for the periods ended December 31, 2016 and 2015 were 4.86% and 5.52%, respectively.

17. Intangible Assets

(1) Intangible assets as at December 31, 2016 and 2015, are summarized as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Computer software	\$ 347	\$ 490
Club membership	3,569	3,569
	<u>\$ 3,916</u>	<u>\$ 4,059</u>

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(2) Changes in intangible assets for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016		
	Computer software	Club membership	Total
Beginning balance	\$ 490	\$ 3,569	\$ 4,059
Additions	-	-	-
Disposals	-	-	-
Amortization	(143)	-	(143)
Ending Balance	<u>\$ 347</u>	<u>\$ 3,569</u>	<u>\$ 3,916</u>

(in thousands of US dollars)

	2015		
	Computer software	Club membership	Total
Beginning balance	\$ 634	\$ 3,977	\$ 4,611
Additions	-	-	-
Disposals	-	(408)	(408)
Amortization	(144)	-	(144)
Ending Balance	<u>\$ 490</u>	<u>\$ 3,569</u>	<u>\$ 4,059</u>

(3) The details of intangible assets as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016		
	Computer software	Club membership	Total
Acquisition cost	\$ 16,920	\$ 7,924	\$ 24,844
Accumulated amortization	(16,573)	-	(16,573)
Accumulated impairment loss	-	(4,355)	(4,355)
Net book amount	<u>\$ 347</u>	<u>\$ 3,569</u>	<u>\$ 3,916</u>

(in thousands of US dollars)

	2015		
	Computer software	Club membership	Total
Acquisition cost	\$ 16,920	\$ 7,924	\$ 24,844
Accumulated amortization	(16,430)	-	(16,430)
Accumulated impairment loss	-	(4,355)	(4,355)
Net book amount	<u>\$ 490</u>	<u>\$ 3,569</u>	<u>\$ 4,059</u>

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18. Borrowings

(1) Details of borrowings as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016	2015
Current :		
Current portion of bond	\$ 12,500	\$ -
Current portion of long-term borrowings	18,283	3,722
Current portion of finance lease liabilities	233,476	221,495
	<u>264,259</u>	<u>225,217</u>
Non-current :		
Bond	37,500	34,130
Long term borrowings	81,326	39,698
Finance lease liabilities	863,183	979,973
	<u>982,009</u>	<u>1,053,801</u>
	<u>\$ 1,246,268</u>	<u>\$ 1,279,018</u>

Total borrowings include secured borrowings at December 31, 2016. Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Secured borrowings other than finance lease liabilities are secured by vessels.

(2) Bond issued as at December 31, 2016 and 2015, is summarized as follows:

(in thousands of US dollars)

	Currency	Issue Date	Maturity Date	Annual interest rate	2016	2015
Unsecured private placed bond 16 th	KRW	2015.6.20	-	-	\$ -	\$ 34,130
Unsecured private placed bond 17 th	USD	2016.6.2	2019.6.2	Libor+1.30%	50,000	-
Less: current portion of bond					(12,500)	-
					<u>\$ 37,500</u>	<u>\$ 34,130</u>

(3) Long-term borrowings as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

(in thousands of US dollars)

		2016		2015	
	Currency	Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
Dongbu Insurance Co.,Ltd.	USD	7.20%	\$ 39,698	7.20%	\$ 43,420
ICBC Co., Ltd.	USD	Libor+2.03%	59,911	-	-
			99,609		43,420
Less: current portion of long-term borrowings			(18,283)		(3,722)
			\$ 81,326		\$ 39,698

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(4) Finance lease liabilities as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	Currency	2016		2015	
		Annual interest rate	Carrying amount	Annual interest rate	Carrying amount
Mizuho Corporate Bank	USD	Libor+0.65%	\$ 18,834	Libor+0.65%	\$ 24,860
Shinhan Bank	USD	-	-	Libor+0.65%	1,375
Korea Development Bank	USD	Libor+0.60%~1.00%	44,608	Libor+0.60%~1.00%	69,935
	USD	2.00%	13,662	2.00%	13,662
Credit Agricole Corporate and Investment Bank	USD	Libor+0.55%~3.25%	37,060	Libor+0.55%~3.25%	49,574
	USD	5.37%	3,135	5.37%	5,643
DNB Bank	USD	Libor+2.60%~3.50%	39,776	Libor+2.60%~3.50%	48,351
BNP Paribas	USD	-	-	Libor+0.60%	8,868
Sumitomo Mitsui Banking Corporation	USD	Libor+0.90%	21,667	Libor+0.90%	28,708
Korea Export and Import Bank	USD	Libor+3.00%	20,976	Libor+3.00%	23,444
China Construction Bank	USD	Libor+2.65%	21,445	Libor+2.65%	25,334
Bank of China	USD	Libor+2.10%	25,369	Libor+2.10%~2.50%	90,990
ABN AMRO Bank N.V.	USD	Libor+2.50%~4.00%	473,410	Libor+2.50%~4.00%	406,146
		Libor+2.85%~2.875		Libor+2.85%~2.875	
NIBC Bank	USD	%	30,519	%	37,739
Norddeutsche Landesbank	USD	Libor+1.60%~2.80%	214,543	Libor+1.60%~2.80%	243,172
United Overseas Bank Limited Co.	USD	Libor+2.60%	7,000	Libor+2.60%	9,080
Dongbu Insurance Co., Ltd.	USD	7.20%	19,849	7.20%	21,710
CJL NO. 1 LLC	USD	5.19%	4,863	5.19%	5,411
DVB Transport Finance Ltd, Tokyo Branch	USD	Libor+3.35%	3,452	Libor+3.35%	5,254
Global Marifin Finance Co., Ltd.	KRW	-	-	6.50%	19,625
National Foundation of Fisheries Cooperatives	USD	Libor+2.50%	21,500	Libor+2.50%	21,500
ING Bank N.V.	USD	Libor+1.95%~2.50%	74,991	Libor+2.50%	41,087
			1,096,659		1,201,468
Less: Current portion of lease liabilities			(233,476)		(221,495)
			<u>\$ 863,183</u>		<u>\$ 979,973</u>

19. Other Payables

Details of other liabilities as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016	2015
Non-trade payable	\$ 7,489	\$ 9,072
Payable dividend	5	5
Withholdings	25,705	31,869
	<u>\$ 33,199</u>	<u>\$ 40,946</u>

20. Provisions

(1) Changes in provisions for the periods ended December 31, 2016 and 2015, are as follows:

	2016			
	Opening net book amount	Recognized provision	Paid or transferred amount	Closing net book amount
Current	\$ 1,837	\$ 1,171	\$ -	\$ 3,008
Non-current	107,071	(10,336)	(65,178)	31,557

(in thousands of US dollars)

	2015			
	Opening net book amount	Recognized provision	Paid or transferred amount	Closing net book amount
Current	\$ 1,576	\$ 261	\$ -	\$ 1,837
Non-current	228,401	(20,225)	(101,105)	107,071

(in thousands of US dollars)

(2) 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 balance as at December 31, 2016 is expected to be utilized within twelve months and the amount accrued during the period is recorded in cost of sales.

(3) Non-current provisions

Details of non-current provisions as at December 31, 2016 and 2015, are as follows:

	2016	2015
Litigation for finalization of reorganization claim or security ¹	\$ 24,232	\$ 101,256
Compensation for claims ²	7,325	5,815
	<u>\$ 31,557</u>	<u>\$ 107,071</u>

(in thousands of US dollars)

¹ As at December 31, 2016, 34 lawsuits (amounting to US\$ 79,455 thousand) including litigation for finalization of reorganization claim or security are in progress. The Company recognized provisions for realizable contingent liabilities including the litigation for finalization for reorganization claim or security. Meanwhile, the provisions are exposed to an uncertainty of additional obligations that depends on the result of the litigation.

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 which are expected to be reimbursed from P&I club (Protection & Indemnity) as at December 31, 2016.

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21. Other Liabilities

Details of other liabilities as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Advance received	\$ -	\$ 8
Deferred income	26,625	24,685
Accrued expense	28,420	39,319
	<u>\$ 55,045</u>	<u>\$ 64,012</u>

22. Retirement Benefit Obligations

(1) The amounts of retirement defined benefits recognized in the statement of financial position are determined as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Present value of defined benefit obligation	\$ 11,259	\$ 12,754
Fair value of plan assets	(5,433)	(3,229)
	<u>\$ 5,826</u>	<u>\$ 9,525</u>

(2) The changes in the defined benefit obligation and the fair value of plan assets for the periods ended December 31, 2016 and 2015 are as follows:

① The changes of the defined benefit obligations

<i>(in thousands of US dollars)</i>	2016	2015
Beginning	\$ 12,754	\$ 15,151
Current service cost	2,196	2,200
Interest cost	318	383
Benefits paid	(3,165)	(4,668)
Remeasurements	(486)	558
Other ¹	(358)	(870)
Ending	<u>\$ 11,259</u>	<u>\$ 12,754</u>

¹ Other changes include the effect of currency translation difference.

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② The changes in the fair value of plan assets for the periods ended December 31, 2016 and 2015 are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Beginning	\$ 3,229	\$ 3,223
Employer contribution	2,598	918
Expected return on plan assets	78	77
Benefits paid	(36)	(761)
Remeasurements of defined benefit liability	(241)	(20)
Other ¹	(195)	(208)
Ending	\$ 5,433	\$ 3,229

¹ Other changes include the effect of currency translation difference.

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

<i>(in thousands of US dollars)</i>	2016	2015
Current service cost	\$ 2,196	\$ 2,200
Interest cost	305	383
Expected return on plan assets	(78)	(77)
Remeasurements of defined benefit liability	(450)	578
	\$ 1,973	\$ 3,084
Cost of sales	\$ 2,423	\$ 2,506
Other comprehensive income	(450)	578

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

	2016	2015
Discount rate	2.75%	2.75%
Salary growth rate	4.00%	4.00%

(5) As at December 31, 2016 and 2015, the Company has the following component as plan assets.

<i>(in thousands of US dollars)</i>	2016		2015	
	Amount	Ratio	Amount	Ratio
Deposits, etc.	\$ 5,433	100%	\$ 3,229	100%

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Actual revenues related to plan assets of US\$ 42 thousand and US\$ 47 thousand are recognized for the periods ended December 31, 2016 and 2015, respectively.

(6) Remeasurements of defined benefit liability recognized as other comprehensive income for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Defined benefit obligation:		
- Changes in financial assumptions	\$ -	\$ 227
- Experience adjustment	(570)	321
- Changes in demographic assumptions	-	88
	(570)	635
Fair value of plan asset	(41)	(23)
	\$ (529)	\$ 659

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

① Discount rate

<i>(in thousands of US dollars)</i>	Changes in discount rate	Discount rate	Book amount	Amount of change
Defined benefit obligation	0.25% increase	3.00%	\$ 11,079	\$ (180)
	-	2.75%	11,259	-
	0.25% decrease	2.50%	11,446	187

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%	\$ 11,456	\$ 197
	-	4.00%	11,259	-
	0.25% decrease	3.75%	11,087	(192)

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

The maturity analysis of defined benefit payments not discounted at the end of the current period 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
Benefit payments	\$ 2,501	\$ 2,759	\$ 5,793	\$ 7,741	\$ 18,794

The weighted average maturity of defined benefit obligations is 6.7 years.

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23. Income Tax Expense

(1) The component of income tax expense for the periods ended December 31, 2016 and 2015, is as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Current tax expense	\$ 421	\$ -
Origination and reversal of temporary differences	-	-
Income tax recognized in other comprehensive income	-	-
Total income tax expense	<u>\$ 421</u>	<u>\$ -</u>

(2) Reconciliation of effective tax rate:

<i>(in thousands of US dollars)</i>	2016	2015
Profit before income tax	\$ 78,548	\$ 43,804
Income tax expense at the domestic rates applicable to profit in the country concerned	19,009	10,600
Adjustment:		
- Non-taxable income	(18,356)	(26,321)
- Temporary differences incurred during the year, but not recognized as deferred tax	2,182	26,295
- Other	(2,414)	(10,574)
Income tax expense	<u>\$ 421</u>	<u>\$ -</u>

(3) Changes in deferred tax assets (liabilities) for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	\$ 61,209	\$ 22,833	\$ -	\$ 84,042
Building	-	-	-	-
Land	37	-	-	37
Gain(loss) on valuation of finance assets	205	-	36	241
Present value of defined benefit obligation	2,163	(748)	-	1,415
Derivatives	459	(801)	(30)	(372)
Provisions	25,102	(18,560)	-	6,542
Other	37,947	(435)	-	37,512
Total	<u>127,122</u>	<u>2,289</u>	<u>6</u>	<u>129,417</u>

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Tax loss carryforwards	619,963	(29,498)	-	590,465
Unrecognized deferred tax assets	(747,085)	27,209	(6)	(719,882)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(in thousands of US dollars)

	2015			
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
Vessel	\$ 62,385	\$ (1,176)	\$ -	\$ 61,209
Building	1,116	(1,116)	-	-
Land	37	-	-	37
Gain(loss) on valuation of finance assets	386	-	(181)	205
Present value of defined benefit obligation	2,493	(330)	-	2,163
Derivatives	1,319	(819)	(41)	459
Provisions	381	24,721	-	25,102
Other	(4,705)	42,652	-	37,947
Total	<u>63,412</u>	<u>63,932</u>	<u>(222)</u>	<u>127,122</u>
Tax loss carryforwards	651,325	(31,362)	-	619,963
Unrecognized deferred tax assets	(714,737)	(32,570)	222	(747,085)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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:

(in thousands of US dollars)	Amount	Expiration date
Temporary differences	\$ 722,829	-
Tax loss carryforwards	391,318	2022
	828,759	2023
	1,278,889	2024

(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

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carry forward may not be deductible from income of shipping business.

24. Paid-in Capital

(1) Details of ordinary shares as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars, except share data and par value)</i>	<u>2016</u>	<u>2015</u>
Number of authorized shares	3,000 million	3,000 million
Par value	KRW 1,000	KRW 1,000
Number of shares issued	534,392,834	524,425,070
Share capital	\$ 480,598	\$ 471,717

(2) Changes of number of shares issued for the periods ended December 31, 2016 and 2015, are as follows:

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

(3) Details of capital surplus as at December 31, 2016 and 2015, are as follows.

<i>(in thousands of US dollars)</i>	<u>2016</u>	<u>2015</u>
Share premium	\$ 650,802	\$ 626,615

25. Other Reserves

The changes of the other reserves for the periods ended December 31, 2016 and 2015, are presented in the separate statements of changes in equity. Details of other reserves as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	<u>2016</u>	<u>2015</u>
Changes in the fair value of available-for-sale financial assets	\$ (580)	\$ 401

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Changes in the fair value of derivative assets and liabilities	(90)	(49)
Gain on disposal of treasury share	996	996
Surplus from reduction of capital	1,062,678	1,062,678
Debt to be swapped to equity	6,045	77,226
	<u>\$ 1,069,049</u>	<u>\$ 1,141,252</u>

26. Accumulated Deficit

(1) Details of accumulated deficit as at December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Legal reserve	\$ 36,165	\$ 36,164
Undisposed accumulated deficit	(150,775)	(229,351)
	<u>\$ (114,610)</u>	<u>\$ (193,187)</u>

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) Statements of disposition of accumulated deficit for the periods ended December 31, 2016 and 2015, are as follows:

Expected date of Disposition for 2016: March 22, 2017

Date of Disposition for 2015: March 25, 2016

<i>(in thousands of US dollars)</i>	2016	2015
I. Undisposed accumulated deficit		
Undisposed accumulated deficit carried over from prior year	\$ (229,352)	\$ (272,578)
Re-measurements of defined benefit liability	450	(578)
Profit for the year	78,127	43,804
	<u>(150,775)</u>	<u>(229,352)</u>
II. Transfer from voluntary reserves	-	-
III. Total (I + II)	<u>(150,775)</u>	<u>(229,352)</u>
Disposition of deficit	-	-
IV. Undisposed accumulated deficit to be carried forward	<u>\$ (150,775)</u>	<u>\$ (229,352)</u>

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27. Expenses by Nature

Details of expenses by nature for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Charterage	\$ 273,959	\$ 295,960
Port charges	202,824	195,926
Cargo expenses	98,958	105,542
Bunker fuel costs	283,658	351,288
Voyage relet costs	50,661	62,136
Depreciation and amortization	142,553	141,225
Vessel maintenance expense	38,147	38,644
Salaries and wages	102,218	94,020
Post-employment retirement benefit	2,868	5,923
Other employee benefits	20,232	25,949
Lubricant oil costs	6,951	8,525
Other cost of sales	23,868	23,831
Office rental	4,630	4,311
Impairment loss	(8,946)	(3,511)
IT expense	1,475	2,082
Taxes and dues	1,476	2,474
Other administrative expenses	2,871	2,415
Total cost of sales, selling and general administrative expenses	<u>\$ 1,248,403</u>	<u>\$ 1,356,740</u>

28. Finance Income and Costs

Details of finance income and costs for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016					
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Derivatives	Borrowings	Total
Finance income and costs						
Gains on transaction	\$ -	\$ -	\$ 177	\$ -	\$ -	\$ 177
Interest income	-	1,293	-	-	-	1,293
Interest expense	-	-	-	-	(37,893)	(37,893)
Guarantee fee	-	-	-	-	(313)	(313)
Gains on currency translation	-	183	-	-	9,364	9,547

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Losses on currency translation	-	(12,083)	-	-	(777)	(12,860)
Dividend income	-	-	2,776	-	-	2,776
	-	(10,607)	2,953	-	(29,619)	(37,273)
Finance income	-	1,476	2,953	-	9,364	13,793
Finance cost	-	(12,083)	-	-	(38,983)	(51,066)

Other comprehensive income

Gains on valuation	-	-	(981)	(40)	-	(1,021)
	-	-	(981)	(40)	-	(1,021)
\$	-	\$ (10,607)	\$ 1,972	\$ (40)	\$ (26,619)	\$ (38,294)

(in thousands of US dollars)

2015						
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Derivatives	Borrowings	Total
Finance income and costs						
Gains on transaction	\$ -	\$ -	\$ 47	\$ -	\$ -	\$ 47
Losses on transaction	-	-	(650)	-	-	(650)
Interest income	-	2,389	1,770	-	-	4,159
Interest expense	-	-	-	-	(66,739)	(66,739)
Guarantee fee	-	-	-	-	(120)	(120)
Losses on currency translation	-	-	-	-	(1,822)	(1,822)
Dividend income	-	-	4,629	-	-	4,629
	-	2,389	5,796	-	(68,681)	(69,754)
Finance income	-	2,389	6,446	-	-	8,835
Finance cost	-	-	(650)	-	(66,859)	(69,331)
Other comprehensive income						
Gains on valuation	-	-	762	171	-	933
	-	-	762	171	-	933
\$	-	\$ 2,389	\$ 6,558	\$ 171	\$ (68,681)	\$ (57,741)

29. Other Non-Operating Income (expenses)

Other non-operating expenses presented in the separate statement of comprehensive income for the periods ended December 31, 2016 and 2015, are summarized as follows:

(in thousands of US dollars)	2016	2015
Gains on sale of vessels, property and equipment	\$ 3,399	\$ 1,737

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Losses on sale of vessels, property and equipment	(7,416)	(2)
Gains(losses) on valuation of derivatives	1,628	-
Gains(losses) on derivative transactions, net	2,552	(7,232)
Gains(losses) on foreign currency translation, net	(1,122)	(2,059)
Gains on foreign currency transaction, net	2,188	12,171
Allowance for provision, net	10,336	20,226
Gains on investments in subsidiaries, net	93	1,797
Impairment loss on vessels, property and equipment	(119,850)	(1,227)
Other impairment loss	257	(4,245)
Gains(losses) from debt restructuring ¹	82,686	(114,735)
Other	3,683	1,232
	<u>\$ (21,752)</u>	<u>\$ (92,337)</u>

¹ For the year ended December 31, 2016 US\$ 82,686 thousands of gain from debt restructuring was recognized from early repayment of reorganization liabilities and debt-to-equity swap (difference between the book amount of debt and the fair value of ordinary shares).

30. Earnings per Share

(1) Basic earnings per share

Basic earnings per share for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Profit for the period	\$ 78,127	\$ 43,804
Weighted average number of ordinary shares ¹	<u>531,492,844</u>	<u>384,360,881</u>
Basic earnings per share (expressed in US\$ per share)	<u>\$ 0.15</u>	<u>\$ 0.11</u>

¹ Weighted average number of ordinary shares

<i>(in shares)</i>	2016	2015
Beginning number of shares	524,425,070	120,887,541
Share consolidation without refund	-	(24,787,148)
Debt-to-equity swap etc	7,067,774	106,616,652
Capital increase with issuing new share	-	181,643,836
Ending number of shares	<u>531,492,844</u>	<u>384,360,881</u>

(2) Diluted earnings per share

As at December 31, 2016, the Company has no convertible notes or warrants. Accordingly, the basic EPS and the diluted EPS are the same.

(3) Potential ordinary share

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

31. Contingencies

(1) Litigation case

As at December 31, 2016, the Company has 34 lawsuits against the Company for cargo damage and hull damage. The amount of the lawsuit is USD 25,154 thousand, and 15 cases are pending as a plaintiff and USD 16,272 thousand. As a defendant, the litigation case is recognized as a provision as described in Note 20 if the litigation meets the recognition requirements for the provision.

(2) Assets provided as collateral for the Company's debt as at December 31, 2016 are as follows.

(in thousands of US dollars)

Assets pledged as collateral	Collateralized amount	Lender	Description
Vessel ¹	\$ 1,168,628	ABN AMRO BANK N.V and etc.	Collaterals on borrowings

¹ Vessels provided to secure finance lease liabilities are described in Note 16.

(3) Guarantees provided by others as at December 31, 2016, are summarized as follows:

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

Guarantee provider	Guarantee amount	Guaranteed customer
Kookmin Bank	US\$ 51,307	Korea South Power Co., Ltd., and etc.
Korea Development Bank	4,896	
Seoul Guarantee Insurance	3,500	
	KRW 13,636	

(4) Details of guarantees provided for others as at December 31, 2016, are as follows:

(in thousands of US dollars)

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

¹ The Company has provided guarantee for the next three-year lawsuits regarding the accident of

vessel damages occurred in Bangladesh in 2013.

(5) Ship Investment Agreement

As at the end of the current year, the Company has signed a contract to construct a vessel (total purchase price: USD 48,900 thousand) to replace the old ship and to expand the fleet. These vessels will be delivered between 2017. According to the vessel construction contract, As at December 31, 2016, the estimated future expenditure is US \$ 24,450 thousand.

(6) 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.

(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 liquidation 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 (temporary repayment to approximately 83% of the confirmed receivables).

As at December 31, 2016, as explained in note 20 about the contingent liability relating to unconfirmed receivables of reorganization, the Company recognized a contingent liability related to the reorganization claim or security. And the Company has deposited US\$ 16,400 thousand in escrow account to make cash repayment according to the reorganization plan.

32. Contracts of Vessel Chartering and Demising

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

(1) Charter fees recognized by the Company as expenses for the periods ended December 31, 2016 and 2015 are as follows.

<i>(in thousands of US dollars)</i>	<u>2016</u>	<u>2015</u>
Charter Fee	\$ 324,620	\$ 358,259

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(2) As at December 31, 2016 and 2015, the chartered amount to be paid to vessels chartered and operated by other companies is as follows.

<i>(in thousands of US dollars)</i>	2016	2015
Less than 1 year	\$ 91,432	\$ 94,009
Over 1 year, less than 5 years	6,878	17,230
Total amount	<u>\$ 98,310</u>	<u>\$ 111,239</u>

33. Cash Generated from Operations

(1) Details of cash generated from operations of the Company using the indirect method for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Profit for the period	\$ 77,962	\$ 43,804
Adjustment for:		
Income tax expense	586	-
Depreciation and amortization	142,554	141,081
Post-employment benefit	5,850	4,102
Reversal of provisions	(9,166)	(19,964)
Reversal of impairment loss	(8,946)	(3,511)
Other impairment loss	(257)	4,245
Gains on sale of vessels, property and equipment	(3,399)	(1,737)
Losses on sale of vessels, property and equipment	2,121	2
Valuation gains on derivatives, net	(1,628)	1,682
Interest income	(1,239)	(4,159)
Interest expense	37,892	66,739
Dividend income	(2,776)	(4,629)
Impairment losses of vessels, property and equipment	119,849	1,227
Foreign currency translation losses (gains), net	1,288	(1,017)
Losses on sale of investment in associate	288	69
Gains on sale of investment in subsidiaries	-	(1,866)
Gains on exemption of liabilities	(82,686)	-
Losses(gains) on redemption of liabilities	-	114,735
Change in provisions	(3,515)	(15,726)
Change in inventories	(5,386)	19,552

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Change in trade receivables	23,615	(6,788)
Change in other receivables	5,019	4,795
Change in other assets	(4,697)	(2,837)
Change in trade payables	7,183	(1,160)
Change in other payables	(45,132)	7,938
Change in other liabilities	2,916	(9,127)
Change in post-employment benefit obligation	(7,044)	(7,082)
Change in derivative financial assets and liabilities	(1,846)	(5,067)
Others	(175)	746
Cash generated from operating activities	<u>\$ 249,231</u>	<u>\$ 326,047</u>

(2) Details on significant non-cash transactions for investing and financing activities for the periods ended in 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	<u>2016</u>	<u>2015</u>
Reclassification of provisions to reorganization liabilities	\$ 68,228	\$ 91,276
Reclassification reorganization liabilities to equity swap debt	48,335	62,699
Changes in equity due to debt-to-equity swap	131,974	154,262

34. Related Party Transactions

(1) Related parties as at December 31, 2016 and 2015, are as follow:

Related party	<u>2016</u>	<u>2015</u>
Parent and ultimate controlling party ¹	Jeil Holdings Co., Ltd.	Jeil Holdings Co., Ltd.
Subsidiaries	Pan Ocean(America) Inc. Pan Ocean Singapore Bulk Carrier Pte. Ltd. Pan Ocean(China) Co., Ltd. STX Pan Ocean(U.K.) 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. Pan Ocean Japan Corporation Pan Ocean Brasil Apoio Maritimo Ltda. POS SM Co., Ltd
Associates and joint ventures	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd. YEGRINA Co., Ltd. Sea Best Maritime Ltd.	Korea LNG Trading Co.,Ltd. Busan Cross Dock, Ltd. YEGRINA Co., Ltd. Sea Best Maritime Ltd.

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Other related parties	Subsidiaries, Associates and other related parties of Jeil Holdings Co., Ltd.	Subsidiaries, Associates and other related parties of Jeil Holdings Co., Ltd.
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¹ Under investment contract and revised reorganization plan during 2015, Jeil Holdings acquired 51.87% of the Company's total shares.

(2) Significant transactions which occurred in the normal course of business with related companies for the periods ended December 31, 2016 and 2015, are summarized as follows:

(in thousands of US dollars)

	2016			
	Sales	Others	Purchases	Others
Subsidiaries				
Pan Ocean (China) Co., Ltd.	\$ -	\$ 2,435	\$ 2,533	\$ -
Pan Ocean Japan Corporation	33,941	-	606	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	15,089	-	8,303	-
Pan Ocean(America), Inc.	13,008	-	-	-
POS SM Co., Ltd.	41	-	62,099	-
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	17,765	-	-	-
Other related parties				
Jeil Holdings Co., Ltd.	-	-	-	717
Joowon Pekin Duck Co., Ltd.	-	-	-	28
Sunjin Co., Ltd.	-	-	-	75
Sunjin FS Co., Ltd.	-	-	-	7
FARMSCO	-	-	-	96
Cham trading co., ltd	-	-	-	4
Sunurihanu	-	-	-	41
Harim Co., Ltd.	-	-	-	32
Jeil Feed Company, Ltd.	-	-	-	10
	<u>\$ 79,844</u>	<u>\$ 2,435</u>	<u>\$ 73,541</u>	<u>\$ 1,010</u>

(in thousands of US dollars)

	2015			
	Sales	Others	Purchases	Others
Subsidiaries				
Pan Ocean (China) Co., Ltd.	\$ -	\$ -	\$ 866	\$ -
Pan Ocean Japan Corporation	77,707	-	16,598	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	22,399	-	8,986	-
Pan Ocean(America), Inc.	971	-	-	-
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	10,678	-	-	-
Other related parties				
Harim Holdings Co., Ltd.	-	-	-	22
Joowon Pekin Duck Co., Ltd.	-	-	-	6
Sunjin Co., Ltd.	-	-	-	44
FARMSCO	-	-	-	37
Harim Co., Ltd.	-	-	-	6
	<u>\$ 111,755</u>	<u>\$ -</u>	<u>\$ 26,450</u>	<u>\$ 115</u>

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(3) Account balances with related companies as at December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016			
	Receivables		Payables	
	Trade-receivables	Other receivables	Trade-payables	Other payables
Subsidiaries				
Pan Ocean Japan Corporation	\$ 2,505	\$ -	\$ 477	\$ -
Pan Ocean(China) Co., Ltd.	-	-	331	-
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	31,978	-	26	-
Pan Ocean(America), Inc.	1,093	-	-	188
STX Pan Ocean (U.K.) Co. Ltd.	13,989	20,068	-	-
POS SM Co., Ltd.	-	26	4,237	-
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	-	-	-	-
Other related parties				
Jeil Feed Company, Ltd.	-	340	-	11
Sunjin Co., Ltd.	-	-	-	-
Cham trading co., ltd	-	-	-	-
Joowon Pekin Duck Co., Ltd.	-	-	-	-
FARMSCO	-	-	-	-
Harim Co., Ltd.	-	-	-	-
	<u>\$ 49,565</u>	<u>\$ 20,434</u>	<u>\$ 5,071</u>	<u>\$ 199</u>

(in thousands of US dollars)

	2015			
	Receivables		Payables	
	Trade-receivables	Other receivables	Trade-payables	Other payables
Subsidiaries				
Pan Ocean Japan Corporation	\$ 531	\$ -	\$ 756	\$ -
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	31,184	2,520	589	-
STX Pan Ocean (U.K.) Co. Ltd.	12,379	18,854	-	-
Associates and joint ventures				
Korea LNG Trading Co., Ltd.	1,125	-	-	-
	<u>\$ 45,219</u>	<u>\$ 21,374</u>	<u>\$ 1,345</u>	<u>\$ -</u>

(4) Key management compensation for the periods ended December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016	2015
Salaries and other short-term benefit	\$ 1,011	\$ 639
Post-employment benefits	159	91
	<u>\$ 1,170</u>	<u>\$ 730</u>

(5) Details of guarantees provided for related companies as at December 31, 2016, are summarized as follows:

(in thousands of US dollars)

Guarantee recipient	Guaranteed amount	Lender
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	\$ 7,032	BNP Paribas
Employee share ownership association	785	Heung Kook Mutual Savings Bank

35. 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 at least on a quarterly basis. The following summary describes the operations in each of the Company's main reportable segments:

- Bulk carrier service (BLKR) mainly includes marine transportation service employing diverse sizes of dry bulk vessels.
- Container service (CNTR) mainly includes marine transportation service employing container cargo.
- Tanker service (TNKR) mainly includes marine transportation services of liquid or "wet" cargo through tankers.
- Other shipping mainly includes marine transportation services to transport Liquefied Natural Gas (LNG) and other special carrier service.

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The segment results and material reconciling items (other non-reportable segment result, unallocated activities and elimination of inter-segment) as at and for the years then ended December 31, 2016 and 2015, are as follows:

(in thousands of US dollars)

	2016							
	bulker	Tanker	Container	Other ¹	shipping segment	Non-shipping ²	Unallocated	Total
Sales	\$1,149,667	\$128,661	\$89,602	\$17,765	\$1,385,695	\$ 281	\$ -	\$1,385,976
Operating profit	112,494	15,733	5,077	3,996	137,300	273	-	137,573
Assets	2,891,348	349,310	24,466	2,002	3,267,126	6,678	250,906	3,524,710
Liabilities	1,184,700	96,278	21,931	5,772	1,308,681	-	130,190	1,438,871
Capital expenditures	215,495	3,330	393	-	219,218	4,301	-	223,519
Depreciation	118,619	18,808	4,980	-	142,407	3	-	142,410
Amortization	121	14	9	-	144	-	-	144
Provision for impairment	(7,519)	(842)	(584)	-	(8,945)	-	(257)	(9,202)
Losses on impairment of vessels, property and equipment	119,850	-	-	-	119,850	-	-	119,850

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

² Non-shipping segment includes miscellaneous services such as grain trading business and etc.

(in thousands of US dollars)

	2015							
	bulker	Tanker	Container	Other ¹	shipping segment I	Non-shipping ²	Unallocated	Total
Sales	\$1,312,790	\$ 151,851	\$ 78,058	\$ 10,678	\$1,553,377	\$ -	\$ -	\$ 1,553,377
Operating profit (loss)	153,158	38,671	6,668	(1,774)	196,723	(86)	-	196,637
Assets	2,937,934	360,777	20,171	9,271	3,328,153	6,837	272,685	3,607,675
Liabilities	1,237,831	137,769	41,826	4,718	1,422,144	-	139,134	1,561,278
Capital expenditures	43,226	3,750	617	-	47,593	71	-	47,664
Depreciation	119,951	16,744	4,384	-	141,079	2	-	141,081
Amortization	121	15	8	-	144	-	-	144
Provision for impairment	618	76	40	-	734	-	-	734
Losses on impairment of vessels, property and equipment	31,885	(26,189)	(4,469)	-	1,227	-	-	1,227

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

² Non-shipping segment includes miscellaneous services such as grain trading business and etc.

Segment assets consist primarily of vessels, inventories and trade receivables. They exclude items such as cash, deferred taxation and investments. Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings. Segment capital expenditure primarily comprises additions to vessels.

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(2) Geographical segments

The Company's four reportable segments operate in six geographical areas, even though they are managed on a worldwide basis. The home country of the Company – which is the main operating company – is Korea. The geographical segments of sales are allocated based on the country in which the loading port is located.

Details of revenue by geographical area for the periods ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of US dollars)</i>	2016	2015
Asia	\$ 566,357	\$ 684,274
Oceania	301,142	266,562
Europe	14,610	16,515
North America	155,562	222,270
South America	320,524	345,504
Africa	27,781	18,252
	\$ 1,385,976	\$ 1,553,377

The vessels are used all over the world, and the remaining property and equipment are primarily located in Korea, so it is not meaningful to provide information on segment assets and additions by geographical region.

(3) Analysis of sales by category

<i>(in thousands of US dollars)</i>	2016	2015
Revenue from voyage operation	\$ 1,289,380	\$ 1,466,628
Revenue from time charter	96,315	86,749
Other	281	-
	\$ 1,385,976	\$ 1,553,377

(4) Customer segments

The customer, which accounts for more than 10% of the Company's sales, is a single customer related to the voyage operating revenue, and the sales from the customer of 2016 and 2015 is US\$ 181,876 thousand and US\$ 187,943 thousand, respectively.

Report on Independent Accountants' Review of Internal Accounting Control System

To the President of
Pan Ocean Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Pan Ocean Co., Ltd. (the "Company") as at December 31, 2016. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as at December 31, 2016, the Company's IACS has been designed and is operating effectively as at December 31, 2016, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation 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.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as at December 31, 2016, and we did not review management's assessment of its IACS subsequent to December 31, 2016. This report has been prepared pursuant to the Acts on External Audit for Share Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 14, 2017

Report on the Assessment of operations of the ICFR for 2016

(By Internal Accounting Manager)

To the Board of Directors and Audit Committee of Pan Ocean

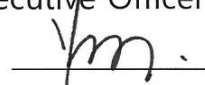
I, As the Internal Accounting Manager of Pan Ocean ("the Company"), assessed the effectiveness of the design and operation of the Company's Internal Control over Financial Reporting ("ICFR") for the year ending December 31, 2016.

The Company's management, Including myself, is responsible for designing and operating an ICFR. I assessed the design and operational effectiveness of the ICFR in the prevention and detention of an error or fraud which may cause a misstatement in the preparation and disclosure of reliable financial statement. I followed the Best Practice Guideline to evaluate the effectiveness of the ICFR design and operation.

Based on the assessment results, I believe that the Company's ICFR, as of December 31, 2016, is effectively designed and operating, in all material respects, in conformity with Best Practice Guideline.

January 26, 2017

Sung-Yob Choo, Chief Executive Officer



Bo-Yeon Kim, Internal Accounting Manager

