KOLAO HOLDINGS AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
KOLAO Holdings:

We have audited the accompanying consolidated statements of financial position of KOLAO Holdings (the "Company") and its subsidiary as of December 31, 2010 and 2009, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KOLAO Holdings and its subsidiary as of December 31, 2010 and 2009, and the results of its operations, the changes in its equity and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Deloitte Anjin LLC

March 21, 2011

Notice to Readers

This report is effective as of March 21, 2011, 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 SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

	USD	
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalent (Notes 6, 7 and 33)	16,642,561	1,731,926
Short-term financial instruments (Note 6)	4,500,000	-
Trade receivables, net (Notes 6, 8 and 33)	17,327,413	10,230,567
Other receivables (Notes 6, 9, 31 and 33)	959,745	6,974
Other current assets (Notes 10 and 16)	4,817,455	1,044,998
Inventories (Note 11)	17,109,962	14,687,982
TOTAL CURRENT ASSETS	61,357,136	27,702,447
NON-CURRENT ASSETS:		
Long-term trade receivables, net (Notes 6, 8 and 33)	548,575	342,518
Available-for-sale financial assets (Notes 6, 12 and 33)	-	216,393
Other receivables (Notes 6, 9 and 33)	156,334	-
Property, plant and equipment, net (Notes 5, 13 and 32)	8,223,099	5,932,263
TOTAL NON-CURRENT ASSETS	8,928,008	6,491,174
TOTAL ASSETS	70,285,144	34,193,621
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Borrowings (Notes 6, 15, 32 and 33)	-	2,921,798
Trade payables (Note 6)	2,080,032	1,233,227
Provisions (Note 16)	461,276	517,725
Other financial liabilities (Notes 6, 17, 31, 32 and 33)	1,020,478	481,927
Other current liabilities (Notes 18 and 33)	676,843	521,473
Income tax payable (Notes 20 and 33)	22,880	141,010
TOTAL CURRENT LIABILITIES	4,261,509	5,817,160
NON-CURRENT LIABILITIES:		
Derivative liability (Notes 6, 19 and 33)	-	253,685
Provisions (Note 16)	53,144	44,198
TOTAL NON-CURRENT LIABILITIES	53,144	297,883
TOTAL LIABILITIES	4,314,653	6,115,043

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KOLAO HOLDINGS AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION(CONTINUED)
AS OF DECEMBER 31, 2010 AND 2009

	USD	
	2010	2009
EQUITY:		
Share capital (Note 21)	9,600,000	2,000,000
Other issued capital (Note 21)	21,281,621	6,455,092
Other capital items (Note 22)	-	(105,288)
Retained earnings (Note 23)	35,088,870	19,728,774
Non-controlling interests	-	-
TOTAL EQUITY	65,970,491	28,078,578
TOTAL LIABILITIES AND EQUITY	70,285,144	34,193,621

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONDOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	USD	
	2010	2009
SALES (Notes 5 and 24)	104,219,287	74,715,598
COST OF SALES (Notes 25 and 32)	(82,690,555)	(59,805,425)
GROSS PROFIT	21,528,732	14,910,173
Selling, general and administrative expenses (Notes 8, 14, 16, 26 and 32)	(7,939,538)	(6,409,961)
Other income (Notes 8, 12, 19 and 27)	2,115,789	3,491,283
Other expenses (Note 27)	(163,727)	(153,539)
OPERATING PROFIT	15,541,256	11,837,956
Financial income (Note 28)	260,586	162,630
Financial expenses (Notes 28 and 32)	(229,563)	(48,443)
PROFIT BEFORE INCOME TAX	15,572,279	11,952,143
Income tax expense (Note 20)	(212,183)	(197,080)
PROFIT FOR THE YEAR	15,360,096	11,755,063
Other comprehensive income:		
Gain(loss) on valuation of available-for-sale financial assets (Note 12)	105,288	(149,285)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,465,384	11,605,778
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	15,360,096	11,755,063
Non-controlling interests	-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	15,465,384	11,605,778
Non-controlling interests	-	-
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT		
Basic and diluted earnings per share (Note 29)	0.46	0.36

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONDOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	USD					
	Share Capital	Other issued capital	Other capital items	Retained earnings	Non-controlling interests	Total Equity
As of January 1, 2009	2,000,000	6,455,092	43,997	9,473,711	-	17,972,800
Payment of dividends	-	-	-	(1,500,000)	-	(1,500,000)
Total comprehensive income	-	-	(149,285)	11,755,063	-	11,605,778
As of December 31, 2009	2,000,000	6,455,092	(105,288)	19,728,774	-	28,078,578
As of January 1, 2010	2,000,000	6,455,092	(105,288)	19,728,774	-	28,078,578
Total comprehensive income	-	-	105,288	15,360,096	-	15,465,384
Bonus issue of shares	6,133,410	(6,133,410)	-	-	-	-
Paid-in capital increase	1,466,590	20,959,939	-	-	-	22,426,529
As of December 31, 2010	9,600,000	21,281,621	-	35,088,870	-	65,970,491

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONDOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	USD	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows generated from operations		
Profit for the year	15,360,096	11,755,063
Adjustments to reconcile profit to net cash provided by (used in) operating activities:		
Bad debt expenses	-	304,271
Depreciation	683,888	578,939
Loss on valuation of derivative instruments	-	13,521
Increase of provisions for product warranties	183,268	171,623
Increase of provisions for return products	319,634	295,475
Income tax expense	212,183	197,080
Interest expenses	222,909	43,193
Loss (gain) on foreign currency translation, net	(497,592)	(134,018)
Gain on transaction of derivative instruments	(253,685)	(3,110,855)
Interest income	(260,586)	(162,630)
Reversal of allowance for doubtful accounts	(88,290)	-
Gain on disposal of available-for-sale financial assets	(728,319)	-
	(206,590)	(1,803,401)
Movements in working capital:		
Increase in trade and other receivables	(7,791,133)	(5,057,538)
Increase in other current assets	(3,772,457)	(353,073)
Increase in inventories	(2,456,670)	(2,400,767)
Increase in trade payables and other financial liabilities	1,369,620	837,391
Increase in other current liabilities	144,202	256,531
Decrease in provisions	(596,823)	(221,768)
	(13,103,261)	(6,939,224)
	2,050,245	3,012,438
Interest received	255,517	162,630
Interest paid	(222,909)	(43,193)
Income tax paid	(330,318)	(110,022)
Net cash generated by operating activities	1,752,535	3,021,853
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in short-term financial instruments, net	(4,500,000)	-
Collection (increase) of short-term loans, net	855	1,343
Proceeds from disposal of available-for-sale financial assets	1,050,000	-
Acquisition of property, plant and equipment	(2,940,034)	(1,246,125)
Net cash used in investing activities	(6,389,179)	(1,244,782)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds (repayment) from borrowings, net	(2,921,798)	182,168
Payment of dividends	-	(1,500,000)
Proceeds from paid-in capital increase	22,426,529	-
Net cash used in financing activities	19,504,731	(1,317,832)

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KOLAO HOLDINGS AND ITS SUBSIDIARY
CONDOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	USD	
	2010	2009
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	42,548	(8,451)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,910,635	450,788
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,731,926	1,281,138
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	16,642,561	1,731,926

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. THE COMPANY:

Kolao Holdings (the "Company") is a limited and tax-exempt entity, which was established on June 16, 2009 on Cayman Islands to control Kolao Developing Co., Ltd. (the "subsidiary"), under the Companies Law of Cayman Islands. The Company was transferred shares of the subsidiary from Oh, Se Young who owned 100 percent of the subsidiary in exchange for investment in kind on December 24, 2009 in order to reorganize the controlling structure. The Company is registered to P.O. Box 309, Ugland House Grand Cayman KY1-1104, Cayman Islands, and the subsidiary was established in Laos on April 1, 1997 and engages in import, manufacture and sales of automobile and motorcycle.

On November 30, 2010, the Company's shares were listed on the Korea Exchange. As of December 31, 2010, the Company has issued 38,400 thousand shares and the Company's share capital amounts to USD 9,600,000, as a result of the several issuances of new shares from USD 1 at the establishment of the Company.

The shareholders of the Company as of December 31, 2010 are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
Oh, Se Young	26,667,280	69.4
Others	11,732,720	30.6
	38,400,000	100.0

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In accordance with IFRS 1, "First-time Adoption of IFRSs", the date of transition to IFRS is January 1, 2007.

Upon the transition date, the significant accounting policies followed by the Company and its subsidiary (the "Group") in the preparation of financial statements are summarized below. The consistent accounting policies are applied to the consolidated financial statements for this period and the comparative periods.

The accompanying consolidated financial statements were approved by the board of directors on January 31, 2011.

(1) Basis of Preparing Consolidated Financial Statements

1) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost basis unless otherwise described below such as financial instruments.

2) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Group's presentation currency for the consolidated financial statements is US dollars (USD).

3) Basis of Consolidation

The Group’s consolidated financial statements include financial statements of a parent company and its subsidiary. Reporting period of the subsidiary is the same as that of the parent company, and the subsidiary’s financial statements are prepared with the same accounting policies as those adopted by the parent company.

Reorganization of the controlling structure under the common control is accounted for by the pooling of interest method. The Group’s consolidated financial statements were prepared with the assumption that the current controlling structure has existed in the prior periods.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the fair value of the acquiree’s identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests’ share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance. In addition, changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(2) Applications of New and Revised Standards and Interpretations

The International Accounting Standards Board has established and revised many standards and interpretations and the Group adopted all IFRS effective at the end of the reporting period. The standards and interpretations that have been issued but are not yet adopted are as follows:

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards (*)
IFRS 3 (Revised)	Business Combinations (*)
IFRS 7 (Revised)	Financial Instruments: Disclosures (*)
IAS 1 (Revised)	Presentation of Financial Statements (*)
IAS 21 (Revised)	The Effects of Changes in Foreign Exchange Rates (*)
IAS 28 (Revised)	Investments in Associates (*)
IAS 31 (Revised)	Interests in Joint Ventures (*)
IAS 34 (Revised)	Interim Financial Reporting (*)
IFRIC 13 (Revised)	Customer Loyalty Programmes (*)

(*) Effective for annual periods beginning on or after 1 January 2011

Management does not expect the adoption of the above standards and interpretations will have a material effect on the Group’s consolidated financial statements in first-time adoption of them.

(3) Cash and Cash Equivalents

Cash and cash equivalents includes cash, savings and checking accounts, and highly liquid short-term investment (maturities of three months or less from acquisition). Bank overdrafts are considered short-term borrowings in the statement of financial position.

(4) Revenue Recognition

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

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of Turnover 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.

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.

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.

(5) Non-Derivative Financial Assets

All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument, and a regular way purchase of financial assets is recognized using trade date accounting. All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ('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) Financial Assets at Fair Value through Profit or Loss (FVTPL)

Financial Assets at FVTPL includes 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. Upon initial recognition transaction costs are recognized in profit or loss when incurred.

2) 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.

3) Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at FVTPL, held-to-maturity investments or loans and receivables, and subsequent to initial recognition, they are measured at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Gains and losses arising from changes in fair value are recognized directly in other comprehensive income (loss) and accumulated under the heading of investments revaluation reserve, except for impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary available-for-sale financial asset, which are recognized in profit or loss. When the financial asset is derecognized or impairment losses is recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Group’s right to receive payment 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.

4) 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) 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.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 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.

(7) 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 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, 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.

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. 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.

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 the 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss. When a trade receivable is considered uncollectible, it is 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.

(8) 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 recognizes a collateralized borrowing for the proceeds received.

(9) 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, with being valued on 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.

(10) Property, Plant, and Equipment and Depreciation

Property, plant, and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which they are located.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Assets	Estimated useful lives (years)
Buildings	20
Vehicles	5
Tools and equipment	5
Office equipment	5

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

(11) Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where it is not possible to estimate the recoverable amount of an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

(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) Non-Derivative Financial liabilities

1) 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 payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are initially measured at their fair values, net of transaction costs and, if not designated as at FVTPL, are subsequently measured at the higher of the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 “Revenue”.

2) Financial Liabilities at Fair Value through Profit or Loss (FVTPL)

Financial liabilities at FVTPL include a financial liability held for trading and a financial liability designated as at FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or it is a derivative that is not designated and effective as a hedging instrument. Gains and losses arising on remeasurement are recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

3) Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Group classifies other financial liabilities as current liabilities unless it has the unconditional right that allows delaying borrowings' redemption for at least more than 12 months.

(14) Derecognition of a Financial Liability

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. An exchange between an existing borrower and lender of debt instruments with substantially different terms and a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid is recognized in profit or loss.

(15) Leases

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 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. 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.

(16) Income Tax Expense

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.

(17) 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 an reporting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

2) Post-employment Benefits and Termination Benefits

Under the Laos Law, employees who have been with the Group are entitled to lump-sum payments based on current rates of pay and length of service when they leave the Group due to involuntary termination. 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 post-employment 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.

(18) Provisions and Contingent Liabilities

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. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, it is virtually certain that reimbursement will be received if the Group settles the obligation. The reimbursement is treated as a separate asset.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(19) Foreign Currency Transactions and Translation of Foreign Assets and Liabilities

The consolidated financial statements are presented in US dollars ("USD"), which is the functional currency and presentation currency. In preparing the consolidated financial statements, 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; 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 (loss) 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, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to 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 and are not recognized in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

In the application of the Group's accounting policies, 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 be different from those estimates. The estimates and underlying assumptions are continuously reviewed. The changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period, or in the period of the change and future periods if the change 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) 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 will exist 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, 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 are disclosed in Note 8.

(2) 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 5 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.

(3) Fair Value of Financial Instruments

The management's judgments are used when choosing a valuation technique for financial instruments that are not traded in an active market, and the valuation technique that is generally accepted by market participants is applied. The derivative financial instruments and AFS financial assets as of December 31, 2009 were all disposed for the year ended December 31, 2010.

(4) Impairment of non-financial assets

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. SUBSIDIARY:

(1) The details of consolidated subsidiary as of December 31, 2010 are as follows:

Subsidiary	Country and date established	Capital stock	% of Ownership	Main business
Kolao Developing Co., Ltd.	Laos April 1, 1997	USD 31,305,519	100%	Manufacture and sales of automobile and motorcycle

As of December 24, 2009, the Company owns 100 percent of the subsidiary in exchange for investment in kind from Oh, Se Young, who was the only shareholder of the subsidiary.

(2) The summary of financial information of subsidiary as of and for the year ended December 31, 2010 is as follows (Unit: USD):

Subsidiary	Assets	Liabilities	Sales	Total comprehensive income
Kolao Developing Co., Ltd.	70,095,922	4,304,600	104,219,287	14,535,616

5. SEGMENT INFORMATION:

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

The Group has five operating segments depending on management objectives and key information with which the Group's chief operating decision maker assesses segment performance. The summary of each of the segments are as follows:

Segment	Description
New automobile	Engaging in the dealer business by distributing imported automobiles from Hyundai Motor Company Co., Ltd., Kia Motors Co., Ltd. and Chery Automobile Co., Ltd.
Used automobile	Selling used automobiles under the name of 'KOLAO', after assembling and processing of 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

(2) Revenues and results by segments

	USD			
	Sales by segment		Gross profit by segment	
	Year ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
New automobile	41,749,338	20,990,549	8,994,357	4,646,722
Used automobile	36,996,242	26,511,665	6,069,653	3,140,685
Motorcycle	17,391,929	21,700,729	5,298,806	6,657,774
Wholesale	6,579,988	4,332,697	619,273	290,246
AS	1,501,790	1,179,958	546,643	174,746
	104,219,287	74,715,598	21,528,732	14,910,173
Unallocated income and expenses			(5,956,453)	(2,958,030)
Profit before income tax			15,572,279	11,952,143
Income tax expense			(212,183)	(197,080)
Profit for the period			15,360,096	11,755,063

All the revenues and results reported above are the amounts after eliminating all intra-group transaction, which is disclosed in Note 31, in full on consolidation.

The gross profit by segment is reported to the Group's chief operating decision maker in order to evaluating performance and allocating resources.

(3) Assets and liabilities by segments

	USD			
	Assets		Liabilities	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
New automobile	11,661,312	8,122,816	1,183,682	673,158
Used automobile	15,914,758	12,198,190	245,275	560,069
Motorcycle	11,041,440	7,809,135	651,075	-
Wholesale	3,613,064	2,365,932	-	-
AS	978,475	697,257	-	-
	43,209,049	31,193,330	2,080,032	1,233,227
Unallocated assets and liabilities	27,076,095	3,000,291	2,234,621	4,881,816
Total assets and liabilities	70,285,144	34,193,621	4,314,653	6,115,043

All the assets and liabilities reported above are the amounts after eliminating all intra-group transaction, which is disclosed in Note 31, 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. Other assets and liabilities are not allocated.

(4) Other segment information

	USD			
	Depreciation		Acquisition of non-current assets	
	Year ended December 31,		Year ended December 31,	
	2010	2009	2010	2009
New automobile	168,591	88,110	1,048,351	176,883
Used automobile	281,172	220,886	1,329,378	996,448
Motorcycle	188,567	239,527	443,830	182,873
Wholesale	6,064	6,533	37,711	9,944
AS	39,494	23,883	213,589	42,694
	683,888	578,939	3,072,859	1,408,842

(5) Geographical information

As the Group operates and generates revenues only in Laos, there is no additional geographical information.

(6) Information about major customers

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

6. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Details of financial instruments that are classified as financial assets as of December 31, 2010 and 2009 are as follows (Unit: USD):

<2010>

Accounts	Loans and receivables	AFS financial assets	Total
Cash and cash equivalents	16,642,561	-	16,642,561
Short-term financial instruments	4,500,000	-	4,500,000
Trade receivables (*1)	17,875,988	-	17,875,988
Other receivable (*1)	1,116,079	-	1,116,079
Available-for-sale financial assets	-	-	-
	40,134,628	-	40,134,628

(*1) The amount includes current assets and non-current assets.

<2009>

Accounts	Loans and receivables	AFS financial assets	Total
Cash and cash equivalents	1,731,926	-	1,731,926
Trade receivables (*2)	10,573,085	-	10,573,085
Other receivable (*2)	6,974	-	6,974
Available-for-sale financial assets	-	216,393	216,393
	12,311,985	216,393	12,528,378

(*2) The amount includes current assets and non-current assets.

(2) Details of financial instruments that are classified as financial liabilities as of December 31, 2010 and 2009 are as follows (Unit: USD):

<2010>

Accounts	Financial liabilities at FVTPL	Other financial liabilities	Total
Borrowings	-	-	-
Trade payables	-	2,080,032	2,080,032
Other financial liabilities	-	1,020,478	1,020,478
Derivative liabilities	-	-	-
	-	3,100,510	3,100,510

<2009>

Accounts	Financial liabilities at FVTPL	Other financial liabilities	Total
Borrowings	-	2,921,798	2,921,798
Trade payables	-	1,233,227	1,233,227
Other financial liabilities	-	481,927	481,927
Derivative liabilities	253,685	-	253,685
	253,685	4,636,952	4,890,637

7. CASH AND CASH EQUIVALENTS:

The Group’s cash and cash equivalents in the consolidated statements of financial position are the same as the cash and cash equivalents in the consolidated statements of cash flows. Details of cash and cash equivalents as of December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Cash	378,749	602,765
Financial instruments	16,263,812	1,129,161
	16,642,561	1,731,926

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

(1) Details of trade receivables as of December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Trade receivables in current assets	17,676,550	10,774,324
(-) Allowances for doubtful accounts	(349,137)	(543,757)
Sub total	17,327,413	10,230,567
Trade receivables in non-current assets	560,424	360,545
(-) Allowances for doubtful accounts	(11,849)	(18,027)
Sub total	548,575	342,518
	17,875,988	10,573,085

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. The amortized cost of interest-bearing receivables is the same as the book value because the effective interest rate is the same as the interest rate of interest-bearing receivables.

(2) The aging analysis of the trade receivables as of December 31, 2010 and 2009 is as follows (Unit: USD):

	2010	2009
Within 3 months	12,594,658	5,928,158
Between 3 and 6 months	2,753,498	1,201,922
Between 6 and 9 months	1,391,688	1,739,595
Between 9 and 12 months	892,730	630,061
Beyond 12 months	604,400	1,635,133
	18,236,974	11,134,869

If the trade receivables become overdue, the Group renegotiates the payment terms such as an extension of due by each individual receivable. In that case, the Group collects trade receivables and determines whether receivables are overdue according to the new terms.

By the individual analysis, the Group recognizes impairment loss on overdue receivables that are not collected because the initial or new conditions are not satisfied.

(3) Changes in allowance for doubtful accounts for the years ended December 31, 2010 and 2009 are as follows (Units: USD):

	2010	2009
Beginning balance	561,784	257,513
Offsetting of allowance	(112,508)	-
Bad debt expenses (Reversal of allowance)	(88,290)	304,271
Ending balance	360,986	561,784

Bad debt expenses and reversal of allowance for doubtful accounts are included as selling and administrative expenses and other income, respectively, in the consolidated statements of comprehensive income. The offsetting of allowance for doubtful accounts is generally occurred in relation to write-off of trade receivables that are no longer recoverable. In addition, the Group’s management evaluates that the differences between trade receivables’ book value and fair value are not material.

9. OTHER RECEIVABLES:

The Group's other receivables as of December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Short-term loans (*1)	9,677	6,974
Other accounts receivables	945,000	-
Accrued income	5,068	-
Business guarantee deposits	100,000	-
Guarantee deposits	56,334	-
	1,116,079	6,974

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

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

10. OTHER CURRENT ASSETS:

The Group's other current assets as of December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Advance payments	521,145	590,126
Prepaid expenses	4,249,892	454,872
Other accounts receivables (*1)	46,418	-
	4,817,455	1,044,998

(*1) Some of the expenditure required to settle a provision is expected to be reimbursed by another party as it is disclosed in Note 16, 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, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Raw materials	2,121,771	1,552,762
Merchandise	5,016,498	6,056,961
Work in process	3,802,365	3,760,594
Finished goods	2,910,931	1,067,163
Goods in transit	3,258,397	2,250,502
	17,109,962	14,687,982

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS:

The changes in available-for-sale financial assets for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Beginning balance	216,393	365,678
Gain (loss) on valuation	-	(149,285)
Disposal	(216,393)	-
Ending balance	-	216,393

All available-for-sale financial assets were disposed for the year ended December 31, 2010, and the Group recognized USD 728,319 as gain on disposal of available-for-sale financial assets.

13. PROPERTY, PLANT AND EQUIPMENT:

(1) Changes in the Group's property, plant and equipment for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

<2010>

Assets	Beginning balance	Acquisition	Transfer	Disposal	Depreciation	Ending balance
Buildings	5,127,080	820,515	98,135	-	(403,008)	5,642,722
Vehicles	448,487	164,842	34,690	-	(138,463)	509,556
Tools and equipment	237,693	56,182	-	-	(121,068)	172,807
Office equipment	20,868	188,495	-	-	(21,349)	188,014
Construction-in-progress	98,135	1,710,000	(98,135)	-	-	1,710,000
	5,932,263	2,940,034	34,690	-	(683,888)	8,223,099

<2009>

Assets	Beginning balance	Acquisition	Transfer	Disposal	Depreciation	Ending balance
Buildings	4,398,202	1,058,397	-	-	(329,519)	5,127,080
Vehicles	340,155	30,175	162,717	-	(84,560)	448,487
Tools and equipment	350,371	47,529	-	-	(160,207)	237,693
Office equipment	13,631	11,890	-	-	(4,653)	20,868
Construction-in-progress	-	98,135	-	-	-	98,135
	5,102,359	1,246,126	162,717	-	(578,939)	5,932,263

(2) Depreciation costs for the years ended December 31, 2010 and 2009 are allocated and recorded as follows (Unit: USD):

	2010	2009
Selling and administrative expenses	420,856	311,286
Cost of goods manufactured	263,032	267,653
	683,888	578,939

14. OPERATING LEASE ARRANGEMENTS:

The Group has twelve lease contracts as of December 31, 2010, which are accounted for as operating leases. Details of the lease contracts that the Group has executed are as follows (Unit: USD):

Leased assets	Lease term	Gross lease payments
Vientiane Showroom	2009-07-01 ~ 2029-07-01	420,000
Vientiane Showroom	2009-09-01 ~ 2024-09-01	250,000
Vientiane Showroom	2002-01-01 ~ 2012-01-01	130,000
Vientiane Showroom	2009-07-01 ~ 2019-07-01	29,438
Tongphong Factory	2006-09-15 ~ 2021-09-14	300,470
Savannakhet Factory	2002-07-01 ~ 2031-06-30	425,000
Vientiane Showroom	2009-06-11 ~ 2030-01-01	138,600
Vientiane Showroom	2005-02-09 ~ 2015-02-09	45,300
Vientiane Showroom	2010-01-01 ~ 2015-12-31	120,000
Tongphong Factory	2010-10-08 ~ 2025-10-07	283,725
Pakse Showroom	2010-10-16 ~ 2025-10-15	182,400
Office NB(3F, 4F)	2010-11-01 ~ 2015-10-31	1,994,916
		4,319,849

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

According to the lease contract, the Group recognized USD 177,547 and USD 480,188 as lease expenses for the years ended December 31, 2010 and 2009, respectively.

Minimum lease payments that the Group will make subsequently are as follows (Unit: USD):

Year ending December 31,	Minimum lease payments
2011	65,688
2012 ~ 2015	224,652
2016 and thereafter	853,105
	1,143,445

15. BORROWINGS:

The Group has no outstanding borrowings as of December 31, 2010. The details of borrowings as of December 31, 2009 are as follows (Unit: USD):

Lender	Type	Annual interest rate (%)	2009
ANZ BANK	Usance	-	801,451
Indochina Bank Co., Ltd.	Bank overdraft	10%	414,610
	Bank overdraft (BAHT)	10%	839,528
	Bank overdraft (KIP)	12%	456,209
	Usance	10%	410,000
			2,921,798

16. PROVISIONS:

(1) 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 years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Beginning balance	167,159	102,375
Increase of provisions (*1)	229,686	171,623
Use of provisions	(202,059)	(106,839)
Ending balance	194,786	167,159

(*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 USD 46,418 that was recognized as the separate asset, as part of selling and administrative expenses in the consolidated statements of comprehensive income (refer to Note 10).

(3) Changes in the Group's provisions for return products for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Beginning balance	394,764	214,218
Increase of provisions	319,634	295,475
Use of provisions	(394,764)	(114,929)
Ending balance	319,634	394,764

(4) Details of liquidity of the Group's provision as of December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Provisions for product warranties		
Current liabilities	141,642	122,961
Non-current liabilities	53,144	44,198
Sub total	194,786	167,159
Provisions for return products		
Current liabilities	319,634	394,764
Sub total	319,634	394,764
	514,420	561,923

17. OTHER FINANCIAL LIABILITIES:

(1) Details of the Group's other financial liabilities as of December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Other account payables	187,532	202,056
Accrued expenses	802,946	214,554
Deposits received	30,000	65,317
	1,020,478	481,927

(2) As other account payables and accrued expenses become due within one year from the end of the reporting period, they are classified as current liabilities. Deposits received from some of dealers who signed dealership contracts with the Group in order to enhance their credits do not have fixed maturity dates, and the Group does not have the unconditional right that allows delaying deposits' repayment for at least more than 12 months. Therefore, they are classified as non-current liabilities. As the effect of discount is not material, amortized costs of deposits received approximate the book value.

18. OTHER CURRENT LIABILITIES:

Other current liabilities of the Group as of December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Withholdings	12,868	-
Advances received	348,038	141,856
Consume Tax	17,141	367,060
Turnover Tax	298,796	12,557
	676,843	521,473

19. DERIVATIVE FINANCIAL INSTRUMENTS:

(1) All derivatives are terminated as of December 31, 2010, and a put-back option for Kolao Energy Co., Ltd. in the amount of USD 253,685 was accounted for as a derivative as of December 31, 2009.

(2) Details of changes in derivatives for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Beginning balance	253,685	3,351,019
Gain (loss) on valuation (*1)	-	13,521
Cancellation (*2, *3)	(253,685)	(3,110,855)
Ending balance	-	253,685

(*1) The Group classified derivative financial liabilities as financial liabilities at FVTPL, and gains or losses arising on remeasurement are recognized in profit or loss. The fair value of derivative financial liabilities as of December 31, 2009 is the fair value of the performance guarantee to purchase shares that are granted when exercising the put-back option. Fair value was evaluated by an external rating agency by using a valuation model for options.

(*2) As of December 31, 2009, under agreements among shareholders, the put-back option and all of payment guarantees associated with Indochina Bank Co., Ltd. were voided, which canceled the Group's duty to fulfill its obligation. In the consolidated statements of comprehensive income, the loss from cancellation was recognized as the gain on transaction of derivative instruments for the year ended December 31, 2009.

(*3) As of June 24, 2010, under agreements among shareholders, the put-back option and all of payment guarantee associated with Kolao Energy Co., Ltd. were voided, which canceled the Group's duty to fulfill its obligation. In the consolidated statements of comprehensive income, the loss from cancellation was recognized as the gain on transaction of derivative instruments for the year ended December 31, 2010 (refer to Note 30).

20. INCOME TAX EXPENSES:

(1) The Company was established in Cayman Islands and is 100% corporate tax exempt. On the other hand, Kolao Developing Co., Ltd. is the subsidiary and recognized as a foreign-invested entity under the Laos Law. As a result, corporate tax is 20% of taxable profits. The amount of a subsidiary's taxable income is determined by taxation authorities at the end of tax years. When determining the amount of taxable income, differences between accounting income and taxable income of the current year do not carry over to deduct from or add to the future taxable income.

(2) The comparison between income and income tax expenses for the years ended December 31, 2010 and 2009 is as follows (Unit: USD):

	2010	2009
Profit before income tax	15,572,279	11,952,143
Income tax expenses	212,183	197,080
Effective tax rate	1.36%	1.65%

(3) The income tax payable is USD 22,880 and USD 141,010 as of December 31, 2010 and 2009, respectively.

21. CAPITAL AND OTHER ISSUED CAPITAL:

(1) Details associated with the Company's capital as of December 31, 2010 and 2009 are as follows:

	2010	2009
Number of shares authorized (*1)	160,000,000 shares	11,000,000 shares
Par value	USD 0.25	USD 1
Number of shares issued	38,400,000 shares	2,000,000 shares
Share capital	USD 9,600,000	USD 2,000,000

(*1) 40,000,000 preferred shares are included in the number of shares authorized as of December 31, 2010.

(2) Changes in the Group's issued capital for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	Number of shares issued	Share capital	Number of shares issued	Share capital
Beginning of the year	2,000,000 shares	2,000,000	1 share	1
Share split (*2)	6,000,000 shares	-	-	-
Bonus issue of shares (*3)	24,533,640 shares	6,133,410	-	-
Paid-in capital increase (*4)	5,866,360 shares	1,466,590	1,999,999 shares	1,999,000
End of the year	38,400,000 shares	9,600,000	2,000,000 shares	2,000,000

(*2) The Company divide 1 share with a par value USD 1 into 4 shares with a par value USD 0.25, as approved by the board of directors and at the general meeting of shareholders, on May 20, 2010.

(*3) The Company issued 24,533,640 shares from the share premium, as approved by the board of directors, on May 26, 2010.

(*4) On November 23, 2010, the payment on the Company's 5,866,360 shares at KRW 4,800 per share as part of its initial public offering was made, and the Company's shares including existing issued shares were listed on the Korea Exchange, on November 30, 2010.

(3) The total amount of Company's other issued capital is the share premium, which was decreased by USD 6,133,410 through bonus issue of shares and increased by USD 20,959,939 through paid-in capital increase.

22. OTHER CAPITAL ITEMS:

Changes in the Group's other capital items for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Beginning balance	(105,288)	43,997
Valuation of available-for-sale financial assets	-	(149,285)
Disposal of available-for-sale financial assets	(105,288)	-
Ending balance	-	(105,288)

23. RETAINED EARNINGS AND DIVIDENDS:

(1) Changes in retained earnings of the Company for the years ended December 31, 2010, and 2009 are as follows (Unit: USD):

	2010	2009
Beginning balance	19,728,774	9,473,711
Payment of dividends	-	(1,500,000)
Profit for the year	15,360,096	11,755,063
Ending balance	35,088,870	19,728,774

(2) 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:

	2010
Number of issued shares	38,400,000 shares
Number of shares entitled to dividends	38,400,000 shares
Dividends per share (*1)	USD 0.11 (USD 0.07 to major shareholder)
Amount of dividends	USD 3,200,000

(*1) Differential dividends

24. REVENUES:

Revenues generated from the Group's product sales and service rendered for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
New automobile sales	41,749,338	20,990,549
Used automobile sales	36,996,242	26,511,665
Motorcycle sales	17,391,929	21,700,729
Wholesales	6,579,988	4,332,697
AS charges	1,501,790	1,179,958
	104,219,287	74,715,598

25. COST OF SALES:

The Group’s costs of sales for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Change of goods and goods in transits	(2,299,453)	1,987,085
Use of materials	25,110,161	20,542,146
Sales of merchandise	29,857,014	15,358,350
Salaries	1,667,904	1,213,892
Depreciation	263,032	267,653
Taxes and dues	16,695,617	12,459,026
Transportation costs	4,108,277	2,554,091
Supplies	5,014,470	4,445,508
Others	2,273,533	977,674
	82,690,555	59,805,425

26. SELLING AND ADMINISTRATIVE EXPENSES:

The Group’s selling and administrative expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Entertainment	390,577	481,948
Advertisement	312,136	249,621
Sales promotion	1,479,136	900,066
Sales commission	458,269	1,259,514
Increase in provisions for product warranties	183,268	171,623
Salaries	2,409,315	1,246,145
Lease	300,076	225,214
Depreciation	420,856	311,286
Bad debt	-	304,271
Taxes and dues	645,185	426,226
Supplies	288,364	191,612
Fees and charges	577,236	382,879
Other	475,120	259,556
	7,939,538	6,409,961

27. OTHER INCOME AND EXPENSES:

The Group’s other income and expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Gain on foreign currency exchange transactions and translation	827,218	193,952
Gain on transaction of derivative instruments	253,685	3,110,855
Gain on disposal of available-for-sale financial assets	728,319	-
Reversal of allowance for doubtful accounts	88,290	-
Miscellaneous income	218,277	186,476
Loss on foreign currency exchange transactions and translation	(113,037)	(92,051)
Loss on valuation of derivative instruments	-	(13,521)
Donation	(50,690)	(47,965)
Miscellaneous loss	-	(2)
	1,952,062	3,337,744

28. FINANCIAL INCOME AND EXPENSES:

(1) The Group's finance income for the years ended December 31, 2010 and 2009 are interest income earned on the followings (Unit: USD):

	2010	2009
Cash and cash equivalent	49,681	-
Short-term financial instruments	5,068	-
Trade receivables	205,837	162,630
	260,586	162,630

(2) The Group's finance expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Interest expenses	222,908	43,193
Loss on foreign currency exchange transactions and translation	6,655	5,250
	229,563	48,443

(3) Details of interest expenses for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Bank overdraft	29,572	38,315
Other borrowings	193,336	4,878
	222,908	43,193

29. EARNINGS PER SHARE:

The Group's earnings per share for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Total comprehensive income (USD)	15,360,096	11,755,063
Weighted-average number of shares (in shares)	33,160,457	32,533,640
Basic and diluted earnings per share (USD)	0.46	0.36

The Group does not have dilutive potential ordinary shares; therefore, diluted earnings per share are the same as basic earnings per share. As the number of shares outstanding increases as a result of share split and bonus issue of shares, the calculation of basic and diluted earnings per share for the prior period presented was adjusted retrospectively.

30. PAYMENT GARANTEES AND COMMITMENTS:

(1) Details of the Group's major contractual commitments for purchase as of December 31, 2010 are as follows:

Contract counterparty	Contract term	Commitments for minimum purchase	Other
Hyundai Motor	2011.1.1 ~ 2012.12.31	2011.1.1~2011.12.31: 600 cars 2012.1.1~2012.12.31: 1,000 cars	Decision on whether to renew before the expiry of the contract period
Kia Motors	2008.12.1 ~ 2011.11.30	2008.12.1~2009.11.30: 300 cars 2009.12.1~2010.11.30: 320 cars 2010.12.1~2011.11.30: 350 cars	Decision on extending or renewing the contract by mutual consent four months before the expiration date
Chery Automobile	2011.1.20~ 2011.12.31	2011.1.20~2011.12.31: 400 cars	-

(2) The details of the Group's major commitments with financial institutions as of December 31, 2010 are as follows:

Financial institution	Agreement amounts		Used amounts		Description
ANZ BANK	USD	2,000,000	USD	236,252	USANCE L/C
Indochina Bank Co., Ltd.	USD	6,000,000	USD	947,430	USANCE L/C
	USD	8,000,000	USD	1,183,682	

(3) Appraisal rights of shareholders of Kolao Energy Co., Ltd.

	Description
Parties with the right to exercise	Oh, Se Young, the Group, and the third party appointed by Oh, Se Young
Counterparties	Financial investors of Kolao Developing Co., Ltd.
Conditions and periods of exercise	Only when Kolao Developing Co., Ltd's profit for the financial year of 2011 exceeds 30 billion KRW
Target shares	Shares that consists of 16.67 percent of shares purchased by financial investors
Exercise price	'Acquisition price of target shares' + 'The amount measured by applying an annual compound interest rate of 20 percent to acquisition price of target shares from the day after effective date to the exercise date' – 'Paid dividends and the amount measured by applying an annual compound interest rate of 20 percent to paid dividends'

For appraisal rights of shareholders above, exercise conditions are associated with net income for the year of 2011, not with share price. In general, when evaluating options such as appraisal rights of shareholders, if prices of underlying assets are associated with net profits for the years, it is difficult to predict probability of distribution of net profits for the years. It is also impossible to predict reliably by using a typical valuation model such as option pricing model; therefore, we cannot calculate financial assets at FVTPL that are associated with derivative. The Group's management believes that the appraisal rights of shareholders mentioned above would not have significant effects on the consolidated financial statements.

(4) In connection with put-back option disclosed in Note 19, upon the exercise of the put-back option, Oh, Se Young and the Group were jointly obligated to purchase shares as of December 31, 2009. However, as of June 24, 2010, under agreements among shareholders, the put-back option and all of payment guarantees associated with Kolao Energy Co., Ltd. were voided, which canceled the Group's duty to fulfill its obligation. In addition, the Group does no longer provide collateral for the put-back option.

31. TRANSACTION WITH SUBSIDIARY:

(1) Details of transactions between the Company and subsidiary for the years ended 2010 and 2009 are as follows (Unit: USD):

Subsidiary	Account	2010	2009
KOLAO Developing Co., Ltd.	Management fee	1,035,198	-

(2) The outstanding balances between the Company and subsidiary as of December 31, 2010 and 2009 are as follows (Unit: USD)

Subsidiary	Account	2010	2009
KOLAO Developing Co., Ltd.	Other receivables	262,863	-
〃	Other financial liabilities	-	5,020

32. RELATED PARTY TRANSACTIONS:

(1) The Group's related parties as of the end of the years are as follows:

	Location	Corporate name
Other related party	Korea	Kolao Energy Co., Ltd.
〃	Laos	Kolao Farm Co., Ltd.
〃	Laos	KLD Computer Co., Ltd. (K-plaza)
〃	Thailand	GLOVIA Co., Ltd.
〃	Laos	GLOVIA Lao Co., Ltd.
〃	Laos	Kolao I-Tech Construction Co., Ltd.
〃	Laos	Indochina Bank Co., Ltd.

(2) Details of transactions with related parties for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

Related party	Account	2010	2009
GLOVIA Co., Ltd.	Cost of sales	184,125	232,000
〃	Selling, general and administrative expenses	2,190	-
GLOVIA Lao Co., Ltd.	Cost of sales	1,696,716	1,980,420
Kolao I-Tech Construction	Cost of sales	17,932	-
〃	Selling, general and administrative expenses	2,264	-
〃	Acquisition of property, plant and equipment	2,530,515	-
Indochina Bank Co., Ltd.	Cost of sales	69,945	-
〃	Selling, general and administrative expenses	16,426	141,643
〃	Finance expenses	187,565	43,193

(3) The outstanding balances with related parties as of 2010 and 2009 are as follows (Unit: USD):

Related party	Account	2010	2009
Indochina Bank Co., Ltd.	Borrowings	-	2,120,348
GLOVIA Lao Co., Ltd.	Other financial liabilities	-	170,675

(4) Compensation of key management personnel

Compensations of directors and other members of key management personnel for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Salaries	584,660	274,220

33. 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 stakeholders 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 period.

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 years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Liabilities	4,314,653	6,115,043
Equity	65,970,491	28,078,578
Debt-to-equity ratio	6.54%	21.78%

(2) Financial risk management

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

1) Market risk

(a) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's foreign exchange risk occurs when forecast transactions and recognized assets and liabilities are 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 motorcycle 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, 2010 and 2009 are as follows:

<2010>

	BAHT	(Book value) USD	KIP	(Book value) USD	KRW	(Book value) USD
<Foreign assets>						
Cash and cash equivalent	5,241,805	174,262	1,580,899,680	196,186	11,039,014	9,693
Trade receivables	160,327,802	5,330,047	-	-	-	-
Other receivables	50,000	1,662	-	-	70,516,000	58,529
	165,619,607	5,505,971	1,580,899,680	196,186	81,555,014	68,222
<Foreign liabilities>						
Other financial liabilities	5,641,973	187,566	134,500,000	16,691	-	-
Other current liabilities	38,800	1,290	2,545,869,955	315,937	11,450,000	10,054
Income tax payable	-	-	184,373,090	22,881	-	-
	5,680,773	188,856	2,864,743,045	355,509	11,450,000	10,054

<2009>

	BAHT	(Book value) USD	KIP	(Book value) USD
<Foreign assets>				
Cash and cash equivalent	8,723,765	262,369	1,786,906,188	210,437
Trade receivables	130,768,295	3,932,881	10,550,000	1,242
	139,492,060	4,195,250	1,797,456,188	211,679
<Foreign liabilities>				
Borrowings	27,914,289	839,527	3,873,849,863	456,209
Other financial liabilities	396,045	11,911	1,053,291,106	124,042
Other current liabilities	1,723,145	51,824	3,297,936,365	388,386
Income tax payable	-	-	1,197,376,196	141,010
	30,033,479	903,262	9,422,453,530	1,109,647

The Group measures foreign exchange risk caused by exchange rate fluctuation on a regular basis. In terms of functional currency as of December 31, 2010, effects of 10 percent change in exchange rate of each of foreign currencies on profit or loss are as follows (Unit: USD):

	Profit(loss) before income tax	
	Increased by 10%	Decreased by 10%
BAHT currency (BAHT/USD)	(483,374)	590,791
KIP currency (KIP/USD)	14,484	(17,703)
KRW currency (KRW/USD)	(5,288)	6,463
	(474,178)	579,551

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

(b) Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. The Group was exposed to price risk of its equity securities that were classified as available-for-sale financial assets in consolidated statement 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 available-for-sale 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. Considering the Group's liabilities that are exposed to interest rate risk as of the end of the reporting period, changes in interest rate do not have significant effects on the fair value of financial liabilities or cash flows.

2) Credit risk

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

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

3) Liquidity risk

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

The Group's borrowings and trade and other payables as of the end of the reporting period are matured within 12 months. Since the effects of discount are not material, the amount of repayment at maturity is the same as the book value.

(3) Fair value estimation

The fair values of financial instruments (i.e., financial assets held for trading and financial assets available for sale) 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 available-for-sale 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 available-for-sale 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 carrying amount that expires within 12 months is not materially affected by the discount effect, repayment at maturity is considered to approximate its fair value.

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 fair value measurements classified by fair value hierarchy are as follows:

1) The fair value hierarchy as of December 31, 2009

(Unit: USD)

	Level 1	Level 2	Level 3
Financial assets			
Available-for-sale financial assets	-	-	216,393
Financial liabilities			
Derivative liability	-	-	253,685

2) Reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy for the years ended December 31, 2010 and 2009

(Unit: USD)

	Beginning Balance	Gain(loss) Profit (loss)	Gain(loss) Other comprehensive income (loss)	Purchase (sale)	Issue (settlement)	Transfer	Ending balance	Total gain(loss) in other comprehensive income
<2010>								
Available-for-sale financial assets	216,393	-	-	-	-	(216,393)	-	-
Derivative liability	(253,685)	-	-	-	-	253,685	-	-
<2009>								
Available-for-sale financial assets	365,678	-	(149,285)	-	-	-	216,393	(105,288)
Derivative liability	(3,351,019)	(13,521)	-	-	3,110,855	-	(253,685)	-

34. NON-CASH TRANSACTIONS:

Major non-cash transactions that were not included in the consolidated statements of cash flows for the years ended December 31, 2010 and 2009 are as follows (Unit: USD):

	2010	2009
Write-off of trade receivables	112,508	-
Transfer inventories to vehicles	34,690	162,717
Gain(loss) on valuation of available- for-sale financial assets	105,288	(149,285)
Transfer to buildings from construction-in-progress	98,135	-