KOLAO HOLDINGS AND ITS SUBSIDIARIES

Consolidated Financial Statements

As of and For the Years Ended
December 31, 2015 and 2014

ATTATCHMENT : INDEPENDENT AUDITORS' REPORT

KOLAO HOLDINGS

KOLAO HOLDINGS AND ITS SUBSIDIARIES

Independent Auditor’s Report
Consolidated Financial Statements as of and for the Year Ended December 31, 2015 and 2014
Footnotes to the Consolidated Financial Statements
Internal Accounting control System (IACS) Review Report

Deloitte.

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Independent Auditors' Report

English Translation of Independent Auditors' Report Originally Issued in Korean on March 24, 2016.

To the Shareholders and Board of Directors of
KOLAO Holdings:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of KOLAO Holdings (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in US dollars, for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and its financial performance and its cash flows for the year then ended in accordance with IFRS.

Deloitte Anjin LLC

March 24, 2016

Notice to Readers

This report is effective as of March 24, 2016, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

KOLAO HOLDINGS AND ITS SUBSIDIARIES (the "Group")

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2015 AND 2014

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

Oh, Se Young
Chief Executive Officer
KOLAO Holdings

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015 AND 2014

	USD	
ASSETS	2015	2014
CURRENT ASSETS:		
Cash and cash equivalent (Notes 6 and 38)	$ 11,808,998	$ 23,682,612
Short-term financial instruments (Notes 6, 38 and 39)	10,675,066	1,233,600
Financial assets at fair value through profit or loss (FVTPL) (Notes 7, 38, 39 and 40)	-	23,131,291
Trade receivables, net (Notes 8 and 39)	92,279,025	73,294,206
Other receivables (Notes 9 and 39)	239,475	1,098,899
Other current assets (Notes 10, 18 and 22)	7,606,604	6,199,762
Income tax receivable (Note 34)	4,802,097	15,691,615
Inventories (Note 11)	96,929,499	64,549,980
TOTAL CURRENT ASSETS	224,340,764	208,881,965
NON-CURRENT ASSETS:		
Long-term trade receivables, net (Notes 8 and 39)	146,473,102	103,968,594
Available-for-sale (AFS) financial assets (Notes 12, 38, 39 and 40)	10,244,948	10,023,545
Investments in associates (Notes 6 and 13)	40,934,653	14,006,002
Other receivables (Notes 9, 38 and 39)	5,664,030	7,052,625
Other non-current assets (Notes 14 and 18)	6,485,230	3,497,812
Property, plant and equipment, net (Notes 5, 15 and 38)	72,829,655	62,260,746
Investment property, net (Note 16)	1,065,107	1,131,578
Intangible assets, net (Notes 5 and 17)	4,106,500	5,368,707
TOTAL NON-CURRENT ASSETS	287,803,225	207,309,609
TOTAL ASSETS	$ 512,143,989	$ 416,191,574
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables (Notes 19, 38 and 39)	$ 39,673,803	$ 22,605,870
Short-term borrowings (Notes 20, 38 and 39)	80,473,966	45,719,901
Derivatives liabilities (Notes 6, 21, 38, 39 and 40)	407,206	1,380,806
Provisions (Note 22)	974,540	764,125
Other financial liabilities (Notes 23, 38 and 39)	4,341,088	4,589,875
Other current liabilities (Notes 18 and 24)	7,168,077	2,249,672
Income tax payable (Note 34)	438,173	18,028
TOTAL CURRENT LIABILITIES	133,476,853	77,328,277

(Continued)

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

AS OF DECEMBER 31, 2015 AND 2014

	USD	
	2015	2014
NON-CURRENT LIABILITIES:		
Long-term borrowings (Notes 20 and 39)	$ 41,787,044	$ 45,733,514
Derivatives liabilities (Notes 6, 21, 38 and 39)	6,400,673	2,254,684
Provisions (Note 22)	1,711,644	1,038,720
TOTAL NON-CURRENT LIABILITIES	49,899,361	49,026,918
TOTAL LIABILITIES	183,376,214	126,355,195
SHAREHOLDERS' EQUITY:		
Share capital (Note 25)	11,967,377	11,967,377
Other issued capital (Notes 25 and 26)	136,833,843	136,996,688
Other equity (Note 28)	(1,240,859)	617,099
Retained earnings (Note 27)	181,581,764	140,015,589
Equity attributable to the owners of the parent company	329,142,125	289,596,753
Non-controlling interests	(374,350)	239,626
TOTAL SHAREHOLDERS' EQUITY	328,767,775	289,836,379
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 512,143,989	$ 416,191,574

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	USD	
	2015	2014
SALES (Notes 5, 29 and 38)	$ 392,886,712	$ 360,752,916
COST OF SALES (Notes 30 and 38)	(312,416,625)	(284,270,720)
GROSS PROFIT (Note 5)	80,470,087	76,482,196
Selling, general and administrative expenses (Notes 18, 30, 31 and 38)	(50,833,487)	(42,159,596)
Other income (Note 32)	17,015,949	3,730,096
Other expenses (Note 32)	(4,530,845)	(504,656)
OPERATING PROFIT	42,121,704	37,548,040
Financial income (Notes 33 and 38)	13,598,432	13,598,641
Financial expenses (Notes 33 and 38)	(9,678,869)	(9,905,184)
Share of profits of associates (Note 13)	(3,359,097)	(1,141,168)
PROFIT BEFORE INCOME TAX EXPENSE	42,682,170	40,100,329
Income tax expense (Note 34)	(1,258,307)	(226,348)
PROFIT FOR THE YEAR	41,423,863	39,873,981
Other comprehensive income:	(1,857,958)	617,099
Items not to be reclassified subsequently to profit or loss:		
Changes due to associate's equity changes (Note 13)	118,903	(235,603)
Items to be reclassified subsequently to profit or loss:		
Gains on valuation of AFS financial assets	221,403	60,383
Changes due to associate's equity changes (Note 13)	(2,166,372)	868,306
Exchange differences on translating foreign operations	(31,892)	(75,987)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 39,565,905	$ 40,491,080
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	42,038,839	40,160,838
Non-controlling interests	(614,976)	(286,857)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	40,180,881	40,777,937
Non-controlling interests	(614,976)	(286,857)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT:		
Basic and diluted earnings per share (Note 35)	$ 0.89	$ 0.84

See accompanying notes to consolidated financial statements.

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

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

USD

	Share capital	Other issued capital	Stock option	Treasury	Gains on sale of treasury	Other capital items	Retained earnings	Controlling equity	Non-controlling interests	Total equity
As of January 1, 2014	$ 11,290,000	$ 144,934,903	$ 167,585	$ -	$ -	$ -	$ 101,045,650	$ 257,438,138	$ 526,483	$ 257,964,621
Payment of dividends	677,377	-	-	-	-	-	(1,190,899)	(513,522)	-	(513,522)
Net income	-	-	-	-	-	-	40,160,838	40,160,838	(286,857)	39,873,981
Other comprehensive income:										
Gains on valuation of AFS financial assets	-	-	-	-	-	60,383	-	60,383	-	60,383
Changes due to associate's equity changes	-	-	-	-	-	632,703	-	632,703	-	632,703
Exchange differences on translating foreign operations	-	-	-	-	-	(75,987)	-	(75,987)	-	(75,987)
Stock options	-	-	467,139	-	-	-	-	467,139	-	467,139
Acquisition of treasury stock	-	-	-	(8,643,853)	-	-	-	(8,643,853)	-	(8,643,853)
Disposal of treasury stock	-	-	-	70,166	748	-	-	70,914	-	70,914
As of December 31, 2014	$ 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
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)
Net income	-	-	-	-	-	-	42,038,839	42,038,839	(614,976)	41,423,863
Other comprehensive income:										
Gains on valuation of AFS financial assets	-	-	-	-	-	221,403	-	221,403	-	221,403
Changes due to associate's equity changes	-	-	-	-	-	(2,047,469)	-	(2,047,469)	-	(2,047,469)
Exchange differences on translating foreign operations	-	-	-	-	-	(31,892)	-	(31,892)	-	(31,892)
Stock options	-	-	638,205	-	-	-	-	638,205	-	638,205
Acquisition of treasury stock	-	-	-	(801,050)	-	-	-	(801,050)	-	(801,050)
Acquisition of subsidiaries stock	-	-	-	-	-	-	-	-	1,000	1,000
As of December 31, 2015	$ 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

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	USD	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows generated from operations:		
Profit for the year	$ 41,423,863	$ 39,873,981
Adjustments:		
Gains on valuation of financial assets at FVTPL	-	(9,238,543)
Gains on disposal of financial assets at FVTPL	(9,203,926)	-
Net bad debt expenses	1,195,494	113,492
Gain on investments in associates	3,359,097	1,141,168
Depreciation	5,685,449	3,852,943
Gain on disposal of property, plant and equipment	(61,687)	(43,868)
Depreciation in investment property	66,471	66,471
Amortization of intangible assets	708,897	286,476
Loss on impairment of intangible assets	923,956	-
Loss on derivative valuations	3,515,833	3,635,490
Loss on disposal of derivative	37,235	-
Loss on redemption of debenture	68,165	-
Increase of provisions for product warranties	2,433,738	532,661
Increase (reversal) of reserve for returned products	(118,855)	124,752
Income tax expense	1,258,307	226,348
Stock compensation expenses	638,205	467,139
Severance benefits	85,716	99,970
Sales promotion costs	286,210	733,759
Gain on foreign exchange translation	(4,077,814)	(4,182,502)
Dividends income	(453,088)	-
Rental income	(79,200)	(54,122)
Loss on foreign exchange translation	2,371,554	209,930
Interest income	(14,426,336)	(2,747,497)
Interest expenses	5,453,933	5,466,347
	(332,646)	690,414
Movements in working capital:		
Increase in trade and other receivables	(46,873,308)	(107,910,439)
Decrease in other current assets	2,404,720	10,845,376
Decrease (increase) in other non-current assets	(7,035,014)	1,062,080
Increase in inventories	(19,385,936)	(50,839)
Increase in trade payables and other financial liabilities	16,684,697	6,066,113
Increase in other current liabilities	5,048,956	1,042,008
Decrease in provisions	(1,239,461)	(1,128,356)
	$ (50,395,346)	$ (90,074,057)

(Continued)

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

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	USD	
	2015	2014
Interest received	$ 1,423,362	$ 3,762,846
Interest paid	(7,281,530)	(7,130,592)
Dividends received	453,088	-
Income tax paid	(1,186,269)	(15,103,811)
Net cash used in operating activities	(15,895,478)	(67,981,219)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term financial instruments	(10,899,376)	(1,233,600)
Decrease in short-term financial instruments	1,435,037	25,253,986
Acquisition of financial assets at FVTPL	-	(13,892,748)
Increase in short-term loans	(50,405)	-
Acquisition of AFS financial assets	-	(9,963,162)
Acquisition of investments in associates	-	(14,514,467)
Acquisition of property, plant and equipment	(12,563,693)	(24,919,433)
Disposal of property, plant and equipment	163,445	109,248
Acquisition of intangible assets	(370,675)	(2,892,184)
Net cash used in investing activities	(22,285,667)	(42,052,360)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) short-term borrowings	17,351,686	27,161,599
Proceeds from long-term borrowings	250,000	5,873,140
Proceeds from debenture	28,750,760	55,575,069
Repayment of debenture	(18,234,320)	(35,950,599)
Repayment of derivatives liabilities	(380,679)	-
Payment of dividends	(472,664)	(513,522)
Capital increase by issuing new stocks	1,000	-
Acquisition of treasury stock	(801,050)	(8,643,853)
Disposal of treasury stock	-	70,914
Net cash provided by financing activities	26,464,733	43,572,748
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,716,412)	(66,460,831)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	23,682,612	90,275,278
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	(157,202)	(131,835)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (NOTE 36)	$ 11,808,998	$ 23,682,612

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

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 KOLAO Developing Co., Ltd. and other subsidiaries (the "subsidiaries"), under the Companies Law of Cayman Islands. The Company was transferred shares of KOLAO Developing Co., Ltd. from Oh, Se Young who owned 100% of 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 December 31, 2015, the Company has issued 47,869,508 shares and the Company's share capital amounts to US dollars (USD) 11,967,377, as a result of the several issuances of new shares from $1 at the establishment of the Company.

As of December 31, 2015, the Company's shareholders and the respective percentage of ownership are as follows:

Name of shareholders	Number of shares owned	Percentage of ownership (%)
Oh, Se Young	21,266,685	44.43
Others	26,602,823	55.57
	47,869,508	100.00

2. Significant Accounting Policies:

(1) Basis of preparation

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

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

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

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

The Group has applied a number of new and revised IFRSs that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

Amendments to IAS 19 – Employee Benefits

The amendments permits the Group to recognize amount of contributions as a reduction in the service cost in which the related service is rendered if the amount of the contributions are independent of the number of years of service. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The amendments to IFRS 2 (i) changes the definitions of 'vesting condition' and 'market condition' and (ii) add definitions for 'performance condition' and 'service condition' were previously included within the definition of 'vesting condition.' The amendments to IFRS 3, 'Business Combinations,' clarify the classification and measurement of the contingent consideration in business combination. The amendments to IFRS 8 clarify that a reconciliation of the total of the reportable segments' assets should only be provided if the segment assets are regularly provided to the chief operating decision maker. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments to IFRS 3 clarify that it excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of IFRS 3 'Business Combination.' The amendments to IFRS 13, 'Fair Value Measurements,' and IAS 40, 'Investment Properties,' exist. The application of these amendments has no significant impact on the disclosure in the Group's consolidated financial statements.

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

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

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 amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016.

Amendments to IAS 16 – Property, Plant and Equipment

The amendments to IAS 16 prohibit the Group from using a revenue-based depreciation method for items of property, plant and equipment. The amendments are effective for the annual periods beginning on or after January 1, 2016.

Amendments to IAS 38 – Intangible Assets

The amendments to IAS 38 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets, which the presumption can only be limited when the intangible asset 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 amendments apply prospectively for annual periods beginning on or after January 1, 2016.

Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IFRS 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 amendments are effective for annual periods beginning on or after 1 January 2016.

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

The amendments to IFRS 11 provides 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 amendments to IFRS 11 are effective for the annual periods beginning on or after January 1, 2016.

Amendments to IFRS 9 – Financial Instruments

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

Amendments to IFRS 15 – Revenue from Contracts with Customers

The core principle under IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces 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, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede IFRS 11, 'Construction Contracts,' IAS 18, 'Revenue,' IFRIC 13, 'Customer Loyalty Programmes,' 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 1 January 2018.

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,' 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 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 significant impact on the disclosure in the Group's consolidated financial statements.

As of March 22, 2016, the consolidated financial statements were approved by the board of directors and are scheduled for final approval at the general meeting of shareholders on March 25, 2016.

(2) Basis of consolidation

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

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

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

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

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

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

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

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

(3) Investments in associates and joint ventures

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

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

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

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

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

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

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

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

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

(4) Revenue Recognition

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

1) Sale of goods

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

2) Rendering of services

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

3) Dividend income and interest income

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

4) Rental income

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

(5) Financial Assets

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

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

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

1) Effective interest method

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

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

2) Financial Assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

3) Held-to-Maturity Investments

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

4) AFS Financial Assets

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

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

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

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

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

5) Loans and Receivables

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

6) Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

7) Derecognition of Financial Assets

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

(6) Derivative Financial Instruments

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

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

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

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

(7) Inventories

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

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

(8) Property, Plant, and Equipment and Depreciation

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

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

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

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

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

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

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

(9) Investment Property

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

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use, and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.
While land is not depreciated, all other investment property is depreciated, based on the respective asset's estimated useful lives of 20 years, using the straight-line method.

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

(10) Intangible assets

1) Intangible assets acquired separately

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

2) Internally generated intangible assets - research and development expenditure

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

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

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

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

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

3) Intangible assets acquired in a business combination

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

4) Derecognition of intangible assets

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

(11) Impairment of tangible and intangible assets, except for goodwill

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

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

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

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

(12) Borrowing Costs

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

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

(13) Financial Liabilities and Equity Instruments

1) Classification as Debt or Equity

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

2) Equity Instruments

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

3) Financial Liabilities

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

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

4) Financial Liabilities at FVTPL

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

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

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

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

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

5) Other Financial Liabilities

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

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

6) Financial Guarantee Contract Liabilities

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

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

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

7) Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged or canceled or they expire.

(14) <u>Leases</u>

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

(15) Income Tax Expense

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

(16) Employee Benefits

1) Short-term Employee Benefits

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

2) Postemployment Benefits and Termination Benefits

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

(17) Equity-settled share-based payment arrangement

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

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

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

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

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(19) Foreign Currencies

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

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (Note 2 (21) below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

(20) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IFRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36.

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

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

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

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

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

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

(1) Fair valuation of financial instruments

The Group uses valuation techniques, which are described in Note 40, that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The Group provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(2) Allowance for Trade and Other Receivables

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

(3) Depreciation

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

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

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

4. SUBSIDIARIES:

(1) The details of consolidated subsidiaries as of December 31, 2015 and 2014, are as follows:

Subsidiaries	Country	Reporting date	Percentage of Ownership December 31, 2015	Percentage of Ownership December 31, 2014	Main business
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, 4)	Myanmar	Dec.31	99	-	Sales of automobile and automobile parts, repairs of automobile
KOLAO Holdings (Cambodia) Co., Ltd. (*3)	Cambodia	Dec.31	100	100	Sales of automobile
KDC Korea Co., Ltd.	Korea	Dec.31	100	100	Trading company
LVMC Investment Limited	Hong kong	Dec.31	100	100	Financial business

(*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 entity is reorganized from subsidiary of KOLAO Holdings Singapore Pte., Ltd. to subsidiary of KOLAO Holdings for efficiencies through simplified corporate governance on June 30, 2015.
(*4) The entity is newly established in current period.

(2) Newly included subsidiary for the year ended December 31, 2015 is as follows:

Subsidiary	Description
International KLM Co., Ltd.	Newly established in current period

(3) A summary of financial information of major subsidiaries as of and for the year ended December 31, 2015 and 2014, is as follows (Unit: USD):

	December 31, 2015						
Subsidiaries	Assets	Liabilities	Controlling equity	Non-controlling interests	Sales	Net income	Total Income
KOLAO Developing Co., Ltd.	$ 421,309,042	$ 205,432,445	$ 215,876,597	$ -	$ 387,873,728	$ 43,639,879	$ 43,639,879
KOLAO Holdings Singapore Pte., Ltd. (*1)	25,316,840	8,931,946	16,759,244	(374,350)	3,889,905	(2,482,366)	(2,482,366)
KDC Korea Co.,Ltd.	5,685,318	5,134,960	550,358	-	6,063,749	(629,324)	(626,179)
LVMC Investment Limited	13,924,062	5,604	13,918,458	-	453,088	566,381	566,381
KOLAO Holdings (Cambodia) Co., Ltd.	3,186,288	2,184,860	1,001,428	-	387,178	(421,113)	(421,113)

	December 31, 2014						
Subsidiaries	Assets	Liabilities	Controlling equity	Non-controlling interests	Sales	Net income	Total Income
KOLAO Developing Co., Ltd.	$ 329,230,751	$ 157,462,595	$ 171,768,156	$ -	$ 350,382,521	$ 36,725,584	$ 36,725,584
KOLAO Holdings Singapore Pte., Ltd. (*1)	29,691,744	10,825,484	18,626,634	239,626	9,995,152	(1,845,047)	(1,845,047)
KDC Korea Co.,Ltd.	3,966,895	2,755,321	1,211,574	-	789,615	(634,510)	(710,497)
LVMC Investment Limited	13,131,844	1,170	13,130,674	-	-	70,291	130,674

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

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

(4) A summary of cash flow of subsidiaries as of and for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31, 2015				
	KOLAO Developing Co., Ltd.	KOLAO Holdings Singapore Pte., Ltd. (*1)	KDC Korea Co., Ltd.	LVMC Investment Limited	KOLAO Holdings (Cambodia) Co., Ltd.
Cash flows from operating activities	$ (15,209,822)	$ (3,099,252)	$ 194,374	$ 536,442	$ (609,805)
Cash flows from investing activities	(12,779,900)	(398,395)	(5,612)	(600,000)	(874,238)
Cash flows from financing activities	26,671,597	(1,249,000)	1,046,214	-	1,410,000
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	(49,968)	(39,836)	(40,220)	-	-
Cash and cash equivalents, beginning of period	4,712,397	10,258,349	427,375	108,299	132,792
Cash and cash equivalents, end of the period	3,344,304	5,471,866	1,622,131	44,741	58,749

	Year ended December 31, 2014			
	KOLAO Developing Co., Ltd	KOLAO Holdings Singapore Pte., Ltd. (*1)	KDC Korea Co.,Ltd.	LVMC Investment Limited
Cash flows from operating activities	$ (61,334,063)	$ (2,035,420)	$ (611,283)	$ 71,461
Cash flows from investing activities	1,081,567	(3,359,251)	(3,493,821)	(12,963,162)
Cash flows from financing activities	56,679,694	149,800	4,510,680	13,000,000
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies	33,323	(618)	(77,483)	-
Cash and cash equivalents, beginning of period	8,251,876	15,636,630	99,282	-
Cash and cash equivalents, end of the period	4,712,397	10,391,141	427,375	108,299

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

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

(5) Net assets and profit of non-controlling interests as of and for the year ended December 31, 2015 are as follows (Unit: USD):

Non-controlling interest	Net assets	Profit for the year	Comprehensive Income	Payment of dividends
KOLAO Holdings Singapore Pte., Ltd. (*1)	$ (374,350)	$ (614,976)	$ (614,976)	$ -

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

5. SEGMENT INFORMATION:

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

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

Segment	Description
New automobile	Engagement in the dealer business by distributing imported passenger cars and commercial vehicles
Completed Knock-Down(CKD)	Selling and manufacturing CKD and used cars under the name of ‘KOLAO’, after assembling and processing automobiles imported mostly from Korea
Motorcycle	Designing its own model and selling products under the name of ‘KOLAO’ after making orders, processing and assembling of major parts
Wholesale	Selling accessories and other supplies designed for automobiles and motorcycles
AS	Providing after- service and repair service for automobiles and motorcycles
Others	Selling and buying used local automobiles in Laos and providing rental services

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

	Revenues		Gross profit	
	Year ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
New automobile	$ 221,213,935	$ 237,698,807	$ 51,134,541	$ 53,347,884
CKD	111,374,222	67,550,274	23,432,056	15,155,561
Motorcycle	15,163,739	18,756,252	1,474,063	3,379,361
Wholesale	12,852,726	14,636,798	723,879	1,455,110
AS	7,033,487	6,079,559	518,668	1,106,627
Others	25,248,603	16,031,226	3,186,880	2,037,653
	$ 392,886,712	$ 360,752,916	$ 80,470,087	$ 76,482,196
Unallocated income and expenses			(37,787,917)	(36,381,867)
Profit before income tax expense			$ 42,682,170	$ 40,100,329

All the revenues and results reported above are the amounts after eliminating all intragroup transaction in full on consolidation.

The gross profit by segment is reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

	Assets		Liabilities	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
New automobile	$ 186,252,420	$ 166,405,735	$ 18,930,914	$ 12,770,820
CKD	152,634,651	85,749,393	15,513,965	6,580,843
Motorcycle	25,067,426	17,657,175	2,547,883	1,355,101
Wholesale	14,749,895	15,101,018	1,499,197	1,158,929
AS	11,627,623	9,644,611	1,181,844	740,177
Others	18,179,266	9,515,594	-	-
	408,511,281	304,073,526	39,673,803	22,605,870
Unallocated assets and liabilities	103,632,708	112,118,048	143,702,411	103,749,325
Total assets and liabilities	$ 512,143,989	$ 416,191,574	$ 183,376,214	$ 126,355,195

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

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

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

	Depreciation		Acquisition of non-current assets(*)	
	Year ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
New automobile	$ 2,915,372	$ 2,258,348	$ 9,552,210	$ 19,710,463
CKD	2,389,160	1,172,022	4,809,236	5,601,405
Motorcycle	392,375	241,675	654,783	1,555,306
Wholesale	230,877	206,188	554,992	1,213,713
AS	182,005	131,292	303,712	504,129
Others	284,557	129,894	1,090,256	1,329,341
	$ 6,394,346	$ 4,139,419	$ 16,965,189	$ 29,914,357

(*) The amounts of acquisition on non-current assets for the year ended December 31, 2015 and 2014 are included $4,030,821 and $2,102,740, respectively, which was transferred from inventory to vehicles.

(5) Geographical information

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

(6) Information about major customers

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

6. RESTRICTED DEPOSITS:

Restricted deposits as of December 31, 2015, are as follows (Unit: USD):

	December 31, 2015	
Cash and cash equivalent	$ 442,417	Escrow account
Short-term financial instruments	7,241,105	Pledged as collateral for debt and currency swap
Investments in associates (*1)	5,536,654	Pledged as collateral for currency swap
	$ 13,220,176	

(*1) 6,000 thousand shares of KR Motors Co., Ltd., investments in associates, are pledged as collateral for the currency swap.

7. FINANCIAL ASSETS AT FVTPL:

Details of financial asset at FVTPL as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Financial asset at FVTPL:		
Investment in convertible bonds (*1)	$ -	$ 23,131,291

(*1) The contract for the composite financial instruments containing one or more embedded derivatives, has been designated by the Group as financial assets at fair value through profit or loss for the entire composite contract. And the Group additionally acquired ownership of KR Motors Co., Ltd. through exercising the conversion right for the current period.

8. TRADE RECEIVABLES:

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

(1) Details of trade receivables as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Trade receivables in current assets	$ 93,143,062	$ 73,382,976
Less: Allowances for doubtful accounts	(864,037)	(88,770)
Sub total	92,279,025	73,294,206
Trade receivables in non-current assets	146,562,827	104,067,958
Less: Allowances for doubtful accounts	(89,725)	(99,364)
Sub total	146,473,102	103,968,594
	$ 238,752,127	$ 177,262,800

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

(2) The aging analysis of the trade receivables as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015					
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)
	$108,212,263	$100,370,055	$26,301,599	$ 3,046,442	$ 821,768	$238,752,127

	December 31, 2014					
Accounts	Within Six months	Six months –one year	One –two year	Two –three year	More than three years	Total
Trade receivables	$128,819,021	$38,980,805	$ 7,941,561	$ 1,559,477	$ 150,070	$177,450,934
Allowances for doubtful accounts	(572)	(398)	(56,520)	(379)	(130,265)	(188,134)
	$128,818,449	$38,980,407	$ 1,559,098	$ 1,559,098	$ 19,805	$177,262,800

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

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

(3) Changes in allowance for doubtful accounts for the year ended December 31, 2015 and 2014, are as follows (Units: USD):

	Year ended December 31,	
	2015	2014
Beginning balance	$ 188,134	$ 74,642
Offsetting of allowance	(69,226)	-
Bad debt expenses(*1)	834,854	113,492
Ending balance	$ 953,762	$ 188,134

(*1) The bad debt expenses for the year ended December 31, 2015, amounting to $360,640, which was impairments of deposit, is included.

9. OTHER RECEIVABLES:

The Group's other receivables as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015		December 31, 2014	
	Current	Non-current	Current	Non-current
Loans	$ 69,210	$ 5,000,000	$ 18,805	$ -
Other accounts receivables	135,711	-	1,080,094	-
Accrued income	34,554	-	-	-
Business leasehold deposit	-	401,286	-	6,878,301
Guarantee deposits	-	262,744	-	174,324
	$ 239,475	$ 5,664,030	$ 1,098,899	$ 7,052,625

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

There are no other receivables past due or impaired.

10. OTHER CURRENT ASSETS:

The Group's other current assets as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31 2015	December 31, 2014
Advance payments	$ 4,558,298	$ 2,382,899
Prepaid expenses	2,410,650	2,588,504
Other accounts receivables (*1)	446,811	1,188,504
Value added tax prepayment	190,845	39,855
	$ 7,606,604	$ 6,199,762

(*1) Some of the expenditure required to settle a provision is expected to be reimbursed by another party, as disclosed in Note 22, 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.

11. INVENTORIES:

Details of inventories as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Raw materials	$ 41,073,314	$ 16,679,157
Merchandise	30,579,914	27,790,438
Work in process	1,103,149	106,538
Finished goods	1,860,575	2,256,722
Goods in transit	22,312,547	17,717,125
	$ 96,929,499	$ 64,549,980

12. AFS FINANCIAL ASSETS:

The Group's AFS financial assets as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Non-marketable equity securities		
Indochina Bank Co., Ltd. (*1)	$ 10,244,948	$ 10,023,545

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

13. INVESTMENTS IN ASSOCIATES:

(1) The Group's investments in associates as of December 31, 2015 and 2014, are as follows (Unit: USD):

			December 31, 2015			December 31, 2014			
Associates	Country	Year-end	Percentage of ownership	Acquisition Cost	Carrying Value	Percentage of ownership	Acquisition Cost	Carrying Value	Main Business
KR Motors Co., Ltd.	Korea	December	25.31%	$ 46,849,684	$ 40,934,653	16.05%	$ 14,514,467	$ 14,006,002	Manufacture and sales of automobile

(*1) The director of the Company serves in the board of directors of KR Motors Co., Ltd.

(2) As of December 31, 2015 and 2014, market values of investments in associates are as follows (Unit: USD):

Associates	December 31, 2015	December 31, 2014
KR Motors Co., Ltd.	$ 48,069,666	$ 18,031,776

(3) Changes in the Group's investments in associates for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31, 2015				
Associates	Beginning balance	Acquisition (*1)	Share of profits	Effect on change In equity	Ending balance
KR Motors Co., Ltd.	$ 14,006,002	$ 32,335,217	$ (3,359,097)	$ (2,047,469)	$ 40,934,653

(*1) The Group additionally acquired ownership of KR Motors Co., Ltd. through exercising the conversion right of investment in convertible bonds, which as disclosed in Note 7.

	Year ended December 31, 2014				
Associates	Beginning balance	Acquisition	Share of profits	Effect on change In equity	Ending balance
KR Motors Co., Ltd.	$ -	$ 14,514,467	$ (1,141,168)	$ 632,703	$ 14,006,002

(4) The details of associate's financial information as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Current assets	$ 69,990,110	$ 61,119,981
Non-current assets	74,914,766	74,307,281
Total assets	$ 144,904,876	$ 135,427,262
Current liabilities	$ 64,234,612	$ 63,769,589
Non-current liabilities	14,579,760	21,455,387
Total liabilities	$ 78,814,372	$ 85,224,976
Sales	$ 73,500,045	$ 77,144,701
Continuing operating profit	(13,967,948)	(10,980,213)
Profit for the year	(14,397,667)	(12,142,801)
Total comprehensive income	$ (18,825,022)	$ (13,391,636)

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

(5) The Group's investments in associates after reflecting the adjustment from net assets of associates as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Net assets of associates (A)	$ 66,090,504	$ 50,202,286
Percentage of ownership (B)	25.31%	16.05%
Net assets of the Group (AxB)(*1)	15,598,561	8,717,205
(+) Goodwill	25,382,170	5,288,797
(-) Elimination of the allintra group transaction	(46,078)	-
Ending balance	$ 40,934,653	$ 14,006,002

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

14. OTHER NON-CURRENT ASSETS:

The Group's other non-current assets as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31 2015	December 31, 2014
Advance payments	$ 126,393	$ 270,368
Prepaid expenses	6,358,837	3,227,444
	$ 6,485,230	$ 3,497,812

15. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015			December 31, 2014		
Assets	Acquisition costs	Accumulated depreciation	Ending balance	Acquisition costs	Accumulated depreciation	Ending balance
Land	$ 3,224,310	$ -	$ 3,224,310	$ 3,437,856	$ -	$ 3,437,856
Buildings	59,874,696	(9,406,135)	50,468,561	54,199,779	(6,396,025)	47,803,754
Vehicles	11,620,205	(3,573,244)	8,046,961	6,445,194	(2,067,431)	4,377,763
Tools and equipment	3,829,525	(2,191,571)	1,637,954	3,349,236	(1,754,798)	1,594,438
Office equipment	2,869,200	(1,604,596)	1,264,604	2,533,040	(1,084,573)	1,448,467
Other tangible assets	441,243	(176,012)	265,231	330,000	(126,500)	203,500
Construction in progress	7,922,034	-	7,922,034	3,394,968	-	3,394,968
	$ 89,781,213	$ (16,951,558)	$ 72,829,655	$ 73,690,073	$ (11,429,327)	$ 62,260,746

(2) Changes in the Group's property, plant and equipment for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

Assets	Year ended December 31, 2015 Beginning balance	Acquisition	Transfer (*1)	Disposal	Depreciation	Others	Ending balance
Land	$ 3,437,856	$ -	$ -	$ -	$ -	$ (213,546)	$ 3,224,310
Buildings	47,803,754	1,154,904	4,523,000	-	(3,009,835)	(3,262)	50,468,561
Vehicles	4,377,763	1,369,640	4,090,368	(121,998)	(1,668,812)	-	8,046,961
Tools and equipment	1,594,438	480,289	-	-	(436,773)	-	1,637,954
Office equipment	1,448,467	338,004	-	(854)	(520,517)	(496)	1,264,604
Other tangible assets	203,500	111,243	-	-	(49,512)	-	265,231
Construction in progress	3,394,968	9,109,613	(4,582,547)	-	-	-	7,922,034
	$ 62,260,746	$ 12,563,693	$ 4,030,821	$ (122,852)	$ (5,685,449)	$ (217,304)	$ 72,829,655

(*1) The amounts transferred from inventory to vehicles are $4,030,821.

Assets	Year ended December 31, 2014 Beginning balance	Acquisition	Transfer (*1)	Disposal	Depreciation	Others	Ending balance
Land	$ -	$ 3,437,856	$ -	$ -	$ -	$ -	$ 3,437,856
Buildings	31,603,515	2,879,368	15,519,011	-	(2,198,165)	25	47,803,754
Vehicles	2,011,279	1,256,549	2,102,740	(65,380)	(927,425)	-	4,377,763
Tools and equipment	315,048	1,183,024	326,049	-	(229,683)	-	1,594,438
Office equipment	1,472,249	440,825	-	-	(464,670)	63	1,448,467
Other tangible assets	236,500	-	-	-	(33,000)	-	203,500
Construction in progress	3,518,217	15,721,811	(15,845,060)	-	-	-	3,394,968
	$ 39,156,808	$ 24,919,433	$ 2,102,740	$ (65,380)	$ (3,852,943)	$ 88	$ 62,260,746

(*1) The amounts transferred from inventory to vehicles are $2,102,740.

16. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2015 and 2014, are as follows (Unit: USD):

Assets	December 31, 2015 Acquisition costs	Accumulated depreciation	Net balance	December 31, 2014 Acquisition costs	Accumulated depreciation	Net balance
Buildings	$ 1,329,421	$ (264,314)	$ 1,065,107	$ 1,329,421	$ (197,843)	$ 1,131,578

(2) Changes in the Group's investment property for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

Assets	Year ended December 31, 2015 Beginning balance	Acquisition	Depreciation	Ending balance
Buildings	$ 1,131,578	$ -	$ (66,471)	$ 1,065,107

Assets	Year ended December 31, 2014 Beginning balance	Acquisition	Depreciation	Ending balance
Buildings	$ 1,198,049	$ -	$ (66,471)	$ 1,131,578

(3) Details of income and expenditure for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Rental income	$ 79,200	$ 54,122

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

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

17. INTANGIBLE ASSETS:

(1) Intangible assets as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015			December 31, 2014		
Assets	Acquisition costs	Accumulated depreciation	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Software	$ 81,243	$ (45,717)	$ 35,526	$ 80,390	$ (29,532)	$ 50,858
Development cost	5,041,169	(970,195)	4,070,974	5,620,830	(302,981)	5,317,849
	$ 5,122,412	$ (1,015,912)	$ 4,106,500	$ 5,701,220	$ (332,513)	$ 5,368,707

(2) Changes in the Group's intangible for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31, 2015					
Assets	Beginning Balance	Acquisition	Depreciation	Impairment (*1)	Others	Ending Balance
Software	$ 50,858	$ 884	$ (16,187)	$ -	$ (29)	$ 35,526
Development cost	5,317,849	369,791	(692,710)	(923,956)	-	4,070,974
	$ 5,368,707	$ 370,675	$ (708,897)	$ (923,956)	$ (29)	$ 4,106,500

(*1) The Group has recognized an impairment loss of $923,956 to identify indication of impairment. Development costs' recoverable amount is the higher of fair value, less costs to sell and value in use. If the fair value exists, the fair value was used as the recoverable amount, otherwise used as a reasonable estimate of the recoverable amount and value in use.

	Year ended December 31, 2014			
Assets	Beginning Balance	Acquisition	Depreciation	Ending Balance
Software	$ 46,572	$ 18,412	$ (14,126)	$ 50,858
Development cost	2,716,427	2,873,772	(272,350)	5,317,849
	$ 2,762,999	$ 2,892,184	$ (286,476)	$ 5,368,707

18. OPERATING LEASE ARRANGEMENTS:

(1) The Group as lessee

The Group has 34 lease contracts as of December 31, 2015, which are accounted for as operating leases. Details of the lease contracts that the Group have executed are as follows (Unit: USD):

Location	Leased assets	Issue date	Expiry date	Gross lease payments
Vientiane	Factory land	2006-09-15	2021-09-14	$ 206,720
Savannakhet Province	Factory land	2002-07-01	2031-06-30	325,000
Vientiane	Showroom	2009-07-01	2029-07-01	420,000
Bolikhamsai Province	Showroom	2009-06-11	2030-01-01	135,000
Vientiane	Showroom	2009-09-01	2024-09-01	250,000
Khammouan Province	Khammouan land	2009-07-01	2019-07-01	27,840
Vientiane	Showroom	2005-02-09	2024-02-09	248,000
Vientiane	Showroom	2016-01-01	2020-12-31	132,000
Vientiane	Factory land	2010-10-08	2025-10-07	38,745
Champasak Province	Showroom	2010-10-16	2025-10-15	182,400
Vientiane	Office Building	2015-11-01	2020-10-31	1,856,628
Vientiane	Office Building	2016-01-01	2020-12-31	1,856,628
Vientiane	Showroom	2011-04-01	2021-03-31	5,082,934
Vientiane	Factory land	2011-09-01	2041-08-31	132,585
Vientiane	Factory land	2011-09-01	2026-08-31	1,278,375
Savannakhet Province	Showroom	2002-01-01	2017-12-31	110,880
Vientiane	Training Institute	2012-03-01	2027-03-01	384,000
Vientiane	Company housing	2012-03-01	2027-03-01	240,000
Vientiane	Showroom	2012-04-01	2022-03-31	307,500
Champasak Province	Showroom	2012-09-01	2030-08-31	144,000
Vientiane	NB Village land	2012-12-01	2042-11-30	827,500
Savannakhet Province	CKD factory land	2012-12-12	2072-12-12	617,012
Savannakhet Province	Showroom	2013-01-14	2023-01-13	3,191,000
Savannakhet Province	Showroom	2017-01-02	2027-01-02	13,920
Savannakhet Province	Showroom	2013-12-01	2018-11-30	1,200,000
Savannakhet Province	CKD factory land	2014-06-02	2019-06-01	1,000,000
Vientiane	Showroom	2014-10-01	2019-10-01	240,000
Vientiane	AS Center land	2014-10-01	2022-03-31	30,000
Vientiane	AS Center land	2015-01-01	2022-12-31	308,864
Vientiane	Factory land	2015-01-01	2024-12-31	620,000
Vientiane	AS Center land	2015-02-01	2016-01-31	1,494,700
Vientiane	Showroom	2015-03-01	2031-02-28	960,000
Vientiane	Factory land	2015-08-01	2016-08-31	18,500
Vientiane	Factory land	2015-09-15	2016-09-14	19,688
				$ 23,900,419

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

According to the operating lease contract, the Group recognized as lease expenses amounting to $4,201,676 and $4,398,839 for the year ended December 31, 2015 and 2014, respectively.

Minimum lease payments that the Group will make subsequently as of December 31, 2015, are as follows (Unit: USD):

	Minimum lease payments
2016.1.1–2016.12.31	$ 3,844,645
2017.1.1–2020.12.31	11,890,605
2021.1.1 and thereafter	1,596,228
	$ 17,331,478

The prepaid amounts for minimum lease payment are $8,646,363 as of December 31, 2015.

(2) The Group as lessor

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

Minimum lease payments that the Group will make subsequently as of December 31, 2015, are as follows (Unit: USD):

	Minimum lease payments
2016.1.1–2016.12.31	$ 79,200
2016.1.1–2018.12.31	107,600
	$ 186,800

The Group recognized the advance received for minimum lease payments amounting to $93,600 as other current liabilities (rental income received in advance) in the consolidated statements as of December 31, 2015.

19. TRADE PAYABLES:

Details of the Group's trade payables as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31,2014
Trade payables	$ 39,673,803	$ 22,605,870

20. BORROWINGS:

(1) Borrowings as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015		December 31, 2014	
	Current	Non-current	Current	Non-current
Short-term borrowings	$ 61,768,706	$ -	$ 37,532,128	$ -
Long-term borrowings	-	-	-	1,364,629
Debentures	18,705,260	41,787,044	8,187,773	44,368,885
	$ 80,473,966	$ 41,787,044	$ 45,719,901	$ 45,733,514

(2) Details of the Group's borrowings as of December 31, 2015 and 2014, are as follows (Unit: USD):

			December 31, 2015			December 31, 2014	
Description	Description	Creditor	Interest Rate	Current	Non-Current	Current	Non-Current
Borrowings	L/C TR	ANZ Bank (LAO) Limited	-	$ -	$ -	$ 27,978,865	$ -
	L/C TR	Indochina Bank Co., Ltd.	9.0%	10,999,989	-	2,344,934	-
	L/C TR	KB Hongkong Limited	-	-	-	2,295,665	-
	L/C TR	VIETIN Bank (*1, 2)	7.4%	32,441,072	-	-	-
	Loans for working capital	KB Bank (*3)	5.0%	1,279,863	-	2,729,258	1,364,629
	Loans for working capital	HANA Bank (*4)	Six-month London InterBank Offered Rate+3.6%	10,000,000	-	-	-
	Loans from associates	KR Motors Co., Ltd.	6.9%	7,047,782	-	2,183,406	-
				$ 61,768,706	$ -	$ 37,532,128	$ 1,364,629

(*1) Payment guarantees and collateral of land and others are provided by the major shareholder.
(*2) Borrowings in foreign currency (LAK 21,944,826,627) are included.
(*3) Borrowings in foreign currency (KRW 1,500 million).
(*4) Time deposits (USD 6 million) are pledged right and equity securities are provided by the major shareholder as collateral.

(3) Details of the Group's debenture as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015				December 31, 2014	
Description	Interest Rate	Maturity	Current	Non-current	Current	Non-current
3rd Private placed bond	6.2 %	2015-05-30	$ -	$ -	$ 8,187,773	$ -
4th Private placed bond (*1)	5.4 %	2016-06-01	7,679,180	-	-	-
5nd Private placed bond	6.2 %	2016-09-08	11,092,150	-	-	-
CGIF Secured private placed bond (*2)	2.0 %	2017-08-21	-	42,396,000	-	45,402,000
Less discount on debentures			(66,070)	(608,956)	-	(1,033,115)
			$ 18,705,260	$ 41,787,044	$ 8,187,773	$ 44,368,885

(*1) Payment guarantees are provided by the major shareholder.
(*2) CGIF Secured private placed bond is borrowings in foreign currency (SGD 60,000,0000), and GCIF and the major shareholder provide the Group with payment guarantee.

21. DERIVATIVES LIABILITIES:

Details of the Group's derivatives liabilities as of December 31, 2015, are as follows (Unit: USD):

	December 31, 2015	
	Current	Non-current
Financial liabilities at FVTPL		
Currency Swap (*1)	$ 407,206	$ 6,400,673

(*1) Some of short-term financial instruments and investments in associates are pledged as collateral (Note 6), and payment guarantees are provided by the major shareholder.

22. PROVISIONS:

(1) Details of the Group's provisions as of December 31, 2015 and 2014, are as follows (Unit: USD):

Description	December 31, 2015 Current	December 31, 2015 Non-Current	December 31, 2015 Total	December 31, 2014 Current	December 31, 2014 Non-Current	December 31, 2014 Total
Provisions for product warranties	$ 864,116	$ 1,711,644	$ 2,575,760	$ 522,440	$ 1,038,720	$ 1,561,160
Provisions for return products	110,424	-	110,424	241,685	-	241,685
	$ 974,540	$ 1,711,644	$ 2,686,184	$ 764,125	$ 1,038,720	$ 1,802,845

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

(2) Changes in the Group's provisions for product warranties for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	$ 1,561,160	$ 1,565,712
Increase in provisions (*1)	2,241,655	721,720
Use of provisions	(1,227,055)	(726,272)
Ending balance	$ 2,575,760	$ 1,561,160

(*1) Some of the expenditure required to settle a provision is expected to be reimbursed by another party, 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. The expense relating to the provision is presented, net of the amount of $192,083 and $189,059 that was recognized as the separate asset, as part of selling, general and administrative expenses in the consolidated statements of comprehensive income (see Note 31).

(3) Changes in the Group's provisions for return products for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	$ 241,685	$ 519,017
Increase (reversal) in provisions	(118,855)	124,752
Use of provisions	(12,406)	(402,084)
Ending balance	$ 110,424	$ 241,685

23. OTHER FINANCIAL LIABILITIES:

Details of the Group's other financial liabilities as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Other account payables	$ 326,368	$ 260,801
Accrued expenses	4,000,420	4,329,074
Security Deposit	14,300	-
	$ 4,341,088	$ 4,589,875

24. OTHER CURRENT LIABILITIES:

Other current liabilities of the Group as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Withholdings	$ 554,637	$ 291,985
Advances received	5,679,920	842,157
Rental income received in advance	93,600	145,800
Value-added taxes withheld	512,028	560,581
Consumption taxes withheld	327,892	409,149
	$ 7,168,077	$ 2,249,672

25. CAPITAL AND OTHER ISSUED CAPITAL:

(1) Details associated with the Company's share capital as of December 31, 2015 and 2014, are as follows:

	December 31, 2015	December 31, 2014
Number of shares authorized (*1)	160,000,000 shares	160,000,000 shares
Par value	$ 0.25	$ 0.25
Number of shares issued	47,869,508 shares	47,869,508 shares
Share capital	$ 11,967,377	$ 11,967,377

(*1) Preferred stock of 40,000,000 shares are included in the number of authorized shares as of December 31, 2015 and 2014 (Same as the ordinary shares of par value).

(2) Changes in share capital for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Beginning balance	$ 11,967,377	$ 11,290,000
Dividend of stocks (*1)	-	677,377
Ending balance	$ 11,967,377	$ 11,967,377

(*1) The number of issued shares had been increased by stock dividend (2,709,508 shares) for the year ended December 31, 2014.

(3) Details associated with the Company's other issued capital as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Paid in capital in excess of par value	$ 144,934,903	$ 144,934,903
Stock options	1,272,929	634,724
Treasury	(9,374,737)	(8,573,687)
Gains on sale of treasury	748	748
	$ 136,833,843	$ 136,996,688

(4) Changes in other issued capital for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Beginning balance (*1)	$ 136,996,688	$ 145,102,488
Stock option	638,205	467,139
Acquisition of treasury stock	(801,050)	(8,643,853)
Disposal of treasury stock	-	70,914
Ending balance (*1)	$ 136,833,843	$ 136,996,688

(*1) The Group has treasury stock of 558,153 shares and 488,153 shares as of December 31, 2015 and 2014.

26. SHARE-BASED PAYMENT:

As of April 1, 2015, and May 8, 2015, the Group granted its stock option to each of its directors and employees on condition that they remain in employment for two years.

On the other hand, the granted stock option as of May 27, 2013, after adjustment of some of the quantity and condition in accordance with the mutual agreement, has been replaced by the stock option with the grant date of April 1, 2015.

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

Description	April 1, 2015	May 8, 2015
Stock price at grant date (Unit: Won)	17,100	19,750
Exercise price (Unit: Won)	17,150	19,894
Expected volatility	0.2065892	0.2090344
Option maturity	March 31, 2019	May 7, 2019
Risk-free rate applied	1.72%	1.97%

The Group has stock options of 343,000 shares and 135,000 shares as of December 31, 2015 and 2014, respectively.

27. RETAINED EARNINGS AND DIVIDENDS:

(1) Changes in retained earnings of the Group for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Beginning balance	$ 140,015,589	$ 101,045,650
Payment of dividends	(472,664)	(1,190,899)
Profit of owners of the parent for the year	42,038,839	40,160,838
Ending balance	$ 181,581,764	$ 140,015,589

(2) Details of the paid dividends for the year ended December 31, 2015 and 2014, are as follows:

		Year ended December 31, 2015
		Cash dividend
Number of issued shares		47,869,508 shares
Number of shares entitled to dividends		47,869,508 shares
Dividends per share	KRW	11
Amount of dividends	$	472,664
Amount of share dividends		-

		Year ended December 31, 2014		
		Cash dividend		Stock dividend
Number of issued shares		45,160,000 shares		45,160,000 shares
Number of shares entitled to dividends		45,160,000 shares		45,160,000 shares
Dividends per share	KRW	12		0.06 shares
Amount of dividends	$	513,522	$	677,377
Amount of share dividends		-		2,709,508 shares

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

		Cash dividend
Number of issued shares		47,869,508 shares
Number of shares entitled to dividends		47,311,355 shares
Dividends per share	KRW	100
Amount of dividends	$	4,036,805

28. OTHER EQUITY:

	Year ended December 31, 2015					
		Gains on valuation of AFS financial assets		Changes due to Associate's equity changes		Exchange differences on translating foreign operations
Beginning balance	$	60,383	$	632,703	$	(75,987)
Changes		221,403		(2,047,469)		(31,892)
Ending balance	$	281,786	$	(1,414,766)	$	(107,879)

29. REVENUES:

Revenues for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,			
		2015		2014
New automobile sales	$	221,213,935	$	237,698,807
CKD		111,374,222		67,550,274
Motorcycle sales		15,163,739		18,756,252
Wholesales		12,852,726		14,636,798
AS charges		7,033,487		6,079,559
Others		25,248,603		16,031,226
	$	392,886,712	$	360,752,916

30. EXPENSES CLASSIFICATION ACCORDING TO NATURE:

Details of expenses classified according to nature for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31, 2015		
	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventory	$ 203,050,698	$ -	$ 203,050,698
Finished goods	396,147	-	396,147
Work in progress	(996,610)	-	(996,610)
Merchandise	203,651,161	-	203,651,161
Use of raw materials	90,899,786	-	90,899,786
Salaries	6,023,208	15,529,914	21,553,122
Depreciation	1,925,551	3,759,898	5,685,449
Amortization	-	708,897	708,897
Taxes and dues	2,087,104	589,436	2,676,540
Supplies	2,121,312	944,105	3,065,417
Others	6,308,966	29,301,237	35,610,203
	$ 312,416,625	$ 50,833,487	$ 363,250,112

	Year ended December 31, 2014		
	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventory	$ 212,999,197	$ -	$ 212,999,197
Finished goods	1,842,913	-	1,842,913
Work in progress	(59,581)	-	(59,581)
Merchandise	211,215,865	-	211,215,865
Use of raw materials	52,519,769	-	52,519,769
Salaries	3,364,758	14,053,918	17,418,676
Depreciation	1,109,647	2,743,296	3,852,943
Amortization	-	286,476	286,476
Taxes and dues	1,457,427	438,352	1,895,779
Supplies	8,363,232	1,390,466	9,753,698
Others	4,456,690	23,247,088	27,703,778
	$ 284,270,720	$ 42,159,596	$ 326,430,316

31. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

The Group's selling, general and administrative expenses for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Salaries	$ 15,529,914	$ 14,053,918
Entertainment	943,381	881,311
Advertisement	805,278	1,404,419
Sales promotion cost	5,421,241	5,304,865
Sales commission	1,490,129	533,810
Increase in provisions for product warranties	2,433,738	532,661
Lease	5,858,136	5,160,685
Depreciation	3,759,898	2,743,296
Amortization	708,897	286,476
Taxes and dues	589,436	438,352
Supplies	944,105	1,390,466
Fees and charges	3,871,394	4,113,809
Other	8,477,940	5,315,528
	$ 50,833,487	$ 42,159,596

32. OTHER INCOME AND EXPENSES:

The Group's other income and expenses for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Other income		
Gain on foreign currency exchange transactions and translation	$ 1,803,032	$ 909,206
Rental income	79,200	54,122
Gain on disposal of property, plant and equipment	61,687	43,868
Interest income of installment sale	14,374,470	2,146,635
Miscellaneous incomes	697,560	576,265
	$ 17,015,949	$ 3,730,096
Other expenses		
Loss on foreign currency exchange transactions and translation	$ 3,300,072	$ 264,308
Depreciation in investment property	66,471	66,471
Loss on Impairment of intangible assets	923,956	-
Donation	205,661	134,391
Miscellaneous expenses	34,685	39,486
	$ 4,530,845	$ 504,656

33. FINANCIAL INCOME AND EXPENSES:

(1) The Group's finance income for the year ended December 31, 2015 and 2014, is as follows (Unit: USD):

	Year ended December 31,	
Interest income:	2015	2014
Cash and cash equivalent	$ 5,926	$ 421,260
Short-term financial instruments	45,940	179,602
Subtotal	51,866	600,862
Gains on valuation of FVTPL	-	9,238,543
Gains on disposal of FVTPL	9,203,926	-
Gain on foreign currency exchange transactions and translation	4,342,640	3,759,236
	$ 13,598,432	$ 13,598,641

(2) The Group's finance expenses for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Interest expenses	$ 5,453,933	$ 5,466,347
Loss on derivative valuations	3,515,833	3,635,490
Loss on disposal of derivative	37,235	-
Loss on repayment of debenture	68,165	-
Loss on foreign currency exchange transactions and translation	603,703	803,347
	$ 9,678,869	$ 9,905,184

34. INCOME TAX EXPENSES:

(1) Details of the Group's income tax receivable and income tax payable as of December 31, 2015 and 2014, are as follows (Unit: USD):

	December 31, 2015	December 31, 2014
Income tax receivable	$ 4,802,097	$ 15,691,615
Income tax payable	438,173	18,028

The Company was established in Cayman Islands and is 100% corporate tax exempt. On the other hand, KOLAO Developing Co., Ltd. is a subsidiaries and recognized as a foreign-invested entity under the Laos Law. As a result, corporate tax rate is 24%. The amount of a subsidiaries 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 year ended December 31, 2015 and 2014, is as follows (Unit: USD):

	Year ended December 31,	
	2015	2014
Profit before income tax expenses	$ 42,682,170	$ 40,100,329
Income tax expenses	1,258,307	226,348
Effective tax rate	2.95%	0.56%

35. EARNINGS PER SHARE:

The Group's earnings per share for the year ended December 31, 2015 and 2014, are as follows:

	Year ended December 31,	
	2015	2014
Profit attributable to owners of the parent (USD)	$ 42,038,839	$ 40,160,838
Weighted-average number of shares (shares)	47,355,245	47,694,987
Basic and diluted earnings per share (USD)	0.89	0.84

Diluted net earnings per share for the year ended December 31, 2015 and 2014, are equal with basic earnings per share, respectively, arising from no-dilutive effect.

36. NON-CASH TRANSACTIONS:

Major non-cash transactions that were not included in the consolidated statements of cash flows for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	2015	2014
Transfer to vehicles from inventories	$ 4,030,821	$ 2,102,740
Write-off of trade receivables	69,226	-
Transfer to loans from trade receivables	5,000,000	-
Transfer to buildings from construction in progress	4,582,547	15,845,060
Other accounts receivables from disposal of property	21,094	-
Transfer to short-term borrowing from long-term borrowing	13,764,629	4,150,332
Transfer to short-term derivatives from long-term derivatives	693,378	-
Transfer to investments in associates from financial assets at FVTPL	23,131,291	-
Stock dividend	-	677,377

37. CONTINGENT LIABILITIES, PAYMENT GUARANTEES AND COMMITMENTS:

(1) Details of the Group's major contractual commitments for purchase as of December 31, 2014, are as follows:

Contract Counterparty	Contract term	Commitments for minimum purchase	Other
Hyundai Motors	2015.1.1–2016.12.31	2015.1.1–2015.12.31 : 4,000 cars 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) The details of the Group's major commitments with financial institutions as of December 31, 2014, are as follows (Unit: USD):

Financial institution	Agreement amounts	Used amounts	Description
Indochina Bank Co., Ltd. (*1)	$ 15,000,000	$ 10,999,989	Comprehensive limit USANCE L/C, TR(*1)
Vietin Bank	36,000,000	32,445,125	Comprehensive limit USANCE L/C, TR
Cathay Bank	2,100,000	-	Comprehensive limit USANCE L/C, TR
Hana Bank	10,000,000	10,000,000	Foreign currency loan Agreement
KB bank	1,279,863	1,279,863	Standard loan

(*1) In the comprehensive limit, it is included in the limit of Trust Receipt amounting to $11,000,000 million.

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

38. RELATED-PARTY TRANSACTIONS:

(1) The Group's related parties as of December 31, 2015, are as follows:

	Corporate Name
Associate	KR Motors Co., Ltd., S&T Motors America., LLC
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., Chongqing Yinxiang Hyosung Motorcycle Co., Ltd.

(2) Details of transactions with related parties for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

Related party	Account	2015	2014
KR Motors Co., Ltd.	Sales	$ 282,813	$ 303,830
	Cost of sales	28,707,286	14,207,638
	Financial income	40,676	21,482
	Financial expenses	226,094	-
	Selling, general and administrative expenses	-	9
GLOVIA Co., Ltd.	Cost of sales	10,373,102	10,920,507
	Selling, general and administrative expenses	13,959	-
KOLAO I-Tech Construction	Acquisition of property, plant and equipment	9,341,416	14,211,500
I-Furniture Lao Co., Ltd.	Acquisition of property, plant and equipment	263,544	153,358
	Selling, general and administrative expenses	26,766	8,341
KOLAO Resort Co., Ltd.	Selling, general and administrative expenses	3,753,396	-
Indochina Bank Co., Ltd.	Cost of sales	23,802	153,481
	Selling, general and administrative expenses	148,427	14,986
	Financial income	80	573,676
	Financial expenses	1,174,559	922,544
KLD Computer Co., Ltd. (K-plaza)	Selling, general and administrative expenses	19,358	-
Lanxang media Co., Ltd.	Sales	-	71,412
	Selling, general and administrative expenses	221,346	407,513

(3) The outstanding balances with related parties as of December 31, 2015 and 2014, are as follows (Unit: USD):

Related party	Account	2015	2014
KR Motors Co., Ltd.	Other financial liabilities	$ 147,187	$ 462
	Trade payables	10,372,854	14,207,638
Indochina Bank Co., Ltd.	Cash and cash equivalents	1,538,858	3,230,809

(4) Capital transactions with related parties for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

Name	Account	Beginning Balance	Increase	Decrease	Others	Ending Balance
KR Motors Co., Ltd.	Financial assets at FVTPL	$ 23,131,291	$ -	$ (23,131,291)	$ -	$ -
	Short-term loans	-	3,000,000	(3,000,000)	-	-
	Short-term borrowings	2,183,406	5,000,000	-	(135,624)	7,047,782
Indochina Bank Co., Ltd.	AFS financial assets	10,244,948	-	-	221,403	10,466,351
	Short-term borrowings	2,344,934	60,200,367	(51,545,312)	-	10,999,989

(5) Details of payment guarantees provided by the major shareholders as of December 31, 2015, are as follows (Notes 20 and 21) (Unit: USD):

Company	Description
KB Hongkong Limited	L/C TR guarantee
Vietin Bank	L/C TR guarantee and collateral of land and others
Cathay Bank	L/C TR guarantee
Hana Bank	Currency swap Guarantee
	Foreign currency loan guarantee and collateral of equity securities
KDB Bank	4th Private placed bond guarantee
Deutsche Bank Hongkong	CGIF Secured private placed bond guarantee

(6) Details of payment guarantees provided by the other shareholders as of December 31, 2015, are as follows (Unit: USD)

Company	Description	Amount
Indochina Bank	Bank Guarantee facility	$ 27,840

(7) Compensation of key management personnel

Compensation of directors and other members of key management personnel for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	2015	2014
Salaries	$ 1,632,449	$ 1,666,573
Share-based payment	95,431	129,340

39. FINANCIAL RISK MANAGEMENT:

(1) Capital risk management

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

The Group manages its capital based on the debt-to-equity ratio. This ratio is calculated by dividing total liabilities by capital in the consolidated statements of financial position. Debt-to-equity ratios for the year ended December 31, 2015 and 2014, are as follows (Unit: USD):

	2015	2014
Liabilities	$ 183,376,214	$ 126,355,195
Equity	328,767,775	289,836,379
Debt-to-equity ratio	55.78%	43.60%

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

(3) Categories of financial instruments as of December 31, 2015 and 2014, are as follows (Unit: USD):

< Financial assets >

	December 31, 2015			
	Financial assets at FVTPL	Loans and receivables	Financial assets AFS	Total
Short-term financial assets	$ -	$ 10,675,066	$ -	$ 10,675,066
Accounts receivable(*1)	-	238,752,127	-	238,752,127
Other receivables(*1)	-	5,903,505	-	5,903,505
AFS financial assets	-	-	10,244,948	10,244,948
	$ -	$ 255,330,698	$ 10,244,948	$ 265,575,646

	December 31, 2014			
	Financial assets at FVTPL	Loans and receivables	Financial assets AFS	Total
Short-term financial assets	$ -	$ 1,233,600	$ -	$ 1,233,600
Financial assets at FVTPL	23,131,291	-	-	23,131,291
Accounts receivable(*1)	-	177,262,800	-	177,262,800
Other receivables(*1)	-	8,151,524	-	8,151,524
AFS financial assets	-	-	10,023,545	10,023,545
	$ 23,131,291	$ 186,647,924	$ 10,023,545	$ 219,802,760

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

< Financial liabilities >

	December 31, 2015		
	Financial assets at FVTPL	Loans and receivables	Total
Trade payables	$ -	$ 39,673,803	$ 39,673,803
Borrowings(*1)	-	122,261,010	122,261,010
Derivatives liabilities(*1)	6,807,879	-	6,807,879
Other financial liabilities	-	4,341,088	4,341,088
	$ 6,807,879	$ 166,275,901	$ 173,083,780

	December 31, 2014		
	Financial assets at FVTPL	Loans and receivables	Total
Trade payables	$ -	$ 22,605,870	$ 22,605,870
Borrowings(*1)	-	91,453,415	91,453,415
Derivatives liabilities(*1)	3,635,490	-	3,635,490
Other financial liabilities	-	4,589,875	4,589,875
	$ 3,635,490	$ 118,649,160	$ 122,284,650

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

(4) Financial risk management

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

1) Market risk

(a) Foreign exchange risk

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

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

The Group does not have any hedging instrument to avoid foreign exchange risk, and in order to avoid transaction risk, it uses a method that allows amount received from and paid to each of currency to be the same. The Group’s foreign assets and liabilities as of December 31, 2015 and 2014, are as follows:

	Year ended December 31, 2015						
	BAHT	KIP	KRW	SGD	VND	USD	MMK
Foreign assets	$ 18,308,025	$ 1,097,581	$ 1,384,519	$ 40	$ 5,459	$ 138,437	$ 221,333
Foreign liabilities	8,689	2,677,139	19,985,124	41,787,867	-	-	1,337

	Year ended December 31, 2014						
	BAHT	KIP	KRW	SGD	VND	USD	MMK
Foreign assets	$14,542,467	$ 8,061,554	$ 16,920,229	$ -	$ -	$ 236,930	$ 14,289
Foreign liabilities	1,282,012	1,226,566	13,468,094	44,368,886	-	1,890	1,316

i) In terms of functional currency as of December 31, 2015 and 2014, effects of a 10% change in exchange rate of each of foreign currencies on profit or loss are as follows (Unit: USD):

	Year ended December 31, 2015		Year ended December 31, 2014	
	Increased by 10%	Decreased by 10%	Increased by 10%	Decreased by 10%
BAHT (BAHT/USD)	$ (1,829,934)	$ 1,829,934	$ (1,326,046)	$ 1,326,046
KIP (KIP/USD)	157,956	(157,956)	(683,499)	683,499
KRW (KRW/USD)	1,860,061	(1,860,061)	(345,214)	345,214
SGD (SDG/USD)	4,178,783	(4,178,783)	4,436,889	(4,436,889)
VND (VND/USD)	(546)	546	-	-
USD (USD/USD)	(13,844)	13,844	(23,504)	23,504
MMK (MMK/USD)	(22,000)	22,000	(1,297)	1,297

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

ii) Currency swap

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

Details of currency swap contract that are not settled as of December 31, 2015, are as follows (Unit: USD):

			Disposal			Acquisition		
Name	Begin	End	Currency	Amount	Interest rate	Currency	Amount	Interest rate
Hana Bank	2014-07-21	2017-08-21	USD	48,000,000	2.57 %	SGD	60,000,000	2.00 %

(b) Price risk

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

(c) Interest rate risk

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

2) Credit risk

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

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

Of the financial assets exposed to credit risk, the book value of other financial assets represents the best estimate on the maximum exposure to credit risk.

3) Liquidity risk

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

The Group's financial liabilities by residual contractual maturity as of December 31, 2015 and 2014, are classified as follows (Unit: USD):

	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
	$ 126,941,742	$ 43,186,712	$ -	$ 170,128,454

	December 31, 2014			
	Less than one year	1 year–2 years	More than two years	Total
Trade payable	$ 22,605,870	$ -	$ -	$ 22,605,870
Short-term borrowings	37,673,077	-	-	37,673,077
Long-term borrowings	8,397,880	1,300,911	45,208,582	54,907,373
Private placed bond	-	1,384,070	-	1,384,070
Other financial liabilities	4,589,875	-	-	4,589,875
	$ 73,266,702	$ 2,684,981	$ 45,208,582	$ 121,160,265

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

The Group's derivative financial instruments by residual contractual maturity as of December 31, 2015 and 2014, are classified as follows (Unit: USD):

	December 31, 2015			
	Less than one year	1 year –2 years	More than two years	Total
Currency Swap				
Increase	$ 847,089	$ 42,013,430	$ -	$ 42,860,518
Decrease	1,254,294	48,414,102	-	49,668,397

40. FINANCIAL INSTRUMENTS:

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

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

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

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

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

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

	December 2015			
	Level 1	Level 2	Level 3	Total
AFS financial assets				
Unlisted equity securities	$ -	$ -	$ 10,244,948	$ 10,244,948
Financial liabilities at FVTPL				
Currency swap	-	6,807,879	-	6,807,879

	December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Investment in convertible bonds	$ -	$ 23,131,291	$ -	$ 23,131,291
AFS financial assets				
Unlisted equity securities	-	-	10,023,545	10,023,545
Financial liabilities at FVTPL				
Currency swap	-	3,635,490	-	3,635,490

There is no financial asset reclassified due to changes in purpose or use as of December 31, 2015 and 2014.

(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):

	December 31, 2015			
	Fair value	Valuation method	Unobservable input	Range
AFS financial assets				
Unlisted equity securities			Discount rate	17.15%
	$ 10,244,948	DCF	Growth rate	8.0%
Financial liabilities at FVTPL				
Currency swap	6,807,879	DCF	n/a	n/a

(4) Details of financial instruments that are classified lever 3 for the year ended December 31, 2015, are as follows (Unit: USD):

	Year ended December 31, 2015							
	Beginning	Net income	Comprehensive income	Acquisition	Disposal	Reclassifying	Others	Ending
AFS financial assets:								
Unlisted equity securities	$10,023,545	$ -	$ 221,403	$ -	$ -	$ -	$ -	$10,244,948

(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 in purpose or use as of December 31, 2015.

41. EVENTS AFTER THE REPORTING PERIOD:

KOLAO Holdings has decided to acquire 20% shares of the KOLAO KB Leasing Co., LTD., which is mainly engaged in the banking and facility rental business, on February 3, 2016. 1.2 million shares will be acquired at KRW 7,218,600,000 on May 31, 2016.

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

English Translation of a Report Originally Issued in Korean on March 24, 2016

To the Representative Director of
KOLAO Holdings:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of KOLAO Holdings (the "Company") as of December 31, 2015. The Management's Report and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS as of December 31, 2015, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2015, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

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

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

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

Our review is based on the Company's IACS as of December 31, 2015, and we did not review its IACS subsequent to December 31, 2015. This report has been prepared pursuant to Article 63-4 of the KOSPI Market Listing Regulation and the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

Deloitte Anjin LLC

March 24, 2016

Notice to Readers

This report is annexed in relation to the audit of the consolidated financial statements as of and for the year ended December 31, 2015, and the review of internal accounting control system pursuant to Article 63-4 of the KOSPI Market Listing Regulation and Acts on External Audit for Stock Companies in the Republic of Korea.