

KOLAO HOLDINGS AND ITS SUBSIDIARIES
Consolidated Financial Statements
As of and For the Years Ended
December 31, 2017 and 2016

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

KOLAO HOLDINGS AND ITS SUBSIDIARIES

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 22, 2018.

To the Shareholders and the Board of Directors of KOLAO Holdings:

We have audited the accompanying consolidated financial statements of KOLAO Holdings (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2017, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in US dollars, for the year ended December 31, 2017 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an audit opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audits 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2017, in accordance with IFRS.

Others

The accompanying consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, were audited by other auditors in accordance with the Korean Standards on Auditing (“KSAs”) and an unqualified opinion was expressed on March 23, 2017.

A handwritten signature in cursive script that reads "Woori Accounting Corporation". The signature is written in dark ink on a light-colored, slightly textured background.

March 22, 2018

Notice to Readers

This report is effective as of March 22, 2018, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors’ report.

KOLAO HOLDINGS AND ITS SUBSIDIARIES (the “Group”)

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Group.

Oh, Se Young
Chief Executive Officer
KOLAO Holdings

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017 AND 2016

	USD	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalent (Notes 6 and 38)	\$ 22,022,774	\$ 6,734,767
Short-term financial instruments (Notes 6, 38, 39 and 40)	9,164,206	9,422,507
Financial assets at fair value through profit or loss (FVTPL) (Notes 7, 38, 40 and 41)	2,534,004	2,160,797
Trade receivables, net (Notes 8, 39 and 40)	109,744,309	103,024,932
Other receivables (Notes 9, 38 and 40)	10,768,769	2,635,426
Other current assets (Notes 10 and 18)	9,633,542	12,375,588
Income tax receivable (Note 34)	486,229	142,436
Inventories (Notes 11 and 39)	149,246,304	95,598,186
TOTAL CURRENT ASSETS	313,600,137	232,094,639
NON-CURRENT ASSETS:		
Long-term trade receivables, net (Notes 8 and 40)	119,506,615	192,636,777
Available-for-sale financial assets (Notes 12, 38, 40 and 41)	11,351,967	12,096,688
Investments in associates (Notes 6, 13 and 39)	33,772,223	38,256,699
Other receivables (Notes 9, 38 and 40)	2,486,107	3,290,892
Other non-current assets (Notes 14 and 18)	14,117,757	9,621,240
Property, plant and equipment, net (Notes 5, 15 38 and 39)	84,018,007	72,441,072
Investment property, net (Note 16)	2,071,047	2,209,828
Intangible assets, net (Notes 5 and 17)	7,672,984	8,391,050
TOTAL NON-CURRENT ASSETS	274,996,707	338,944,246
TOTAL ASSETS	\$ 588,596,844	\$ 571,038,885
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables (Notes 19, 38 and 40)	\$ 37,140,805	\$ 56,720,155
Short-term borrowings (Notes 20, 37, 38 and 40)	108,962,840	131,235,009
Derivatives liabilities (Notes 6, 21, 37, 38, 40, and 41)	-	6,952,737
Provisions (Note 22)	1,182,323	819,075
Other financial liabilities (Notes 23, 38 and 40)	14,883,299	7,116,496
Other current liabilities (Notes 18 and 24)	1,625,070	4,281,818
Income tax payable (Note 34)	265,071	66,880
TOTAL CURRENT LIABILITIES	164,059,408	207,192,170

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2017 AND 2016

	USD	
	2017	2016
<u>NON-CURRENT LIABILITIES:</u>		
Long-term borrowings (Notes 20, 37, 38 and 40)	\$ 51,587,028	\$ -
Derivatives liabilities (Notes 6, 21, 37, 38, 40 and 41)	746,299	-
Provisions (Note 22)	<u>991,008</u>	<u>1,361,288</u>
TOTAL NON-CURRENT LIABILITIES	<u>53,324,335</u>	<u>1,361,288</u>
TOTAL LIABILITIES	<u>217,383,743</u>	<u>208,553,458</u>
<u>SHAREHOLDERS' EQUITY:</u>		
Share capital (Note 25)	11,967,377	11,967,377
Other issued capital (Note 25)	136,486,495	137,058,864
Other equity (Note 28)	1,146,467	444,040
Retained earnings (Note 27)	<u>222,649,637</u>	<u>214,568,121</u>
Equity attributable to the owners of the parent company	<u>372,249,976</u>	<u>364,038,402</u>
Non-controlling interests	<u>(1,036,875)</u>	<u>(1,552,975)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>371,213,101</u>	<u>362,485,427</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 588,596,844</u>	<u>\$ 571,038,885</u>

See accompanying notes to consolidated financial statements

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	USD	
	2017	2016
SALES (Notes 5, 29 and 38)	\$ 294,692,321	\$ 338,068,515
COST OF SALES (Notes 30 and 38)	<u>(251,075,702)</u>	<u>(270,781,248)</u>
GROSS PROFIT (Note 5)	43,616,619	67,287,267
Selling, general and administrative expenses (Notes 30, 31, and 38)	(63,630,286)	(49,591,618)
Other income (Note 32)	60,137,547	37,376,625
Other expenses (Note 32)	<u>(6,912,324)</u>	<u>(6,442,349)</u>
OPERATING PROFIT	33,211,556	48,629,925
Financial income (Notes 33 and 38)	4,103,949	2,794,597
Financial expenses (Notes 33 and 38)	(17,001,041)	(12,892,567)
Share of profits of associates (Note 13)	<u>(7,935,421)</u>	<u>(2,403,234)</u>
PROFIT BEFORE INCOME TAX EXPENSE	12,379,043	36,128,721
Income tax expense (Note 34)	<u>(369,109)</u>	<u>(267,234)</u>
PROFIT FOR THE YEAR	12,009,934	35,861,487
Other comprehensive income:	<u>698,626</u>	<u>1,684,899</u>
Items not to be reclassified subsequently to profit or loss:		
Changes due to associate's equity changes (Note 13)	6,477	(106,771)
Items to be reclassified subsequently to profit or loss:		
Gains on valuation of AFS financial assets	(744,721)	1,851,740
Changes due to associate's equity changes (Note 13)	1,444,472	(167,949)
Exchange differences on translating foreign operations	(7,602)	107,879
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 12,708,560</u>	<u>\$ 37,546,386</u>
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	13,164,209	37,040,112
Non-controlling interests	(1,154,275)	(1,178,625)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	13,866,636	38,725,011
Non-controlling interests	(1,158,076)	(1,178,625)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT:		
Basic and diluted earnings per share (Note 35)	\$ 0.28	\$ 0.78

See accompanying notes to consolidated financial statements

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	USD									
	Share capital	Other issued capital	Stock option	Treasury	Gains on sale of treasury	Other capital items	Retained earnings	Controlling equity	Non-controlling interests	Total equity
As of January 1, 2016	\$ 11,967,377	\$ 144,934,903	\$ 1,272,929	\$ (9,374,737)	\$ 748	\$ (1,240,859)	\$ 181,581,764	\$ 329,142,125	\$ (374,350)	\$ 328,767,775
Payment of dividends	-	-	-	-	-	-	(4,053,755)	(4,053,755)	-	(4,053,755)
Net income	-	-	-	-	-	-	37,040,112	37,040,112	(1,178,625)	35,861,487
Other comprehensive income:										
Gains on valuation of AFS financial assets	-	-	-	-	-	1,851,740	-	1,851,740	-	1,851,740
Changes due to associate's equity changes	-	-	-	-	-	(274,720)	-	(274,720)	-	(274,720)
Exchange differences on translating foreign operations	-	-	-	-	-	107,879	-	107,879	-	107,879
Stock options	-	-	464,435	-	-	-	-	464,435	-	464,435
Acquisition of treasury stock	-	-	-	(239,414)	-	-	-	(239,414)	-	(239,414)
As of December 31, 2016	<u>\$ 11,967,377</u>	<u>\$ 144,934,903</u>	<u>\$ 1,737,364</u>	<u>\$ (9,614,151)</u>	<u>\$ 748</u>	<u>\$ 444,040</u>	<u>\$ 214,568,121</u>	<u>\$ 364,038,402</u>	<u>\$ (1,552,975)</u>	<u>\$ 362,485,427</u>
As of January 1, 2017	\$ 11,967,377	\$ 144,934,903	\$ 1,737,364	\$ (9,614,151)	\$ 748	\$ 444,040	\$ 214,568,121	\$ 364,038,402	\$ (1,552,975)	\$ 362,485,427
Payment of dividends	-	-	-	-	-	-	(5,082,693)	(5,082,693)	-	(5,082,693)
Net income	-	-	-	-	-	-	13,164,209	13,164,209	(1,154,275)	12,009,934
Other comprehensive income:										
Gains on valuation of AFS financial assets	-	-	-	-	-	(744,721)	-	(744,721)	-	(744,721)
Changes due to associate's equity changes	-	-	-	-	-	1,450,949	-	1,450,949	-	1,450,949
Exchange differences on translating foreign operations	-	-	-	-	-	(3,801)	-	(3,801)	(3,801)	(7,602)
Stock options	-	-	(572,369)	-	-	-	-	(572,369)	-	(572,369)
Purchases of subsidiaries' stock	-	-	-	-	-	-	-	-	1,674,176	1,674,176
As of December 31, 2017	<u>\$ 11,967,377</u>	<u>\$ 144,934,903</u>	<u>\$ 1,164,995</u>	<u>\$ (9,614,151)</u>	<u>\$ 748</u>	<u>\$ 1,146,467</u>	<u>\$ 222,649,637</u>	<u>\$ 372,249,976</u>	<u>\$ (1,036,875)</u>	<u>\$ 371,213,101</u>

See accompanying notes to consolidated financial statements

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	USD	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows generated from operations:		
Profit for the year	\$ 12,009,934	\$ 35,861,487
Adjustments:		
Loss on valuation of financial assets at FVTPL	-	306,054
Gain on valuation of financial assets at FVTPL	(373,207)	-
Loss on valuation of inventories	1,028,275	-
Net bad debt expenses	(415,953)	(188,804)
Other bad debt expenses	-	4,828,000
Loss on investments in associates	7,935,421	2,403,234
Loss on disposal of investments in subsidiaries	-	66,928
Depreciation	8,018,525	7,128,580
Loss on disposal of property, plant and equipment	38,218	10,877
Gain on disposal of property, plant and equipment	(90,319)	(591,855)
Depreciation in investment property	138,781	138,781
Amortization of intangible assets	1,226,811	1,026,967
Impairment loss on intangible assets	1,575,134	-
Loss on disposal of intangible assets	51,199	-
Loss on disposal of trade receivables	638,190	-
Loss on derivative valuations	746,299	552,064
Gain on derivative valuations	(1,553,377)	-
Loss on transaction of derivative	12,012	-
Gain on transaction of derivative	(922,536)	(28,567)
Loss on redemption of debenture	-	44,695
Increase (decrease) of provisions for product warranties	4,610,628	(1,685,778)
Increase (reversal) of reserve for returned products	(72,660)	2,740
Income tax expense	369,109	267,234
Stock compensation expenses	(572,369)	464,435
Severance benefits	-	4,569
Sales promotion costs	125,021	731,285
Gain on foreign exchange translation	(1,636,433)	(2,046,112)
Dividends income	(728,479)	(549,242)
Rental income	(67,200)	(86,200)
Loss on foreign exchange translation	2,608,612	120,261
Interest income	(57,311,708)	(33,676,591)
Interest expenses	10,274,652	9,763,123
Miscellaneous income	(36,805)	-
	<u>(24,384,159)</u>	<u>(10,993,322)</u>
Movements in working capital:		
Decrease(increase) in trade and other receivables	138,093,339	(24,437,923)
Decrease in other current assets	3,008,252	2,689,184
Increase in other non-current assets	(5,866,659)	(6,257,021)
Increase in inventories	(53,877,415)	(2,167,792)
Decrease(increase) in trade payables and other financial liabilities	(34,607,010)	14,453,127
Decrease in other current liabilities	(2,956,625)	(2,431,547)
Decrease in provisions	(4,826,073)	(119,624)
	<u>\$ 38,967,809</u>	<u>\$ (18,271,596)</u>

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KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	USD	
	2017	2016
Interest received	\$ 497,282	\$ 1,955,540
Interest paid	(11,968,576)	(5,570,130)
Dividends received	728,479	549,242
Income tax paid	(193,937)	(513,324)
Net cash provided by operating activities	<u>15,656,832</u>	<u>3,017,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term financial instruments	(11,349,171)	(9,208,647)
Decrease in short-term financial instruments	12,422,665	10,602,077
Acquisition of financial assets at FVTPL	-	(2,466,851)
Increase in short-term loans	(14,048,717)	(4,604,594)
Decrease in short-term loans	8,437,587	2,671,516
Decrease in long-term loans	675,000	-
Acquisition of investments in associates	(2,000,000)	-
Acquisition of property, plant and equipment	(11,682,362)	(8,883,956)
Disposal of property, plant and equipment	214,154	3,970,408
Acquisition of intangible assets	(2,189,319)	(5,070,503)
Disposal of intangible assets	231,460	-
Net cash flow from acquisition of subsidiary	1,582,348	-
Decrease in guarantee deposits for leases	-	2,860
Net cash used in investing activities	<u>(17,706,355)</u>	<u>(12,987,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) short-term borrowings	17,234,044	10,626,816
Proceeds from long-term borrowings	25,277,832	-
Proceeds from debenture	58,900,241	35,632,980
Repayment of debenture	(74,709,716)	(36,793,648)
Repayment of derivatives liabilities	(4,488,836)	(378,639)
Payment of dividends	(5,082,693)	(4,053,755)
Capital increase of subsidiary	760,446	-
Acquisition of treasury stock	-	(239,414)
Net cash provided by financing activities	<u>17,891,318</u>	<u>4,794,340</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>15,841,795</u>	<u>(5,175,453)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	6,734,767	11,808,998
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	<u>(553,788)</u>	<u>101,222</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>\$ 22,022,774</u>	<u>\$ 6,734,767</u>

See accompanying notes to consolidated financial statements

KOLAO HOLDINGS AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. General:

KOLAO Holdings (the “Company”) is a limited and tax-exempt entity, which was incorporated on June 16, 2009, in Cayman Islands to control Auto World (KOLAO Developing) Co., Ltd. and other subsidiaries (the “subsidiaries”), under the Companies Law of Cayman Islands. The Company was transferred shares of Auto World (KOLAO Developing) Co., Ltd. from Oh, Se Young, who owned 100% of Auto World (KOLAO Developing) Co., Ltd., in exchange for investment in-kind on December 24, 2009, in order to reorganize the controlling structure. The Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands, and the Company and its subsidiaries operated a business in Laos, Myanmar and other countries to engage in import, manufacture and sales of automobile and motorcycle.

On November 30, 2010, the Company’s shares were listed in the Korea Exchange. As of December 31, 2017, the Company has issued 47,869,508 shares and the Company’s share capital amounts to US dollars (USD) 11,967,377, as a result of the several issuances of new shares from \$1 at the establishment of the Company.

As of December 31, 2017, the Company’s shareholders and the respective percentage of ownership are as follows:

<u>Name of shareholders</u>	<u>Number of shares owned</u>	<u>Percentage of ownership (%)</u>
Oh, Se Young	21,266,682	44.43
Others	26,602,826	55.57
	<u>47,869,508</u>	<u>100.00</u>

2. Significant Accounting Policies:

(1) Basis of preparation

The Company and its subsidiaries (the “Group”) have prepared the consolidated financial statements in accordance with the International Financial Reporting Standards (“IFRSs”) as issued by International Accounting Standard Board.

The significant accounting policies followed by the Group in the preparation of consolidated financial statements are summarized below. Unless stated otherwise, the accounting policies applied to the consolidated financial statements for this period are consistent with the comparative periods.

The accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

1) New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

The Group has applied a number of new and revised IFRSs that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

Amendments to IAS 7 – Statement of Cash Flows

The amendment requires to disclose changes in liabilities arising from financial activities. Additional disclosure required related to the first time application of these amendments in the current year are in Note 36. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period.

Amendments to IAS 12 – Income Taxes

The amendment clarifies that in evaluating the deferred tax assets arising from deductible temporary difference of debt instruments measured at fair value, the carrying amount of an asset does not limit the estimation of probable future taxable profits. The application of these amendments has no impact on the disclosure in the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 'Share-based Payment included in the Annual Improvements' to IFRS 2014-2016 Cycle for the first time in the current year. The amendments state that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale.

2) New and revised IFRSs in issue, but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued, but are not yet effective.

Enactments to IFRS 9 – Financial Instruments

The enactments to IFRS 9 contains contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, and broadened types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting and the change of the hedge effectiveness test. The enactments are effective for annual periods beginning on or after January 1, 2018.

The new standard of IFRS 9 will generally be applied retrospectively application with some exemptions allowing an entity not to restate the comparative information for prior periods in relation to classification and measurement (including impairment) changes. Such exemptions will be applied by the Group. The Group will recognize the accumulated effect resulting from initial application of IFRS 1109 as reserves, retained earnings and non-controlling interests of the Group at the date of initial application.

The main features of the new standard of IFRS 9 include business model for managing financial assets; classification and measurement of financial assets based on contractual cash flow characteristics of financial assets; damage model for financial instruments based on expected credit losses, the items to be hedged, the expansion of the hedging instrument, or the change in the hedging effectiveness evaluation method.

In order to smoothly introduce the IFRS 9, it is necessary to prepare the financial impact analysis, accounting policies, accounting system, and system stabilization. The effect on the financial statements for the first-time adoption of IFRS 9 is dependent not only on the selection and judgment of accounting policies in accordance with IFRS 9 but also on the financial instruments and economic conditions of the Group during the period.

As a result of an analysis of the financial impact of the adoption of new standard of IFRS 9 on the financial statements on the basis of available information at the end of the year, the financial effects expected to be included in the financial statements are as follows.

A. Classification and measurement of financial assets

When the Group adopts new standard of IFRS 9, the Group classifies financial assets as seen in the table below based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset: as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). If the host contract is determined in a hybrid contract, an entity may classify the entire hybrid contract as a financial asset rather than separating the embedded derivative from the host contract.

Business model	Contractual cash flow characteristic	
	Solely payments of principal and interest	Otherwise
Objective is to hold financial assets in order to collect	Measured at amortised cost (*1)	
The financial asset is held within a business model whose objective is achieved by both collecting contractual cash	FVOCI (*1)	FVTPL (*2)
Objective is to sell financial assets and others	FVTPL	

(*1) An entity may designate as measured at FVTPL to eliminate or significantly reduce an accounting mismatch (irrevocable).

(*2) An entity may designate as FVOCI for investments in equity instruments that are not held for trading (irrevocable).

Under the new standard of IFRS 9, requirements for classifying financial assets as measured at amortised cost or FVOCI are more stringent than in the current IAS 39. The adoption of new standard of IFRS 9 may result in an increase in the proportion of financial assets at FVTPL.

The Group has loans and receivables of \$273,692,780, available-for-sale financial assets of \$11,351,967 and financial assets at FVTPL of \$ 2,534,004 in the consolidated statements of financial position as of December 31, 2017.

The objective of financial assets such as loans and receivables held is to collect contractual cash flows and they have the sole purpose of collecting principal and interest of outstanding amounts on a specified date. Therefore, loans and receivables are classified as measured at amortised cost. The Group anticipates that this does not have any significant impact on the Group's consolidated financial statements.

IFRS 9 permits an entity to make an irrevocable election to present in other comprehensive income for changes in the fair value of an investment in an equity instrument that is not held for trading. Gains and losses presented in other comprehensive income cannot be subsequently transferred to profit or loss (i.e. there is no recycling).

The Group has available-for-sale financial assets as long-term equity instruments held for long-term investment purposes measured at FVOCI of \$11,351,967 as of December 31, 2017.

The Group anticipates that the financial assets will not have a material impact on the financial statements even if the Group designates equity instruments for long-term investment as FVOCI measurement.

According to IFRS 9, debt investments for which the contractual terms of cash flows are not solely representing payments of principal and interest, or which are held for trading, are classified as fair value through profit or loss. Equity investments not designated at FVOCI are also measured at FVTPL.

B. Classification and measurement of financial liabilities.

Under IFRS 9, the impairment is recognised only when there is an objective evidence of impairment based on incurred loss model, but under IFRS 9, impairment is recognised based on expected credit loss model for debt instrument, lease receivables, contract assets, loan contracts and financial guarantee contracts that are measured at amortised cost or fair value through other comprehensive income.

For financial liabilities designated as at FVTPL using the fair value option, IFRS 9 requires the effects of changes in fair value attributable to an entity's credit risk to be recognised in other comprehensive income. The amounts presented in other comprehensive income are not subsequently transferred to profit or loss unless this treatment of the credit risk component creates or enlarges a measurement mismatch.

Under IAS 39, all the fair value movements for financial liabilities designated to be measured at fair value through profit or loss, were recognized through profit or loss. However, under IFRS 9, certain fair value movements will be recognized in other comprehensive income thus profit or loss from fair value movements may decrease.

As of December 31, 2017, the Group has financial liabilities measured at amortised cost of \$212,573,972 and financial liabilities with changes in FVTPL of \$746,299.

C. Impairment: Financial assets and contract assets

Under IAS 39, the impairment is recognized only when there is an objective evidence of impairment based on incurred loss model, but under IFRS 9, impairment is recognised based on expected credit loss model for debt instrument, lease receivables, contract assets, loan contracts and financial guarantee contracts that are measured at amortised cost or fair value through other comprehensive income.

According to IFRS 9, financial assets are classified into three stages depending on the extent of increase in the credit risk on financial instruments since initial recognition. The loss allowance is measured at an amount equal to 12-month expected credit losses or the lifetime expected credit losses and therefore credit losses will be recognized earlier than under the incurred loss model of IFRS 9.

	Case	The loss allowance
Stage 1	Non-significant increase in credit risk since initial recognition	12-month expected credit losses: The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Stage 2	Significant increase in credit risk since initial recognition	Lifetime expected credit losses: The expected credit losses that result from all possible default events over the expected life of a financial instrument.
Stage 3	Credit-impaired financial assets	

The Group shall measure the loss allowance at an amount equal to Lifetime expected credit losses for contract assets or trade receivables under the standard, IFRS 15 'Revenue from Contracts with Customers', which do not contain a significant financing component. However, the Group can elect to measure the loss allowance at an amount equal to Lifetime expected credit losses for all contract assets or all trade receivables which contain a significant financing component in accordance with IFRS 15.

As of December 31, 2017, the Group has loans, receivables and available-for-sale financial assets and the loss allowance for these assets are \$3,077,305.

The Group has plan to recognise allowance of trade notes, accounts receivable that have a significant financing component for lifetime expected credit losses from initial recognition until derecognition (the simplified approach) for low credit risk.

The Group anticipates that this does not have any significant impact on the Group's consolidated financial statements.

Enactments to IFRS 15 – Revenue from Contracts with Customers

The core principle under IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduce a five-step approach to revenue recognition and measurement: 1) identify the contract with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract and 5) recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programs, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue-Barter Transactions Involving Advertising Services.

The enactments are effective for annual periods beginning on or after January 1, 2018. Under this transition method, the Group will apply this standard retrospectively with the cumulative effect of initially applying this Standard recognised at January 1, 2018, only to contracts that are not completed contracts at the date of initial application.

IAS 18 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 Company shall recognize revenue in accordance with the new standard by applying the following 5 steps: ①Identify the contract with the customer, ②Identify the separate performance obligations, ③Determine the transaction price of the contract, ④Allocate the transaction price to each of the separate performance obligations, and ⑤Recognize the revenue as each performance obligation is satisfied.

As of December 31, 2017, for the preparation of implementing IFRS 15, the Group formed a task force team which consists of members of the accounting department and the accounting firm which serves as an external advisor. An assessment was performed by revenue stream.

A. Identify the performance obligations in the contract

In connection with the identification of the contracts stipulated in IFRS 9, the Group reviewed whether the sales contracts held by the Company are commercially viable, whether the contracts can be recovered, whether the contractual requirements for the contracts are met, and whether the non-written contracts meet the transaction requirements. The Group anticipates that this does not have any significant impact on the Group's consolidated financial statements.

The Group reviewed the details of the performance obligation included in the sales contract, the terms of the guarantee, the performance obligation under the export contract, and the inclusion of goods and services that are additionally provided in relation to the provision of goods. The Group anticipates that this does not have any significant impact on the Group's consolidated financial statements.

B. Allocation of the transaction price

The Group analyzed the obligation to perform the sales contracts of the Group and found that there are no contracts that contain a number of obligations to perform. The Group anticipates that this does not have any significant impact on the Group's consolidated financial statements.

C. Variable consideration

Upon IFRS 9, the Group reviewed significant financial elements included in the sales contract, whether to include contracts (incentives, performance bonuses, etc.) to transfer the goods or services and to pay the customer a portion of the consideration in the aftermath. And the Group pays customers for performance bonuses and recognizes them as selling expenses.

IFRS 9 requires that consideration be accounted for at the transaction price (i.e., deducted from revenue), unless the consideration paid to the customer is paid in exchange for the goods or services transferred to the entity. Accordingly, the Group expects sales and selling expenses to decrease as a result of adopting IFRS 9.

Amendments to IFRS 2—Share-based Payment

The amendments include 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment; 2) share-based payment transaction in which the Group settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety, if otherwise, would be classified as equity-settled without the net settlement feature; and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 40 – Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IFRS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). The amendments are effective for annual periods beginning on or after January 1, 2018.

Enactments to IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The enactments clarify that 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 payment or receipt of advance consideration in a foreign currency. The enactments are effective for annual periods beginning on or after January 1, 2018.

Enactments to IFRS 16 – Leases

This enactment provides a single lessee accounting model that operating lease recognises a right-of-use asset and a lease liability. This enactment will supersede IAS 17 ‘Leases’ and related interpretations.

The enactment are effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. At inception of a contract, the entity assesses whether the contract is, or contains, a lease. The entity also assesses it at the date of initial application. However, the entity is not required to reassess whether a contract before the date of initial application is, or contains if the entity adopts a practical expedient.

For a contract that is, or contains, a lease, an entity accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

At the commencement date, a lessee recognises a right-of-use asset and a lease liability. A lessee may elect not to apply the requirements to short-term leases that, at the commencement date, has a maximum possible term of 12 months or less and leases for which the underlying asset is of low value (e.g. below USD 5,000). As a practical expedient, a 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.

As of 31 December 2017, the Group has operating lease contracts and the Group is currently assessing its potential impact on financial statement. However, the Group has practical difficulties to provide expected impact unless preliminary assessment is complete.

The Group is currently evaluating the impacts of above mentioned enactments and amendments on the Group’s consolidated financial statements.

In lessor accounting, this standard is not significantly changed from IFRS 17.

The application of these amendments has no significant impact on the disclosure in the Group’s consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 cycle

The Annual Improvements include amendments to a number IFRSs. The amendments introduce specific guidance in IAS 28 ‘Investments in Associates and Joint Ventures’ for when an investment in an entity that is a venture capital organisation, the entity may elect to measure that investment at fair value through profit or loss in accordance separately for each associate or joint venture. Other amendments in the Annual Improvements include IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’. The amendments are effective for annual periods beginning on or after January 1, 2018.

As of March 22, 2018, the consolidated financial statements were approved by the board of directors and are scheduled for final approval at the general meeting of shareholders on March 30, 2018.

(2) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (and its subsidiaries). Control is achieved where the Company 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiaries. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiaries and any non-controlling interests. When assets of the subsidiaries are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiaries at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under IAS 39, Financial Instruments: Recognition and Measurement, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Group losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Group applies IFRS 5 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, *Impairment of Assets*, by comparing its recoverable amount (higher of value in use and fair value, less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(4) Revenue Recognition

The Group's revenue categories consist of sale of goods, services rendered and other income.

1) Sale of goods

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax and trade discounts. 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, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

2) Rendering of services

Revenue associated with the transaction involving the rendering of services is recognized by reference to the stage of completion of the transaction at the end of the reporting period when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

3) Dividend income and interest income

Dividend income from investments is recognized when the right to receive payment has been established. Interest income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

4) Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 2(14) below.

(5) Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets are added to, or deducted from, the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade-date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets are classified into the following specified categories: 'financial assets at FVTPL,' 'held-to-maturity investments,' 'AFS financial assets' and 'loans and receivables.' The classification depends on the nature and purpose of the financial assets, and is determined at the time of initial recognition.

1) Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

2) Financial Assets at FVTPL

Financial assets at FVTPL include a financial asset held for trading and a financial asset designated as at FVTPL, upon initial recognition. A financial asset is classified as held for trading, if it has been acquired principally for the purpose of selling in the near term. Every financial instrument, containing one or more embedded derivatives, treated separately from the host contract, is classified as held for trading, if it is a derivative that is not designated and effective as a hedge instrument or not a financial guarantee contract. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

A financial asset is classified as held for trading, if:

- it has been acquired principally for the purpose of selling it in the near term
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking
- it is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition, if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- the financial asset forms part of a group of financial assets or financial liabilities, or both, which is managed, and its performance is evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset, and is included in the 'Other gains and losses' line item in the consolidated statements of comprehensive income.

3) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity investments. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment, with revenue recognized on an effective yield basis.

4) AFS Financial Assets

Non-derivative financial assets that are not classified as at held to maturity, held for trading, designated as at FVTPL or loans and receivables are classified as at financial assets AFS.

They are subsequently measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of, or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Unquoted AFS financial assets whose fair value cannot be measured reliably and derivative assets linked with unquoted equity financial assets whose pay for the equity financial assets are carried at acquisition cost, less impairment.

5) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

6) Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty
- default or delinquency in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy or financial reorganization

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When loan and receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in that period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

7) Derecognition of Financial Assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and, substantially, all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

(6) Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset, and a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in other financial instruments, or other host contracts, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months, and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, being valued by the weighted-average method, excluding goods in transit (specific identification method). Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

The carrying amount of inventories sold in the period and the amount of any write-down of inventories to net realizable value and all losses of inventories in the period, less the amount of any reversal in the period of any write-down of the inventories, arising from an increase in net realizable value, are recognized as expense during the period.

(8) Property, Plant and Equipment and Depreciation

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as a separate asset, if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land. Depreciation expense is computed using the straight-line method, based on the estimated useful lives of the assets as follows:

Assets	Estimated useful lives (in years)
Buildings	10–20
Vehicles	5
Tools and equipment	5
Office equipment	5–10
Other tangible assets	10
Machinery	5

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

The Group reviews the depreciation method, the estimated useful lives and residual values of property 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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

(9) Investment Property

Investment properties are properties held to earn rentals or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use, and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

While land is not depreciated, all other investment property is depreciated, based on the respective asset's estimated useful lives of 20 years, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(10) Intangible Assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

2) Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- improvement of technical feasibility and development of new product
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses.

3) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

(11) Impairment of Tangible and Intangible Assets, Except for Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell, or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

(12) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(13) Financial Liabilities and Equity Instruments

1) Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

2) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized as the proceeds are received, net of direct issue costs.

3) Financial Liabilities

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4) Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or designated as FVTPL.

A financial liability is classified as held for trading, if:

- it has been acquired principally for the purpose of repurchasing in the near term
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking
- it is a derivative that is not designated and effective as a hedging instrument

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition, if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- the financial liability forms part of a group of financial assets or financial liabilities, or both, which is managed, and its performance is evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability, and is included in the 'Other gains and losses' line item in the consolidated statements of comprehensive income.

5) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

6) Financial Guarantee Contract Liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instruments.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'
- the amount initially recognized, less cumulative amortization recognized in accordance with the IAS 18 'Revenue'

7) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or expired.

(14) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods, so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case, they are capitalized in accordance with the Group's general policy on borrowing costs (see Note 2(12)). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(15) Income Tax Expense

The Group operates its business in Laos, Singapore and Myanmar, and the tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(16) Employee Benefits

1) Short-Term Employee Benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during a reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

2) Postemployment Benefits and Termination Benefits

Of all subsidiaries, employees in KOLAO Developing Co., Ltd. are entitled to lump-sum payments, based on current rates of pay and length of service when they leave due to involuntary termination under the Laos Law. Therefore, according to the historical experiences that involuntary termination was recommended for the Group's employees, a present legal and constructive payment obligation arising from past events is not created, and the amount of the obligation cannot be measured with sufficient reliability. For these reasons, no amounts are recognized as liabilities in respect of postemployment benefits. Due to such involuntary termination, the Group adopted a policy that recognizes a payment obligation that is created by the Laos Law in loss as termination benefits. Whereas, employees in the other subsidiaries are entitled to postemployment benefits under the each jurisdiction and law, and the Group recognized no liabilities with regard to the postemployment and termination benefits as of December 31, 2015.

(17) Equity-Settled Share-Based Payment Arrangement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in other component of equity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case, they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

(18) 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

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 and the amount of the receivable can be measured reliably.

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. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(19) Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in USD, which are the functional currency of the entity and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks
- Exchange differences on monetary items receivable from, or payable to, a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in USD using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests, as appropriate). On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the accumulated exchange differences in respect of that operation attributable to the owners of the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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. Exchange differences arising are recognized in other comprehensive income.

(20) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-Based Payment, leasing transactions that are within the scope of IAS17 Leases and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATING UNCERTAINTY:

In the application of the Group accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Fair valuation of financial instruments

The Group uses valuation techniques, which are described in Note 41, that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The Group provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(2) Allowance for Trade and Other Receivables

An allowance for doubtful accounts is recognized based on assessment of recoverability of trade and other receivables. Whether any impairment from trade and other receivables exists is assessed based on the management's judgments and estimations. The management's judgments and estimates consider the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. Total value of trade and other receivables and an allowance for doubtful accounts is disclosed in Note 8.

(3) Depreciation

Depreciation of production facilities used in processes of manufacturing automobiles and motorcycles is recognized by using the straight-line method over their estimated useful lives. The Group's management estimates useful lives for production facilities at less than five years. Technology development and changes in the assets' expected capacity of physical output may affect economic useful lives of production facilities. Useful lives of production facilities as of the end of the Group's reporting period are disclosed in Note 2(8)

(4) Impairment of Non-financial Assets other than Goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Other non-financial assets, except for assets that have an indefinite useful life, are tested for impairment whenever there is an indication that the carrying amount will not be recoverable. In the calculation of an asset's value in use, the Group's management reflects an estimate of the future cash flows the entity expects to derive from the assets or the cash-generating unit, and applies the appropriate discount rate to those future cash flows.

4. SUBSIDIARIES:

(1) The details of consolidated subsidiaries as of December 31, 2017 and 2016, are as follows:

Subsidiaries	Country	Reporting date	Percentage of Ownership		Main business
			December 31, 2017	December 31, 2016	
KOLAO Developing Co., Ltd.	Laos	December 31	100	100	Manufacture and sales of automobile and motorcycle
KOLAO Holdings Singapore Pte., Ltd.	Singapore	December 31	100	100	Holding company, Foreign trade
KOLAO Holdings (HM) Singapore Pte., Ltd. (*1)	Singapore	December 31	84	84	Sales of automobile
KOLAO Holdings Myanmar Co., Ltd. (*1)	Myanmar	December 31	99	99	Sales of automobile
DAEHAN Co., Ltd. (*1)	Myanmar	December 31	99	99	Sales of automobile
Fortune KOLAO International Motors Co., Ltd. (*2)	Myanmar	December 31	100	100	Trading company
International KLM Co., Ltd. (*2)	Myanmar	December 31	99	99	Sales of automobile and automobile parts, and repairs of automobile
Global KLM Co., Ltd. (*2)	Myanmar	December 31	100	100	Sales of automobile and automobile parts, and repairs of automobile
KOLAO Holdings (Cambodia) Co., Ltd.	Cambodia	December 31	100	100	Sales of automobile
LVMC Investment Limited	Hong kong	December 31	100	100	Financial business
Daehan-Dewan Motor Company (Pvt.) Ltd. (*3)	Pakistan	December 31	50	-	Sales of automobile

Subsidiaries	Country	Reporting date	Percentage of Ownership		Main business
			December 31, 2017	December 31, 2016	
CHONGQING KOLAO-YUAN R&D CO.,LTD. (*3)	China	December 31	50	-	Manufacture and sales of automobile

(*1) The entities are the subsidiaries of KOLAO Holdings Singapore Pte., Ltd.

(*2) The entities are the subsidiaries of KOLAO Holdings (HM) Singapore Pte., Ltd.

(*3) The Group is considered to have substantial control over the entity by an agreement with other investors.

(2) Newly included subsidiaries for the year ended December 31, 2017, are as follows:

Subsidiaries	Description
Daehan-Dewan Motor Company (Pvt.) Ltd.	Acquisition
CHONGQING KOLAO-YUAN R&D CO.,LTD.	Acquisition

(3) The summaries of financial information of major subsidiaries as of and for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Subsidiaries	December 31, 2017						
	Assets	Liabilities	Controlling equity	Non-controlling interests	Sales	Net income	Total income
KOLAO Developing Co., Ltd.	496,169,665	195,747,927	300,421,738	-	282,890,080	33,564,986	33,564,986
KOLAO Holdings Singapore Pte., Ltd. (*1)	47,064,000	38,909,340	10,114,892	(1,960,232)	11,775,208	(2,014,982)	(2,014,982)
LVMC Investment Limited	16,563,423	1,558	16,561,865	-	728,479	859,037	114,316
KOLAO Holdings (Cambodia) Co., Ltd.	5,270,637	4,772,706	497,931	-	842,968	(1,168,607)	(1,168,607)
Daehan-Dewan Motor Company (Pvt.) Ltd.	6,380,494	6,047,613	209,576	123,305	-	(1,555,480)	(1,555,480)
CHONGQING KOLAO-YUAN R&D CO.,LTD.	1,904,190	304,087	800,051	800,052	2,835,806	70,443	70,443

Subsidiaries	December 31, 2016						
	Assets	Liabilities	Controlling equity	Non-controlling interests	Sales	Net income	Total income
KOLAO Developing Co., Ltd.	483,054,753	215,756,742	267,298,011	-	325,556,853	51,049,549	51,049,549
KOLAO Holdings Singapore Pte., Ltd. (*1)	19,810,955	9,663,567	11,700,363	(1,552,975)	11,272,138	(6,237,504)	(6,237,504)
KDC Korea Co., Ltd.(*2)	-	-	-	-	1,638	(4,269)	(1,124)
LVMC Investment Limited	16,450,711	1,273	16,449,438	-	549,242	679,240	679,240
KOLAO Holdings (Cambodia) Co., Ltd.	5,225,180	5,158,644	66,536	-	1,132,743	(934,892)	(934,892)

(*1) Based on the subsidiary's consolidated financial statements.

(*2) Financial informations to the liquidation date.

All financial information of subsidiaries are the amounts before eliminating all intragroup transaction.

(4) The summaries of cash flows of subsidiaries as of and for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Subsidiaries	December 31, 2017					
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Exchange rate fluctuation effect of cash and cash equivalents	Cash and cash equivalents, beginning of the period	Cash and cash equivalents, end of the period
Auto World(KOLAO Developing) Co., Ltd.	25,590,812	(13,445,903)	(925,956)	76,320	3,088,875	14,384,148
Kolao Holdings Singapore Pte., Ltd. (*1)	(256,342)	(25,346,837)	26,902,941	-	1,617,033	2,916,795
LVMC Investment Limited	715,644	(1,290,000)	-	-	583,895	9,539
Kolao Holdings (Cambodia) Co., Ltd.	(581,553)	(331,171)	1,340,000	-	889,552	1,316,828
Daehan-Dewan Motor Company (Pvt.) Ltd.	(431,842)	(298,085)	-	(48,598)	1,582,349	803,824
CHONGQING KOLAO-YUAN R&D CO.,LTD.	120,873	(45,201)	1,511,893	17,931	-	1,605,496
Subsidiaries	December 31, 2016					
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Exchange rate fluctuation effect of cash and cash equivalents	Cash and cash equivalents, beginning of the period	Cash and cash equivalents, end of the period
Auto World(KOLAO Developing) Co., Ltd.	17,142,572	(13,402,362)	(4,086,649)	91,010	3,344,304	3,088,875
Kolao Holdings Singapore Pte., Ltd. (*1)	(5,543,940)	1,687,721	-	1,386	5,471,866	1,617,033
KDC Korea Co., Ltd (*2)	(1,238,623)	3,773,731	(3,616,822)	(540,417)	1,622,131	-
LVMC Investment Limited	539,154	-	-	-	44,741	583,895
Kolao Holdings (Cambodia) Co., Ltd.	(745,988)	(23,209)	1,600,000	-	58,749	889,552

(*1) Based on the subsidiary's consolidated financial statements.

(*2) Cash flows to the liquidation date.

All cash flows of subsidiaries are the amounts before eliminating all intragroup transaction.

(5) Net assets and profit of non-controlling interests as of and for the year ended December 31, 2017, are as follows (Unit: USD):

Subsidiaries	Net assets	Profit for the year	Comprehensive income	Payment of dividends
KOLAO Holdings Singapore Pte., Ltd. (*1)	(1,960,232)	(411,757)	(411,757)	-
Daehan-Dewan Motor Company (Pvt.) Ltd.	123,305	35,222	44,106	-
CHONGQING KOLAO-YUAN R&D CO.,LTD.	800,052	(777,740)	(790,425)	-

(*1) Based on the subsidiary's consolidated financial statements.

5. SEGMENT INFORMATION:

(1) Details of products and services from which segments derive their revenues are as follows:

Information reported to chief operation decision for the purposes of resource allocation and assessment of segment performance for uses on the types of goods or services delivered or provided. The operating segments of the Group are as follows:

Segment	Description
Merchandise	Business to distribute in Laos after importing new automobile or buying local used car.
Automobile	Business to distribute in Laos the 'DAEHAN' brand cars, which KOLAO develops after ordering, processing and assembling parts, and assembling and selling products after importing the finished cars in disassembled state.
Export	Business to export the 'DAEHAN' brand cars to foreign country in the form of CKD.
Motorcycle	Designing its own model and selling products under the name of 'KOLAO' after making orders, processing and assembling of major parts.
Wholesale	Selling accessories and other supplies designed for automobiles and motorcycles.
A/S	Providing after-service and repair service for automobiles and motorcycles.
Others	Providing rental services.

(2) Revenues and gross profit by segments are as follows (Unit: USD):

		Revenues		Gross profit	
		Year ended December 31,		Year ended December 31,	
		2017	2016	2017	2016
Automobile	Merchandise	179,701,196	171,355,394	12,250,303	24,723,964
	Finished goods	85,657,419	126,219,146	21,656,714	35,426,967
	Export	10,807,953	12,447,143	4,599,439	1,179,638
Motorcycle		4,889,218	8,724,246	(363,187)	521,158
Wholesale		4,364,122	9,892,014	1,352,780	1,503,807
A/S		6,975,424	7,577,389	1,823,581	2,078,550
Others		2,296,989	1,853,183	2,296,989	1,853,183
		<u>294,692,321</u>	<u>338,068,515</u>	<u>43,616,619</u>	<u>67,287,267</u>
Unallocated income and expenses				(31,237,576)	(31,158,546)
Profit before income tax expense				<u>12,379,043</u>	<u>36,128,721</u>

All the revenues and results reported above are the amounts after eliminating all intragroup transaction in full on consolidation. The gross profit by segment is reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(3) Assets and liabilities by segments are as follows (Unit: USD):

		Assets		Liabilities	
		December 31,		December 31,	
		2017	2016	2017	2016
Automobile	Merchandise	228,884,571	164,259,899	22,826,107	64,581,889
	Finished goods	185,780,302	226,206,597	10,880,425	41,269,238
	Export	15,881,460	22,307,438	1,372,854	4,069,779
Motorcycle		11,734,680	26,871,253	621,041	2,469,988
Wholesale		5,355,898	10,023,685	554,342	3,706,599
A/S		14,064,408	18,142,222	886,036	4,003,642
Others		<u>813,914</u>	<u>4,280,923</u>	-	-
		462,515,233	472,092,017	37,140,805	120,101,135
Unallocated assets and liabilities		<u>126,081,611</u>	<u>98,946,868</u>	<u>180,242,938</u>	<u>88,452,323</u>
Total assets and liabilities		<u>588,596,844</u>	<u>571,038,885</u>	<u>217,383,743</u>	<u>208,553,458</u>

All the assets and liabilities reported above are the amounts after eliminating all intragroup transactions in full on consolidation.

The chief operating decision maker manages each of segment's trade receivables, inventories, property, plant and equipment and trade payables for the purposes of resource allocation and assessment of segment performance, whereas other assets and liabilities are not allocated.

(4) Other segment information is as follows (Unit: USD):

		Depreciation(*1)		Acquisition of non-current assets(*2)	
		Year ended December 31,		Year ended December 31,	
		2017	2016	2017	2016
Automobile	Merchandise	4,575,233	1,389,254	13,300,077	4,338,554
	Finished goods	3,713,610	4,011,684	6,339,692	10,725,907
	Export	317,458	395,614	799,920	357,149
Motorcycle		234,568	482,328	361,862	212,928
Wholesale		107,060	174,169	322,998	161,068
A/S		281,138	625,803	516,266	527,755
Others		16,269	1,076,695	170,005	398,920
		<u>9,245,336</u>	<u>8,155,547</u>	<u>21,810,820</u>	<u>16,722,281</u>

(*1) The amounts are from property, plant and equipment and intangible assets.

(*2) The amounts of acquisition on non-current assets for the years ended December 31, 2017 and 2016, are included \$1,140,777 and \$2,767,820, respectively, which was transferred from inventories to vehicles.

(5) Geographical information

Although the Group operation in Laos, Myanmar, Cambodia, most of the Group's revenue are generated in Laos.

(6) Information about major customers

The Group's revenues are generated from individual dealers and transactions; therefore, there is no major customer who is contributed to generating more than 10% of total revenue.

6. **RESTRICTED FINANCIAL ASSETS:**

Restricted financial assets as of December 31, 2017, are as follows (Unit: USD):

Description	December 31, 2017	
Short-term financial instruments	8,445,396	Pledged as collateral for debt
Investments in associates	31,991,056	Pledged as collateral for debt
Trade receivables	28,000,747	Pledged as collateral for debt
	<u>68,437,199</u>	

7. **FINANCIAL ASSETS AT FVTPL:**

Details of financial asset at FVTPL as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Financial asset at FVTPL:		
Investment in convertible bonds (*1)	2,534,004	2,160,797

(*1) The contract for the composite financial instruments containing one or more embedded derivatives has been designated by the Group as financial assets at FVTPL for the entire composite contract.

8. **TRADE RECEIVABLES:**

The payback period of trade receivables is determined based on each customer's credit rating. The Group strictly controls the balance not collected, and the reviews regularly the balance of trade receivables that are past due. The Group holds deposits in respect of some customers.

(1) Details of trade receivables as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Trade receivables in current assets	110,093,314	103,789,890
Less: Allowances for doubtful accounts	(349,005)	(764,958)
Subtotal	109,744,309	103,024,932
Trade receivables in non-current assets	119,506,615	192,636,777
Less: Allowances for doubtful accounts	-	-
Subtotal	119,506,615	192,636,777
	<u>229,250,924</u>	<u>295,661,709</u>

The trade receivables, excluding interest-bearing receivables, obtained from installment sales are classified as current assets because they reach maturity within one year from the end of the reporting period. The fair value approximates the book value because the effect of discount is not material. The interest-bearing receivables obtained from the installment sales, which reach maturity after one year, are classified as non-current assets and discount on present value according to effective interest method for long-term installment receivables is recorded. The Group used a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods for an interest rate of installment receivables.

(2) The aging analysis of the trade receivables as of December 31, 2017 and 2016, is as follows (Unit: USD):

Description	December 31, 2017					Total
	Within Six months	Six months to one year	One year to two years	Two to three years	More than three years	
Trade receivables	63,567,180	29,124,607	84,430,592	45,936,109	6,541,441	229,599,929
Allowances for doubtful accounts	(26,783)	(12,539)	(152,318)	(156,151)	(1,214)	(349,005)
	<u>63,540,397</u>	<u>29,112,068</u>	<u>84,278,274</u>	<u>45,779,958</u>	<u>6,540,227</u>	<u>229,250,924</u>

Description	December 31, 2016					Total
	Within Six months	Six months to one year	One year to two years	Two to three years	More than three years	
Trade receivables	80,352,228	80,654,155	119,836,461	13,120,708	2,463,115	296,426,667
Allowances for doubtful accounts	-	-	(380,834)	(28,368)	(355,756)	(764,958)
	<u>80,352,228</u>	<u>80,654,155</u>	<u>119,455,627</u>	<u>13,092,340</u>	<u>2,107,359</u>	<u>295,661,709</u>

If the trade receivables become overdue, the Group renegotiates the payment terms, such as an extension of due by each overdue receivable, and reassess the overdue trade receivables according to the new payment terms.

By the individual analysis, the Group recognizes impairment loss on overdue receivables that are not collected, if the initial or new payment terms cannot be met.

- (3) Changes in allowance for doubtful accounts for the years ended December 31, 2017 and 2016, are as follows (Units: USD):

Description	Year ended December 31,	
	2017	2016
Beginning balance	764,958	953,762
Bad debt expenses(gain)	(415,953)	(188,804)
Ending balance	<u>349,005</u>	<u>764,958</u>

- (4) Trade receivables of \$28,000,747 of Auto World (KOLAO Developing) Co., Ltd., a subsidiary of the Group, are pledged as collateral for short-term borrowings (Notes 6 and 39).

9. OTHER RECEIVABLES:

The Group's other receivables as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,			
	2017		2016	
	Current	Non-current	Current	Non-current
Loans	7,511,884	1,347,000	2,001,336	2,022,000
Other accounts receivables	3,077,317	586,108	614,610	763,268
Accrued income	179,568	-	19,480	-
Business leasehold deposit	-	401,286	-	401,286
Guarantee deposits	-	151,713	-	104,338
	<u>10,768,769</u>	<u>2,486,107</u>	<u>2,635,426</u>	<u>3,290,892</u>

The business leasehold deposit related to business and mold development of CKD provided for Chery Automobile Co., Ltd., are classified as non-current assets because they do not have fixed-maturity dates and their expected maturity exceeds one year. In addition, the fair value of business guarantee deposits and guarantee deposits approximates the book value because the effect of discount is not material.

There are no other receivables past due or impaired.

10. OTHER CURRENT ASSETS:

The Group's other current assets as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Advance payments	3,225,708	8,956,250
Prepaid expenses	5,948,708	3,306,545
Value-added tax prepayment	459,126	112,793
	<u>9,633,542</u>	<u>12,375,588</u>

11. INVENTORIES:

Details of inventories as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017			December 31, 2016		
	Acquisition cost	Accumulated loss on valuation	Book value	Acquisition cost	Accumulated loss on valuation	Book value
Raw materials	62,596,481	-	62,596,481	48,976,595	-	48,976,595
Merchandise	62,893,694	(901,957)	61,991,737	34,687,855	(90,606)	34,597,249
Work in process	8,736,601	-	8,736,601	3,816,813	-	3,816,813
Finished goods	7,864,853	(217,078)	7,647,775	5,018,004	(154)	5,017,850
Goods in transit	8,273,710	-	8,273,710	3,189,679	-	3,189,679
	<u>150,365,339</u>	<u>(1,119,035)</u>	<u>149,246,304</u>	<u>95,688,946</u>	<u>(90,760)</u>	<u>95,598,186</u>

(*1) Inventories of Auto World (KOLAO Developing) Co., Ltd., a subsidiary of the Group, are pledged as collateral for short-term borrowings (Note 39).

12. AVAILABLE-FOR SALE(“AFS”) FINANCIAL ASSETS:

The Group’s AFS financial assets as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Unlisted equity securities		
Indochina Bank Co., Ltd. (*1)	11,351,967	12,096,688

(*1) LVMC Investment Limited, a subsidiary of the Group, acquired 11.99% ownership of Indochina Bank Co., Ltd.

13. INVESTMENTS IN ASSOCIATES:

(1) The Group’s investments in associates as of December 31, 2017 and 2016, are as follows (Unit: USD):

Associates	Country	Year-end	Percentage of ownership	December 31, 2017		Percentage of ownership	December 31, 2016		Main business
				Acquisition cost	Carrying value		Acquisition cost	Carrying value	
KR Motors Co., Ltd. (*1)	Korea	December	24.70%	46,849,684	31,991,056	25.19%	46,849,684	38,256,699	Manufacture and sales of automobile
KB KOLAO LEASING Co., Ltd.	Laos	December	20.00%	2,000,000	1,781,167	-	-	-	Installment financing, facility rental

(*1) Pledged as collateral for long-term borrowings (Note 39).

(2) As of December 31, 2017 and 2016, market values of investments in associates are as follows (Unit: USD):

Associates	December 31, 2017	December 31, 2016
KR Motors Co., Ltd.	13,456,333	31,678,101

(3) As the fair value of KR Motors Co., Ltd. declines significantly below the acquisition cost, the Group calculated the recoverable amount based on the value in use with the help of external evaluation institutions. As of December 31, 2017, value in use is estimated by applying a 9.15% discount rate and a 1.0% terminal growth rate within 5 years, the period for the estimated future cash flows, based on management’s business plan. The terminal growth rate does not exceed long-term average growth rate of its industry. Based on value in use, impairment loss of \$3,116,371 was recognized for the investment in associates of KR Motors Co., Ltd. as of December 31, 2017.

Value in use of the KR Motors Co., Ltd. was affected by the assumptions such as discount rate and terminal growth used in discount cash flow model. When the discount rate increases by 0.5%, value in use will be decreased by 8.7% and when the terminal growth rate decreases by 0.5%, value in use will be decreased by 6.6%.

- (4) Changes in the Group's investments in associates for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Associates	December 31, 2017					
	Beginning balance	Acquisition	Share of profits (*1)	Effect on change in equity	Impairment Loss	Ending balance
KR Motors Co., Ltd.	38,256,699	-	(4,970,318)	1,821,046	3,116,371	31,991,056
KB KOLAO LEASING Co., Ltd.	-	2,000,000	(197,290)	(21,543)	-	1,781,167

(*1) Includes the gain on disposal due to a decrease in equity.

Associates	December 31, 2016				
	Beginning balance	Acquisition	Share of profits	Effect on change in equity	Ending balance
KR Motors Co., Ltd.	40,934,653	-	(2,403,234)	(274,720)	38,256,699

- (5) The summaries of financial information of associate as of December 31, 2017 and December 31, 2016, are as follows (Unit: USD):

Associates	December 31, 2017			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
KR Motors Co., Ltd.	40,384,196	71,216,959	41,756,739	19,536,359
KB KOLAO LEASING Co., LTD.	36,519,489	1,276,993	10,848,372	18,042,284

Associates	Sales	Operating profit	Profit for the period	Total comprehensive income
KR Motors Co., Ltd.	36,841,547	(23,239,080)	(28,027,682)	(21,846,630)
KB KOLAO LEASING Co., LTD.	858,718	(976,066)	(986,451)	(1,094,174)

Associates	December 31, 2016			
	Current assets	Non-current assets	Current liabilities	Non-current liabilities
KR Motors Co., Ltd.	64,420,340	68,716,338	58,798,058	14,542,656

Associates	Sales	Operating profit	Profit for the period	Total comprehensive income
KR Motors Co., Ltd.	75,454,045	(6,681,408)	(8,763,213)	(10,464,151)

- (*1) Above financial information reflects the adjustments of differences in accounting policies and fair value from acquisition of shares, prior to the elimination of the all intragroup transaction and goodwill.

- (6) The Group's investments in associates after reflecting the adjustment from net assets of associates as of December 31, 2017 and 2016, are as follows (Unit: USD):

A) KR Motors Co., Ltd.

	December 31, 2017	December 31, 2016
Net assets of associates (A)	50,308,057	59,795,964
Percentage of ownership (B)	24.70%	25.19%
Net assets of the Group (AxB)(*1)	9,244,143	13,230,804
(+) Goodwill	25,999,481	25,382,170
(-) Elimination of the all intra group transaction	(136,197)	(356,275)
(-) Impairment loss	(3,116,371)	-
Ending balance	31,991,056	38,256,699

- (*1) The amounts are the adjusted net assets, which include consideration for conversion rights of non-controlling interests and others.

B) KB KOLAO LEASING Co., LTD.

	December 31, 2017
Net assets of associates (A)	8,905,826
Percentage of ownership (B)	20.00%
Net assets of the Group (AxB)	1,781,167
(+) Goodwill	-
(-) Elimination of the all intra group transaction	-
Ending balance	1,781,167

14. OTHER NON-CURRENT ASSETS:

The Group's other non-current assets as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Advance payments	-	126,393
Prepaid expenses	14,117,757	9,494,847
	14,117,757	9,621,240

15. PROPERTY, PLANT AND EQUIPMENT:

- (1) Property, plant and equipment as of December 31, 2017 and 2016, are as follows (Unit: USD):

	December 31, 2017			December 31, 2016		
Description	Acquisition costs	Accumulated depreciation	Ending balance	Acquisition costs	Accumulated depreciation	Ending balance
Buildings	86,264,136	(16,551,357)	69,712,779	72,087,543	(12,737,075)	59,350,468
Vehicles	16,790,972	(8,469,286)	8,321,686	14,559,042	(5,893,498)	8,665,544
Tools and equipment	7,072,370	(3,613,259)	3,459,111	5,199,196	(2,789,173)	2,410,023
Office equipment	3,954,520	(2,674,425)	1,280,095	3,343,022	(2,132,355)	1,210,667
Other tangible assets	731,445	(326,850)	404,595	441,243	(231,261)	209,982
Construction in progress	839,741	-	839,741	594,388	-	594,388
	115,653,184	(31,635,177)	84,018,007	96,224,434	(23,783,362)	72,441,072

- (2) Changes in the Group's property, plant and equipment for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017						Ending balance
	Beginning balance	Acquisition	Transfer (*1,2)	Disposal	Depreciation	Others(*3)	
Buildings	59,350,468	14,176,592	-	-	(3,814,281)	-	69,712,779
Vehicles	8,665,544	1,428,253	1,140,777	(159,864)	(2,748,735)	(4,289)	8,321,686
Tools and equipment	2,410,023	1,599,020	-	-	(817,041)	267,109	3,459,111
Office equipment	1,210,667	600,891	-	(1,803)	(542,879)	13,219	1,280,095
Other tangible assets	209,982	290,202	-	-	(95,589)	-	404,595
Construction in progress	594,388	385,766	(140,413)	-	-	-	839,741
	<u>72,441,072</u>	<u>18,480,724</u>	<u>1,000,364</u>	<u>(161,667)</u>	<u>(8,018,525)</u>	<u>276,039</u>	<u>84,018,007</u>

(*1) The amounts transferred from inventories to vehicles are \$1,140,777.

(*2) The amounts transferred from construction in progress to intangible assets are \$ 140,413.

(*3) Others include the effect of foreign exchange differences, transfers from acquisitions due to business combination.

(*4) Property, plant and equipment of Auto World (KOLAO Developing) Co., Ltd., a subsidiary of the Group, are pledged as collateral for short-term borrowings (Note 39).

Description	December 31, 2016						Ending balance
	Beginning balance	Acquisition	Transfer (*1)	Disposal	Depreciation	Others(*2)	
Land	3,224,310	-	-	(3,251,433)	-	27,123	-
Buildings	50,468,561	-	12,420,642	(42,619)	(3,496,471)	355	59,350,468
Vehicles	8,046,961	346,287	2,831,820	(112,446)	(2,447,078)	-	8,665,544
Tools and equipment	1,637,954	842,932	526,738	-	(597,601)	-	2,410,023
Office equipment	1,264,604	485,777	-	(8,810)	(532,181)	1,277	1,210,667
Other tangible assets	265,231	-	-	-	(55,249)	-	209,982
Construction in progress	7,922,034	7,208,960	(14,536,606)	-	-	-	594,388
	<u>72,829,655</u>	<u>8,883,956</u>	<u>1,242,594</u>	<u>(3,415,308)</u>	<u>(7,128,580)</u>	<u>28,755</u>	<u>72,441,072</u>

(*1) The amounts transferred from inventories to vehicles are \$2,767,820 and the amounts transferred from property, plant and equipment to investment property and intangible assets are USD 1,283,502 and USD 241,724, respectively.

(*2) Others include the effect of foreign exchange differences, transfers from acquisitions due to business combination.

16. INVESTMENT PROPERTY:

- (1) Investment property as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017			December 31, 2016		
	Acquisition costs	Accumulated depreciation	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Buildings	2,775,621	(704,574)	2,071,047	2,775,621	(565,793)	2,209,828

- (2) Changes in the Group's investment property for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017				
	Beginning balance	Acquisition	Transfer	Depreciation	Ending balance
Buildings	2,209,828	-	-	(138,781)	2,071,047

Description	Beginning balance	December 31, 2016			Ending balance
		Acquisition	Transfer (*1)	Depreciation	
Buildings	1,065,107	-	1,283,502	(138,781)	2,209,828

(*1) The amounts transferred from property, plant and equipment to buildings are \$1,283,502.

(3) Details of income and expenditure for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Rental income	67,200	86,200

(4) The fair value of investment property cannot be determined since comparable market transactions are infrequent and alternative reliable estimates of fair value are not available.

(5) The investment property is property directly held by the Group.

17. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017				December 31, 2016		
	Acquisition costs	Accumulated amortization	Accumulated impairment	Net balance	Acquisition costs	Accumulated amortization	Net balance
Software	723,134	(203,989)	-	519,145	323,505	(89,997)	233,508
Development cost	11,714,240	(2,985,267)	(1,575,134)	7,153,839	10,110,282	(1,952,740)	8,157,542
	12,437,374	(3,189,256)	(1,575,134)	7,672,984	10,433,787	(2,042,737)	8,391,050

(2) Changes in the Group's intangible assets for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017						Ending balance
	Beginning balance	Acquisition	Amortization(*1)	Impairment	Transfer(*2)	Others	
Software	233,508	585,361	(157,478)	-	140,413	(282,659)	519,145
Development cost	8,157,542	1,603,959	(1,069,333)	(1,575,134)	36,805	-	7,153,839
	8,391,050	2,189,320	(1,226,811)	(1,575,134)	177,218	(282,659)	7,672,984

(*1) The amounts allocated to cost of sales are \$ 1,069,333.

(*2) The amounts transferred from construction in progress to software are \$140,413.

Assets	December 31, 2016					Ending balance
	Beginning balance	Acquisition	Amortization	Transfer(*1)	Others	
Software	35,526	1,390	(44,422)	241,724	(710)	233,508
Development cost	4,070,974	5,069,113	(982,545)	-	-	8,157,542
	4,106,500	5,070,503	(1,026,967)	241,724	(710)	8,391,050

(*1) The amounts transferred from construction in progress to software are \$241,724.

(3) Development Costs of intangible assets as of December 31, 2017 are as follows (Unit: USD):

Description	Book value	Residual useful lives (*1)
Developing(Automobile)	5,059,851	-
Amortizing(Automobile)	2,093,988	34months
	<u>7,153,839</u>	

(*1) Since the residual amortization period differs for each project, the residual useful lives of the development cost is weighted averaged at the end of reporting period.

(4) Research and development expenditures for the year ended December 31, 2017 are as follows (Unit: USD):

Description	December 31, 2017
Development costs (Intangible assets)	1,603,959
Research and development costs (*1)	86,751
	<u>1,690,710</u>

(*1) The Group recognised the research and development expenses as selling and administrative expenses.

(5) Impairment loss of development costs recognized as of 31 December, 2017 is as follows (Unit: USD):

Description	December 31, 2017				
	Acquisition Costs	Accumulated amortization	Impairment loss	Accumulated impairment	Ending balance
Developing	5,373,952	-	(314,101)	(314,101)	5,059,851
Amortizing	6,340,288	(2,985,267)	(1,261,033)	(1,261,033)	2,093,988
	<u>11,714,240</u>	<u>(2,985,267)</u>	<u>(1,575,134)</u>	<u>(1,575,134)</u>	<u>7,153,839</u>

The development costs of the discontinued and poor performance expected projects were recognized as impairment losses.

18. OPERATING LEASE ARRANGEMENTS:

(1) The Group as lessee

The Group has 61 lease contracts as of December 31, 2017, which are accounted for as operating leases. Details of the lease contracts that the Group have executed are as follows (Unit: USD):

Location	Leased assets	Issue month	Expiry month	Gross lease payments
Khammouane	Showroom land	Jun-09	Jun-19	29,403
Vientiane	Showroom land	Jun-09	Jun-19	68,600
Vientiane	Showroom	Sep-09	Sep-19	170,000
Vientiane	Showroom land	Oct-09	Sep-24	250,000
Champasak	Showroom land	Oct-10	Sep-25	182,400
Vientiane	Land	Dec-12	Nov-22	250,000
Khammouan	Showroom land	Mar-13	Mar-23	16,903
Vientiane	Showroom land	Aug-13	Aug-18	767
Vientiane	Showroom land	Aug-13	Aug-18	1,150
Vientiane	Showroom land	Aug-13	Aug-18	1,916
Vientiane	Showroom land	Aug-13	Aug-18	60,000
Vientiane	Showroom land	Aug-13	Aug-18	90,000
Vientiane	Showroom land	Aug-13	Aug-18	150,000
Savannakhet	Showroom land	Dec-13	Dec-18	1,200,000
Savannakhet	Factory land	Jun-14	Jun-19	1,000,000

Location	Leased assets	Issue month	Expiry month	Gross lease payments
Vientiane	Showroom land	Sep-14	Sep-19	240,000
Vientiane	Office land	Oct-14	Apr-22	30,000
Vientiane	Showroom land	Jan-15	Dec-24	248,000
Vientiane	AS Center land	Jan-15	Dec-22	308,864
Vientiane	Showroom land	Jan-15	Dec-24	372,000
Luangnamtha	Showroom	Feb-15	Jan-31	960,000
Vientiane	Showroom land	Sep-15	Sep-18	27,000
Vientiane	Showroom land	Dec-15	Nov-20	132,000
Vientiane	Office	Dec-15	Nov-20	3,713,256
Vientiane	Showroom land	Mar-16	Dec-20	2,819,040
Vientiane	Office	Apr-16	Dec-20	928,800
Vientiane	Showroom land	Apr-16	Dec-20	1,310,400
Champasak	AS Center land	May-16	Dec-25	2,000,000
Vientiane	Showroom	Jun-16	Dec-25	15,000
Vientiane	Showroom	Jun-16	Dec-25	45,000
Vientiane	Showroom	Jun-16	Dec-25	90,000
Vientiane	Buildings	Dec-16	Jan-19	6,000
Vientiane	Buildings	Dec-16	Jan-19	181,229
Vientiane	Office	Jan-17	Jan-18	11,286
Khammouan	KOLAO CARE land	Jan-17	Jan-37	270,000
Savannakhet	Dormitory	Feb-17	Feb-18	306
Savannakhet	Dormitory	Feb-17	Feb-18	2,138
Savannakhet	Dormitory	Feb-17	Feb-18	2,444
Savannakhet	Dormitory	Feb-17	Feb-18	2,749
Phoumuang	Parking lot	Feb-17	Feb-18	5,734
Vientiane	Office	Feb-17	Feb-18	10,494
Savannakhet	Dormitory	Feb-17	Feb-18	10,998
Vientiane	AS Center land	Feb-17	Feb-19	2,024,400
Vientiane	Dormitory	Mar-17	Mar-22	72,000
Vientiane	Training Center land	Mar-17	Mar-22	126,000
Vientiane	Showroom	Apr-17	Apr-22	157,500
Vientiane	Showroom	May-17	May-18	140,000
Vientiane	Showroom land	Jun-17	Jun-18	30,000
Vientiane	Showroom land	Jun-17	Jun-22	295,000
Vientiane	Office	Jul-17	Jul-20	218,837
Vientiane	Showroom land	Jul-17	Jul-18	500,000
Bolikhamxay	KOLAO CARE land	Aug-17	Nov-29	663,731
Champasak	KOLAO CARE land	Aug-17	Nov-29	909,558
Luangnamtha	KOLAO CARE land	Aug-17	Nov-29	221,244
Luangprabang	KOLAO CARE land	Aug-17	Nov-29	921,849
Oudomxay	KOLAO CARE land	Aug-17	Nov-29	565,401
Vientiane	KOLAO CARE land	Aug-17	Nov-29	626,858
Ware house	KOLAO CARE land	Aug-17	Nov-29	368,740
Xayyabuly	KOLAO CARE land	Aug-17	Nov-29	335,553
Xiengkuang	KOLAO CARE land	Aug-17	Nov-29	614,566
Vientiane	Parking lot	Jul-17	Jul-22	650,000
				<u>26,655,114</u>

When the operating lease contract is terminated, it can be renewed with both parties' consent. Both parties can also change the amount of lease payments considering financial condition at the time of renewing the lease contract. However, the Group does not have an option to purchase the leased land at the expiry of the lease periods.

According to the operating lease contract, the Group recognized as lease expenses amounting to \$4,258,195 and \$5,956,503 for the years ended December 31, 2017 and 2016, respectively.

Minimum lease payments that the Group will make subsequently as of December 31, 2017, are as follows (Unit: USD):

<u>Description</u>	<u>Minimum lease payments</u>
January 1, 2018- December 31, 2018	5,437,085
January 1, 2019- December 31, 2022	8,111,833
January 1, 2023 and thereafter	4,430,522
	<u>17,979,440</u>

The prepaid amounts for minimum lease payment are \$17,979,440 as of December 31, 2017.

(2) The Group as lessor

The Group provides the investment property to a lessee under operating lease, and the leases terms are five years and seven years. The lessee has the option to continue to lease the asset for 30 years and does not have the purchase option at the expiration of the lease term.

Minimum lease payments that the Group will make subsequently as of December 31, 2017, are as follows (Unit: USD):

<u>Description</u>	<u>Minimum lease payments</u>
January 1, 2018 and thereafter	13,000

The Group recognized the advance received for minimum lease payments amounting to \$7,200 as other current liabilities (rental income received in advance) in the consolidated statements as of December 31, 2017.

19. TRADE PAYABLES:

Details of the Group's trade payables as of December 31, 2017 and 2016, are as follows (Unit: USD):

<u>Description</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Trade payables	37,140,805	56,720,155

20. BORROWINGS:

(1) Borrowings as of December 31, 2017 and 2016, are as follows (Unit: USD):

<u>Description</u>	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Short-term borrowings	89,517,080	-	72,380,979	-
Long-term borrowings	-	26,424,685	-	-
Debentures	19,445,760	25,162,343	58,854,030	-
	<u>108,962,840</u>	<u>51,587,028</u>	<u>131,235,009</u>	<u>-</u>

(2) Details of the Group's borrowings as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Creditor	December 31, 2017			December 31, 2016	
		Interest rate	Current	Non-current	Current	Non-current
L/C TR	ANZ Bank (LAO) Limited	-	-	-	6,904,657	-
L/C TR	Indochina Bank Co., Ltd.(*1)	9.00%	10,787,778	-	10,497,783	-
L/C TR	VIETIN Bank (*1)	7.1%	33,917,994	-	34,432,897	-
L/C TR	Military Commercial Joint Stock Bank (*1)	6.06%~7.42%	14,019,974	-	11,545,642	-
L/C TR	Cathay Bank(*2)	6.03%~6.14%	5,630,893	-	-	-
L/C, TR	First Bank(*1)	6.75%~7.5%	3,778,506	-	-	-
General loans	Cathay Bank (*2)	5.91%	7,041,720	-	-	-
General loans	First Bank(*1)	6.25%~6.50%	4,340,215	-	-	-
General loans	Joint Development Bank (*3)	8.00%	10,000,000	-	-	-
General loans	HANA Bank (*4)	3 month LIBOR Rate+1.62%	-	9,000,000	9,000,000	-
Loans on trade receivables collateral	Meritzs Securities(*4, 5)	6.00%	-	17,424,685	-	-
			<u>89,517,080</u>	<u>26,424,685</u>	<u>72,380,979</u>	<u>-</u>

(*1) Payment guarantees and collateral of land and others are provided by the major shareholder (Note 38).

(*2) Payment guarantees are provided by the major shareholder and the Group provided collateral for the Group's PP&E (Note 15).

(*3) The Group provided collateral for the Group's inventories (Note 11).

(*4) Payment guarantees and collateral of securities are provided by major shareholder. And, the group provided collateral for the Group's short-term financial instruments and investment in associates (Notes 38 and 39).

(*5) Trade receivables of \$28,000,747 of Auto World (KOLAO Developing) Co., Ltd., a subsidiary of the Group, are pledged as collateral for long-term borrowings (Note 6 and 39).

(3) Details of the Group's debenture as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017				December 31, 2016	
	Interest rate	Maturity	Current	Non-current	Current	Non-current
8 th Private placed bond (*1)	-	Mar-17	-	-	5,792,305	-
10 th Private placed bond (*1)	-	Jun-17	-	-	7,447,249	-
12 nd Private placed bond (*1)	-	Sep-17	-	-	4,137,360	-
15 th Private placed bond (*1)	5.90%	Jun-18	8,400,224	-	-	-
17 th Private placed bond (*1)	5.80%	Feb-18	6,533,508	-	-	-
18 th Private placed bond (*1)	5.80%	Mar-18	1,866,716	-	-	-
19 th Private placed bond (*1)	5.80%	Jun-18	2,800,075	-	-	-
CGIF Secured private placed bond	-	Aug-18	-	-	41,724,000	-
Private placed bond	5.5%	Aug-20	-	25,700,000	-	-
Less discount on debentures			<u>(154,763)</u>	<u>(537,657)</u>	<u>(246,884)</u>	<u>-</u>
			<u>19,445,760</u>	<u>25,162,343</u>	<u>58,854,030</u>	<u>-</u>

(*1) Payment guarantees are provided by the major shareholder (Note 38).

21. DERIVATIVES LIABILITIES:

Details of the Group's derivatives liabilities as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Financial liabilities at FVTPL				
Currency Swap (*1,2)	-	746,299	6,952,737	-

(*1) Payment guarantees and collateral of securities are provided by the major shareholder. (Notes 38, 39)

(*2) Some of short-term financial instruments and investments in associates are pledged as collateral (Notes 38, 39).

22. PROVISIONS:

(1) Details of the Group's provisions as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017			December 31, 2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Provisions for product warranties	1,147,299	991,008	2,138,307	711,391	1,361,288	2,072,679
Provisions for return products	35,024	-	35,024	107,684	-	107,684
	<u>1,182,323</u>	<u>991,008</u>	<u>2,173,331</u>	<u>819,075</u>	<u>1,361,288</u>	<u>2,180,363</u>

As the Group provides repair service, free of charge, for a certain period to customers who purchased its products, estimated costs of future repair service are accounted for as provisions for product warranties. In addition, the Group records the gross profit from estimated return on product sales as a provision for return products.

(2) Changes in the Group's provisions for product warranties for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Beginning balance	2,072,679	2,575,760
Increase in provisions (*1)	4,891,701	(496,468)
Use of provisions	(4,826,073)	(6,613)
Ending balance	<u>2,138,307</u>	<u>2,072,679</u>

(*1) The Group recognized as a separate receivable reimbursement to be most likely received from 3rd parties and adjusted the change in receivables in Transfer to Provision for product warranties. As a result, \$281,073 was deducted from the current year's provision for product warranties and \$1,189,310 was included in the prior year's provision for product warranties (Note 31).

(3) Changes in the Group's provisions for return products for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Beginning balance	107,684	110,424
Increase (reversal) in provisions	(72,660)	(2,740)
Use of provisions	-	-
Ending balance	<u>35,024</u>	<u>107,684</u>

23. OTHER FINANCIAL LIABILITIES:

Details of the Group's other financial liabilities as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Other account payables	9,087,101	192,572
Accrued expenses	5,653,205	6,671,279
Security deposit	142,993	252,645
	<u>14,883,299</u>	<u>7,116,496</u>

24. OTHER CURRENT LIABILITIES:

Other current liabilities of the Group as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Withholdings	414,350	79,387
Advances received	1,025,982	621,862
Rental income received in advance	101,491	113,234
Value-added taxes withheld	61,076	1,643,881
Consumption taxes withheld	22,171	1,823,454
	<u>1,625,070</u>	<u>4,281,818</u>

25. CAPITAL AND OTHER ISSUED CAPITAL:

(1) Details associated with the Company's share capital as of December 31, 2017 and 2016, are as follows:

Description	December 31, 2017	December 31, 2016
Number of shares authorized (*1)	160,000,000 shares	160,000,000 shares
Par value	\$ 0.25	\$ 0.25
Number of shares issued	47,869,508 shares	47,869,508 shares
Share capital	\$ 11,967,377	\$ 11,967,377

(*1) Preferred stock of 40,000,000 shares are included in the number of authorized shares as of December 31, 2017 and 2016 (same as the ordinary shares of par value).

(2) Share capital is unchanged for the years ended December 31, 2017 and 2016.

(3) Details associated with the Company's other issued capital as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Paid-in capital in excess of par value	144,934,903	144,934,903
Stock options	1,164,995	1,737,364
Treasury	(9,614,151)	(9,614,151)
Gains on sale of treasury	748	748
	<u>136,486,495</u>	<u>137,058,864</u>

- (4) Changes in other issued capital for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Beginning balance (*1)	137,058,864	136,833,843
Stock option	(572,369)	464,435
Acquisition of treasury stock	-	(239,414)
Ending balance (*1)	<u>136,486,495</u>	<u>137,058,864</u>

(*1) The Group has treasury stock of 596,230 shares as of December 31, 2017.

26. SHARE-BASED PAYMENT:

As of December 31, 2017, the Group granted stock options with the grant date May 27, 2013, and the vesting conditions for the stock options are for them to remain in employment for three years from the grant date to some employees.

The fair value was calculated based on the option-pricing model applying the following parameters.

	Description
Grant date	May 27, 2013
Stock price at grant date	KRW 31,850
Exercise price	KRW 30,782
Expected volatility	0.344948297
Option maturity	May 26, 2018
Risk-free rate applied	2.70%

The numbers of granted stock options are 116,000 shares as of December 31, 2017.

27. RETAINED EARNINGS AND DIVIDENDS:

- (1) Changes in retained earnings of the Group for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Beginning balance	214,568,121	181,581,764
Payment of dividends	(5,082,693)	(4,053,755)
Profit of owners of the parent for the year	<u>13,164,209</u>	<u>37,040,112</u>
Ending balance	<u>222,649,637</u>	<u>214,568,121</u>

(2) Details of the paid dividends for the years ended December 31, 2017 and 2016, are as follows:

Description	December 31, 2017	
	Cash dividend	
Number of issued shares		47,869,508 shares
Number of shares entitled to dividends		47,869,508 shares
Dividends per share	KRW	120
Amount of dividends	\$	5,082,693

Description	December 31, 2016	
	Cash dividend	
Number of issued shares		47,869,508 shares
Number of shares entitled to dividends		47,869,508 shares
Dividends per share	KRW	100
Amount of dividends	\$	4,053,755

(3) The dividends were proposed before the date of approving consolidated financial statements, but they are subject to approval at the general meeting of shareholders and have not been recorded as a liability. Details of the proposed dividends are as follows:

	Cash dividend	
Number of issued shares		47,869,508 shares
Number of shares entitled to dividends		47,273,278 shares
Dividends per share	KRW	120
Amount of dividends	\$	5,294,748

28. **OTHER EQUITY:**

Changes in other equity of the Group for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017		
	Gains on valuation of AFS financial assets	Changes due to associate's equity changes	Exchange differences on translating foreign operations
Beginning balance	2,133,526	(1,689,486)	-
Changes	(744,721)	1,450,949	(3,801)
Ending balance	<u>1,388,805</u>	<u>(238,537)</u>	<u>(3,801)</u>

Description	December 31, 2016		
	Gains on valuation of AFS financial assets	Changes due to associate's equity changes	Exchange differences on translating foreign operations
Beginning balance	281,786	(1,414,766)	(107,879)
Changes	<u>1,851,740</u>	<u>(274,720)</u>	<u>107,879</u>
Ending balance	<u>2,133,526</u>	<u>(1,689,486)</u>	<u>-</u>

29. REVENUES:

Revenues for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

		Year ended December 31,	
Description		2017	2016
	Merchandise	179,701,196	171,355,394
Automobile	Finished goods	85,657,419	126,219,146
	Export	10,807,953	12,447,143
Motorcycle		4,889,218	8,724,246
Wholesale		4,364,122	9,892,014
AS		6,975,424	7,577,389
Others		2,296,989	1,853,183
		<u>294,692,321</u>	<u>338,068,515</u>

30. EXPENSES CLASSIFICATION ACCORDING TO NATURE:

Details of expenses classified according to nature for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

December 31, 2017			
Description	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventories	161,102,978	-	161,102,978
Finished goods	(3,866,573)	-	(3,866,573)
Work in progress	(4,617,700)	-	(4,617,700)
Merchandise	169,587,251	-	169,587,251
Use of raw materials	54,333,078	-	54,333,078
Salaries	7,254,750	18,068,647	25,323,397
Depreciation	2,816,865	5,201,660	8,018,525
Amortization	1,069,333	157,478	1,226,811
Taxes and dues	6,244,139	1,460,195	7,704,334
Supplies	5,325,347	1,378,649	6,703,996
Others	<u>12,929,212</u>	<u>37,363,657</u>	<u>50,292,869</u>
	<u>251,075,702</u>	<u>63,630,286</u>	<u>314,705,988</u>

December 31, 2016			
Description	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventories	153,027,773	-	153,027,773
Finished goods	(3,602,241)	-	(3,602,241)
Work in progress	(2,719,429)	-	(2,719,429)
Merchandise	159,349,443	-	159,349,443
Use of raw materials	93,933,573	-	93,933,573
Salaries	6,252,091	17,434,195	23,686,286
Depreciation	2,542,009	4,586,571	7,128,580
Amortization	-	1,026,967	1,026,967
Taxes and dues	995,785	421,847	1,417,632
Supplies	2,033,548	898,135	2,931,683
Others	<u>11,996,469</u>	<u>25,223,903</u>	<u>37,220,372</u>
	<u>270,781,248</u>	<u>49,591,618</u>	<u>320,372,866</u>

31. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

The Group's selling, general and administrative expenses for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Salaries	18,068,647	17,434,195
Entertainment	747,489	817,106
Advertisement	743,908	890,935
Sales promotion cost	4,026,033	5,599,387
Sales commission	4,866,609	864,749
Increase (decrease) of provisions for product warranties	4,610,628	(1,685,778)
Lease	6,329,346	6,662,369
Depreciation	5,201,660	4,586,571
Amortization	157,478	1,026,967
Taxes and dues	1,460,195	421,847
Supplies	1,378,649	898,135
Fees and charges	7,370,990	5,632,523
Other	8,668,654	6,442,612
	<u>63,630,286</u>	<u>49,591,618</u>

32. OTHER INCOME AND EXPENSES:

The Group's other income and expenses for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Other income		
Gain on foreign currency exchange transactions and translation	1,958,887	2,330,005
Rental income	67,200	86,200
Gain on disposal of property, plant and equipment	90,305	591,855
Interest income of installment sale	56,816,356	33,210,423
Miscellaneous income	1,204,799	1,158,142
	<u>60,137,547</u>	<u>37,376,625</u>

Description	Year ended December 31,	
	2017	2016
Other expenses		
Loss on foreign currency exchange transactions and translation	2,798,833	876,624
Other bad debt expenses	-	4,828,000
Loss on disposal of property, plant and equipment	38,218	10,877
Depreciation in investment property	138,781	138,781
Loss on impairment of intangible assets	1,575,134	-
Loss on disposal of intangible assets	51,199	-
Loss on disposal of trade receivables	638,190	-
Loss on disposal of investments in subsidiaries	-	66,928
Donation	398,862	354,405
Miscellaneous expenses	1,273,107	166,734
	<u>6,912,324</u>	<u>6,442,349</u>

33. **FINANCIAL INCOME AND EXPENSES:**

(1) The Group's finance income for the years ended December 31, 2017 and 2016, is as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Interest income	495,352	466,168
Gain on transaction of derivative	922,536	28,567
Gain on valuation of financial assets at FVTPL	373,207	-
Gain on derivative valuations	1,553,377	-
Gain on foreign currency exchange transactions and translation	759,477	2,299,862
	<u>4,103,949</u>	<u>2,794,597</u>

(2) The Group's finance expenses for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Interest expenses	10,274,652	9,763,123
Loss on valuation of financial assets at FVTPL	-	306,054
Loss on derivative valuations	746,299	552,064
Loss on transaction of derivative	12,012	-
Loss on repayment of debenture	-	44,695
Loss on foreign currency exchange transactions and translation	5,968,078	2,226,631
	<u>17,001,041</u>	<u>12,892,567</u>

34. INCOME TAX EXPENSE:

- (1) Details of the Group's income tax receivable and income tax payable as of December 31, 2017 and 2016, are as follows (Unit: USD):

Description	December 31, 2017	December 31, 2016
Income tax receivable	486,229	142,436
Income tax payable	265,071	66,880

The Parent Company was established in the Cayman Islands, and corporate income tax is exempt in full. Subsidiaries of the Group will be required to corporate income tax to their respective local tax authority in accordance with the laws of the country they are respectively located in. The difference between the respective fiscal year's accounting income and taxable income is recognized as deferred tax assets (liabilities) in consideration of realizability when added, or deducted, at the time future taxable income is determined.

Meanwhile, in the case of subsidiaries based on Laos, such as Auto World (KOLAO Developing) Co., Ltd., taxable income and corporate income tax are determined after the end of the respective fiscal year in accordance with the local laws and tax authority of Laos. However, because the difference between the respective fiscal year's accounting income and taxable income does not impact future taxable income when added, or deducted, at the time future taxable income is determined and deferred income tax assets (liabilities) are not recognized.

- (2) The comparison between income and income tax expense for the years ended December 31, 2017 and 2016, is as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Profit before income tax expense	12,379,043	36,128,721
Income tax expense	369,109	267,234
Effective tax rate	2.98%	0.74%

35. EARNINGS PER SHARE:

The Group's earnings per share for the years ended December 31, 2017 and 2016, are as follows:

Description	Year ended December 31,	
	2017	2016
Profit attributable to owners of the parent (USD)	13,164,209	37,040,112
Weighted-average number of shares (shares)	47,273,278	47,308,353
Basic and diluted earnings per share (USD)	0.28	0.78

Diluted net earnings per share for the years ended December 31, 2017 and 2016, are equal with basic earnings per share, respectively, arising from no-dilutive effect.

36. NON-CASH TRANSACTIONS:

(1) Major non-cash transactions that were not included in the consolidated statements of cash flows for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Transfer to vehicles from inventories	1,140,777	2,767,820
Transfer to loans from trade receivables	-	1,600,000
Reclassification of the current portion of long-term trade receivables	188,912,389	-
Transfer to buildings from construction in progress	-	14,536,607
Transfer to intangible assets from construction in progress	140,413	-
Transfer to investment property from property	-	1,283,502
Other accounts receivables from disposal of property	-	15,173
Payables due to acquisition of property	6,756,462	-
Transfer to current prepaid expenses from non-current prepaid expenses	1,370,142	3,121,011
Transfer to short-term borrowing from long-term borrowing	-	41,486,776
Transfer to current derivatives from non-current derivatives	-	6,400,673
Transfer to investments in subsidiary from advance payments	1,000,000	-
Debt-equity swap of short-term loans	1,600,000	-

(2) Changes in liabilities arising from financial activities for the year ended December 31, 2017 are as follows:

Description	Beginning of the year	Cash flows from Financing activities	Changes from non-cash transactions			End of the year
			Effect of exchange rate changes	Interest expenses		
Short-term borrowings	72,380,979	17,234,044	(97,943)	-		89,517,080
Long-term borrowings	-	25,277,832	866,201	280,652		26,424,685
Debentures	58,854,030	(15,809,475)	796,212	767,336		44,608,103
	<u>131,235,009</u>	<u>26,702,401</u>	<u>1,564,470</u>	<u>1,047,988</u>		<u>160,549,868</u>

37. CONTINGENT LIABILITIES, PAYMENT GUARANTEES AND COMMITMENTS:

(1) Details of the Group's major contractual commitments for purchase as of December 31, 2017, are as follows:

<u>Contract counterparty</u>	<u>Contract term</u>	<u>Commitments for minimum purchase</u>	<u>Other</u>
Hyundai Motors	2017.1.1– 2018.12.31	2017.1.1–2017.12.31 : 4,500 cars 2018.1.1–2018.12.31 : 4,500 cars	Decision on whether to renew before the expiry of the contract period
Kia Motors	2017.12.1– 2020.11.30	2017.12.1–2018.11.30 : 2,400 cars 2018.12.1–2019.11.30 : 2,500 cars 2019.12.1–2020.11.30 : 2,600 cars	Decision on extending or renewing the contract by mutual consent four months before the expiration date

(2) The details of the Group's major commitments with financial institutions as of December 31, 2017, are as follows (Unit: USD):

<u>Financial institution</u>	<u>Agreement amounts</u>	<u>Used amounts</u>	<u>Description</u>
Indochina Bank Co., Ltd.	15,000,000	10,787,778	Comprehensive limit USANCE L/C, TR
Cathay Bank	12,000,000	5,630,893	"
Military commercial joint Stock Bank	20,000,000	14,019,974	"
Vietin bank	36,000,000	33,917,994	"
First Bank	10,000,000	3,778,506	"
Cathay Bank	10,000,000	7,041,720	Working capital loans
First Bank	4,340,215	4,340,215	"
Joint Development Bank	10,000,000	10,000,000	"
KEB Hana Bank	9,000,000	9,000,000	"
Meritz securities	18,667,164	18,667,164	"

(3) The Group has been charged with one litigation claim, which amount to KRW 1,000,000 thousand. The Group's management does not expect that the results from the litigation claim as no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

38. RELATED-PARTY TRANSACTIONS:

(1) The Group's related parties as of December 31, 2017, are as follows:

	<u>Related party</u>
Associate	KR Motors Co., Ltd.
Other related party	Kolao Farm Co., Ltd, Indochina Bank Co., Ltd IT&T Co., Ltd., KRM America.Inc., KR Global Networks Co., Ltd., etc.

(2) Details of transactions with related parties for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

Related party	Account	2017	2016
KR Motors Co., Ltd.	Cost of sales	1,453,004	21,249,224
	Financial income	119,697	9,972
	Financial expenses	-	193,742
GLOVIA Co., Ltd.	Cost of sales	4,110,452	10,458,917
	Selling, general and administrative expenses	58,272	36,569
KOLAO I-Tech Construction	Acquisition of property, plant and equipment	357,497	5,993,685
	Selling, general and administrative expenses	155,220	-
I-Furniture Lao Co., Ltd.	Acquisition of property, plant and equipment	6,197	328,507
	Selling, general and administrative expenses	90,251	-
KOLAO Resort Co., Ltd.	Selling, general and administrative expenses	175,702	8,734,169
Indochina Bank Co., Ltd.	Cost of sales	47,978	54,696
	Selling, general and administrative expenses	4,552	20,451
	Financial income	100	39
	Financial expenses	971,173	508,646
KLD Computer Co., Ltd. (K-plaza)	Acquisition of property, plant and equipment	17,051	71,117
	Selling, general and administrative expenses	71,517	59,077
Lanxang media Co., Ltd.	Selling, general and administrative expenses	6,617	125,448
Intervia Automobile Industry Complex Special Economic Zone Co., Ltd.	Financial income	387	-
KR Motors (Cambodia) Co., Ltd.	Financial income	610	-
Daehan Auto (Cambodia) Co., Ltd.	Financial income	6,824	-

(3) The outstanding balances with related parties as of December 31, 2017 and 2016, are as follows (Unit: USD):

Related party	Account	2017	2016
KR Motors Co., Ltd.	Other financial liabilities	3,921	-
	Trade payables	2,624,698	10,006,436
	Other receivables	54,368	-
Indochina Bank Co., Ltd.	Cash and cash equivalents	6,533,034	1,223,516
	Other receivables	28,000	16,000
Intervia Automobile Industry Complex Special Economic Zone Co., Ltd.	Other receivables	329	-
KR Motors (Cambodia) Co., Ltd.	Other receivables	518	-
Daehan Auto (Cambodia) Co., Ltd.	Other receivables	5,801	-

(4) Capital transactions with related parties for the years ended December 31, 2017 are as follows (Unit: USD):

Name	Account	Beginning balance	Increase	Decrease	Others	Ending balance
KR Motors Co., Ltd.	Financial assets at FVTPL	2,160,797	373,207	-	-	2,534,004
	Short-term loans	-	11,230,000	(5,930,000)	-	5,300,000
Indochina Bank Co., Ltd.	AFS financial assets	12,096,688	-	(744,721)	-	11,351,967
	Short-term borrowings	10,497,783	29,950,343	(29,660,348)	-	10,787,778
Intervia Automobile Industry Complex Special Economic Zone Co., Ltd.	Short-term loans	-	60,750	-	-	60,750
KR Motors (Cambodia) Co., Ltd.	Short-term loans	-	100,000	-	-	100,000
Daehan Auto (Cambodia) Co., Ltd.	Short-term loans	-	2,409,000	(2,409,000)	-	-

(5) Details of payment guarantees provided by the major shareholder as of December 31, 2017, are as follows (Notes 20 and 21) (Unit: USD):

Company	Description
Indochina Bank Co., Ltd.	L/C TR guarantee and collateral of land and others
Vietin Bank	L/C TR guarantee and collateral of land and others
Military Commercial Joint Stock Bank	L/C TR guarantee and collateral of land and others
Cathay Bank	L/C TR and general loans guarantee
First Bank	L/C TR and general loans guarantee and collateral of land and others
KEB Hana Bank	General loans guarantee and collateral of equity securities
Meritz Securities	Loans on trade receivables collateral guarantee and collateral of equity securities
KDB Bank	Private placed bond guarantee
CAPE Investment & Securities	Private placed bond guarantee
eBEST Investment & Securities	Private placed bond guarantee

(6) As of December 31, 2017, the payment guarantees and collateral the Group provided for the related parties are as follows (Unit: USD, thousand KRW)

Company	Description	Amount	Financial institution
KR Motors Co., Ltd.	Collateral of trade receivables	28,000,747	Meritz Securities
	Payment guarantees	KRW 12,000,000	

(7) Compensation of key management personnel

Compensation of directors and other members of key management personnel for the years ended December 31, 2017 and 2016, is as follows (Unit: USD):

Description	Year ended December 31,	
	2017	2016
Salaries	811,334	1,594,798
Share-based payment	(231,505)	89,204

39. COLLATERAL:

The Group's assets pledged as collateral to financial institutions for the Group's short-term and long-term borrowings as of December 31, 2017 are as follows (Unit: USD, thousand KRW):

<u>Collateral</u>	<u>Book value</u>	<u>Maximum claim (Collateralized amount)</u>	<u>Financial institution</u>	<u>Borrowings</u>
Short-term financial instruments	4,262,213	4,688,434		
Investments in associate	4,326,979	KRW 6,000,000	KEB Hana Bank	9,000,000
Short-term financial instruments	4,183,183			
Investments in associate	27,664,077			
Trade receivables	28,000,747	KRW 30,000,000	Meritzs Securities Joint Development	17,424,685
Inventories	10,000,000	10,000,000	Bank	10,000,000
Buildings	27,943,326	3,195,041	Cathay Bank	12,672,613

40. FINANCIAL RISK MANAGEMENT:

(1) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern, while maximizing the return to shareholders through the optimization of the debt and equity balance. In order to maintain such optimization of the debt and equity balance, the Group may adjust dividend payments, issue of shares and reduction of capital. The Group applied the same capital risk management strategy that was applied in the prior year.

The Group manages its capital based on the debt-to-equity ratio. This ratio is calculated by dividing total liabilities by capital in the consolidated statements of financial position. Debt-to-equity ratios for the years ended December 31, 2017 and 2016, are as follows (Unit: USD):

<u>Description</u>	<u>2017</u>	<u>2016</u>
Liabilities	217,383,743	208,553,458
Equity	<u>371,213,101</u>	<u>362,485,427</u>
Debt-to-equity ratio	58.56%	57.53%

(2) The accounting policies and methods (including recognition, measurement and related gain (loss) recognition) adopted to the Group's financial assets, financial liabilities and equity are detailed in Note 2.

(3) Categories of financial instruments as of December 31, 2017 and 2016, are as follows (Unit: USD):

(Financial assets)

<u>Description</u>	<u>December 31, 2017</u>			
	<u>Financial assets at FVTPL</u>	<u>Loans and receivables</u>	<u>Financial assets AFS</u>	<u>Total</u>
Cash and cash equivalents	-	22,022,774	-	22,022,774
Short-term financial assets	-	9,164,206	-	9,164,206
Financial assets at FVTPL	2,534,004	-	-	2,534,004
Trade receivables (*1)	-	229,250,924	-	229,250,924
Other receivables (*1)	-	13,254,876	-	13,254,876
AFS financial assets	-	-	11,351,967	11,351,967
	<u>2,534,004</u>	<u>273,692,780</u>	<u>11,351,967</u>	<u>287,578,751</u>

Description	December 31, 2016			
	Financial assets at FVTPL	Loans and receivables	Financial assets AFS	Total
Cash and cash equivalents	-	6,734,767	-	6,734,767
Short-term financial assets	-	9,422,507	-	9,422,507
Financial assets at FVTPL	2,160,797	-	-	2,160,797
Trade receivables (*1)	-	295,661,709	-	295,661,709
Other receivables (*1)	-	5,926,318	-	5,926,318
AFS financial assets	-	-	12,096,688	12,096,688
	<u>2,160,797</u>	<u>317,745,301</u>	<u>12,096,688</u>	<u>332,002,786</u>

(*1) The receivables include all of the current and non-current assets.

(Financial liabilities)

Description	December 31, 2017		
	Financial liabilities at FVTPL	Other financial liabilities	Total
Trade payables	-	37,140,805	37,140,805
Borrowings (*1)	-	160,549,868	160,549,868
Derivatives liabilities (*1)	746,299	-	746,299
Other financial liabilities	-	14,883,299	14,883,299
	<u>746,299</u>	<u>212,573,972</u>	<u>213,320,271</u>

Description	December 31, 2016		
	Financial liabilities at FVTPL	Other financial liabilities	Total
Trade payables	-	56,720,155	56,720,155
Borrowings (*1)	-	131,235,009	131,235,009
Derivatives liabilities (*1)	6,952,737	-	6,952,737
Other financial liabilities	-	7,116,496	7,116,496
	<u>6,952,737</u>	<u>195,071,660</u>	<u>202,024,397</u>

(*1) Borrowings and derivatives liabilities include all of the current and non-current liabilities.

(4) Financial risk management

The Group is exposed to diverse financial risks, including market (foreign exchange, price and interest rate), credit and liquidity, as a result of its operating activities. The purpose of risk management of the Group is to identify the potential risks to financial performance and minimize those risks to a degree acceptable to the Group. The board of directors approved the Group's financial risk management policy to be managed by the Treasury department of the Group, which collaborates with other Sales departments to identify, assess and evade those financial risks. The Group applied the same financial risk management strategy that was applied in the prior period.

1) Market risk

(a) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's foreign exchange risk occurs when forecasted transactions and recognized assets and liabilities are not presented in USD that is a functional currency.

Except sales of the Group's motorcycle segment that are presented in BAHT and KIP, most of sales and operating costs are presented in USD. The Group's management believes that foreign exchange risk relating to motorcycle sales in USD is limited because the management maintains flexible prices for motorcycles in BAHT and KIP, considering exchange rate changes.

The Group does not have any hedging instrument to avoid foreign exchange risk, and in order to avoid transaction risk, it uses a method that allows amount received from, and paid to, each of currency to be the same. The Group's foreign assets and liabilities as of December 31, 2017 and 2016, are as follows (Unit: USD):

Currency	Foreign assets		Foreign liabilities	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
BAHT	504,860	13,000,973	-	-
KIP	8,011,148	6,774,834	20,150,327	5,193,371
KRW	10,408,641	642,366	19,445,760	17,480,201
SGD	9	-	267,723	42,260,724
MMK	1,228,211	552,635	172,078	128,993

i) In terms of functional currency as of December 31, 2017 and 2016, effects of a 10% change in exchange rate of each of foreign currencies on profit or loss are as follows (Unit: USD):

Currency	December 31, 2017		December 31, 2016	
	Increased by 10%	Decreased by 10%	Increased by 10%	Decreased by 10%
BAHT (BAHT/USD)	50,486	(50,486)	1,300,097	(1,300,097)
KIP (KIP/USD)	(1,213,918)	1,213,918	158,146	(158,146)
KRW (KRW/USD)	(903,712)	903,712	(1,683,783)	1,683,783
SGD (SDG/USD)	(26,771)	(26,771)	(4,226,072)	4,226,072
MMK (MMK/USD)	105,613	(105,613)	42,364	(42,364)

The above-sensitivity analysis was applied to monetary assets and liabilities denominated in foreign currencies other than the functional currency at the end of the reporting period.

ii) Currency swap

The group has entered into a currency swap contract in order to avoid the foreign exchange risk of foreign currency cash flow of long-term borrowings within the scope of the risk amount.

Details of currency swap contract that are not settled as of December 31, 2017, are as follows (Unit: USD, thousand KRW):

Name	Begin	End	Acquisition			Disposal		
			Currency	Amount	Interest rate	Currency	Amount	Interest rate
Hana Bank	Aug-17	Aug-20	USD	9,000,000	3 months Libor+1.62%	KRW	10,256,400	5.48%

(b) Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. The Group was exposed to price risk of its equity securities that were classified as AFS financial assets in the consolidated statements of financial position of the prior period. The Group has invested in non-marketable equity securities by exercising the management's judgments, and the Group does not have any separate investment strategy for equity securities. As of the end of the reporting period, the Group does not have any marketable AFS financial assets.

(c) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has financial liabilities, such as borrowings, as of the end of the reporting period, and therefore, it is exposed to interest rate risk. The Group's management has established diverse strategies to manage interest rate risk derived from refinancing and renewal of borrowings. As of the end of the reporting period, the Group does not have any liabilities that are exposed to interest rate risk.

2) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has adopted a policy of only dealing with reputable counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Customers' credit is evaluated upon their financial status, sales history and other factors. Based on this information, the Group limits the aggregate amount and receives security or certain amount of deposit from customers. The Group regularly monitors customers' credit ratings, checks on the counterparties' credit limit and readjusts deposit or aggregate amount of transactions. The Group concluded that credit risk exposure to any single counterparty is not material.

As of December 31, 2017, the Group's maximum exposure to credit risk is as follows (Unit: thousand KRW):

	December 31, 2017
Financial guarantee contract(*1) KRW	12,000,000

(*1) The maximum exposure of the Group to a financial guarantee contract is the maximum amount the Group is required to pay when the warranty is claimed.

Except for payment guaranties in Note 38, the book value of other financial assets represents the best estimate on the maximum exposure to credit risk.

3) Liquidity risk

Liquidity risk refers to risk caused by being unable to raise enough funds to fulfill all the terms of financial contracts by its maturity date. The Group creates short-term and long-term fund management plans, and analyzes and reviews actual cash outflow and its budget to correspond the maturity of financial liabilities and assets in order to manage liquidity. Management of the Group believes that financial liability may be redeemed by cash inflow arising from operating activities and financial assets. The Group's major commitments in order to further reduce the liquidity risk are detailed in Note 37 (2).

The Group's financial liabilities by residual contractual maturity as of December 31, 2017 and 2016, are classified as follows (Unit: USD):

	December 31, 2017			
Description	Less than one year	1 year–2 years	More than two years	Total
Trade payable	37,140,805	-	-	37,140,805
Short-term borrowings	91,788,890	-	-	91,788,890
Long-term borrowings	2,748,481	57,145,782	-	59,894,263
Private placed bond	19,993,340	-	-	19,993,340
Other financial liabilities	14,883,299	-	-	14,883,299
	<u>166,554,815</u>	<u>57,145,782</u>	<u>-</u>	<u>223,700,597</u>

	December 31, 2016			
Description	Less than one year	1 year–2 years	More than two years	Total
Trade payable	56,720,155	-	-	56,720,155
Short-term borrowings	73,575,523	-	-	73,575,523
Private placed bond	59,803,348	-	-	59,803,348
Other financial liabilities	7,116,496	-	-	7,116,496
	<u>197,215,522</u>	<u>-</u>	<u>-</u>	<u>197,215,522</u>

These amounts are the contractual undiscounted cash flows and are classified based on the earliest contractual maturity date.

The Group's derivative financial instruments by residual contractual maturity as of December 31, 2017, are classified as follows (Unit: USD):

Description	December 31, 2017			Total
	Less than one year	1 year – 2 years	More than two years	
Currency swap				
Increase	495,902	491,849	9,368,887	10,356,638
Decrease	527,469	523,157	9,965,263	11,015,889

41. FINANCIAL INSTRUMENTS:

(1) The fair values of financial instruments (i.e., financial assets held for trading and financial assets AFS) traded on active markets are determined with reference to quoted market prices. The Group uses the current bid price as the quoted market price for its financial assets.

The fair values of financial instruments not traded in active markets (i.e., non-marketable AFS financial assets) are determined using a valuation technique. The Group uses various valuation techniques and makes assumptions based on current market conditions at the end of the reporting period. The Group receives information about fair values from external evaluation agencies that are trustworthy in Korea, in order to use it for the Group's non-marketable AFS financial assets, payment guarantee liabilities and derivative financial instruments. The fair values of long-term liabilities are determined using market prices or dealer quotes for similar instruments. Where such prices are not available, a discounted cash flow analysis or other valuation technique is performed to measure their fair values.

The fair values of trade receivable and other receivables are approximated as their carrying value, less impairment loss. The Group estimates the fair values of financial liabilities as the present value of future contractual cash flows discounted, based on current market rates applied to similar financial instruments. Meanwhile, since the carrying amount that expires within 12 months is not materially affected by the discount effect, repayment at maturity is considered to approximate its fair value.

(2) The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3, based on the degree to which the fair value is observable:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The categorization of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement (Unit: USD):

Description	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investment in convertible bonds	-	2,534,004	-	2,534,004
AFS financial assets				
Unlisted equity securities	-	-	11,351,967	11,351,967
Financial liabilities at FVTPL				
Currency swap	-	746,299	-	746,299

Description	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investment in convertible bonds	-	2,160,797	-	2,160,797
AFS financial assets				
Unlisted equity securities	-	-	12,096,688	12,096,688
Financial liabilities at FVTPL				
Currency swap	-	6,952,737	-	6,952,737

There is no financial asset reclassified due to changes in purpose or use as of December 31, 2017 and 2016.

- (3) The following table gives information about how the fair values of these financial instruments, classified as Levels 2 and 3, are determined (in particular, the valuation technique(s) and inputs used) (Unit: USD):

Description	December 31, 2017			
	Fair value	Valuation method	Unobservable input	Range
Financial assets at FVTPL				
Investment in convertible bonds	2,534,004	DCF, Option Pricing model	Stock Volatility	17.83%
AFS financial assets				
Unlisted equity securities	11,351,967	DCF	Discount rate Growth rate	18.80% -
Financial liabilities at FVTPL				
Currency swap	746,299	DCF	n/a	n/a

- (4) Details of financial instruments that are classified as Level 3 for the year ended December 31, 2017, are as follows (Unit: USD):

Description	December 31, 2017							
	Beginning	Net income	Comprehensive income	Acquisition	Disposal	Reclassifying	Others	Ending
AFS financial assets:								
Unlisted equity securities	12,096,688	-	(744,721)	-	-	-	-	11,351,967

- (5) The Group recognizes transfer between levels when relevant events and changes in circumstances occur.

(6) In the current period, there are no changes in valuation techniques of financial instruments classified by Level 2 and Level 3. The Group judges that changes in unobservable inputs for reflecting reasonably possible general assumptions that do not bring significant changes of measured fair value.

(7) There are no significant changes in the economic environment or business circumstances that affect measurement on the fair value of the financial assets and liabilities.

- (8) There is no financial asset reclassified due to changes in purpose, or use, as of December 31, 2017.

42. EVENTS AFTER THE REPORTING PERIOD:

The Company acquired 60% of Daehan Motors Co., Ltd., whose main business is selling of automobiles, on January 29, 2018, with a value of \$ 7,500,000.

Independent Accountant's Review Report on Internal Accounting Control System ("IACS")

English Translation of a Report Originally Issued in Korean on March 22, 2018

To the Representative Director of
KOLAO Holdings:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of KOLAO Holdings (the "Company") as of December 31, 2017. The Management's Report and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report, based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2017, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2017, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, the objective of which is to obtain a lower level of assurance than an audit, of the Management's Report, in all material respects. A review includes obtaining an understanding of the Company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of consolidated financial statements prepared, in accordance with IFRS, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent, or detect, a material misstatement of the consolidated financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2017, and we did not review its IACS subsequent to December 31, 2017. This report has been prepared pursuant to Article 63-4 of the KOSPI Market Listing Regulation and the Acts on External Audit for Stock Companies in the Republic of Korea, and may not be appropriate for other purposes or for other users.

March 22, 2018

Notice to Readers

This report is annexed in relation to the audit of the consolidated financial statements as of and for the year ended December 31, 2017, and the review of internal accounting control system pursuant to Article 63-4 of the KOSPI Market Listing Regulation and Acts on External Audit for Stock Companies in the Republic of Korea.