

Environment and Social Impact Corporate Audit Summary (28 August 2014)

Issuer	Kolao Holdings (“Kolao”)
Relevant Business Activities (“RBA”)	Car Retailing and Assembling (auto dealer of Hyundai, Kia and own brand cars). This activity is not listed under CGIF’s Prohibited Investment Activities List.
Countries of Operations	Laos, Myanmar
ESMS Category	General Corporate Finance-2
<p><u>Summary of Audit Findings</u></p> <p>Although Kolao’s environmental and social exposures are considered low due to the nature of its major business activities of auto retailing (dealership), the overall environmental and social risk is ranked at GCF-2 (Medium Risk) given its location of business activities where the laws and regulations on environmental and social issues are yet to be developed.</p> <p>The company distributes CBU (completely built unit) cars through importing Hyundai, Kia and Chery cars and sells CKD (completely knocked down) trucks by assembling imported auto parts. The company’s assembly factories are located in one of industrial cities (Savannakhet) in Laos where indigenous people and resettlement issues do not prevail.</p> <p>The company’s core business activity comes under “wholesale and retail trade” which has “low” risk level on both “Environmental and Health & Safety” and “Social / Labor” under CGIF’s Safeguard Standards classification. Although the company undertakes some repair, maintenance and assembly activities (CKD) which may have some moderate environmental risks, these activities were viewed to be sufficiently managed during the due diligence and site visits. The company also has a Health & Safety policy in place and has no labor dispute.</p> <p>The company is cognizant of the importance of the environmental and social issues and has put in place a waste management system in their assembly plant. Moreover, the company’s assembly activity does not pose similar environmental concerns as other automobile producers as all the parts are delivered fully painted. The company only does a repair painting when the delivered parts are not adequately painted and recycle the wastes from the paint shop with a modern waste water treatment facility.</p>	

The summary above is reported pursuant to CGIF’s disclosure policy and should not be relied upon by any party for any purpose whatsoever. This summary neither stands for nor implies any representation on the part of CGIF or any of its clients. As such, CGIF or any of its clients shall not be held liable for any reliance of any party on this summary.