DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2017

DOOSAN BOBCAT INC. AND SUBSIDIARIES
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December 31, 2017 and 2016

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of
Doosan Bobcat Inc.

We have audited the accompanying consolidated financial statements of Doosan Bobcat Inc. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibilities

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Doosan Bobcat Inc. and subsidiaries as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with Korean IFRS.

Other Matters

The consolidated financial statements of the Group as of and for the period ended December 31, 2016, were audited by Deloitte Anjin LLC who expressed an unqualified opinion on those statements on March 22, 2017.

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

Samil PricewaterhouseCoopers

March 16, 2018
Seoul, Korea

This report is effective as of March 16, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

DOOSAN BOBCAT INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2017 and 2016

(in USD)	**Notes**	**December 31, 2017**	**December 31, 2016**
Assets			
Current assets			
Cash and cash equivalents	4,5	$ 389,044,534	$ 300,909,879
Short-term financial instruments	4,5	-	474,423
Trade and other receivables, net	4,5,6,29	351,483,061	340,172,192
Inventories, net	7	489,046,238	579,885,090
Derivative assets	4,5,8	1,743,702	2,969,989
Other current assets		55,913,631	40,730,743
Assets held for sale	32	253,933,116	-
		$ 1,541,164,282	$ 1,265,142,316
Non-current assets			
Long-term trade and other receivables, net	4,5,6	$ 1,941,129	$ 4,011,134
Long-term financial assets	4,5	93,341	82,752
Investment in associates	11	28,443,663	-
Property, plant and equipment, net	9	381,184,510	370,002,821
Intangible assets, net	10	3,717,970,821	3,500,339,230
Deferred tax assets	26	72,793,737	71,902,486
Long-term derivative assets	4,5,8	4,095,447	-
Other non-current assets	4,5	24,048,179	23,163,038
		$ 4,230,570,827	$ 3,969,501,461
Total assets		$ 5,771,735,109	$ 5,234,643,777
Liabilities			
Current liabilities			
Trade and other payables	4,5,12,29	$ 503,313,834	$ 442,804,398
Current portion of long-term borrowings	4,5,13,28	18,765,722	13,000,000
Income tax payable		6,695,328	8,613,109
Derivative liabilities	5,8	2,577,190	349,495
Provisions	15,28	62,432,733	81,767,798
Other current liabilities		80,165,071	64,436,573
Liabilities held for sale	32	122,834,224	-
		$ 796,784,102	$ 610,971,373
Non-current liabilities			
Other non-current payables	4,5,12	$ 1,129,050	$ 1,026,897
Long-term borrowings	4,5,13,28	1,230,545,270	1,320,999,499
Net defined benefit liabilities	14	391,384,373	389,552,612
Deferred tax liabilities	26	87,061,179	63,745,283
Long-term derivative liabilities	5,8	4,886,453	-
Non-current provisions	15	24,361,567	39,856,870
Other non-current liabilities		36,457,961	34,938,873
		$ 1,775,825,853	$ 1,850,120,034
Total liabilities		$ 2,572,609,955	$ 2,461,091,407
Equity			
Equity attributable to owners of the Parent Company			
Capital stock	1,16	$ 43,095,528	$ 43,095,528
Captal surplus	16	2,786,003,529	2,786,003,529
Other equity items	17	(178,407,620)	(178,407,620)
Accumulated other comprehensive loss	18	(169,790,724)	(418,921,616)
Retained earnings	19	718,224,441	541,782,549
Total equity		$ 3,199,125,154	$ 2,773,552,370
Total liabilities and equity		$ 5,771,735,109	$ 5,234,643,777

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES
Consolidated Statements of Profit or Loss
Years Ended December 31, 2017 and 2016

(in USD)	Notes	2017	2016
Sales	20,21,29	$ 2,997,071,903	$ 2,832,645,478
Cost of sales	22,29	(2,282,364,563)	(2,136,487,427)
Gross profit		714,707,340	696,158,051
Selling and administrative expenses	22,23,29	(365,837,731)	(353,188,597)
Operating profit		348,869,609	342,969,454
Non-operating income (expenses)			
Finance income	5,24	113,489,556	36,124,709
Finance expenses	5,24	(173,498,096)	(125,871,157)
Other non-operating income	25	7,651,890	29,313,005
Other non-operating expenses	25	(17,792,298)	(35,706,946)
Losses on equity method	11	(315,796)	-
		(70,464,744)	(96,140,389)
Profit before income tax expense		278,404,865	246,829,065
Income tax expense	26	(51,810,856)	(87,100,665)
Profit from continuing operations		$ 226,594,009	$ 159,728,400
Discontinued operations			
Profit (loss) from discontinued operations	31	15,490,038	(4,337,877)
Profit for the period		$ 242,084,047	$ 155,390,523
Profit is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		$ 226,594,009	$ 149,507,934
Profit (loss) from discontinued operations		15,490,038	(3,946,806)
Non-controlling interest			
Profit from continuing operations		$ -	$ 10,220,466
Profit (loss) from discontinued operations		-	(391,071)
Earnings per share:	27		
Basic earnings per share			
From continuing operations		$ 2.26	$ 1.85
From discontinued operations		0.15	(0.05)
Diluted earnings per share			
From continuing operations		$ 2.26	$ 1.58
From discontinued operations		0.15	(0.05)

The above consolidated statements of profit or loss should be read in conjunction with the accompanying notes.

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2017 and 2016

(in USD)	2017	2016
Profit for the period	$ 242,084,047	$ 155,390,523
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liabilities	(2,754,738)	(843,657)
Gain on revaluation of property, plant and equipment	2,071,116	-
Share of retained earnings of associates	(12,749)	-
Share of other comprehensive income of associates	46,097	-
Items that may be subsequently reclassified to profit or loss		
Gain (loss) on translation of foreign operations	247,928,176	(47,378,794)
Gain (loss) on valuation of derivatives	(914,497)	356,209
Total comprehensive income for the period	$ 488,447,452	$ 107,524,281
Total comprehensive income for the period is attributable to:		
Owners of the Parent Company	$ 488,447,452	$ 89,473,545
Non-controlling interest	-	18,050,736

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

Years ended December 31, 2017 and 2016

(in USD)	Attributable to Owners of the Parent Company							
	Capital Stock	Capital Surplus	Other Equity Items	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2016	$ 47,146	$ 2,299,116,370	$ 7,700,021	$ (361,765,092)	$ 395,152,480	$ 2,340,250,925	$ 326,523,547	$ 2,666,774,472
Total comprehensive income (loss):								
Profit for the period	-	-	-	-	145,561,128	145,561,128	9,829,395	155,390,523
Remeasurement of net defined benefit liabilities	-	-	-	-	1,068,941	1,068,941	(1,912,598)	(843,657)
Gain (loss) on valuation of derivatives	-	-	-	537,341	-	537,341	(181,132)	356,209
Gain (loss) on translation of foreign operations	-	-	-	(61,489,222)	-	(61,489,222)	10,315,071	(51,174,151)
	-	-	-	(60,951,881)	146,630,069	85,678,188	18,050,736	103,728,924
Capital transactions with owners								
Contribution in kind	5,820	530,299,087	(186,107,641)	-	-	344,197,266	(344,574,283)	(377,017)
Capital increase without consideration	42,971,166	(47,385,589)	-	3,795,357	-	(619,066)	-	(619,066)
Capital increase with consideration	71,396	3,973,661	-	-	-	4,045,057	-	4,045,057
	43,048,382	486,887,159	(186,107,641)	3,795,357	-	347,623,257	(344,574,283)	3,048,974
Balance at December 31, 2016	$ 43,095,528	$ 2,786,003,529	$ (178,407,620)	$ (418,921,616)	$ 541,782,549	$ 2,773,552,370	$ -	$ 2,773,552,370
Balance at January 1, 2017	$ 43,095,528	$ 2,786,003,529	$ (178,407,620)	$ (418,921,616)	$ 541,782,549	$ 2,773,552,370	$ -	$ 2,773,552,370
Total comprehensive income (loss):								
Profit for the period	-	-	-	-	242,084,047	242,084,047	-	242,084,047
Remeasurements of net defined benefit liability	-	-	-	-	(2,754,738)	(2,754,738)	-	(2,754,738)
Gain on revaluation of property, plant and equipment	-	-	-	2,071,116	-	2,071,116	-	2,071,116
Gain (loss) on translation of foreign operations	-	-	-	247,928,176	-	247,928,176	-	247,928,176
Gain (loss) on valuation of derivatives	-	-	-	(914,497)	-	(914,497)	-	(914,497)
Share of retained earnings of associates	-	-	-	-	(12,749)	(12,749)	-	(12,749)
Share of other comprehensive income of associates	-	-	-	46,097	-	46,097	-	46,097
	-	-	-	249,130,892	239,316,560	488,447,452	-	488,447,452
Capital transactions with owners								
Dividends	-	-	-	-	(62,874,668)	(62,874,668)	-	(62,874,668)
Balance at December 31, 2017	$ 43,095,528	$ 2,786,003,529	$ (178,407,620)	$ (169,790,724)	$ 718,224,441	$ 3,199,125,154	$ -	$ 3,199,125,154

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

DOOSAN BOBCAT INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31, 2017 and 2016

(in USD)	**Notes**	**2017**	**2016**
Cash flows from operating activities			
Cash generated from operations:	30	$ 445,460,085	$ 362,189,275
Profit for the period		242,084,047	155,390,523
Adjustments		236,374,916	318,537,612
Changes in operating assets and liabilities		(32,998,878)	(111,738,860)
Interest received		2,921,151	1,942,366
Interest paid		(61,176,006)	(74,905,820)
Income tax paid		(35,694,940)	(18,696,783)
Net cash provided by operating activities		351,510,290	270,529,038
Cash flows from investing activities			
Cash inflows from investing activities:			
Decrease in loan		-	731,648
Disposal of property, plant and equipment		795,284	895,750
		795,284	1,627,398
Cash outflows for investing activities:			
Increase in loan		203,339	-
Increase in short-term financial instruments		-	344,875
Acquisition of property, plant and equipment		43,734,131	43,373,122
Acquisition of intangible assets		36,965,761	32,438,882
Acquisition of investment in associates		26,990,240	-
		(107,893,471)	(76,156,879)
Net cash used in investing activities		(107,098,187)	(74,529,481)
Cash flows from financing activities			
Cash inflows from financing activities:			
Increase in borrowings		1,363,072,841	-
Capital increase with consideration		-	4,045,057
		1,363,072,841	4,045,057
Cash outflows for financing activities:			
Repayment of borrowings		1,467,224,521	253,586,216
Dividends paid		62,874,668	-
Capital increase without consideration		-	619,066
Contribution in kind		-	377,017
		(1,530,099,189)	(254,582,299)
Net cash used in financing activities		(167,026,348)	(250,537,242)
Effects of exchange rate changes on cash and cash equivalents		10,748,900	(3,293,709)
Net increase (decrease) in cash and cash equivalents		88,134,655	(57,831,394)
Cash and cash equivalents at the beginning of the period		300,909,879	358,741,273
Cash and cash equivalents at the end of the period		$ 389,044,534	$ 300,909,879

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

1. General Information

Doosan Bobcat Inc. ("DBI" or the "Company") was incorporated on April 25, 2014 by being spun off from Doosan Infracore Co., Ltd. Main business purposes of the Company are to control and manage its subsidiaries (with the Company, collectively, referred to as "the Group") which include Clark Equipment Co. ("CEC"), Doosan Holdings Europe Ltd. ("DHEL"), and Doosan Bobcat Singapore Pte. Ltd. ("DBSG") that manufacture and distribute compact construction equipment in North America, Europe, Latin America and Asia.

On November 18, 2016, the Company was listed on the securities market established by the Korea Stock Exchange.

After various capital transactions, including issuance of convertible preferred shares and subsequent conversion into ordinary shares, capital reductions and capital increases without considerations, since the incorporation, the share capital is USD 43,096 thousand and the Group's shareholders as at December 31, 2017 are as follows:

Shareholder	Number of shares owned	Percentages of ownership
Doosan Infracore Co., Ltd.	55,476,250	55.34%
Doosan Engine Co., Ltd.	10,578,070	10.55%
Others	34,194,846	34.11%
	100,249,166	100.00%

1.1 Consolidated Subsidiaries

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

Subsidiary	Main business	Location	Ownership interest held by the Group (%) 2017	2016	Fiscal year end
CEC	Manufacturing and sales	USA	100	100	December
CEC's subsidiaries:					
Bobcat Equipment Ltd.	Sales	Canada	100	100	December
Doosan International Australia Pty Ltd.	Sales	Australia	100	100	December
DHEL	Holdings	Ireland	100	100	December
DHEL's subsidiaries:					
Doosan Infracore Europe S.A.	Sales	Belgium	100	100	December
Bobcat Bensheim GmbH.	Sales	Germany	100	100	December
Doosan Holdings France S.A.S.	Holdings	France	100	100	December
Doosan Techno Holding Co., Ltd.	Management	Ireland	100	100	December
Doosan Benelux SA	Sales	Belgium	100	100	December
Doosan International Italia S.r.L.	Sales	Italy	100	100	December
CJSC Doosan International Russia	Sales	Russia	100	100	December
Doosan International UK Ltd.	Sales	England	100	100	December
Doosan International South Africa Pty Ltd.	Sales	South Africa	100	100	December
Doosan Bobcat EMEA s.r.o.	Manufacturing and sales	Czech	100	100	December
Doosan Bobcat Engineering s.r.o. [6]	Research and development	Czech	-	100	December
Doosan Trading Ltd. [7]	Shared service	Ireland	-	100	December
Bobcat Lyon SAS	Sales	France	100	100	December
Bobcat France S.A.	Manufacturing	France	100	100	December

Subsidiary	Main business	Location	Ownership interest held by the Group (%) 2017	2016	Fiscal year end
Geith International Ltd.	Sales	Ireland	100	100	December
Doosan International Luxemburg S.a r.l	Management	Luxemburg	100	100	December
DBSG [1]	Holdings	Singapore	100	100	December
DBSG's subsidiaries:					
Doosan Bobcat Korea Co., Ltd. [2]	Sales	Korea	100	100	December
Doosan Bobcat Chile Compact SpA.	Sales	Chile	100	100	December
Doosan Bobcat China Co., Ltd. [3]	Manufacturing and sales	China	100	100	December
Doosan Bobcat India Private Ltd. [4]	Manufacturing and sales	India	100	100	March
Bobcat Corp.	Sales	Japan	100	100	December
Doosan Bobcat Mexico S.A. de C.V. [5]	Other service	Mexico	100	100	December

[1] Changed its name from Doosan International South East Asia Pte. Ltd. to Doosan Bobcat Singapore Pte. Ltd. during the period ended December 31, 2017.

[2] Changed its name from Doosan Infracore Bobcat Korea Co., Ltd. to Doosan Bobcat Korea Co., Ltd. during the period ended December 31, 2017.

[3] Changed its name from Doosan Infracore Suzhou Co., Ltd. to Doosan Bobcat China Co., Ltd. during the period ended December 31, 2017.

[4] Changed its name from Doosan Infracore India Private Ltd. to Doosan Bobcat India Private Ltd. during the period ended December 31, 2017.

[5] Changed its name from Doosan International Mexico S.A. de C.V. to Doosan Bobcat Mexico S.A. de C.V. during the period ended December 31, 2017.

[6] Doosan Bobcat Engineering s.r.o. was merged into Doosan Bobcat EMEA s.r.o. during the period ended December 31, 2017.

[7] Doosan Trading Ltd. was merged into DHEL during the period ended December 31, 2017.

1.2 Summarized Financial Information

Summarized financial information of the consolidated subsidiaries as at and for the period ended December 31, 2017, is as follows:

(in thousands of USD)

	Assets	Liabilities	Sales	Profit (loss)	Total comprehensive income (loss)
Clark Equipment Co.	$ 3,079,515	$ 2,238,988	$ 2,523,886	$ 234,780	$ 230,638
Bobcat Equipment Ltd.	99,042	41,842	202,419	6,149	5,938
Doosan Holdings Europe Ltd.	2,738,005	310,882	-	(47,372)	(47,372)
Bobcat Bensheim GmbH	119,101	34,026	110,184	650	744
Doosan Techno Holding Co., Ltd.	628,899	436,238	-	6,169	6,169
Doosan Benelux SA	576,929	363,386	-	(5,721)	(6,038)
Doosan Bobcat EMEA s.r.o.	964,533	798,395	1,042,203	8,830	8,486
Bobcat France S.A.	48,249	21,321	94,688	2,523	2,609
Geith International Ltd.	50,654	44,012	32,301	2,180	2,180
Doosan International Luxemburg S.a r.l	766,689	595,008	40,418	23,000	23,000

(in thousands of USD)	**Assets**	**Liabilities**	**Sales**	**Profit (loss)**	**Total comprehensive income (loss)**
Doosan Bobcat Singapore Pte. Ltd.	121,546	24,726	-	1,055	1,055
Doosan Bobcat Korea Co., Ltd.	108,761	95,447	122,320	6,587	6,358
Doosan Bobcat China Co., Ltd.	84,580	37,347	30,419	77	77
Doosan Bobcat India Private Ltd.	46,006	11,571	47,567	4,080	4,080

1.3 Changes in Scope for Consolidation

Subsidiaries excluded from the consolidation for the period ended December 31, 2017:

Subsidiary	**Reason**
Doosan Bobcat Engineering s.r.o	Merged with other subsidiary
Doosan Trading Ltd.	Merged with other subsidiary

Subsidiaries excluded from the consolidation for the period ended December 31, 2016:

Subsidiary	**Reason**
Doosan Infracore International, Inc.,	Merged with other subsidiary
Doosan Holdings International Ltd.	Merged with other subsidiary
Doosan Infracore Portable (Shanghai) Co., Ltd.	Merged with other subsidiary
Doosan International China Co., Ltd.	Merged with other subsidiary
Doosan International Manufacturing China Co., Ltd.	Liquidation

2. Significant Accounting Policies

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

2.1 Basis of Preparation

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

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

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2017. The adoption of these amendments did not have a material impact on the financial statements.

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

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

- Amendments to Korean IFRS 1012 *Income Tax*

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

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

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

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

Certain new accounting standards and interpretations that have been published that are not mandatory for the annual reporting period commencing January 1, 2017 and have not been early adopted by the Group are set out below.

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

  When an investment in an associate or a joint venture is held by or indirectly through an entity that is a venture capital organization, or a mutual fund, unit trust or similar entity including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendments clarify that an entity shall make this election separately for each associate or joint venture at initial recognition of the associate or joint venture. The amendments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the amendments to have a significant impact on the financial statements because the Group is not a venture capital organization.

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

  According to these enactments, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. These enactments will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group does not expect the enactments to have a significant impact on the financial statements.

- Enactments of Korean IFRS 1116 *Leases*

  Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*, Interpretation 2104 *Determining whether an Arrangement contains a Lease*, Interpretation 2015 *Operating Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

At inception of a contract, the entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term leases (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below $ 5,000). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Lessee accounting
A lessee shall apply this standard to its leases either retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application) or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group has not yet elected the application method.

Financial impact
The Group is currently performing an impact assessment to identify potential financial effects of applying Korean IFRS 1116 based on available information as at December 31, 2017 to identify effects on the 2017 financial statements. Accordingly, it is difficult to provide reasonable estimates of financial effects until the analysis is completed.

- Korean IFRS 1109, *Financial Instruments*

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

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

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

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

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1109. The assessment was performed based on available information as at December 31, 2017, and the results of the assessment are explained as below. The Group plans to perform more detailed analyses on the financial effects based on additional information in the future; therefore, the results of the assessment may change due to additional information that the Group may obtain after the assessment.

a) Classification and Measurement of Financial Assets

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

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

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

[2] Gains and losses from the change in fair value of equity investments not held for trading can be recorded in other comprehensive income (designation).

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

As at December 31, 2017, the Group owns loans and receivables of USD 744,580 thousand, financial assets available-for-sale of USD 93 thousand and financial assets at fair value through profit or loss of USD 1,566 thousand.

According to Korean IFRS 1109, a debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. As at December 31, 2017, the Group measured loans and receivables of USD 744,580 thousand at amortized cost.

Based on results from the impact assessment of Korean IFRS 1109, the application of the new standard as at December 31, 2017 does not have a material impact on the Group's financial statements. This is because majority of the Group's financial assets measured at amortized cost meet both criteria: a) the contractual terms of the financial assets that the Group holds give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date, and b) the Group holds the financial assets in order to collect contractual cash flow.

According to the Korean IFRS 1109, a debt instrument is measured at fair value through other comprehensive income if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest. As at December 31, 2017, the Group holds debt instruments of USD 93 thousand classified as financial assets available-for-sale.

Based on the results from the impact assessment of Korean IFRS 1109, if Korean IFRS 1109 is applied for the above debt instruments classified as financial assets available-for-sale, the Group expects that volatility in profit or loss may increase because these assets would not meet the criteria of the contractual cash flows under the instrument solely representing payments of principal and interest on the principal amount and may be measured at fair value through profit or loss.

According to Korean IFRS 1109, for equity instruments that are not held for trading, the Group can make an irrevocable election at initial recognition to classify the instruments as assets measured at fair value through other comprehensive income, in which all subsequent changes in fair value are recognized in other comprehensive income and not recycled to profit or loss. As at December 31, 2017, the Group holds no equity instruments classified as financial assets available-for-sale.

According to Korean IFRS 1109, debt instruments with contractual cash flows do not represent solely payments of principal and interest and held for trading, and equity instruments that are not designated as instruments measured at fair value through other comprehensive income, are measured at fair value through profit or loss. As at December 2017, the Group holds derivative instruments classified as financial assets at fair value through profit or loss that amount to USD 1,566 thousand.

Based on the results from the impact assessment, if the Group applies Korean IFRS 1109 to the financial assets measured at fair value through profit or loss as at December 31, 2017, the application will not have a material impact on the financial statements because the majority of the financial assets will still be classified as at fair value through profit or loss.

b) Classification and Measurement of Financial Liabilities

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

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

Based on the results from the impact assessment regarding financial liabilities applying Korean IFRS 1109 is not expected to have a material impact on the financial statements because the majority of financial liabilities designated as fair value through profit or loss as at December 31, 2017 have short maturities and insignificant fluctuations in their credit risk.

c) Impairment: Financial Assets and Contract Assets

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

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

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

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

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

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

As at December 31, 2017, the Group owns debt investments carried at amortized cost of USD 744,580 thousand, and the Group recognized loss allowances of USD 8,199 thousand for these assets.

For trade receivables, contract assets and lease receivables that contain a significant financing component, the Group measures the loss allowance at an amount equal to lifetime expected credit losses at initial recognition. The Group performed an impact assessment using the simplified approach with an assumption that the credit risk has not increased significantly since initial recognition because the financial instruments have low credit risk at the reporting period. As a result of the impact assessment, the loss allowance of USD 8,199 thousand as at December 31, 2017 is expected to change to USD 8,930 thousand, an increase of USD 731 thousand.

d) Hedge Accounting

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

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

With the application of hedge accounting as at December 31, 2017, the change in fair value of cash flow hedging instruments recognized in accumulated other comprehensive income amounts to USD 516 thousand.

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

- Korean IFRS 1115 *Revenue from Contracts with Customers*

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

The Group must apply Korean IFRS 1115 *Revenue from Contracts with Customers* within annual reporting periods beginning on or after January 1, 2018, and will elect the modified retrospective approach which will recognize the cumulative impact of initially applying the revenue standard as an adjustment to retained earnings as at January 1, 2018, the period of initial application.

Korean IFRS 1018 and other current revenue standards identify revenue as income that arises in the course of ordinary activities of an entity and provides guidance on a variety of different types of revenue, such as sale of goods, rendering of services, interest, dividends, royalties and construction contracts. However, the new standard is based on the principle that revenue is recognized based on a new five-step process as below:

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

The Group performed an impact assessment to identify potential financial effects of applying Korean IFRS 1115. The assessment was performed based on information obtained as at December 31, 2017, and the results of the assessment are explained as below. The results of the assessment as at December 31, 2017 may change due to additional information that the Group may obtain after the assessment.

a) Variable consideration

With implementation of Korean IFRS 1115, the Group estimates an amount of variable consideration by using the expected value which the Group expects to better predict the amount of consideration. The Group recognizes revenue with transaction prices including variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The refund liability is measured at the amount of consideration received for which the Group does not expect to be entitled.

As a result of the impact assessment, refund related assets and liabilities as at December 31, 2017 is expected to increase by USD 4,447 thousand.

2.3 Consolidation

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

(a) Subsidiaries

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

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

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

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

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is objective evidence of impairment of the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The Parent Company's functional currency is the Korean won and the consolidated financial statements are presented in US dollars, which is determined as the best currency to present the financial position and results of the Group that operates internationally.

(b) Transactions and balances

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

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

(c) Translation to the presentation currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expenses for each statement of profit or loss are translated at average exchange rates, unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions,
- all resulting exchange differences are recognized in other comprehensive income.

Exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.5 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with insignificant risk of change in value.

2.6 Financial Assets

(a) Classification and measurement

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

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. And, loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

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

(b) Impairment

The Group assesses at the end of each reporting period whether there is an 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 an 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, and that of other financial assets is directly deducted from their carrying amount. The Group writes off financial assets when the assets are determined to be no longer recoverable.

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

(c) Derecognition

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

(d) Offsetting of financial instruments

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

2.7 Derivative Instruments

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

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income, and the ineffective portion is recognized in 'other non-operating income (expenses)'.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes fixed and variable manufacturing overhead costs that are systematically allocated to inventories using appropriate methods based on each category of inventory. The cost of inventories is determined using the weighted average method. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year.

The Group periodically reviews changes in net realizable value of its inventories (current replacement cost for raw materials) due to damage, obsolescence, decline in selling prices and others and, if appropriate, recognizes loss on inventory valuation. Loss on inventory valuation is charged to cost of sales when it is ordinary and to other expense when it is extraordinary. When the circumstances that previously caused inventories to be written down below cost no longer exist and the new market value of inventories subsequently recovers, the related valuation loss is reversed to the extent of the original valuation loss when the reversal is deducted from cost of sales.

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

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

2.10 Property, Plant and Equipment

Property, plant and equipment are initially stated at cost and subsequently recorded at cost, less accumulated depreciation and accumulated impairment losses, except for land, which is recorded using the valuation model. When the useful life of each part of an item of property, plant and equipment is different compared to that of the item, each part is recognized separately. The cost of an item of property, plant and equipment is directly attributable to its purchase or construction, including the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs incurred to replace part of previously recognized item of property, plant and equipment are added to the carrying amount of an asset, or recognized as a separate asset, if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of what was replaced is derecognized. Routine maintenance and repairs are expenses as incurred.

Depreciation expense for property, plant and equipment other than land is computed using the straight-line method, which reflects most closely the pattern in which the asset's economic benefits are expected to be consumed by the Group over the estimated useful lives of the assets as follows:

	Useful lives
Buildings	30 – 35 years
Structures	10 – 15
Machinery	5 – 12
Vehicles	3 – 6
Tools	3 – 10
Office equipment	3 –10

If a part of a property, plant and equipment has a cost that is significant in relation to the total cost of property, plant and equipment, it is depreciated separately.

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

When the carrying amount of property, plant and equipment is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount and the difference is recognized as an impairment loss. Meanwhile, when the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by depreciation. Upon derecognition of property, plant and equipment, the difference between the net disposal proceed and the carrying amount of the item is recognized in other operating income (expense).

2.11 Government Grants

For the purpose of acquisition of certain assets, government grants related to assets are accounted for as a deduction from related assets on the date that the related assets are received.

If a government grant that will be received is not subject to specific conditions attached to it, government grants related to primary operating activity are recognized in operating income; otherwise, those are recognized in other non-operating income. Meanwhile, expense related to the government grants is to be offset first and then recognized in current income.

2.12 Intangible Assets

Intangible assets are initially measured at cost and are carried at cost, less accumulated amortization and accumulated impairment losses. Subsequent expenditure on an intangible asset is capitalized only when it is probable that the expected future economic benefits that are attributable to the asset will increase.

Intangible assets other than goodwill and intangible assets with indefinite useful lives are amortized using the straight-line method with no residual value, with amortization beginning when the asset is available for use. However, useful lives of membership and other intangible assets with similar nature are determined to be indefinite as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflow from the Group and they are not amortized, but tested for impairment once a year.

	Useful lives
Trademarks	5 – 10 years
Development costs	3 – 12
Other intangible assets	3 – 7

Goodwill acquired from business combination is measured as the consideration transferred in excess of acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired and is classified as intangible assets. Goodwill is not subject to amortization and tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses, if any. Impairment loss recognized for goodwill is not reversed. 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 are expected to benefit from the synergies of the combination.

Expenditures relating to development activities are capitalized when the result of the development is for the development of new products or substantial improvement of functions of existing products, there is technical and commercial feasibility of completing the development and the Group has the ability to measure reliably the expenditure attributable to the development. Capitalized development costs include expenditure on materials, salaries, wages and other employment-related costs of personnel directly engaged in generating assets and related overhead cost that is systematically allocated. Capitalized development costs are presented at the acquisition cost, less accumulated amortization and accumulated impairment losses. Capitalized development costs are amortized using the straight-line method over the estimated useful life and amortization expenses are included in cost of goods manufactured and amortization in selling and administrative expenses. The expenditure on research and development that does not meet the conditions noted above is recognized as an expense when it is incurred.

The estimated useful life and amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period and for the assets that have been assessed as having indefinite useful life, that assessment is revisited each period, with the effect of any changes in estimate being accounted for as a change in accounting estimate.

2.13 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.14 Financial Liabilities

(a) Classification and measurement

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

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

Preferred shares that require mandatory redemption at a particular date are classified as liabilities. Interest expenses on these preferred shares using the effective interest method are recognized in the statement of profit or loss as 'finance expenses', together with interest expenses recognized from 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 or cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is measured using the present value of the cash flows estimated to settle the present obligation when the effect of the time value of money is material. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. The increase in provision due to passage of time is recognized as interest expense. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received. In the consolidated statements of profit or loss, a net amount is presented, being the anticipated cost of the obligation, less the reimbursement.

2.16 Current and Deferred Tax

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

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

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

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

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

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

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

2.17 Employee Benefits

(a) Post-employment benefits

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

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

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

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

2.18 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal course of the business. Amounts disclosed as revenue are net of value added taxes, returns, rebates and discounts and after elimination of inter-company transactions. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Sale of goods

Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is recognized on initial delivery of the goods, net of expected discounts and returns estimated based on historical data. The Group estimates and recognizes provision for warranty and sales return arising from sale of goods.

b) Other revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measure reliably. Interest income is recognized using the effective interest method. Revenues arising from dividends are recognized when the right to receive the dividend payment is established. Rental income is recognized on a straight-line basis. Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.

2.19 Lease

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

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

2.20 Earnings Per Share

Basic earnings per common share are computed by dividing net income attributable to owners of the Group by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing diluted net income attributable to the owners of the Group, which is adjusted by adding back the after-tax amount of expenses related to dilutive potential ordinary shares, by the weighted-average number of common shares and dilutive potential ordinary shares outstanding during the period. Antidilutive potential ordinary shares are disregarded in the calculation of diluted earnings per share.

2.21 Dividend

Dividend payable is recognized as liability when declaration of the dividend is approved at the shareholders' meeting.

2.22 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to management. The management of the Group is responsible for allocating resources and assessing performance of the operating segments.

2.23 Approval of Issuance of the Financial Statements

The consolidated financial statements 2017 were approved for issue by the Board of Directors on February 7, 2018 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Warranty provision

The Group provides warranty for products when the related revenue is recognized. At the end of each reporting period, provisions are recorded for the best estimated costs to fulfill current and future warranty obligations. The Group continuously introduces new products using advanced complex technology, and accordingly, these estimates may change in future due to additional provisions required under local legislation and practice.

(b) Impairment of goodwill

The Group annually performs impairment testing. Recoverable amount of cash-generating units is based on the higher of value in use or fair value. The value in use calculation requires accounting estimates.

(c) Allowance for doubtful accounts

In order to calculate the impairment of receivables, the Group’s management estimates an expected bad debt considering the aging of receivables, past experience of bad debt and economic and industrial factors.

(d) Income taxes

The Group’s taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 26).

If certain portion of the taxable income is not used for investments or increase in wages or dividends in accordance with the *Tax System For Recirculation of Corporate Income*, the Group is liable to pay additional income tax calculated based on the tax laws. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax system. As the Group’s income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(e) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 14).

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's financial risk management focuses on improving financial structure and efficiency of liquidity management for stable and consistent financial performance of the Group by minimizing market risk, credit risk and liquidity risk.

The Group's financial risk management activities are mainly carried out by its treasury function with the cooperation of the Group's other functions, financial risks are identified, assessed and hedged based on financial risk management policies and potential impacts of financial risks are regularly monitored.

4.1.1 Market Risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from recognized assets and liabilities and net investments in foreign entities.

Foreign currency risk is managed based on the Group's policy on foreign currencies and the Group's key strategy for managing this risk is to reduce a volatility of financial performances due to fluctuations in foreign exchange rates.

The Group's financial assets and liabilities exposed to foreign exchange risk as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017				
	USD	**EUR**	**GBP**	**Others [1]**	**Total**
Financial assets	$ 702,016	$ 104,701	$ 159,822	$ 42,011	$ 1,008,550
Financial liabilities	(984,682)	(286,333)	(159,141)	(7,364)	(1,437,520)
Net	$ (282,666)	$ (181,632)	$ 681	$ 34,647	$ (428,970)

(in thousands of USD)	2016				
	USD	**EUR**	**GBP**	**Others [1]**	**Total**
Financial assets	$ 653,733	$ 82,819	$ 35,144	$ 48,638	$ 820,334
Financial liabilities	(1,027,334)	(169,343)	(25,322)	(5,708)	(1,227,707)
Net	$ (373,601)	$ (86,524)	$ 9,822	$ 42,930	$ (407,373)

[1] Others are assets and liabilities denominated in foreign currencies other than USD, EUR and GBP.

The table below summarizes the impact of weakened/strengthened functional currency on the Group's income (expense) before income tax expense for the period. The analysis is based on the assumption that the functional currency has weakened/strengthened by 10% against the respective foreign currencies above with all other variables held constant.

(in thousands of USD)	2017		2016	
	10% increase in foreign exchange currency rate	10% decrease in foreign exchange currency rate	10% increase in foreign exchange currency rate	10% decrease in foreign exchange currency rate
Income (expense) before income tax expense	$ (42,897)	$ 42,897	$ (40,737)	$ 40,737

(b) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate deposits and borrowings.

The Group manages interest rate risk through various activities. These include minimizing external borrowings by utilizing internal fund availability, reducing borrowings with higher interest rates, improving maturity structure of borrowings, maintaining appropriate balance between floating rate and fixed rate, and a regular monitoring of market trend and developing action plans.

Financial liabilities with floating interest rates, except the borrowings subject to the interest rate swap contract (Note 8), exposed to interest rate risk as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017	2016
Financial liabilities	$ 534,913	$ 1,347,500

The table below summarizes the impact of increases/decreases of interest rate on the Group's annual income before income tax expense. The analysis is based on the assumption that the interest rate has increased/decreased by 1% (100 basis points) with all other variables held constant.

(in thousands of USD)	Impact on annual profit before income tax estimated as at			
	2017		2016	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Income (expense) before income tax expense	$ (5,349)	$ 5,349	$ (13,475)	$ 13,475

4.1.2 Credit Risk

Credit risk arises during the normal course of transactions and investing activities where customers or other parties are unable to comply with contractual obligations. The Group sets out and monitors credit limits for its customers and counterparts on a periodic basis considering financial conditions, historical experiences and other factors.

Credit risk arises from cash and cash equivalents, derivatives and deposits in banks and financial institutions, as well as the Group's receivables.

Main objectives of credit risk management are to efficiently manage credit risk based on the Group's credit policies, to promptly support decision-making processes and to minimize financial losses through safeguarding receivables. Where default is expected for receivables that represents impairment indicators or are past due at the end of reporting period, the Group assesses related credit risk and provides allowances on its consolidated statement of financial position.

Maximum exposures of financial assets of the Group exposed to credit risk as at December 31, 2017 and 2016, are as follows.

(in thousands of USD)	2017	2016
Cash and cash equivalents	$ 389,045	$ 300,910
Short-term financial instruments	-	474
Trade and other receivables	351,483	340,172
Long-term trade and other receivables	1,941	4,011
Long-term financial assets	93	83
Derivative assets	1,744	2,970
Long-term derivative assets	4,095	-
Other non-current assets	2,111	1,744
	$ 750,512	$ 650,364

Aging analysis of the Group's receivables as at December 31, 2017 and 2016, is as follows:

(in thousands of USD)	2017						
	Individually	Receivables assessed for impairment on a collective basis					
	impaired receivables	Within due	0–3 months	3–6 months	6–12 months	Over 12 months	Total
Trade receivables	$ 3,304	$ 195,810	$ 25,258	$ 3,276	$ 2,727	$ 4,056	$ 234,431
Other receivables	526	123,618	469	-	-	1	124,614
Accrued income	-	359	-	-	-	-	359
Short-term loans	-	278	-	-	-	-	278
Long-term trade receivables	-	1,428	-	-	-	-	1,428
Long-term other receivables	-	513	-	-	-	-	513
	$ 3,830	$ 322,006	$ 25,727	$ 3,276	$ 2,727	$ 4,057	$ 361,623

(in thousands of USD)	2016						
	Individually	Receivables assessed for impairment on a collective basis					
	impaired receivables	Within due	0–3 months	3–6 months	6–12 months	Over 12 months	Total
Trade receivables	$ 24,710	$ 272,671	$ 33,346	$ 3,720	$ 5,479	$ 11,724	$ 351,650
Other receivables	467	5,752	-	-	-	2,888	9,107
Accrued income	-	489	-	-	-	-	489
Short-term loans	-	74	-	-	-	-	74
Long-term trade receivables	-	4,006	-	-	-	-	4,006
Long-term other receivables	-	-	-	-	5	-	5
	$ 25,177	$ 282,992	$ 33,346	$ 3,720	$ 5,484	$ 14,612	$ 365,331

Receivables with specific impairment indicators such as insolvency and bankruptcy are individually assessed using appropriate allowance rates. A group of financial assets with similar credit risk natures that are not individually significant is assessed on a collective basis based on aging analysis and the Group's historical experience on collection.

4.1.3 Liquidity Risk

Liquidity risk represents the risk that the Group may encounter difficulties in fulfilling its obligations to repay financial liabilities or in being able to have additional funding for its normal business operations due to liquidity shortage.

The Group secures and maintains the appropriate level of liquidity volume and accordingly manages the liquidity risk in advance by forecasting the projected cash flows from operating, investing and financing activities for a three-month period as well as annual fiscal year.

Details of the Group's liquidity risk analysis as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017					
		Nominal cash flows				
	Book amount	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade payables	$ 326,592	$ 326,592	$ 326,592	$ -	$ -	$ -
Other liabilities (current and non-current)	177,851	177,851	176,556	1,202	93	-
Borrowings	1,249,311	1,580,769	71,110	70,546	199,681	1,239,432
	$ 1,753,754	$ 2,085,212	$ 574,258	$ 71,748	$ 199,774	$ 1,239,432

(in thousands of USD)	2016					
		Nominal cash flows				
	Book amount	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade payables	$ 256,384	$ 256,384	$ 256,384	$ -	$ -	$ -
Other liabilities (current and non-current)	187,447	187,447	186,420	823	204	-
Borrowings	1,333,999	1,642,319	79,727	79,133	1,478,529	4,930
	$ 1,777,830	$ 2,086,150	$ 522,531	$ 79,956	$ 1,478,733	$ 4,930

The amounts of financial liabilities by remaining maturity included in above represent undiscounted contractual nominal cash flows (including interest expenses), assuming the earliest period in which the Group can be required to pay, and therefore differ from the financial liabilities recognized in the consolidated statements of financial position. In addition, apart from the financial liabilities above, the maximum exposure related with financial guarantees provided by the Group as at December 31, 2017 is discussed in Note 28.

4.2 Capital Risk Management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio which is calculated by dividing total liabilities by total equity in the financial statements.

Debt-to-equity ratio as at December 31, 2017 and 2016, is as follows:

(in thousands of USD)	**2017**	**2016**
Debt	$ 2,572,610	$ 2,461,091
Equity	3,199,125	2,773,552
Debt-to-equity ratio	80.42%	88.73%

5. Financial Instruments by Category

5.1 Carrying Amounts of Financial Instruments by Category

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

(in thousands of USD)

	2017				
Assets	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Hedge derivatives**	**Total**
Cash and cash equivalents	$ 389,045	$ -	$ -	$ -	$ 389,045
Trade and other receivables	351,483	-	-	-	351,483
Derivative assets (Current and non-current)	-	1,566	-	4,273	5,839
Long-term trade and other receivables	1,941	-	-	-	1,941
Long-term financial assets	-	-	93	-	93
Other non-current assets	2,111	-	-	-	2,111
	$ 744,580	$ 1,566	$ 93	$ 4,273	$ 750,512

(in thousands of USD)

	2017			
Liabilities	**Financial liabilities at fair value through profit or loss**	**Other financial liabilities at amortized cost**	**Hedge derivatives**	**Total**
Trade and other payables	$ -	$ 503,314	$ -	$ 503,314
Borrowings	-	1,249,311	-	1,249,311
Derivative liabilities (Current and non-current)	5,416	-	2,048	7,464
Other non-current liabilities	-	1,129	-	1,129
	$ 5,416	$ 1,753,754	$ 2,048	$ 1,761,218

(in thousands of USD)

	2016				
Assets	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Hedge derivatives**	**Total**
Cash and cash equivalents	$ 300,910	$ -	$ -	$ -	$ 300,910
Short-term financial instruments	474	-	-	-	474
Trade and other receivables	340,172	-	-	-	340,172
Derivative assets	-	1,476	-	1,494	2,970
Long-term trade and other receivables	4,011	-	-	-	4,011
Long-term financial assets	-	-	83	-	83
Other non-current assets	1,744	-	-	-	1,744
	$ 647,311	$ 1,476	$ 83	$ 1,494	$ 650,364

(in thousands of USD)

	2016		
Liabilities	**Other financial liabilities at amortized cost**	**Hedge derivatives**	**Total**
Trade and other payables	$ 442,804	$ -	$ 442,804
Borrowings	1,333,999	-	1,333,999
Derivative liabilities	-	349	349
Other non-current liabilities	1,027	-	1,027
	$ 1,777,830	$ 349	$ 1,778,179

During the period ended December 31, 2017, there have been no significant changes in the business and economic environment affecting the fair value of the Group's financial assets and liabilities. Assets and liabilities whose carrying value is a reasonable approximation of fair value are excluded from the fair value disclosure above. Financial assets measured at cost are also excluded from the fair value disclosure above as the fair value cannot be reasonably assessed.

5.2 Fair Value Hierarchy

Fair value hierarchy classifications of the financial instruments, based on the levels defined as below, that are measured at fair value as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)

	2017			
	Level 1 [1]	**Level 2** [1]	**Level 3** [1]	**Total**
Financial assets:				
Financial assets at fair value through profit or loss	$ -	$ 1,566	$ -	$ 1,566
Hedge derivatives	-	4,273	-	4,273
	$ -	$ 5,839	$ -	$ 5,839
Financial liabilities:				
Financial liabilities at fair value through profit or loss	$ -	$ (5,416)	$ -	$ (5,416)
Hedge derivatives	-	(2,048)	-	(2,048)
	$ -	$ (7,464)	$ -	$ (7,464)

(in thousands of USD)	2016			
	Level 1 [1]	Level 2 [1]	Level 3 [1]	Total
Financial assets:				
Financial assets at fair value through profit or loss	$ -	$ 1,476	$ -	$ 1,476
Hedge derivatives	-	1,494	-	1,494
	$ -	$ 2,970	$ -	$ 2,970
Financial liabilities:				
Hedge derivatives	$ -	$ (349)	$ -	$ (349)

[1] Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

5.3 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017				
	Interest income (expense)	Bad debt expense	Loss on disposal	Gain (loss) on derivatives	Other
Financial assets:					
Loans and receivables	$ 2,792	$ (978)	$ (8,723)	$ -	$ -
Financial liabilities:					
Derivative liabilities	$ -	$ -	$ -	$ (16,658)	$ -
Financial liabilities at amortized cost	(62,481)	-	(22,032)	-	(666)
	$ (62,481)	$ -	$ (22,032)	$ (16,658)	$ (666)

(in thousands of USD)	2016					
	Interest income (expense)	Bad debt expense	Other bad debt expense	Loss on disposal	Gain (loss) on derivatives	Other
Financial assets:						
Loans and receivables	$ 2,431	$ (5,281)	$ (486)	$ (5,027)	$ -	$ -
Derivative assets	-	-	-	-	13,325	-
	$ 2,431	$ (5,281)	$ (486)	$ (5,027)	$ 13,325	$ -
Financial liabilities:						
Financial liabilities at amortized cost	$ (77,652)	$ -	$ -	$ (4,432)	$ -	$ (171)

For the period ended December 31, 2017, the loss of $ 914 thousand from derivatives designated as a cash flow hedge was recognized as other comprehensive income (2016: gain of $ 356 thousand).

In addition, foreign exchange differences, either realized or not, related to foreign currency transactions (other than derivative contracts) are mostly resulted from loans and receivables and financial liabilities measured at amortized cost.

6. Trade and Other Receivables

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

(in thousands of USD)

	2017		
	Gross	**Allowance for doubtful accounts**	**Net**
Current:			
Trade receivables	$ 234,431	$ (7,673)	$ 226,758
Other receivables	126,614	(526)	124,088
Accrued income	359	-	359
Short-term loans	278	-	278
	$ 359,682	$ (8,199)	$ 351,483
Non-current:			
Long-term trade receivables	$ 1,428	$ -	$ 1,428
Long-term other receivables	513	-	513
	$ 1,941	$ -	$ 1,941

(in thousands of USD)

	2016		
	Gross	**Allowance for doubtful accounts**	**Net**
Current:			
Trade receivables	$ 351,650	$ (20,681)	$ 330,969
Other receivables	9,107	(467)	8,640
Accrued income	489	-	489
Short-term loans	74	-	74
	$ 361,320	$ (21,148)	$ 340,172
Non-current:			
Long-term trade receivables	$ 4,006	$ -	$ 4,006
Long-term other receivables	5	-	5
	$ 4,011	$ -	$ 4,011

Changes in allowance for doubtful accounts for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)

	2017						
	Beginning	**Increase**	**Reversed**	**Written off**	**Held for sale**	**Other**	**Ending**
Trade receivables	$ 20,681	$ 941	$ -	$ (12,994)	$ (2,903)	$ 1,948	$ 7,673
Other receivables	467	-	-	-	-	59	526
	$ 21,148	$ 941	$ -	$ (12,994)	$ (2,903)	$ 2,007	$ 8,199

For the period ended December 31, 2017, the net amount of $ 3,984 thousand associated with assets held for sale is included in the increase and written off above.

(in thousands of USD)

	2016					
	Beginning	**Increase**	**Reversed**	**Written off**	**Other**	**Ending**
Trade receivables	$ 14,631	$ 7,833	$ -	$ (740)	$ (1,043)	$ 20,681
Other receivables	-	486	-	-	(19)	467
	$ 14,631	$ 8,319	$ -	$ (740)	$ (1,062)	$ 21,148

Past due receivables are considered impaired. An allowance for doubtful accounts is specifically recognized for the receivables with impairment indicators individually identified. A group of financial assets with similar credit risk natures that are not individually significant is assessed on a collective basis based on aging analysis and the Group's historical experience on collection. The allowance for doubtful accounts is included in selling and administrative expenses and other non-operating expenses in the consolidated statements of profit or loss.

7. Inventories

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

(in thousands of USD)

	2017		
	Acquisition cost	**Valuation allowance**	**Net**
Merchandise	$ 19,721	$ (3,751)	$ 15,970
Finished goods	231,037	(20,138)	210,899
Work in progress	13,440	-	13,440
Raw materials	197,154	(13,640)	183,514
Materials in transit	65,223	-	65,223
	$ 526,575	$ (37,529)	$ 489,046

(in thousands of USD)

	2016		
	Acquisition cost	**Valuation allowance**	**Net**
Merchandise	$ 131,193	$ (12,125)	$ 119,068
Finished goods	236,475	(19,026)	217,449
Work in progress	13,126	-	13,126
Raw materials	178,273	(11,872)	166,401
Materials in transit	63,841	-	63,841
	$ 622,908	$ (43,023)	$ 579,885

The cost of inventories recognized as expense and included in 'cost of sales' for the period ended December 31, 2017, amounts to $ 2,154,984 thousand (2016: $ 2,029,750 thousand). Losses on inventory valuation deducted from 'cost of sales' amounts to $ 6,048 thousand on the same period. (2016: $ 2,860 thousand was added to 'cost of sales')

8. Derivatives

The Group's derivative contracts are classified as follows:

Purpose	Type of derivative instruments	Description
Trading purpose	Foreign currency forward	Foreign currency forwards to hedge future cash flows
	Foreign currency swap	Foreign currency swap to hedge future cash flows
Cash flow hedge	Foreign currency forward	A contract to avoid cash flow risk arising from forecasted sales in foreign currencies
	Interest rate swap	A contract to avoid cash flow risk arising from changes in future interest rate (3 month USD Libor)

Details of valuation of derivatives as at December 31, 2017 and 2016, are as follows:

(in thousands of all currencies)

	2017						
	Buy		Sell		Derivative assets (liabilities)	Valuation gain (loss)	Other comprehensive income (loss)
	Currency	Amount	Currency	Amount			
Foreign currency swap	EUR 85,070, 0.02%		USD 100,000, 3M USD LIBOR		$ (3,321)	$ (3,321)	$ -
Interest rate swap	USD 600,000, 2.10%		USD 600,000, 3M USD LIBOR		2,629	999	1,630
Foreign currency forward	USD	36,000	EUR	30,387	(529)	(2,114)	-
	EUR	28,390	GBP	25,345	(58)	-	(58)
	USD	19,521	CZK	434,940	(346)	-	(833)
					$ (1,625)	$ (4,436)	$ 739

(in thousands of all currencies)

	2016						
	Buy		Sell		Derivative assets	Valuation gain	Other comprehensive income
	Currency	Amount	Currency	Amount			
Foreign currency forward	USD	140,000	EUR	131,281	$ 1,476	$ 713	$ -
	EUR	29,367	GBP	24,911	294	-	294
	USD	26,474	CZK	645,252	850	-	1,203
					$ 2,620	$ 713	$ 1,497

Derivatives are classified as non-current assets (liabilities) if their remaining maturities exceed 12 months from the end of the reporting period; otherwise, they are classified as current assets (liabilities).

Gains or losses relating to the ineffective portion of cash flow hedges are recognized in profit or loss.

9. Property, Plant and Equipment

Changes in property, plant and equipment for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)

	2017								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
Beginning	$ 25,607	$ 146,294	$ 5,059	$ 165,522	$ 865	$ 438	$ 4,471	$ 21,747	$ 370,003
Acquisition & capital expenditure	-	1,204	2	2,151	719	778	1,396	37,358	43,608
Disposal	-	(6)	(13)	(420)	(351)	(5)	(181)	-	(976)
Depreciation	-	(7,278)	(350)	(45,828)	(638)	(166)	(1,445)	-	(55,705)
Impairment loss	-	-	-	(24)	-	-	-	-	(24)
Revaluation	242	-	-	-	-	-	-	-	242
Asset held for sale	-	-	-	(859)	-	-	(744)	-	(1,603)
Others	1,735	11,148	320	29,041	96	177	416	(37,234)	25,639
Ending	$ 27,584	$ 151,362	$ 5,018	$ 169,583	$ 691	$ 1,162	$ 3,913	$ 21,871	$ 381,184
Acquisition cost	$ 27,584	241,417	$ 7,185	$ 411,352	$ 2,998	$ 1,582	$ 16,722	$ 21,871	$ 730,711
Accumulated depreciation	-	(79,737)	(2,167)	(240,925)	(2,252)	(253)	(12,269)	-	(337,603)
Accumulated impairment losses	-	(10,318)	-	(844)	(55)	(167)	(540)	-	(11,924)

(in thousands of USD)

	2016								
	Land	Buildings	Structures	Machinery	Vehicles	Tools	Equipment	Construction in progress	Total
Beginning	$ 25,321	$ 139,897	$ 5,734	$ 164,056	$ 728	92	$ 5,128	$ 24,801	$ 365,757
Acquisition & capital expenditure	-	20	-	136	420	73	696	42,028	43,373
Disposal	-	(7)	-	(489)	(172)	(15)	(110)	(82)	(875)
Depreciation	-	(6,688)	(356)	(44,244)	(261)	(45)	(1,573)	-	(53,167)
Impairment loss	-	-	-	(144)	(67)	(166)	-	-	(377)
Reversal of impairment loss	-	-	-	751	-	-	-	-	751
Others	286	13,072	(319)	45,456	217	499	330	(45,000)	14,541
Ending	$ 25,607	$ 146,294	$ 5,059	$ 165,522	$ 865	438	$ 4,471	$ 21,747	$ 370,003
Acquisition cost	$ 29,355	$ 228,915	$ 6,758	$ 395,144	$ 3,503	675	$ 31,211	$ 21,747	$ 717,308
Accumulated depreciation	-	(73,557)	(1,699)	(228,881)	(2,588)	(78)	(26,266)	-	(333,069)
Accumulated impairment losses	(3,748)	(9,064)	-	(741)	(50)	(159)	(474)	-	(14,236)

Land is measured at fair value. If measured at a historical cost as at December 31, 2017, its carrying value would be $ 15,115 thousand.

As at December 31, 2017, certain property, plant and equipment included above are pledged as collateral in relation to the borrowings (Notes 13 and 28).

In 2013, the Group initially remeasured its land using fair value at the date of the revaluation. As of December 31, 2017, the fair values of land are revalued by an external independent appraiser, B.S.O. spol. s.r.o., CBRE Inc. and others, on November 15, 2017. These appraisers are certified professionals possessing relevant experiences.

Fair values of land are determined based on the market comparable approach that reflects recent transaction prices for similar properties and other specific elements relevant to the assets.

Fair value measurements of land asset by fair-value hierarchy level as at December 31, 2017, are as follows:

(in thousands of USD)

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Land	$ -	$ -	$ 27,584	$ 27,584

The effect of applying revaluation model for the period ended December 31, 2017, is as follows:

(in thousands of USD)

	2017				
	Beginning	**Increase**	**Decrease**	**Other**	**Ending**
Land	$ 25,607	$ 3,342	$ (3,100)	$ 1,735	$ 27,584

Classification of depreciation expenses for the periods ended December 31, 2017 and 2016, is as follows:

(in thousands of USD)	**2017** [1]	**2016**
Cost of sales	$ 48,204	$ 45,847
Selling and administrative expenses		
Depreciation expenses	3,790	3,825
Research and development expenses	3,711	3,495
	$ 55,705	$ 53,167

[1] Depreciation expenses for the period ended December 31, 2017 include those in relation to assets held for sale amounting to $ 549 thousand.

10. Intangible Assets

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

(in thousands of USD)

	2017				
	Goodwill	**Industrial rights**	**Development costs**	**Others**	**Total**
Beginning	$ 2,437,079	$ 955,246	$ 80,420	$ 27,594	$ 3,500,339
Internal development	-	-	26,939	-	26,939
Acquisition	-	-	-	12,502	12,502
Disposal	-	-	-	(105)	(105)
Amortization	-	(11,470)	(23,239)	(7,779)	(42,488)
Asset held for sale	-	-	-	(2,104)	(2,104)
Others	170,447	45,035	5,730	1,676	222,888
Ending	$ 2,607,526	$ 988,811	$ 89,850	$ 31,784	$ 3,717,971
Acquisition cost	$ 2,607,526	$ 1,132,305	$ 224,072	$ 91,110	$ 4,055,013
Accumulated amortization and impairment loss	-	(143,494)	(134,222)	(59,326)	(337,042)

(in thousands of USD)

	2016				
	Goodwill	**Industrial rights**	**Development costs**	**Others**	**Total**
Beginning	$ 2,466,078	$ 981,252	$ 84,025	$ 17,166	$ 3,548,521
Internal development	-	-	18,108	-	18,108
Acquisition	-	-	-	14,331	14,331
Amortization	-	(12,424)	(21,329)	(6,121)	(39,874)
Impairment loss	-	-	-	(140)	(140)
Others	(28,999)	(13,582)	(384)	2,358	(40,607)
Ending	$ 2,437,079	$ 955,246	$ 80,420	$ 27,594	$ 3,500,339
Acquisition cost	$ 2,437,079	$ 1,081,030	$ 189,580	$ 66,763	$ 3,774,452
Accumulated amortization and impairment loss	-	(125,784)	(109,160)	(39,169)	(274,113)

As at December 31, 2017, the carrying amount of goodwill and other intangibles with indefinite useful lives included in others above is $ 3,597,558 thousand (2016: $ 3,381,490 thousand).

Certain intangible assets included above are pledged as collateral as at December 31, 2017 in connection with the borrowings (Notes 13 and 28).

Details of development costs as at December 31, 2017, are as follows:

(in thousands of USD)

		Balance	**Remaining amortization period**
Compact product development (relating to new models and emission regulations)	Before amortization	$ 28,959	-
	Being amortized	47,520	33 months
Portable Power product development (relating to new models and emission regulations)	Before amortization	8,998	-
	Being amortized	4,373	32 months
		89,850	

There is no impairment loss or reversal on intangible assets for the period ended December 31, 2017.

Classification of impairment loss (reversal) for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)

	2017	**2016**
Other non-operating expenses	$ -	$ 140
Other non-operating income	-	-

Classification of amortization expenses for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017** [1]	**2016**
Cost of sales	$ 23,392	$ 22,013
Selling and administrative expenses		
Amortization expenses	18,815	17,552
Research and development expenses	281	309
	$ 42,488	$ 39,874

[1] Amortization expenses for the period ended December 31, 2017, include amortization in relation to assets held for sale amounting to $675 thousand.

Expenditures on research and development recognized as expenses amounted to USD 48,251 thousand for the period ended December 31, 2017 (2016: USD 53,126 thousand).

Impairment Tests for Goodwill

The Group allocates goodwill to cash-generating unit group, and goodwill allocated for impairment testing purposes to the following cash-generating unit is as follows.

(in thousands of USD)

Cash-generating unit group	**Description**	**2017**
Doosan Bobcat	Manufacturing and sales of construction equipment	$ 2,607,526

The Group uses cash flow projections based on the five-year period financial budgets approved by the management. The financial budgets are determined based on historical result and expectation of market growth. Key assumptions used for value-in-use calculation are as follows:

	Rate Used
Discount rate	9.10%
Growth rate	1.50%

The growth rate is calculated by continuing the estimated cash flows at the end of the five-year period, and this growth rate does not exceed long-term average growth rate of market. The discount rates used reflect relevant risks specific to the cash-generating units. The result of recoverable amount that the Group calculated based on value-in-use calculation was not to cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit group. Therefore, no impairment loss is recognized based on the impairment test for the period ended December 31, 2017.

11. Investments in Associates

Investments in associates that are accounted for using the equity method as at December 31, 2017, are as follows:

Investee	Main business	Location	Fiscal year end
DBC Co., Ltd. [1]	Real estate	Korea	December
Doosan Cuvex Co., Ltd. [2]	Operation of golf club	Korea	December

[1] The Group acquired 10% of equity shares of DBC Co., Ltd. during the period ended December 31, 2017. The Group considers it has significant influence over this investee as the Group holds a right to nominate a registered director and a veto right for certain matters at the shareholders meeting.

[2] The Group acquired 4% of equity shares of Doosan Cuvex Co., Ltd. from Doosan Engineering & Construction Co., Ltd. during the period ended December 31, 2017. The Group considers it has significant influence over this investee as the Group holds an agreement of joint cooperation related to appointment of representatives and other rights.

Details of investments in associates that are accounted for using the equity method for the period ended December 31, 2017, are as follows:

(in thousands of USD)		2017		
	Percentage of ownership (%)	Acquisition cost	Book amount	Net asset value
DBC Co., Ltd.	10.00	$ 23,078	$ 24,529	$ 24,529
Doosan Cuvex Co., Ltd.	3.98	3,912	3,915	3,638

Changes in investments in associates for the period ended December 31, 2017, are as follows:

(in thousands of USD)	2017						
	Beginning	Acquisition	Share of loss	Share of other comprehensive income	Share of movement in retained earnings	Others	Ending
DBC Co., Ltd.	$ -	$ 23,078	$ (17)	$ -	$ -	$ 1,468	$ 24,529
Doosan Cuvex Co., Ltd.	-	3,912	(299)	59	(16)	259	3,915
	$ -	$ 26,990	$ (316)	$ 59	$ (16)	$ 1,727	$ 28,444

Summarized financial information of associates as at December 31, 2017, is as follows:

(in thousands of USD)	2017				
	Assets	Liabilities	Sales	Loss for the period	Total comprehensive income (loss)
DBC Co., Ltd.	$ 245,291	$ -	$ -	$ (172)	$ (172)
Doosan Cuvex Co., Ltd.	201,098	95,736	33,313	(886)	132

12. Trade and Other Payables

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

(in thousands of USD)		**2017**		**2016**
Current:				
Trade payables	$	326,592	$	256,384
Other payables		90,930		80,313
Accrued expenses		85,792		106,107
	$	503,314	$	442,804
Non-current:				
Other payables	$	1,129	$	1,027

13. Borrowings

Borrowings as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)

Lender	**Annual interest rate (%)**		**2017**		**2016**
Syndicated lenders	LIBOR+3.50%	$	-	$	947,500
Doosan Infracore Bobcat Ireland Ltd.	LIBOR+4.83%		-		400,000
Syndicated lenders [1]	3 M LIBOR+2.50%		1,234,913		-
Bank of New York	8.00%		4,250		4,250
BNP Paribas [2]	2.3%~2.75%		19,093		-
			1,258,256		1,351,750
Less: present value of discount			(8,945)		(17,751)
Less: current portion			(18,766)		(13,000)
		$	1,230,545	$	1,320,999

[1] In connection with the borrowings above, financial guarantees have been provided by DBI. In addition, the equity shares held by DBI and CEC in their respective subsidiaries as well as certain property, plant and equipment, intangible assets and other assets of CEC are pledged as collateral as at December 31, 2017 (Notes 9, 10 and 28).

[2] In connection with the borrowings above, financial guarantees have been provided by DBI. In addition, certain property, plant and equipment of Bobcat Bensheim GmbH are pledged as collateral as at December 31, 2017 (Note 9).

14. Net Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017	2016
Present value of defined benefit obligations	$ 813,576	$ 766,199
Fair value of plan assets	(422,192)	(376,647)
Net defined benefit liabilities	$ 391,384	$ 389,552

Income and loss recognized for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017	2016
Current service cost	$ 16,183	$ 16,318
Past service cost and (gains) or losses on settlements	(1,739)	226
Net interest expense	17,478	18,272
	$ 31,922	$ 34,816

Classification of expenses related to defined benefit plan for the periods ended December 31, 2017 and 2016, is as follows:

(in thousands of USD)	2017	2016
Cost of sales	$ 16,294	$ 12,871
Selling and administrative expenses	15,019	21,546
Research and development expenses	609	399
	$ 31,922	$ 34,816

The Group recognized expenses of $ 9,280 thousand in relation to its defined contribution plan for the period ended December 31, 2017 (2016: $ 10,006 thousand). Post-employment benefits in the current period include expenses attributable to the discontinued operations amounting to $ 272 thousand (2016: $ 197 thousand).

Movements in the defined benefit obligations for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)		**2017**		**2016**
Beginning balance	$	766,199	$	754,503
Current service cost		16,183		16,318
Past service cost and (gains) or losses on settlements		(1,739)		226
Interest expense		28,684		29,412
Remeasurements:				
Actuarial loss (gain) from change in demographic assumptions		24		(1,443)
Actuarial loss from change in financial assumptions		41,506		17,340
Other		2,337		1,728
Contributions by employees		2,346		2,151
Benefits paid		(48,101)		(46,623)
Transfers		570		312
Foreign exchange differences		5,567		(7,725)
Ending balance	$	813,576	$	766,199

Movements in the fair value of plan assets for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)		**2017**		**2016**
Beginning balance	$	376,647	$	349,344
Interest income		11,206		11,140
Remeasurements		41,291		18,297
Contributions:				
Employers		20,369		47,727
Employees		22		2,151
Benefits paid		(31,209)		(46,079)
Transfers		350		183
Foreign exchange differences		3,516		(6,116)
Ending balance	$	422,192	$	376,647

Actual gain on plan assets recognized is $ 52,497 thousand and $ 29,437 thousand for the periods ended December 31, 2017 and 2016, respectively. Contributions to defined benefit plans for the period ending December 31, 2018 are expected to be $ 25,522 thousand.

The significant actuarial assumptions as at December 31, 2017 and 2016, are as follows:

(in percentage, %)	**2017**	**2016**
Discount rate	1.90~3.70	2.42~4.10
Future salary growth rate	2.40~4.80	3.20~4.80

Plan assets as at December 31, 2017 and 2016, consist of:

(in thousands of USD)	2017	2016
Equity instruments	$ 153,311	$ 135,920
Debt instruments	248,454	222,503
Others	20,427	18,224
	$ 422,192	$ 376,647

The sensitivity of the defined benefit obligation to changes in the principal assumptions as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017		2016	
	Amount	Rate	Amount	Rate
Discount rate:				
1% increase	$ (102,654)	(12.63%)	$ (90,762)	(11.85%)
1% decrease	133,898	16.47%	116,616	15.23%
Salary growth rate:				
1% increase	$ 7,565	0.93%	$ 6,965	0.91%
1% decrease	(6,781)	(0.83%)	(6,404)	(0.84%)

The weighted average maturity of the defined benefit obligations is 15 years.

15. Provisions

Changes in provisions for the period ended December 31, 2017, are as follows:

(in thousands of USD)	2017							
	Beginning balance	Increase	Decrease	Classification as held for sale	Others	Ending balance	Less: Current	Non-current
Warranty	$ 69,044	$ 41,160	$ (39,318)	$ (10,025)	$ (7,241)	$ 53,620	$ 47,441	$ 6,179
Product liability	22,051	6,939	(4,807)	-	2,487	26,670	8,488	18,182
Litigation	4,269	703	(3,918)	(78)	308	1,284	1,284	-
Restructuring	26,261	4,336	(24,729)	-	(648)	5,220	5,220	-
	$ 121,625	$ 53,138	$ (72,772)	$ (10,103)	$ (5,094)	$ 86,794	$ 62,433	$ 24,361

The Group estimates provisions based on expected expenditures required to settle its obligations for product warranty, refund, related after sales service activities and factors such as warranty period and historical experiences.

16. Capital Stock and Capital Surplus

There have been no changes in capital stock and capital surplus for the period ended December 31, 2017. Details of capital stock and capital surplus as at December 31, 2017, are as follows:

(in thousands of USD)	Number of ordinary shares issued	Capital stock	Share premium	Other capital surplus
As at December 31, 2017	100,249,166	$ 43,096	$ 2,614,766	$ 171,238

DBI is authorized to issue up to 400,000,000 ordinary shares with a par value of ₩500 per share. As at December 31, 2017, 100,249,166 ordinary shares are issued and there are no ordinary shares of which voting rights are restricted under the Korean Commercial Law.

17. Other Equity Items

Other equity items as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017	2016
Capital adjustment from equity transactions among subsidiaries	$ 7,700	$ 7,700
Ordinary shares issued in kind [1]	(186,108)	(186,108)
	$ (178,408)	$ (178,408)

[1] Represented the difference between i) the value of contribution in kind ($ 530,682 thousand), made by Doosan Engine in 2016, based on its shares in Doosan Infracore International Inc. (currently, CEC) and DHEL and ii) carrying amount of non-controlling interest reduced.

18. Accumulated Other Comprehensive Income

Changes in accumulated other comprehensive income (loss) for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017				
	Gain (loss) on translation of foreign operation	Unrealized gain (loss) on valuation of derivatives	Gain on revaluation of property, plant and equipment	Share of other comprehensive income	Total
Beginning balance	$ (423,372)	$ 1,430	$ 3,020	$ -	$ (418,922)
Increase	247,928	-	2,071	46	250,045
Decrease	-	(914)	-	-	(914)
Ending balance	$ (175,444)	$ 516	$ 5,091	$ 46	$ (169,791)

(in thousands of USD)	2016			
	Loss on translation of foreign operation	Unrealized gain on valuation of derivatives	Gain on revaluation of property, plant and equipment	Total
Beginning balance	$ (365,678)	$ 893	$ 3,020	$ (361,765)
Increase	-	537	-	537
Decrease	(57,694)	-	-	(57,694)
Ending balance	$ (423,372)	$ 1,430	$ 3,020	$ (418,922)

19. Retained Earnings

Details of retained earnings as at December 31, 2017 and 2016, are as follow:

(in thousands of USD)	2017	2016
Legal reserves	$ 6,309	$ 22
Retained earnings before appropriation	711,915	541,761
	$ 718,224	$ 541,783

20. Segment Information

The Group operates a single reportable segment. Key products of the Group are as follows:

Segment	Main products
Construction Equipment	Compact (Skid Steer Loader, Compact TrackLoader, Mini Excavator), Portable Power

Sales by main products for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	Net sales	
	2017	2016
Compact	$ 2,747,214	$ 2,592,454
Portable Power	249,858	240,191
	$ 2,997,072	$ 2,832,645

Sales by region for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	Net sales	
	2017	2016
North America and Oceania	$ 2,175,951	$ 2,052,768
Europe, Middle East and Africa	613,764	593,651
Asia and Latin America	207,357	186,226
	$ 2,997,072	$ 2,832,645

There is no single external customer accounted for 10% or more of the Group's sales for the periods ended December 31, 2017 and 2016.

21. Sales

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

(in thousands of USD)	**2017**	**2016**
Sales of goods	$ 2,914,799	$ 2,765,234
Others	82,273	67,411
	$ 2,997,072	$ 2,832,645

22. Expenses by Nature

Expenses classified by nature for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017**	**2016**
Purchases of inventories	$ 1,916,545	$ 1,534,672
Changes in inventories	(72,752)	8,389
Employee benefits	361,248	327,499
Depreciation and amortization	96,969	93,042
Other expenses	346,192	526,074
	$ 2,648,202	$ 2,489,676

23. Selling and Administrative Expenses

Selling and administrative expenses for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017**	**2016**
Salaries	$ 123,636	$ 106,628
Post-employment benefits	14,062	21,510
Employee benefits	21,980	21,155
Rent	11,276	11,028
Depreciation	3,686	3,700
Amortization	18,140	16,897
Research and development	48,251	53,126
Advertising	18,231	17,760
Travel	17,653	17,031
Commission expenses	83,140	78,733
Bad debt expenses	978	5,281
Others	4,805	340
	$ 365,838	$ 353,189

24. Finance Income and Expenses

Finance income and expenses for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017**	**2016**
Finance income:		
Interest income	$ 2,792	$ 2,431
Gain on foreign currency transactions	17,912	11,004
Gain on foreign currency translation	92,785	8,338
Gain on derivative transactions	1	12,612
Gain on valuation of derivatives	-	713
Income on financial guarantee	-	1,027
	113,490	36,125
Finance expenses:		
Interest expenses	(62,481)	(77,652)
Loss on foreign currency transactions	(13,912)	(12,959)
Loss on foreign currency translation	(57,748)	(29,630)
Loss on derivative transactions	(11,224)	-
Loss on valuation of derivatives	(5,435)	-
Loss on retirement of debentures	(22,032)	(4,431)
Costs of financial guarantee	-	(229)
Others	(666)	(970)
	(173,498)	(125,871)
Net finance expenses	$ (60,008)	$ (89,746)

25. Other Non-operating Income and Expenses

Other non-operating income and expenses for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017**	**2016**
Other non-operating income:		
Gain on disposal of property, plant and equipment	$ 35	$ 26
Reversal of impairment loss on property, plant and equipment	-	751
Others	7,617	28,536
	7,652	29,313
Other non-operating expenses:		
Loss on disposal of trade receivables	(8,723)	(5,027)
Other bad debt expenses	-	(486)
Loss on disposal of property, plant and equipment	(215)	(5)
Impairment loss on property plant and equipment	(24)	(377)
Impairment loss on intangible assets	-	(140)
Donations	(1,759)	(821)
Others	(7,071)	(28,851)
	(17,792)	(35,707)
Net other non-operating expense	$ (10,140)	$ (6,394)

26. Income Tax Expense

Income tax expense for the periods ended December 31, 2017 and 2016, consists of:

(in thousands of USD)	2017	2016
Current tax	$ 24,337	$ 15,414
Changes in deferred tax assets and liabilities	22,424	76,812
Deferred tax charged directly to equity	10,967	(1,596)
Income tax expense	$ 57,728	$ 90,630

Income tax expense above include income tax attributable to discontinued operations amounting to $ 5,918 thousand (2016: $ 3,530 thousand).

The Group offsets deferred tax assets and deferred tax liabilities if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority. Changes in deferred tax assets (liabilities) for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017		
	Beginning	Increase (decrease)	Ending
Net defined benefit liabilities	$ 113,967	$ (19,127)	$ 94,840
Property, plant and equipment	(18,019)	4,345	(13,674)
Development costs	(23,316)	6,163	(17,153)
Intangible assets	(163,668)	(6,685)	(170,353)
Provisions	15,565	(5,318)	10,247
Inventories	21,313	(8,554)	12,759
Others	67,954	(2,084)	65,870
Consolidation adjustments	(5,639)	8,836	3,197
	$ 8,157	$ (22,424)	$ (14,267)

(in thousands of USD)	2016		
	Beginning	Increase (decrease)	Ending
Net defined benefit liabilities	$ 100,094	$ 13,873	$ 113,967
Property, plant and equipment	(23,001)	4,982	(18,019)
Development costs	(22,009)	(1,307)	(23,316)
Intangible assets	(141,127)	(22,541)	(163,668)
Provisions	16,052	(487)	15,565
Inventories	16,394	4,919	21,313
Others	134,893	(66,939)	67,954
Consolidation adjustments	3,673	(9,312)	(5,639)
	$ 84,969	$ (76,812)	$ 8,157

Carryforwards of tax losses, temporary differences and tax credits for which deferred tax assets (liabilities) are not recognized as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017**	**2016**
Tax loss carryforwards	$ 137,594	$ 423,438
Temporary differences	(48,219)	928,456
Tax credits	12,525	5,982

Realization of the future tax benefits related to deferred tax assets (liabilities) is dependent on many factors, including the Group's ability to generate taxable income within the period during which temporary differences reverse and, outlook of the economic environment and the overall future industry. The Group evaluates these factors each period.

Temporary differences from investments in subsidiaries for which deferred tax assets as at December 31, 2017 and 2016, are not recognized are as follows:

(in thousands of USD)	**2017**	**2016**
Investments in subsidiaries	$ (89,082)	$ 894,359

Reconciliation between profit before income tax and income tax expense for the periods ended December 31, 2017 and 2016, is as follows:

(in thousands of USD)	**2017**	**2016**
Income before income tax expense [1]	$ 299,812	$ 246,021
Income tax based on statutory tax rate in the respective countries	$ 107,799	$ 204,185
Tax effects of:		
Permanent difference	4,030	(28,694)
Changes in unrecognized deferred tax assets	20,739	(51,973)
Tax credits	(3,485)	(3,342)
Additional tax	(663)	1,019
Others	(70,692)	(30,565)
Income tax expense [2]	$ 57,728	$ 90,630
Average effective tax rate (Income tax expense / Profit before income tax)	19.3%	36.8%

[1] Profit before income tax expense includes profit before income tax attributable to discontinued operations amounting to $ 21,408 thousand for the period ended December 31, 2017 (2016: loss before income tax attributable to discontinued operations $ 808 thousand).
[2] Income tax expense includes income tax attributable to discontinued operations amounting to $ 5,918 thousand for the period ended December 31, 2017 (2016: $ 3,530 thousand).

Statutory tax rates in the respective countries vary from 12.5% to 39.3%.

27. Earnings Per Share

27.1 Basic Earnings Per Share

Basic earnings per share is computed by dividing profit for the period attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the period excluding treasury shares.

Earnings per share attributable to owners of the Group for the periods ended December 31, 2017 and 2016, are computed as follows:

(in USD and in shares)	2017		2016	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Profit (loss) attributable to owners of Group	$ 226,594,009	$ 15,490,038	$ 149,507,934	$ (3,946,806)
Weighted average number of ordinary shares outstanding [1]	100,249,166	100,249,166	80,601,035	80,601,035
Basic earnings (loss) per share	$ 2.26	$ 0.15	$ 1.85	$ (0.05)

[1] Weighted average number of ordinary shares outstanding are calculated as follows:

(in shares)	2017	2016
Outstanding shares at the beginning	100,249,166	7,613
Contribution in kind	-	766
Capital increase without consideration	-	7,323,060
Stock split	-	65,982,947
Convertible preferred shares' conversion to ordinary shares	-	7,266,158
Issue of new shares	-	20,492
Weighted average number of ordinary shares outstanding	100,249,166	80,601,035

27.2 Diluted Earnings Per Share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares – diluted profit for the period available to owners of the Group divided by the weighted average number of shares outstanding adjusted by diluted potential shares.

For the period ended December 31, 2017, the earnings per share of the Group also represents the diluted earnings per share because of no dilutive potential ordinary shares issued during the period.

Diluted earnings per share from continuing operations attributable to owners of Group for the period ended December 31, 2016, is as follows. For the period ended December 31, 2016, the earnings per share from discontinued operations of the Group also represents the diluted earnings per share because of no dilutive potential ordinary shares issued during the period for discontinued operations.

(in USD and in shares)	2016
Profit attributable to ordinary equity holders of the Group	$ 149,507,934
Diluted profit attributable to ordinary equity holders of the Group	149,507,934
Adjusted weighted average number of ordinary shares outstanding [1]	94,956,127
Diluted earnings per share	$ 1.58

[1] Weighted average number of ordinary shares outstanding are calculated as follows:

(in shares)	2016
Weighted average number of ordinary shares outstanding	80,601,035
Convertible preferred shares	14,355,092
Adjusted weighted average number of ordinary shares outstanding	94,956,127

28. Commitments and Contingencies

28.1 Litigations

The Group is involved in certain lawsuits as defendants with total claim exposures of USD 9,510 thousand as at December 31, 2017 and the ultimate outcome of these lawsuits cannot be reasonably estimated.

28.2 Financial Guarantees and Assets Provided as Collateral

28.2.1 Financial Guarantees Provided

As at December 31, 2017, guarantees provided by the Group for third parties, are as follows:

(in thousands of USD)

Provided by	Provided for	Amount guaranteed
CEC and subsidiaries	End customers etc.	$ 107,549
DHEL and subsidiaries	End customers etc.	2,868
Doosan Bobcat Korea Co., Ltd. and others	End customers etc.	2,590
		$ 113,007

28.2.2 Assets Provided as Collateral

CEC, a subsidiary of the Group, fully repaid its borrowings jointly funded with DHEL on May 28, 2014 and entered into a new agreement for its borrowing of $ 1,345,000 thousand and a credit line agreement up to $ 150,000 thousand on May 18, 2017. DBI has provided its equity shares in CEC (1,980 shares), in DHEL (38,447 shares) and in DBSG (110,071,219 shares) as collateral. In addition, CEC's equity shares in subsidiaries and its certain property, plant and equipment, intangible assets and other assets are also pledged as collateral as at December 31, 2017. The book value of related borrowings as at December 31, 2017 is $ 1,234,913 thousand.

28.3 Operating Lease

The total of future minimum lease payments under non-cancellable operating lease agreements as at December 31, 2017, are as follows:

(in thousands of USD)	Less than 1 year	1-5 years	More than 5 years	Total
Minimum lease payments	$ 13,392	$ 23,865	$ 3,342	$ 40,599

29. Related Party Transactions

The Group's related party disclosures for the periods ended December 31, 2017 and 2016, are as follows:

Nature of relationship

Relationship	Name
Ultimate parent	Doosan Corp.
Next most senior parent	Doosan Heavy Industries and Construction Co., Ltd.
Immediate parent	Doosan Infracore Co., Ltd.
Associates	DBC Co., Ltd. Doosan Cuvex Co., Ltd.
Others	Doosan Engine Co., Ltd. Doosan Infracore China Co., Ltd., Doosan Infracore (China) Investment Co., Ltd., Doosan Bobcat Chile S.A., Doosan Infracore (Shandong) Co., Ltd., Doosan Infracore Norway AS, Doosan Engineering & Construction Co., Ltd., Doota Mall Co., Ltd., Oricom Inc., Doosan Bears Inc., and others

Significant transactions with related parties for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)

		2017					
Relationship	**Related party**	**Sales**	**Other income**	**Disposal of property, plant and equipment and intangible assets**	**Purchases**	**Other expenses**	**Acquisition of property, plant and equipment and intangible assets**
Ultimate parent	Doosan Corp.	$ -	$ 52	$ -	$ 2,867	$ 3,833	$ 131
Immediate parent	Doosan Infracore Co., Ltd.	1,164	-	-	539,780	6,969	294
Associate	Doosan Cuvex Co., Ltd.	-	-	-	-	70	-
Others	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	-	12,777	-
	Doosan Information and Communications (America, Europe and China)	-	1,979	-	-	36,154	-
	Others	3,713	46	54	184,315	7,925	716
	Subtotal	3,713	2,025	54	184,315	56,856	716
	Total	$ 4,877	$ 2,077	$ 54	$ 726,962	$ 67,728	$ 1,141

(in thousands of USD)

		2016				
Relationship	**Related party**	**Sales**	**Other income**	**Purchases**	**Other expenses**	**Acquisition of property, plant and equipment and intangible assets**
Ultimate parent	Doosan Corp.	$ 4	$ 157	$ 2,034	$ 3,752	$ 460
Immediate parent	Doosan Infracore Co., Ltd.	969	1,238	506,558	6,985	2,602
Others	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	22,423	-
	Doosan Information and Communications (America, Europe and China)	-	123	-	32,230	-
	Others	57,130	125	135,237	3,522	-
	Subtotal	57,130	248	135,237	58,175	-
	Total	$ 58,103	$ 1,643	$ 643,829	$ 68,912	$ 3,062

Related significant balances as at December 31, 2017 and 2016, are as follows:

(in thousands of USD)

		2017			
Relationship	**Related party**	**Trade receivables**	**Other receivables**	**Trade payables**	**Other payables**
Ultimate parent	Doosan Corp.	$ -	$ 279	$ 565	$ 747
Immediate parent	Doosan Infracore Co., Ltd.	30,115	82,812	95,645	776
Associates	Doosan Cuvex Co., Ltd.	-	566	-	-
Others	Doosan Information and Communications (America, Europe and China)	-	584	-	503
	Others	3,343	31,624	21,156	861
	Subtotal	3,343	32,208	21,156	1,364
	Total	$ 33,458	$ 115,865	$ 117,366	$ 2,887

(in thousands of USD)

Relationship	Related party	2016 Trade receivables	Other receivables	Trade payables	Other payables	Borrowings
Ultimate parent	Doosan Corp.	$ -	$ 50	$ 325	$ 1,691	$ -
Immediate parent	Doosan Infracore Co., Ltd.	57,737	2,920	31,425	4,111	-
Others	Doosan Infracore Bobcat Ireland Ltd.	-	-	-	1,989	400,000
	Doosan Information and Communications (America, Europe and China)	-	248	-	918	-
	Others	26,337	781	16,850	491	-
	Subtotal	26,337	1,029	16,850	3,398	400,000
	Total	$ 84,074	$ 3,999	$ 48,600	$ 9,200	$ 400,000

Treasury transactions (including equity transactions) with related parties for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)

		2017			
		Borrowings		Capital transaction	
Relationship	Related party	Borrowings	Repayment	Dividend paid	Acquisition of the share
Immediate parent	Doosan Infracore Co., Ltd.	$ -	$ -	$ 37,303	$ -
Associate	DBC Co., Ltd.[1]	-	-	-	23,078
Others	Doosan Infracore Bobcat Ireland Ltd.	-	400,000	-	-
	Doosan Engineering & Construction Co., Ltd.[2]	-	-	-	3,912
	Doosan Engine Co., Ltd.	-	-	6,634	-

[1] The Group acquired the equity shares of DBC Co., Ltd., established for constructing Doosan Bundang Center (526,000 shares acquired at the value of ₩ 50,000 per share) during the period ended December 31, 2017.

[2] The Group acquired the equity shares of Doosan Cuvex Co., Ltd. from Doosan Engineering & Construction Co., Ltd. (192,303 shares acquired at the value of ₩ 23,327 per share) during the period ended December 31, 2017.

(in thousands of USD)

		2016		
		Borrowings		Capital transaction
Relationship	Related party	Borrowings	Repayment	Capital injection [1]
Others	Doosan Engine Co., Ltd.	$ -	$ -	$ 530,327
	Doosan Infracore China Co., Ltd.	-	18,728	-

[1] In 2016, Doosan Engine made the contribution in kind amounting to $530,682 thousand based on its shares in Doosan Infracore International Inc. (currently, CEC) and DHEL in exchange of DBI's shares amounting to $530,327 thousand and cash of $355 thousand.

Financial guarantees provided by related parties for the Group as at December 31, 2017, are as follows:

(in thousands of USD)

Provided by	Provided for	Amount guaranteed	
Doosan Infracore Co., Ltd.	Clark Equipment Co.	$	102

The Group defines key management personnel as registered officers and non-registered officers who have the authority and responsibility for planning, operation and control and are in charge of a business or division unit. Compensation to key management personnel for the periods ended December 31, 2017 and 2016, is as follows:

(in thousands of USD)	2017		2016	
Employee benefits	$	2,692	$	2,463
Post-employment benefits		150		148
	$	2,842	$	2,611

30. Consolidated Statements of Cash Flows

Details of adjustments and changes in operating assets and liabilities in the consolidated statement of cash flows for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	2017		2016	
Adjustments:				
Income tax expense	$	57,728	$	90,630
Finance income		(99,678)		(12,594)
Finance expenses		147,690		112,900
Post-employment benefits (defined benefit plan)		31,922		34,816
Depreciation		55,705		53,167
Amortization		42,488		39,874
Gain on disposal of property, plant and equipment		(35)		(26)
Reversal of impairment loss on property, plant and equipment		-		(751)
Loss on disposal of property, plant and equipment		215		5
Impairment loss on property, plant and equipment		24		377
Impairment loss on intangible assets		-		140
Losses on equity method investments		316		-
	$	236,375	$	318,538

(in thousands of USD)	**2017**	**2016**
Changes in operating assets and liabilities:		
Trade receivables	$ 302	$ (19,086)
Other receivables	(4,828)	8,734
Derivative assets	(2,869)	(948)
Inventories	(93,563)	18,113
Other current assets	(5,669)	(3,244)
Other non-current assets	(461)	38,194
Trade payables	89,343	(77,458)
Other payables	24,683	(28,058)
Derivative liabilities	765	1,476
Provisions	(30,871)	(2,329)
Other current liabilities	11,462	205
Other non-current liabilities	13,422	803
Defined benefit obligations	(45,184)	(44,159)
Plan assets	10,469	(3,982)
	$ (32,999)	$ (111,739)

Significant non-cash transactions for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017**	**2016**
Reclassified from construction-in-progress	$ 38,420	$ 44,669
Capital increase without consideration	-	42,971
Contribution in kind	-	530,327
Reclassification of discontinued operations to assets held-for-sale	(253,933)	-
Reclassification of discontinued operations to liabilities held-for-sale	122,834	-
	$ (92,679)	$ 617,967

Details of adjustments in liabilities arising from financing activities for the period ended December 31, 2017, are as follows:

(in thousands of USD)	**Borrowings**
Beginning balance	$ 1,333,999
Cash flows	(104,152)
Foreign exchange differences	1,044
Other non-financial changes	18,420
Ending balance	$ 1,249,311

31. Discontinued Operations

(a) Transfer of the Heavy Equipment business

During 2017, the transfer of the Heavy Equipment business was approved by the Board of Directors of the Group. The Group expects that this transfer will allow more organizational and financial capabilities and accordingly the Group's profitability and financial structure will improve by focusing on the Compact Equipment business, the core business of the Group. The transaction value is estimated to be $ 131,099 thousand.

(b) Analysis of profit from discontinued operations

Details of profit (loss) from discontinued operation for the periods ended December 31, 2017 and 2016, are as follows. Line items included in the statements of profit or loss for the period ended December 31, 2016 were reclassified for comparative presentation of discontinued operations based on the consolidated statements of profit of loss prior to the reflection of the discontinued operations audited by the predecessor auditor.

(in thousands of USD)	**2017**	**2016**
Sales	$ 600,483	$ 570,999
Cost of sales	530,662	508,857
Selling and administrative expenses	47,756	48,363
Operating profit	22,065	13,779
Non-operating income (expense)	(657)	(14,587)
Profit before income tax	21,408	(808)
Income tax expense	5,918	3,530
Profit (loss) from discontinued operations	$ 15,490	$ (4,338)

Cash flows from discontinued operations for the periods ended December 31, 2017 and 2016, are as follows:

(in thousands of USD)	**2017**	**2016**
Net cash inflow from operating activities	$ 25,143	$ 80,693
Net cash inflow (outflow) from investing activities	82	(1,809)
Net cash inflow (outflow) from financing activities	-	-
Net increase in cash generated from discontinued operations	$ 25,225	$ 78,884

32. Assets Held for Sale

Details of assets and liabilities held by the Heavy Equipment business as at December 31, 2017, is as follows:

(in thousands of USD)		**2017**
Assets:		
Trade and other receivables	$	70,955
Inventories		176,983
Other current assets		848
Long-term trade and other receivables		1,440
Property, plant and equipment		1,603
Intangible assets		2,104
	$	253,933
Liabilities:		
Trade and other payables	$	101,410
Provisions		7,337
Other current liabilities		5,442
Non-current provisions		2,766
Other non-current liabilities		5,879
	$	122,834