



Sebang Co., Ltd.

Separate Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report)

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
Sebang Co., Ltd.:

We have audited the accompanying financial statements of Sebang Co., Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sebang Co., Ltd. as of December 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

As mentioned in the preceding paragraph, we have conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea which may vary among countries. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean auditing standards and their application in practice.

BDO LLC

Seoul, Korea

10 March, 2017

This report is effective as of the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Sebang Co., Ltd.
Separate Statements of Financial Position
December 31, 2016 and 2015

<i>(in Korean won)</i>	Notes	2016	2015
Assets			
Current assets			
Cash and cash equivalents	5,6,7,8,44	19,589,496,084	32,613,302,396
Short-term Financial Instruments	5,6,7,19	49,078,000,000	16,095,000,000
Trade receivables	5,6,7,11,43	104,920,524,536	105,123,109,115
Held-to-maturity investments	5,6,7,10,19	73,045,000	33,755,000
Other receivables	5,6,7,12	1,022,129,085	1,456,236,050
Other current assets	13	15,874,580,768	11,068,786,004
Inventories	14	981,222,728	731,310,253
		191,538,998,201	167,121,498,818
Non-current assets			
Long-term Financial Instruments	5,6,7	842,600,000	1,026,002,327
Available-for-sale financial assets	5,6,9,19	11,880,736,104	7,117,638,726
Held-to-maturity investments	5,6,7,10,19	253,060,000	230,515,000
Other receivables	5,6,7,12,43	7,776,512,853	7,822,400,793
Investments in subsidiaries, associates and joint ventures	15,19,43	185,591,793,716	175,690,999,091
Property, plant and equipment	16,19	230,956,548,703	222,378,931,893
Intangible assets	17	14,440,389,971	13,298,935,476
Investment property	18,19	34,766,872,819	79,912,149,430
Other non-current assets	13	19,649,749,875	26,009,548,192
		506,158,264,041	533,487,120,928
Total assets		697,697,262,242	700,608,619,746
Liabilities			
Current liabilities			
Trade payables	5,6,43	48,267,959,937	46,081,179,280
Other payables	5,6,21,43	27,442,360,235	29,239,725,808
Borrowings	5,6,20,34	24,800,000,000	35,447,230,649
Current income tax liabilities	35	6,034,886,804	3,944,879,555
Other current liabilities	22	3,532,245,252	6,104,619,964
		110,077,452,228	120,817,635,256
Non-current liabilities			
Borrowings	5,6,20,34	-	234,900,000
Net employee defined benefit liabilities	23	905,265,890	-
Provisions for other liabilities and charges	24	434,414,258	471,414,258
Deferred income tax liabilities	35	25,523,389,340	29,225,340,676
Other financial liabilities	5,6	5,050,174	7,664,595
		26,868,119,662	29,939,319,529
Total liabilities		136,945,571,890	150,756,954,785
Shareholders' equity			
Capital stock	36	11,498,970,000	11,498,970,000
Capital surplus		27,653,324,472	27,653,324,472
Retained earnings	37	358,351,050,481	327,974,299,828
Accumulated other comprehensive income	38	32,473,695,362	51,950,420,624
Other components of equity	39	130,774,650,037	130,774,650,037
Total equity		560,751,690,352	549,851,664,961
Total liabilities and equity		697,697,262,242	700,608,619,746

The accompanying notes are an integral part of these separate financial statements.

Sebang Co., Ltd.
Separate Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015

<i>(in Korean won)</i>	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Revenue	25,42,43,45	557,125,402,057	563,696,714,939
Cost of sales	26,33,43	<u>(507,645,937,711)</u>	<u>(509,897,537,460)</u>
Gross profit		49,479,464,346	53,799,177,479
Selling and administrative expenses	27,33	<u>(34,642,199,439)</u>	<u>(32,346,798,092)</u>
Operating profit		14,837,264,907	21,452,379,387
Other income	28	15,494,528,972	6,107,921,978
Other expense	29	(9,606,832,531)	(7,604,044,824)
Finance income	30	1,453,060,050	848,879,272
Finance costs	31	<u>(1,010,941,739)</u>	<u>(1,155,224,686)</u>
Profit before income tax		21,167,079,659	19,649,911,127
Income tax expense	35	<u>(6,079,625,430)</u>	<u>(6,408,579,440)</u>
Profit for the year		<u>15,087,454,229</u>	<u>13,241,331,687</u>
Items not to be reclassified to profit or loss subsequently:			
Remeasurement of net defined benefit liabilities	23	93,342,103	3,743,944,895
Gain on revaluation of land	35	(63,462,834)	94,027,169
Items to be reclassified to profit or loss subsequently:			
Gain(loss) on valuation of available-for-sale securities	9,35	<u>(174,222,357)</u>	<u>(415,919,601)</u>
Other comprehensive income		<u>(144,343,088)</u>	<u>3,422,052,463</u>
Total comprehensive income for the year		<u><u>14,943,111,141</u></u>	<u><u>16,663,384,150</u></u>
Earnings per share	41		
Basic earnings per share			
Common Stock		655	575
Preferred Stock		660	580
Diluted earnings per share			
Common Stock		655	575
Preferred Stock		660	580

The accompanying notes are an integral part of these separate financial statements.

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

<i>(in Korean won)</i>	Capital Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Other Components of Equity	Total
Balance at January 1, 2015	11,498,970,000	27,653,324,472	314,469,703,946	52,272,313,056	130,774,650,037	536,668,961,511
Comprehensive income						
Profit for the year	-	-	13,241,331,687	-	-	13,241,331,687
Remeasurement of net defined benefit liabilities	-	-	3,743,944,895	-	-	3,743,944,895
Gain(loss) on valuation of available-for-sale securities	-	-	-	(415,919,601)	-	(415,919,601)
Gain on revaluation of land	-	-	-	94,027,169	-	94,027,169
Transactions with equity holders of the Company :						
Dividends to equity holders of the Company	-	-	(3,480,680,700)	-	-	(3,480,680,700)
Balance at December 31, 2015	11,498,970,000	27,653,324,472	327,974,299,828	51,950,420,624	130,774,650,037	549,851,664,961
Balance at January 1, 2016	11,498,970,000	27,653,324,472	327,974,299,828	51,950,420,624	130,774,650,037	549,851,664,961
Comprehensive income						
Profit for the year	-	-	15,087,454,229	-	-	15,087,454,229
Remeasurement of net defined benefit liabilities	-	-	93,342,103	-	-	93,342,103
Gain(loss) on valuation of available-for-sale securities	-	-	-	(174,222,357)	-	(174,222,357)
Gain on revaluation of land	-	-	19,239,040,071	(19,302,502,905)	-	(63,462,834)
Transactions with equity holders of the Company :						
Dividends to equity holders of the Company	-	-	(4,043,085,750)	-	-	(4,043,085,750)
Balance at December 31, 2016	11,498,970,000	27,653,324,472	358,351,050,481	32,473,695,362	130,774,650,037	560,751,690,352

The accompanying notes are an integral part of these separate financial statements.

Sebang Co., Ltd.
Separate Statements of Cash Flows
Years Ended December 31, 2016 and 2015

<i>(in Korean won)</i>	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities			
Cash generated from operations	44	25,588,410,165	35,465,443,279
Interest received		967,683,859	683,112,483
Interest paid		(814,811,947)	(1,090,933,108)
Dividend received		3,610,652,650	3,316,423,906
Income tax paid		(7,737,228,870)	(13,985,641,260)
Net cash generated from operating activities		<u>21,614,705,857</u>	<u>24,388,405,300</u>
Cash flows from investing activities			
Decrease in short-term financial instruments		663,403,008,346	580,481,000,000
Decrease in long-term financial instruments		1,000,000	500,000
Disposal of available-for-sale financial assets		24,204,210	421,971,067
Disposal of held-to-maturity investments		33,755,000	44,220,000
Disposal of investments in subsidiaries, associates, and joint ventures		10,000,000	1,019,287,924
Disposal of property, plant and equipment		5,094,388,904	1,760,828,137
Disposal of investment property		53,373,793,216	7,491,410,000
Disposal of intangible assets		287,200,000	740,000,000
Decrease of leasehold deposits paid included in other non-current assets		292,306,440	1,278,620,000
Decrease in long-term loans		158,265,498	29,447,386
Acquisition of short-term financial instruments		(696,386,008,346)	(579,178,000,000)
Acquisition of long-term financial instruments		(39,600,000)	(638,800,000)
Acquisition of held-to-maturity investments		(95,590,000)	(47,530,000)
Acquisition of business		(3,500,000,000)	-
Acquisition of available-for-sale financial assets		(5,003,415,000)	-
Acquisition of intangible assets		(1,120,446,199)	-
Acquisition of investments in subsidiaries, associates, and joint ventures		(13,136,828,695)	(683,712,404)
Acquisition of property, plant and equipment		(18,062,385,398)	(7,106,041,025)
Increase of leasehold deposits paid included in other non-current assets		(401,983,240)	(2,059,446,700)
Increase in other receivables		(4,800,000,000)	(2,831,747,031)
Net cash used in investing activities		<u>(19,868,335,264)</u>	<u>722,007,354</u>
Cash flows from financing activities			
Proceeds from borrowings		26,800,000,000	20,000,000,000
Increase of leasehold deposits received included in other payables		386,370,000	231,400,000
Repayments of borrowings		(37,682,130,649)	(20,619,900,000)
Decrease of leasehold deposits received included in other payables		(312,400,000)	(50,000,000)
Dividends paid		(4,042,329,920)	(3,480,469,640)
Net cash used in financing activities		<u>(14,850,490,569)</u>	<u>(3,918,969,640)</u>
Net increase(decrease) in cash and cash equivalents		(13,104,119,976)	21,191,443,014
Cash, cash equivalents and bank overdrafts at beginning of year		32,613,302,396	11,422,745,647
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		80,313,664	(886,265)
Cash and cash equivalents at the end of year		<u>19,589,496,084</u>	<u>32,613,302,396</u>

The accompanying notes are an integral part of these separate financial statements.

Sebang Co., Ltd.
Notes to Separate financial Statements
December 31, 2016 and 2015

1. General information

Sebang Co., Ltd. (the "Company") was incorporated in 1965, under the laws of the Republic of Korea, to engage in transporting, loading and unloading of cargos.

The Company's stocks were publicly listed on the Korea Exchange on May 19, 1977. The address of its registered office is located at Busan in the Republic of Korea.

As of December 31, 2016, the Company's major stockholders consist of:

	Common Stock		Preferred Stock	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
E&S GLOBAL Co., LTD.	3,537,584	18.32%	184,400	5.00%
Other related party	5,070,516	26.26%	-	0.00%
Others	10,700,590	55.42%	3,504,850	95.00%
	<u>19,308,690</u>	<u>100.0%</u>	<u>3,689,250</u>	<u>100.0%</u>

2. Basis of Preparation

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

2.1 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2016, they did not have a material impact on the annual separate financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

Amendments to K-IFRS 1001 - Disclosure Initiative

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to KIFRS 1011 - Construction Contract & KIFRS 2115 Agreements for the Construction of Real Estate

The amendments require additional disclosures of information on construction contracts when the percentage of work completed is measured based on the ratio of the total costs incurred to date to the total estimated contract costs, and the contract revenue exceeds 5% of the preceding year's total revenue. The amendments are effective for annual periods beginning on or after 1 January 2016, and require prospective application in the year in which an entity adopts it for the first time.

These amendments are not relevant for the Group as it did not enter into any construction contract during the current period.

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Amendments to K-IFRS 1016 - Property, Plant and Equipment

The amendments to K-IFRS 1016 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to K-IFRS 1027 - Separate Financial Statements

The following amendments discuss accounting for investment in subsidiaries, related parties, and joint ventures at cost basis and allow the selection of the application of K-IFRS 1039, Financial Instruments: Recognition and Measurement or the application of equity method accounting under K-IFRS 1028, Investment in Associates and Joint Ventures. The amendments are effective for the annual periods beginning on or after January 1, 2016.

The application of these amendments has no significant impact on the disclosure in the Company's separate financial statements.

Amendments to K-IFRS 1038 - Intangible Assets

The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets, which the presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Company's separated financial statements.

Amendments to K-IFRS 1110 - Consolidated Financial Statements & K-IFRS 1112 Disclosure of interests in other entities & K-IFRS 1028 Investment in associates

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to K-IFRS 1111 - Accounting for Acquisitions of Interests in Joint Operations

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 Business Combinations. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Annual Improvements to K-IFRS 2012-2014 Cycle

The annual improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 Non-current Assets Held for Sale and Discontinued Operations when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa); such a change is considered as a continuation of the original plan of disposal, and not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107 Financial Instruments: Disclosures, K-IFRS 1019 Employee Benefits, and K-IFRS 1034 Interim Financial Reporting. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Company's separated financial statements

(b) **New standards and interpretations not yet adopted**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Amendments to K-IFRS 1109 - Financial Instruments

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms

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that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018

In principle, new K-IFRS 1109 should be applied retrospectively, on the other hands it has exceptional clause about the exemption of rewriting of comparative information in case of the classification, measurement and impairment of financial instruments. And in case of hedge accounting, it is applied prospectively except for some exceptions, like the accounting of time value of options.

On the introduction of K-IFRS 1109, the Company will undertake the maintenance of internal accounting control process for reporting the financial instruments and the change the operations of the accounting system.

Amendments to K-IFRS 1115 - Revenue from Contracts with Customers

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - Construction Contracts, K-IFRS 1018- Revenue, K-IFRS 2113 - Customer Loyalty Programs, K-IFRS 2115-Agreements for the Construction of Real Estate, K-IFRS 2118 - Transfers of Assets from Customers, and K-IFRS 2031-Revenue-Barter Transactions Involving Advertising Services. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1007 - Statement of Cash Flows

The amendments require that changes in liabilities arising from financial activities are disclosed. The amendments are effective for annual periods beginning on or after January 1, 2017.

The application of these amendments is under consideration on the impact of the disclosure in the Company's separated financial statements.

Amendments to K-IFRS 1012 - Income Taxes

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Company assesses whether there will be sufficient taxable profit, the Company should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

The application of these amendments is under consideration on the impact of the disclosure in the Company's separated financial statements.

Amendments to K-IFRS 1102 - Share-based Payment

The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment, 2) Share-based payment transaction in which the Company settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety, if otherwise would be classified as equity-settled without the net settlement feature, and 3) when a cash-settled share-based payment changes to an equity-

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settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

The application of these amendments is under consideration on the impact of the disclosure in the Company's separated financial statements.

2.2 Statement of compliance

2.2.1 Financial Reporting Standards

The financial statements have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

2.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis

2.2.3 Functional and presentation currency

The financial statements of the company are prepared in functional currency of the respective operation. These financial statements are presented in Korean won.

2.2.4 Investments in Subsidiaries and Associates and Joint ventures

The Company has prepared the separate financial statements in accordance with Korean IFRS1027, Consolidated and separate Financial Statements. Investments in subsidiaries, joint ventures, and associates are recognized at cost under the direct equity method. Management applied the carrying amounts under previous K-GAAP at the time of first adoption of Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, jointly controlled entities or associates in profit or loss when its right to receive dividend is established.

2.2.5 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

(a) Income taxes

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

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(b) Fair value of financial instruments

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

(c) Net defined benefit liabilities

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate and salary

(d) Provisions

The Company recognizes provisions for warranties and repairs and estimated returns as of the reporting date. The amounts are estimated based on historical data.

3. Significant Accounting Policies

3.1 Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances, overnight repurchase agreements and certificates of deposit with an initial term of less than three months. For purposes of the statement of cash flows, the Company considers all marketable securities and short-term financial instruments with an original maturity of three months or less to be cash equivalents.

3.2 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 45). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3.3 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 the entity operates ("the functional currency").

The separate financial statements are presented in Korean won, which is the controlling entity's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

3.4 Financial Assets

(a) Classification and measurement

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

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For hybrid (combined) instruments, the Company is unable to measure an embedded derivative separately from its host contract and therefore, the entire hybrid (combined) contract is classified as financial assets at fair value through profit or loss. The financial assets at fair value through profit or loss designated as by the Company are foreign convertible bonds and securitized derivatives.

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

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

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

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments; or the disappearance of an active market for that financial asset because of financial difficulties. A significant decline in the fair value of an available-for-sale equity instrument from its cost or a prolonged decline below its cost is also objective evidence of impairment.

(c) Derecognition

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

3.5 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Supplies: purchase cost on a first-in, first-out basis
- Merchandise in Transit: Specific Identification
- Merchandise: Moving Average Method

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense (cost of sales) in the period in which the related revenue is recognized. The amount of any write-

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down of inventories to net realizable value and all losses of inventories is 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, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

3.6 Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation and accumulated impairment loss. Historical cost includes expenditures directly attribute to the acquisition of the items.

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

Buildings	40 years
Structures	20 years
Machinery	5 years
Ships	18-20 years
Vehicles	5 years
Tools and equipment	5 years
Heavy equipment	8 years
Loading equipment	8 years

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

3.7 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

3.8 Intangible Assets

(a) Facility Usage Rights

Separately acquired facility usage rights are shown at historical cost. Facility usage rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of facility usage rights over their estimated useful lives.

(b) Membership rights

Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the asset is expected to be utilized.

(c) Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.9 Investment Property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over their useful lives for 40 years.

3.10 Impairment of Non-financial Assets

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

3.11 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

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

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

(b) Derecognition

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

3.12 Financial Guarantee Contracts

Financial guarantees contracts provided by the Company are initially measured at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the amounts below and recognized as 'Other financial

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liabilities':

- The amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or
- The initial amount, less accumulated amortization recognized in accordance with Korean IFRS 1018, *Revenue*.

The Company recognized financial guarantee contracts provided to the associates at no cost as prepaid expenses which are amortized over the guarantee period.

3.13 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.

3.14 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized as profit or loss for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise 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 to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, 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, deferred tax asset is recognized for 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 against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Employee Benefits

(a) Post-employment benefits

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. 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 and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

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If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

(b) Labor welfare fund

The Company operates its own labor welfare fund. The Company recorded net assets of the labor welfare fund up to the amount that can decrease payment of related future employees' salaries.

3.16 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes, after elimination of intra-company transactions.

The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The revenue can be reliably measured only when any contingency related to sales is resolved. The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of services

For sales of services, they are recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is determined by calculating total contract costs incurred for work performed to date to the latest estimated total contract costs. When the outcome of services cannot be estimated reliably, revenues are recognized only to the extent that it is probable that it will result in revenue and can be measured reliably. Costs are recognized as incurred.

(b) Sale of goods

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

(c) Interest income

Interest income is recognized using the effective interest method according to the time passed. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

3.17 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2016 separate financial statements of the Company was approved by the Board of Directors on 8 March, 2017

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4. Financial Risk Management

4.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Company treasury) under policies approved by the board of directors. The Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency.

The Company's financial instruments denominated in major foreign currencies as of December 31, 2016 and 2015 are converted into Korean won as follows:

*(in thousands of Korean won
and in US dollar, JP yen)*

	2016		2015	
	Foreign currency	KRW	Foreign currency	KRW
Cash and cash equivalents	\$ 2,196,601	2,654,593	\$ 33,913	39,746
Trade receivables	\$ 3,065,602	3,704,780	\$ 1,101,345	1,290,776
	¥ 480,486	4,982	¥ 2,736,027	26,594
		6,364,355		1,357,116

Had the Korean won weakened or strengthened by 10% against the foreign currencies, after-tax profits for the years ended December 31, 2016 and 2015, would have been as follows:

	2016		2015	
	10% Increase	10% Decrease	10% Increase	10% Decrease
USD	635,937	(635,937)	133,052	(133,052)
JPY	498	(498)	2,659	(2,659)

ii) Cash flow and fair value interest rate risk

The Company's cash flow interest rate risk arises from deposits and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash held at variable rates.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

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Based on the simulations performed, with all other variables held constant, the impact on interest income and interest expense of a 1.0% interest rate shift on deposits and borrowings issued at variable rates is as follows:

<i>(in thousands of Korean won)</i>	2016		2015	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Interest income	240,953	(240,953)	93,800	(93,800)
Interest expense	310,060	(310,060)	358,411	(358,411)

iii) Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the separate statement of financial position either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

The Company's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: KOSPI equity index and KOSDAQ equity index.

The table below summarizes the impact of increases decreases of the two equity indexes and decreases of prices of unlisted stocks on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index, and on the assumption that the unlisted stock prices had uniformly increased/decreased by 10%:

<i>(in thousands of Korean won)</i>	Impact on post-tax profit		Impact on other components of equity	
	2016	2015	2016	2015
KOSPI	Increase	-	15,940	14,760
	Decrease	-	(15,940)	(14,760)
KOSDAQ	Increase	-	-	-
	Decrease	-	-	-
Unlisted	Increase	-	1,172,134	697,004
	Decrease	-	(1,172,134)	(697,004)

(b) Credit Risk

Credit risk is managed on a Company basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, the credit quality of the customer is evaluated taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilization of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. See Note 7 for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from nonperformance by these counterparties.

The Company is providing financial guarantees of borrowings for the related parties and subsidiaries. Total amount of guarantees that are outstanding is KRW 113,244 million and USD 750,000 (2015: KRW 122,802 million and USD 750,000)

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(c) Liquidity Risk

The Company finance monitors rolling forecasts of the Company's liquidity requirements for operating, investing and financing activities to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The analyses the Company's liquidity risk as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>	2016					Total
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	
Trade payables	48,267,960	-	-	-	-	48,267,960
Other payables	27,442,360	-	-	-	-	27,442,360
Borrowings	-	24,800,000	-	-	-	24,800,000
Other financial liabilities	-	-	5,050	-	-	5,050
	75,710,320	24,800,000	5,050	-	-	100,515,370

<i>(in thousands of Korean won)</i>	2015					Total
	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	
Trade payables	46,081,179	-	-	-	-	46,081,179
Other payables	29,239,726	-	-	-	-	29,239,726
Borrowings	-	35,447,231	234,900	-	-	35,682,131
Other financial liabilities	-	-	7,665	-	-	7,665
	75,320,905	35,447,231	242,565	-	-	111,010,701

The table above analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The Company's trading portfolio derivative instruments have been included at their fair value within the less than the three-month time bucket. This is because the contractual maturities are not essential for an understanding of the timing of the cash flows. These contracts are managed on a net-fair value basis rather than by maturity date.

4.2 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the separate balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the separate statement of financial position plus net debt.

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

<i>(in thousands of Korean won)</i>	2016	2015
Total borrowings	24,800,000	35,682,131
Less: cash and cash equivalents	(19,589,496)	(32,613,302)
Net debt	5,210,504	3,068,829
Total equity	560,751,690	549,851,665
Total capital	565,962,194	552,920,494
Gearing ratio	0.92%	0.56%

5. Fair Value Estimation

There has been no change in the business and economic environment which affects fair value of financial assets and liabilities as of December 31, 2016.

5.1 Fair Value of Financial Instruments by Category

<i>(in thousands of Korean won)</i>	2016		2015	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	19,589,496	19,589,496	32,613,302	32,613,302
Short-term financial instruments	49,078,000	49,078,000	16,095,000	16,095,000
Trade receivables	104,920,525	104,920,525	105,123,109	105,123,109
Long-term financial instruments	842,600	842,600	1,026,002	1,026,002
Available-for-sale financial assets(*1)	11,696,100	11,696,100	6,917,055	6,917,055
Held-to-maturity investments	326,105	326,105	264,270	264,270
Other receivables	8,798,642	8,798,642	9,278,637	9,278,637
	<u>195,251,468</u>	<u>195,251,468</u>	<u>171,317,375</u>	<u>171,317,375</u>
Financial liabilities				
Trade liabilities	48,267,960	48,267,960	46,081,179	46,081,179
Other payables	27,442,360	27,442,360	29,239,726	29,239,726
Borrowings	24,800,000	24,800,000	35,682,131	35,682,131
Other financial liabilities	5,050	5,050	7,665	7,665
	<u>100,515,370</u>	<u>100,515,370</u>	<u>111,010,701</u>	<u>111,010,701</u>

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

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5.2 Financial Instruments Measured at Cost

The following table presents available for sale financial assets that are valued at historical cost as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Yongnam Area Integrated Freight Terminal Co., Ltd. (*1)	31,431	31,431
Gyeonggi Integrated Freight Terminal Co., Ltd. (*1)	98,872	98,872
Others (*2)	54,333	70,281
	<u>184,636</u>	<u>200,584</u>

(*1) As Social Overhead Capital(SOC), the financial assets for Yongnam Complex Distribution Construction Co., Ltd. and Gyunggi Complex Distribution Construction Co., Ltd. cannot be measured by the market valuation method because there is no similar company listed. Instead, these assets are measured at historical cost because the income valuation method could not be reliably applied due to the lack of data for this method.

(*2) As an unlisted deviation asset, the financial assets for The Korea Economic Daily and other 8 companies are unable to be evaluated reliably any probabilities of various estimates that would occur. Also, its influence of book value on the financial statements is insignificant; these have been measured at acquisition cost less any impairment losses accordingly.

5.3 Fair Value Hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

<i>(In thousands of Korean won)</i>	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	159,400	5,039,167	6,497,533	11,696,100

5.4 Transfers Between Fair Value Hierarchy Levels of Recurring Fair Value Measurements

The Company's policy is to recognize transfers between levels of the fair value at the end of the reporting period. There is no transfer between fair value hierarchy levels of recurring fair value measurements.

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5.5 Valuation Technique and the Inputs

Valuation techniques and inputs used in the recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 3 of the fair value hierarchy as of December 31, 2016, are as follows:

<i>(In millions of Korean won)</i>	2016		
	Fair value	Historical cost	Valuation techniques
Available-for-sale financial assets			
E&S Global Co., Ltd.	5,679	4,730	Adjusted Net asset value method
Construction Guarantee Cooperative	819	617	Present value technique

6. Financial Instruments by Category

Categorizations of financial assets as of December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investment	Total
Cash and cash equivalents	19,589,496	-	-	-	19,589,496
Short-term financial instrument	49,078,000	-	-	-	49,078,000
Trade receivables	104,920,525	-	-	-	104,920,525
Held-to-maturity investment, current	-	-	-	73,045	73,045
Other receivables, current	1,022,129	-	-	-	1,022,129
Long-term financial instrument	842,600	-	-	-	842,600
Available-for-sale financial assets	-	-	11,880,736	-	11,880,736
Held-to-maturity Investment, non-current	-	-	-	253,060	253,060
Other receivables, non-current	7,776,513	-	-	-	7,776,513
	<u>183,229,263</u>	<u>-</u>	<u>11,880,736</u>	<u>326,105</u>	<u>195,436,104</u>

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

<i>(in thousands of Korean won)</i>	Derivative financial instruments	Financial liabilities at amortized cost	Other financial liabilities	Total
Borrowings, current	-	24,800,000	-	24,800,000
Trade payables	-	48,267,960	-	48,267,960
Other payable liabilities	-	27,442,360	-	27,442,360
Other financial liabilities, non-current	-	-	5,050	5,050
	<u>-</u>	<u>100,510,320</u>	<u>5,050</u>	<u>100,515,370</u>

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Categorizations of financial assets as of December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Held-to-maturity investment	Total
Cash and cash equivalents	32,613,302	-	-	-	32,613,302
Short-term financial instrument	16,095,000	-	-	-	16,095,000
Trade receivables	105,123,109	-	-	-	105,123,109
Held-to-maturity investment, current	-	-	-	33,755	33,755
Other receivables, current	-	-	-	-	1,456,236
Long-term financial instrument	1,026,002	-	-	-	1,026,002
Available-for-sale financial assets	-	-	7,117,639	-	7,117,639
Held-to-maturity Investment, non-current	-	-	-	230,515	230,515
Other receivables, non-current	7,822,401	-	-	-	7,822,401
	<u>164,136,050</u>	<u>-</u>	<u>7,117,639</u>	<u>264,270</u>	<u>171,517,959</u>

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

<i>(in thousands of Korean won)</i>	Derivative financial instruments	Financial liabilities at amortized cost	Other financial liabilities	Total
Borrowings, current	-	35,447,231	-	35,447,231
Borrowings, non-current	-	234,900	-	234,900
Trade payables	-	46,081,179	-	46,081,179
Other payable liabilities	-	29,239,726	-	29,239,726
Other financial liabilities, non-current	-	-	7,665	7,665
	<u>-</u>	<u>111,003,036</u>	<u>7,665</u>	<u>111,010,701</u>

Sebang Co., Ltd.
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Income and loss of financial instruments by category for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Loans and receivables		
Gain on foreign currency transaction	209,477	122,189
Loss on foreign currency transaction	177,498	85,365
Gain on foreign currency translation	257,504	24,313
Loss on foreign currency translation	23,427	886
Interest income	980,566	643,390
Bad debts expense	5,686,961	3,577,000
Available-for-sale financial assets		
Dividend income	25,745	25,134
Gain(Loss) on valuation (Other comprehensive income(loss))	(174,222)	(326,554)
Impairment losses on available-for-sale financial assets	279,517	151,577
Reversal of impairment losses on available-for-sale financial assets	168	1,268
Gain on disposal of available-for-sale financial assets	4,825	174,698
Held-to-maturity investment		
Interest income	5,514	6,998
Financial liabilities at amortized cost		
Interest expense	810,017	1,068,974

Restricted financial assets as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>	2016	2015	Description
Short-term financial assets	1,528,000	2,575,000	Guarantee for contracts
Non-current financial assets	11,000	12,000	Guarantee deposits for checking accounts
	<u>1,539,000</u>	<u>2,587,000</u>	

Sebang Co., Ltd.
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7. Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates as of December 31, 2016 and 2015:

Trade receivables

(in thousands of Korean won)

	2016	2015
Counterparties with external credit rating		
AAA	7,206,063	7,186,372
AA	7,046,919	9,056,052
A	18,074,362	16,921,454
BBB	15,015,531	20,221,068
BB	13,890,643	15,739,491
B	13,367,862	8,783,438
BC	612,412	600,235
CCC	7,908,417	4,040,458
CC	535,261	283,043
C	130,265	380,938
D	2,451,776	38,803
	<u>86,239,511</u>	<u>83,251,352</u>
Counterparties without external credit rating		
Group 1 (*1)	-	-
Group 2 (*2)	9,165,748	13,841,284
Group 3 (*3)	-	-
	<u>9,165,748</u>	<u>13,841,284</u>
	<u>95,405,259</u>	<u>97,092,636</u>

(*1) New customers/related parties (less than 6 months)

(*2) Existing customers/related parties (more than 6 months) with no default history in the past

(*3) Existing customers/related parties (more than 6 months) with some default history in the past.

All defaults were fully recovered.

Cash at bank and long-term and short-term bank deposits (*1)

(in thousands of Korean won)

	2016	2015
AAA	26,656,759	38,688,102
AA+	42,831,637	1,026,002
AA	-	-
AA-	-	10,000,000
A+	-	-
A	-	-
	<u>69,488,396</u>	<u>49,714,104</u>

(*1) All other 'cash and cash equivalents' in the statement of financial position is cash on hand.

Sebang Co., Ltd.
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Held-to-maturity investment

<i>(in thousands of Korean won)</i>	2016	2015
AAA	326,105	264,270

Other receivables

<i>(in thousands of Korean won)</i>	2016	2015
Counterparties with external credit rating		
AAA	19,064	54,364
AA+	100,415	-
AA-	-	-
A+	214,041	154,575
BBB-	248,628	122
BB+	-	-
B	-	155,565
B-	-	-
CCC+	-	776,627
CCC	654,537	-
CCC-	-	-
CC+	-	-
C+	-	30,053
D	43,100	50,150
	<u>1,279,785</u>	<u>1,221,456</u>
Counterparties without external credit rating		
Group 1 (*1)	-	-
Group 2 (*2)	7,518,857	8,057,181
Group 3 (*3)	-	-
	<u>7,518,857</u>	<u>8,057,181</u>
	<u>8,798,642</u>	<u>9,278,637</u>

(*1) New customers/related parties (less than 6 months)

(*2) Existing customers/related parties (more than 6 months) with no default history in the past

(*3) Existing customers/related parties (more than 6 months) with some default history in the past.

All defaults were fully recovered.

Sebang Co., Ltd.
Notes to Separate financial Statements
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8. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Cash in hand	21,700	20,200
Short-term bank deposits	19,567,796	32,593,102
	<u>19,589,496</u>	<u>32,613,302</u>

9. Available-for-sale Financial Assets

The changes in available-for-sale financial assets as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Beginning	7,117,639	8,005,019
Acquisition	5,003,415	-
Replacement	284,092	48,453
Disposals	(23,938)	(362,078)
Impairment loss classified as gain and loss	(279,517)	(151,577)
Gains on evaluation classified as equity (*1)	176,398	121,667
Losses on evaluation classified as equity (*1)	(397,353)	(543,845)
Ending	<u>11,880,736</u>	<u>7,117,639</u>

(*1) The amount is before income tax.

Available-for-sale financial assets as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Equity securities	11,880,736	7,117,639

10. Held-to-maturity Financial Assets

The changes in held-to-maturity financial assets as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Beginning	264,270	260,960
Acquisition	95,590	47,530
Disposal	(33,755)	(44,220)
Ending	326,105	264,270
Less: non-current	(253,060)	(230,515)
Current	<u>73,045</u>	<u>33,755</u>

None of the held-to-maturity investment is either past due or impaired.

Sebang Co., Ltd.
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11. Trade Receivables

Trade receivables as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Trade receivables	105,410,402	105,548,281
Less: allowance for doubtful account	(489,877)	(425,172)
Trade receivables, net	<u>104,920,525</u>	<u>105,123,109</u>

The aging analysis of trade and other receivables as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Receivables not past due	95,405,259	97,092,636
Less than 3 months	5,448,183	6,151,475
3 to 6 months	3,800,981	1,465,877
6 to 12 months	401,775	60,073
Over 12 months	354,204	778,220
	<u>105,410,402</u>	<u>105,548,281</u>

Movements on the allowance for doubtful accounts for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Beginning	425,172	208,331
Bad debt expense	710,335	505,938
Write-off	(645,630)	(289,097)
Ending	<u>489,877</u>	<u>425,172</u>

12. Other Receivables

Other receivables as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Current		
Accounts receivable-other	897,714	1,350,216
Accrued income	124,415	106,020
	<u>1,022,129</u>	<u>1,456,236</u>
Non-current		
Long-term trade receivables	318,258	389,642
Less: allowance for doubtful accounts	(216,993)	(309,440)
Long-term loan	12,474,089	7,832,355
Less: allowance for doubtful accounts	(12,474,089)	(7,655,728)
Deposits Provided	7,675,248	7,565,571
	<u>7,776,513</u>	<u>7,822,400</u>
	<u>8,798,642</u>	<u>9,278,636</u>

Sebang Co., Ltd.
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13. Other Assets

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

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Current		
Advance payments	3,965,343	1,742,096
Advance expense (*1)	11,780,260	9,159,773
Other current asset	128,978	166,917
	<u>15,874,581</u>	<u>11,068,786</u>
Non-current		
Long-term advance expense (*1)	19,649,750	26,009,548
	<u>19,649,750</u>	<u>26,009,548</u>
	<u>35,524,331</u>	<u>37,078,334</u>

(*1) The Company imputes port facilities built to the Government, recognizes expenses associated with port constructions as long-term accrued expenses, and nets it off with other expenses such as port facility usage expenses that will be further incurred.

14. Inventories

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

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Supplies	769,733	731,310
Merchandises(*)	211,490	-
	<u>981,223</u>	<u>731,310</u>

(*)This is the oil inventories due to the new business started following the acquisition of "Sebang Maeil Petrol Station".

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15. Subsidiaries, Associates and Joint ventures

Subsidiaries, associates and joint ventures as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Subsidiaries	29,414,785	17,777,956
Associates	154,032,197	154,032,197
Joint ventures	2,144,812	3,880,846
	<u>185,591,794</u>	<u>175,690,999</u>

Changes in investments in subsidiaries, associates and joint ventures for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016		
	Subsidiaries	Associates	Joint ventures
Beginning balance	17,777,956	154,032,197	3,880,846
Acquisition	11,636,829	-	1,500,000
Decrease	-	-	(10,000)
Impairment (*1)	-	-	(3,226,034)
Ending balance	<u>29,414,785</u>	<u>154,032,197</u>	<u>2,144,812</u>

(*1) Details of losses on impairment of shares as of December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	Company	Losses on Impairment
Joint venture	Busan International Terminal Co., Ltd.	2,726,034
	INTC Co., Ltd	500,000

<i>(in thousands of Korean won)</i>	2015		
	Subsidiaries	Associates	Joint ventures
Beginning balance	17,347,244	154,032,197	7,496,039
Acquisition	430,712	-	253,000
Decrease (*1)	-	-	(650,000)
Impairment (*2)	-	-	(3,218,194)
Ending balance	<u>17,777,956</u>	<u>154,032,197</u>	<u>3,880,846</u>

(*1) Gwangyang International Container Terminal Co., Ltd. went through liquidation, and the Company recognized ₩30,712 thousands of the loss. The Company also recognized ₩400,000 thousands of the profit due to disposal of the share of Hanjin Shipping Gwangyang Terminal Co., Ltd.

(*2) Details of losses on impairment of shares as of December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Company	Losses on Impairment
Joint venture	Busan International Terminal Co., Ltd.	3,218,194

Movements in range of equity-method implementation are as follows;

As a result of the disposal of the shares of "Busan International Terminal Co., Ltd." during the current quarter, it was excluded from the application of equity method.

Sebang Co., Ltd.
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Investments in subsidiaries, associates, and joint ventures as of December 31, 2016 and 2015 are as follows:

(in thousands of Korean won)

	2016				
	Location	Closing Month	Number of Shares	Percentage of ownership (%)	Book value
Subsidiaries					
Sebang Express Co., Ltd.	Korea	December	200,000	100.00	12,878,351
Korea Maritime Co., Ltd.	"	"	95,650	100.00	3,872,800
SGIL Co., Ltd.	"	"	90,000	90.00	450,000
Mokpo Daebul Terminal Co., Ltd.	"	"	300,000	100.00	1,500,000
SBNL Co., Ltd.	"	"	301,000	60.20	1,540,490
SBCD Co., Ltd.	"	"	630,000	100.00	3,150,000
Daeil Special Transportation Ltd.	"	"	29,038	100.00	2,154,498
Sebang Vina (*)	Vietnam	"	-	51.00	3,868,646
					<u>29,414,785</u>
Associates					
Sebang Global Battery Co., Ltd.	Korea	December	5,312,352	37.95	132,024,549
Sebang Industrial Co., Ltd.	"	"	168,800	40.19	18,318,460
Sebang Estate Co., Ltd.	"	"	32,152	40.19	3,489,188
Yang Ming(Korea)Co., Ltd.	"	"	40,000	40.00	200,000
					<u>154,032,197</u>
Joint ventures					
Yang San ICD Co., Ltd.	Korea	December	217,777	10.89	205,400
Gunsan Container Terminal Co., Ltd.	"	"	505,642	27.19	-
Gunjang New Port Terminal Co.,Ltd.	"	"	663,000	15.00	-
Dong seok logistics	"	"	22,500	45.00	195,154
Uiwang ICD Co., Ltd	"	"	86,600	8.66	433,000
Pyungtaekdangin Central Terminal Co., Ltd.	"	"	400,000	50.00	-
Pyongtaek Terminal Operation Co., Ltd.	"	"	37,599	16.60	250,660
INTC Co., Ltd.	"	"	912,560	45.63	-
Busan Multipurpose Terminal Company	"	"	329,000	50.00	632,598
Gunsan Port 7 terminal Co., Ltd.	"	"	35,000	35.00	175,000
Mokpo International Automobile Dock Co., Ltd.	"	"	50,600	25.30	253,000
					<u>2,144,812</u>
					<u>185,591,794</u>

(*) The Company(51%) became the largest shareholder by acquired additional shares of KRW 3,588 million capital during the current year.

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	2015				
	Location	Closing Month	Number of Shares	Percentage of ownership (%)	Book value
Subsidiaries					
Sebang Express Co., Ltd.	Korea	December	180,000	90.00	8,390,492
Korea Maritime Co., Ltd.	"	"	77,650	81.18	2,466,262
SGIL Co., Ltd.	"	"	90,000	90.00	450,000
Mokpo Daebul Terminal Co., Ltd.	"	"	300,000	100.00	1,500,000
SBNL Co., Ltd.	"	"	301,000	60.20	1,540,490
SBCD Co., Ltd.	"	"	630,000	100.00	3,150,000
Sebang Vina (*)	Vietnam	"	-	50.00	280,712
					17,777,956
Associates					
Sebang Global Battery Co., Ltd.	Korea	December	5,312,352	37.95	132,024,549
Sebang Industrial Co., Ltd.	"	"	168,800	40.19	18,318,460
Sebang Estate Co., Ltd.	"	"	32,152	40.19	3,489,188
Yang Ming(Korea)Co., Ltd.	"	"	40,000	40.00	200,000
					154,032,197
Joint ventures					
Yang San ICD Co., Ltd.	Korea	December	217,777	10.89	205,399
Gunsan Container Terminal Co., Ltd.	"	"	505,642	27.19	-
Gunjang New Port Terminal Co.,Ltd.	"	"	663,000	15.00	-
Dong seok logistics	"	"	22,500	45.00	195,154
Uiwang ICD Co., Ltd	"	"	86,600	8.66	433,000
Pyungtaekdangin Central Terminal Co., Ltd.	"	"	400,000	50.00	-
Pyongtaek Terminal Operation Co., Ltd.	"	"	37,599	16.60	250,660
INTC Co., Ltd.	"	"	812,560	45.14	-
Busan Multipurpose Terminal Company	"	"	329,000	50.00	632,598
Gunsan Port 7 terminal Co., Ltd.	"	"	35,000	35.00	175,000
Busan International Terminal Co., Ltd.	"	"	1,466,892	33.33	1,736,035
Mokpo International Automobile Dock Co., Ltd.	"	"	50,600	25.30	253,000
					3,880,846
					175,690,999

(*) The Company(50%) and Sebang Express Co., Ltd.(50%) are jointly operating Sebang Vina. Though the Company's share ratio is 50%, Sebang Vina is classified as a subsidiary based on the de facto control.

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Summary of condensed financial information of subsidiaries, associates and joint ventures as of December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016.12.31			2016	
	Asset	Liability	Equity	Sales	Profits(loss)
Subsidiaries					
Sebang Express Co., Ltd.	40,218,674	7,706,617	32,512,057	98,178,827	4,211,450
Korea Maritime Co., Ltd.	4,371,711	177,148	4,194,563	1,833,285	89,231
SGIL Co., Ltd.	573,664	29,225	544,439	565,680	4,985
Mokpo Daebul Terminal Co., Ltd.	1,811,101	510,999	1,300,102	806,276	63,620
SBNL Co., Ltd.	10,592,469	5,837,050	4,755,419	7,017,208	400,406
SBCD Co., Ltd.	5,052,424	2,418,743	2,633,681	1,728,179	(286,183)
Daeil Special Transportation Ltd.	1,326,678	455,286	871,392	2,447,022	1,566
Sebang Vina	7,942,856	768,526	7,174,330	836,492	(169,217)
Associates					
Sebang Global Battery Co., Ltd.	1,072,280,520	243,708,673	828,571,847	958,982,089	63,787,093
Sebang Industrial Co., Ltd.	75,173,465	8,771,861	66,401,604	67,101,935	4,830,731
Sebang Estate Co., Ltd.	23,546,089	7,755,690	15,790,399	1,836,027	2,318,640
Yang Ming(Korea) Co., Ltd.	5,114,830	3,080,850	2,033,980	6,563,940	413,126
Joint ventures					
Yang San ICD Co., Ltd.	88,809,416	86,507,187	2,302,229	10,023,881	(56,915)
Gunsan Container Terminal Co., Ltd.	2,009,598	4,104,294	(2,094,696)	3,153,240	(515,377)
Gunjang New Port Terminal Co., Ltd.	79,143,785	106,052,986	(26,909,201)	7,599,918	(8,204,504)
Dong seok logistics	2,722,767	653,898	2,068,869	4,986,690	382,245
Uiwang ICD Co., Ltd.	20,727,093	13,300,892	7,426,201	22,199,314	251,752
Pyungtaekdangin Central Terminal Co., Ltd.	9,892,863	3,579,982	6,312,881	17,716,935	3,114,594
Pyongtaek Terminal Operation Co., Ltd.	10,637,571	4,880,146	5,757,425	23,603,140	3,135,642
INTC Co., Ltd.	3,410,503	4,128,434	(717,931)	11,015,972	(84,454)
Busan Multipurpose Terminal Company	8,133,281	7,071,008	1,062,273	17,509,679	(332,198)
Gunsan Port 7 Terminal Co., Ltd.	4,940,990	4,406,557	534,433	16,079,337	1,102
Mokpo International Automobile Dock Co., Ltd.	1,148,752	165,896	982,856	1,127,758	(10,699)

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	2015.12.31			2015	
	Asset	Liability	Equity	Sales	Profits
Subsidiaries					
Sebang Express Co., Ltd.	37,241,984	8,354,668	28,887,316	110,619,553	3,998,738
Korea Maritime Co., Ltd.	4,606,586	501,253	4,105,333	828,743	1,164,344
SGIL Co., Ltd.	608,700	69,246	539,454	807,949	7,120
Mokpo Daebul Terminal Co., Ltd.	1,789,541	553,059	1,236,482	859,547	(269,236)
SBNL Co., Ltd.	10,988,440	6,633,427	4,355,013	6,307,668	405,757
SBCD Co., Ltd.	4,193,151	1,273,288	2,919,863	712,153	4,461
Sebang Vina	500,340	47,888	452,452	177,708	(111,301)
Associates					
Sebang Global Battery Co., Ltd.	993,659,178	226,517,252	767,141,926	956,225,739	79,241,405
Sebang Industrial Co., Ltd.	70,999,805	7,328,932	63,670,873	74,071,978	4,835,101
Sebang Estate Co., Ltd.	21,454,052	6,258,405	15,195,647	219,083	(56,823)
Yang Ming(Korea) Co., Ltd.	4,201,754	2,330,901	1,870,853	6,212,967	357,548
Joint ventures					
Yang San ICD Co., Ltd.	94,518,757	92,166,127	2,352,630	9,190,509	(80,209)
Gunsan Container Terminal Co., Ltd.	769,630	2,348,950	(1,579,320)	2,190,299	(661,340)
Gunjang New Port Terminal Co., Ltd.	83,321,883	102,026,579	(18,704,696)	7,989,506	(8,347,831)
Dong seok logistics	2,235,551	524,244	1,711,307	4,372,135	268,658
Uiwang ICD Co., Ltd.	20,155,097	12,886,281	7,268,816	23,189,879	648,556
Pyungtaekdangin Central Terminal Co., Ltd.	8,325,475	4,898,126	3,427,349	16,518,432	2,692,385
Pyongtaek Terminal Operation Co., Ltd.	10,053,635	2,788,504	7,265,131	20,961,923	3,703,224
INTC Co., Ltd.	2,182,888	3,811,564	(1,628,676)	8,157,843	(1,225,182)
Busan Multipurpose Terminal Company	7,778,039	6,386,282	1,391,757	14,525,019	(147,453)
Gunsan Port 7 Terminal Co., Ltd.	4,421,493	3,877,821	543,672	14,042,931	27,840
Busan International Terminal Co., Ltd.	36,204,145	30,996,042	5,208,103	60,758,735	(9,513,620)
Mokpo International Automobile Dock Co., Ltd.	993,555	-	993,555	-	(6,445)

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Fair value of marketable investments in associates as of December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

	2016			
	Number of shares held	Market price per share	Fair value	Book value
Sebang Global Battery Co., Ltd.	5,312,352	₩ 37,400	198,681,965	132,024,549

(in thousands of Korean won)

	2015			
	Number of shares held	Market price per share	Fair value	Book value
Sebang Global Battery Co., Ltd.	5,312,352	₩ 40,850	217,009,579	132,024,549

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16. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016			2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	139,475,289	-	139,475,289	132,490,004	-	132,490,004
Buildings	93,699,400	(26,678,943)	67,020,457	89,189,138	(24,325,157)	64,863,981
Structures	7,101,991	(3,845,572)	3,256,419	7,243,241	(3,821,139)	3,422,102
Machinery and Equipment	517,374	(320,127)	197,247	316,748	(311,876)	4,872
Ships	5,859,682	(3,313,549)	2,546,133	5,823,682	(3,062,914)	2,760,768
Vehicles	14,243,224	(11,820,277)	2,422,947	15,718,701	(12,835,696)	2,883,005
Tools and furniture	11,604,103	(8,292,453)	3,311,650	11,824,269	(9,399,284)	2,424,985
Construction machinery	56,604,552	(47,274,734)	9,329,818	66,483,821	(58,560,786)	7,923,035
Loading equipments	15,150,668	(11,934,153)	3,216,515	14,946,985	(11,111,684)	3,835,301
Construction in progress	180,074	-	180,074	1,770,879	-	1,770,879
	<u>344,436,357</u>	<u>(113,479,808)</u>	<u>230,956,549</u>	<u>345,807,468</u>	<u>(123,428,536)</u>	<u>222,378,932</u>

Changes in property, plant and equipment for the year ended December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	Beginning	Acquisition	Acquisition of Business	Disposal	Impairment	Transfer	Depreciation	Ending
Land	132,490,004	7,730,127	1,891,440	(2,636,282)	-	-	-	139,475,289
Buildings	64,863,981	4,270,680	205,072	(2)	-	34,800	(2,354,074)	67,020,457
Structures	3,422,102	134,950	-	(20,242)	-	-	(280,391)	3,256,419
Machinery and Equipment	4,872	86,766	160,280	(1)	(29,374)	-	(25,296)	197,247
Ships	2,760,768	36,000	-	-	-	-	(250,635)	2,546,133
Vehicles	2,883,005	438,121	45,000	(1,167)	-	-	(942,012)	2,422,947
Tools and furniture	2,424,985	2,240,895	-	(79,611)	-	-	(1,274,619)	3,311,650
Construction machinery	7,923,035	2,582,120	-	(229,555)	-	1,585,415	(2,531,197)	9,329,818
Loading equipments	3,835,301	513,317	-	(1,459)	-	-	(1,130,644)	3,216,515
Construction in progress	1,770,879	29,410	-	-	-	(1,620,215)	-	180,074
	<u>222,378,932</u>	<u>18,062,386</u>	<u>2,301,792</u>	<u>(2,968,319)</u>	<u>(29,374)</u>	<u>-</u>	<u>(8,788,868)</u>	<u>230,956,549</u>

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Changes in property, plant and equipment for the year ended December 31, 2015, are as follows:

<i>(in thousands of Korean won)</i>	Beginning	Acquisition	Transfer	Disposal	Depreciation	Others	Ending
Land	132,490,004	-	-	-	-	-	132,490,004
Buildings	66,372,897	520,386	255,528	(15,102)	(2,269,728)	-	64,863,981
Structures	3,706,598	114,012	-	(91,298)	(307,210)	-	3,422,102
Machinery and Equipment	14	5,500	-	(1)	(641)	-	4,872
Ships	1,015,291	3,004,710	-	(871,798)	(387,435)	-	2,760,768
Vehicles	3,017,350	756,669	-	(10,872)	(880,142)	-	2,883,005
Tools and furniture	3,308,319	556,739	-	(11,922)	(1,428,151)	-	2,424,985
Construction machinery	10,453,616	377,514	-	(178,536)	(2,729,559)	-	7,923,035
Loading equipments	4,428,027	562,626	-	(7,605)	(1,147,747)	-	3,835,301
Construction in progress	227,463	1,207,885	412,331	-	-	(76,800)	1,770,879
	<u>225,019,579</u>	<u>7,106,041</u>	<u>667,859</u>	<u>(1,187,134)</u>	<u>(9,150,613)</u>	<u>(76,800)</u>	<u>222,378,932</u>

Details of depreciation as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Cost of sales	7,977,307	8,209,500
Selling and administrative expenses	811,561	941,113
	<u>8,788,868</u>	<u>9,150,613</u>

Bank borrowings are collateralized with the Company's property, plant and equipment. (Note 19)

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17. Intangible Assets

Intangible assets as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	Goodwill (*)	Facility Usage right	Membership	Total
As of December 31, 2016				
Acquisition cost	1,198,208	23,393,550	2,869,824	27,461,582
Accumulated amortization	-	(12,980,872)	-	(12,980,872)
Accumulated Impairment	-	-	(40,320)	(40,320)
Book value	<u>1,198,208</u>	<u>10,412,678</u>	<u>2,829,504</u>	<u>14,440,390</u>
As of December 31, 2015				
Acquisition cost	-	23,393,550	2,058,120	25,451,670
Accumulated amortization	-	(12,112,415)	-	(12,112,415)
Accumulated Impairment	-	-	(40,320)	(40,320)
Book value	<u>-</u>	<u>11,281,135</u>	<u>2,017,800</u>	<u>13,298,935</u>

(*) It is difference between acquisition cost (₩ 3,500 million) and fair value of net assets (₩ 2,302 million) of Sebang Maeil Petrol Station.

Changes in intangible assets for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016			
	Goodwill	Facility Usage right	Membership	Total
Beginning	-	11,281,135	2,017,800	13,298,935
Acquisition	1,198,208	-	1,120,446	2,318,654
Disposal	-	-	(308,742)	(308,742)
Amortization	-	(868,457)	-	(868,457)
Ending	<u>1,198,208</u>	<u>10,412,678</u>	<u>2,829,504</u>	<u>14,440,390</u>

<i>(in thousands of Korean won)</i>	2015		
	Facility Usage right	Membership	Total
Beginning	12,149,593	3,365,940	15,515,533
Transfer from other accounts	-	(600,000)	(600,000)
Disposal	-	(748,140)	(748,140)
Amortization	(868,457)	-	(868,457)
Ending	<u>11,281,135</u>	<u>2,017,800</u>	<u>13,298,935</u>

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Details of amortization as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Cost of sales	868,457	868,457

18. Investment Property

Changes in investment property for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Beginning acquisition cost	97,983,347	109,417,292
Beginning accumulated impairment loss	(10,169,834)	(14,589,944)
Beginning accumulated depreciation	(7,901,364)	(7,776,149)
Beginning net book value	79,912,149	87,051,199
Transfer	-	(255,529)
Depreciation	(417,911)	(421,271)
Disposal	(44,727,365)	(6,462,250)
Ending acquisition cost	45,636,827	97,983,347
Ending accumulated impairment loss	(2,550,678)	(10,169,834)
Ending accumulated depreciation	(8,319,276)	(7,901,364)
Ending net book value	<u>34,766,873</u>	<u>79,912,149</u>

Details of fair value of investment property as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Land	34,595,991	93,838,222
Building	14,172,442	14,335,791
	<u>48,768,433</u>	<u>108,174,013</u>

Rent income from investment property during the year ended December 31, 2016, is ₩ 4,133 million (2015: ₩ 4,106 million).

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19. Pledged Assets

Pledged assets as of December 31, 2016 are as follows:

(in thousands of Korean won)

Collateral asset	Types	Number of shares	Book value	Setting price	Pledged to
	Land and buildings	-	28,841,890	10,299,840	Woori Bank
Property, plant and equipment, Investment property	"	-	41,669,985	3,000,000	Citibank Korea
	"	-	11,348,107	4,179,000	National Federation of Fisheries Cooperatives
	Private-line car	-	30,320	1,167,933	National Railroad Administration
Held-to-maturity financial assets	Bonds of Korea Housing Guarantee Co., Ltd.	-	155,200	155,200	Busan Maritime Equipment Association and others
Available-for-sale financial assets	Shares of Youngnam Area Integrated Freight Terminal Co., Ltd.	165,323	31,431	826,615	Industrial Bank of Korea
	Shares of Construction Guarantee Cooperative	571	818,751	594,310	Construction Guarantee Cooperative
Investment of associates	Shares of Sebang Global Battery Co., Ltd.	1,400,000	34,793,318	40,000,000	Shinhan Bank
Joint venture investments	Shares of Gunjang New Port Terminal Co., Ltd.	663,000	-	135,720,000	Kookmin Bank
	Time deposits	-	314,000	345,400	Shinbu Co., Ltd.
	"	-	54,000	54,000	National Agricultural Cooperative Federation
Short-term financial instruments	"	-	200,000	200,000	Samsung SDI Co., Ltd.
	"	-	840,000	839,633	National Railroad Administration
	"	-	120,000	114,000	Korea Shipping Association
			119,217,002	197,495,931	

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20. Borrowings

Details of borrowings as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Current		
Bank borrowings	24,800,000	35,447,231
Non-current		
Bank borrowings	-	234,900
	<u>24,800,000</u>	<u>35,682,131</u>

Details of bank borrowings as of December 31, 2016 and 2015 are as follows:

<i>(in thousands of Korean won)</i>					
<u>Account Name</u>	<u>Creditor</u>	<u>maturity date</u>	<u>Annual interest rate(%)</u>	<u>2016</u>	<u>2015</u>
General loans	Woori Bank	2017-12-29	2.85	8,000,000	8,000,000
"	Shinhan Bank	2017-11-05	2.55	4,000,000	4,000,000
"	Shinhan Bank	-	-	-	8,000,000
"	Shinhan Bank	2017-06-14	2.58	4,000,000	4,000,000
"	Citibank Korea	2017-06-30	2.80	2,800,000	4,800,000
"	Citibank Korea	2017-06-30	2.80	6,000,000	6,000,000
Facility loans	National Federation of Fisheries Cooperatives	-	-	-	364,800
"	National Federation of Fisheries Cooperatives	-	-	-	105,000
Usance	Shinhan Bank	-	-	-	412,331
				<u>24,800,000</u>	<u>35,682,131</u>

21. Other payables

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

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Current		
Other current payables	22,364,709	24,232,006
Leasehold deposits received	5,049,904	4,975,934
Accrued expenses	15,456	20,251
Dividends payable	12,291	11,535
	<u>27,442,360</u>	<u>29,239,726</u>

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22. Other Current Liability

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

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Current		
Advance receipts	194,005	2,395,888
Withholdings	1,118,338	1,133,010
VAT Withholdings	2,219,902	2,575,722
	<u>3,532,245</u>	<u>6,104,620</u>

23. Employee Defined Benefit Liabilities

Employee Defined benefit liability recognized on the statements of finance position as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Present value of defined benefit obligation	29,629,608	27,609,472
Fair value of plan assets	(28,724,342)	(27,831,474)
Defined benefit liability (*1)	<u>905,266</u>	<u>(222,002)</u>

(*1) Amount of 222,002 thousands of won which is exceeded to present value of defined benefit obligation is classified as long-term financial instruments.

Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Beginning balance	27,609,472	29,470,711
Current service cost	3,973,096	4,888,099
Interest cost	786,146	939,191
Past service cost and gains and losses arising from settlements	-	-
Remeasurements:		
-Actuarial gains and losses arising from changes in demographic assumptions	522,978	2,231
-Actuarial gains and losses arising from changes in financial assumptions	(558,289)	(3,298,245)
-Actuarial gains and losses arising from experience adjustments	(235,061)	(1,705,777)
Payments from plans:		
-Benefits payments	(2,468,734)	(2,686,198)
Effects of transfers in between related companies	-	(540)
Ending balance	<u>29,629,608</u>	<u>27,609,472</u>

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

<i>(in thousands of Korean won)</i>	2016	2015
Beginning	27,782,313	27,131,409
Interest income	791,332	861,994
Remeasurements:		
-Return on plan assets (excluding amounts included in interest income)	(148,101)	(194,249)
Contributions:		
-Employers	3,010,000	2,000,000
Payments from plans:		
-Benefit payments	(2,644,623)	(1,911,006)
-Other administrative cost	(113,438)	(105,295)
Assets acquired in a business combination	-	(540)
Ending balance(*)	<u>28,677,483</u>	<u>27,782,313</u>

(*) Excluding National Pension Service

The amounts recognized on the statements of comprehensive income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Current service cost	3,973,096	4,888,099
Interest expenses	786,146	939,191
Expected return on plan assets	(791,332)	(861,994)
	<u>3,967,910</u>	<u>4,965,296</u>

The principal actuarial assumptions as of December 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	3.20%	3.00%
Salary growth rate	5.30%	5.30%

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Changes in principal assumption	Impact on overall liability
Discount rate	-1.00%	2,964,965
	1.00%	(2,560,741)
Salary growth rate	-1.00%	(2,557,603)
	1.00%	2,899,038

Decrease in discount rate which is rate of return of high-yield bond has offsetting effect through partly increasing current value of debt securities, however, it is exposed to the most significant risk through increasing defined benefit obligations.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions using the same method, the projected unit credit method, is applied when

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calculating the defined benefit obligations recognized within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets as of December 31, 2016 are as follows:

<i>(in thousands of Korean won)</i>	2016			
	Quoted price	Unquoted price	Total	Composition(%)
Equity instruments	8,653	-	8,653	0%
Debt instruments	4,531,277	-	4,531,277	16%
-Government	455,219	-	455,219	
-Corporate bonds	2,327,608	-	2,327,608	
-Special bonds	346,155	-	346,155	
-Foreign bonds	787,128	-	787,128	
-Loan Obligation	615,167	-	615,167	
Beneficiary certificate	3,596,952	-	3,596,952	13%
-Stocks	617,697	-	617,697	
-MMF	60,114	-	60,114	
-1-year insurance for trust installment	2,919,141	-	2,919,141	
Cash and cash equivalents	14,483,899	-	14,483,899	50%
Other assets	6,056,702	-	6,056,702	21%
	28,677,483	-	28,677,483	100%

Effect of defined benefit obligations on future cash flow:

The Company is investing 100% on the financial instrument which guarantees principal and interest in order to hedge risk for losing principal of plan asset. Thus, no specific asset-liability matching is implemented.

Maturity analysis for undiscounted pension as of December 31, 2016 is as follows

Classification	Less than a year	One to two years	Two to five years	More than five years	Total
Pension paid	2,292,041	2,337,591	8,112,609	18,445,758	31,187,999

Weighted average maturity of defined benefit obligations is 8.79 years.

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24. Provisions

Changes of provisions for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016			
	Beginning	Increase	Decrease	Ending
Provision for Construction Warranties	471,414	-	(37,000)	434,414

<i>(in thousands of Korean won)</i>	2015			
	Beginning	Increase	Decrease	Ending
Provision for Construction Warranties	501,342	51,900	(81,828)	471,414

The Company records provision for construction warranties by estimating expenses to be incurred related to construction warranties in the future based on the two to ten-year term and historical experiences.

25. Revenue

Sales for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Transportation revenues	554,554,274	563,135,421
merchandise sales (*)	2,571,128	-
Construction revenues	-	561,294
	<u>557,125,402</u>	<u>563,696,715</u>

(*) This is the merchandise sales due to the new business started following the acquisition of "Sebang Maeil Petrol Station".

26. Cost of sales

Cost of sales for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Transportation cost	505,279,109	509,647,347
Cost of merchandise	2,366,829	-
Construction cost	-	250,190
	<u>507,645,938</u>	<u>509,897,537</u>

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27. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Salaries and wages	15,996,515	14,943,337
Severance benefits	1,398,423	1,638,528
Employee fringe benefits	1,414,956	1,264,344
Transportation	551,415	480,159
Communication	399,668	390,325
Rent	1,324,541	309,502
Commissions	2,479,903	1,960,820
Taxes and dues	823,697	998,972
Automobile expense	433,799	347,648
Utilization	424,965	440,229
Repairs	3,443,233	3,246,199
Entertainment	2,282,552	2,323,863
Bad debts expense	710,335	505,938
Depreciation	1,229,473	1,362,384
Others	1,728,724	2,134,550
	<u>34,642,199</u>	<u>32,346,798</u>

28. Other Income

Other operating income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Dividends income	3,610,653	3,316,424
Reversal on impairment loss of available-for-sale financial asset	168	1,268
Gain on disposal of available-for-sale financial assets	4,825	574,698
Gain on disposal of property, plant and equipment	2,374,667	884,605
Gain on disposal of Investment Property	8,685,719	1,029,360
Others	818,497	301,567
	<u>15,494,529</u>	<u>6,107,922</u>

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29. Other Expense

Other operating expense for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Loss on disposal of property, plant and equipment	248,597	310,911
Loss on disposal of investment property	39,290	200
Donation	316,604	375,388
Impairment loss of available-for-sale financial assets	279,517	151,577
Impairment loss of investments in joint ventures	3,226,034	3,218,194
Other bad debts expense	4,976,627	3,071,063
Impairment loss of intangible assets	13,200	-
Others	506,964	476,712
	<u>9,606,833</u>	<u>7,604,045</u>

30. Financial Income

Financial income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Interest income	986,079	702,378
Gains on foreign currency transaction	209,477	122,188
Gains on foreign currency translation	257,504	24,313
	<u>1,453,060</u>	<u>848,879</u>

31. Financial Costs

Financial costs for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Interest expense	810,017	1,068,974
Loss on foreign currency transaction	177,498	85,365
Loss on foreign currency translation	23,427	886
	<u>1,010,942</u>	<u>1,155,225</u>

32. Employee benefits

Employee benefits for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Salaries	81,354,414	82,503,344
Retirement benefit (Defined benefit plan)	3,967,911	4,965,296
Other	1,048,586	1,668,448
	<u>86,370,911</u>	<u>89,137,088</u>

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33. Expenses by Nature

Expenses by nature for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Employee benefit expense	86,370,911	89,137,088
Depreciation, amortization	10,075,237	10,440,341
Shipping fee and storage fee (including Heavy equipment shippings)	219,879,864	218,638,929
Outsourcing expense	109,168,231	93,855,105
Other expenses	116,793,894	130,172,873
	<u>542,288,137</u>	<u>542,244,336</u>

34. Commitments and Contingencies

Guarantee provided to other companies for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	Debtor	Amount	Description of debt
Shinbu Co.,Ltd.	Hana Bank	397,100	Joint surety

Checks and notes provided by the Company as of December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>	Provide to	Amount	Description
Note	Young Poong Co., Ltd.	25,000	Guarantees for a contract(Zinc Ore)
Note	Samnam Petrochemical Co., Ltd.	Blank	Guarantees for a contract
Note	Kookmin Bank	Blank	Guarantees for payment PF (Gunjang New Port Terminal Co., Ltd.)
Note	Kookmin Bank	Blank	“
Note	Balhae Infrastructure Fund	Blank	“

Details of major commitment as of December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>			
Financial institution	division	Limit amount	Execution Amount
Citibank Korea	Financial borrowings	17,600,000	8,800,000
	Purchase Loan	2,347,662	72,662
Woori Bank	Financial borrowings	8,500,000	8,000,000
	B2B Loan	8,000,000	1,906,824
KEB Hana Bank	Financial borrowings	5,500,000	-
	B2B Loan	22,000,000	1,716,957
Shinhan Bank	Financial borrowings	8,000,000	8,000,000
	B2B Loan	15,000,000	4,022,704

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As of December 31, 2016, the guarantees provided by others are summarized as follows:

<i>(in thousands of Korean won)</i>	<u>Description</u>	<u>Amount</u>
Seoul Guarantee Insurance	Fulfillment of payment and licensing	7,165,578

Pending litigations in which the Company was involved as defendants as of December 31, 2016 are as follows:

<i>(in thousands of Korean won)</i>				
<u>Court</u>	<u>Plaintiff</u>	<u>Defendant</u>	<u>Case</u>	<u>Claim amount</u>
Seoul Central District Court	MERITZ Fire & Marine Insurance Co., Ltd.	SEBANG Co.,Ltd.	Indemnity	135,122
Seoul Central District Court	STX Corporation	SEBANG Co.,Ltd.	Request for delivery of movables	654,535

Given information at the end of the fiscal year is not enough for the prediction of the law suit. The uncertainty is not presented on the financial statements.

35. Income Tax and Deferred Income Tax

The analysis of deferred tax assets and deferred tax liabilities as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Current income tax:		
Current tax on profits for the year	9,723,207	9,005,834
Adjustments in respect of prior years	104,028	854,052
Total current tax	9,827,235	9,859,886
Deferred income tax:		
Increase(Decrease) of temporary differences	(3,701,951)	(2,602,800)
Tax charged directly to capital	(45,659)	(88,507)
Total deferred income tax	(3,747,610)	(3,451,307)
Income tax expense	<u>6,079,625</u>	<u>6,408,579</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Profit before income tax	21,167,080	19,649,911
Tax calculated at tax rates applicable to profits	4,660,433	4,300,980
Tax effects of:		
Non-taxable income	(390,570)	(346,821)
Non-deductible expense	970,439	1,074,718
Additional Payment(Refund) of Income Tax	(445,631)	854,052
Adjusted amount of deferred income taxes recognized	335,052	-
Others	949,902	525,650
Income tax expense	<u>6,079,625</u>	<u>6,408,579</u>
Effective tax rate	<u>28.72%</u>	<u>32.61%</u>

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The income tax (charged)/credited directly to equity as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016			2015		
	Before Tax	Tax(charge) credit	After tax	Before Tax	Tax(charge) credit	After tax
Gains(loss) on valuation of available-for-sale securities	(220,955)	46,733	(174,222)	(536,983)	121,063	(415,920)
Gains(loss) on revaluation of property	-	(63,463)	(63,463)	-	94,027	94,027
Actuarial loss	122,271	(28,929)	93,342	4,807,542	(1,063,596)	3,743,946
	<u>(98,684)</u>	<u>(45,659)</u>	<u>(144,343)</u>	<u>4,270,559</u>	<u>(848,506)</u>	<u>3,422,053</u>

The analyses of deferred tax assets and deferred tax liabilities as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	2,939,363	1,872,172
Deferred tax asset to be recovered after more than 12 months	13,946,003	18,938,704
Deferred tax assets before offsetting	<u>16,885,366</u>	<u>20,810,876</u>
Deferred tax liabilities		
Deferred tax liability to be recovered within 12 months	(27,393)	(11,878)
Deferred tax liability to be recovered after more than 12 months	(42,381,362)	(50,024,339)
Deferred tax liabilities before offsetting	<u>(42,408,755)</u>	<u>(50,036,217)</u>
Deferred tax assets(liabilities) after offsetting	<u>(25,523,389)</u>	<u>(29,225,341)</u>

The gross movements on the deferred income tax account for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Beginning balance	(29,225,340)	(31,828,140)
Tax charge/(credit) relating to components of other comprehensive income	3,747,610	3,451,307
Tax charged/(credited) directly to equity	(45,659)	(848,507)
Ending balance	<u>(25,523,389)</u>	<u>(29,225,340)</u>

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The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

<i>(in thousands of Korean won)</i>	January 1, 2016	Income statement	Equity	December 31, 2016
Allowance for doubtful accounts	1,604,342	1,059,380	-	2,663,722
Retirement benefit provision liability	5,017,225	446,012	-	5,463,267
Retirement Deposits	(5,017,225)	(782,062)	-	(5,799,317)
Equity method earnings	(11,433,160)	(405,656)	-	(11,838,816)
Retained earnings of equity method	(4,979,714)	(35,441)	-	(5,015,155)
Depreciation(change in useful lives)	(151,846)	37,604	-	(114,242)
Land revaluation	(9,114,331)	1,327,302	-	(7,787,029)
Other	9,514,109	(3,359,319)	-	6,154,790
Deferred tax asset(liability) adjusted to equity	(14,664,740)	5,459,790	(45,659)	(9,250,609)
	(29,225,340)	3,747,610	(45,659)	(25,523,389)

<i>(in thousands of Korean won)</i>	January 1, 2015	Income statement	Equity	December 31, 2015
Allowance for doubtful accounts	942,667	661,675	-	1,604,342
Retirement benefit provision liability	5,290,785	(273,530)	-	5,017,225
Retirement Deposits	(5,290,785)	273,530	-	(5,017,225)
Equity method earnings	(10,996,367)	(436,793)	-	(11,433,160)
Retained earnings of equity method	(5,012,348)	32,634	-	(4,979,714)
Depreciation(change in useful lives)	(2,474,105)	2,322,259	-	(151,846)
Land revaluation	(9,174,061)	59,730	-	(9,114,331)
Other	9,765,904	(251,795)	-	9,514,109
Deferred tax asset(liability) adjusted to equity	(14,879,830)	1,063,597	(848,507)	(14,664,740)
	(31,828,140)	3,451,307	(848,507)	(29,225,340)

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36. Capital Stock

Details and changes of capital stock as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Shares to be issued	54,000,000	54,000,000
Common stock issued	19,308,690	19,308,690
Preferred stock issued (*1)	3,689,250	3,689,250
Par value per share	500	500

(*1) Preferred stocks do not carry the right to vote. The holders of preferred stocks are entitled to receive dividends to the extent that they receive an additional 1% based on the face value of the shares as compared to dividends entitled to the shareholders of common shares. This is not applied in case of stock dividend. All shares rank equally with regard to the Company's residual assets. Preferred stocks are not redeemable or convertible.

Details of capital stock as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Common shares capital stock	9,654,345	9,654,345
Preferred capital stock	1,844,625	1,844,625
Capital stock	<u>11,498,970</u>	<u>11,498,970</u>

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39. Other Components of Equity

Other components of equity as of December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	<u>2016</u>	<u>2015</u>
Revaluation reserve	129,258,663	129,258,663
Other capital surplus	1,515,987	1,515,987
	<u>130,774,650</u>	<u>130,774,650</u>

40. Dividends

Details of dividends as of December 31, 2016 and 2015 are as follows:

<i>(in Korean won except for shares)</i>	<u>2016</u>	
	<u>Common stock</u>	<u>Preferred stock</u>
Dividend per share	175	180
Stocks in issue	19,308,690	3,689,250
Dividend amount	3,379,020,750	664,065,000

<i>(in Korean won except for shares)</i>	<u>2015</u>	
	<u>Common stock</u>	<u>Preferred stock</u>
Dividend per share	175	180
Stocks in issue	19,308,690	3,689,250
Dividend amount	3,379,020,750	664,065,000

Details of dividend payout ratio as of December 31, 2016 and 2015 are as follows:

<i>(in Korean won except for ratio)</i>	<u>2016</u>	<u>2015</u>
Dividend amount	4,043,085,750	4,043,085,750
Net income	15,087,454,229	13,241,331,687
Dividend payout ratio	26.80%	30.53%

Details of dividend yield ratio as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>		<u>2015</u>	
<i>(in Korean won except for ratio)</i>	<u>Common stock</u>	<u>Preferred stock</u>	<u>Common stock</u>	<u>Preferred stock</u>
Dividend per share	175	180	175	180
Closing price on settlement day	15,150	8,000	16,900	7,750
Dividend yield ratio	1.2%	2.3%	1.0%	2.3%

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41. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common stocks in issue during the year excluding common stocks purchased by the Company and held as treasury shares. As preferred stocks can participate in distribution of income as participating preferred stock, so earnings per share for preferred stocks is also calculated. As the Company did not issue diluted shares, diluted earnings per share is equal to basic earnings per share.

Basic earnings per common stock as of December 31, 2016 and 2015, are as follows:

<i>(in Korean won except for shares)</i>	2016	2015
Net income for common stock (*1)	12,651,689,833	11,101,715,884
Weighted average number of common stock in issue (*2)	19,308,690	19,308,690
Basic earnings per share	655	575

Basic earnings per preferred stock as of December 31, 2016 and 2015, are as follows:

<i>(in Korean won except for shares)</i>	2016	2015
Net income for preferred stock (*1)	2,435,764,396	2,139,615,803
Weighted average number of preferred stock in issue (*2)	3,689,250	3,689,250
Basic earnings per share	660	580

(*1) Details of ordinary share and preference shares net income for the years ended December 31, 2016 and 2015, are as follows:

<i>(in Korean won)</i>	2016	2015
Net income (A)	15,087,454,229	13,241,331,687
Dividend for common stock (B)	3,379,020,750	3,379,020,750
Dividend for preferred stock (C)	664,065,000	664,065,000
Residual income (D=A-B-C)	11,044,368,479	9,198,245,937
Amount for common stock in residual income (E)	9,272,669,083	7,722,695,134
Amount for preferred stock in residual income (F)	1,771,699,396	1,475,550,803
Net income for common stock (G=B+E)	12,651,689,833	11,101,715,884
Net income for preferred stock (H=C+F)	2,435,764,396	2,139,615,803

(*2) Details of weighted average number of stock in issue as of December 31, 2016 and 2015, are as follows:

	2016	2015
Number of common stock issued	19,308,690	19,308,690
Weighted average number of common stock in issue	19,308,690	19,308,690
	2016	2015
Number of preferred stock in issue	3,689,250	3,689,250
Weighted average number of preferred stock in issue	3,689,250	3,689,250

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42. Construction contracts

As of the end of 2015, there is no construction currently under way due to the abolition of the construction division of the company.

On-going construction project does not exist after the close of the construction division of the company.

The following table presents changes in the remaining balance of construction contracts in 2015:

<i>(in thousands of Korean won)</i>	<u>Opening Balance</u>	<u>Changes</u>	<u>Revenue recognized</u>	<u>Year-end Balance</u>
Central-East Haesong Bridge	586,351	(25,057)	(561,294)	-

In 2015, there has been no construction carried out owing to the abolition of the company's construction division.

The following presents the breakdown of construction profit or loss related to the contracts in progress as of December 31, 2015:

<i>(in thousands of Korean won)</i>	<u>2015</u>			
	<u>Accumulated construction revenue</u>	<u>Accumulated Cost</u>	<u>Accumulated net income</u>	<u>Trade receivables</u>
Central-East Haesong Bridge	1,055,916	691,915	364,001	-

In 2015, the Company has no construction work in progress as of the end of the year owing to the abolishment of the construction division, and there is no related "due from customers for contract work" or "due to customers for contract work".

43. Related Party Transactions

Details of the the related parties as of December 31, 2016, are as follows:

(Percentage of ownership)	<u>2016</u>	<u>2015</u>
Sebang Express Co., Ltd.	100.00	90.00
Korea Maritime Co., Ltd.	100.00	81.18
SGIL Co., Ltd.	90.00	90.00
Mokpo Daebul Terminal Co., Ltd.	100.00	100.00
SBNL Co., Ltd.	60.20	60.20
SBCD Co., Ltd.	100.00	100.00
Sebang Vina	51.00	50.00
Daeil Special Transportation Ltd.	100.00	-

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Details of associates and other related parties that have sales and other transactions with the Company or have receivables and payables balances as of December 31, 2016 and 2015, are as follows

	2016	2015
Associates	Sebang Global Battery Co., Ltd.	Sebang Global Battery Co., Ltd.
	Sebang Industrial Co., Ltd.	Sebang Industrial Co., Ltd.
	Sebang Estates Co., Ltd.	Sebang Estates Co., Ltd.
	Yang Ming Korea. Co., Ltd.	Yang Ming Korea. Co., Ltd.
Joint ventures	Yangsan ICD Co., Ltd.	Yangsan ICD Co., Ltd.
	Gunsan Container Terminal Co., Ltd.	Gunsan Container Terminal Co., Ltd.
	Gunjang New Port Terminal Co.,Ltd.	Gunjang New Port Terminal Co.,Ltd.
	Dongsuk Logistics Co., Ltd.	Dongsuk Logistics Co., Ltd.
	Uiwang ICD Co., Ltd.	Uiwang ICD Co., Ltd.
	Pyeongtaekdangjin Central Terminal Co.,Ltd.	Pyeongtaekdangjin Central Terminal Co.,Ltd.
	Pyeongtaek Terminal Operation Co., Ltd.	Pyeongtaek Terminal Operation Co., Ltd.
	INTC Co., Ltd.	INTC Co., Ltd.
	Busan Newport Multipurpose Terminal Co., Ltd.	Busan Newport Multipurpose Terminal Co., Ltd.
	Gunsan Port 7 Terminal Co., Ltd.	Gunsan Port 7 Terminal Co., Ltd.
	- (*1)	Busan International Terminal Co., Ltd.
Mokpo International Automobile Terminal Co., Ltd.	Mokpo International Automobile Terminal Co., Ltd.	
Other related party	CND Global Co., Ltd.	CND Global Co., Ltd.
	Worldwide Express Co., Ltd.	Worldwide Express Co., Ltd.
	Sanghee Lee (Individual)	Sanghee Lee (Individual)
	CNL Global Co., Ltd.	CNL Global Co., Ltd.
	Gamman Common Management Co.	Gamman Common Management Co.
	Masan Port 4 Terminal Co., Ltd.	Masan Port 4 Terminal Co., Ltd.
	Pohang Port 7 Terminal Co., Ltd.	Pohang Port 7 Terminal Co., Ltd.
	Inchon Port 3 Terminal Co., Ltd.	Inchon Port 3 Terminal Co., Ltd.
	Ulsan Port 6&7 Terminal Co., Ltd.	Ulsan Port 6&7 Terminal Co., Ltd.
E&S Global Co., Ltd.	E&S Global Co., Ltd.	

(*1) The Company disposed of the share in this term.

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Receivables and payables made between the Company and the related parties as of December 31, 2016 and 2015, are as follows:

(in thousands of Korean won)

Classifi- cation	Company	2016						
		Assets				Liabilities		
		Trade receivables	Leasehold deposits	Loan	Other receivable s	Trade payables	Other payables	Leasehold deposits received
Subsidiary	Sebang Express Co., Ltd.	685,213	-	-	-	88,874	110,541	310,000
	Korea Maritime Co., Ltd.	-	-	-	-	-	172,416	9,000
	SGIL Co., Ltd.	-	-	-	-	-	557,617	-
	Mokpo Daebul Terminal Co., Ltd.	-	447,930	-	-	-	32,813	-
	SBNL Co., Ltd.	-	2,900,000	-	-	-	508,074	-
	SBCD Co., Ltd.	21,148	400,000	-	-	-	65,587	-
	Sebang Vina	-	-	-	-	-	-	-
	Daeil Special Transportation Ltd.	-	-	-	-	-	428,576	-
Associates	Sebang Global Battery Co., Ltd.	2,563,230	200	-	-	-	-	297,000
	Sebang Industrial Co., Ltd.	16,409	-	-	-	-	-	-
	Sebang Estates Co., Ltd.	-	-	-	-	-	-	-
	Yangmin Korea Co., Ltd	1,439,407	-	-	-	-	-	292,160
Joint venture	Yongsan ICD Co., Ltd.	-	-	-	-	-	5,963	-
	Gunsan Container Terminal Co., Ltd.	-	-	1,244,369	-	-	16,625	-
	Gunjang New Port Terminal Co.,Ltd.	2,551	-	5,499,720	-	33,798	119,615	-
	Dongsuk Logistics Co., Ltd.	-	-	-	-	-	397,621	-
	Uiwang ICD Co., Ltd.	-	171,606	-	-	99,876	114,195	-
	Pyeongtaekdangjin Central Terminal Co.,Ltd.	59,235	-	-	-	-	314,356	-
	Pyeongtaek Terminal Operation Co., Ltd.	-	-	-	-	-	299,894	-
	INTC Co., Ltd.	303,301	-	-	188	246,116	384,753	-
	Busan Newport Multipurpose Terminal Co., Ltd.	122,232	-	-	-	-	928,091	-
	Gunsan Port 7 Terminal	270,671	300	-	-	900	452,405	-
	Busan International Terminal Co., Ltd.	71,287	-	-	-	-	15,134	-
	Mokpo International Automobile Dock Co., Ltd.	-	-	-	-	-	304,554	-
Other Related party	CND Global Co., Ltd.	-	-	-	-	-	-	2,500
	Worldwide Express Co., Ltd.	-	-	-	-	-	-	13,000
	CNL Global Co., Ltd.	-	-	-	-	-	-	2,500
	E&S Global Co., Ltd.	-	-	-	-	-	120,812	40,000
	Others	2,971	-	-	-	959,284	1,576,003	6,000
		5,557,655	3,920,036	6,744,089	188	1,428,848	6,925,645	972,160

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		2015						
Classifi- cation	Company	Assets				Liabilities		
		Trade receivables	Leasehold deposits	Loan	Other receivable s	Trade payables	Other payables	Leasehold deposits received
	Sebang Express Co., Ltd.	846,783	-	-	-	-	35,923	310,000
	Korea Maritime Co., Ltd.	-	-	-	-	-	163,504	9,000
	SGIL Co., Ltd.	-	-	-	-	-	593,088	-
Subsidiary	Mokpo Daebul Terminal Co., Ltd.	-	480,755	-	-	-	75,153	-
	SBNL Co., Ltd.	-	2,900,000	-	-	-	451,172	-
	SBCD Co., Ltd.	-	200,000	-	-	-	43,668	-
	Sebang Vina	-	-	-	-	-	-	-
	Sebang Global Battery Co., Ltd.	1,988,811	200	-	-	-	-	297,000
Associates	Sebang Industrial Co., Ltd.	15,224	-	-	-	-	-	-
	Sebang Estates Co., Ltd.	-	-	-	-	-	-	40,000
	Yangmin Korea Co., Ltd	-	-	-	-	-	-	292,160
	Yongsan ICD Co., Ltd.	-	-	-	-	-	8,363	-
	Gunsan Container Terminal Co., Ltd.	55,758	-	-	-	-	-	-
	Gunjang New Port Terminal Co.,Ltd.	10,324	-	3,939,720	-	33,797	261,297	-
	Dongsuk Logistics Co., Ltd.	-	-	-	-	-	272,739	-
	Uiwang ICD Co., Ltd.	-	171,606	-	64,537	114,727	136,155	-
Joint venture	Pyeongtaekdangjin Central Terminal Co.,Ltd.	84,007	-	-	-	-	880,669	-
	Pyeongtaek Terminal Operation Co., Ltd.	-	-	-	-	11,030	92,082	-
	INTC Co., Ltd.	29,032	-	-	-	462,558	570,207	-
	Busan Newport Multipurpose Terminal Co., Ltd.	81,565	-	-	-	-	653,566	-
	Gunsan Port 7 Terminal	-	-	344,369	257,417	900	422,913	-
	Busan International Terminal Co., Ltd.	198,730	-	-	-	-	34,680	-
	Mokpo International Automobile Dock Co., Ltd.	-	-	-	-	-	-	-
	CND Global Co., Ltd.	-	-	-	-	-	-	2,500
Other Related party	Worldwide Express Co., Ltd.	-	-	-	-	-	-	13,000
	CNL Global Co., Ltd.	-	-	-	-	-	-	2,500
	E&S Global Co., Ltd.	-	-	-	-	-	119,375	40,000
	Others	1,365	-	-	-	1,386,053	387,069	6,000
		3,311,599	3,752,561	4,284,089	321,954	2,009,065	5,201,623	1,012,160

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Significant transactions with related parties for the years ended December 31, 2016 and 2015, and the related receivables and payables as of December 31, 2016 and 2015, are as follows:

Classification	Company	2016		2015	
		Revenue	Purchases	Revenue	Purchases
Subsidiary	Sebang Express Co., Ltd.	6,934,212	1,326,277	7,288,466	1,377,561
	Korea Maritime Co., Ltd.	14,856	1,833,285	9,748	828,743
	SGIL Co., Ltd.	-	530,196	-	807,949
	Mokpo Daebul Terminal Co., Ltd.	-	756,048	-	791,055
	SBNL Co., Ltd.	340	6,790,968	-	6,307,668
	SBCD Co., Ltd.	57,550	913,695	-	712,153
	Sebang Vina	-	-	-	-
	Daeil Special Transportation Ltd.	-	2,368,729	-	-
Associates	Sebang Global Battery Co., Ltd.	27,072,667	1,003,885	21,438,628	218,708
	Sebang Industrial Co., Ltd.	163,039	-	148,672	-
	Sebang Estates Co., Ltd.	3,380	-	8,112	-
	Yangmin Korea Co., Ltd	4,599,496	-	302,462	-
Joint venture	Yongsan ICD Co., Ltd.	-	229,677	-	95,139
	Gunsan Container Terminal Co., Ltd.	130,752	105,777	224,111	28,862
	Gunjang New Port Terminal Co., Ltd.	188,144	4,095,925	206,305	3,683,466
	Dongsuk Logistics Co., Ltd.	-	2,182,984	-	1,913,624
	Uiwang ICD Co., Ltd.	-	2,034,246	-	2,056,674
	Pyeongtaekdangjin Central Terminal Co., Ltd.	408,180	7,689,012	675,338	8,257,073
	Pyeongtaek Terminal Operation Co., Ltd.	-	1,053,066	-	398,313
	INTC Co., Ltd.	328,708	4,006,185	149,223	6,559,314
	Busan Newport Multipurpose Terminal Co., Ltd.	446,820	7,516,601	371,620	7,083,339
	Gunsan Port 7 Terminal Co., Ltd.	110,232	3,802,068	-	3,379,262
	Busan International Terminal Co., Ltd.	654,155	211,841	903,738	251,968
	Mokpo International Automobile Dock Co., Ltd.	-	754,614	-	-
	Other related party	CND Global Co., Ltd.	3,060	-	3,054
Worldwide Express Co., Ltd.		10,116	-	24,172	-
CNL Global Co., Ltd.		3,060	-	3,054	-
E&S Global Co., Ltd.		5,887	1,340,740	5,887	1,273,502
Others		59,178	16,574,014	866,423	16,304,213
		41,193,832	67,119,833	32,629,013	62,328,586

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Fund transactions with related parties for the years ended December 31, 2016 and 2015, are as follows:

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	2016			
	Loan transactions		Borrowing transactions	
	Loans	Repayments	Borrowings	Repayments
Gunjang New Port Terminal Joint Co., Ltd. (*1)	1,560,000	-	-	-
ventures Gunsan Port 7 terminal Co., Ltd. (*1)	900,000	-	-	-
	<u>2,460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

(*1) Allowance for doubtful account on loan receivable of Gunjang New Port Terminal Co., Ltd. and Gunsan Port 7 terminal Co., Ltd. were accounted as 5,500 and 1,244 million KRW respectively.

(in thousands of Korean won)

	2015			
	Loan transactions		Borrowing transactions	
	Loans	Repayments	Borrowings	Repayments
Gunjang New Port Terminal Joint Co., Ltd. (*1)	1,120,000	-	-	-
ventures Gunsan Port 7 terminal Co., Ltd. (*1)	-	-	-	-
	<u>1,120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

(*1) Allowance for doubtful account on loan receivable of Gunjang New Port Terminal Co., Ltd. and Gunsan Port 7 terminal Co., Ltd. were accounted as 3,763 and 344 million KRW respectively.

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Guarantees provided to related parties as of December 31, 2016, are as follows.

(in thousands of Korean won, in US dollar)	Debtor	Guaranteed amount	Carrying amount	Description of debt
Subsidiaries				
SBNL Co., Ltd.	Shinhan Bank	3,840,000	2,000,000	joint liability on guarantee
	Seoul Guarantee Insurance	268,023	-	"
Sebang Express Co., Ltd.	Zim Korea Ltd.	300,000	-	Fulfillment of a contract
	Hanjin Shipping Co., Ltd.	2,000,000	-	"
	Hyundai Merchant Marine Co.,Ltd.	1,300,000	-	"
	Daedong Co., Ltd.	100,000	-	"
SBCD Co., Ltd.	Seoul Guarantee Insurance	100,000	-	joint liability on guarantee
	Shinhan Bank	456,000	380,000	"
Joint ventures				
INTC Co., Ltd. (*1)	Shinhan Bank	480,000	400,000	joint liability on guarantee
Gunjang New Port Terminal Co., Ltd. (*2)	Kookmin Bank	104,400,000	83,800,000	joint liability on guarantee
Others				
Worldwide Express Co.,Ltd.	Air New Zealand	\$ 750,000	-	Fulfillment of a contract
		113,244,023	86,580,000	
		\$ 750,000	-	

(*1) Cosurety for INTC Co. Ltd. is guaranteed by the Company and another, and the portion of the Company is 50% of the entire cosurety amount.

(*2) The Company and five other companies have provided joint cosurety for Gunjang New Port Terminal Co., Ltd. In case of CDS execution, balance the Company primarily liable for is 20% of the entire cosurety amount. The Company provided three blank notes and shares of investments in joint ventures as collateral related to this cosurety. (Note 19, 34)

Sebang Co., Ltd.
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Collaterals provided by the company to the related parties as of December 31, 2016, are as follows:

<i>(in thousands of Korean won)</i>		Secured assets	Carrying amount	Secured amount	Provided by
Joint ventures	Busan Multipurpose Terminal Company	Land and buildings	11,348,107	4,179,000	National Federation of Fisheries Cooperatives
	Gunjang New Port Terminal Co., Ltd.	Shares	-	135,720,000	Kookmin Bank

The compensation paid or payable to key management for employee services for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Short-term employee benefits	2,602,213	2,599,138
Retirement benefits	-	17,996
	<u>2,602,213</u>	<u>2,617,134</u>

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44. Cash Generated from Operations

Cash generated from operations for the years ended December 31, 2016 and 2015, are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Net income	15,087,454	13,241,332
Adjustments for:	14,405,179	23,668,908
Interest income	(986,079)	(702,378)
Interest expense	810,017	1,068,974
Dividend income	(3,610,653)	(3,316,424)
Income tax expense	6,079,625	6,408,579
Depreciation	9,206,779	9,571,884
Bad debts expense	710,335	505,938
Retirement benefit	3,967,911	4,965,296
Impairment loss of joint ventures investment	3,226,034	3,218,194
Gain on disposal of property, plant, and equipment	(2,374,667)	(884,605)
Other expense(income)	(2,624,123)	2,833,450
Change in net working capital	(3,904,223)	(1,444,797)
Decrease(increase) in trade receivables	(633,851)	2,327,646
Decrease in other receivables	436,411	3,061,461
Decrease in inventories	(249,909)	52,178
Decrease in trade payables	2,186,781	(11,733,562)
Increase in other payables	(1,867,297)	2,659,997
Payment retirement	(2,468,734)	(2,686,198)
Decrease (increase) in other assets (liabilities)	(1,307,624)	4,873,681
Cash generated from operations	25,588,410	35,465,443

45. Segment Information

The strategic steering committee is the Company's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purpose of allocating resources and assessing performance. Revenues in geographic segments are as follows:

<i>(in thousands of Korean won)</i>	2016	2015
Busan	104,859,659	117,420,398
Kyeongin	58,885,135	51,539,490
Gwangyang	72,295,515	66,316,920
Changwon	39,090,194	56,712,948
Gunsan	69,455,331	67,374,070
Incheon	49,533,638	45,243,839
Ulsan	30,698,761	26,251,271
Pohang	23,348,625	26,642,821
Donghae	31,781,474	28,526,937
Yeosu	35,370,115	34,576,039
Others	41,806,955	43,091,982
	557,125,402	563,696,715

Report of Independent Accountants' Review of Internal Accounting Control System

To the President of
Sebang Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Sebang Co., Ltd. (the "Company") as of December 31, 2016. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2016, no material weaknesses are identified as of December 31, 2016, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

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

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Korean IFRS. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

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

BDO LLC

Seoul, Korea
10 March, 2017

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Audit Committee of
Sebang Co., Ltd.

I, as the Internal Accounting Control Officer (“IACO”) of Sebang Co., Ltd. (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2016.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standards for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2016, in all material respects, in accordance with the IACS standards.

January 31, 2017

Ji-Hoon, LEE
Internal Accounting Control Officer

Hong-Soo, PARK
Chief Executive Officer