

KOLAO HOLDINGS AND ITS SUBSIDIARIES

**Condensed Interim Consolidated Financial Statements
As of June 30, 2016, and December 31, 2015,
and For the Three Months and Six Months Ended
June 30, 2016 and 2015**

ATTACHMENT: INDEPENDENT ACCOUNTANTS' REVIEW REPORT

KOLAO HOLDINGS

Independent Accountant's Review Report

English Translation of Independent Accountant's Review Report Originally Issued in Korean on August 25, 2016.

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

Report on the Condensed Interim Consolidated Financial Statements

We have reviewed the accompanying condensed interim consolidated financial statement of KOLAO Holdings (the "Company") and its subsidiaries (the "Group"), which comprise the condensed interim consolidated financial statement of financial position as of June 30, 2016, and December 31, 2015, and the condensed interim consolidated statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows, all expressed in US dollars, for the six months ended June 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Condensed Interim Consolidated Financial Statements

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

Accountant's Responsibility

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

We conducted our reviews in accordance with standards for review of condensed interim consolidated 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 interim consolidated financial statement of the Company are not presented fairly, in all material respects, in accordance with International Financial Reporting Standards ("IFRS") 34, *Interim Financial Reporting*.

Others

We audited the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2015 (not presented in the accompanying condensed interim consolidated financial statements), all expressed in US dollars, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion in our independent accountants' report dated on March 24, 2016. The consolidated statement of financial position as of December 31, 2015, presented as a comparative purpose in the accompanying condensed interim consolidated financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2015.

Deloitte Anjtn LLC.

August 25, 2016

Notice to Readers

This report is effective as of August 25, 2016, 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 interim consolidated financial statements and may result in modifications to the accountants' review report.

KOLAO HOLDINGS AND ITS SUBSIDIARIES (the “Group”)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2016, AND DECEMBER 31, 2015, AND
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30,
2016 AND 2015**

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

Oh, Se Young

Chief Executive Officer
KOLAO Holdings

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2016, AND DECEMBER 31, 2015

<u>ASSETS</u>	USD	
	June 30, 2016	December 31, 2015
CURRENT ASSETS:		
Cash and cash equivalent (Notes 6 and 35)	\$ 27,839,030	\$ 11,808,998
Short-term financial instruments (Notes 6 and 18)	8,074,342	10,675,066
Trade receivables, net (Note 7)	88,088,358	92,279,025
Other receivables (Notes 8 and 35)	1,779,922	239,475
Other current assets (Notes 9, 16 and 19)	17,696,935	7,606,604
Current tax assets (Note 31)	2,683,921	4,802,097
Inventories (Note 10)	84,750,990	96,929,499
TOTAL CURRENT ASSETS	230,913,498	224,340,764
NON-CURRENT ASSETS:		
Long-term trade receivables, net (Note 7)	192,736,987	146,473,102
Available-for-sale ("AFS") financial assets (Notes 11, 35 and 36)	10,244,948	10,244,948
Investments in associate (Notes 6,12 and 18)	40,459,797	40,934,653
Other receivables (Notes 8 and 35)	5,507,992	5,664,030
Other non-current assets (Notes 9 and 16)	10,205,078	6,485,230
Property, plant and equipment, net (Notes 5, 13, 16 and 35)	74,783,973	72,829,655
Investment property, net (Notes 14)	1,031,871	1,065,107
Intangible assets, net (Notes 5 and 15)	8,330,096	4,106,500
TOTAL NON-CURRENT ASSETS	343,300,742	287,803,225
TOTAL ASSETS	574,214,240	512,143,989
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES:		
Trade payables (Notes 5 and 35)	\$45,795,134	\$39,673,803
Short-term borrowings (Notes 17 and 35)	125,268,257	80,473,966
Derivatives liabilities (Notes 6, 18, 35 and 36)	360,283	407,206
Provisions (Notes 9 and 19)	1,771,191	974,540
Other financial liabilities (Notes 20 and 35)	3,552,980	4,341,088
Other current liabilities (Notes 16 and 21)	3,534,668	7,168,077
Income tax payable (Note 31)	-	438,173
TOTAL CURRENT LIABILITIES	\$ 180,282,513	\$ 133,476,853

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARIES

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

AS OF JUNE 30, 2016, AND DECEMBER 31, 2015

	USD	
	June 30, 2016	December 31, 2015
NON-CURRENT LIABILITIES:		
Long-term borrowings (Notes 17 and 35)	\$ 44,089,118	\$ 41,787,044
Derivatives liabilities (Notes 6, 18, 35 and 36)	3,775,397	6,400,673
Provisions (Note 9 and 19)	<u>1,046,732</u>	<u>1,711,644</u>
TOTAL NON-CURRENT LIABILITIES	<u>48,911,247</u>	<u>49,899,361</u>
TOTAL LIABILITIES	<u>229,193,760</u>	<u>183,376,214</u>
EQUITY:		
Share capital (Note 22)	11,967,377	11,967,377
Other issued capital (Notes 22 and 23)	137,094,545	136,833,843
Other equity (Note 25)	(1,012,273)	(1,240,859)
Retained earnings (Note 24)	197,544,658	181,581,764
Equity attributable to the owners of the parent company	345,594,307	329,142,125
Non-controlling interests	<u>(573,827)</u>	<u>(374,350)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>345,020,480</u>	<u>328,767,775</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 574,214,240</u>	<u>\$ 512,143,989</u>

(Concluded)

See accompanying notes to condensed interim consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	USD			
	2016		2015	
	Three months ended	Six months ended	Three months ended	Six months ended
	June 30	June 30	June 30	June 30
SALES (Notes 5, 26 and 35)	\$ 83,105,427	\$ 171,217,063	\$ 97,699,270	\$ 205,819,571
COST OF SALES (Notes 16, 27 and 35)	<u>(65,339,106)</u>	<u>(136,828,415)</u>	<u>(77,460,804)</u>	<u>(163,353,677)</u>
GROSS PROFIT (Note 5)	17,766,321	34,388,648	20,238,466	42,465,894
Selling, general and administrative expenses (Notes 27, 28 and 35)	(9,388,836)	(23,014,592)	(11,167,932)	(22,973,731)
Other income (Notes 14, 29 and 35)	10,187,824	17,607,030	994,701	2,073,498
Other expenses (Note 29)	<u>(636,744)</u>	<u>(860,462)</u>	<u>(531,113)</u>	<u>(899,121)</u>
OPERATING PROFIT	17,928,565	28,120,624	9,534,122	20,666,540
Financial income (Notes 30 and 35)	777,183	3,425,656	498,307	11,871,208
Financial expenses (Notes 30 and 35)	(5,195,662)	(10,523,467)	(1,172,151)	(4,764,021)
Share of profits of associates (Note 12)	<u>42,714</u>	<u>(699,612)</u>	<u>(831,635)</u>	<u>(1,369,419)</u>
PROFIT BEFORE INCOME TAX	13,552,800	20,323,201	8,028,643	26,404,308
EXPENSE				
Income tax expense (Note 31)	<u>(506,029)</u>	<u>(506,029)</u>	<u>(409,162)</u>	<u>(459,973)</u>
PROFIT FOR THE PERIOD	13,046,771	19,817,172	7,619,481	25,944,335
OTHER COMPREHENSIVE INCOME:	<u>(22,090)</u>	<u>228,586</u>	<u>(325,075)</u>	<u>(1,401,948)</u>
Items not to be reclassified subsequently to profit or loss:				
Changes due to associate's equity changes (Note 12)	128,061	128,061	-	-
Items to be reclassified subsequently to profit or loss:				
Changes due to associate's equity changes (Note 12)	(141,426)	96,695	(311,131)	(1,405,093)
Exchange differences on translating foreign operations	<u>(8,725)</u>	<u>3,830</u>	<u>(13,944)</u>	<u>3,145</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 13,024,681</u>	<u>\$ 20,045,758</u>	<u>\$ 7,294,406</u>	<u>\$ 24,542,387</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 13,094,014	\$ 20,016,649	\$ 7,729,925	\$ 26,261,590
Non-controlling interests	(47,243)	(199,477)	(110,444)	(317,255)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	13,071,924	20,245,235	7,404,850	24,859,642
Non-controlling interests	(47,243)	(199,477)	(110,444)	(317,255)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY :				
Basic and diluted earnings per share (Note 32)	\$ 0.28	\$ 0.42	\$ 0.16	\$ 0.55

See accompanying notes to condensed interim consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	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, 2015	\$ 11,967,377	\$ 144,934,903	\$ 634,724	\$ (8,573,687)	\$ 748	\$ 617,099	\$ 140,015,589	\$ 289,596,753	\$ 239,626	\$ 289,836,379
Payment of dividends	-	-	-	-	-	-	(472,664)	(472,664)	-	(472,664)
Profit for the period	-	-	-	-	-	-	26,261,590	26,261,590	(317,255)	25,944,335
Other comprehensive income										
Changes due to associate's equity changes	-	-	-	-	-	(1,405,093)	-	(1,405,093)	-	(1,405,093)
Exchange differences on translating foreign operations	-	-	-	-	-	3,145	-	3,145	-	3,145
Stock options	-	-	331,209	-	-	-	-	331,209	-	331,209
Acquisition of treasury stock	-	-	-	(294,833)	-	-	-	(294,833)	-	(294,833)
Establishment of a new subsidiary	-	-	-	-	-	-	-	-	1,000	1,000
As of June 30, 2015	<u>\$ 11,967,377</u>	<u>\$ 144,934,903</u>	<u>\$ 965,933</u>	<u>\$ (8,868,520)</u>	<u>\$ 748</u>	<u>\$ (784,849)</u>	<u>\$ 165,804,515</u>	<u>\$ 314,020,107</u>	<u>\$ (76,629)</u>	<u>\$ 313,943,478</u>
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>

See accompanying notes to condensed interim consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	USD	
	June 30, 2016	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows generated from operations:		
Profit for the period	\$ 19,817,172	\$ 25,944,335
Adjustments:		
Gain on disposal of financial assets at FVTPL	-	(9,203,926)
Bad debt expense	53,063	529,868
Loss on investments in associates	699,612	1,369,419
Depreciation	3,411,483	2,666,310
Gain on disposal of property, plant and equipment	(584,504)	(16,157)
Loss on disposal of property, plant and equipment	6,826	-
Depreciation in investment property	33,236	33,236
Amortization of intangible assets	431,978	448,558
Gain on valuation of derivatives	(2,467,529)	-
Loss on valuation of derivatives	-	1,141,183
Gain on transaction of derivatives	(3,850)	-
Loss on transaction of derivatives	-	11,152
Loss on redemption of debenture	19,811	-
Increase (reversal) in provisions for product warranties	(1,526,896)	322,061
Increase (reversal) of provisions for return products	65,464	(59,258)
Income tax expense	506,029	459,973
Stock option compensation cost	260,702	331,209
Cost of retirement benefit plan	4,561	66,534
Sales promotion cost	274,648	733,759
Gain on foreign exchange translation	(1,637,070)	(1,348,517)
Dividend income	(549,242)	(453,088)
Rental income	(22,800)	(27,600)
Loss on foreign exchange translation	3,682,975	647,835
Interest income	(13,228,312)	(1,507,822)
Interest expenses	4,919,795	2,602,024
	<u>(5,650,020)</u>	<u>(1,253,247)</u>
Movements in working capital:		
Increase in trade and other receivables	(27,925,481)	(61,940,961)
Decrease (increase) in other current assets	(7,261,316)	9,092,634
Decrease (increase) in other non-current assets	(3,815,828)	(6,198,977)
Decrease (increase) in inventories	12,309,002	9,446,841
Increase (decrease) in trade payables and other financial liabilities	4,251,209	(5,616,442)
Increase (decrease) in other current liabilities	(3,598,580)	6,193,267
Decrease in provisions	(2,962)	(336,124)
	<u>(26,043,956)</u>	<u>(49,359,762)</u>
Interest received	987,451	1,750,628
Interest paid	(5,455,717)	(3,391,952)
Dividends received	549,242	453,088
Income tax paid	(589,269)	(650,965)
Net cash used in operating activities	<u>\$ (16,385,097)</u>	<u>\$ (26,507,875)</u>

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015

	USD	
	June 30, 2016	June 30, 2015
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term financial instruments	\$ (60,317)	\$ (1,272,556)
Decrease in short-term financial instruments	2,672,637	-
Increase in short-term loans	(96,609)	(3,000,250)
Decrease in short-term loans	-	1,000,000
Acquisition of property, plant and equipment	(7,815,813)	(4,480,453)
Disposal of property, plant and equipment	3,879,735	59,100
Acquisition of intangible assets	(4,413,845)	(565,245)
Net cash used in investing activities	(5,834,212)	(8,259,404)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from short-term borrowings	27,371,152	29,630,812
Repayment of current portion of long-term borrowings	-	(1,491,576)
Proceeds from debentures	26,763,906	-
Repayment of debentures	(11,852,800)	-
Settlement of derivatives liabilities	(200,820)	(186,008)
Payment of dividends	(4,053,755)	(472,664)
Increased paid-in capital of subsidiary	-	1,000
Acquisition of treasury stock	-	(294,833)
Net cash provided by financing activities	38,027,683	27,186,731
NET DECREASE IN CASH AND CASH EQUIVALENTS	15,808,374	(7,580,548)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,808,998	23,682,612
CHANGES IN CASH AND CASH EQUIVALENTS BY FOREIGN CURRENCY TRANSLATION	221,658	(17,784)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 27,839,030	\$ 16,084,280

(Concluded)

See accompanying notes to condensed interim consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2016, AND DECEMBER 31, 2015,
AND FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

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, 2016, 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, 2016, 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	21,266,685	44.43
Others	26,602,823	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 interim consolidated financial statements as of and for the period ended December 31, 2015, have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. To have a better understanding of the condensed interim consolidated financial statements, they should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2015.

The significant accounting policies as applied in the condensed interim consolidated financial statements correspond to those pertaining to the annual consolidated financial statements as of and for the year ended December 31, 2015, 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 1 – *Presentation of Financial Statements*

The amendments to IAS 1 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The application of these amendments has no impact on the disclosure in the Group’s condensed interim consolidated financial statements..

Amendments to IAS 16 – *Property, Plant and Equipment*

The amendments to IAS 16 prohibit the Company from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no impact on the disclosure in the Group’s condensed interim consolidated financial statements.

Amendments to IAS 38 – *Intangible Asset*

The amendments to IAS 38 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets, and that the presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The application of these amendments has no impact on the disclosure in the Group's condensed interim consolidated financial statements.

Amendments to IAS 16 – Property, plant and equipment and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The application of these amendments has no impact on the disclosure in the Group's condensed interim consolidated financial statements.

Amendments to IFRS10 – Consolidated Financial Statements & IFRS 12 Disclosure of interests in other entities & IAS 28 Investment in associates

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

Amendments to IFRS 11– Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations. The application of these amendments has no impact on the disclosure in the Group's condensed interim consolidated financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements include amendments to a number of IFRSs. The amendments introduce specific guidance in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), such a change is considered as a continuation of the original plan of disposal and not as a change to a plan of sale. Other amendments in the Annual Improvements include IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting. The application of these amendments has no impact on the disclosure in the Group's condensed interim consolidated financial statements.

Amendments to IAS 27 – *Separate Financial Statements*

The following amendments discuss accounting for investment in subsidiaries, related parties, and joint ventures at cost basis and allow the selection of the application of IAS 39 *Financial Instruments: Recognition and Measurement* or the application of equity method accounting under IAS 28 *Investment in Associates and Joint Ventures*.

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

Amendments to IAS 09 – Financial Instruments

The amendments to IAS 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 amendments are effective for annual periods beginning on or after 1 January 2018.

Amendments to IAS 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.

The Group does not anticipate that the amendments referred above will have significant impact on the Group's condensed interim consolidated financial statements and disclosures.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES:

In preparing the condensed interim consolidated 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, 2015.

4. SUBSIDIARIES:

(1) The details of consolidated subsidiaries as of June 30, 2016, and December 31, 2015, are as follows:

Subsidiaries	Country	Reporting date	Percentage of Ownership		Main business
			June 30, 2016	December 31, 2015	
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	99	Sales of automobile and automobile parts, repairs of automobile
KDC Korea Co., Ltd.	Korea	Dec. 31	100	100	Trading company
LVMC Investment Limited	Hong kong	Dec. 31	100	100	Financial business
KOLAO Holdings (Cambodia) Co., Ltd.	Cambodia	Dec. 31	100	100	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

- (2) 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.	\$ 485,754,860	\$ 245,748,811	\$ 240,006,049	\$ -	\$ 165,224,606	\$ 23,916,217	\$ 23,916,217
Kolao Holdings Singapore Pte., Ltd. (*1)	24,878,375	9,341,413	16,110,789	(573,827)	4,963,539	(847,932)	(847,932)
KDC Korea Co., Ltd.	2,259,957	1,680,478	579,479	-	1,616	25,291	29,121
LVMC Investment Limited	14,524,782	-	14,524,782	-	549,242	606,324	606,324
Kolao Holdings (Cambodia) Co., Ltd.	\$ 3,136,416	\$ 2,393,719	\$ 742,697	\$ -	\$ 479,676	\$ (258,731)	\$ (258,731)

- (*1) The amounts are the consolidated financial information, which include its subsidiaries.

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

- (3) The summaries of cash flows of subsidiaries for the period ended June 30, 2016, 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.	\$ (8,973,119)	\$ (11,703,384)	\$ 40,742,726	\$ 209,893	\$ 3,344,304	\$ 23,620,420
Kolao Holdings Singapore Pte., Ltd. (*1)	(4,072,402)	(194,125)	(606,375)	-	5,413,117	540,215
KDC Korea Co., Ltd.	(1,138,686)	3,721,843	(2,030,096)	11,765	1,622,131	2,186,957
LVMC Investment Limited	534,154	-	-	-	44,741	578,895
Kolao Holdings (Cambodia) Co., Ltd. (*2)	\$ (578,466)	\$ (14,296)	\$ 606,375	\$ -	\$ 58,749	\$ 72,362

- (*1) The amounts are the consolidated cash flows, which include its subsidiaries.

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, 2016, 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)	\$ (573,827)	\$ (199,477)	\$ (199,477)	\$ -

- (*1) The amounts are the consolidated financial information, which include its subsidiaries.

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
New automobile	Engagement in the dealer business by distributing imported passenger cars and commercial vehicles
Completed Knock-	Designing its own model and selling products under the name of 'DAEHAN,' after

Segment	Description
Down (“CKD”)	making orders, processing and assembling of major parts
Motorcycle	Designing its own model and selling products under the name of ‘KOLAO,’ after making orders, processing and assembling of major parts
Wholesale	Selling accessories and other supplies designed for automobiles and motorcycles
AS	Providing after-service and repair service for automobiles and motorcycles
Others	Selling and buying used local automobiles in Laos and providing rental services

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

	Sales by segment				Gross profit by segment			
	2016		2015		2016		2015	
	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
New automobile	\$ 27,501,112	\$ 63,525,764	\$ 54,602,749	\$ 119,899,804	\$ 4,685,613	\$ 12,453,517	\$ 12,525,243	\$ 26,880,279
CKD	40,476,618	75,030,564	27,808,614	54,409,051	10,299,479	17,868,742	6,365,421	12,103,457
Motorcycle	3,838,105	5,495,177	4,397,627	8,915,920	689,521	768,230	417,710	1,089,983
Wholesale	3,267,656	5,985,837	3,497,455	7,100,777	753,883	1,012,782	255,993	539,051
AS	1,833,342	3,778,863	1,852,202	3,563,262	267,418	412,676	81,353	310,010
Others	6,188,594	17,400,858	5,540,623	11,930,757	1,070,407	1,872,701	592,746	1,543,114
	<u>\$ 83,105,427</u>	<u>\$ 171,217,063</u>	<u>\$ 97,699,270</u>	<u>\$ 205,819,571</u>	<u>\$ 17,766,321</u>	<u>\$ 34,388,648</u>	<u>\$ 20,238,466</u>	<u>\$ 42,465,894</u>
Unallocated income and expenses					(4,213,521)	(14,065,447)	(12,209,823)	(16,061,586)
Profit before income tax expense					<u>\$ 13,552,800</u>	<u>\$ 20,323,201</u>	<u>\$ 8,028,643</u>	<u>\$ 26,404,308</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, 2016	December 31, 2015	June 30, 2016	December 31, 2015
New automobile	\$ 169,620,082	\$ 186,252,420	\$ 18,334,235	\$ 18,930,914
CKD	200,783,961	152,634,651	21,702,739	15,513,965
Motorcycle	26,896,746	25,067,426	2,907,269	2,547,883
Wholesale	13,751,040	14,749,895	1,486,350	1,499,197
AS	12,624,117	11,627,623	1,364,541	1,181,844
Others	16,684,361	18,179,266	-	-
	<u>440,360,307</u>	<u>408,511,281</u>	<u>45,795,134</u>	<u>39,673,803</u>
Unallocated assets and liabilities	<u>133,853,933</u>	<u>103,632,708</u>	<u>183,398,626</u>	<u>143,702,411</u>
Total assets and liabilities	<u>\$ 574,214,240</u>	<u>\$ 512,143,989</u>	<u>\$ 229,193,760</u>	<u>\$ 183,376,214</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, intangible assets, trade payables and short-term borrowings (L/C, TR) for the purposes of resource allocation and assessment of segment performance, whereas other assets and liabilities are not allocated.

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

	Depreciation (*1)		Acquisition of non-current assets (*2)	
	2016	2015	2016	2015
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
New automobile	\$ 1,480,443	\$ 757,126	\$ 4,953,774	\$ 1,025,931
CKD	1,752,441	1,587,655	5,850,925	3,918,943
Motorcycle	234,755	177,105	428,517	292,456
Wholesale	120,019	81,131	466,779	100,733
AS	110,183	254,660	294,678	84,781
Others	145,622	257,191	1,356,929	932,228
	<u>\$ 3,843,463</u>	<u>\$ 3,114,868</u>	<u>\$ 13,351,602</u>	<u>\$ 6,355,072</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, 2016 and 2015, include \$1,121,944 and \$1,309,374, 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, 2016, and December 31, 2015, are as follows (Unit: USD):

	Description	June 30, 2016	December 31, 2015
Cash and cash equivalent	Escro account	\$ 448,285	\$ 442,417
Short-term financial instruments	Pledged for borrowings	6,000,000	6,000,000
Short-term financial instruments	Pledged for derivatives	1,241,105	1,241,105
Investments in associates (*1)	Pledged for derivatives	6,336,697	5,536,654
		<u>\$ 14,026,087</u>	<u>\$ 13,220,176</u>

(*1) 6,000 thousand shares 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, 2016.

7. **TRADE RECEIVABLES:**

The payback period of trade receivables is determined based on each customer's credit rating. The Group strictly controls the balance not collected and 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, 2016 and December 31, 2015, are as follows (Unit: USD):

	June 30, 2016	December 31, 2015
Trade receivables in current assets	\$ 89,005,458	\$ 93,143,062
Less: Allowances for doubtful accounts	(917,100)	(864,037)
Total	<u>\$ 88,088,358</u>	<u>\$ 92,279,025</u>
	June 30, 2016	December 31, 2015
Trade receivables in non-current assets	\$ 192,826,712	\$ 146,562,827
Less: Allowances for doubtful accounts	(89,725)	(89,725)
Total	<u>\$ 192,736,987</u>	<u>\$ 146,473,102</u>

The trade receivables, excluding interest-bearing receivables, obtained from installment sales are classified as current assets because they reach maturity within one year from the end of the reporting period. The fair value approximates the book value because the effect of discount is not material. The interest-bearing receivables obtained from the installment sales, which reach maturity after one year, are classified as non-current assets and discount on present value according to effective interest method for long-term installment receivables is recorded. The Company used an interest rate of installment receivables that has a similar credit condition, because there is no local enterprise that has a same credit condition.

(2) The aging analysis of the trade receivables as of June 30, 2016 and December 31, 2015, are as follows (Unit: USD):

June 30, 2016						
Accounts	Within Six months	Six months –one year	One –two year	Two –three year	More than three years	Total
Trade receivables	\$ 121,737,502	\$ 100,849,924	\$ 53,670,115	\$ 4,244,056	\$ 1,330,573	\$ 281,832,170
Allowances for doubtful accounts	(11,585)	(45)	(461,482)	(200,721)	(332,992)	(1,006,825)
	<u>\$ 121,725,917</u>	<u>\$ 100,849,879</u>	<u>\$ 53,208,633</u>	<u>\$ 4,043,335</u>	<u>\$ 997,581</u>	<u>\$ 280,825,345</u>
December 31, 2014						
Accounts	Within Six months	Six months –one year	One –two year	Two –three year	More than three years	Total
Trade receivables	\$ 108,550,016	\$ 100,370,157	\$ 26,466,435	\$ 3,215,045	\$ 1,104,236	\$ 239,705,889
Allowances for doubtful accounts	(337,753)	(102)	(164,836)	(168,603)	(282,468)	(953,762)
	<u>\$ 108,212,263</u>	<u>\$ 100,370,055</u>	<u>\$ 26,301,599</u>	<u>\$ 3,046,442</u>	<u>\$ 821,768</u>	<u>\$ 238,752,127</u>

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

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

(3) Changes in allowance for doubtful accounts for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

	June 30, 2016	June 30, 2015
Beginning balance	\$ 953,762	\$ 188,134
Bad debt expense	<u>53,063</u>	<u>169,228</u>
Ending balance	<u>\$ 1,006,825</u>	<u>\$ 357,362</u>

8. OTHER RECEIVABLES:

(1) Details of other receivables as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Short-term loans	\$ 1,593,544	\$ 5,000,000	\$ 69,210	\$ 5,000,000
Other accounts receivables	186,378	-	135,711	-
Accrued income	-	-	34,554	-
Business leasehold deposits(*)	-	401,286	-	401,286
Guarantee deposits	-	106,706	-	262,744
	<u>\$ 1,779,922</u>	<u>\$ 5,507,992</u>	<u>\$ 239,475</u>	<u>\$ 5,664,030</u>

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

(2) The Company recognized \$360,640 as bad debt expense, concerning to impaired guarantee deposit for the period ended June 30, 2015, and there are no other receivables past due or impaired.

9. OTHER ASSETS:

Details of other assets as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
	<u>Current asset</u>	<u>Non-current asset</u>	<u>Current asset</u>	<u>Non-current asset</u>
Advance payments	\$ 10,028,501	\$ 126,393	\$ 4,558,298	\$ 126,393
Prepaid expenses	4,207,829	9,265,193	2,410,650	6,358,837
Other accounts receivables (*1)	998,590	813,492	446,811	-
Value added tax prepayment	2,462,015	-	190,845	-
	<u>\$ 17,696,935</u>	<u>\$ 10,205,078</u>	<u>\$ 7,606,604</u>	<u>\$ 6,485,230</u>

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

10. INVENTORIES:

Details of inventories as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Raw materials	\$ 45,532,995	\$ 41,073,314
Merchandise	30,453,700	30,579,914
Work in process	67,872	1,103,149
Finished goods	3,040,647	1,860,575
Goods in transit	5,655,776	22,312,547
	<u>\$ 84,750,990</u>	<u>\$ 96,929,499</u>

11. AFS FINANCIAL ASSETS:

Details of AFS financial assets as of June 30, 2016 December 31, 2015

June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

Non-marketable equity securities

Indochina Bank Co., Ltd. (*1)	\$	10,244,948	\$	10,244,948
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(*1) LVMC Investment Limited acquired 11.99% ownership of Indochina Bank Co., which is a related party.

12. INVESTMENTS IN ASSOCIATE:

(1) Details of investments in associate as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

Associate	Country	June 30, 2016			December 31, 2015			Main Business
		Percentage of Ownership (%)	Acquisition Cost	Book Value	Percentage of Ownership (%)	Acquisition Cost	Book Value	
KR Motors Co., Ltd. (*1)	Korea	25.31	\$ 46,849,684	\$ 40,459,797	25.31	\$ 46,849,684	\$ 40,934,653	Manufactures and sales of motorcycle

(*1) Sales and distribution division of KR Motors Co., Ltd is expected to spin-off on October 1.

(2) Market value of the associate as of June 30, 2016, and December 31, 2015, is as follows (Unit: USD):

Associate	June 30, 2016	December 31, 2015
KR Motors Co., Ltd.	\$ 43,419,595	\$ 48,069,666

(3) Changes in investments in associate for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

Associate	June 30, 2016				
	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

Associate	June 30, 2015				
	Beginning balance	Acquisition	Share of profits	Changes due to associate's equity changes	Ending balance
KR Motors Co., Ltd.	\$ 14,006,002	\$ 32,335,217	\$ (1,369,419)	\$ (1,405,093)	\$ 43,566,707

(4) The summaries of financial information of associate as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	June 30, 2016	December 31, 2015
Current assets	\$ 71,357,506	\$ 69,990,110
Non-current assets	71,050,677	74,914,766
Total assets	<u>\$ 142,408,183</u>	<u>\$ 144,904,876</u>
Current Liabilities	\$ 63,142,783	\$ 64,234,612
Non-current Liabilities	14,925,718	14,579,760
Total Liabilities	<u>\$ 78,068,501</u>	<u>\$ 78,814,372</u>
Sales	\$ 41,888,731	\$ 73,500,045
Operating profit	(1,671,480)	(13,967,948)
Profit for the period	(2,727,465)	(14,397,667)
Total comprehensive income	<u>\$ (2,345,346)</u>	<u>\$ (18,825,022)</u>

(*) Above financial information of KR Motors Co., Ltd. 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, 2016, and December 31, 2015, are as follows (Unit: USD):

	June 30, 2016	December 31, 2015
Net assets of associates (A)	\$ 64,339,682	\$ 66,090,504
Percentage of ownership (B)	25.31%	25.31%
Net assets of the Group (AxB)(*1)	15,133,130	15,598,561
(+) Goodwill	25,382,170	25,382,170
(-) Elimination of the allintra group transaction	(55,503)	(46,078)
Ending balance	<u>\$ 40,459,797</u>	<u>\$ 40,934,653</u>

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

13. PROPERTY, PLANT AND EQUIPMENT:

Changes in property, plant and equipment for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

Assets	Beginning balance	June 30, 2016					Ending balance
		Acquisition	Transfer (*1,2)	Disposal	Depreciation	Others	
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.

Assets	Beginning balance	June 30, 2015					Ending balance
		Acquisition	Transfer (*)	Disposal	Depreciation	Others	
Land	\$ 3,437,856	\$ -	\$ -	\$ -	\$ -	\$ (76,152)	\$ 3,361,704
Buildings	47,803,754	74,988	4,523,000	-	(1,464,512)	(1,038)	50,936,192
Vehicles	4,377,763	1,240,211	1,368,921	(42,943)	(722,507)	-	6,221,445
Tools and equipment	1,594,438	144,109	-	-	(203,830)	-	1,534,717
Office equipment	1,448,467	230,186	-	-	(258,961)	(111)	1,419,581
Other tangible assets	203,500	-	-	-	(16,500)	-	187,000
Construction in progress	3,394,968	2,790,959	(4,582,547)	-	-	-	1,603,380
	<u>\$ 62,260,746</u>	<u>\$ 4,480,453</u>	<u>\$ 1,309,374</u>	<u>\$ (42,943)</u>	<u>\$ (2,666,310)</u>	<u>\$ (77,301)</u>	<u>\$ 65,264,019</u>

- (*) The amounts transferred from inventory to vehicles are \$1,309,374.

14. INVESTMENT PROPERTY:

(1) Changes in investment property for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

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

June 30, 2015				
Assets	Beginning Balance	Acquisition	Depreciation	Ending Balance
Buildings	\$ 1,131,578	\$ -	\$ (33,236)	\$ 1,098,342

(2) Details of income and expenditure for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

Description	June 30, 2016	June 30, 2015
Rental income	\$ 22,800	\$ 27,600

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

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

15. INTANGIBLE ASSETS:

Changes in intangible assets for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

June 30, 2016						
Assets	Beginning balance	Acquisition	Depreciation	Transfer(*)	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>

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

June 30, 2015				
Assets	Beginning balance	Acquisition	Depreciation	Ending balance
Software	\$ 50,858	\$ -	\$ (7,088)	\$ 43,770
Development cost	5,317,849	565,245	(441,470)	5,441,624
	<u>\$ 5,368,707</u>	<u>\$ 565,245</u>	<u>\$ (448,558)</u>	<u>\$ 5,485,394</u>

16. OPERATING LEASE ARRANGEMENTS:

(1) The Group as lessee

The Group has 46 lease contracts as of June 30, 2016, 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
Vientiane	Office NB ALM (7F) OFFICE	Aug-15	Aug-16	\$ 11,746
Vientiane	Tongphong Factory Land	Aug-15	Aug-16	
Vientiane	Tongphong Factory Land	Aug-15	Aug-16	
Savannakhet Province	Dormitory Land	Aug-15	Aug-16	
Vientiane	Tongphong Factory Land	Sep-15	Sep-16	19,688
=Vientiane	T2 Showroom DSD Land	Oct-11	Oct-16	255,675
Vientiane	Tongphong Factory Land	Oct-15	Oct-16	18,900
Vientiane	BANDONG Training Land	Mar-12	Mar-17	90,000
Vientiane	Dormitory Land	Mar-12	Mar-17	48,000
Vientiane	AS Center PSN Land	Mar-16	Mar-17	1,494,700
Savannakhet Province	Dormitory Land	Mar-16	Mar-17	2,354
Savannakhet Province	Dormitory Land	Mar-16	Mar-17	2,354
Savannakhet Province	Dormitory Land	Mar-16	Mar-17	13,785
Savannakhet Province	Dormitory Land	Mar-16	Mar-17	3,699
Vientiane	T2 Showroom MC Land	Apr-12	Apr-17	150,000
Savannakhet Province	SVK Showroom	May-13	May-17	1,326,000
Savannakhet Province	SVK MP Factory	Jun-16	Jun-17	10,500
Vientiane	T2 Showroom CVD Land	Aug-13	Aug-18	1,916
Vientiane	T2 Showroom CVD Land	Aug-13	Aug-18	150,000
Vientiane	T2 Showroom DSD Land	Aug-13	Aug-18	90,000
Vientiane	T2 Showroom DSD Land	Aug-13	Aug-18	1,150
Vientiane	T2 Showroom TNB Land	Aug-13	Aug-18	767
Vientiane	T2 Showroom TNB Land	Aug-13	Aug-18	60,000
Vientiane	PK Showroom DSD	Sep-15	Sep-18	27,000
Savannakhet Province	CVD Showroom	Dec-13	Dec-18	1,200,000
Vientiane	PK Showroom MC	Jun-09	Jun-19	68,600
Khammouan Province	TK Showroom Land	Jun-09	Jun-19	29,403
Savannakhet Province	SVK CKD Factory Land	Jun-14	Jun-19	1,000,000
Vientiane	chery Showroom Land	Sep-09	Sep-19	170,000
Vientiane	Tongphong Showroom	Sep-14	Sep-19	240,000
Vientiane	Office NB CAP (3F, 4F, 5F, 8F) OFFICE	Dec-15	Dec-20	3,713,256
Vientiane	TKK Showroom Land	Dec-15	Dec-20	132,000
Vientiane	SMK Showroom	Mar-16	Mar-21	2,819,040
Vientiane	Tongphong bike AS Land	Oct-14	Apr-22	30,000
Vientiane	NB Land	Dec-12	Dec-22	250,000
Vientiane	Daehan AS Center Land	Jan-15	Jan-23	308,864
Khammouan Province	TK Showroom Land	Mar-13	Mar-23	16,903
Vientiane	Autocity Showroom	Oct-09	Oct-24	250,000
Vientiane	T2 Showroom TNB Land	Jan-15	Jan-25	372,000
Vientiane	T2 Showroom DSD Land	Jan-15	Jan-25	248,000
Champasak Province	Pakse Showroom	Oct-10	Oct-25	182,400
Champasak Province	AS PS Land	May-16	May-26	2,000,000
Vientiane	Tongphong Showroom	Jun-16	Jun-26	15,000
Vientiane	Tongphong Showroom DSD	Jun-16	Jun-26	90,000
Vientiane	Tongphong Showroom MC	Jun-16	Jun-26	45,000
Luangnamtha	LNT Showroom	Feb-15	Feb-31	960,000
				<u>\$ 17,957,458</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 \$2,782,247 and \$2,310,166 for the periods ended June 30, 2016 and 2015, respectively.

Minimum lease payments that the Group will make subsequently as of June 30, 2016, are as follows (Unit: USD):

<u>Periods</u>	<u>Minimum lease payments</u>
2016.7.1 - 2017.6.30	\$ 3,715,586
2017.7.1 - 2021.6.30	7,828,794
2021.7.1 and thereafter	1,603,284
	<u>\$ 13,147,664</u>

The prepaid amounts for minimum lease payment are \$12,723,589 as of June 30, 2016.

(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, 2016, are as follows (Unit: USD):

<u>Periods</u>	<u>Minimum lease payments</u>
2016.7.1 - 2017.6.30	\$ 73,200
2017.7.1 - 2018.9.30	39,600
	<u>\$ 112,800</u>

The Group recognized the advance received for minimum lease payments amounting to \$ 112,800 as other current liabilities (rental income received in advance) in the condensed interim consolidated statements as of June 30, 2016.

17. **BORROWINGS:**

(1) Details of borrowings as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>		<u>December 31, 2015</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Borrowings	\$ 90,564,749	\$ -	\$ 61,768,706	\$ -
Debentures	<u>34,703,508</u>	<u>44,089,118</u>	<u>18,705,260</u>	<u>41,787,044</u>
	<u>\$ 125,268,257</u>	<u>\$ 44,089,118</u>	<u>\$ 80,473,966</u>	<u>\$ 41,787,044</u>

(2) Details of short-term as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

Description	Creditor	Interest rate	June 30, 2016	December 31, 2015
L/C, TR	ANZ Bank(LAO) Limited(*1)	7.25%	\$ 9,636,819	\$ -
L/C, TR	Indochina Bank Co.,Ltd.	9.00%	10,901,430	10,999,989
L/C, TR	Vietin bank Lao limited(*1,2)	7.20%(USD), 9.90% (LAK)	35,950,127	32,441,072
L/C, TR	Military Commercial Joint Stock Bank(*1,2)	6.60%(USD), 9.00%(LAK)	17,896,346	-
L/C, TR	Cathay United Bank CO., LTD(*1)	3-month LIBOR+4%	1,180,027	-
Loans for working capital	KB Bank	5.00%	-	1,279,863
Loans for working capital	HANA Bank (*3)	6-month LIBOR +3.6%	10,000,000	10,000,000
Loans from associate	KR Motors Co., Ltd.	6.90%	5,000,000	7,047,782
			<u>\$ 90,564,749</u>	<u>\$ 61,768,706</u>

(*1) Payment guarantees and collateral of land and others are provided by the major shareholder. (see Note 35)

(*2) Borrowings in foreign currency (LAK 5,211,261,964) are included.

(*3) Time deposits (USD 6 million) are pledged right and equity securities are provided by the major shareholder as collateral. (see Notes 6 and 35)

(3) Details of debentures as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

Description	Interest rate	Maturity	June 30, 2016		December 31, 2015	
			Current	Non-current	Current	Non-current
4 st Private placed bond (*1)	5.40%	2016-06-01	\$ -	\$ -	\$ 7,679,180	\$ -
5 st Private placed bond (*1)	6.20%	2016-09-08	11,161,673	-	11,092,150	-
7 st Private placed bond (*1)	10.00%	2016-09-04	7,298,017	-	-	-
8 st Private placed bond (*1)	10.00%	2016-09-04	6,010,131	-	-	-
9 st Private placed bond (*1)	10.00%	2016-09-30	2,575,771	-	-	-
10 st Private placed bond (*1)	5.40%	2017-06-01	7,727,312	-	-	-
CGIF secured private placed bond (*2)	2.00%	2017-08-21	-	44,538,000	-	42,396,000
Less: Discount on debentures			(69,396)	(448,882)	(66,070)	(608,956)
			<u>\$ 34,703,508</u>	<u>\$ 44,089,118</u>	<u>\$ 18,705,260</u>	<u>\$ 41,787,044</u>

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

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

18. DERIVATIVE LIABILITIES:

Details of derivative liabilities as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	June 30, 2016		December 31, 2015	
	Current	Non-current	Current	Non-current
Financial liabilities at FVTPL				
Currency Swap (*1)	\$ 360,283	\$ 3,775,397	\$ 407,206	\$ 6,400,673

(*1) Some short-term financial instruments and investments in associate are pledged as collateral (see Notes 6 and 35), and payment guarantees are provided by the largest shareholder.

19. PROVISIONS:

(1) Details of the Group's provisions as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

Description	June 30, 2016			December 31, 2015		
	Current	Non-Current	Total	Current	Non-Current	Total
Provisions for product warranties	\$ 1,595,303	\$ 1,046,732	\$ 2,642,035	\$ 864,116	\$ 1,711,644	\$ 2,575,760
Provisions for return products	175,888	-	175,888	110,424	-	110,424
	<u>\$ 1,771,191</u>	<u>\$ 1,046,732</u>	<u>\$ 2,817,923</u>	<u>\$ 974,540</u>	<u>\$ 1,711,644</u>	<u>\$ 2,686,184</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, 2016 and 2015, are as follows (Unit: USD):

	June 30, 2016	June 30, 2015
Beginning balance	\$ 2,575,760	\$ 1,561,160
Increase (reversal) in provisions (*1)	69,237	665,464
Use of provisions	(2,962)	(324,656)
Ending balance	<u>\$ 2,642,035</u>	<u>\$ 1,901,968</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 interim consolidated 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 interim consolidated statement of comprehensive income (see Note 9).

(3) Changes in provisions for return products for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

	June 30, 2016	June 30, 2015
Beginning balance	\$ 110,424	\$ 241,685
Increase (reversal) in provisions	65,464	(59,258)
Use of provisions	-	(11,468)
Ending balance	<u>\$ 175,888</u>	<u>\$ 170,959</u>

20. OTHER FINANCIAL LIABILITIES:

Details of other financial liabilities as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Other account payables	\$ 984,180	\$ 326,368
Accrued expenses	2,445,879	4,000,420
Security deposit	<u>122,921</u>	<u>14,300</u>
	<u>\$ 3,552,980</u>	<u>\$ 4,341,088</u>

21. 21.OTHER CURRENT LIABILITIES:

Details of other current liabilities as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Withholdings	\$ 852,155	\$ 554,637
Advances received	1,697,386	5,679,920
Rental income received in advance	137,754	93,600
Value-added taxes withheld	843,821	512,028
Consumption taxes withheld	<u>3,552</u>	<u>327,892</u>
	<u>\$ 3,534,668</u>	<u>\$ 7,168,077</u>

22. CAPITAL AND OTHER ISSUED CAPITAL:

(1) Details of the Company's share capital as of June 30, 2016, and December 31, 2015, are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</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, 2016, and December 31, 2015, 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, 2016 and 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Beginning balance	\$ 136,833,843	\$ 136,996,688
Stock options	260,702	331,209
Acquisition of treasury stock	-	(294,833)
Ending balance	<u>\$ 137,094,545</u>	<u>\$ 137,033,064</u>

The Group has treasury stock of 558,153 shares as of June 30, 2016, and December 31, 2015.

23. SHARE-BASED PAYMENT:

As of June 30, 2016, the Group granted stock options with the grant date April 1, 2015, and May 8, 2015, and the vesting conditions for the stock options are for them to remain in employment for two years from the grant date to some employees.

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

	Description	Description
Grant date	2015-04-01	2015-05-08
Stock price at grant date	KRW 17,100	KRW 19,750
Exercise price	KRW 17,150	KRW 19,894
Expected volatility	0.2065892	0.2090344
Option maturity	2019-03-31	2019-05-07
Risk-free rate applied	1.72%	1.97%

The numbers of granted stock options are 282,000 shares and 343,000 shares as of June 30, 2016, and December 31, 2015, respectively.

24. RETAINED EARNINGS AND DIVIDENDS:

(1) Changes in retained earnings for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

	June 30, 2016	June 30, 2015
Beginning balance	\$ 181,581,764	\$ 140,015,589
Payment of dividends	(4,053,755)	(472,664)
Profit for the period attributable to owners of the Company	20,016,649	26,261,590
Ending balance	<u>\$ 197,544,658</u>	<u>\$ 165,804,515</u>

(2) Details of the paid dividends for the periods ended June 30, 2016 and 2015, are as follows:

	June 30, 2016	June 30, 2015
	Cash dividend	Cash dividend
Number of issued shares	47,869,508 shares	47,869,508 shares
Number of shares entitled to dividends	47,869,508 shares	47,869,508 shares
Dividends per share	KRW 100	KRW 11
Amount of dividends	\$ 4,053,755	\$ 472,664

25. OTHER EQUITY:

Changes in other equity of the Company for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

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>

June 30, 2015				
	Gains on valuation of AFS financial assets	Changes due to associate's equity changes	Exchange differences on translating foreign operations	Total
Beginning balance	\$ 60,383	\$ 632,703	\$ (75,987)	\$ 617,099
Changes	-	(1,405,093)	3,145	(1,401,948)
Ending balance	<u>\$ 60,383</u>	<u>\$ (772,390)</u>	<u>\$ (72,842)</u>	<u>\$ (784,849)</u>

26. REVENUES:

Revenues for the three months and six months ended June 30, 2016 and 2015, are as follows (Unit: USD):

	2016		2015	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
New automobile	\$ 27,501,112	\$ 63,525,764	\$ 54,602,749	\$ 119,899,804
CKD	40,476,618	75,030,564	27,808,614	54,409,051
Motorcycle	3,838,105	5,495,177	4,397,627	8,915,920
Wholesales	3,267,656	5,985,837	3,497,455	7,100,777
AS	1,833,342	3,778,863	1,852,202	3,563,262
Others	6,188,594	17,400,858	5,540,623	11,930,757
	<u>\$ 83,105,427</u>	<u>\$ 171,217,063</u>	<u>\$ 97,699,270</u>	<u>\$ 205,819,571</u>

27. EXPENSES CLASSIFICATION ACCORDING TO NATURE:

Details of expenses classified according to nature for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

	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>

	June 30, 2015		
	Cost of sales	Selling, general and administrative expense	Total
Changes in inventories			
Finished goods	\$ 1,556,460	\$ -	\$ 1,556,460
Work in progress	97,998	-	97,998
Merchandise	103,765,118	-	103,765,118
Use of raw materials	37,128,947	-	37,128,947
Salaries	2,607,081	7,105,514	9,712,595
Depreciation	910,884	1,755,426	2,666,310
Amortization of intangible assets	-	448,558	448,558
Taxes and dues	1,251,152	260,125	1,511,277
Supplies	12,833,765	520,762	13,354,527
Others	3,202,272	12,883,346	16,085,618
	<u>\$ 163,353,677</u>	<u>\$ 22,973,731</u>	<u>\$ 186,327,408</u>

27. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Details of selling, general and administrative expenses for the three and six months ended June 30, 2016 and 2015, are as follows (Unit: USD):

	2016		2015	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Salaries	\$ 3,519,066	\$ 8,196,087	\$ 3,580,245	\$ 7,105,514
Entertainment	198,377	425,617	196,732	474,847
Advertisement	143,430	340,200	268,488	464,195
Sales promotion cost	1,316,537	2,799,299	934,794	1,950,628
Sales commission	208,851	518,969	247,237	440,785
Increase (reversal) in provisions for product warranties	(1,946,525)	(1,526,896)	90,849	322,061
Lease	1,227,234	2,951,531	1,384,449	2,731,279
Depreciation	1,150,548	2,267,023	912,476	1,755,426
Amortization of intangible assets	218,004	431,978	273,742	448,558
Taxes and dues	172,312	315,607	134,066	260,125
Supplies	219,817	367,082	104,118	520,762
Fees and charges	1,719,141	2,885,823	809,697	1,861,880
Other	1,242,044	3,042,272	2,231,039	4,637,671
	<u>\$ 9,388,836</u>	<u>\$ 23,014,592</u>	<u>\$ 11,167,932</u>	<u>\$ 22,973,731</u>

28. OTHER INCOME AND EXPENSES:

- (1) Details of other income and expenses for the three and six months ended June 30, 2016 and 2015, are as follows (Unit: USD):

	2016		2015	
	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	\$ 2,836,313	\$ 3,542,236	\$ 105,282	\$ 262,247
Rental income	3,000	22,800	13,800	27,600
Gain on disposal of property, plant and equipment	31,489	584,504	10,257	16,157
Interest income of installment sale	7,299,694	13,187,356	763,867	1,408,208
Miscellaneous incomes	17,328	270,134	101,495	359,286
Total	<u>\$ 10,187,824</u>	<u>\$ 17,607,030</u>	<u>\$ 994,701</u>	<u>\$ 2,073,498</u>
Loss on foreign currency exchange transactions and translation	\$ 594,002	\$ 712,175	\$ 480,595	\$ 696,553
Depreciation in investment property	16,618	33,236	16,618	33,236
Loss on disposal of property, plant and equipment	6,826	6,826	-	-
Donation	16,609	102,269	30,137	164,348
Miscellaneous expenses	2,689	5,956	3,763	4,984
Total	<u>\$ 636,744</u>	<u>\$ 860,462</u>	<u>\$ 531,113</u>	<u>\$ 899,121</u>

29. FINANCIAL INCOME AND EXPENSES:

- (1) Details of financial income for the three and six months ended June 30, 2016 and 2015, are as follows (Unit: USD):

	2016		2015	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Interest income:				
Cash and cash equivalent	\$ 31,394	\$ 32,225	\$ 27,251	\$ 86,601
Short-term financial instruments	3,963	8,731	5,743	13,013
Subtotal	35,357	40,956	32,994	99,614
Gain on foreign currency exchange transactions and translation	547,836	913,321	177,284	2,114,580
Gain from disposal of financial asset at FVTPL	-	-	(165,059)	9,203,926
Dividend income	-	-	453,088	453,088
Gain on derivative valuation	193,990	2,467,529	-	-
Gain from derivative transactions	-	3,850	-	-
Total	<u>\$ 777,183</u>	<u>\$ 3,425,656</u>	<u>\$ 498,307</u>	<u>\$ 11,871,208</u>

- (2) The Group's finance expenses for the three and six months ended June 30, 2016 and 2015, are as follows (Unit: USD):

	2016		2015	
	Three months ended June 30	Six months ended June 30	Three months ended June 30	Six months ended June 30
Interest expenses	\$ 2,882,968	\$ 4,919,795	\$ 1,468,600	\$ 2,602,024
Loss on derivative valuation	-	-	(1,262,414)	1,141,183
Loss from derivative transactions	-	-	-	11,152
Loss on repayment of debenture	19,811	19,811	-	-
Loss on foreign currency exchange transactions and translation	2,292,883	5,583,861	965,965	1,009,662
Total	<u>\$ 5,195,662</u>	<u>\$ 10,523,467</u>	<u>\$ 1,172,151</u>	<u>\$ 4,764,021</u>

30. INCOME TAX EXPENSES:

(1) Details of current tax assets and liabilities as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Current tax assets	\$ 2,683,921	\$ 4,802,097
Current tax liabilities	-	438,173

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 expenses for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Profit before income tax expenses	\$ 20,323,201	\$ 26,404,308
Income tax expenses	<u>506,029</u>	<u>459,973</u>
Effective tax rate	<u>2.49%</u>	<u>1.74%</u>

31. EARNINGS PER SHARE:

(1) Earnings per share for the three and six months ended June 30, 2016 and 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>		<u>June 30, 2015</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	\$ 13,094,014	\$ 20,016,649	\$ 7,729,925	\$ 26,261,590
Weighted-average number of shares (shares)	<u>47,311,355</u>	<u>47,311,355</u>	<u>47,361,355</u>	<u>47,363,012</u>
Basic earnings per share	<u>\$ 0.28</u>	<u>\$ 0.42</u>	<u>\$ 0.16</u>	<u>\$ 0.55</u>

(2) Diluted earnings per share for the three and six months ended June 30, 2016 and 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>		<u>June 30, 2015</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	\$ 13,094,014	\$ 20,016,649	\$ 7,729,925	\$ 26,261,590
Profit used for calculation of the diluted earnings per share for the period	13,094,014	20,016,649	7,729,925	26,261,590
Weighted-average number of shares for calculation of the diluted earnings per share for the period (shares)	<u>47,311,355</u>	<u>47,311,355</u>	<u>47,422,303</u>	<u>47,423,960</u>
Diluted earnings per share	<u>\$ 0.28</u>	<u>\$ 0.42</u>	<u>\$ 0.16</u>	<u>\$ 0.55</u>

Although the Group had stock options for the period ended June 30, 2016, the diluted earnings per share are the same as the basic earnings 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.

32. NON-CASH TRANSACTIONS:

Major non-cash transactions that were not included in the condensed interim consolidated statements of cash flows for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

	June 30, 2016	June 30, 2015
Transfer to vehicles from inventories	\$ 1,121,944	\$ 1,309,374
Transfer to buildings from construction in progress	13,945,869	4,582,547
Transfer to current portion of prepaid expenses from non-current prepaid expenses	909,472	-
Acquisition of investments in associate through the conversion of investment convertible bonds	-	32,335,217
Transfer to current portion of long-term borrowings from long-term borrowings	-	1,364,629
Transfer to current portion of derivative liabilities from non-current derivatives liabilities	203,705	1,987,585
Transfer to current portion of trade receivable from non-current trade receivable	\$ 52,984,795	\$ -

33. CONTINGENT LIABILITIES, PAYMENT GUARANTEES AND COMMITMENTS:

(1) Details of major contractual commitments for purchase as of June 30, 2016, are as follows:

Contract Counterparty	Contract term	Commitments for minimum purchase	Other
Hyundai Motors	2015.1.1–2016.12.31	2016.1.1–2016.12.31: 5,000 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, 2016, are as follows (Unit: USD):

Financial institution	Agreement amounts	Used amounts	Description
ANZ Bank(LAO) Limited	\$ 15,000,000	\$ 9,636,819	Comprehensive limit USANCE L/C, TR (*1)
Indochina Bank Co., Ltd.	15,000,000	10,901,430	Comprehensive limit USANCE L/C, TR (*2)
Vietin Bank	36,000,000	35,950,127	Comprehensive limit USANCE L/C, TR
Military Commercial Joint Stock Bank	20,000,000	17,896,346	Comprehensive limit USANCE L/C, TR
Cathay United Bank CO., LTD	2,100,000	1,180,027	Comprehensive limit USANCE L/C, TR
Hana Bank	10,000,000	10,000,000	Foreign currency loan Agreement

(*1) The comprehensive limit includes the limit of Trust Receipt amounting to \$10 million.

(*2) 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 interim consolidated financial statements from the results of the litigation claim.

34. RELATED-PARTY TRANSACTIONS:

(1) The Group's related parties as of June 30, 2016, are as follows:

Type	Corporate Name
Associate	KR Motors 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., Kolao Import & Export Co., Ltd., Kolao Resort Co., Ltd., IT&T Co., Ltd., KRM America.Inc., Chongqing Yinxiang Hyosung Motorcycle Co., Ltd.

(2) Details of transactions with related parties for the periods ended June 30, 2016 and 2015, are as follows (Unit: USD):

Related Party	Account	June 30, 2016	June 30, 2015
KR Motors Co., Ltd.	Sales	\$ -	\$ 291,176
	Cost of sales	10,896,062	11,751,878
	Financial income	9,972	42,589
	Financial expenses	172,028	40,290
GLOVIA Co., Ltd.	Cost of sales	4,680,401	4,576,291
	Selling, general and administrative expenses	36,569	4,059
Kolao I-Tech Construction Co., Ltd.	Acquisition of property, plant and equipment	5,993,685	2,261,500
I-Furniture Lao Co., Ltd.	Acquisition of property, plant and equipment	127,965	215,447
	Selling, general and administrative expenses	-	10,904
Indochina Bank Co., Ltd.	Cost of sales	27,921	75,404
	Selling, general and administrative expenses	6,274	10,084
	Financial income	39	-
	Financial expenses	465,212	552,272
Lanxang media Co., Ltd.	Selling, general and administrative expenses	49,936	111,919

(3) The outstanding balances with related parties as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

Related party	Account	June 30, 2016	December 31, 2015
KR Motors Co., Ltd.	Other accounts receivables	\$ 362,581	\$ -
	Other financial liabilities	319,007	147,187
	Trade payables	7,451,629	10,372,854
Indochina Bank Co., Ltd.	Cash and cash equivalent	11,976,886	1,538,858

(4) Financial transactions with related parties for the period ended June 30, 2016, are as follows (Unit: USD):

	Account	Beginning Balance	Increase	Decrease	Others	Ending Balance
KR Motors Co., Ltd.	Short-term loans	\$ 7,047,782	\$ -	\$ 2,047,782	\$ -	\$ 5,000,000
Indochina Bank Co., Ltd.	AFS financial assets	10,244,948	-	-	-	10,244,948
	Short-term borrowings	10,999,989	13,031,491	13,130,050	-	10,901,430

(5) Details of payment guarantees provided by the largest shareholder as of June 30, 2016, are as follows (see Notes 19 and 20) (Unit: USD):

Company	Description
ANZ Bank (LAO) Limited	L/C TR guarantee and collateral of land and others
Vietin bank Lao limited	L/C TR guarantee and collateral of land and others
CATHAY BANK	L/C TR guarantee
Military Commercial Joint Stock Bank	L/C TR guarantee
Hana Bank	Currency swap guarantee
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, 2016 and 2015, are as follows (Unit: USD):

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Salaries	\$ 791,838	\$ 716,540
Stock options compensation cost	58,712	50,667

35. 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 BAHT, 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 BAHT considering exchange rate changes.

The Group does not have any hedging instrument to avoid foreign exchange risk, and in order to avoid transaction risk, it uses a method that allows amount received from and paid to each of foreign currencies to be the same. The Group's foreign assets and liabilities as of June 30, 2016, and December 31, 2015, are as follows (Unit: USD):

<u>Currency</u>	<u>Foreign assets</u>		<u>Foreign liabilities</u>	
	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
BAHT	\$ 14,967,450	\$ 18,308,025	\$ 3,306	\$ 8,689
KIP	6,282,509	1,097,581	644,282	2,677,139
KRW	958,006	1,384,519	34,772,903	19,985,124
SGD	-	40	69,396	41,787,867
VND	3,282,599	5,459	-	-
USD	751,688	138,437	-	-
MMK	248,351	221,333	208,322	1,337

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, 2016, are as follows (Unit: USD):

Bank	From	To	Sell			Buy		
			Currency	Amount	Interest rate	Currency	Amount	Interest rate
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, 2016, and December 31, 2015, the Group has no marketable AFS financial assets.

(c) Interest rate risk

As of June 30, 2016, and December 31, 2015, floating interest-bearing liabilities are not material.

2) Credit risk

As of June 30, 2016, there are no significant changes in the Group's maximum exposure to credit risk compared to December 31, 2015.

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, 2016, and December 31, 2015, are classified as follows (Unit: USD):

	June 30, 2016			
	Less than one year	1 year–2 years	More than two years	Total
Trade payable	\$ 45,795,134	\$ -	\$ -	\$ 45,795,134
Short-term borrowings	91,180,079	-	-	91,180,079
Private placed bond	35,661,600	44,538,000	-	80,199,600
Other financial liabilities	3,552,980	-	-	3,552,980
	<u>\$ 176,189,793</u>	<u>\$ 44,538,000</u>	<u>\$ -</u>	<u>\$ 220,727,793</u>

	December 31, 2015			
	Less than one year	1 year–2 years	More than two years	Total
Trade payable	\$ 39,673,803	\$ -	\$ -	\$ 39,673,803
Short-term borrowings	62,185,185	-	-	62,185,185
Private placed bond	20,741,666	43,186,712	-	63,928,378
Other financial liabilities	4,341,088	-	-	4,341,088
	<u>\$ 126,941,742</u>	<u>\$ 43,186,712</u>	<u>\$ -</u>	<u>\$ 170,128,454</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, 2016, are classified as follows (Unit: USD):

June 30, 2016				
	Less than one year	1 year – 2 years	More than two years	Total
Currency Swap				
Increase	\$ 890,802	\$ 44,981,864	- \$	45,872,666
Decrease	1,250,733	48,620,227	-	49,870,960

(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 interim consolidated financial statements are not significant. And the fair value of financial instruments that are not subsequently measured at fair value in the condensed interim consolidated 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, 2016			
		Level 1	Level 2	Level 3	Total
AFS financial assets					
Non-marketable equity securities	\$	-	\$	10,244,948	\$ 10,244,948
Financial liabilities at FVTPL					
Currency swap		-	4,135,680	-	4,135,680
		December 31, 2015			
		Level 1	Level 2	Level 3	Total
AFS financial assets					
Non-marketable equity securities	\$	-	\$	10,244,948	\$ 10,244,948
Financial liabilities at FVTPL					
Currency swap		-	6,807,879	-	6,807,879

No significant transfers between Level 1 and Level 2 have been made for the periods ended June 30, 2016, and December 31, 2015.

- 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, 2016			
		Fair value	Valuation method	Unobservable input	Range
AFS financial assets					
Non-marketable equity securities	\$	10,244,948	DCF	Discount rate Growth rate	17.15% 8.00%
Financial liabilities at FVTPL					
Currency swap		4,135,680	DCF	n/a	n/a

- 4) There are no changes in Level 3 of the fair value hierarchy for the period ended June 30, 2016.
- 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