The 54th Annual Report

(2019.1.1 ~ 2019.12.31)

PAN OCEAN

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<tr><td>LNG Carrier Business</td><td>LNG</td><td>Australia, Korea</td></tr>
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<tr><td colspan="2">Container Business</td><td>Container Cargo</td><td>Korea, China, Japan, Southeast Asia</td></tr>
</table>

[3] Domestic & Overseas Offices

Offices	Address
Head Office	Tower8, 7, Jong-ro 5-gil, Jongno-gu, Seoul, Korea
Busan	102, Jungang-daero, Jung-gu, Busan, Korea
Portland	2140 SW Jefferson Street, Suite 350, PORTLAND, OR, 97201, U.S.A.
Melbourne	Suite 408, 1 Queens Road Melbourne 3004 Vic, Australia
Dubai	34TH Floor, Swiss Tower, Plot Y3,Jumeirah Lakes Towers, Dubai, PO Box 643718, Arab Emirates

[4] Employees

(As of Dec. 31, 2019) (Unit: Persons)

Employees				Total
At Office	On-board		Sub Total	
	Korean Crews	Foreign Crews		
357	671	1,127	1,798	2,155

[5] Issued Shares

1) Types & No. of issued shares

Type of shares	No. of issued shares	Amount(KRW)	Proportion	Remarks
Common Shares	534,569,207	534,569,207,000	100%	Registered

2) Change in capital

(Unit : shares, KRW '000)

Date	Type	Change in No. shares	Change in amount(₩)	Capital after change	Remarks
2005.07.14	Common Shares	200,000,000	20,000,000	171,548,205	Listing in SGX
2007.09.21	Common Shares	343,096,410	34,309,641	205,857,846	Listing in KRX
2008.12.12	Common Shares	-1,852,720,614	-	205,857,846	Share consolidation
2012.04.30	Common Shares	571	571	205,858,417	Bonds with Warrants
2013.11.29	Common Shares	-113,571,107	-113,571,107	92,287,310	Capital reduction
2013.12.13	Common Shares	1,116,879,112	1,116,879,112	1,209,166,422	Debt-for-equity swap
2013.12.27	Common Shares	-1,088,278,881	-1,088,278,881	120,887,541	Capital reduction
2014.04.01	Common Shares	28,384,096	28,384,096	149,271,637	Debt-for-equity swap
2014.07.01	Common Shares	14,142,399	14,142,399	163,414,036	Debt-for-equity swap
2014.10.01	Common Shares	51,124,464	51,124,464	214,538,500	Debt-for-equity swap
2015.01.01	Common Shares	13,264,541	13,264,541	227,803,041	Debt-for-equity swap
2015.04.01	Common Shares	757,844	757,844	228,560,885	Debt-for-equity swap
2015.06.19	Common Shares	-46,159,739	-46,159,739	182,401,146	Capital reduction
2015.06.20	Common Shares	340,000,000	340,000,000	522,401,146	Capital increase
2015.07.01	Common Shares	518,789	518,789	522,919,935	Debt-for-equity swap
2015.10.01	Common Shares	1,505,135	1,505,135	524,425,070	Debt-for-equity swap

Date	Type	Change in No. shares	Change in amount(₩)	Capital after change	Remarks
2016.01.01	Common Shares	6,333,685	6,333,685	530,758,755	Debt-for-equity swap
2016.04.01	Common Shares	883,229	883,229	531,641,984	Debt-for-equity swap
2016.07.01	Common Shares	687,394	687,394	532,329,378	Debt-for-equity swap
2016.10.01	Common Shares	80,833	80,833	532,410,211	Debt-for-equity swap
2016.11.12	Common Shares	1,982,623	1,982,623	534,392,834	Debt-for-equity swap
2017.01.01	Common Shares	3,937	3,937	534,396,771	Debt-for-equity swap
2017.04.01	Common Shares	85,803	85,803	534,482,574	Debt-for-equity swap
2017.10.01	Common Shares	55,238	55,238	534,537,812	Debt-for-equity swap
2018.01.01	Common Shares	2,132	2,132	534,539,944	Debt-for-equity swap
2018.04.01	Common Shares	5,470	5,470	534,545,414	Debt-for-equity swap
2018.07.01	Common Shares	3,287	3,287	534,548,701	Debt-for-equity swap
2018.10.01	Common Shares	20,506	20,506	534,569,207	Debt-for-equity swap

3) Affairs related to shares

Time of Settlement of accounts	31 December
Ordinary general meetings of shareholders	within three (3) months after the end of each fiscal year
Suspension of Entry of Alteration in the Register of Shareholders and Record Date	① From January 1st to January 15th of every year. ② If necessary for convening an extraordinary general meeting of shareholders or for other purposes, the Company may by a resolution of Board of Directors suspend the entry in the Register of Shareholders of any alterations.
Method of public notices	Internet homepage (http://www.panocean.com)
Share registrar and share transfer agent	(Korea) Korea Securities Depository (Singapore) Boardroom Corporate & Advisory Service Pte. Ltd.(Singapore)
Venue for dealing with share affairs	(Korea) 23 4gil Yeouinaru-ro, Yeongdeungpo-gu Seoul, Korea (Singapore) 50 Raffles Place, Singapore Land Tower #32-01, Sinagpore

[6] Corporate Bonds

(Unit : KRW mil.)

Type	Issuance Date	Issuance Amount	Interest Rate	Outstanding Balance	Due Date	Guarantor
The 19th Unsecured private placement bond	2018.06.22.	20,000	3.800%	20,000	2020.06.22.	-
The 20th Unsecured public corporate bonds	2019.06.28.	100,000	2.301%	100,000	2022.06.28.	-
Guaranteed Floating Rate Notes (Series A)	2018.10.12.	5,713[1)]	LIBOR(3M)+0.85%	5,713[1)]	2020.04.12.	Shinhan Bank
Guaranteed Floating Rate Notes (Series B)	2018.10.12.	5,713[1)]	LIBOR(3M)+0.90%	5,713[1)]	2020.10.12.	Shinhan Bank

Type	Issuance Date	Issuance Amount	Interest Rate	Outstanding Balance	Due Date	Guarantor
Guaranteed Floating Rate Notes (Series C)	2018.10.12.	5,713[1)]	LIBOR(3M)+0.95%	5,713[1)]	2021.04.12.	Shinhan Bank
Guaranteed Floating Rate Notes (Series D)	2018.10.12.	5,713[1)]	LIBOR(3M)+1.00%	5,713[1)]	2021.10.12.	Shinhan Bank

1) The KRW amount that USD 5.0 mil. was converted into at the exchange rate of 1,142.50 won per USD as of the issuance date

2. The Business Review

[1] Market and Business Overview

In 2019, the average Baltic Dry Index (BDI) recorded 1,353 points, same as the record in 2018. Dry Bulk market was so fluctuated between 595 in the 1st quarter and 2,518 in the 3rd quarter throughout the year. The average BDI during the first half of last year recorded 895 points due to negative factors such as the supply disruption of iron ore from Brazil as the one of the major export countries and extended uncertainty resulted from trade tension between US and China. On the other hand, during the second half of last year, the average BDI recorded 1,804 points owing to positive factors such as resumption of iron ore export from Brazil and the increased grain export from South America.

As for the demand, the total dry bulk seaborne trade volume in 2019 increased by 1.1% to 5.28 billion tons, even though the seaborne iron ore trade volume decreased by 1.6% to 1.45 billion tons mainly because of supply disruption from Brazil during the first half of last year. The seaborne coal trade volume increased by 1.7% and recorded 1.29 billion tons because of steady demand from China and growing demand from Asian emerging economies' coal-fired power generation. The growth of grain trade volume in 2019 was a bit limited due to the impact of US-China trade tension, but increased volume of minor cargoes rather diluted its negative impact.

On the supply side, the newbuilding deliveries of dry bulk vessels in 2019 recorded 41.1 million DWT, about 44% up from the previous year(28.5 million DWT). That is mainly because of the increase in new newbuilding orders affected by gradual recovery trend since 2017. The scrapping volume of the bulkers was 7.8 million DWT, about 75% up from the previous year(4.4 million DWT) because of the influence of bearish market mood during the first half of last year and reinforcement of IMO regulations. Consequently, the total fleet growth rate recorded 4%, increased by 1%p compared to those of the previous year.

Meanwhile, OECD forecasts World GDP growth in 2020 to be at 2.9% the same level as the previous year. In this regard, the overall global commodity demand is expected to remain steady and firm because of positive factors such as the continuation of high growth in emerging economies and the ease of US-China trade tension, even though there are still some negative factors, including slowdown in growth of major countries. It is expected iron ore and coal demand from China will be supported by its constant efforts to stimulate Chinese economy despite weak momentum of growth engine. Moreover, China is also expected to gradually recover its grain demand in 2020 because the issue of African Swine Fever(ASF) has been cooling down recently. The coal demand from Asian emerging economies is expected to remain firm because of their growing dependence on coal-fired power generations. The worldwide iron ore demand is expected to increase more than 2% as supply disruption from Brazil in 2019 has been normalized. Meanwhile, newbuilding deliveries are expected to be more than 45 million DWT because of the increase in new building orders since 2017. The dry bulk market in 2020, however, is expected to be improved owing to increasing demolition activity of aged vessels due to environmental regulations.

[2] Financial Results by operating segments

(Unit : KRW mil.)

Segment	Sales			Note
	54th	53rd	52nd	
Shipping related	2,172,567	2,352,568	2,033,539	-
Others	295,324	315,785	302,701	Grain trading business, etc.
Total	2,467,891	2,668,353	2,336,240	-

* The above figure is the consolidated financial results including the Company and its subsidiary.

[3] Establishment and expansion of major facilities and financing status

1) Shipbuilding Investment at the end of 2019

Type	SIZE(DWT)	Unit	Delivery
Bulker	62,000 DWT	1	2020
	325,000 DWT	5	2020~2021
	63,500 DWT	3	2020
	37,500 DWT	2	2020
	208,000 DWT	2	2020
Container	1800 TEU	1	2020

2) Financing

(Unit : KRW mil.)

Type of Funding	Amount	Purpose	Remarks
Ship Financing (9 Vessels)	189,986	Shipbuilding	In case of foreign debt, it was converted into Korean Won at the exchange rate of KRW 1,157.80 per USD as of 31 December 2019

3. Parent company, subsidiary company and business combination etc.

[1] The status of Parent company

As of 31 December 2019

Name of Parent company	Harim Holdings		
Address	121, Jungang-ro, Iksan-si, Jeollabuk-do, Korea		
Share Capital	KRW 9,358,419,800	Major Business	Business consulting of subsidiary
Shareholding	292,400,000 shares	Shareholding Ratio	54.70%
Major trading with Parent Company	-		

[2] The status of subsidiary

As of 31 December 2019

Status of Subsidiary				Relation with Pan Ocean		
Name	Address	Share Capital	Business	No of shareholding	Ratio	Business
POS SM Co., Ltd	102, Jungang-daero, Jung-gu, Busan, Korea	KRW 4,000,000,000	Marine Service	Not issued	100%	Operation of vessels
Pan Ocean (China) Co., Ltd.	Room 2004, ZhongRongHengRui Int. Plaza West Building, 560 ZhangYang Road, Pudong District, Shanghai, China	USD 15,000,000	Marine Transportation	Not issued	100%	Supporting sales and operation in China and Providing market information
Pan Ocean Japan Corporation	4th Floor, Nishi Shimbashi Home Bldg, 1-12-10 Nishi Shimbashi, Minato-ku, Tokyo, Japan, 105-0003	JPY 100,000,000	Marine Transportation	70,600	100%	Supporting sales and operation in Japan
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	20 Anson Road #12-02 Twenty Anson Singapore	SGD 4,288,362.47	Marine Transportation	4,004,874	100%	Supporting sales and operation in Singapore
Pan Ocean Brasil Apoio Maritimo Ltda.	Alameda Joaquim Eugenio De Lima, 680, CJ 172, Jardim Paulista, Sao Paulo	USD 4,600,000	Marine Transportation	Not issued	100%	Supporting sales and operation in South America
STX Pan Ocean (U.K.) Co., Ltd.	13 Approach Road, London, SW20 8BA	GBP 10,300,000	Marine Transportation	10,300,000	100%	Supporting sales and operation in the Atlantic Ocean and dealing with Claims
STX Pan Ocean (Hong Kong) Co., Ltd.	33rd Floor Cambridge House Taikoo Place 979, King's Road, Hong Kong	HKD 38,000,000	Marine Transportation	38,000,000	100%	Supporting sales and operation in Hong Kong

* In liquidation : STX Pan Ocean (Hong Kong) Co., Ltd., , STX Pan Ocean (U.K.) Co., Ltd.

[3] The status of concurrent position in parent and subsidiary companies

As of 31 December 2019

Executive director with a concurrent office		Company to be served additionally		
Name	Position	Name of the company	Position	Task
Kim Hong Kuk	Chairman	Harim Holdings	CEO	-
Ahn Joong Ho	Deputy President	Pan Ocean (China) Co., Ltd.	Director	-
Kim Bo Yeon	Deputy President	POS SM Co., Ltd	Auditor	-
Chae Ho Seok	Senior Vice President	Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Director	-
Rah Byung Chul	Senior Vice President	Pan Ocean Japan Corporation	Director	-
Bang Sang Doo	Vice President	Pan Ocean (China) Co., Ltd.	Director	-
Chung Do Shik	Vice President	POS SM Co., Ltd / STX Pan Ocean (U.K.) Co., Ltd.	Director	-

4. The financial status for the last 3 years

[1] Operating Result

54th Period : From 1 January 2019 to 31 December 2019
53rd Period : From 1 January 2018 to 31 December 2018
52nd Period : From 1 January 2017 to 31 December 2017

Consolidated Statements of Comprehensive income (Unit : KRW mil.)

Subject	54th	53rd	52nd
Sales	2,467,891	2,668,353	2,336,240
Operating profit(loss)	210,019	203,936	195,023
Profit(loss)	147,727	148,645	141,275

Statements of Comprehensive income (Unit : KRW mil.)

Subject	54th	53rd	52nd
Sales	2,155,925	2,337,517	2,013,013
Operating profit(loss)	208,473	203,019	201,675
Profit(loss)	153,711	144,248	145,713

[2] Financial Status

54th Period : end of the 2019
53rd Period : end of the 2018
52nd Period : end of the 2017

Consolidated Statements of Financial position (Unit : KRW mil.)

Subject	54th	53rd	52nd
Assets	4,454,177	4,119,496	3,894,362
Liabilities	1,554,646	1,459,059	1,484,610
Equity	2,899,531	2,660,437	2,409,752

Statements of Financial position (Unit : KRW mil.)

Subject	54th	53rd	52nd
Assets	4,394,868	4,054,723	3,820,957
Liabilities	1,527,480	1,432,182	1,447,741
Equity	2,867,388	2,622,541	2,373,216

5. The challenging task of the Company

Please find following company core assignments on 2020.

Assignments	Action Plan
Growth Accompanied by Profit	➢ Maximize profitability of the long-term COAs ➢ Continuous effort to secure cost competitiveness comparing to other competitors ➢ Expand sales activity through enthusiastic SPOT business
Preemptive Response to Risk	➢ Enhance compliance management and internal control ➢ Preemptively respond to market uncertainty according to environmental regulations ➢ Pursue accident-free and safety
Re-establishment of Corporate Culture	➢ Establish meritocratic principles by delegating authority and strengthening responsibility ➢ Maximize business efficiency by putting the right person in the right job and training experts ➢ Build a win-win relationship between workers and management
Secure New Growth Engines	➢ Stabilize the grain business ➢ Enter new markets such as LNG carriers and LNG-Powered vessels, etc. ➢ Discover new business opportunities in shipping related / adjacent business

6. The status of directors and auditors

As of 31 December 2019

Full time /Part time	Name	Position & Duty	Transaction with Pan Ocean	Remarks
Full time	Kim Hong Kuk	CEO & Chairman (Inside director)	Not Applicable	-
Full time	Choo Sung Yob	CEO & President (Inside director)		-
Full time	Cheon Se Gi	Head of Ethical Management Dept. (Inside director)		-
Part time	Choi Seung Hwan	Chairman of Audit Committee Director (Independent director)		-
Part time	Oh Keum Seok	Member of Audit Committee Director (Independent director)		-
Part time	Oh Kwang Soo	Member of Audit Committee Director (Independent director)		-
Part time	Christopher Anand Daniel	Independent director		-

7. The status of substantial shareholders

As of 31 December 2019

Name	No. of Shares	Ratio	Transaction with Pan Ocean	Remarks
Harim Holdings	292,400,000	54.70%	Not Applicable	-
National Pension Service	34,848,648	6.52%	Not Applicable	-
POSEIDON 2014 LLC	20,400,000	3.82%	Not Applicable	-
KOREA POST SAVINGS	6,229,947	1.17%	Not Applicable	-
THE GOVERNMENT OF SINGAPORE	6,038,430	1.13%	Not Applicable	-

* Top 5 shareholders based on ratio

8. The status of the investment in other company by the Company or the Company's subsidiary

As of 31 December 2019

Investee Company	Investor Company	Investment in Investee Company		Main Business
		No. of shareholding	Ratio	
POS SM Co., Ltd	Pan Ocean Co., Ltd.	Not issued	100%	Marine service
Pan Ocean (China) Co., Ltd.		Not issued	100%	Marine transportation
Pan Ocean Japan Corporation		70,600	100%	Marine transportation
Pan Ocean Singapore Bulk Carrier Pte. Ltd.		4,004,874	100%	Marine transportation
Pan Ocean Brasil Apoio Maritimo Ltda.		Not issued	100%	Marine transportation
Pan Ocean (America), Inc.		8,940	34%	Grain business in North America
STX Pan Ocean (U.K.) Co., Ltd.		10,300,000	100%	Marine transportation
STX Pan Ocean (Hong Kong) Co., Ltd.		38,000,000	100%	Marine transportation
Busan Cross Dock Co., Ltd.		Not issued	20%	Logistics
Korea LNG Trading Co.,Ltd.		Not issued	18%	LNG transportation
Pan Ocean - Sinotrans Logistics Co., Ltd.	Pan Ocean (China) Co., Ltd.	Not issued	60%	Forwarding
Pan Ocean International Logistics Co., Ltd.		Not issued	100%	Forwarding
Wide Sea Logistics Co., Ltd.		Not issued	100%	Container Yard business
Pan Logix Co., Ltd	Pan Ocean Japan Corporation	3,000	100%	Forwarding
Pan Ocean Container Japan Co.,Ltd		1,000	100%	Shipping Agency
CSTX AGRICOLA PARTICIPACOES LTDA.	Pan Ocean Brasil Apoio Maritimo Ltda.	Not issued	50%	Grain Trading
World D&F Investment (UK) Co. Limited	STX Pan Ocean (U.K.) Co., Ltd.	1,000	100%	UK Tax lease

* In liquidation : STX Pan Ocean (U.K.) Co., Ltd., STX Pan Ocean (Hong Kong) Co., Ltd., World D&F Investment (UK) Co. Limited

9. The major creditors

As of 31 December 2019

Name of Creditor	Amount (million won)	No. of shareholding	Ratio(%)	Others
POS MARITIME JC	64,605	-	-	-
LTSF SPO 1 INC.	48,012	-	-	-
POS MARITIME JD	40,660	-	-	-
POS MARITIME GD	39,751	-	-	-
POS MARITIME HD	37,828	-	-	-
POS MARITIME ID	35,961	-	-	-
POS MARITIME FD	35,776	-	-	-
POS MARITIME RB	35,629	-	-	-
POS MARITIME SB	35,629	-	-	-
POS MARITIME ED	31,801	-	-	-

* Top 10 creditors based on amount. In case of foreign debt, it was converted into Korean Won at the exchange rate of KRW 1,157.80 per USD as of 31 December 2019.

10. The important issue after the financial year

※ Not Applicable

11. The important matter related to other operating

※ Not Applicable

12. IPT

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
	12 months Ended 31 Dec. 2019.	12 months Ended 31 Dec. 2018.	12 months Ended 31 Dec. 2019.	12 months Ended 31 Dec. 2018.
PanOcean(America), Inc.	40,846 3)	48,151 3)	26,299 1)	30,283 1)
Sunjin Co., Ltd.	-	-	4,040 2)	5,420 2)
Farmsco	-	-	9,159 2)	5,206 2)
Jeil Feed Company, Ltd.	-	-	7,421 2)	4,325 2)
Harim Co., Ltd.	-	-	3,872 2)	2,890 2)
Orpum Co., Ltd.	-	-	636 2)	- 2)
Harim Holdings Co.,Ltd.	1,532 4)	-	-	-
Harim USA,Ltd.	341 5)	-	-	-
Total	42,719	48,151	51,427	48,124

1) Sales relating to voyage and Agent commission under shareholders' mandate pursuant to Rule 920
2) The group's effective interest of transaction relating to sales grain to interested person (Sunjin, Farmsco, Jeil Feed Company, Harim, Orpum)
3) Provided performance gurantee, finance gurantee for the period and commission fee
4) The group's shared expenses (Harim Holdings Co., Ltd.)
5) The group's effective interest of transaction relating to lending of money to interested person (Harim USA, Ltd.)

2019 Financial Statements

(2019.1.1 ~ 2019.12.31)

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Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

(In thousands of US dollars)	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	4,6,8	$ 220,516	$ 186,668
Trade receivables	4,6,7,9	113,512	127,837
Contract assets		55,684	87,196
Other receivables	4,6,7,10	22,103	32,085
Derivative financial assets	4,5,6,11	420	1,541
Other financial assets	4,5,6,12	24,811	16,042
Inventories	13	56,419	54,602
Other assets	14	93,450	113,076
		586,915	619,047
Non-current assets			
Trade receivables		-	10
Other receivables	4,6,7,10	10,315	24,608
Other financial assets	4,5,6,12	10,022	15,827
Investments in associates and joint ventures	15	2,019	2,020
Vessels, property and equipment	16	3,227,672	3,007,560
Intangible assets	17	6,728	7,704
Other assets	14	3,433	7,596
		3,260,189	3,065,325
Total assets		$ 3,847,104	$ 3,684,372
Liabilities and Equity			
Current liabilities			
Trade payables	4,6	$ 103,805	$ 113,109
Borrowings	4,6,18	371,010	340,699
Derivative financial liabilities	4,5,6,11	61	3,004
Other payables	4,6,19	46,258	57,704
Provisions	20	3,170	2,257
Other liabilities	21	13,255	14,802
Contract liabilities		62,068	68,107
Lease liabilities		12,835	-
		612,462	599,682
Non-current liabilities			
Borrowings	4,6,18	684,076	667,285
Derivative financial liabilities	4,5,6,11	19	1
Provisions	20	22,638	29,542
Retirement benefit obligations	22	2,308	3,793
Other payables	4,5,19	-	65
Lease liabilities		21,256	-
Other liabilities		-	4,577
		730,297	705,263
Total liabilities		1,342,759	1,304,945
Equity			
Equity attributable to the owners of the Group			
Share capital	1,24	480,755	480,755
Capital surplus	24	652,814	652,814
Other reserves	25	1,051,352	1,052,219
Retained Earning	26	308,103	178,747
		2,493,024	2,364,535
Non-controlling interests		11,321	14,892
Total equity		2,504,345	2,379,427
Total liabilities and equity		$ 3,847,104	$ 3,684,372

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

Pan Ocean Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2019 and 2018

(In thousands of US dollars, except per share amount)	**Notes**	**2019**	**2018**
Sales	35	$ 2,117,525	$ 2,425,312
Cost of Sales	27	(1,870,608)	(2,172,563)
Gross profit		246,917	252,749
Selling and administrative expenses	27	(66,714)	(67,389)
Operating profit	35	180,203	185,360
Finance income	28	15,680	11,301
Finance costs	28	(57,566)	(58,133)
Share of profit of associates and joint ventures	15	35	62
Other non-operating expenses, net	29	(11,136)	(3,167)
Profit before income tax		127,216	135,423
Income tax expense	23	462	317
Profit for the period		126,754	135,106
Other comprehensive income			
Items that will be subsequently reclassified to profit or loss:			
Changes in the fair value of derivative financial assets and liabilities		(18)	55
Share of other comprehensive income of associates and joint ventures		(26)	(45)
		(44)	10
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability		(961)	(132)
Exchange differences		(831)	(4,927)
Total other comprehensive income for the period, net of tax		(1,836)	(5,049)
Total comprehensive income for the period		$ 124,918	$ 130,057
Profit (loss) attributable to:			
Owners of the Parent Company		130,317	138,528
Non-controlling interests		(3,563)	(3,422)
		$ 126,754	$ 135,106
Total comprehensive income attributable to:			
Owners of the Parent Company		128,489	134,508
Non-controlling interests		(3,571)	(4,451)
		$ 124,918	$ 130,057
Earnings per share	30		
Basic earnings per share		$ 0.24	$ 0.26
Diluted earnings per share		$ 0.24	$ 0.26

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

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2019 and 2018

(In thousands of US dollars)	Attributable to owners of the Parent Company					
	Share capital	**Capital surplus**	**Other reserves**	**Retained Earning (Accumulated deficit)**	**Non- controlling interests**	**Total Equity**
Balance at January 1, 2018	$ 480,727	$ 651,920	$ 1,056,427	$ 40,351	$ 19,343	$ 2,248,768
Total comprehensive income for the period						
Profit (loss) for the period	-	-	-	138,528	(3,422)	135,106
Items that will be subsequently reclassified to profit or loss:						
Changes in the fair value of available-for-sale financial assets	-	-	-	-	-	-
Changes in the fair value of derivative financial assets and liabilities	-	-	55	-	-	55
Share of other comprehensive income of associates and joint ventures	-	-	(45)	-	-	(45)
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(132)	-	(132)
Exchange differences	-	-	(3,898)	-	(1,029)	(4,927)
Transactions with owners						
Changes in equity due to debt-to-equity swap	28	117	(320)	-	-	(175)
Additional acquisition of the non-controlling interest with unchanged control	-	777	-	-	-	777
Balance at December 31, 2018	$ 480,755	$ 652,814	$ 1,052,219	$ 178,747	$ 14,892	$ 2,379,427
Balance at January 1, 2019	$ 480,755	$ 652,814	$ 1,052,219	$ 178,747	$ 14,892	$ 2,379,427
Total comprehensive income for the period						
Profit (loss) for the period	-	-	-	130,317	(3,563)	126,754
Items that will be subsequently reclassified to profit or loss:						
Changes in the fair value of derivative financial assets and liabilities	-	-	(18)	-	-	(18)
Share of other comprehensive income of associates and joint ventures	-	-	(26)	-	-	(26)
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit liability	-	-	-	(961)	-	(961)
Exchange differences	-	-	(823)	-	(8)	(831)
Balance at December 31, 2019	$ 480,755	$ 652,814	$ 1,051,352	$ 308,103	$ 11,321	$ 2,504,345

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

Pan Ocean Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

(In thousands of US dollars)	**Notes**	**2019**	**2018**
Cash flows from operating activities	33		
Cash generated from operations		$ 403,766	$ 298,162
Interest paid		(56,129)	(53,339)
Income tax paid		(325)	(1,168)
Net cash inflow from operating activities		347,312	243,655
Cash flows from investing activities			
Acquisition of vessels, property and equipment		(186,196)	(150,376)
Proceeds from sale of vessels, property and equipment		245	12,681
Acquisition of intangible assets		(301)	(176)
Proceeds from sale of intangible assets		1,284	-
Acquisition of other financial assets		(28,465)	(16,353)
Proceeds from sale of other financial assets		25,304	35,063
Acquisition of investments in associates and joint ventures		-	-
Proceeds from sale of assets held for sale		-	-
Dividends received		299	238
Increase in other receivables		(1,309)	(317)
Decrease in other receivables		2,387	1,084
Interest received		3,994	3,131
Net cash outflow from investing activities		(182,758)	(115,025)
Cash flows from financing activities			
Proceeds from borrowings		601,401	408,252
Repayments of borrowings		(716,643)	(543,267)
Repayments of lease liabilities		(15,195)	(349)
Changes in other controlling interests		-	(193)
Net cash outflow from financing activities		(130,437)	(135,557)
Effect of exchange rate changes on cash and cash equivalents		(269)	(215)
Net increase (decrease) in cash and cash equivalents		33,848	(7,142)
Cash and cash equivalents at the beginning of year		186,668	193,810
Cash and cash equivalents at the end of year		$ 220,516	$ 186,668

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

1. General Information

1.1 Parent Company

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

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

The paid-in capital amount as at December 31, 2019 is US$ 480,755 thousand and the number of shares issued is 534,569,207. As at December 31, 2019, the detail of the shareholders structure is as follows:

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

1.2 Consolidated Subsidiaries

Details of consolidated subsidiaries as at December 31, 2019, are as follows:

			2019		
	Location	Main business	Parent company	Subsidiary	Total
Asia					
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	Shipping	100%	-	100%
Pan Ocean(China) Co., Ltd.	China	Shipping	100%	-	100%
Pan Ocean International Logistics Co., Ltd.	China	Logistics	-	100%	100%
Pan Ocean - Sinotrans Logistics Co., Ltd.	China	Logistics	-	60%	60%
Wide Sea Logistics Co., Ltd.	China	Logistics	-	100%	100%
Pan Ocean Japan Corporation	Japan	Shipping	100%	-	100%
Pan Logix Co., Ltd.	Japan	Forwarding	-	100%	100%
Pan Ocean Container (Japan) Co., Ltd.	Japan	Forwarding	-	100%	100%
POS SM Co.,Ltd	Korea	Ship management	100%	-	100%
Europe					
STX Pan Ocean(U.K.) Co., Ltd.	U.K.	Shipping	100%	-	100%
North America					
Pan Ocean(America) Inc. [1]	USA	Shipping	34%	-	34%
South America					
Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	Shipping	100%	-	100%
Others					
POS Maritime GB S.A. and others [2]	Panama and others	-	-	-	-

[1] Although the Group owns less than the half of the entity's shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.
[2] POS Maritime GB S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2019, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group's consolidated subsidiaries.

1.3 Summarized Financial Information

Summarized statements of financial position for consolidated subsidiaries as at December 31, 2019, is as follows:

(in thousands of US dollars)	2019		
	Assets	**Liabilities**	**Equity**
Asia			
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	$ 2,436	$ 228	$ 2,208
Pan Ocean(China) Co., Ltd.	18,807	381	18,426
Pan Ocean International Logistics Co., Ltd.	6,867	5,244	1,623
Pan Ocean - Sinotrans Logistics Co., Ltd.	2,561	1,502	1,059
Wide Sea Logistics Co., Ltd.	5,557	1,261	4,296
Pan Ocean Japan Corporation	2,720	53	2,667
Pan Logix Co., Ltd.	3,100	770	2,330
Pan Ocean Container (Japan) Co., Ltd.	3,826	2,671	1,155
POS SM Co.,Ltd	28,436	17,991	10,445
Europe			
STX Pan Ocean(U.K.) Co., Ltd.	9	35,714	(35,705)
North America			
Pan Ocean(America) Inc. [1]	19,093	2,373	16,720
South America			
Pan Ocean Brasil Apoio Maritimo Ltda.	1,921	28	1,893
Others			
POS Maritime GB S.A. and others [2]	-	-	-

[1] Although the Group owns less than the half of the entity's shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.
[2] POS Maritime GB S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2019, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group's consolidated subsidiaries.

Summarized statements of comprehensive income for consolidated subsidiaries for the year ended December 31, 2019, is as follows:

(in thousands of US dollars)	2019		
	Sales	**Operating profit (loss)**	**Profit (loss) for the period**
Asia			
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	$ 3,575	$ 192	$ 127
Pan Ocean(China) Co., Ltd.	4,905	384	344
Pan Ocean International Logistics Co., Ltd.	11,224	255	295
Pan Ocean - Sinotrans Logistics Co., Ltd.	5,175	(21)	3
Wide Sea Logistics Co., Ltd.	8,808	527	394
Pan Ocean Japan Corporation	921	111	4
Pan Logix Co., Ltd.	12,762	562	340
Pan Ocean Container (Japan) Co., Ltd.	1,486	150	71
POS SM Co.,Ltd	112,590	916	1,046
Europe			
STX Pan Ocean(U.K.) Co., Ltd.	-	-	92
North America			
Pan Ocean(America) Inc. [1]	253,630	(2,449)	(5,410)
South America			
Pan Ocean Brasil Apoio Maritimo Ltda.	389	(93)	(3)
Others			
POS Maritime GB S.A. and others [2]	-	-	-

[1] Although the Group owns less than the half of the entity’s shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.
[2] POS Maritime GB S.A. and others are the special purpose entities (“SPEs”) for the Group. As at December 31, 2019, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group’s consolidated subsidiaries.

Summarized financial statements for consolidated subsidiaries as at and for the year ended December 31, 2018, is as follows:

(in thousands of US dollars)

			2018					
Subsidiary	**Location**	**Main business**	**Ownership interest held by the Group (%)**	**Assets**	**Liabilities**	**Sales**	**Operating profit (loss)**	**Profit (loss) for the period**
Asia								
Pan Ocean Singapore Bulk Carrier Pte. Ltd.	Singapore	Shipping	100%	$ 2,315	$ 233	$ 7,569	$ 188	$ 195
Pan Ocean(China) Co., Ltd.	China	Shipping	100%	21,541	400	5,193	723	1,534
Pan Ocean International Logistics Co., Ltd.	China	Logistics	100%	6,755	5,401	10,346	202	202
Pan Ocean - Sinotrans Logistics Co., Ltd.	China	Logistics	60%	3,281	2,206	5,713	21	11
Wide Sea Logistics Co., Ltd.	China	Logistics	100%	5,011	1,038	8,929	710	549
Pan Ocean Japan Corporation	Japan	Shipping	100%	5,626	38	901	111	28
Pan Logix Co., Ltd.	Japan	Forwarding	100%	2,710	747	11,511	544	537
Pan Ocean Container (Japan) Co., Ltd.	Japan	Forwarding	100%	3,174	2,104	19,676	149	149
POS SM Co.,Ltd	Korea	Ship management	100%	23,574	13,703	101,277	2,387	2,316
Europe								
STX Pan Ocean(U.K.) Co., Ltd.	U.K.	Shipping	100%	50	34,720	-	-	(472)
North America								
Pan Ocean(America) Inc. [1]	USA	Shipping	34%	34,667	12,536	285,932	(1,741)	(5,389)
South America								
Pan Ocean Brasil Apoio Maritimo Ltda.	Brazil	Shipping	100%	1,988	25	373	(102)	12
Others								
POS Maritime GB S.A. and others [2]	Panama and others	-	-	-	-	-	-	-

[1] Although the Group owns less than the half of the entity's shares and voting power, the management has determined that the Group controls the entity due to the agreement with its other shareholders, which delegates voting rights of Pan Ocean(America) Inc. to the Group.
[2] POS Maritime GB S.A. and others are the special purpose entities ("SPEs") for the Group. As at December 31, 2018, the Group owns no shares of these entities, but rights to obtain the majority of the benefits from the operation of SPEs. Accordingly, these SPEs are included in the Group's consolidated subsidiaries.

1.4 Non-controlling interests

Details of the Group's shares in non-controlling interests as at December 31, 2019 and 2018, are as follows:

(in thousands of US dollars)	2019			
	Percentage of ownership of non-controlling interest (%)	**Book amount of non-controlling interest**	**Profit(loss) attributable to non-controlling interests**	**Total comprehensive income (loss) attributable to non-controlling interests**
Pan Ocean - Sinotrans Logistics Co., Ltd.	40%	$ 424	$ 1	$ (5)
Pan Ocean(America) Inc.	66%	10,897	(3,564)	(3,566)
		$ 11,321	$ (3,563)	$ (3,571)

(in thousands of US dollars)	2018			
	Percentage of ownership of non-controlling interest (%)	**Book amount of non-controlling interest**	**Profit(loss) attributable to non-controlling interests**	**Total comprehensive income (loss) attributable to non-controlling interests**
Pan Ocean - Sinotrans Logistics Co., Ltd.	40%	$ 429	$ 110	$ 122
Pan Ocean(America) Inc.	66%	14,462	(3,532)	(4,573)
		$ 14,891	$ (3,422)	$ (4,451)

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases.*
Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

With implementation of Korean IFRS 1116 *Lease*, the Group has changed accounting policy. The Group has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Group has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 35.

- Amendment to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS *1109 Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

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

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment does not have a significant impact on the financial statements.

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

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The amendment does not have a significant impact on the financial statements.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

  · Amendments to Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the financial statements.

  · Amendments to Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the financial statements.

  · Amendments to Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the financial statements.

  · Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the financial statements.

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

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Group

- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Group does not expect that these amendments have a significant impact on the financial statements.

2.3 Consolidation

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

(a) Subsidiaries

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

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

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

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

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate (including long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss. If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, if necessary, adjustments shall be made to make the associate′s accounting policies conform to those of the Group when the associate′s financial statements are used by the entity in applying the equity method.

(c) Joint arrangements

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Translation to the presentation currency

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

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

2.5 Financial Assets

(a) Classification

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

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

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

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

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

(b) Measurement

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

A. Debt instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.

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

B. Equity instruments

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

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

(c) Impairment

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

(d) Recognition and Derecognition

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

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.6 Derivative Instruments

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

2.7 Trade Receivables

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

2.8 Inventories

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

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

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

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

2.10 Vessels, Property and Equipment

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

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

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

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

2.11 Borrowing Costs

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

2.12 Intangible Assets

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

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

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

2.13 Government Grants

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

2.14 Impairment of Non-financial Assets

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

2.15 Financial Liabilities

(a) Classification and measurement

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

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

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

(b) Derecognition

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

2.16 Trade and Other Payables

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

2.17 Provisions

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

2.18 Current and Deferred Tax

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

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

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

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

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

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

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

2.19 Employee Benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

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

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

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

2.20 Revenue Recognition

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

(a) Identify performance obligation

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

(b) A performance obligation is satisfied over the period

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

(c) Variable consideration

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

With implementation of Korean IFRS 1115, the Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognize revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed.

(d) Incremental costs of obtaining a contract

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

2.21 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 35.

[Accounting policy for lessees pursuant to Korean IFRS 1017,if the prior financial statements have not been restated]

As at December 31, 2018, leases of Vessels, property and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were 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 lease payments, net of finance charges. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The vessels, property and equipment acquired under finance leases was depreciated over the asset′s useful life, or over the shorter of the asset′s useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

[Accounting policy for lessees pursuant to Korean IFRS 1116]

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

[Accounting policy for lessors pursuant to Korean IFRS 1116]

The Group leases various vessels, offices, equipment and cars. Lease contracts are typically made for fixed periods, but may have extension options.

Contracts may contain both lease and non-lease components. However, for which the Group is lessee, the Group applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of vessels, property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable

- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- Amounts expected to be payable by the Group (the lessee) under residual value guarantees

- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and

- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

Lease liability measurement also include payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease.

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT-equipment.

2.22 Debt-to-equity Swap and Debt Restructuring

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

2.23 Operating Segments

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 34). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Group has four operating segments consist of bulk carrier service, container service, tanker service and other shipping services as described in note 34. Each operating segment is a strategic business unit. The strategic business units offer different shipping services, and are managed separately because they require different technology and marketing strategies.

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

2.24 Approval of Issuance of the Financial Statements

The consolidated financial statements 2019 of the Group were approved for issue by the Board of Directors on February 12, 2020 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

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

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

(a) Impairment of Assets

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

Pan Ocean Co., Ltd.
Separate Statements of Financial Position
December 31, 2019 and 2018

(in thousands of US dollars)	Notes	2019	2018
Assets			
Current assets			
Cash and cash equivalents	4,6,8	$ 171,028	$ 143,623
Trade receivables	4,6,7,9	104,610	107,156
Contract Assets		55,684	87,196
Other receivables	4,6,7,10	21,010	30,391
Derivative financial assets	4,5,6,11	420	1,006
Other financial assets	4,5,6,12	24,709	9,893
Inventories	13	56,415	54,597
Other assets	14	83,293	110,206
		517,169	544,068
Non-current assets			
Other receivables	4,6,7,10	9,523	22,062
Other financial assets	4,5,6,12	10,022	15,826
Investments in subsidiaries	15	39,261	41,158
Investments in associates and joint ventures	15	1,252	1,252
Vessels, property and equipment	16	3,211,552	2,993,294
Intangible assets	17	4,343	4,333
Other assets	14	2,756	4,447
		3,278,709	3,082,372
Total assets		$ 3,795,878	$ 3,626,440
Liabilities			
Current liabilities			
Trade payables	4,6	$ 92,113	$ 101,092
Borrowings	4,6,18	371,010	340,699
Derivative financial liabilities	4,5,6,11	61	2,484
Other payables	4,6,19	41,790	54,867
Provisions	20	3,170	2,257
Other liabilities	21	9,492	11,310
Contract liabilities		62,068	68,107
Lease liabilities		11,684	-
		591,388	580,816
Non-current liabilities			
Borrowings	4,6,18	684,076	667,285
Derivative financial liabilities	4,5,6,11	19	1
Provisions	20	22,110	24,575
Retirement benefit obligations	22	2,070	3,653
Lease liabilities		19,632	-
Other liabilities		-	4,577
		727,907	700,091
Total liabilities		1,319,295	1,280,907
Equity			
Share capital	1,24	480,755	480,755
Capital surplus	24	651,483	651,483
Other reserves	25	1,068,368	1,068,386
Retained Earning(Accumulated deficit)	26	275,977	144,909
Total equity		2,476,583	2,345,533
Total liabilities and equity		$ 3,795,878	$ 3,626,440

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, 2019 and 2018

(in thousands of US dollars, except per share data)	**Notes**		**2019**		**2018**
Sales	35	$	1,849,849	$	2,124,609
Cost of sales	27		(1,625,729)		(1,893,729)
Gross profit			224,120		230,880
Selling and administrative expenses	27		(45,244)		(46,353)
Operating profit	35		178,876		184,527
Finance income	28		18,951		9,664
Finance costs	28		(56,311)		(57,796)
Other non-operating expenses, net	29		(9,683)		(5,889)
Profit before income tax			131,833		130,506
Income tax expense (income)	23		(56)		(604)
Profit for the period		$	131,889	$	131,110
Other comprehensive income					
Items that will be subsequently reclassified to profit or loss:					
Changes in the fair value of derivative financial assets and liabilities, net of tax			(18)		13
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit liability			(821)		(82)
			(839)		(69)
Total comprehensive income		$	131,050	$	131,041
Earnings per share	30				
Basic earnings per share		$	0.25	$	0.25
Diluted earnings per share			0.25		0.25

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

Pan Ocean Co., Ltd.
Separate Statements of Changes in Equity
Years Ended December 31, 2019 and 2018

(in thousands of US dollars)	Share capital	Capital surplus	Other reserves	Retained Earning (Accumulated deficit)	Total Equity
Balance at January 1, 2018	$ 480,727	$ 651,366	$ 1,068,692	$ 13,881	$ 2,214,666
Total comprehensive income for the year					
Profit for the period	-	-	-	131,110	131,110
Items that will be subsequently reclassified to profit or loss:					
Change in the fair value of derivative financial assets and liabilities	-	-	13	-	13
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit liability	-	-	-	(82)	(82)
Transactions with owners					
Changes in equity due to debt-to-equity swap	28	117	(319)	-	(174)
Balance at December 31, 2018	$ 480,755	651,483	1,068,386	144,909	2,345,533
Balance at January 1, 2019	$ 480,755	$ 651,483	$ 1,068,386	$ 144,909	$ 2,345,533
Effect of change in accounting policies					-
After adjustment	480,755	651,483	1,068,386	144,909	2,345,533
Total comprehensive income for the year					
Profit for the period	-	-	-	131,889	131,889
Items that will be subsequently reclassified to profit or loss:					
Change in the fair value of derivative financial assets and liabilities	-	-	(18)	-	(18)
Items that will not be reclassified to profit or loss:					
Remeasurements of defined benefit liability	-	-	-	(821)	(821)
Balance at December 31, 2019	$ 480,755	651,483	1,068,368	275,977	2,476,583

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, 2019 and 2018

(in thousands of US dollars)	**Notes**	**2019**	**2018**
Cash flows from operating activities			
Cash generated from operating activities	33	$ 395,329	$ 306,776
Interest paid		(56,087)	(53,516)
Income tax refund		90	82
Net cash inflow from operating activities		339,332	253,342
Cash flows from investing activities			
Acquisition of vessels, property and equipment		(185,863)	(150,072)
Proceeds from sale of vessels, property and equipment		234	12,681
Acquisition of intangible assets		(124)	(59)
Proceeds from sale of intangible assets		1,284	-
Acquisition of other financial assets		(28,421)	(10,188)
Proceeds from sale of other financial assets		19,502	31,311
Dividends received		5,978	238
Increase in other receivables		(290)	(317)
Decrease in other receivables		1,379	1,072
Interest received		3,068	2,534
Net cash outflow from investing activities		(183,253)	(112,800)
Cash flows from financing activities			
Proceeds from borrowings		601,401	408,252
Repayments of borrowings		(716,643)	(543,267)
Repayments of lease liabilities		(13,856)	(349)
Net cash outflow from financing activities		(129,098)	(135,364)
Effect of exchange rate changes on cash and cash equivalents		424	55
Net increase(decrease) in cash and cash equivalents		27,405	5,233
Cash and cash equivalents at the beginning of the year		143,623	138,390
Cash and cash equivalents at the end of the year		$ 171,028	$ 143,623

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

1. General Information

Pan Ocean Co., Ltd. (the “Company”) operates marine transportation (mainly bulk carrying) and other related services. The Company was established in 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, 2019 is US$ 480,755 thousand and the number of shares issued is 534,569,207. As at December 31, 2019, the detail of the shareholders structure is as follows:

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

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

2.2 Changes in Accounting Policies and Disclosures

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

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2019.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* replaces Korean IFRS 1017 *Leases.*
Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

With implementation of Korean IFRS 1116 *Lease*, the Company has changed accounting policy. The Company has adopted Korean IFRS 1116 retrospectively, as permitted under the specific transitional provisions in the standard, and recognized the cumulative impact of initially applying the standard as at January 1, 2019, the date of initial application. The Company has not restated comparatives for the 2018 reporting period. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 35.

- Amendment to Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS *1109 Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendment does not have a significant impact on the financial statements.

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

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment does not have a significant impact on the financial statements.

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

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. The amendment does not have a significant impact on the financial statements.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

- Amendments to Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. The amendment does not have a significant impact on the financial statements.

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

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendment does not have a significant impact on the financial statements.

- Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. The amendment does not have a significant impact on the financial statements.

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

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Company.

\- Amendments to Korean IFRS 1001 *Presentation of Financial Statements* and Korean IFRS 1008 *Accounting policies, changes in accounting estimates and errors – Definition of Material*

The amendments clarify the explanation of the definition of material and amended Korean IFRS 1001 and Korean IFRS 1008 in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Company. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

\- Amendments to Korean IFRS 1103 *Business Combination – Definition of a Business*

To consider the integration of the required activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from the lower costs. An entity can apply a concentration test, an optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, the assets acquired would not represent a business. These amendments should be applied for annual periods beginning on or after January 1, 2020, and earlier application of permitted. The Company does not expect that these amendments have a significant impact on the financial statements.

2.3 Subsidiaries and Shares in Investees accounted for using Equity Method

These separate financial statements are prepared and presented in accordance 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 and presentation currency.

(b) Transactions and balances

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

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

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

(c) Translation to the presentation currency

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

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

2.5 Financial Assets

(a) Classification

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

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

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

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

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

(b) Measurement

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

A. Debt instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'other income or expenses' and impairment losses are presented in 'other expenses'.

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

B. Equity instruments

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

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

(c) Impairment

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

(d) Recognition and Derecognition

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

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the separate statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Derivative Instruments

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

2.7 Trade Receivables

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

2.8 Inventories

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

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

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

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

2.10 Vessels, Property and Equipment

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

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

Useful lives(Years)

Buildings and structures	50
Vessels	17 ~ 25
Vehicles	5
Others	2.5 ~ 10

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

2.11 Borrowing Costs

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

2.12 Intangible Assets

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

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

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

2.13 Government Grants

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

2.14 Impairment of Non-financial Assets

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

2.15 Financial Liabilities

(a) Classification and measurement

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

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

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

(b) Derecognition

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

2.16 Trade and Other Payables

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

2.17 Provisions

Provisions for service warranties, make good obligation, and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.18 Current and Deferred Tax

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

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

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

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

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

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

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

2.19 Employee Benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

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

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

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

2.20 Revenue Recognition

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

(a) Identify performance obligation

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

(b) A performance obligation is satisfied over time

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

(c) Variable consideration

In addition to the freight charge from contracts with customers, there may be a discount charge (dispatch money) to be paid to the shippers for early loading / unloading of cargoes or late fee (demurrage) to be paid to the shipping companies for delay of loading / unloading of cargoes. Accordingly, consideration from customers can be vary. With implementation of Korean IFRS 1115, the Company estimates an amount of variable consideration by using the expected value which the Company expects to better predict the amount of consideration. The Company recognize revenue with transaction price including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the refund period has lapsed.

(d) Incremental costs of obtaining a contract

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

2.21 Leases

As explained in Note 2.2 above, the Company has changed its accounting policy for leases. The impact of the new accounting policies is disclosed in Note 35.

[Accounting policy for lessees pursuant to Korean IFRS 1017,if the prior financial statements have not been restated]

As at December 31, 2018, leases of Vessels, property and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were 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 lease payments, net of finance charges. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The vessels, property and equipment acquired under finance leases was depreciated over the asset′s useful life, or over the shorter of the asset′s useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

[Accounting policy for lessees pursuant to Korean IFRS 1116]

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

[Accounting policy for lessors pursuant to Korean IFRS 1116]

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

Contracts may contain both lease and non-lease components. However, for which the Company is lessee, the Company applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of vessels, property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable

- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

- Amounts expected to be payable by the Company (the lessee) under residual value guarantees

- The exercise price of a purchase option if the Company (the lessee) is reasonably certain to exercise that option, and

- Payments of penalties for terminating the lease, if the lease term reflects the Company (the lessee) exercising that option

Lease liability measurement also include payments to be made in option periods if the lessee is reasonably certain to exercise an option to extend the lease.

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

To determine the incremental borrowing rate, the Company:

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

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

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

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT-equipment.

2.22 Debt-to-equity Swap and Debt Restructuring

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

2.23 Operating Segments

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 34). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The Company has four operating segments consist of bulk carrier service, container service, tanker service and other shipping services as described in note 34. Each operating segment is a strategic business unit. The strategic business units offer different shipping services, and are managed separately because they require different technology and marketing strategies.

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

2.24 Approval of Issuance of the Financial Statements

The financial statements 2019 of the Company were approved for issue by the Board of Directors on February 12, 2020 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

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

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

(a) Impairment of Assets

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