

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2014 AND JUNE 30, 2013,
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying consolidated interim financial statements of KOLAO Holdings (the "Company") and its subsidiaries. The consolidated financial statements consist of the consolidated statements of financial position as of June 30, 2014, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in USD, for the six months ended June 30, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated interim financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent accountants' responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial statements based on our review.

We conducted our reviews in accordance with standards for review of consolidated interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of the Company are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards ("IFRS") 34, Interim Financial Reporting.



Others

We have given an opinion on the comparative consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of income, retained earnings, and cash flows on March 20, 2014, as fairly stated. There is no difference in terms of importance between comparative purpose consolidated financial position as of December 31, 2013 and current financial position.

A handwritten signature in blue ink that reads "Deloitte Anjan LLC". The signature is written in a cursive, flowing style.

August 29, 2014

Notice to Readers

This report is effective as of August 29, 2014, the accountants' review report date. Certain subsequent events or circumstances may have occurred between this review report date and the time the report is read. Such events or circumstances could significantly affect the accompanying consolidated interim financial statements and may result in modifications to the accountants' review report.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND JUNE 30, 2013

The accompanying consolidated interim financial statements including all footnote disclosures were prepared by and are the responsibility of the KOLAO Holdings.

Oh, Se Young
Chief Executive Officer
KOLAO Holdings

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2014 AND DECEMBER 31, 2013

	USD	
	June 30, 2014	December 31, 2013
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalent (Notes 33 and 34)	\$ 34,576,015	\$ 90,275,278
Short-term financial instruments(Note 33)	23,001,265	25,310,963
Financial assets at FVTPL(Note 6)	14,787,066	-
Trade receivables, net (Note 7)	77,278,873	56,067,106
Other receivables (Note 8)	945,448	276,189
Other current assets (Notes 9 and 33)	9,925,428	16,967,045
Income tax receivable (Note 22)	1,190,057	782,683
Inventories (Note 11)	71,377,756	67,335,640
TOTAL CURRENT ASSETS	233,081,908	257,014,904
NON-CURRENT ASSETS:		
Long-term trade receivables, net (Note 7)	40,740,647	17,839,097
AFS financial assets(Notes 12)	9,963,162	-
Investments in associates(Note 13)	14,832,347	-
Other receivables (Note 8)	6,006,682	2,143,892
Other non-current assets (Note 10)	4,356,769	4,559,891
Property, plant and equipment, net (Notes 14 and 18)	50,358,653	39,156,808
Investment property, net (Note 15)	1,164,813	1,198,049
Intangible assets, net(Note 16)	4,443,353	2,762,999
TOTAL NON-CURRENT ASSETS	131,866,426	67,660,736
TOTAL ASSETS	\$ 364,948,334	\$ 324,675,640
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES:		
Trade payables (Note 33)	\$ 9,910,642	\$ 16,632,149
Short-term borrowings(Notes 18 and 33)	48,237,668	20,437,670
Provisions (Note 19)	496,647	1,042,273
Other financial liabilities (Notes 20 and 33)	3,518,761	4,464,371
Other current liabilities (Note 21)	1,816,214	1,378,553
Income tax payable (Note 22)	37,170	-
TOTAL CURRENT LIABILITIES	64,017,102	43,955,016
NON-CURRENT LIABILITIES:		
Long-term borrowings (Note 18)	28,514,001	21,713,547
Provisions (Note 19)	335,006	1,042,456
TOTAL NON-CURRENT LIABILITIES	28,849,007	22,756,003
TOTAL LIABILITIES	\$ 92,866,109	\$ 66,711,019

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION(CONTINUED)

AS OF JUNE 30, 2014 AND DECEMBER 31, 2013

	USD	
	June 30, 2014	December 31, 2013
<u>EQUITY:</u>		
Share capital (Note 23)	\$ 11,967,377	\$ 11,290,000
Other issued capital (Notes 23 and 36)	144,361,334	145,102,488
Other equity(Note 25)	803,033	-
Retained earnings (Note 24)	114,497,145	101,045,650
Non-controlling interests	<u>453,336</u>	<u>526,483</u>
TOTAL EQUITY	<u>272,082,225</u>	<u>257,964,621</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 364,948,334</u>	<u>\$ 324,675,640</u>

(Concluded)

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	USD			
	2014		2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
SALES (Notes 5 and 26)	\$ 84,730,947	\$ 172,097,399	\$ 78,648,915	\$ 150,916,869
COST OF SALES (Notes 27 and 33)	(66,446,414)	(135,212,419)	(63,018,640)	(121,789,228)
GROSS PROFIT	18,284,533	36,884,980	15,630,275	29,127,641
Selling, general and administrative expenses (Notes 27, 28 and 33)	(10,728,485)	(20,812,655)	(8,244,448)	(14,683,566)
Other income (Notes 29 and 33)	703,681	1,640,985	676,010	1,515,086
Other expenses (Note 29)	(89,900)	(481,304)	(510,192)	(595,572)
OPERATING PROFIT	8,169,829	17,232,006	7,551,645	15,363,589
Financial income (Notes 30 and 33)	1,665,443	2,503,425	330,976	484,371
Financial expenses (Notes 30 and 33)	(3,415,234)	(4,429,397)	(1,402,390)	(1,654,373)
Loss on investments in associates (Note 13)	(490,675)	(490,675)	-	-
INCOME BEFORE INCOME TAX EXPENSE	5,929,363	14,815,359	6,480,231	14,193,587
Income tax expense (Note 22)	(235,137)	(246,112)	(97,344)	(105,481)
NET INCOME	5,694,226	14,569,247	6,382,887	14,088,106
OTHER COMPREHENSIVE INCOME:				
Items not to be reclassified subsequently to profit or loss:				
Gain (loss) on retained earnings of equity method	404,674	404,674	-	-
Items to be reclassified subsequently to profit or loss:				
Gain (loss) on retained earnings of equity method	403,880	403,880	-	-
Loss on currency translation for foreign operations	(4,307)	(5,521)	-	-
	804,247	803,033	-	-
TOTAL COMPREHENSIVE INCOME	6,498,473	15,372,280	6,382,887	14,088,106
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent	5,774,944	14,642,394	6,382,887	14,088,106
Non-controlling interests	(80,718)	(73,147)	-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	6,579,191	15,445,427	6,382,887	14,088,106
Non-controlling interests	(80,718)	(73,147)	-	-
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT:				
Basic and diluted earnings per share (Note 31)	0.12	0.31	0.15	0.33

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	USD					
	Share Capital	Other issued Capital	Other capital items	Retained Earnings	Non-controlling Interests	Total Equity
As of January 1, 2013	\$ 9,600,000	\$ 21,281,621	\$ -	\$ 76,713,078	\$ -	\$ 107,594,699
Payment of dividends	480,000	-	-	(961,995)	-	(481,995)
Stock options(Note 36)	-	25,953	-	-	-	25,953
Net income	-	-	-	14,088,106	-	14,088,106
As of June 30, 2013	<u>\$ 10,080,000</u>	<u>\$ 21,307,574</u>	<u>\$ -</u>	<u>\$ 89,839,189</u>	<u>\$ -</u>	<u>\$ 121,226,763</u>
As of January 1, 2014	\$ 11,290,000	\$ 145,102,488	\$ -	\$ 101,045,650	\$ 526,483	\$ 257,964,621
Payment of dividends	677,377	-	-	(1,190,899)	-	(513,522)
Stock options(Note 36)	-	144,922	-	-	-	144,922
Net income	-	-	-	14,642,394	(73,147)	14,569,247
Treasury stock	-	(886,076)	-	-	-	(886,076)
Changes in equity arising from equity method	-	-	808,554	-	-	808,554
Loss on foreign currency translation of oversea operations	-	-	(5,521)	-	-	(5,521)
As of June 30, 2014	<u>\$ 11,967,377</u>	<u>\$ 144,361,334</u>	<u>\$ 803,033</u>	<u>\$ 114,497,145</u>	<u>\$ 453,336</u>	<u>\$ 272,082,225</u>

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	USD	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows generated from operations:		
Net income	\$ 14,569,247	\$ 14,088,106
Adjustments to reconcile profit to net cash (used in) provided by operating activities:		
Bad debt expense	56,005	3,438
Depreciation	1,600,623	757,891
Depreciation in investment property	33,236	22,210
Amortization of intangible assets	63,645	4,683
Increase(decrease) of provisions for product warranties	(1,801)	815,878
Increase of provisions for return products	53,299	151,377
Income tax expense	246,112	105,481
Interest expenses	2,413,974	1,658,032
Loss on foreign exchange translation	1,515,988	145,943
Welfare expenses	-	2,655
Sales promotion cost	329,076	373,224
Stock option compensation cost	144,922	25,953
Loss on financial assets at FVTPL	580,356	-
Loss on investments in associates	490,675	-
Interest income	(1,645,953)	(488,029)
Rental income	(26,520)	(21,600)
Gain on disposal of property, plant and equipment	(11,086)	(20,594)
Gain on foreign exchange translation	(2,075,082)	(616,789)
	<u>3,767,469</u>	<u>2,919,753</u>
Movements in working capital:		
Increase in trade and other receivables	(46,966,946)	(24,717,294)
Decrease (increase) in other current assets	3,192,822	(11,194,372)
Decrease (increase) in other non-current assets	203,123	(278,333)
Decrease (increase) in inventories	(5,089,597)	3,533,809
Decrease in trade payables	(6,151,230)	(6,124,359)
Increase (decrease) in other current liabilities	297,911	(263,185)
Decrease in other financial liabilities	(1,548,446)	(29,721)
Decrease in provisions	(473,510)	(506,977)
	<u>(56,535,873)</u>	<u>(39,580,432)</u>
	(38,199,157)	(22,572,573)
Interest received	1,265,556	257,785
Interest paid	(3,047,512)	(1,168,808)
Income tax paid	<u>(464,735)</u>	<u>(125,764)</u>
Net cash used in operating activities	<u>(40,445,848)</u>	<u>(23,609,360)</u>

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS(CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	USD	
	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term financial instruments	\$ (9,004,194)	\$ -
Decrease in short-term financial instruments	11,413,548	-
Acquisition of financial assets at FVTPL	(13,892,748)	-
Increase in short-term loans	(116,965)	(87,318)
Decrease in short-term loans	87,511	106,800
Acquisition of AFS financial assets	(9,963,162)	-
Acquisition of investments in associates	(14,514,468)	-
Acquisition of property, plant and equipment	(9,228,349)	(11,860,100)
Disposal of property, plant and equipment	21,200	41,200
Acquisition of intangible assets	(1,743,999)	-
Increase in leasehold deposits	(84,234)	(45,149)
Net cash used in investing activities	(47,025,860)	(11,844,567)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	73,801,580	70,151,501
Repayment of long-term borrowings	(34,916,735)	(52,414,651)
Proceeds from bonds	8,528,381	33,214,876
Repayment of bonds	(14,213,968)	-
Payment of dividends	(513,522)	(481,995)
Acquisition of treasury stock	(886,076)	-
Net cash provided by financing activities	31,799,660	50,469,731
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(55,672,048)	15,015,804
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	90,275,278	14,593,699
EXCHANGE RATE FLUCTUATION EFFECT ON CASH AND CASH EQUIVALENTS	(27,215)	126,017
CASH AND CASH EQUIVALENTS, END OF THE PERIOD(Note 34)	34,576,015	29,735,520
(Concluded)		

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2014 AND DECEMBER 31, 2013
AND FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

1. THE COMPANY:

(1) Parent Company

Kolao Holdings(the “Company”) is a limited and tax-exempt entity, which was incorporated on June 16, 2009, in Cayman Islands to control Kolao Developing Co., Ltd. (the “subsidiary”), under the Companies Law of Cayman Islands. The Company was transferred shares of the subsidiary from Oh, Se Young who owned 100% of the subsidiary in exchange for investment in kind on December 24, 2009, in order to reorganize the controlling structure. The Company’s registered office is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

On November 30, 2010, the Company’s shares were listed on the Korea Exchange. As of June 30, 2014, the Company has issued 47,870 thousand shares and the Company’s share capital amounts to U.S. dollars (USD) 11,967,377, as a result of the several issuances of new shares from USD 1 at the establishment of the Company.

The shareholders of the Company as of June 30, 2014, are as follows:

<u>Shareholders</u>	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
Oh, Se Young	21,166,685	44.22
Others	26,702,823	55.78
	<u>47,869,508</u>	<u>100.00</u>

2. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of Preparing Consolidated Financial Statements

The Company and its subsidiaries’ (the “Group”) condensed consolidated interim financial statements as of and for the six months ended June 30, 2014, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. To have a better understanding of the condensed consolidated interim financial statements, they should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2013.

The significant accounting policies as applied in the condensed consolidated interim financial statements correspond to those pertaining to the annual consolidated financial statements as of and for the year ended December 31, 2013, except for the effects of the changes of accounting policies as follows:

- 1) Changes in accounting policies by newly adopted standards and interpretations as of June 30, 2014, are as follows:

IFRS 13 - Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The amendments define fair value, establish framework for measuring fair value, and require disclosure about fair value measurements. According to the standards, fair value is defined as the price that is received by selling the assets or paid by transferring the debt in the normal transaction between market participants. The fair value is measured by using a number of assumptions that will be used by market participants when determining the price of assets or liabilities in the current market situation. To measure fair value in accordance with the amendments, specific assets or liabilities are measured at fair value target and market transaction takes place the top of the assets or liabilities and appropriate valuation techniques to be used in the fair value measurement should be determined. The standard also stipulates extensive disclosure about fair value measurements. The adoption of the application has no significant impact on the Group's consolidated interim financial statements.

Amendments to IAS 32 – Financial Instruments: Presentation

The amendments to IAS 32 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Group's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The adoption of the amendments has no significant impact on the Group's consolidated interim financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments introduce an exception to the principle under IFRS 10 that all subsidiaries shall be consolidated and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. In addition, consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The adoption of the amendments has no significant impact on the Group's consolidated interim financial statements.

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement

The amendments to IAS 39 allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The adoption of the amendments has no significant impact on the Group's consolidated interim financial statements.

IFRIC 21 Levies

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. The interpretation requires that a liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy and is typically specified in the legislation that imposes the levy. The application has no significant impact on the Group's consolidated interim financial statements.

There are new and revised financial reporting requirements that need to be considered for financial reporting periods ending on June 30, 2014 such as IAS 36 'Reorganisation of reporting structure of the recoverable amount'. However, the adoption of the amendments has no impact on the Group's consolidated interim financial statements.

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

Amendments to IAS 19 – *Employee Benefits*

The amendments to IAS 19 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and the accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income (the option to recognize actuarial gains and losses in profit or loss has also been removed). This standard is effective for the annual periods beginning on or after July 1, 2014.

The Group does not anticipates that the amendments referred above to have significant impact on the Group’s consolidated interim financial statements and disclosures.

3. **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:**

In the application of the Group’s accounting policies, the 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 these estimates.

The critical judgments made in the process of applying the Group’s accounting policies have been applied consistently to the consolidated interim financial statements for the current period and the accompanying comparative period.

4. **SUBSIDIARIES:**

- (1) The details of consolidated subsidiaries as of June 30, 2014, are as follows:

Subsidiaries	Country	Year of Established	Capital stock (USD)	Percentage of Ownership	Main business
KOLAO Developong Co., Ltd.	Laos	1997	31,305,519	100%	Manufacture and sales of automobile and motorcycle
KOLAO Holdings Singapore Pte., Ltd.	Singapore	2013	20,000,001	100%	Holding company, Foreign trade
KDC Korea Co., Ltd.	Korea	2013	87,367	100%	Trading company
KOLAO Holdings (HM) Singapore Pte., Ltd	Singapore	2013	5,600,000	83.64%	Sales of automobile
KOLAO Holdings Myanmar Co., Ltd	Myanmar	2013	24,750	99%	Sales of automobile
DAEHAN Co., Ltd	Myanmar	2013	24,750	99%	Sales of automobile
KOLAO Holdings (Cambodia) Co., Ltd	Cambodia	2013	500,000	100%	Sales of automobile
LVMC Investment Limited(*1)	Hong kong	2014	13,000,000	100%	Financial business
Fortune Kolao international Motors Co., Ltd(*1)	Singapore	2014	6,000,000	100%	Trading company

- (*1) The entity is the subsidiary of Kolao Holdings Singapore Pte., Ltd which was newly established in 2014 and the Group included these subsidiaries in the scope of consolidation.

- (2) Newly included subsidiaries as of June 30, 2014, are as follows:

Subsidiaries	Description
LVMC Investment Limited	Newly established
Fortune Kolao international Motors Co., Ltd	in current term

(3) The summary of financial information of subsidiaries as of June 30, 2014, is as follows (Unit: USD):

Subsidiaries	Assets	Liabilities	Sales	Total comprehensive Income
KOLAO Developong Co., Ltd.	280,437,539	128,781,023	167,299,464	17,093,721
KOLAO Holdings Singapore Pte., Ltd.	20,305,419	35,250	103,279	198,342
KDC Korea Co., Ltd.	187,236	365,282	290,667	(272,843)
KOLAO Holdings (HM) Singapore Pte., Ltd	26,486,168	20,388,958	4,623,014	(162,938)
KOLAO Holdings Myanmar Co., Ltd	21,189	6,291	-	(3,129)
DAEHAN Co., Ltd	43,880	38,362	-	(5,438)
KOLAO Holdings (Cambodia) Co., Ltd	481,494	7,313	-	(25,668)
LVMC Investment Limited	13,006,192	-	-	6,192
Fortune Kolao international Motors Co., Ltd	9,940,875	4,224,651	-	(283,777)

(4) The summary cash flows of each subsidiaries as of June 30, 2014, is as follows (Unit: USD):

Description	KOLAO Developing Co., Ltd.	KOLAO Holdings Singapore Pte., Ltd. (*2)	KDC KOREA Co., Ltd.	LVMC Investment Limited
Cash flows from operating activities	(34,492,283)	(3,827,830)	(22,434)	4,137
Cash flows from investing activities	(926,050)	(130,534)	(8,252)	(12,963,162)
Cash flows from financing activities	45,361,805	(100)	-	-
Net decrease in cash and cash equivalents	9,943,472	(3,958,464)	(30,686)	(12,959,025)
Cash and cash equivalents, beginning of the period	8,251,876	15,636,630	99,282	13,000,000
Effect of exchange rate on cash and cash equivalents	(7,853)	-	(36,117)	-
Cash and cash equivalents, end of the period	18,187,495	11,678,166	32,479	40,975

(*1) All cash flows of Kolao Developing Co., Ltd. are the amounts before eliminating all intragroup transaction.

(*2) The amounts of Kolao Holdings Singapore Pte., Ltd. are included all cash flows from Kolao holdings myanmar Co.,Ltd., Daehan Co., Ltd., Kolao Holdings (Cambodia) Co., Ltd and Fortune Kolao International Motors Co., Ltd.

(5) The percentage of ownership, net assets and profit of non-controlling interests as of June 30, 2014 are as follows:

Non-controlling interest	Kolao Holdings (HM) Singapore Pte., Ltd	Kolao Holdings Myanmar Co., Ltd	Deahan Co., Ltd.	Deahan Co., Ltd.
Percentage of ownership	16.36%	1.00%	1.00%	16.36%
Net assets	499,545	149	56	(46,414)
Profit for the year	(26,648)	(31)	(54)	(46,414)

5. SEGMENT INFORMATION:

(1) Details of products and services from which segments derive their revenues

The operating segments are decided under reported information for Group's chief operation decision maker for evaluating performance and allocating resources about the segment for administrative purpose. The Group's operating segments are as follows:

Segment	Description
New automobile	Engagement in the dealer business by distributing imported passenger cars and commercial vehicles
Completed Knock-Down(CKD)	Selling and manufacturing CKD and used cars under the name of 'KOLAO', after assembling and processing automobiles imported mostly from Korea
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
AS	Providing after- service and repair service for automobiles and motorcycles
Others	Selling and buying used local automobiles in Laos and providing rental services

(2) Revenues and results by segments (Unit: USD):

	Sales by segment				Gross profit by segment			
	June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
	June 30	June 30	June 30	June 30	June 30	June 30	June 30	June 30
New automobile	59,378,384	117,964,754	65,841,840	121,661,167	13,739,464	25,839,792	12,891,315	24,010,574
CKD	13,143,830	26,872,563	68,576	3,061,449	2,988,488	6,250,358	(254,792)	(618,922)
Motorcycle	3,648,318	9,924,643	5,907,161	12,914,046	412,220	2,068,950	1,466,243	3,464,501
Wholesale	4,116,329	7,758,365	3,987,388	7,444,351	339,943	1,060,511	851,684	1,138,655
AS	1,423,253	2,953,969	1,280,726	2,521,523	395,042	775,253	481,465	698,553
Others	3,020,833	6,623,105	1,563,224	3,314,333	409,376	890,116	194,360	434,280
	<u>84,730,947</u>	<u>172,097,399</u>	<u>78,648,915</u>	<u>150,916,869</u>	<u>18,284,533</u>	<u>36,884,980</u>	<u>15,630,275</u>	<u>29,127,641</u>
Unallocated income and expenses					(12,355,170)	(22,069,621)	(9,150,044)	(14,934,054)
Profit before income tax expense					5,929,363	14,815,359	6,480,231	14,193,587
Income tax expense					(235,137)	(246,112)	(97,344)	(105,481)
Profit for the period					<u>5,694,226</u>	<u>14,569,247</u>	<u>6,382,887</u>	<u>14,088,106</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 (Unit: USD):

	Assets		Liabilities	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
New automobile	148,969,210	110,070,134	6,085,362	16,179,643
CKD	43,335,670	30,861,902	1,955,857	7,756
Motorcycle	18,549,390	19,342,071	837,034	431,930
Wholesale	14,819,688	11,357,205	665,067	9,478
AS	8,504,855	7,880,845	367,322	3,342
Others	5,577,114	3,649,492	-	-
	<u>239,755,927</u>	<u>183,161,649</u>	<u>9,910,642</u>	<u>16,632,149</u>
Unallocated assets and liabilities	125,192,407	141,513,991	82,955,467	50,078,870
Total assets and liabilities	<u>364,948,334</u>	<u>324,675,640</u>	<u>92,866,109</u>	<u>66,711,019</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 segment's trade receivables; inventories; property; plant and equipment; and trade payables for the purposes of resource allocation and assessment of segment performance. Other assets and liabilities are not allocated.

(4) Other segment information (Unit: USD):

	<u>Depreciation</u>		<u>Acquisition of non-current assets</u>	
	<u>Six months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
New automobile	972,500	569,702	9,663,651	9,933,787
CKD	301,354	14,029	1,571,027	249,971
Motorcycle	128,968	84,772	580,216	1,054,448
Wholesale	102,472	49,881	445,307	607,841
AS	56,596	29,660	164,916	205,886
Others	<u>38,733</u>	<u>9,847</u>	<u>387,201</u>	<u>270,619</u>
	<u>1,600,623</u>	<u>757,891</u>	<u>12,812,318</u>	<u>12,322,552</u>

(*1) The amounts of acquisition on non-current assets for the years ended June 30, 2014 and 2013 are included \$606,885 and \$462,452 respectively which was transferred from inventory to vehicles.

(*2) The amounts of acquisition on non-current assets for the year ended June 30, 2014 are included \$2,977,084, transferred from advance payment to buildings.

(5) Geographical information

Although the Group operates its business in Laos, Myanmar and Cambodia, there is no additional geographical information because the Group generates most revenue in Laos over 95%.

(6) Information about major customers

The Group's revenues are generated from dealers and transactions with individuals and there are no major customers who contribute to generate more than 10% of total revenues.

6. FINANCIAL ASSETS AT FVTPL:

Details of financial asset at FVTPL as of June 30, 2014 are as follows (Unit: USD):

	<u>June 30, 2014</u>
Financial asset at FVTPL:	
Convertible bonds(*1)	<u>14,787,066</u>

(*1) The Group has acquired the convertible bonds of KR Motors Co., Ltd. for the six months ended June 30, 2014. The hybrid instruments has containing one or more embedded derivatives, and has been designated by the Group as financial assets at FVTPL for the entire hybrid instruments.

7. 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 management reviews regularly the balance of trade receivables that are past due. Also, the Group holds deposits in respect of some customers.

(1) Details of trade receivables as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30, 2014	December 31, 2013
Trade receivables in current assets	77,925,478	56,117,960
Less: Allowances for doubtful accounts	(84,982)	(50,854)
Less: Discount on present value	(561,623)	-
Sub total	77,278,873	56,067,106
Trade receivables in non-current assets	41,121,817	18,807,820
Less: Allowances for doubtful accounts	(45,665)	(23,788)
Less: Discount on present value	(335,505)	(944,935)
Sub total	40,740,647	17,839,097
	<u>118,019,520</u>	<u>73,906,203</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 Company used an interest rate of installment receivables that has a similar credit condition, because there is no local enterprise that has a same credit condition.

(2) Changes in allowance for doubtful accounts for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	June 30, 2014	June 30, 2013
Beginning balance	74,642	21,579
Bad debt expense	56,005	3,438
Ending balance	<u>130,647</u>	<u>25,017</u>

8. OTHER RECEIVABLES:

(1) The Group's other receivables as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
Short-term loans (*1)	52,289	-	22,594	-
Other accounts receivables	3,128	-	122,796	-
Accrued income	890,031	-	130,799	-
Business leasehold deposit	-	5,859,760	-	2,005,000
Guarantee deposits	-	146,922	-	138,892
	<u>945,448</u>	<u>6,006,682</u>	<u>276,189</u>	<u>2,143,892</u>

(*1) The total amount represents interest-free loans for employees and is deducted from employees' salaries every month. Those loans are mostly repaid within 12 months so that there are no differences between the fair value and book value of loans.

(2) The short-term loans are classified as current assets because they reach maturity within one year from the end of the reporting period. The business guarantee deposits provided for Chery Automobile Co., Ltd. and manufacturing CKD Molds 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.

(3) There are no other receivables past due or impaired.

9. **OTHER CURRENT ASSETS:**

The Group's other current assets as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30 2014	December 31, 2013
Advance payments	6,202,940	13,152,821
Prepaid expenses	3,190,854	2,273,394
Other receivables (*1)	497,139	1,540,830
Value added taxes refundable	34,495	-
	<u>9,925,428</u>	<u>16,967,045</u>

(*1) Part of the expenditure required to settle a provision is expected to be reimbursed by another party, as disclosed in Note 19, and it is virtually certain that reimbursement will be received if the entity settles the obligation. Therefore, the reimbursement is treated as a separate asset and accounted for as other receivables.

10. **OTHER NON-CURRENT ASSETS**

The Group's other non-current assets as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30, 2014	December 31, 2013
Advance payments	270,368	270,368
Prepaid expenses	4,086,401	4,289,523
	<u>4,356,769</u>	<u>4,559,891</u>

11. **INVENTORIES:**

Details of inventories as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30, 2014	December 31, 2013
Raw materials	2,795,807	1,746,462
Merchandise	49,957,922	40,319,258
Work in process	4,603,658	166,119
Finished goods	671,071	752,769
Goods in transit	13,349,298	24,351,032
	<u>71,377,756</u>	<u>67,335,640</u>

12. AFS FINANCIAL ASSETS:

The Group's AFS financial assets as of June 30, 2014 are as follows (Unit: USD):

	June 30, 2014	
	Current	Non-current
Non-listed equity securities		
Indochina Bank Co., Ltd.(*1)	-	9,963,162

(*1) LVMC Investment Limited, a related party of Indochina Bank Co., has acquired 11.99% of shares over the increased paid-in capital increase participation.

13. INVESTMENTS IN ASSOCIATES:

(1) The Group's investments in associates as of June 30, 2014 are as follows (Unit: USD):

Associates	Main Business	Country	Percentage of Ownership	Acquisition Cost	Book Value	Financial closing date
KR Motors Co., Ltd.(*1)	Manufacture and sales of automobile	Korea	16.05%	14,514,468	14,832,347	December

(*1) The Group's ownership interest is less than 20%; however, the investment in KR Motors Co., Ltd. is accounted using the equity method as it has significant influence through representation on the board of directors.

(2) As of June 30, 2014, market value of the associate is as follows (Unit: USD):

Associates	June 30, 2014
KR Motors Co., Ltd.	21,898,967

(3) Changes in the Group's investments in associates for the six months ended June 30, 2014 are as follows (Unit: USD):

Associates	Beginning balance	Acquisition	Share of profits	Effect on change in equity	Ending balance
KR Motors Co., Ltd.	-	14,514,468	(490,675)	808,554	14,832,347

(4) The details of associates as of June 30, 2014, are as follows (Unit: USD):

	KR Motors Co., Ltd.
Current Assets	67,128,732
Non-Current Assets	65,067,292
Total Assets	132,196,024
Current Liabilities	67,820,911
Non-Current Liabilities	13,602,915
Total Liabilities	81,423,826
Controlling Interests	50,772,198
Non-Controlling Interests	-
Total Shareholders' Equity	50,772,198
Sales	34,197,522
Continuing operating profit	(7,966,295)
Discontinued operation profit after tax	-
Other comprehensive income	2,517,748
Total comprehensive income	(5,448,547)

(*1) All financial information of KR Motors Co., Ltd. are the amounts before eliminating all intragroup transaction and considering goodwill.

(5) The Group's investments in associates after reflecting the adjustment from net assets of associates as of June 30, 2014, are as follows (Unit: USD):

Net assets of associates(A)	50,772,198
Percentage of ownership(B)	16.05%
Total Liabilities(AXB)	<u>8,147,227</u>
Goodwill (+)	4,199,340
Differences from net assets (+)	<u>2,485,780</u>
Ending balance	<u>14,832,347</u>

14. PROPERTY, PLANT AND EQUIPMENT:

Changes in the Group's property, plant and equipment for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

<2014>

Assets	Beginning balance	Acquisition	Transfer(*1)	Disposal	Depreciation	Effect of movement in Exchange rates	Ending balance
Buildings	31,603,515	-	3,987,084	-	(944,993)	-	34,645,606
Vehicles	2,011,279	704,656	606,885	(10,114)	(349,173)	-	2,963,533
Tools and equipment	315,048	407,933	-	-	(78,132)	-	644,849
Office equipment	1,472,249	101,128	-	-	(211,825)	264	1,361,816
Other tangible assets	236,500	-	-	-	(16,500)	-	220,000
Construction in progress	<u>3,518,217</u>	<u>8,014,632</u>	<u>(1,010,000)</u>	-	-	-	<u>10,522,849</u>
	<u>39,156,808</u>	<u>9,228,349</u>	<u>3,583,969</u>	<u>(10,114)</u>	<u>(1,600,623)</u>	<u>264</u>	<u>50,358,653</u>

(*1) The full amount is transferred from inventory, advance payments and construction in progress to buildings and vehicles.

<2013>

Assets	Beginning balance	Acquisition	Transfer(*1)	Disposal	Depreciation	Ending balance
Buildings	6,822,194	2,500,000	-	-	(277,012)	9,045,182
Vehicles	1,646,312	124,795	462,452	(20,606)	(263,232)	1,949,721
Tools and equipment	329,889	83,300	-	-	(53,373)	359,816
Office equipment	886,637	799,051	-	-	(147,774)	1,537,914
Other tangible assets	269,500	-	-	-	(16,500)	253,000
Construction in progress	<u>8,760,263</u>	<u>8,352,954</u>	-	-	-	<u>17,113,217</u>
	<u>18,714,795</u>	<u>11,860,100</u>	<u>462,452</u>	<u>(20,606)</u>	<u>(757,891)</u>	<u>30,258,850</u>

(*1) The full amount is transferred from inventory.

15. INVESTMENT PROPERTY:

(1) Changes in the Group's investment property for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

June 30, 2014				
Assets	Beginning Balance	Transfer	Depreciation	Ending Balance
Buildings	1,198,049	-	(33,236)	1,164,813

June 30, 2013				
Assets	Beginning Balance	Transfer	Depreciation	Ending Balance
Buildings	806,982	-	(22,210)	784,772

(2) Details of income and expenditure for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	June, 30 2014	June, 30, 2013
Rental income	26,520	21,600

(3) The fair value of investment property cannot be determined reliably on the grounds that comparable market transactions are infrequent and alternative reliable estimates of fair value are not available.

(4) The investment property is property held by the Group.

16. INTANGIBLE ASSETS

Changes in the Group's intangible assets for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

<2014>

Assets	Beginning balance	Acquisition	Depreciation	Ending balance
Software	46,572	-	(6,198)	40,374
Development cost	2,716,427	1,743,999	(57,447)	4,402,979
	<u>2,762,999</u>	<u>1,743,999</u>	<u>(63,645)</u>	<u>4,443,353</u>

<2013>

Assets	Beginning balance	Acquisition	Depreciation	Ending balance
Software	41,771	-	(4,683)	37,088

17. OPERATING LEASE ARRANGEMENTS:

(1) The Group as lessee

The Group has 27 lease contracts as of June 30, 2014, which are accounted for as operating leases. Details of the lease contracts that the Group has executed are as follows (Unit: USD):

Location	Leased assets	Issue date	Expiry date	Gross lease payments
Vientiane	T2 Showroom Cherry	2009-07-01	2029-07-01	420,000
Vientiane	Autocity Showroom	2009-09-01	2024-09-01	250,000
Vientiane	T2 Showroom Office	2005-02-09	2015-02-09	22,650
Vientiane	TKK Showroom	2010-01-01	2015-12-31	120,000
Vientiane	T2 MC Showroom	2012-04-01	2022-03-31	307,500
Savannakhet Province	Showroom SV	2012-01-01	2017-12-31	211,680
Bolikhamsai Province	Paksan Showroom	2009-06-11	2030-01-01	135,000
Champasak Province	Pakse Showroom	2010-10-16	2025-10-15	182,400
Vientiane	Office NB (3F, 4F)	2010-11-01	2015-10-31	1,994,916
Vientiane	Office NB (5F, 8F)	2011-01-01	2015-12-31	1,493,100
Vientiane	Alounmai Showroom	2011-04-01	2021-03-31	5,082,934
Khammouan Province	Khammouan Land	2009-07-01	2019-07-01	31,221
Vientiane	Tongphong Factory Land	2006-09-15	2021-09-14	41,344
Vientiane	Tongphong Factory Land	2010-10-08	2025-10-07	56,745
Vientiane	Tongphong Factory Land	2011-09-01	2041-08-31	132,585

Location	Leased assets	Issue date	Expiry date	Gross lease payments
Vientiane	T2 Factory Land	2011-09-01	2026-08-31	1,278,375
Savannakhet Province	Savannakhet Factory Land	2002-07-01	2031-06-30	32,500
Vientiane	Training Institute	2012-03-01	2027-03-01	384,000
Vientiane	Company Housing	2012-03-01	2027-03-01	240,000
Champasak Province	Pakse Showroom	2012-09-01	2030-08-31	171,000
Vientiane	NB Village Land	2012-12-01	2042-11-30	827,500
Savannakhet Province	CKD Factory Land	2012-12-12	2072-12-12	617,012
Savannakhet Province	SVK Showroom	2013-01-14	2023-01-13	3,357,000
Savannakhet Province	CVD TK Showroom	2017-01-02	2027-01-02	15,610
Savannakhet Province	CVD Showroom	2013-01-12	2018-11-30	1,200,000
Phonsinuan	A/S Center Land	2014-02-01	2015-01-31	1,494,700
Savannakhet Province	SVK CKD Factory Land	2014-06-02	2019-06-01	200,000
				<u>20,299,772</u>

When lease contract terminates, 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 lease contract, the Group recognized USD 2,157,644 and USD 1,197,560 as lease expenses for the six months ended June 30, 2014 and 2013, respectively.

Minimum lease payments that the Group will make subsequently as of June 30, 2014, are as follows (Unit:USD):

Year ended December 31,	Minimum lease payments
2014. 7 - 2015. 6	2,647,955
2015. 7 - 2019. 6	6,125,216
2019. 7 and thereafter	6,489,783
	<u>15,262,954</u>

(2) The Group as lessor

The Group provides the investment property to a lessee under operating lease and the lease term is 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 receive subsequently as of June 30, 2014, are as follows (Unit:USD):

Year ended December 31,	Minimum lease payments
2014. 7 - 2015. 6	55,200
2015. 7 - 2018. 9	155,200
	<u>210,400</u>

18. **BORROWINGS:**

(1) Borrowings as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
Short-term borrowings	39,365,428	-	6,289,970	-
Long-term borrowings	-	5,914,826	-	-
Debentures	8,872,240	22,599,175	14,147,700	21,713,547
	<u>48,237,668</u>	<u>28,514,001</u>	<u>20,437,670</u>	<u>21,713,547</u>

- (2) Details of the Group's short-term borrowings as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

Description	Creditor	Interest rate	June 30, 2014	December 31, 2013
L/C TR	ANZ Bank(LAO) Limited(*1)	7.50%	14,202,012	6,289,970
L/C TR	Indochina Bank Limited	9.00%	15,966,591	-
		6month		
L/C TR	Kookmin Bank Hong Kong Ltd.	Libor+3%	5,051,030	-
Bank Overdrafts	Indochina Bank Limited	7.50%	4,145,795	-
			<u>39,365,428</u>	<u>6,289,970</u>

- (*1) A portion of land and building is pledged as collateral for its borrowings from ANZ Bank(LAO) Limited through the largest shareholder and related parties.

- (3) Details of the Group's long-term borrowings as of June 30, 2014, are as follows (Unit: USD):

Description	Creditor	Interest rate	Expiry date	June 30, 2014
Operating capital	KT Capital	5.00%	2016-05-30	5,914,826

- (4) Details of the Group's debenture as of June 30, 2014, are as follows (Unit: USD):

Description	Interest rate	Maturity	June 30, 2014		December 31, 2013	
			Current	Non-current	Current	Non-current
1 st Private placed bond	8.20%	4/11/2016	-	22,673,502	-	21,794,750
2 nd Private placed bond	7.70%	5/30/2014	-	-	14,213,968	-
3 rd Private placed bond	6.20%	5/30/2015	8,872,240	-	-	-
Less: Discount on debentures(*1)			-	(74,327)	(66,268)	(81,203)
Total(*2)			<u>8,872,240</u>	<u>22,599,175</u>	<u>14,147,700</u>	<u>21,713,547</u>

- (*1) The Group recognized the interest expense for discount on debentures amounting to \$73,144.

- (*2) All debentures issued in KRW, and the Group recognized \$1,219,452 as loss on foreign currency translation.

19. PROVISIONS:

- (1) Details of the Group's provisions as of June 30, 2014 and December 31, 2013, are as follows (Unit:USD):

Description	June 30, 2014			December 31, 2013		
	Current	Non-Current	Total	Current	Non-Current	Total
Provisions for product warranties	171,029	335,006	506,035	523,256	1,042,456	1,565,712
Provisions for return products	<u>325,618</u>	-	<u>325,618</u>	<u>519,017</u>	-	<u>519,017</u>
	<u>496,647</u>	<u>335,006</u>	<u>831,653</u>	<u>1,042,273</u>	<u>1,042,456</u>	<u>2,084,729</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 six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014	2013
Beginning balance	1,565,712	576,517
Increase in provisions (*1)	22,534	815,878
Reversal of provisions(*1)	(855,399)	-
Use of provisions	<u>(226,812)</u>	<u>(399,274)</u>
Ending balance	<u>506,035</u>	<u>993,121</u>

(*1) Part of expenditures required to settle a provision is expected to be reimbursed by a third party, and it is virtually certain that reimbursement will be received if the entity settles the obligation. The amount to be reimbursed is accounted for as other receivable in the consolidated statements of financial position and recognized as selling, general and administrative expenses in the consolidated statements of comprehensive income (see Note 8).

(3) Changes in the Group's provisions for return products as of six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014	2013
Beginning balance	519,017	718,891
Increase(reversal) in provisions	53,299	151,377
Use of provisions	<u>(246,698)</u>	<u>(107,703)</u>
Ending balance	<u>325,618</u>	<u>762,565</u>

20. OTHER FINANCIAL LIABILITIES:

Details of the Group's other financial liabilities as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30, 2014	December 31, 2013
Other account payables	1,141,668	800,548
Accrued expenses	<u>2,377,093</u>	<u>3,663,823</u>
	<u>3,518,761</u>	<u>4,464,371</u>

21. OTHER CURRENT LIABILITIES:

Other current liabilities of the Group as of June 30, 2014 and December 31, 2013, are as follows (Unit:USD):

	June 30, 2014	December 31, 2013
Withholdings	273,807	118,323
Advances received	1,028,037	501,174
Rental income received in advance	161,400	189,000
Value added taxes withheld	352,970	271,920
Consumption taxes withheld	-	298,136
	<u>1,816,214</u>	<u>1,378,553</u>

22. INCOME TAX EXPENSES:

(1) Details of the Group's income tax receivable and income tax payable as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	June 30, 2014	December 31, 2013
Income tax receivable	1,190,057	782,683
Income tax payable	37,170	-

The Company was established in Cayman Islands and is 100% corporate tax exempt. On the other hand, Kolao Developing Co., Ltd. is a subsidiary and recognized as a foreign-invested entity under the Laos Law. As a result, the corporate tax is 24% of taxable profits. The amount of a subsidiary's taxable income is determined by taxation authorities at the end of tax years. When determining the amount of taxable income, differences between accounting income and taxable income of the current year do not carry over to deduct from or add to the future taxable income.

- (2) The comparison between income and income tax expenses for the six months ended June 30, 2014 and 2013, is as follows (Unit: USD):

	2014	2013
Profit before income tax expenses	14,815,359	14,193,587
Income tax expenses	246,112	105,481
Effective tax rate	1.66%	0.74%

23. CAPITAL AND OTHER ISSUED CAPITAL:

- (1) Details associated with the Company's capital as of June 30, 2014 and December 31, 2013, are as follows:

	June 30, 2014	December 31, 2013
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	45,160,000 shares
Share capital	\$ 11,967,377	\$ 11,290,000

- (*1) 40,000,000 preferred shares are included in the number of shares authorized as of June 30, 2014.

- (2) Changes in share capital for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014	2013
Beginning balance	11,290,000	9,600,000
Dividend of stocks	677,377	480,000
Ending balance	11,967,377	10,080,000

- (3) Changes in the Group's other issued capital for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014	2013
Beginning balance	145,102,488	21,281,621
Grant stock options(see Note 35)	144,922	25,953
Acquisition of treasury stock	(886,076)	-
Ending balance	144,361,334	21,307,574

24. RETAINED EARNINGS AND DIVIDENDS:

- (1) Changes in retained earnings of the Company for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014	2013
Beginning balance	101,045,650	76,713,078
Payment of dividends	(1,190,899)	(961,995)
Profit for the year	14,642,394	14,088,106
Ending balance	114,497,145	89,839,189

(2) Details of the paid dividends for the six months ended June 30, 2014 and 2013, are as follows:

<2014>

	For the six months ended June 30, 2014	
	Cash dividend	Stock dividend
Number of issued shares	45,160,000 shares	45,160,000 shares
Number of shares entitled to dividends	45,160,000 shares	45,160,000 shares
Dividends per share	KRW 12	0.06 shares
Amount of dividends	USD 513,522	USD 677,377
Amount of share dividends	-	2,709,507 shares

<2013>

	For the six months ended June 30, 2013	
	Cash dividend	Stock dividend
Number of issued shares	38,400,000 shares	38,400,000 shares
Number of shares entitled to dividends	38,400,000 shares	38,400,000 shares
Dividends per share	KRW 13	0.05 shares
Amount of dividends	USD 481,995	USD 480,000
Amount of share dividends	-	1,920,000 shares

25. OTHER EQUITY:

Changes in other equity of the Company for the six months ended June 30, 2014, are as follows (Unit: USD):

	2014
Beginning balance	-
Changes due to associates' equity changes	808,554
Loss on Foreign exchange translation	(5,521)
Ending balance	<u>803,033</u>

26. REVENUES:

Revenues generated from the Group's product sales and service rendered for the three and six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014		2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
New automobile sales	59,378,384	117,964,754	65,841,840	121,661,167
CKD sales	13,143,830	26,872,563	68,576	3,061,449
Motorcycle sales	3,648,318	9,924,643	5,907,161	12,914,046
Wholesales	4,116,329	7,758,365	3,987,388	7,444,351
AS charges	1,423,253	2,953,969	1,280,726	2,521,523
Others	3,020,833	6,623,105	1,563,224	3,314,333
	<u>84,730,947</u>	<u>172,097,399</u>	<u>78,648,915</u>	<u>150,916,869</u>

27. EXPENSES CLASSIFICATION ACCORDING TO NATURE:

Details of expenses classified according to nature for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

<2014>

	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventory	93,904,522	-	93,904,522
finished goods	(8,613,505)	-	(8,613,505)
work in progress	4,423,572	-	4,423,572
merchandise	98,094,455	-	98,094,455
Use of raw materials	29,345,392	-	29,345,392
Salaries	1,356,749	6,187,307	7,544,056
Depreciation	482,313	1,118,310	1,600,623
Taxes and dues	311,231	376,685	687,916
Supplies	9,229,461	870,961	10,100,422
Others	582,751	12,259,392	12,842,143
	<u>135,212,419</u>	<u>20,812,655</u>	<u>156,025,074</u>

<2013>

	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventory	81,848,008	-	81,848,008
finished goods	790,356	-	790,356
work in progress	1,208,605	-	1,208,605
merchandise	79,849,047	-	79,849,047
Use of raw materials	7,899,715	-	7,899,715
Salaries	1,088,833	6,057,884	7,146,717
Depreciation	159,096	598,795	757,891
Taxes and dues	21,777,444	234,680	22,012,124
Supplies	8,291,233	464,974	8,756,207
Others	724,899	7,327,233	8,052,132
	<u>121,789,228</u>	<u>14,683,566</u>	<u>136,472,794</u>

28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

The Group's selling, general and administrative expenses for the three and six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014		2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Salaries	3,180,027	6,187,307	3,454,230	6,057,884
Entertainment	221,239	490,183	189,145	474,202
Advertisement	326,197	566,101	207,137	331,509
Sales promotion cost	1,928,662	2,606,010	1,322,923	2,127,842
Sales commission	108,571	251,582	59,814	127,034
Increase in provisions for product warranties	119,842	(1,801)	(72,087)	212,589
Lease	1,391,116	2,376,421	527,119	1,081,201
Depreciation	558,129	1,118,310	334,205	598,795
Taxes and dues	349,376	376,685	161,310	234,680
Supplies	430,900	870,961	278,489	464,974
Fees and charges	835,691	2,001,740	850,474	1,330,926
Other	1,278,735	3,969,156	931,689	1,641,930
	<u>10,728,485</u>	<u>20,812,655</u>	<u>8,244,448</u>	<u>14,683,566</u>

29. OTHER INCOME AND EXPENSES:

- (1) The Group's other income for the three and six months ended June 30, 2014 and 2013, is as follows (Unit: USD):

	2014		2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Gain on foreign currency exchange transactions and translation	147,378	491,419	427,405	1,110,111
Reversal of allowance for bad debts	-	-	2,954	2,954
Rental income	-	26,520	10,800	21,600
Gain on disposal of property, plant and equipment	6,239	11,086	18,094	20,594
Interest on installment	550,064	797,376	-	-
Miscellaneous incomes	-	314,584	216,757	359,827
Total	<u>703,681</u>	<u>1,640,985</u>	<u>676,010</u>	<u>1,515,086</u>

- (2) The Group's other expense for the three and six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014		2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Loss on foreign currency exchange transactions and translation	49,655	360,340	490,319	559,035
Depreciation in investment property	16,618	33,236	11,105	22,210
Donation	23,000	87,101	8,508	14,064
Miscellaneous expenses	627	627	260	263
Total	<u>89,900</u>	<u>481,304</u>	<u>510,192</u>	<u>595,572</u>

30. FINANCIAL INCOME AND EXPENSES:

- (1) The Group's financial income for the three and six months ended June 30, 2014 and 2013, is interest income earned on the following (Unit: USD):

	2014		2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Cash and cash equivalents	231,214	269,440	26,122	33,766
Short-term financial instruments	232,375	579,137	-	-
Trade receivables	-	-	78,183	111,950
Long-term trade receivables	-	-	226,671	338,655
Gain on foreign currency exchange transactions and translation	1,201,854	1,654,848	-	-
Total	<u>1,665,443</u>	<u>2,503,425</u>	<u>330,976</u>	<u>484,371</u>

- (2) The Group's finance expenses for the three and six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014		2013	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Interest expense	1,399,811	2,413,974	1,402,390	1,654,373
Loss on financial assets at FVTPL	580,356	580,356	-	-
Loss on foreign currency exchange transactions and translation	1,435,067	1,435,067	-	-
Total	<u>3,415,234</u>	<u>4,429,397</u>	<u>1,402,390</u>	<u>1,654,373</u>

31. EARNINGS PER SHARE:

- (1) The Group's earnings per share for the three and six months ended June 30, 2014 and 2013, are as follows (Unit: USD, shares):

	2014		2013(*)	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Profit attributable to owners of the parent(USD)	5,774,944	14,642,394	6,382,887	14,088,106
Weighted-average number of shares (shares)	<u>47,869,508</u>	<u>47,869,508</u>	<u>43,029,507</u>	<u>43,029,507</u>
Basic and diluted earnings per share (USD)	<u>0.12</u>	<u>0.31</u>	<u>0.15</u>	<u>0.33</u>

- (*) The basic and diluted earning per share in 2013 was adjusted retrospectively due to the effect of stock dividends declared in 2014.

Although the Group had stock options as of June 30, 2014, the diluted earning per share is the same with the basic earning per share due to their anti-dilutive effect.

32. PAYMENT GUARANTEES AND COMMITMENTS:

- (1) Details of the Group's major contractual commitments for purchase as of June 30, 2014, are as follows:

Contract Counterparty	Contract term	Commitments for minimum purchase	Other
Hyundai Motors	2013.1.1 ~ 2014.12.31	2013.1.1~2013.12.31: 5,000cars 2014.1.1~2014.12.31: 6,000cars	Decision on whether to renew before the expiry of the contract period
Kia Motors	2011.12.1 ~ 2014.11.30	2011.12.1~2012.11.30: 1,700cars 2012.12.1~2013.11.30: 1,800cars 2013.12.1~2014.11.30: 1,900cars	Decision on extending or renewing the contract by mutual consent four months before the expiration date
Chery Automobile Co., Ltd.	2014.1.1 ~ 2014.12.31	2014.1.1~2014.12.31: 400 cars	Decision on whether to renew before the expiry of the contract period

- (2) The details of the Group's major commitments with financial institutions as of June 30, 2014, are as follows (Unit: USD)

Financial institution	Agreement amounts	Used amounts(*1)	Description
ANZ Bank	34,500,000	14,202,012	Comprehensive limit L/C, TR(*2)
Indochina Bank Co., Ltd	32,000,000	15,966,591	Comprehensive limit L/C, TR(*3)
KB Hong Kong Ltd.	5,400,000	5,051,030	Comprehensive limit L/C, TR

- (*1) With regard to Usance L/C of ANZ Bank, Indochina Bank Co., Ltd. and KB Hongkong Ltd. the amounts with opened but not used are \$16,179,376, \$15,509,012 and \$2,000 respectively as of June 30, 2014.

- (*2) In the comprehensive limit, it's included the limit of Trust Receipt amounting to \$25 million.

- (*3) In the comprehensive limit, it's included the limit of Trust Receipt amounting to \$16 million.

33. **RELATED-PARTY TRANSACTIONS:**

(1) The Group's related parties as of June 30, 2014, are as follows:

	Corporate Name
Associate(*1)	KR Motors Co., Ltd.
Other related party	Kolao Energy Co., Ltd.
	Kolao Farm Co., Ltd.
	KLD Computer Co., Ltd. (K-plaza)
	GLOVIA Co., Ltd.
	GLOVIA Lao Co., Ltd.
	Kolao I-Tech Construction Co., Ltd.
	I-Furniture Lao Co., Ltd.
	Indochina Bank Co., Ltd.
	Lanxang media Co., Ltd.
	Kolao Import&Export Co., Ltd.
	Kolao Resort Co., Ltd.

(*1) Kolao Holdings Co., Ltd., acquired 16.05% of shares of KR Motors Co., Ltd. As of March 19, 2014, KR Motors Co., Ltd. became an associate of Kolao Holdings Co., Ltd.. The following includes related parties transactions occurred after significant influence acquired.

(2) Details of transactions with related parties for the six months ended June 30, 2014 and 2013, are as follows
(Unit: USD):

Related Party	Corporate Name	Account	2014	2013
Associate	KR Motors Co., Ltd.	Acquisition of financial assets at FVTPL	13,892,748	-
Other related party	GLOVIA Co., Ltd.	Cost of sales	3,670,575	22,544
		Selling, general and administrative expenses	1,457,256	-
	Kolao I-Tech Construction	Acquisition of property, plant and equipment	6,698,100	8,850,000
	I-Furniture Lao Co., Ltd.	Acquisition of property, plant and equipment	54,785	-
		Selling, general and administrative expenses	3,893	-
	Indochina Bank Co., Ltd.	Cost of sales	78,336	113,477
		Selling, general and administrative expenses	6,715	3,808
		Other income	36,105	21,600
		Financial income	921,205	-
		Financial expenses	376,714	526,023
	Lanxang media Co., Ltd.	Selling, general and administrative expenses	166,102	103,744
	Kolao import&export Co.,Ltd.	Acquisition of property, plant and equipment	-	545,383

(3) The outstanding balances with related parties as of June 30, 2014 and December 31, 2013, are as follows
(Unit: USD):

Related party	Account	2014	2013
Indochina Bank Co., Ltd.	Cash and cash equivalents	27,425,688	6,705,281
	Short-term financial instruments	11,957,792	21,987,841
	Trade payables	5,848,807	12,008,064
	Short-term borrowings	20,112,286	-
	Accrued expenses	154,737	-

(4) Compensation of key management personnel

Compensations of directors and other members of key management personnel for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	2014	2013
Salaries	1,016,212	610,707

34. **NON-CASH TRANSACTIONS:**

Major non-cash transactions that were not included in the consolidated statements of cash flows for the six months ended June 30, 2014 and 2013, are as follows (Unit: USD):

	<u>2014</u>	<u>2013</u>
Transfer to vehicles from inventories	606,885	462,452
Transfer to buildings from advance payments	2,977,084	-
Transfer to buildings from construction in progress	1,010,000	-

35. **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 concerns 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 as of June 30, 2014 and December 31, 2013, are as follows (Unit: USD):

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Liabilities	92,866,109	66,711,019
Equity	<u>272,082,225</u>	<u>257,964,621</u>
Debt-to-equity ratio	<u>34.13%</u>	<u>25.86%</u>

(2) Financial risk management

The Group is exposed to diverse financial risks, including market risk (foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk 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 forecast 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, 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 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 foreign currencies to be the same. The Group's foreign assets and liabilities as of June 30, 2014 and December 31, 2013, are as follows:

<June 30, 2014>

	BAHT	USD(Book)	KIP	USD(Book)	KRW	USD(Book)
Foreign assets:						
Cash and cash equivalent	5,949,950	185,762	10,354,595,831	1,286,520	502,388,918	495,257
Short-term financial instruments	-	-	56,000,000,000	6,957,792	11,808,668,638	11,641,038
Trade receivables	366,455,784	11,441,017	-	-	-	-
Other receivables	-	-	7,900,000	982	122,332,771	120,594
Income tax receivables	-	-	8,204,180,522	1,019,339	-	-
	<u>372,405,734</u>	<u>11,626,779</u>	<u>74,566,676,353</u>	<u>9,264,633</u>	<u>12,433,390,327</u>	<u>12,256,889</u>
Foreign liabilities:						
Short-term borrowings	132,786,608	4,145,695	-	-	31,924,603,376	31,471,415
Long-term borrowings	-	-	-	-	5,999,999,494	5,914,826
Other financial liabilities	43,630	1,362	7,900,000	982	557,175,601	549,266
Other current liabilities	741,880	23,162	3,122,148,829	387,915	-	-
	<u>133,572,118</u>	<u>4,170,219</u>	<u>3,130,048,829</u>	<u>388,897</u>	<u>38,481,778,471</u>	<u>37,935,507</u>

<December 31, 2013>

	BAHT	USD(Book)	KIP	USD(Book)	KRW	USD(Book)
Foreign assets:						
Cash and cash equivalent	34,320,439	1,054,391	33,041,060,718	4,122,959	3,937,113,714	3,730,800
Trade receivables	12,373,914	380,151	-	-	-	-
Other receivables	-	-	13,900,000	1,734	122,332,771	115,922
Income tax receivables	-	-	6,416,836,221	800,712	-	-
	<u>46,694,353</u>	<u>1,434,542</u>	<u>39,471,796,939</u>	<u>4,925,405</u>	<u>4,059,446,485</u>	<u>3,846,722</u>
Foreign liabilities:						
Current debentures	-	-	-	-	14,930,067,660	14,147,700
Non-current debentures	-	-	-	-	22,914,306,806	21,713,547
Other financial liabilities	507,057	15,578	-	-	513,220,890	486,327
Other current liabilities	55,230	1,697	39,604,000	4,942	-	-
	<u>562,287</u>	<u>17,275</u>	<u>39,604,000</u>	<u>4,942</u>	<u>38,357,595,356</u>	<u>36,347,574</u>

The Group measures foreign exchange risk caused by exchange rate fluctuation on a regular basis. In terms of functional currency as of June 30, 2014 effects of a 10% change in exchange rate of each of foreign currencies on profit or loss are as follows (Unit: USD):

	Profit (loss) before income tax	
	Increased by 10%	Decreased by 10%
BAHT (BAHT/USD)	(745,656)	745,656
KIP (KIP/USD)	(887,574)	887,574
KRW (KRW/USD)	<u>2,567,862</u>	<u>(2,567,862)</u>
	<u>934,632</u>	<u>(934,632)</u>

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.

(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 available-for-sale (“AFS”) financial assets and fair value through profit and loss (“FVTPL”) financial assets in the consolidated statement of financial position of the prior period. The Group has invested in equity securities by exercising the management’s judgments, and the Group have strategic purpose for equity securities.

(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. Meanwhile, as of the end of the reporting period, the interest rate fluctuation does not have a significant impact on the fair value and cash flows of financial liabilities since the Group borrows most of liabilities by fixed interest rate.

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.

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.

Since the carrying amount of borrowings, trade payables and other payables that expire within 12 months is not materially affected by the discount effect, repayment at maturity is same with its fair value.

(3) Fair value estimation

The fair values of financial instruments (financial assets held for trading and AFS financial assets) 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 (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.

- 1) 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).
- 2) 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):

June 30, 2014				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investment in convertible bonds	-	-	14,787,066	14,787,066
AFS financial assets				
Unlisted equity securities	-	-	9,963,162	9,963,162
Total	-	-	24,750,228	24,750,228

There is no financial asset reclassified due to changes in purpose or use as of June 30, 2014.

36. SHARE-BASED PAYMENT:

As of May 27, 2013, the Group granted 150,000 stock options with an exercise price of KRW 30,782 per share and a vesting period of five years to each of its directors and employees, conditional on them remaining in employment for three years. The stock options can only be equity settled. The Group applies a binomial option pricing model to determine the fair value of share-based payments and considers the following assumptions:

Description	Amount
Stock price at grant date(Unit: Won)	31,850
Exercise price(Unit: Won)	30,782
Expected volatility	0.344948297
Option maturity	May 26, 2018
Dividend yield	-
Risk-free rate applied	2.70%
Expected expiration rate	15.83%

The Group recognized USD 144,922 as compensation expense for the six months ended June 30, 2014.

37. SHARE-BASED PAYMENT:

On August 14, 2014, the Group has entered into a warranty contract with Credit Guarantee and Investment Facility who is an agency of Asian Development Bank. The Group plans to issue foreign privately placed bonds of SGD 60,000,000 underlying this warranty contract;

	<u>Description</u>
Maturity	3 Years
Purpose	to repay the existing privately placed bonds and to obtain working capital