

KOLAO HOLDINGS AND ITS SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

As of June 30

(Unaudited)

**ATTACHMENT:
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

KOLAO HOLDINGS

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Independent Accountants' Review Report

English Translation of Independent Accountants' Review Report Originally Issued in Korean on August 28, 2017.

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

We have reviewed the accompanying condensed consolidated interim financial statements of KOLAO Holdings (the "Company") and its subsidiaries (the "Group"). The condensed consolidated financial statements consist of the condensed consolidated statement of financial position as of June 30, 2017, the related condensed consolidated statements of comprehensive income, for the three months and six months ended June 30, 2017 and the related condensed consolidated statements of changes in equity and cash flows for the six months ended June 30, 2017, all expressed in US dollars, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed Consolidated Interim Financial Statements

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standards ("IAS") No.34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of condensed consolidated interim 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 condensed consolidated interim financial statements based on our review.

We conducted our reviews in accordance with standards for review of condensed 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 condensed consolidated interim financial statement of the Company are not presented fairly, in all material respects, in accordance with International Accounting Standards ("IAS") No.34, *Interim Financial Reporting*.

Others

The accompanying consolidated statements of comprehensive income, for the three months and six months ended June 30, 2016 and consolidated statements of changes in equity and cash flows for the six months ended June 30, 2016 were reviewed by other auditors whose report thereon dated August 25, 2016, expressed that nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of the Company are not presented fairly, in all material respects, in accordance with International Accounting Standards (“IAS”) No.34, *Interim Financial Reporting*.

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, which are not presented in the accompanying consolidated financial statements, were audited by other auditors in accordance with the Korean Auditing Standards on Auditing (“KSAs”) and an unqualified opinion was expressed on March 23, 2017. The condensed consolidated statement of financial position as of December 31, 2016, presented as a comparative purpose in the accompanying financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2016.



August 28, 2017

Notice to Readers

This report is effective as of August 28, 2017, the accountants’ review report date. Certain subsequent events or circumstances may have occurred between the accountants’ review report date and the time the accountants’ report is read. Such events or circumstances could significantly affect the accompanying condensed consolidated interim financial statements and may result in modifications to the accountants’ review report.

KOLAO HOLDINGS AND ITS SUBSIDIARIES (the “Group”)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 AND DECEMBER 31, 2016, AND
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30,
2017 AND 2016**

“The accompanying condensed consolidated interim 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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

	USD	
	June 30, 2017	December 31, 2016
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 6 and 37)	\$ 22,642,869	\$ 6,734,767
Short-term financial instruments (Notes 6 and 20)	10,548,948	9,422,507
Financial assets at fair value through profit or loss (FVTPL) (Notes 7, 37 and 38)	2,160,797	2,160,797
Trade receivables, net (Note 8)	103,459,390	103,024,932
Other receivables (Notes 9, 21 and 37)	7,271,932	2,635,426
Other current assets (Notes 10 and 18)	7,397,904	12,375,588
Income tax receivable (Note 33)	346,222	142,436
Inventories (Notes 11 and 35)	112,100,669	95,598,186
TOTAL CURRENT ASSETS	265,928,731	232,094,639
NON-CURRENT ASSETS:		
Long-term trade receivables, net (Notes 8 and 35)	175,679,561	192,636,777
Available-for-sale ("AFS") financial assets (Notes 12, 37 and 38)	12,096,688	12,096,688
Investments in associate (Notes 6,13 and 20)	39,029,660	38,256,699
Other receivables (Notes 9 and 37)	3,510,261	3,290,892
Other non-current assets (Notes 14 and 18)	8,788,798	9,621,240
Property, plant and equipment, net (Notes 5, 15, 18, 35 and 37)	70,440,665	72,441,072
Investment property, net (Note 16)	2,140,437	2,209,828
Intangible assets, net (Note 17)	8,394,319	8,391,050
TOTAL NON-CURRENT ASSETS	320,080,389	338,944,246
TOTAL ASSETS	586,009,120	571,038,885
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES:		
Trade payables (Notes 5, 37 and 38)	40,465,118	56,720,155
Short-term borrowings (Notes 19, 36, 37 and 38)	160,572,559	131,235,009
Derivatives liabilities (Notes 6, 20, 35, 37 and 38)	4,640,278	6,952,737
Provisions (Notes 9 and 21)	1,038,300	819,075
Other financial liabilities (Notes 22 and 37)	3,319,569	7,116,496
Other current liabilities (Notes 18 and 23)	981,303	4,281,818
Income tax payable (Note 33)	207,060	66,880
TOTAL CURRENT LIABILITIES	\$ 211,224,187	\$ 207,192,170

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF
FINANCIAL POSITION (CONTINUED)**

AS OF JUNE 30, 2017 AND DECEMBER 31, 2016

	USD	
	June 30, 2017	December 31, 2016
NON-CURRENT LIABILITIES:		
Provisions (Note 9 and 21)	\$ 2,707,421	\$ 1,361,288
TOTAL NON-CURRENT LIABILITIES	2,707,421	1,361,288
TOTAL LIABILITIES	213,931,608	208,553,458
EQUITY:		
Share capital (Note 24)	11,967,377	11,967,377
Other issued capital (Notes 24 and 25)	136,486,495	137,058,864
Other equity (Note 27)	1,350,193	444,040
Retained earnings (Note 26)	223,465,579	214,568,121
Equity attributable to the owners of the company	373,269,644	364,038,402
Non-controlling interests	(1,192,132)	(1,552,975)
TOTAL SHAREHOLDERS' EQUITY	372,077,512	362,485,427
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 586,009,120	\$ 571,038,885

(Concluded)

See accompanying notes to the condensed consolidated interim financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	USD			
	2017		2016	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
SALES (Notes 5, 28 and 37)	\$ 70,137,971	\$ 147,365,956	\$ 83,105,427	\$ 171,217,063
COST OF SALES (Notes 18, 29 and 37)	<u>(54,385,346)</u>	<u>(118,305,070)</u>	<u>(65,339,106)</u>	<u>(136,828,415)</u>
GROSS PROFIT (Note 5)	15,752,625	29,060,886	17,766,321	34,388,648
Selling, general and administrative expenses (Notes 29, 30 and 37)	(14,927,682)	(27,066,166)	(9,388,836)	(23,014,592)
Other income (Notes 16 and 31)	8,365,417	23,247,707	10,187,824	17,607,030
Other expenses (Note 31)	<u>(467,743)</u>	<u>(1,549,009)</u>	<u>(636,744)</u>	<u>(860,462)</u>
OPERATING PROFIT	8,722,617	23,693,418	17,928,565	28,120,624
Financial income (Notes 32 and 37)	758,071	2,798,406	777,183	3,425,656
Financial expenses (Notes 32 and 37)	(4,468,034)	(10,685,203)	(5,195,662)	(10,523,467)
Share of profits of associates (Note 13)	<u>(1,177,218)</u>	<u>(2,133,348)</u>	<u>42,714</u>	<u>(699,612)</u>
PROFIT BEFORE INCOME TAX EXPENSE	3,835,436	13,673,273	13,552,800	20,323,201
Income tax expense (Note 33)	<u>(227,836)</u>	<u>(250,351)</u>	<u>(506,029)</u>	<u>(506,029)</u>
PROFIT FOR THE PERIOD	3,607,600	13,422,922	13,046,771	19,817,172
OTHER COMPREHENSIVE INCOME:	<u>(250,324)</u>	<u>905,995</u>	<u>(22,090)</u>	<u>228,586</u>
Items not to be reclassified subsequently to profit or loss:				
Changes due to associate's equity changes (Note 13)	-	-	128,061	128,061
Items to be reclassified subsequently to profit or loss:				
Changes due to associate's equity changes (Note 13)	(249,379)	906,311	(141,426)	96,695
Exchange differences on translating foreign operations	<u>(945)</u>	<u>(316)</u>	<u>(8,725)</u>	<u>3,830</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 3,357,276</u>	<u>\$ 14,328,917</u>	<u>\$ 13,024,681</u>	<u>\$ 20,045,758</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,913,920	\$ 13,980,151	\$ 13,094,014	\$ 20,016,649
Non-controlling interests	(306,320)	(557,229)	(47,243)	(199,477)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	3,664,069	14,886,304	13,071,924	20,245,235
Non-controlling interests	(306,793)	(557,387)	(47,243)	(199,477)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY :				
Basic and diluted earnings per share (Note 34)	\$ 0.08	\$ 0.30	\$ 0.28	0.42

See accompanying notes to the condensed consolidated interim financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	USD									
	Share capital	Other issued capital	Stock option	Treasury	Gains on disposal 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)
Profit for the period	-	-	-	-	-	-	20,016,649	20,016,649	(199,477)	19,817,172
Other comprehensive income										
Changes due to associate's equity changes	-	-	-	-	-	224,756	-	224,756	-	224,756
Exchange differences on translating foreign operations	-	-	-	-	-	3,830	-	3,830	-	3,830
Stock options	-	-	260,702	-	-	-	-	260,702	-	260,702
As of June 30, 2016	<u>\$ 11,967,377</u>	<u>\$ 144,934,903</u>	<u>\$ 1,533,631</u>	<u>\$ (9,374,737)</u>	<u>\$ 748</u>	<u>\$ (1,012,273)</u>	<u>\$ 197,544,658</u>	<u>\$ 345,594,307</u>	<u>\$ (573,827)</u>	<u>\$ 345,020,480</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)
Profit for the period	-	-	-	-	-	-	13,980,151	13,980,151	(557,229)	13,422,922
Other comprehensive income										
Changes due to associate's equity changes	-	-	-	-	-	906,311	-	906,311	-	906,311
Exchange differences on translating foreign operations	-	-	-	-	-	(158)	-	(158)	(158)	(316)
Stock options	-	-	(572,369)	-	-	-	-	(572,369)	-	(572,369)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	918,230	918,230
As of June 30, 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>\$ 1,350,193</u>	<u>\$ 223,465,579</u>	<u>\$ 373,269,644</u>	<u>\$ (1,192,132)</u>	<u>\$ 372,077,512</u>

See accompanying notes to the condensed consolidated interim financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	USD	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows generated from operations:		
Profit for the period	\$ 13,422,922	\$ 19,817,172
Adjustments:		
Bad debt expense	142,028	53,063
Loss on investments in associates	2,133,348	699,612
Depreciation	3,972,808	3,411,483
Gain on disposal of property, plant and equipment	(24,864)	(584,504)
Loss on disposal of property, plant and equipment	-	6,826
Depreciation in investment property	69,391	33,236
Amortization of intangible assets	599,203	431,978
Gain on valuation of derivatives	(2,101,000)	(2,467,529)
Impairment loss of intangible assets	776,254	-
Gain on transaction of derivatives	(8,354)	(3,850)
Loss on redemption of debenture	-	19,811
Increase (reversal) in provisions for product warranties	1,936,128	(1,526,896)
Increase (reversal) of provisions for return products	(54,005)	65,464
Income tax expense	250,351	506,029
Stock option compensation cost	(572,369)	260,702
Cost of retirement benefit plan	-	4,561
Sales promotion cost	52,901	274,648
Gain on foreign exchange translation	(527,541)	(1,637,070)
Dividend income	(728,479)	(549,242)
Rental income	(27,600)	(22,800)
Loss on foreign exchange translation	4,793,912	3,682,975
Interest income	(20,865,914)	(13,228,312)
Interest expenses	4,488,850	4,919,795
Miscellaneous Income	(36,805)	-
	<u>(5,731,757)</u>	<u>(5,650,020)</u>
Movements in working capital:		
Decrease (increase) in trade and other receivables	44,699,786	(27,925,481)
Decrease (increase) in other current assets	5,052,118	(7,261,316)
Increase in other non-current assets	-	(3,815,828)
Increase (decrease) in inventories	(14,916,990)	12,309,002
Decrease (increase) in trade payables and other financial liabilities	(30,015,780)	4,251,209
Decrease in other current liabilities	(3,352,096)	(3,598,580)
Decrease in provisions	(1,267,884)	(2,962)
	<u>199,154</u>	<u>(26,043,956)</u>
Interest received	207,713	987,451
Interest paid	(4,026,459)	(5,455,717)
Dividends received	728,479	549,242
Income tax paid	(317,294)	(589,269)
Net cash used in operating activities	<u>\$ 4,482,758</u>	<u>\$ (16,385,097)</u>

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

	USD	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term financial instruments	\$ (1,105,000)	\$ (60,317)
Decrease in short-term financial instruments	-	2,672,637
Increase in short-term loans	(6,217,510)	(96,609)
Decrease in short-term loans	269,727	-
Decrease in long-term loans	225,000	-
Acquisition of investments in associate	(2,000,000)	-
Acquisition of property, plant and equipment	(1,528,276)	(7,815,813)
Disposal of property, plant and equipment	27,060	3,879,735
Acquisition of intangible assets	(793,858)	(4,413,845)
Net cash flow from acquisition of subsidiary	<u>1,582,348</u>	<u>-</u>
Net cash used in investing activities	<u>(9,540,509)</u>	<u>(5,834,212)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from short-term borrowings	21,671,768	27,371,152
Proceeds from debentures	23,241,251	26,763,906
Repayment of debentures	(18,616,378)	(11,852,800)
Settlement of derivatives liabilities	(203,105)	(200,820)
Payment of dividends	(5,012,729)	(4,053,755)
Increased paid-in capital of subsidiary	<u>4,500</u>	<u>-</u>
Net cash provided by financing activities	<u>21,085,307</u>	<u>38,027,683</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>16,027,556</u>	<u>15,808,374</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,734,767	11,808,998
CHANGES IN CASH AND CASH EQUIVALENTS BY FOREIGN CURRENCY TRANSLATION	<u>(119,454)</u>	<u>221,658</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(Note 35)	<u>\$ 22,642,869</u>	<u>\$ 27,839,030</u>

(Concluded)

See accompanying notes to the condensed consolidated interim financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AS OF JUNE 30, 2017 AND DECEMBER 31, 2016,
AND FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 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. (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 and Myanmar 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 June 30, 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 June 30, 2017, the Company’s shareholders and the respective percentage of ownership are as follows:

<u>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”) condensed consolidated interim financial statements as of and for the period ended December 31, 2016, 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, 2016.

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, 2016, except for the effects of the changes of accounting policies as follows:

- 1) Amendments to International Financial Reporting Standards (“IFRSs”) and new interpretations that are mandatorily effective for the current period

Amendments to IAS 7 – Statement of Cash Flows

The amendments require that changes in liabilities arising from financial activities are disclosed. The application of these amendments has no impact on the disclosure in the Group’s condensed consolidated interim financial statements.

Amendments to IAS 12 – Income Taxes

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profits may include the recovery of some of assets for more than their carrying amount. When the Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The application of these amendments has no impact on the disclosure in the Group's condensed consolidated interim financial statements.

2) New and revised International Financial Reporting Standards ("IFRSs") in issue, but not yet effective

Enactments to IFRS 9 – Financial Instruments

The enactments to IFRS 9 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 general impact of the new standard on the consolidated financial statement is 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).

The Group has loans and receivables of \$300,470,092, available-for-sale financial assets of \$12,096,688 and financial assets at FVTPL of \$2,160,797 in the consolidated statements of financial position as of June 30, 2017.

B. Classification and measurement of financial liabilities.

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.

As of June 30, 2017, the Group has financial liabilities measured at amortised cost of \$204,357,246 and financial liabilities with changes in fair value recognised in profit or loss of \$4,640,278.

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.

In 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	

Under IFRS 9, an entity shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

As of June 30, 2017, the Group has loans, receivables and available-for-sale financial assets and the loss allowance for these assets are \$3,634,986. The Group will undertake preparatory work to analyze financial impacts, establish accounting policies, establish an accounting system, and stabilize the system for the smooth introduction of IFRS 9.

Enactments to IFRS 15 – Revenue from Contracts with Customers

The core principle under IAS 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 amendments are effective for annual periods beginning on or after January 1, 2018.

As of June 30, 2017, the Group is planning to set up a preliminary analysis team composed of accounting and sales staff in preparation of the adoption of IFRS 15. If necessary, the Group will analyze its profit structure with the help of external experts, such as accounting firms. The Group is planning to disclose the financial impact of the adoption of this standard on its financial statements as of and for the year ended December 31, 2017.

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.

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.

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.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES:

In preparing the condensed consolidated interim financial statements, the management of the Group makes estimates and assumptions on matters which affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2016.

4. SUBSIDIARIES:

(1) The details of consolidated subsidiaries as of June 30, 2017 and December 31, 2016 are as follows:

Subsidiaries	Country	Reporting date	Percentage of Ownership		Main business
			June 30, 2017	December 31, 2016	
Auto World(KOLAO Developing) Co., Ltd.	Laos	Dec. 31	100	100	Manufacture and sales of automobile and motorcycle
KOLAO Holdings Singapore Pte., Ltd.	Singapore	Dec. 31	100	100	Holding company, Foreign trade
KOLAO Holdings (HM) Singapore Pte., Ltd. (*1)	Singapore	Dec. 31	84	84	Sales of automobile
KOLAO Holdings Myanmar Co., Ltd. (*1)	Myanmar	Dec. 31	99	99	Sales of automobile
DAEHAN Co., Ltd. (*1)	Myanmar	Dec. 31	99	99	Sales of automobile
Fortune KOLAO international Motors Co., Ltd. (*2)	Myanmar	Dec. 31	100	100	Trading company
International KLM Co., Ltd. (*2)	Myanmar	Dec. 31	99	100	Sales of automobile and automobile parts, repairs of automobile
Global KLM Co., Ltd. (*2)	Myanmar	Dec. 31	99	100	Sales of automobile and automobile parts, and repairs of automobile
LVMC Investment Limited	Hong Kong	Dec. 31	99	100	Financial business
KOLAO Holdings (Cambodia) Co., Ltd.	Cambodia	Dec. 31	100	100	Sales of automobile
Daehan-Dewan Motor Company (Pvt.) Ltd.(*3)	Pakistan	Dec. 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) Subsidiaries newly included in consolidation for the period ended June 30, 2017 are as follows:

Changes Included	Name of subsidiaries	Description
	Daehan-Dewan Motor Company (Pvt.) Ltd.	Acquisition

(3) The summaries of financial information of subsidiaries as of and for the period ended June 30, 2016, are as follows (Unit: USD):

Subsidiaries	Assets	Liabilities	Controlling equity	Non-controlling interests	Sales	Profit for the period	Total comprehensive income
Auto World(KOLAO Developing) Co., Ltd.	\$ 487,495,642	\$ 200,002,687	\$ 287,492,955	\$ -	\$ 142,013,497	\$ 20,636,203	\$ 20,636,203
Kolao Holdings Singapore Pte., Ltd. (*1)	21,361,804	11,889,302	11,177,361	(1,704,859)	5,656,019	(679,386)	(679,386)
LVMC Investment Limited	17,243,837	-	17,243,837	-	728,479	794,399	794,399
Kolao Holdings (Cambodia) Co., Ltd.	4,527,404	3,498,688	1,028,716	-	512,375	(637,822)	(637,822)
Daehan-Dewan Motor Company (Pvt.) Ltd.	6,461,158	5,349,434	598,997	512,727	-	(801,690)	(801,690)

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

All financial information of subsidiaries is the amounts after adjusting differences in accounting policies from the Company, but before eliminating all intragroup transactions.

(4) The summaries of cash flows of subsidiaries for the period ended June 30, 2017, are as follows (Unit: USD):

Subsidiaries	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Changes in cash and cash equivalents by foreign currency translation	Cash and cash equivalents, beginning of the period	Cash and cash equivalents, end of the period
Auto World(KOLAO Developing) Co., Ltd.	\$ 9,899,541	\$ (1,744,378)	\$ 6,276,524	\$ 19,034	\$ 3,088,875	\$ 17,539,596
Kolao Holdings Singapore Pte., Ltd. (*1)	(1,479,996)	(32,965)	1,914,500	-	1,617,033	2,018,572
LVMC Investment Limited	715,684	-	-	-	583,895	1,299,579
Kolao Holdings (Cambodia) Co., Ltd.	(807,125)	(39,738)	-	-	889,552	42,689
Daehan-Dewan Motor Company (Pvt.) Ltd.	(724,865)	(270,776)	-	-	1,582,348	586,707

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

All financial information of subsidiaries is the amounts after adjusting differences in accounting policies from the Company, but before eliminating all intragroup transaction.

(5) Net assets and profit of non-controlling interests as of and for the period ended June 30, 2017, are as follows (Unit: USD):

Subsidiary	Non-controlling interests	Profit for the period attributable to non-controlling interests	Total comprehensive income attributable to non-controlling interests	Dividends paid to non-controlling interests
Kolao Holdings Singapore Pte., Ltd. (*1)	\$ (1,704,859)	\$ (156,384)	\$ (156,384)	\$ -
Daehan-Dewan Motor Company (Pvt.) Ltd.	512,727	(400,845)	(401,003)	-

(*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:

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

Segment	Description
Merchandise	Business to distribute in Laos after importing new automobile or buying local used car.
Finished goods	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
Automobile	
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	Selling and buying used local automobiles in Laos, and providing rental services.

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

		Sales by segment				Gross profit by segment			
		2017		2016		2017		2016	
		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
	Merchandise	\$ 34,576,870	\$ 74,320,993	\$ 32,799,715	\$ 79,727,598	\$ 3,811,388	\$ 6,999,712	\$ 4,192,351	\$ 12,453,517
Automobile	Finished goods	28,421,465	57,442,456	40,948,200	75,030,564	10,702,099	18,293,516	10,771,061	17,868,742
	Export	3,118,337	3,948,260	-	-	302,772	359,489	-	-
Motorcycle		954,578	3,624,862	3,838,105	5,495,177	252,696	638,816	689,522	768,230
Wholesale		1,565,801	3,027,114	3,267,656	5,985,837	352,588	555,953	753,883	1,012,782
AS		1,188,758	3,580,085	1,833,342	3,778,863	18,920	791,214	267,418	412,676
Others		312,162	1,422,186	418,409	1,199,024	312,162	1,422,186	1,092,086	1,872,701
		<u>\$ 70,137,971</u>	<u>\$ 147,365,956</u>	<u>\$ 83,105,427</u>	<u>\$ 171,217,063</u>	<u>\$ 15,752,625</u>	<u>\$ 29,060,886</u>	<u>\$ 17,766,321</u>	<u>\$ 34,388,648</u>
Unallocated income and expenses						(11,917,189)	(15,387,613)	(4,213,521)	(14,065,447)
Profit before income tax expense						<u>\$ 3,835,436</u>	<u>\$ 13,673,273</u>	<u>\$ 13,552,800</u>	<u>\$ 20,323,201</u>

All the revenues and results reported above are the amounts after eliminating all intragroup transactions 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	
		June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
	Merchandise	\$ 194,115,177	\$ 164,259,899	\$ 20,606,620	\$ 64,581,889
Automobile	Finished goods	215,726,435	226,206,597	15,926,790	41,269,238
	Export	8,002,313	22,307,438	1,094,715	4,069,779
Motorcycle		21,285,506	26,871,253	1,005,048	2,469,988
Wholesale		8,548,630	10,023,685	839,313	3,706,599
A/S		13,103,000	18,142,222	992,633	4,003,642
Others		899,224	4,280,923	-	-
		461,680,285	472,092,017	40,465,119	120,101,135
Unallocated assets and liabilities		<u>124,328,835</u>	<u>98,946,868</u>	<u>173,466,489</u>	<u>88,452,323</u>
Total assets and liabilities		<u>\$ 586,009,120</u>	<u>\$ 571,038,885</u>	<u>\$ 213,931,608</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 segment's trade receivables, inventories, property, plant and equipment, 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		Acquisition of non-current assets(*)	
		Period ended June 30,		Period ended June 30,	
		2017	2016	2017	2016
	Merchandise	\$ 1,922,319	\$ 1,789,717	\$ 1,528,232	\$ 6,217,203
Automobile	Finished goods	2,136,335	1,684,278	1,181,165	5,850,925
	Export	79,247	-	81,186	-
Motorcycle		210,790	123,355	74,537	428,517
Wholesale		84,657	134,369	62,245	466,779
A/S		129,759	84,828	73,616	294,678
Others		8,904	26,916	29,244	93,500
		<u>\$ 4,572,011</u>	<u>\$ 3,843,463</u>	<u>\$ 3,030,225</u>	<u>\$ 13,351,602</u>

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

(*2) The amounts of acquisition on non-current assets for the periods ended June 30, 2017 and 2016, include \$666,191 and \$1,121,944, respectively, which was transferred from inventory to vehicles.

(5) Geographical information

Although the Group operates its business in Laos, Myanmar and Cambodia, most of the Group's revenue is generated in Laos.

(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. RESTRICTED FINANCIAL ASSETS:

Restricted financial assets as of June 30, 2017 are as follows (Unit: USD):

	Description	June 30, 2017
Cash and cash equivalents	Escrow account	\$ 457,909
Short-term financial instruments	Pledged for borrowings	7,057,448
Short-term financial instruments	Pledged for derivatives	1,251,199
Investments in associates (*1)	Pledged for derivatives	5,020,052
		<u>\$ 13,786,608</u>

(*1) 6,000 thousand shares of of KR Motors Co., Ltd., investments in associates, are pledged as collateral for the currency swap and the amounts are in proportion with the book value as of June 30, 2017.

7. FINANCIAL ASSETS AT FVTPL:

Details of financial assets at FVTPL as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

	June 30, 2017	December 31, 2016
Financial assets at FVTPL:		
Investment in convertible bonds (*1)	\$ 2,160,797	\$ 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 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, 2017 and December 31, 2016, are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Trade receivables in current assets	\$ 104,366,376	\$ 103,789,890
Less: Allowances for doubtful accounts	<u>(906,986)</u>	<u>(764,958)</u>
Total	<u>\$ 103,459,390</u>	<u>\$ 103,024,932</u>
	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Long-term trade receivables	\$ 175,679,561	\$ 192,636,777
Less: Allowances for doubtful accounts	<u>-</u>	<u>-</u>
Total	<u>\$ 175,679,561</u>	<u>\$ 192,636,777</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 an interest rate of installment receivables that has a similar credit condition, because there is no local enterprise that has a same credit condition.

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.

(2) Changes in allowance for doubtful accounts for the periods ended June 30, 2017 and 2016, are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	\$ 764,958	\$ 953,762
Bad debt expense	<u>142,028</u>	<u>53,063</u>
Ending balance	<u>\$ 906,986</u>	<u>\$ 1,006,825</u>

9. OTHER RECEIVABLES:

(1) Details of other receivables as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Short-term loans	\$ 6,149,119	\$ 1,797,000	\$ 2,001,336	\$ 2,022,000
Other accounts receivables	900,354	1,210,455	614,610	763,268
Accrued income	222,459	-	19,480	-
Business leasehold deposits	-	401,286	-	401,286
Guarantee deposits	<u>-</u>	<u>101,520</u>	<u>-</u>	<u>104,338</u>
	<u>\$ 7,271,932</u>	<u>\$ 3,510,261</u>	<u>\$ 2,635,426</u>	<u>\$ 3,290,892</u>

- (2) 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.

10. OTHER CURRENT ASSETS:

Details of other current assets as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

	June 30, 2017	December 31, 2016
Advance payments	\$ 2,554,522	\$ 8,956,250
Prepaid expenses	4,471,754	3,306,545
Value-added tax prepayment	<u>371,628</u>	<u>112,793</u>
	<u>\$ 7,397,904</u>	<u>\$ 12,375,588</u>

11. INVENTORIES:

Details of inventories as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

Description	June 30, 2017			December 31, 2016		
	Acquisition cost	Accumulated loss on valuation	Book value	Acquisition cost	Accumulated loss on valuation	Book value
Raw materials	\$ 60,535,254	\$ -	\$ 60,535,254	\$ 48,976,595	\$ -	\$ 48,976,595
Merchandise	39,922,035	(90,606)	39,831,429	34,687,855	(90,606)	34,597,249
Work in process	7,126,802	-	7,126,802	3,816,813	-	3,816,813
Finished goods	2,522,989	(154)	2,522,835	5,018,004	(154)	5,017,850
Goods in transit	<u>2,084,349</u>	<u>-</u>	<u>2,084,349</u>	<u>3,189,679</u>	<u>-</u>	<u>3,189,679</u>
	<u>\$ 112,191,429</u>	<u>\$ (90,760)</u>	<u>\$ 112,100,669</u>	<u>\$ 95,688,946</u>	<u>\$ (90,760)</u>	<u>\$ 95,598,186</u>

12. Available-for-sale ("AFS") FINANCIAL ASSETS:

Details of AFS financial assets as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

	June 30, 2017	December 31, 2016
Non-marketable equity securities		
Indochina Bank Co., Ltd. (*1)	\$ 12,096,688	\$ 12,096,688

- (*1) LVMC Investment Limited acquired 11.99% of ownership of Indochina Bank Co., Ltd. which is a other related party.

13. INVESTMENTS IN ASSOCIATES:

(1) Details of investments in associate as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

Name of Company	Country	Percentage of Ownership (%)	June 30, 2017		Percentage of Ownership (%)	December 31, 2016		Main Business
			Acquisition Cost	Book Value		Acquisition Cost	Book Value	
KR Motors Co., Ltd.	Korea	25.01	\$ 46,849,684	\$ 37,115,210	25.31	\$ 46,849,684	\$ 38,256,699	Manufactures and sales of motorcycle
KB KOLAO LEASING Co.,LTD.	Laos	20.00	2,000,000	1,914,450	-	-	-	Installment financing, facility rental

(2) Market value of the associate as of June 30, 2017 and December 31, 2016, is as follows (Unit: USD):

Name of the Company	June 30, 2017	December 31, 2016
KR Motors Co., Ltd.	\$ 35,306,108	\$ 31,678,101

- (3) Changes in investments in associate for the periods ended June 30, 2017 and 2016, are as follows (Unit: USD):

June 30, 2017					
Name of the Company	Beginning balance	Acquisition	Share of profits	Changes due to associate's equity changes	Ending balance
KR Motors Co., Ltd.	\$ 38,256,699	\$ -	\$ (2,058,517)	\$ 917,028	\$ 37,115,210
KB KOLAO LEASING Co.,LTD.	-	2,000,000	(74,831)	(10,719)	1,914,450

June 30, 2016					
Name of the Company	Beginning balance	Acquisition	Share of profits	Changes due to associate's equity changes	Ending balance
KR Motors Co., Ltd.	\$ 40,934,653	\$ -	\$ (699,612)	\$ 224,756	\$ 40,459,797

- (4) The summaries of financial information of associate as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

June 30, 2017				
Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
KR Motors Co., Ltd.	\$ 57,543,514	\$ 72,371,126	\$ 55,946,263	\$ 19,539,171
KB KOLAO LEASING Co.,LTD	10,119,838	1,355,828	1,903,422	-

Name of the company	Sales	Operating profit	Profit for the period	Total for the comprehensive income
KR Motors Co., Ltd.	\$ 17,971,171	\$ (6,044,483)	\$ (8,825,475)	\$ (5,173,513)
KB KOLAO LEASING Co.,LTD	63,302	(374,177)	(374,157)	(427,756)

December 31, 2016				
Name of the company	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

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

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

- (5) The Group's investments in associates after reflecting the adjustment from net assets of associates as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

Name of the company	June 30, 2017			
	Group's share of net assets(*1)	Goodwill	Unrealized profit (loss)	Book Value
KR Motors Co., Ltd.	\$ 12,089,315	\$ 25,382,170	\$ (356,275)	\$ 37,115,210
KB KOLAO LEASING Co.,LTD	1,914,450	-	-	1,914,450

Name of the company	December 31, 2016			
	Group's share of net assets(*1)	Goodwill	Unrealized profit (loss)	Book Value
KR Motors Co., Ltd.	\$ 13,230,804	\$ 25,382,170	\$ (356,275)	\$ 38,256,699

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

14. OTHER NON-CURRENT ASSETS:

The Group's other non-current assets as of June 30, 2017 and December 31, 2016 are as follows (Unit: USD):

	June 30, 2017	December 31, 2016
Advance payments	\$ 126,393	\$ 126,393
Prepaid expenses	8,662,405	9,494,847
	<u>\$ 8,788,798</u>	<u>\$ 9,621,240</u>

15. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment for the periods ended June 30, 2017 and 2016, are as follows (Unit: USD):

Assets	June 30, 2017						
	Beginning balance	Acquisition	Transfer (*1,2)	Disposal	Depreciation	Others(*3)	Ending balance
Buildings	\$ 59,350,467	\$ 218,333	\$ -	\$ -	\$ (1,875,517)	\$ -	\$ 57,693,283
Vehicles	8,665,544	42,796	666,191	(17,369)	(1,393,801)	-	7,963,361
Tools and equipment	2,410,023	252,360	-	-	(392,035)	287,372	2,557,720
Office equipment	1,210,667	102,271	-	-	(277,038)	14,094	1,049,994
Other tangible assets	209,982	158,662	-	-	(34,417)	-	334,227
Construction in progress	594,388	795,754	(548,062)	-	-	-	842,080
	<u>\$ 72,441,071</u>	<u>\$ 1,570,176</u>	<u>\$ 118,129</u>	<u>\$ (17,369)</u>	<u>\$ (3,972,808)</u>	<u>\$ 301,466</u>	<u>\$ 70,440,665</u>

- (*1) The amounts transferred from inventory to vehicles are \$666,191.

- (*2) The amounts transferred from Construction in progress to Software are \$548,062.

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

Assets	June 30, 2016						
	Beginning balance	Acquisition	Transfer (*1,2)	Disposal	Depreciation	Others	Ending balance
Land	\$ 3,224,310	\$ -	\$ -	\$ (3,196,084)	\$ -	\$ (28,226)	\$ -
Buildings	50,468,561	-	13,704,144	(42,278)	(1,659,522)	-	62,470,905
Vehicles	8,046,962	317,022	1,121,944	(63,695)	(1,184,955)	-	8,237,278
Tools and equipment	1,637,953	553,342	-	-	(272,074)	-	1,919,221
Office equipment	1,264,606	291,601	-	-	(267,310)	52	1,288,949
Other tangible assets	265,231	-	-	-	(27,624)	-	237,607
Construction in progress	7,922,034	6,653,848	(13,945,869)	-	-	-	630,013
	<u>\$ 72,829,657</u>	<u>\$ 7,815,813</u>	<u>\$ 880,219</u>	<u>\$ (3,302,057)</u>	<u>\$ (3,411,485)</u>	<u>\$ (28,174)</u>	<u>\$ 74,783,973</u>

(*1) The amounts transferred from inventory to vehicles are \$1,121,944.

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

16. INVESTMENT PROPERTY:

(1) Changes in investment property for the periods ended June 30, 2017 and 2016, are as follows (Unit: USD):

Assets	June 30, 2017			
	Beginning Balance	Acquisition	Depreciation	Ending Balance
Buildings	\$ 2,209,828	\$ -	\$ (69,391)	\$ 2,140,437

Assets	June 30, 2016			
	Beginning Balance	Acquisition	Depreciation	Ending Balance
Buildings	\$ 1,065,107	\$ -	\$ (33,236)	\$ 1,031,871

(2) Details of income and expenditure for the periods ended June 30, 2017 and 2016, are as follows (Unit: USD):

Description	June 30, 2017	June 30, 2016
Rental income	\$ 27,600	\$ 22,800

(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 directly held by the Group.

17. INTANGIBLE ASSETS:

Changes in intangible assets for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

Assets	June 30, 2017						Ending balance
	Beginning balance	Acquisition	Amortization(*1)	Impairment(*2)	Transfer(*3)	Others	
Software	\$ 233,508	\$ -	\$ (50,342)	\$ -	\$ 548,062	\$ -	\$ 731,228
Development cost	8,157,542	793,858	(548,861)	(776,254)	36,806	-	7,663,091
	<u>\$ 8,391,050</u>	<u>\$ 793,858</u>	<u>\$ (599,203)</u>	<u>\$ (776,254)</u>	<u>\$ 584,868</u>	<u>\$ -</u>	<u>\$ 8,394,319</u>

(*1) The amounts allocated to cost of sales are \$548,861.

(*2) The Group has recognized an impairment loss of \$776,254 to identify indication of impairment.

(*3) The amounts transferred from construction in progress to software are \$548,062.

June 30, 2016						
Assets	Beginning balance	Acquisition	Amortization	Transfer(*1)	Others	Ending balance
Software	\$ 35,526	\$ -	\$ (12,153)	\$ 241,724	\$ 5	\$ 265,102
Development cost	4,070,974	4,413,845	(419,825)	-	-	8,064,994
	<u>\$ 4,106,500</u>	<u>\$ 4,413,845</u>	<u>\$ (431,978)</u>	<u>\$ 241,724</u>	<u>\$ 5</u>	<u>\$ 8,330,096</u>

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

18. OPERATING LEASE ARRANGEMENTS:

(1) The Group as lessee

The Group has 46 lease contracts as of June 30, 2017, 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 month	Expiry month	Gross lease payments
Khammouan	TK Showroom Land	Jun-09	Jun-19	\$ 29,403
Vientiane	PK Showroom MC	Jun-09	Jun-19	68,600
Vientiane	Chery Showroom Land	Sep-09	Sep-19	170,000
Vientiane	Autocity Showroom	Oct-09	Oct-24	250,000
Champasak	Pakse Showroom	Oct-10	Oct-25	182,400
Vientiane	NB Land	Dec-12	Dec-22	250,000
Khammouan	TK Showroom Land	Mar-13	Mar-23	16,903
Vientiane	T2 Showroom TNB Land	Aug-13	Aug-18	767
Vientiane	T2 Showroom DSD Land	Aug-13	Aug-18	1,150
Vientiane	T2 Showroom CVD Land	Aug-13	Aug-18	1,916
Vientiane	T2 Showroom TNB Land	Aug-13	Aug-18	60,000
Vientiane	T2 Showroom DSD Land	Aug-13	Aug-18	90,000
Vientiane	T2 Showroom CVD Land	Aug-13	Aug-18	150,000
Savannakhet	CVD Showroom	Dec-13	Dec-18	1,200,000
Savannakhet	SVK CKD Factory Land	Jun-14	Jun-19	1,000,000
Vientiane	Tongphong Showroom	Sep-14	Sep-19	240,000
Vientiane	Tongphong bike AS Land	Oct-14	Apr-22	30,000
Vientiane	T2 Showroom DSD Land	Jan-15	Jan-25	248,000
Vientiane	Daehan AS Center Land	Jan-15	Jan-23	308,864
Vientiane	T2 Showroom TNB Land	Jan-15	Jan-25	372,000
Luangnamtha	LNT Showroom	Feb-15	Feb-31	960,000
Vientiane	PK Showroom DSD	Sep-15	Sep-18	27,000
Vientiane	TKK Showroom Land	Dec-15	Dec-20	132,000
Vientiane	Office NB CAP (3F,4F,5F,8F) OFFICE	Dec-15	Dec-20	3,713,256
Vientiane	SMK Showroom	Mar-16	Mar-21	2,819,040
Vientiane	Office NB ALM (2F) OFFICE	Apr-16	Mar-21	928,800
Vientiane	ALM Showroom	Apr-16	Mar-21	1,310,400
Champasak	AS PS Land	May-16	May-26	2,000,000
Vientiane	Tongphong Showroom	Jun-16	Jun-26	15,000
Vientiane	Tongphong Showroom MC	Jun-16	Jun-26	45,000
Vientiane	Tongphong Showroom DSD	Jun-16	Jun-26	90,000
Vientiane	KOLAO RESORT BUILDING	Oct-16	Sep-19	6,000
Vientiane	KOLAO RESORT BUILDING	Oct-16	Sep-19	181,229
Vientiane	Office NB CAP (5F) 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

Location	Leased assets	Issue month	Expiry month	Gross lease payments
Savannakhet	Dormitory	Feb-17	Feb-18	2,749
Phoumuang	Parking Lot	Feb-17	Feb-18	5,734
Vientiane	Office NB ALM (3F) OFFICE	Feb-17	Feb-18	10,494
Savannakhet	Dormitory	Feb-17	Feb-18	10,998
Vientiane	MC Showroom Land	Apr-17	Apr-22	157,500
Vientiane	PSN Showroom	May-17	May-18	140,000
Vientiane	PSN Showroom	Jun-17	Jun-18	30,000
Vientiane	PSN Showroom Land	Jun-17	Jun-22	295,000
				<u>\$ 17,836,377</u>

When 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 \$1,619,545 and \$2,782,247 for the periods ended June 30, 2017 and 2016, respectively.

Minimum lease payments that the Group will make subsequently as of June 30, 2017, are as follows (Unit: USD):

Periods	Minimum lease payments
2017.7.1 - 2018.6.30	\$ 1,608,393
2018.7.1 - 2022.6.30	7,905,247
2022.7.1 and thereafter	2,809,702
	<u>\$ 12,323,342</u>

The prepaid amounts for minimum lease payment are \$11,799,352 as of June 30, 2017.

(2) The Group as lessor

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

Minimum lease receipts that the Group will make subsequently as of June 30, 2017, are as follows (Unit: USD):

Periods	Minimum lease payments
2017.7.1 - 2018.6.30	\$ 27,600
2018.7.1 and thereafter	66,000
	<u>\$ 93,600</u>

The Group recognized the advance received for minimum lease payments amounting to \$40,800 as other current liabilities (rental income received in advance) in the condensed consolidated interim statements as of June 30, 2017.

19. **BORROWINGS:**

(1) Details of borrowings as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

	June 30, 2017		December 31, 2016	
	Current	Non-current	Current	Non-current
Short-term borrowings	\$ 93,677,475	\$ -	\$ 72,380,979	\$ -
Debentures	66,895,084	-	58,854,030	-
	<u>\$ 160,572,559</u>	<u>\$ -</u>	<u>\$ 131,235,009</u>	<u>\$ -</u>

(2) Details of short-term as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

Description	Creditor	Interest rate	June 30, 2017	December 31, 2016
L/C TR	ANZ Bank (LAO) Limited(*1)	-	\$ -	\$ 6,904,657
L/C TR	Indochina Bank Co., Ltd.(*1)	9.00%	10,969,695	10,497,783
L/C TR	VIETIN Bank (*1 and 3)	7.10%(USD), 8.50%(LAK)	35,970,505	34,432,897
L/C TR	Military Commercial Joint Stock Bank (*1)	6.60%	21,335,133	11,545,642
L/C TR	Cathay United Bank Co., Ltd.(*1)	6.25%	7,138,374	-
Loans for working capital	Cathay United Bank Co., Ltd.(*1)	Six-month Libor+4.3%	7,823,536	-
Loans for working capital	First Bank(*2)	Six-month Libor+4.3%	1,940,232	-
Loans for working capital	KEB Hana Bank (*4).	Six-month Libor+3.6%	8,500,000	9,000,000
			<u>\$ 93,677,475</u>	<u>\$ 72,380,979</u>

(*1) Payment guarantees and collateral of land and others are provided by the major shareholder. (see Note 37)

(*2) Payment guarantees are provided by the major shareholder. (see Note 37)

(*3) Borrowings in foreign currency (LAK 67,822,437,673) are included.

(*4) Time deposits (\$7,000,000) are pledged right and equity securities are provided by the major shareholder as collateral. (see Notes 6 and 37)

(3) Details of debentures as of June 30, 2017 and December 31, 2016 are as follows (Unit: USD):

Description	June 30, 2017				December 31, 2016	
	Interest rate	Maturity	Current	Non-current	Current	Non-current
8 nd Private placed bond (*1)	-	2017-03-04	\$ -	\$ -	\$ 5,792,305	\$ -
10 nd Private placed bond (*1)	-	2017-06-01	-	-	7,447,249	-
12 nd Private placed bond (*1)	6.80%	2017-09-08	4,387,504	-	4,137,360	-
14 th Private placed bond (*1)	6.00%	2017-08-27	6,142,506	-	-	-
15 th Private placed bond (*1)	5.90%	2018-06-01	7,897,508	-	-	-
16 th Private placed bond (*1)	6.00%	2017-12-28	5,265,005	-	-	-
CGIF Secured private placed bond (*2)	2.00%	2017-08-21	<u>43,512,000</u>	-	<u>41,724,000</u>	-
Less discount on debentures			<u>(309,439)</u>	-	<u>(246,884)</u>	-
			<u>\$ 66,895,084</u>	<u>\$ -</u>	<u>\$ 58,854,030</u>	<u>\$ -</u>

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

(*2) CGIF Secured private placed bond is borrowings in foreign currency (SGD 60,000,000), and CGIF and the major shareholder provide the Group with payment guarantee.

20. DERIVATIVE LIABILITIES:

Details of current derivative liabilities as of June 30, 2017 and December 31, 2016, are as follows (Unit: USD):

Description	June 30, 2017	December 31, 2016
Financial liabilities at FVTPL	\$ 4,640,278	\$ 6,952,737
Currency Swap (*1)		

(*1) Some short-term financial instruments and investments in associate are pledged as collateral (see Notes 6 and 37), and payment guarantees are provided by the major shareholder.

21. PROVISIONS:

(1) Details of the Group's provisions as of June 30, 2017 and December 31, 2016 are as follows (Unit: USD):

Description	June 30, 2017			December 31, 2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Provisions for product warranties	\$ 984,621	\$ 2,707,421	\$ 3,692,042	\$ 711,391	\$ 1,361,288	\$ 2,072,679
Provisions for return products	53,679	-	53,679	107,684	-	107,684
	<u>\$ 1,038,300</u>	<u>\$ 2,707,421</u>	<u>\$ 3,745,721</u>	<u>\$ 819,075</u>	<u>\$ 1,361,288</u>	<u>\$ 2,180,363</u>

As the Group provides free repair service 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 provisions for product warranties for the periods ended June 30, 2017 and 2016, are as follows (Unit: USD):

	June 30, 2017	June 30, 2016
Beginning balance	\$ 2,072,679	\$ 2,575,760
Increase (reversal) in provisions (*1)	2,887,247	69,237
Use of provisions	(1,267,884)	(2,962)
Ending balance	<u>\$ 3,692,042</u>	<u>\$ 2,642,035</u>

(*1) Some of expenditures required to settle a provision are 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 condensed consolidated interim statement of financial position and, after being offset with the amount accounted for as receivable, recognized as selling, general and administrative expenses in the condensed consolidated interim statement of comprehensive income (see Note 9).

(3) Changes in provisions for return products for the periods ended June 30, 2017 and 2016, are as follows (Unit: USD):

	June 30, 2017	June 30, 2016
Beginning balance	\$ 107,684	\$ 110,424
Increase (reversal) in provisions	(54,005)	65,464
Use of provisions	-	-
Ending balance	<u>\$ 53,679</u>	<u>\$ 175,888</u>

22. OTHER FINANCIAL LIABILITIES:

Details of other financial liabilities as of June 30, 2017 and December 31, 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Other account payables	\$ 1,348,768	\$ 192,572
Accrued expenses	1,621,852	6,671,279
Security deposit	<u>348,949</u>	<u>252,645</u>
	<u>\$ 3,319,569</u>	<u>\$ 7,116,496</u>

23. OTHER CURRENT LIABILITIES:

Details of other current liabilities as of June 30, 2017 and December 31, 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Withholdings	\$ 227,381	\$ 79,387
Advances received	627,525	621,862
Rental income received in advance	111,860	113,234
Value-added taxes withheld	1,036	1,643,881
Consumption taxes withheld	<u>13,501</u>	<u>1,823,454</u>
	<u>\$ 981,303</u>	<u>\$ 4,281,818</u>

24. CAPITAL AND OTHER ISSUED CAPITAL:

(1) Details of the Company's share capital as of June 30, 2017 and December 31, 2016 are as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
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 stocks of 40,000,000 shares are included in the number of shares authorized as of June 30, 2017 and December 31, 2016, and the par value of the preferred shares is the same as the common shares.

(2) Changes in the Group's other issued capital for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	\$ 137,058,864	\$ 136,833,843
Stock options	(572,369)	260,702
Ending balance	<u>\$ 136,486,495</u>	<u>\$ 137,094,545</u>

The Group has treasury stock of 558,153 shares as of June 30, 2017, and December 31, 2016.

25. SHARE-BASED PAYMENT:

As of June 30, 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.

	<u>Description</u>
Grant date	2013-05-27
Stock price at grant date	KRW 31,850
Exercise price	KRW 30,782
Expected volatility	0.344948297
Option maturity	2018-05-26
Risk-free rate applied	2.70%

The numbers of granted stock options are 118,000 shares as of June 30, 2017.

26. RETAINED EARNINGS AND DIVIDENDS:

(1) Changes in retained earnings for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Beginning balance	\$ 214,568,121	\$ 181,581,764
Payment of dividends	(5,082,693)	(4,053,755)
Profit for the period attributable to owners of the Company	<u>13,980,151</u>	<u>20,016,649</u>
Ending balance	<u>\$ 223,465,579</u>	<u>\$ 197,544,658</u>

(2) Details of the paid dividends for the periods ended June 30, 2017 and 2016, are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	<u>Cash dividend</u>	<u>Cash dividend</u>
Number of issued shares	47,869,508 shares	47,869,508 shares
Number of shares entitled to dividends	47,273,278 shares	47,869,508 shares
Dividends per share	KRW 120	KRW 100
Amount of dividends	\$ 5,082,693	\$ 4,053,755

27. OTHER EQUITY:

Changes in other equity of the Company for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>			
	<u>Gains on valuation of AFS financial assets</u>	<u>Changes due to associate's equity changes</u>	<u>Exchange differences on translating foreign operations</u>	<u>Total</u>
Beginning balance	\$ 2,133,526	\$ (1,689,486)	\$ -	\$ 444,040
Changes	-	<u>906,311</u>	<u>(158)</u>	<u>906,153</u>
Ending balance	<u>\$ 2,133,526</u>	<u>\$ (783,175)</u>	<u>\$ (158)</u>	<u>\$ 1,350,193</u>

	June 30, 2016			
	Gains on valuation of AFS financial assets	Changes due to associate's equity changes	Exchange differences on translating foreign operations	Total
Beginning balance	\$ 281,786	\$ (1,414,766)	\$ (107,879)	\$ (1,240,859)
Changes	-	224,756	3,830	228,586
Ending balance	<u>\$ 281,786</u>	<u>\$ (1,190,010)</u>	<u>\$ (104,049)</u>	<u>\$ (1,012,273)</u>

28. REVENUES:

Revenues for the three months and six months ended June 30, 2017 and 2016 are as follows (Unit: USD):

		Sales by segment			
		2017		2016	
		Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Merchandise		\$ 34,576,870	\$ 74,320,993	\$ 32,799,715	\$ 79,727,598
Automobile	Finished goods	28,421,465	57,442,456	40,948,200	75,030,564
	Export	3,118,337	3,948,260	-	-
Motorcycle		954,578	3,624,862	3,838,105	5,495,177
Wholesale		1,565,801	3,027,114	3,267,656	5,985,837
AS		1,188,758	3,580,085	1,833,342	3,778,863
Others		312,162	1,422,186	418,409	1,199,024
		<u>\$ 70,137,971</u>	<u>\$ 147,365,956</u>	<u>\$ 83,105,427</u>	<u>\$ 171,217,063</u>

29. EXPENSES CLASSIFICATION ACCORDING TO NATURE:

Details of expenses classified according to nature for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

	June 30, 2017		
	Cost of sales	Selling, general and administrative expense	Total
Changes in inventories			
Finished goods	\$ 1,250,037	\$ -	\$ 1,250,037
Work in progress	(2,734,204)	-	(2,734,204)
Merchandise	67,436,224	-	67,436,224
Use of raw materials	32,821,462	-	32,821,462
Salaries	3,142,934	6,780,794	9,923,728
Depreciation	1,441,777	2,531,031	3,972,808
Amortization of intangible assets	548,861	50,343	599,204
Taxes and dues	1,614,360	726,836	2,341,196
Supplies	2,682,840	659,986	3,342,826
Others	10,100,779	16,317,176	26,417,955
	<u>\$ 118,305,070</u>	<u>\$ 27,066,166</u>	<u>\$ 145,371,236</u>

	June 30, 2016		
	Cost of sales	Selling, general and administrative expense	Total
Changes in inventories			
Finished goods	\$ (1,180,072)	\$ -	\$ (1,180,072)
Work in progress	1,035,277	-	1,035,277
Merchandise	59,377,670	-	59,377,670
Use of raw materials	50,884,972	-	50,884,972
Salaries	2,242,679	8,196,087	10,438,766
Depreciation	1,144,459	2,267,023	3,411,482
Amortization of intangible assets	-	431,978	431,978
Taxes and dues	2,633,673	315,607	2,949,280
Supplies	2,683,072	367,082	3,050,154
Others	18,006,685	11,436,815	29,443,500
	<u>\$ 136,828,415</u>	<u>\$ 23,014,592</u>	<u>\$ 159,843,007</u>

30. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Details of selling, general and administrative expenses for the three and six months ended June 30, 2017 and 2016 are as follows (Unit: USD):

	2017		2016	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Salaries	\$ 3,153,831	\$ 6,780,794	\$ 3,519,066	\$ 8,196,087
Entertainment	194,467	388,470	198,377	425,617
Advertisement	157,847	320,990	143,430	340,200
Sales promotion cost	837,270	1,806,628	1,316,537	2,799,299
Sales commission	1,751,248	1,873,646	208,851	518,969
Increase (reversal) in provisions for product warranties	2,218,786	1,936,208	(1,946,525)	(1,526,896)
Lease	1,098,633	2,516,929	1,227,234	2,951,531
Depreciation	1,253,073	2,531,031	1,150,548	2,267,023
Amortization of intangible assets	(262,015)	50,343	218,004	431,978
Taxes and dues	183,983	726,836	172,312	315,607
Supplies	283,798	659,986	219,817	367,082
Fees and charges	1,975,167	3,526,527	1,719,141	2,885,823
Other	2,081,594	3,947,778	1,242,044	3,042,272
	<u>\$ 14,927,682</u>	<u>\$ 27,066,166</u>	<u>\$ 9,388,836</u>	<u>\$ 23,014,592</u>

31. OTHER INCOME AND EXPENSES:

Details of other income and expenses for the three and six months ended June 30, 2017 and 2016 are as follows (Unit: USD):

	2017		2016	
	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	\$ (369,986)	\$ 728,861	\$ 2,836,313	\$ 3,542,236
Rental income	13,800	27,600	3,000	22,800
Gain on disposal of property, plant and equipment	8,149	24,864	31,489	584,504
Interest income of installment sale	8,813,875	20,641,290	7,299,694	13,187,356
Miscellaneous income	124,579	1,825,092	17,328	270,134
Total	<u>\$ 8,590,417</u>	<u>\$ 23,247,707</u>	<u>\$ 10,187,824</u>	<u>\$ 17,607,030</u>
Loss on foreign currency exchange transactions and translation	\$ (444,388)	\$ 473,915	\$ 594,002	\$ 712,175
Depreciation in investment property	34,696	69,391	16,618	33,236
Impairment loss on Intangible assets	776,254	776,254	-	-
Loss on disposal of property, plant and equipment	-	-	6,826	6,826
Donation	97,007	217,143	16,609	102,269
Miscellaneous expenses	4,174	12,306	2,689	5,956
Total	<u>\$ 467,743</u>	<u>\$ 1,549,009</u>	<u>\$ 636,744</u>	<u>\$ 860,462</u>

32. FINANCIAL INCOME AND EXPENSES:

(1) Details of financial income for the three and six months ended June 30, 2017 and 2016 are as follows (Unit: USD):

	2017		2016	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Interest income:	\$ 144,409	\$ 224,624	\$ 35,357	\$ 40,956
Gain on foreign currency exchange transactions and translation	66,039	464,428	547,836	913,321
Gain on derivative valuation	547,623	2,101,000	193,990	2,467,529
Gain from derivative transactions	-	8,354	-	3,850
Total	<u>\$ 758,071</u>	<u>\$ 2,798,406</u>	<u>\$ 777,183</u>	<u>\$ 3,425,656</u>

(2) The Group's financial expenses for the three and six months ended June 30, 2017 and 2016 are as follows (Unit: USD):

	2017		2016	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Interest expenses	\$ 2,431,129	\$ 4,488,850	\$ 2,882,968	\$ 4,919,795
Loss on repayment of debenture	-	-	19,811	19,811
Loss on foreign currency exchange transactions and translation	2,036,905	6,196,353	2,292,883	5,583,861
Total	<u>\$ 4,468,034</u>	<u>\$ 10,685,203</u>	<u>\$ 5,195,662</u>	<u>\$ 10,523,467</u>

33. INCOME TAX EXPENSE:

- (1) Details of current tax assets and liabilities as of June 30, 2017 and December 31, 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Current tax assets	\$ 346,222	\$ 142,436
Current tax liabilities	207,060	66,880

The Company was established in Cayman Islands and 100% corporate tax-exempt entity. On the other hand, Kolao Developing Co., Ltd. is a subsidiary and recognized as a foreign-invested entity under the Laotian Law. As a result, the corporate tax rate is 24%. 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 expense for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Profit before income tax expense	\$ 13,673,273	\$ 20,323,201
Income tax expense	250,351	506,029
Effective tax rate	<u>1.83%</u>	<u>2.49%</u>

34. EARNINGS PER SHARE:

- (1) Earnings per share for the three and six months ended June 30, 2017 and 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Three months ended June 30</u>	<u>Six months ended June 30</u>	<u>Three months ended June 30</u>	<u>Six months ended June 30</u>
Profit attributable to owners of the Company	\$ 3,913,920	\$ 13,980,151	\$ 13,094,014	\$ 20,016,649
Weighted-average number of shares (shares)	47,311,355	47,311,355	47,311,355	47,311,355
Basic earnings per share	<u>\$ 0.08</u>	<u>\$ 0.30</u>	<u>\$ 0.28</u>	<u>\$ 0.42</u>

- (2) Diluted earnings per share for the three and six months ended June 30, 2017 and 2016 are as follows (Unit: USD):

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Three months ended June 30</u>	<u>Six months ended June 30</u>	<u>Three months ended June 30</u>	<u>Six months ended June 30</u>
Profit attributable to owners of the Company	\$ 3,913,920	\$ 13,980,151	\$ 13,094,014	\$ 20,016,649
Profit used for calculation of the diluted earnings per share for the period	3,913,920	13,980,151	13,094,014	20,016,649
Weighted-average number of shares for calculation of the diluted earnings per share for the period (shares)	47,311,355	47,311,355	47,311,355	47,311,355
Diluted earnings per share	<u>\$ 0.08</u>	<u>\$ 0.30</u>	<u>\$ 0.28</u>	<u>\$ 0.42</u>

Although the Group had stock options for the period ended June 30, 2017, the diluted earnings per share are the same as the basic earning per share due to their antidilutive effect.

Diluted earnings per share are calculated by applying the weighted-average number of common shares outstanding, which is adjusted assuming that all dilutive potential ordinary shares were converted into ordinary shares.

35. NON-CASH TRANSACTIONS:

Major non-cash transactions that were not included in the condensed consolidated interim statements of cash flows for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

	June 30, 2017	June 30, 2016
Transfer to vehicles from inventories	\$ 666,191	\$ 1,121,944
Transfer to buildings from construction in progress	548,062	13,945,869
Transfer to current portion of prepaid expenses from non-current prepaid expenses	-	909,472
Transfer to current portion of advance payments from non-current advance payments	832,442	-
Transfer to other accounts payables from acquisition of property, plant and equipment	41,900	-
Transfer to other accounts receivables from disposal of property, plant and equipment	15,173	-
Transfer to investments in subsidiary from advance payments	1,000,000	-
Transfer to current portion of derivative liabilities from non-current derivatives liabilities	-	203,705
Transfer to current portion of trade receivable from non-current trade receivable	\$ 40,223,540	\$ 52,984,795

36. CONTINGENT LIABILITIES, PAYMENT GUARANTEES AND COMMITMENTS:

(1) Details of major contractual commitments for purchase as of June 30, 2017, are as follows:

Contract Counterparty	Contract term	Commitments for minimum purchase	Other
Hyundai Motors	2017.1.1–2018.12.31	2017.1.1–2017.12.31: 4,500 cars 2018.1.1–2018.12.31: 4,800 cars	Decision on whether to renew before the expiry of the contract period
Kia Motors	2014.12.1–2017.11.30	2015.12.1–2016.11.30: 2,900 cars 2016.12.1–2017.11.30: 3,300 cars	Decision on extending or renewing the contract by mutual consent four months before the expiration date

(2) Details of the major commitments with financial institutions as of June 30, 2017, are as follows (Unit: USD):

Financial institution	Agreement amounts	Used amounts	Description
Indochina Bank Co., Ltd.	\$ 15,000,000	\$ 10,969,695	Comprehensive limit USANCE L/C, TR (*1)
Vietin bank Lao Limited	36,000,000	35,950,127	Comprehensive limit USANCE L/C, TR
Military Commercial Joint Stock Bank	20,000,000	21,335,133	Comprehensive limit USANCE L/C, TR
Cathay United Bank Co., Ltd.	12,000,000	7,138,374	Comprehensive limit USANCE L/C, TR
Cathay United Bank Co., Ltd.	10,000,000	7,823,536	Working capital loans
First Bank	1,940,232	1,940,232	Working capital loans
KEB Hana Bank	9,000,000	8,500,000	Foreign currency loan Agreement

(*1) The comprehensive limit includes the limit of Trust Receipt amounting to \$11 million.

(3) The Group has been charged with one litigation claim, which amount to KRW 1,000 million. The Group's management expects no material impact on the disclosures or on the amounts recognized in the condensed consolidated interim financial statements from the results of the litigation claim.

37. RELATED-PARTY TRANSACTIONS:

(1) The Group's related parties as of June 30, 2017 are as follows:

Type	Corporate Name
Associate	KR Motors Co., Ltd., KB KOLAO LEASING Co.,LTD.
Other related party	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., IT&T Co., Ltd., KRM America.Inc., Chongqing Yinxiang Hyosung Motorcycle Co., Ltd., Jinan Qingqi KR Motorcycle Co.,Ltd.

(2) Details of transactions with related parties for the periods ended June 30, 2017 and 2016 are as follows
(Unit: USD):

Related Party	Account	June 30, 2017	June 30, 2016
KR Motors Co., Ltd.	Cost of sales	\$ 1,453,004	\$ 10,896,062
	Financial income	49,967	9,972
	Financial expenses	-	172,028
Kolao Resort Co., Ltd.	Selling, general and administrative expenses	175,702	-
GLOVIA Co., Ltd.	Cost of sales	4,110,452	4,680,401
	Selling, general and administrative expenses	58,272	36,569
Kolao I-Tech Construction Co., Ltd.	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	127,965
	Selling, general and administrative expenses	90,251	-
Indochina Bank Co., Ltd.	Cost of sales	36,508	27,921
	Selling, general and administrative expenses	38,718	6,274
	Financial income	-	39
	Financial expenses	480,752	465,212
KLD Computer Co., Ltd. (K-plaza)	Acquisition of property, plant and equipment	17,051	-
	Selling, general and administrative expenses	71,517	-
Lanxang media Co., Ltd.	Selling, general and administrative expenses	-	49,936

(3) The outstanding balances with related parties as of June 30, 2017 and December 31, 2016 are as follows
(Unit: USD):

Related party	Account	June 30, 2017	December 31, 2016
KR Motors Co., Ltd.	Other receivables	\$ 49,967	\$ -
	Other financial liabilities	14,780	-
	Trade payables	3,456,114	10,006,436
Indochina Bank Co., Ltd.	Cash and cash equivalent	1,079,168	1,223,516
	Other receivables	22,000	16,000

(4) Financial transactions with related parties for the period ended June 30, 2017 are as follows (Unit: USD):

	Account	Beginning Balance	Increase	Decrease	Others	Ending Balance
KR Motors Co., Ltd.	Financial assets at FVTPL	\$ 2,160,797	\$ -	\$ -	\$ -	\$ 2,160,797
	Short-term loans	-	4,130,000	-	-	4,130,000
Indochina Bank Co., Ltd.	AFS financial assets	12,096,688	-	-	-	12,096,688
	Short-term borrowings	10,497,783	18,660,030	(18,188,119)	-	10,969,694

- (5) Details of payment guarantees provided by the major shareholder as of June 30, 2017 are as follows (see Notes 19 and 20) (Unit: USD):

Company	Description
Indochina Bank Co., Ltd.	L/C TR guarantee and collateral of land and others
Vietin bank Lao limited	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 United Bank Co., Ltd.	L/C TR and working capital loans guarantee and collateral of land and others
First Bank	Working capital loans guarantee
KEB Hana Bank	Currency swap guarantee
KEB Hana Bank	Foreign currency loan guarantee and collateral of equity securities
KDB Bank	Private placed bond guarantee
Deutsche Bank Hongkong	CGIF secured private placed bond guarantee

- (6) Compensation of key management personnel

Compensation of directors and other members of key management personnel for the periods ended June 30, 2017 and 2016 are as follows (Unit: USD):

	June 30, 2017	June 30, 2016
Salaries	\$ 747,840	\$ 791,838
Stock options compensation cost	(231,505)	58,712

38. FINANCIAL INSTRUMENTS:

- (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.

- (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 year.

- 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 LAK, most of sales and operating costs are presented in USD. The Group's management believes that impact of foreign exchange risk relating to motorcycle sales in USD is limited because the management maintains flexible prices for motorcycles in LAK 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, 2017 and December 31, 2016 are as follows (Unit: USD):

Currency	Foreign assets		Foreign liabilities	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
BAHT	\$ 1,498,505	\$ 13,000,973	\$ -	\$ -
LAK	29,066,334	6,774,834	37,848,939	5,193,371
KRW	1,264,210	642,366	23,945,371	17,480,201
SGD	8	-	43,605,743	42,260,724
MMK	926,889	552,635	121,760	128,993

The Group has entered into a currency swap contract in order to avoid the foreign exchange risk of foreign currency cash flow of private corporate bonds within the scope of the risk amount.

Details of currency swap contracts that are not settled as of June 30, 2017, are as follows (Unit: USD):

Bank	From	To	Sell			Buy		
			Currency	Amount	Interest rate	Currency	Amount	Interest rate
KEB Hana Bank	2014.7.21	2017.8.21	USD	48,000,000	2.57%	SGD	60,000,000	2.00%

(b) Price risk

As of June 30, 2017 and December 31, 2016, the Group has no marketable AFS financial assets.

(c) Interest rate risk

As of June 30, 2017 and December 31, 2016, floating interest-bearing liabilities are not material.

2) Credit risk

As of June 30, 2017, there are no significant changes in the Group's maximum exposure to credit risk compared to December 31, 2016.

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 34 (2).

The Group's financial liabilities by residual contractual maturity as of June 30, 2017 and December 31, 2016 are classified as follows (Unit: USD):

	June 30, 2017			
	Less than one year	1 year~2 years	More than two years	Total
Trade payable	\$ 40,465,118	\$ -	\$ -	\$ 40,465,118
Short-term borrowings	93,847,958	-	-	93,847,958
Private placed bond	67,204,524	-	-	67,204,524
Other financial liabilities	3,319,569	-	-	3,319,569
	<u>\$ 204,837,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,837,169</u>

	December 31, 2016			
	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 June 30, 2017, are classified as follows (Unit: USD):

	June 30, 2017			
	Less than one year	1 year ~2 years	More than two years	Total
Currency Swap				
Increase	\$ 44,001,938	\$ -	\$ -	\$ 44,001,938
Decrease	48,620,227	-	-	48,620,227

(3) Fair value of financial instruments

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).

The Group deems that the differences between carrying value and fair value of financial assets and financial liabilities recognized as amortized cost in the condensed consolidated interim financial statements are not significant.

And the fair value of financial instruments that are not subsequently measured at fair value in the condensed consolidated interim financial statements are classified into Level 3.

- 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, 2017			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTPL					
Investment in convertible bonds	\$	-	\$ 2,160,797	\$ -	2,160,797
AFS financial assets					
Non-marketable equity securities		-	-	12,096,688	12,096,688
Financial liabilities at FVTPL					
Currency swap		-	4,640,278	-	4,640,278

		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

No significant transfers between Level 1 and Level 2 have been made for the periods ended June 30, 2017, and December 31, 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):

		June 30, 2017		
		Fair value	Valuation method	Unobservable input
Financial assets at FVTPL				
Investment in convertible bonds	\$ 2,160,797		DCF, Option Pricing model	Stock Volatility 16.37%
AFS financial assets				
Non-marketable equity securities	10,244,948		DCF	Discount rate 18.80% Growth rate 7.30%
Financial liabilities at FVTPL				
Currency swap	4,640,278		DCF	n/a

- 4) There are no changes in Level 3 of the fair value hierarchy for the period ended June 30, 2017.
- 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 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 of the Group's intention or ability