KOLAO HOLDINGS AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011,
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 financial statements of KOLAO Holdings (the "Company") and its subsidiary. The consolidated financial statements consist of the consolidated statement of financial position as of December 31, 2012 and 2011, and the related consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows, all expressed in Korean won, for the years ended December 31, 2012 and 20111. The Company's management is responsible for the preparation and fair presentation of the consolidated financial statements and 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 the Company and its subsidiary as of December 31, 2012 and 2011, and the results of its operations, changes in its equity and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

March 19, 2013

<u>Notice to Readers</u>

This report is effective as of March 19, 2013, 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 FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

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

Oh, Se Young
Chief Executive Officer
KOLAO Holdings

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011

	USD	
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalent (Notes 6, 7 and 33)	14,593,699	4,129,266
Short-term financial instruments (Notes 6 and 33)	-	6,000,000
Trade receivables, net (Notes 6 and 8)	30,416,979	14,307,572
Other receivables (Notes 6, 9 and 33)	570,342	203,731
Other current assets (Notes 10, 16, 19 and 33)	3,307,717	7,650,602
Income tax receivable (Note 22)	22,478	231,518
Inventories (Note 12)	55,330,032	53,457,692
TOTAL CURRENT ASSETS	104,241,247	85,980,381
NON-CURRENT ASSETS:		
Long-term trade receivables, net (Notes 6 and 8)	5,182,757	896,277
Other receivables (Notes 6 and 9)	360,665	263,975
Other non-current assets (Note 11)	3,831,507	-
Property, plant and equipment, net (Notes 5, 13 and 33)	18,714,795	8,831,995
Investment property, net (Notes 14 and 33)	806,982	851,403
Intangible assets, net(Note 15)	41,771	-
TOTAL NON-CURRENT ASSETS	28,938,477	10,843,650
TOTAL ASSETS	133,179,724	96,824,031
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables (Notes 6, 17 and 33)	9,946,655	10,318,238
Short-term borrowings(Notes 18 and 31)	10,609,257	-
Provisions (Note 19)	931,689	1,000,913
Other financial liabilities (Notes 6 and 20)	2,332,998	1,281,005
Other current liabilities (Notes 16, 21 and 33)	1,289,410	1,407,678
Income tax payable (Note 22)	111,297	-
TOTAL CURRENT LIABILITIES	25,221,306	14,007,834
NON-CURRENT LIABILITIES:		
Provisions (Note 19)	363,719	238,085
TOTAL NON-CURRENT LIABILITIES	363,719	238,085
TOTAL LIABILITIES	25,585,025	14,245,919

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2012 AND 2011

	USD	
	2012	2011
EQUITY:		
Share capital (Note 23)	9,600,000	9,600,000
Other issued capital (Note 23)	21,281,621	21,281,621
Retained earnings (Note 24)	76,713,078	51,696,491
Non-controlling interests	-	-
TOTAL EQUITY	107,594,699	82,578,112
TOTAL LIABILITIES AND EQUITY	133,179,724	96,824,031

(Concluded)

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	USD	
	2012	2011
SALES (Notes 5 and 25)	244,870,723	167,575,429
COST OF SALES (Notes 26 and 33)	(196,992,587)	(133,066,193)
GROSS PROFIT	47,878,136	34,509,236
Selling, general and administrative expenses (Notes 16, 19, 26, 27 and 33)	(21,820,769)	(14,511,177)
OPERATING PROFIT	26,057,367	19,998,059
Financial income (Notes 28 and 33)	188,309	656,975
Financial expenses (Notes 28 and 33)	(349,691)	(300,514)
Other income (Note 29)	655,212	332,816
Other expenses (Note 29)	(351,966)	(484,652)
PROFIT BEFORE INCOME TAX EXPENSE	26,199,231	20,202,684
Income tax expense (Note 22)	(276,483)	(395,063)
PROFIT FOR THE YEAR	25,922,748	19,807,621
Other comprehensive income:	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	25,922,748	19,807,621
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	25,922,748	19,807,621
Non-controlling interests	-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	25,922,748	19,807,621
Non-controlling interests	-	-
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT:		
Basic and diluted earnings per share (Note 30)	0.68	0.52

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	USD					
	Share capital	Other issued capital	Other capital items	Retained earnings	Non-controlling interests	Total equity
As of January 1, 2011	9,600,000	21,281,621	-	35,088,870	-	65,970,491
Payment of dividends	-	-	-	(3,200,000)	-	(3,200,000)
Total comprehensive income	-	-	-	19,807,621	-	19,807,621
As of December 31, 2011	9,600,000	21,281,621	-	51,696,491	-	82,578,112
As of January 1, 2012	9,600,000	21,281,621	-	51,696,491	-	82,578,112
Payment of dividends	-	-	-	(906,161)	-	(906,161)
Total comprehensive income	-	-	-	25,922,748	-	25,922,748
As of December 31, 2012	9,600,000	21,281,621	-	76,713,078	-	107,594,699

See accompanying notes to consolidated financial statements.

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	USD	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash flows generated from operations:		
Profit for the year	25,922,748	19,807,621
Adjustments to reconcile profit to net cash provided by (used in) operating activities:		
Depreciation	1,137,488	852,904
Depreciation in investment property	44,421	37,018
Amortization of intangible assets	5,059	-
Increase of provisions for product warranties	131,090	334,705
Increase of provisions for return products	98,749	812,063
Income tax expense	276,483	395,063
Interest expenses	349,691	300,514
Loss on foreign exchange translation	14,957	292,650
Severance benefits	9,096	-
Donations	5,245	-
Welfare expenses	89,148	-
Miscellaneous loss	33,969	-
Research and development cost	14,406	-
Cost of sales	26,092	-
Interest income	(188,309)	(656,975)
Reversal of allowance for doubtful accounts	(2,980)	(307,217)
Gain on disposal of property, plant and equipment	(15,905)	-
Gain on foreign exchange translation	(370,403)	(87,664)
	1,658,297	1,973,061
Movements in working capital:		
Decrease (increase) in trade and other receivables	(20,709,833)	3,612,342
Decrease (increase) in other current assets	4,343,131	(2,833,306)
Increase in other non-current assets	(3,831,507)	-
Increase in inventories	(3,233,737)	(36,655,600)
Increase in trade payables and other financial liabilities	670,181	8,526,610
Increase (decrease) in other current liabilities	(121,103)	729,876
Decrease in provisions	(173,429)	(422,190)
Increase in deposits on allowance for severance	(9,381)	-
	(23,065,678)	(27,042,268)
	4,515,367	(5,261,586)
Interest received	309,942	540,410
Interest paid	(349,691)	(300,514)
Income tax paid	42,484	(649,527)
Net cash provided by (used in) operating activities	4,518,102	(5,671,217)

(Continued)

KOLAO HOLDINGS AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	USD	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in short-term financial instruments	-	(14,000,000)
Decrease in short-term financial instruments	6,000,000	12,502,195
Increase in short-term loans	(294,636)	(84,025)
Decrease in short-term loans	320,191	5,162
Acquisition of property, plant and equipment	(10,327,708)	(2,042,351)
Disposal of property, plant and equipment	515,862	-
Acquisition of intangible assets	(46,830)	-
Decrease in leasehold deposits	8,814	-
Net cash used in investing activities	(3,824,307)	(3,619,019)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	34,629,035	-
Repayment of long-term borrowings	(24,018,965)	-
Payment of dividends	(906,161)	(3,200,000)
Net cash provided by (used in) financing activities	9,703,909	(3,200,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	10,397,704	(12,490,236)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,129,266	16,642,561
EXCHANGE RATE FLUCTUATION EFFECT OF CASH AND CASH EQUIVALENTS	66,729	(23,059)
CASH AND CASH EQUIVALENTS, END OF YEAR	14,593,699	4,129,266

(Concluded)

See accompanying notes to consolidated financial statements.

1. THE COMPANY:

(1) Parent Company

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. (the "subsidiary"), under the Companies Law of Cayman Islands. The Company was transferred shares of the subsidiary from Oh, Se Young who owned 100% of the subsidiary in exchange for investment in-kind on December 24, 2009, in order to reorganize the controlling structure. The Company's registered office at 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, 2012, the Company has issued 38,400 thousand shares and the Company's share capital amounts to U.S. dollars (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, 2012, are as follows:

Shareholders	Number of shares	Percentage of ownership (%)
Oh, Se Young	19,874,830	51.76
Others	18,525,170	48.24
	38,400,000	100.00

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 for the annual period beginning on January 1, 2008.

The significant accounting policies followed by the Company and its subsidiary (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 in consistent with the comparative periods.

The accompanying consolidated financial statements were approved by the Board of Directors on March 19, 2013.

(1) Basis of Preparing Consolidated Financial Statements

1) Basis of Measurement

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.

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 USD.

3) Amendments to IFRSs affecting amounts reported in the financial statements

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around the nature of the transferred assets, the nature of the risks and rewards of ownership to which the Group is exposed, description of the nature of the relationship between the transferred assets and the associated liabilities and carrying value of the associated liabilities. When the Group continues its involvement on the transferred assets although the transferred assets are derecognized in their entirety, the Group discloses the carrying amounts of the transferred assets and the associated liabilities and information showing how the maximum exposure to loss.

Amendments to IAS 12 – Income Taxes

The Group has applied the amendments to IAS 12 in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purpose of measuring deferred taxes unless the presumption is rebutted. Also, the Group recognizes deferred income tax assets and deferred income tax liabilities on investment properties that were revalued in accordance with IAS 16 Property, Plant and Equipments, under a business model whose objective is to consume substantially all of the economic benefits embodied through sales. The amendments do not have impact on the Group's consolidated financial statements.

4) 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 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments are effective annual periods beginning on or after July 1, 2012. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

Amendments to IAS 19 – Employee Benefits

The amendments to IAS 19 require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and the accelerate the recognition of past service costs. The amendments to IAS 19 are effective for annual periods beginning on or after January 1, 2013. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

Amendments to IAS 32 – Financial Instruments: Presentation

The amendments to IAS 32 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’. Group’s right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, a default of counterparty and master netting agreement or in some forms of non-recourse debt. The amendments to IAS 32 are effective for annual periods beginning on January 1, 2014. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

Amendments to IFRS 7 – Financial Instruments: Disclosures

The amendments to IFRS 7 are mainly focusing on presentation of the offset between financial assets and financial liabilities. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

IFRS 10 – Consolidated Financial Statements

The amendments to IFRS 10 include a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s return. This standard is effective for annual periods beginning on or after January 1, 2013. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

IFRS 11 Joint Arrangement

IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. If the Group is a joint operator, the Group is to recognize assets, liabilities, revenues and expenses proportionally to its investment and if the Group is a joint ventures, the Group is to account for that investment using the equity method accounting. This standard is effective for annual periods beginning on or after January 1, 2013. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates, or unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosure about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This standard is effective for annual periods beginning on or after January 1, 2013. The Group evaluated that the impact on the consolidated financial statements upon the adoption of amendments is not significant.

(2) 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.

All intragroup 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 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.

(3) Cash and Cash Equivalents

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

(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 Company 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; or
- 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; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* 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-derivatives 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; or
- 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.

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.

(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, 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 it 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 it is 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 (in years)
Buildings	20
Vehicles	5
Tools and equipment	5
Office equipment	5
Other tangible assets	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.

(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 and
- 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 cost that are directly attributable to the issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction 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; or
- 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; or
- 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) 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 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 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

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 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.

(17) 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.

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).

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.

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

The consolidated financial statements are presented in 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 reattributed 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 in 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.

(19) Presentation of Financial Statements

The Company presented operating income by deducting cost of sales and selling and administrative expenses from revenue line item to provide financial result in relevant. The amendments have been applied retrospectively for the comparative period.

The amendments have been applied retrospectively, and hence the presentation of items of operating income have been modified as follows(Unit: USD)

	2012		2011	
	Unmodified	Modified	Unmodified	Modified
SALES	244,870,723	244,870,723	167,575,429	167,575,429
COST OF SALES	(196,992,587)	(196,992,587)	(133,066,193)	(133,066,193)
Selling and administrative expenses(*1)	(21,827,258)	(21,820,769)	(14,818,394)	(14,511,177)
Other income	661,701	-	640,033	-
Other expense	(351,966)	-	(484,652)	-
OPERATING INCOME	26,360,613	26,057,367	19,846,223	19,998,059
Non-operating income and expense	(161,382)	141,864	356,461	204,625
INCOME BEFORE INCOME TAX EXPENSE	26,199,231	26,199,231	20,202,684	20,202,684

(*1) The Group recognized USD 6,489 and USD 307,217 as reversal of allowances for doubtful accounts by deducting bad debts expense for the years ended December 31, 2012 and 2011, respectively.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATING 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 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.

(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 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.

(3) 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. SUBSIDIARY:

(1) The details of consolidated subsidiary as of December 31, 2012, are as follows:

Subsidiary	Country and date established	Capital stock	Percentage 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% of the subsidiary in exchange for investment in-kind from Oh, Se Young, who was the only shareholder of the subsidiary.

(2) A summary of financial information of subsidiary as of and for the year ended December 31, 2012, is as follows (Unit: USD):

Subsidiary	Assets	Liabilities	Sales	Total comprehensive income
Kolao Developing Co., Ltd.	132,744,601	25,506,192	244,870,723	25,882,040

5. SEGMENT INFORMATION:

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

The operating segments are decided under reported information for Group’s chief operation decision maker for evaluating performance and allocating resources about the segment. The Group’s operating segments are New automobile, Used automobile, Motorcycle, Wholesale, AS, Others.

The Group’s segment in accordance with IFRS 8 is as follows:

Segment	Description
New automobile	Engaging in the dealer business by distributing imported cars and commercial vehicles
Used automobile	Selling used automobiles 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 results by segments

	USD			
	Sales by segment		Gross profit by segment	
	Year ended December 31,		Year ended December 31,	
	2012	2011	2012	2011
New automobile	155,398,529	86,729,902	32,919,671	17,730,351
Used automobile	46,489,165	45,214,756	6,806,003	6,656,830
Motorcycle	22,742,143	23,552,923	5,979,129	7,970,899
Wholesale	12,588,195	9,444,888	2,243,911	2,039,181
AS	3,453,935	2,632,960	(550,851)	111,975
Others	4,198,756	-	480,273	-
	244,870,723	167,575,429	47,878,136	34,509,236
Unallocated income and expenses			(21,678,905)	(14,306,552)
Profit before income tax expense			26,199,231	20,202,684
Income tax expense			(276,483)	(395,063)
Profit for the period			25,922,748	19,807,621

All the revenues and results reported above are the amounts after eliminating all intragroup transaction, which are disclosed in Note 32, in full on consolidation.

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

(3) Assets and liabilities by segments

	USD			
	Assets		Liabilities	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
New automobile	69,262,886	27,727,120	9,878,503	8,170,930
Used automobile	13,179,418	31,161,224	-	95,060
Motorcycle	14,593,836	11,614,490	-	629,155
Wholesale	9,041,264	5,798,283	53,479	1,112,860
AS	2,991,295	1,192,419	14,673	310,233
Others	575,865	-	-	-
	109,644,564	77,493,536	9,946,655	10,318,238
Unallocated assets and liabilities	23,512,682	19,330,495	15,615,892	3,927,681
Total assets and liabilities	133,157,246	96,824,031	25,562,547	14,245,919

All the assets and liabilities reported above are the amounts after eliminating all intragroup transactions, which are disclosed in Note 32, 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,	
	2012	2011	2012	2011
New automobile	718,555	311,752	7,418,076	1,259,732
Used automobile	136,728	307,627	2,219,198	1,762,794
Motorcycle	151,401	171,758	1,085,615	201,969
Wholesale	93,797	9,383	600,908	22,457
AS	31,033	52,384	164,876	114,848
Others	5,974	-	200,432	-
	1,137,488	852,904	11,689,105	3,361,800

(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% of total revenues.

6. CATEGORIES OF FINANCIAL INSTRUMENTS:

(1) Details of financial instruments that are classified as financial assets as of December 31, 2012 and 2011, are as follows (Unit: USD):

<2012>

Accounts	Loans and receivables	AFS financial assets	Total
Cash and cash equivalents	14,593,699	-	14,593,699
Short-term financial instruments	-	-	-
Trade receivables (*1)	35,599,736	-	35,599,736
Other receivable (*1)	931,007	-	931,007
	51,124,442	-	51,124,442

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

<2011>

Accounts	Loans and receivables	AFS financial assets	Total
Cash and cash equivalents	4,129,266	-	4,129,266
Short-term financial instruments	6,000,000	-	6,000,000
Trade receivables (*2)	15,203,849	-	15,203,849
Other receivable (*2)	467,706	-	467,706
	25,800,821	-	25,800,821

(*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, 2012 and 2011, are as follows (Unit: USD):

<2012>

Accounts	Financial liabilities at FVTPL	Other financial liabilities	Total
Trade payables	-	9,946,655	9,946,655
Other financial liabilities	-	2,332,998	2,332,998
	-	12,279,653	12,279,653

<2011>

Accounts	Financial liabilities at FVTPL	Other financial liabilities	Total
Trade payables	-	10,318,238	10,318,238
Other financial liabilities	-	1,281,005	1,281,005
	-	11,599,243	11,599,243

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, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Cash	814,527	1,178,855
Financial instruments	13,779,172	2,950,411
	14,593,699	4,129,266

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 trade receivables that are past due. Also, the Group holds deposits in respect of some customers.

(1) Details of trade receivables as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Trade receivables in current assets	30,434,113	14,348,974
Less: Allowances for doubtful accounts	(17,134)	(41,402)
Sub total	30,416,979	14,307,572
Trade receivables in non-current assets	6,539,167	899,320
Less: Allowances for doubtful accounts	(4,445)	(3,043)
Less: Discount on present value	(1,351,965)	-
Sub total	5,182,757	896,277
	35,599,736	15,203,849

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

(2) The aging analysis of the trade receivables as of December 31, 2012 and 2011, is as follows (Unit: USD):

<2012>

Accounts	Within 6 months	6 months –1 year	1–2 years	2–3 years	More than 3 years	Total
Trade receivables	33,570,409	2,410,781	933,422	38,179	20,489	36,973,280
Allowances for doubtful accounts	(726)	(54)	(291)	(19)	(20,489)	(21,579)
	33,569,683	2,410,727	933,131	38,160	-	36,951,701

<2011>

Accounts	Within 6 months	6 months –1 year	1–2 years	2–3 years	More than 3 years	Total
Trade receivables	12,350,956	2,063,030	770,074	53,357	10,877	15,248,294
Allowances for doubtful accounts	(2,387)	(393)	(24,654)	(6,134)	(10,877)	(44,445)
	12,348,569	2,062,637	745,420	47,223	-	15,203,849

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, 2012 and 2011, are as follows (Units: USD):

	2012	2011
Beginning balance	44,445	360,986
Offsetting of allowance	(19,886)	(9,324)
Reversal of allowance	(2,980)	(307,217)
Ending balance	21,579	44,445

9. OTHER RECEIVABLES:

The Group's other receivables as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012		2011	
	Current	Non-current	Current	Non-current
Short-term loans (*1)	56,705	-	82,098	-
Other accounts receivables	513,637	-	-	-
Accrued income	-	-	121,633	-
Business guarantee deposits	-	305,000	-	205,000
Guarantee deposits	-	55,665	-	58,975
	570,342	360,665	203,731	263,975

(*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 that 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 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.

(3) There are no other receivables past due or impaired.

10. OTHER CURRENT ASSETS:

The Group's other current assets as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Advance payments	1,136,240	1,292,257
Prepaid expenses	1,629,982	6,001,471
Other accounts receivables (*1)	541,495	356,874
	3,307,717	7,650,602

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

11. OTHER NON-CURRENT ASSETS

The Group's other non-current assets as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Advance payments	270,368	-
Prepaid expenses	3,561,139	-
	3,831,507	-

12. INVENTORIES:

Details of inventories as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Raw materials	2,211,837	1,839,856
Merchandise	34,669,943	17,222,203
Work in process	2,217,718	15,256,535
Finished goods	2,208,576	8,371,558
Goods in transit	14,021,958	10,767,540
	55,330,032	53,457,692

13. PROPERTY, PLANT AND EQUIPMENT:

(1) Property, plant and equipment as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012			2011		
Assets	Acquisition costs	Accumulated depreciation	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Buildings	10,242,400	(3,420,206)	6,822,194	10,342,400	(3,102,847)	7,239,553
Vehicles	2,400,605	(754,293)	1,646,312	1,184,680	(514,727)	669,953
Tools and equipment	1,749,521	(1,419,632)	329,889	1,521,421	(1,330,795)	190,626
Office equipment	1,159,569	(272,932)	886,637	544,549	(115,186)	429,363
Other tangible assets	330,000	(60,500)	269,500	330,000	(27,500)	302,500
Construction in progress	8,760,263	-	8,760,263	-	-	-
	24,642,358	(5,927,563)	18,714,795	13,923,050	(5,091,055)	8,831,995

(2) Changes in the Group's property, plant and equipment for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

<2012>

Assets	Beginning balance	Acquisition	Transfer(*1)	Disposal(*2)	Depreciation	Ending balance
Buildings	7,239,553	600,000	-	(490,000)	(527,359)	6,822,194
Vehicles	669,953	124,325	1,361,397	(178,817)	(330,546)	1,646,312
Tools and equipment	190,626	228,100	-	-	(88,837)	329,889
Office equipment	429,363	615,020	-	-	(157,746)	886,637
Other tangible assets	302,500	-	-	-	(33,000)	269,500
Construction in progress	-	8,760,263	-	-	-	8,760,263
	8,831,995	10,327,708	1,361,397	(668,817)	(1,137,488)	18,714,795

(*1) The full amount is transferred from inventory.
(*2) Include USD 168,860 from welfare, donation, etc.

<2011>

Assets	Beginning balance	Acquisition	Transfer(*3)	Disposal	Depreciation	Ending balance
Buildings	5,642,722	1,047,525	1,011,579	-	(462,273)	7,239,553
Vehicles	509,556	48,909	307,870	-	(196,382)	669,953
Tools and equipment	172,807	100,125	-	-	(82,306)	190,626
Office equipment	188,014	325,792	-	-	(84,443)	429,363
Other tangible assets	-	330,000	-	-	(27,500)	302,500
Construction in progress	1,710,000	190,000	(1,900,000)	-	-	-
	8,223,099	2,042,351	(580,551)	-	(852,904)	8,831,995

(*3) USD 888,421 transferred from investment property and USD 307,870 transferred from inventory.
(3) Depreciation costs for the years ended December 31, 2012 and 2011, are allocated and recorded as follows (Unit: USD):

	2012	2011
Selling, general and administrative expenses	833,931	597,534
Cost of goods manufactured	303,557	255,370
	1,137,488	852,904

14. INVESTMENT PROPERTY:

(1) Investment property as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012			2011		
Assets	Acquisition costs	Accumulated depreciation	Net balance	Acquisition costs	Accumulated depreciation	Net balance
Buildings	888,421	(81,439)	806,982	888,421	(37,018)	851,403

(2) Changes in the Group’s investment property for the year ended December 31, 2012 and 2011, are as follows (Unit: USD):

<2012>

Assets	Beginning balance	Transfer	Depreciation	Ending balance
Buildings	851,403	-	(44,421)	806,982

<2011>

Assets	Beginning balance	Transfer	Depreciation	Ending balance
Buildings	-	888,421	(37,018)	851,403

(3) Details of income and expenditure for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Rental income	43,200	36,000

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

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

15. INTANGIBLE ASSETS

(1) Intangible assets as of December 31, 2012 are as follows (Unit: USD):

Assets	Acquisition cost	Accumulated depreciation	Net balance
Software	46,830	(5,059)	41,771

(2) Changes in the Group's intangible for the year ended December 31, 2012 is as follows (Unit: USD):

Assets	Beginning balance	Transfer	Depreciation	Ending balance
Buildings	-	46,830	(5,059)	41,771

16. OPERATING LEASE ARRANGEMENTS:

(1) The Group as lessee

The Group has 22 lease contracts as of December 31, 2012, which are accounted for as operating leases. Details of the lease contracts that the Group has executed are as follows (Unit: USD):

Location	Leased assets	Issue date	Expiry date	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	2005-02-09	2015-02-09	45,300
Vientiane	Showroom	2010-01-01	2015-12-31	120,000
Vientiane	Showroom	2012-04-01	2022-03-31	307,500
Savannakhet	Showroom	2012-01-01	2017-12-31	211,680
Bolikhamsai	Showroom	2009-06-11	2030-01-01	138,600
Champasak	Showroom	2010-10-16	2025-10-15	182,400
Vientiane	Office Building	2010-11-01	2015-10-31	1,994,916
Vientiane	Office Building	2011-01-01	2015-12-31	1,493,100
Vientiane	Showroom	2011-04-01	2021-03-31	5,082,934
Khammouan	Factory land	2009-07-01	2019-07-01	29,438
Vientiane	Factory land	2006-09-15	2021-09-14	300,470
Vientiane	Factory land	2010-10-08	2025-10-07	283,725
Vientiane	Factory land	2011-09-01	2041-08-31	662,925
Vientiane	Factory land	2011-09-01	2026-08-31	1,278,375
Savannakhet	Factory land	2002-07-01	2031-06-30	425,000
Vientiane	Training institute	2012-03-01	2027-03-01	384,000
Vientiane	Company housing	2012-03-01	2027-03-01	240,000
Champasak Province	Pakse Showroom	2012-09-01	2030-08-31	171,000
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
				15,465,875

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 2,043,742 and USD 1,245,894 as lease expenses for the years ended December 31, 2012 and 2011, respectively.

Minimum lease payments that the Group will make subsequently as of December 31, 2012, are as follows (Unit: USD):

Year ending December 31,	Minimum lease payments
2013	1,631,482
2012 ~ 2017	5,921,627
2018 and thereafter	5,454,799
	13,007,908

(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, 2012, are as follows (Unit: USD):

Year ending December 31,	Minimum lease payments
2013	43,200
2012 ~ 2017	172,800
2018 and thereafter	7,200
	223,200

The Group recognized the advance received for minimum lease payments amounting to USD 223,200 as other current liabilities in the consolidated statements of financial position as of December 31, 2012.

17. TRADE PAYABLES:

Details of the Group's trade payables as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Trade payables	9,946,655	10,318,238

18. BORROWINGS:

(1) Borrowings as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Short-term borrowings	10,609,257	-

(2) Details of the Group's short-term borrowings as of December 31, 2012, are as follows (Unit: USD):

Description	Creditor	Interest rate	Amount
L/C TR	ANZ Bank(LAO) Limited(*1)	9.00%	7,102,912
L/C TR	Indochina Bank Limited(*1)	10.00%	3,506,345
			10,609,257

(*1) A portion of land and building is pledged as collateral for its borrowings through the largest shareholder and related parties.

19. PROVISIONS:

(1) Details of the Group's provisions as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012			2011		
Discription	Current	Non-current	Total	Current	Non-current	Total
Provisions for product warranties	212,798	363,719	576,517	233,951	238,085	472,036
Provisions for return products	718,891	-	718,891	766,962	-	766,962
	931,689	363,719	1,295,408	1,000,913	238,085	1,238,998

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, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Beginning balance	472,036	194,786
Increase in provisions (*1)	516,583	687,360
Use of provisions	(412,102)	(410,110)
Ending balance	576,517	472,036

(*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 385,493 and USD 352,655 that was recognized as the separate asset, as part of selling, general and administrative expenses in the consolidated statements of comprehensive income (see Note 10).

(3) Changes in the Group's provisions for return products for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Beginning balance	766,962	319,634
Increase in provisions	98,749	812,063
Use of provisions	(146,820)	(364,735)
Ending balance	718,891	766,962

20. OTHER FINANCIAL LIABILITIES:

Details of the Group's other financial liabilities as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Other account payables	521,232	-
Accrued expenses	1,811,766	1,281,005
	2,332,998	1,281,005

21. OTHER CURRENT LIABILITIES:

Other current liabilities of the Group as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Withholdings	70,418	16,657
Advances received	648,167	465,431
Rental income received in advance	223,200	266,400
Consume tax	22,673	440,837
Turnover tax	324,952	218,353
	1,289,410	1,407,678

22. INCOME TAX EXPENSES:

(1) Details of the Group's income tax receivable and income tax payable as of December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Income tax receivable	22,478	231,518
Income tax payable	111,297	-

The Company was established in Cayman Islands and is 100% corporate tax exempt. On the other hand, Kolao Developing Co., Ltd., is a 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, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Profit before income tax expenses	26,199,231	20,202,684
Income tax expenses	276,483	395,063
Effective tax rate	1.06%	1.96%

23. CAPITAL AND OTHER ISSUED CAPITAL:

(1) Details associated with the Company's capital as of December 31, 2012 and 2011, are as follows:

	2012	2011
Number of shares authorized (*1)	160,000,000 shares	160,000,000 shares
Par value	USD 0.25	USD 0.25
Number of shares issued	38,400,000 shares	38,400,000 shares
Share capital	USD 9,600,000	USD 9,600,000

(*1) 40,000,000 preferred shares are included in the number of shares authorized as of December 31, 2012 and 2011.

(2) The total amount of Company's other issued capital is the share premium.

24. RETAINED EARNINGS AND DIVIDENDS:

(1) Changes in retained earnings of the Company for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Beginning balance	51,696,491	35,088,870
Payment of dividends	(906,161)	(3,200,000)
Profit for the year	25,922,748	19,807,621
Ending balance	76,713,078	51,696,491

(2) Details of the paid dividends for the year ended December 31, 2012 and 2011, are as follows:

<2012>

	2012
Number of issued shares	38,400,000shares
Number of shares entitled to dividends	11,732,720shares
Dividends per share (*1)	KRW 92.26
Amount of dividends	USD 906,161

(*1) Total amount of dividends USD 906,161 is differential dividends that paying KRW 92.26(USD 0.08) per share except major shareholder's stockholding(26,667,280shares).

<2011>

	2011
Number of issued shares	38,400,000shares
Number of shares entitled to dividends	38,400,000shares
Dividends per share	KRW 128.75 (KRW 80.57 to major shareholder)
Amount of dividends	USD 3,200,000

(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:

1) Stock dividend

	2012
Number of issued shares	38,400,000shares
Number of shares entitled to dividends	38,400,000shares
Dividends per share	0.05shares
Amount of dividends	1,920,000shares

2) Cash dividend

	2012
Number of issued shares	38,400,000shares
Number of shares entitled to dividends	38,400,000shares
Dividends per share (*2)	KRW 13
Amount of dividends	KRW 499,200,000

25. REVENUES:

Revenues generated from the Group's product sales and service rendered for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
New automobile sales	155,398,529	86,729,902
Used automobile sales	46,489,165	45,214,756
Motorcycle sales	22,742,143	23,552,923
Wholesales	12,588,195	9,444,888
AS charges	3,453,935	2,632,960
Others	4,198,755	-
	244,870,722	167,575,429

26. EXPENSES CLASSIFICATION ACCORDING TO NATURE:

Details of expenses classified according to nature for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

<2012>

	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventory	127,123,658	-	127,123,658
finished goods	6,009,358	-	6,009,358
work in progress	13,192,442	-	13,192,442
merchandise	107,921,858	-	107,921,858
Use of raw materials	22,420,827	-	22,420,827
Salaries	2,537,011	8,290,176	10,827,187
Depreciation	303,557	833,931	1,137,488
Taxes and dues	30,917,170	481,989	31,399,159
Supplies	1,970,761	679,643	2,650,404
Others	11,719,603	11,535,030	23,254,633
	196,992,587	21,820,769	218,813,356

<2011>

	Cost of sales	Selling, general and administrative expenses	Total
Changes in inventory	42,770,365	-	42,770,365
finished goods	(5,460,628)	-	(5,460,628)
work in progress	(11,454,170)	-	(11,454,170)
merchandise	59,685,163	-	59,685,163
Use of raw materials	42,210,733	-	42,210,733
Salaries	2,484,194	4,543,493	7,027,687
Depreciation	255,370	597,534	852,904
Taxes and dues	33,073,299	1,111,064	34,184,363
Supplies	2,360,183	347,562	2,707,745
Others	9,912,049	7,911,524	17,823,573
	133,066,193	14,511,177	147,577,370

27. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

The Group's selling, general and administrative expenses for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Salaries	8,290,176	4,543,493
Entertainment	858,537	598,417
Advertisement	957,596	451,418
Sales promotion cost	3,516,703	2,917,400
Sales commission	222,910	247,608
Increase in provisions for product warranties	131,090	334,705
Lease	2,002,183	1,487,341
Depreciation	833,931	597,534
Taxes and dues	481,989	1,111,064
Supplies	679,643	347,562
Fees and charges	1,431,126	685,409
Other	2,414,885	1,189,226
	21,820,769	14,511,177

28. FINANCIAL INCOME AND EXPENSES:

(1) The Group's finance income for the years ended December 31, 2012 and 2011, are interest income earned on the following (Unit: USD):

	2012	2011
Cash and cash equivalent	43,645	35,349
Short-term financial instruments	13,367	412,133
Trade receivables	131,297	209,493
	188,309	656,975

(2) The Group's finance expenses are interest expenses of borrowings and the details for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Interest expenses	349,691	300,514

29. OTHER INCOME AND EXPENSES:

The Group's other income and expenses for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Gain on foreign currency exchange transactions and translation	380,903	106,455
Rental income	43,200	36,000
Gain on disposal of property, plant and equipment	15,905	-
Miscellaneous incomes	215,204	190,361
Total	655,212	332,816
Loss on foreign currency exchange transactions and translation	(85,342)	(387,925)
Depreciation in investment property	(44,421)	(37,018)
Donation	(182,018)	(59,709)
Miscellaneous expenses	(40,185)	-
Total	(351,966)	(484,652)

30. EARNINGS PER SHARE:

(1) The Group's earnings per share for the years ended December 31, 2012 and 2011, are as follows:

	2012	2011
Total comprehensive income (USD)	25,922,748	19,807,621
Weighted-average number of shares (shares)	38,400,000	38,400,000
Basic and diluted earnings per share (USD)	0.68	0.52

The Group does not have dilutive potential ordinary shares; therefore, diluted earnings per share are the same as basic earnings per share.

(2) Weighted-average number of shares's calculation for the years ended December 31, 2012 and 2011, are as follows(Unit: Share)

<2012>

	Date	Number of shares	Weighted value(day)	umber of common shares outstanding
Beginning balance	2012.1.1	38,400,000	366/366	38,400,000

<2011>

	Date	Number of shares	Weighted value(day)	number of common shares outstanding
Beginning balance	2011.1.1	38,400,000	365/365	38,400,000

31. PAYMENT GUARANTEES AND COMMITMENTS:

(1) Details of the Group's major contractual commitments for purchase as of December 31, 2012, 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: 800cars 2012.1.1~2012.12.31: 1,000cars	Decision on whether to renew before the expiry of the contract period
	2013.1.1 ~ 2014.12.31	2013.1.1~2013.12.31: 5,000cars 2014.1.1~2014.12.31: 6,000cars	Decision on whether to renew before the expiry of the contract period
Kia Motors	2011.12.1 ~ 2014.11.30	2011.12.1~2012.11.30: 1,700cars 2012.12.1~2013.11.30: 1,800cars 2013.12.1~2014.11.30: 1,900cars	Decision on extending or renewing the contract by mutual consent four months before the expiration date
Chery Automobile Co., Ltd.	2012.1.1~ 2012.12.31	2012.1.20~2012.12.31: 400 cars	-
	2013.1.1 ~ 2013.12.31	2013.1.20~2013.12.31: 400 cars	-

(2) The details of the Group's major commitments with financial institutions as of December 31, 2012 are as follows(Unit: USD)

Financial institution	Agreement amounts	Used amounts	Description
ANZ Bank(LAO) Limited	30,000,000	21,419,265	USANCE L/C
	8,000,000	7,102,912	Trust Receipt
Indochina Bank Limited	32,000,000	28,366,237	USANCE L/C
	10,000,000	3,506,345	Trust Receipt

32. TRANSACTION WITH SUBSIDIARY:

(1) Details of transactions between the Company and subsidiary for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

Subsidiary	Account	2012	2011
KOLAO Developing Co., Ltd.	Management fee	1,194,138	811,720

(2) The Group has no the outstanding balances between the Company and subsidiary as of December 31, 2012 and 2011.

33. RELATED-PARTY TRANSACTIONS:

(1) The Group's related parties as of December 31, 2012, 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.
〃	Laos	Lanxang media Co., Ltd.
〃	Laos	Kolao Import&Export Co., Ltd.
〃	Laos	Kolao Resort Co., Ltd.

(2) Details of transactions with related parties for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

Related party	Account	2012	2011
GLOVIA Co., Ltd.	Cost of sales	23,830	25,895
Kolao I-Tech Construction	Acquisition of property, plant and equipment	8,350,000	1,431,158
〃	Acquisition of investment property	-	88,842
Indochina Bank Co., Ltd.	Cost of sales	185,925	153,035
〃	Selling, general and administrative expenses	19,133	377,052
〃	Other income	-	36,000
〃	Financial income	177,911	294,633
〃	Financial expenses	124,058	135,632
Lanxang media Co., Ltd.	Selling, general and administrative expenses	61,973	-
Kolao import&export Co., Ltd.	Acquisition of property, plant and equipment	214,981	-

(3) The outstanding balances with related parties as of December 31, 2012 and 2011, are as follows (Unit: USD):

Related party	Account	2012	2011
Indochina Bank Co., Ltd.	Cash and cash equivalents	11,672,849	2,020,729
〃	Short-term financial instruments	-	6,000,000
〃	Other receivables	-	121,633
〃	Other current liabilities	3,548,242	266,400
〃	Short-term borrowings	3,506,345	-
GLOVIA Co., Ltd.	Prepaid expenses	1,143	-

(4) Compensation of key management personnel

Compensations of directors and other members of key management personnel for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Salaries	759,486	656,881

34. 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 years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Liabilities	25,562,547	14,245,919
Equity	107,594,699	82,578,112
Debt-to-equity ratio	23.76%	17.25%

(2) Financial risk management

The Group is exposed to diverse financial risks, including market risk (foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk as a result of its operating activities. The purpose of risk management of the Group is to identify the potential risks to financial performance and minimize those risks to a degree acceptable to the Group. The Board of Directors approved the Group's financial risk management policy to be managed by the treasury department of the Group, which collaborates with other sales departments to identify, assess and evade those financial risks. The Group applied the same financial risk management strategy that was applied in the prior 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 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, 2012 and 2011, are as follows:

<2012>

	BAHT	(Book value) USD	KIP	(Book value) USD	KRW	(Book value) USD
Foreign assets:						
Cash and cash equivalent	24,261,202	792,332	17,509,757,599	2,191,725	357,315,758	333,597
Trade receivables	284,021,011	9,275,670	-	-	-	-
Other receivables	-	-	522,500	65	65,217,450	60,888
Other current assets	-	-	-	-	679,190	634
	308,282,213	10,068,002	17,510,280,099	2,191,790	423,212,398	395,119
Foreign liabilities:						
Other financial liabilities	3,266,954	106,693	1,137,025,217	142,323	42,824,460	39,982
Other current liabilities	79,300	2,590	2,777,190,662	347,626	17,535,730	16,372
Income tax payable	-	-	709,581,788	88,820	-	-
	3,346,254	109,283	4,623,797,667	578,769	60,360,190	56,354

<2011>

	BAHT	(Book value) USD	KIP	(Book value) USD	KRW	(Book value) USD
Foreign assets:						
Cash and cash equivalent	17,783,440	562,233	11,014,504,676	1,372,726	216,198,934	187,461
Trade receivables	164,799,556	5,210,229	-	-	-	-
Other receivables	2,524,000	79,798	-	-	68,016,000	58,975
Income tax refundable	-	-	1,857,658,117	231,518	-	-
	185,106,996	5,852,260	12,872,162,793	1,604,244	284,214,934	246,436
Foreign liabilities:						
Other financial liabilities	8,334,581	263,502	3,334,137,558	415,530	34,254,880	29,702
Other current liabilities	352,210	11,135	5,485,781,127	683,687	5,497,740	4,767
	8,686,791	274,637	8,819,918,685	1,099,217	39,752,620	34,469

The Group measures foreign exchange risk caused by exchange rate fluctuation on a regular basis. In terms of functional currency as of December 31, 2012 and 2011, effects of a 10% change in exchange rate of each of foreign currencies on profit or loss are as follows (Unit: USD):

<2012>

	Profit (loss) before income tax	
	Increased by 10%	Decreased by 10%
BAHT (BAHT/USD)	(995,872)	995,872
KIP (KIP/USD)	(161,302)	161,302
KRW (KRW/USD)	(33,877)	33,877
	(1,191,051)	1,191,051

<2011>

	Profit (loss) before income tax	
	Increased by 10%	Decreased by 10%
BAHT (BAHT/USD)	(557,762)	557,762
KIP (KIP/USD)	(50,503)	50,503
KRW (KRW/USD)	(21,197)	21,197
	(629,462)	629,462

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 AFS financial assets in the 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 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.

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 financial liabilities by residual contractual maturity as of December 31, 2012 and 2011, are classified as follows (Unit: USD):

<2012>

	Less than 1 year	1~2 years	More than 2 years	Total
Trade payable	9,946,655	-	-	9,946,655
Other financial liabilities	2,332,998	-	-	2,332,998
Short-term borrowings	10,942,405	-	-	10,942,405
	23,222,058	-	-	23,222,058

<2011>

	Less than 1 year	1~2 years	More than 2 years	Total
Trade payable	10,318,238	-	-	10,318,238
Other financial liabilities	1,281,005	-	-	1,281,005
	11,599,243	-	-	11,599,243

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

The Group's financial assets by residual contractual maturity as of December 31, 2012 and 2011, are classified as follows (Unit: USD):

<2012>

	Less than 1 year	1~2 years	More than 2 years	Total
Cash and cash equivalents	14,593,699	-	-	14,593,699
Short-term financial instruments	-	-	-	-
Trade receivables (*1)	35,981,190	933,422	58,668	36,973,280
Other receivable (*1)	570,342	360,665	-	931,007
	51,145,231	1,294,087	58,668	52,497,986

<2011>

	Less than 1 year	1~2 years	More than 2 years	Total
Cash and cash equivalents	4,129,266	-	-	4,129,266
Short-term financial instruments	6,000,000	-	-	6,000,000
Trade receivables (*1)	14,348,974	681,765	217,555	15,248,294
Other receivable (*1)	203,731	263,975	-	467,706
	24,681,971	945,740	217,555	25,845,266

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

The unused amounts of USANCE L/C and TR commitments amount to USD 12,214,498 and USD 7,390,743(see Note 31 (2)). Management of the Group believes that these amounts may be redeemed by cash inflow arising from operating activities and financial assets.

(3) Fair value estimation

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 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 Group has no financial instruments that are measured subsequent to initial recognition at fair value.

35. NON-CASH TRANSACTIONS:

Major non-cash transactions that were not included in the consolidated statements of cash flows for the years ended December 31, 2012 and 2011, are as follows (Unit: USD):

	2012	2011
Write-off of trade receivables	19,886	9,324
Transfer to vehicles from inventories	1,361,397	307,870
Transfer to buildings from construction in progress	-	1,011,579
Transfer to investment property from construction in progress	-	888,421