

Somboon Advance Technology Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month period ended 31 March 2017 (Unaudited)

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These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 12 May 2017.

1 General information

Somboon Advance Technology Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at

Head Office : 129 Moo 2, Bangna-Trad Road, Tambon Bangchalong, Amphur Bangplee, Samutprakarn 10540.

Branch : 300/10 Moo 1, Tambon Tasit, Amphur Pluak Daeng, Rayong 21140.

Branch : 7/389 Moo 6, Tambon Mapyangporn, Amphur Pluak Daeng, Rayong 21140.

The Company was listed on the Stock Exchange of Thailand in January 2005.

The major shareholders during the financial period were Somboon Holding Company Limited (28% shareholding), which is incorporated in Thailand and Kitaphanich family (17.6% shareholding).

The principal businesses of the Company are manufacture of pick-up axles and truck trunnion shafts. Details of the Company’s subsidiaries as at 31 March 2017 and 31 December 2016 are given in note 6.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2016) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2016. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2016 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2017. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group or the Company.

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(b) Functional and presentation currency

The interim financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

(c) Use of judgements and estimates

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparing of interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016.

3 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with associates and subsidiaries are described in notes 5 and 6. Relationship with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Somboon Holding Company Limited	Thailand	Major shareholders, 28% shareholding
Key management personnel	Thailand	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group/Company.

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Significant transactions for the three-month periods ended 31 March 2017 and 2016 with related parties were as follows:

<i>Three-month period ended 31 March</i>	Pricing policies	Consolidated financial statements		Separate financial statements	
		2017	2016	2017	2016
<i>(in million Baht)</i>					
Subsidiaries					
Sales of goods	Approximates market price	-	-	24	27
Interest income	Contractually agreed price	-	-	-	1
Management fee income	Contractually agreed price	-	-	27	32
Facilities income	Approximates cost	-	-	2	2
Rental income	Contractually agreed price	-	-	2	2
Sales of scraps	Approximates market price	-	-	1	1
Facilities expense	Approximates cost	-	-	1	1
Other expense	Approximates market price	-	-	-	1
Associate					
Purchases of goods	Approximates market price	9	11	-	-
Key management personnel					
Key management personnel compensation					
Short-term benefits		19	21	19	19
Other long-term benefits		1	1	1	1
Total key management personnel compensation		20	22	20	20

Balances as at 31 March 2017 and 31 December 2016 with related parties were as follows:

<i>Trade accounts receivable</i>	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
<i>(in thousand Baht)</i>				
Subsidiary				
Somboon Malleable Iron Industrial Company Limited	-	-	19,557	20,174

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<i>Other receivables</i>	Consolidated		Separate	
	financial statements		financial statements	
	31	31	31	31
	March	December	March	December
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
Somboon Malleable Iron Industrial Company Limited	-	-	11,753	19,251
Bangkok Spring Industrial Company Limited	-	-	8,591	14,794
International Casting Products Co., Ltd	-	-	7,793	11,528
SBG International Japan Company Limited	-	-	4	4
Somboon Forging Technology Company Limited	-	-	3,177	6,312
Total	-	-	31,318	51,889

<i>Short-term loans to subsidiaries</i>	Separate	
	financial statements	
	31	31
	March	December
	2017	2016
	<i>(in thousand Baht)</i>	
Subsidiaries		
SBG International Japan Company Limited	40,000	40,000
Somboon Forging Technology Company Limited	30,000	30,000
	<u>70,000</u>	<u>70,000</u>
<i>Less allowance for doubtful accounts</i>	<u>(37,000)</u>	<u>(37,000)</u>
Net	<u>33,000</u>	<u>33,000</u>

Movements during the three-month periods ended 31 March 2017 and 2016 of loans to subsidiaries were as follows:

<i>Short-term loans to subsidiaries</i>	Separate	
	financial statements	
<i>Three-month period ended 31 March</i>	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	33,000	150,000
Increase	30,000	150,000
Decrease	<u>(30,000)</u>	<u>(150,000)</u>
At 31 March	<u>33,000</u>	<u>150,000</u>

Short-term loans to subsidiaries carry interest at MMR (Money Market Rate) per annum.

<i>Trade account payable</i>	Consolidated		Separate	
	financial statements		financial statements	
	31	31	31	31
	March	December	March	December
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Associate				
Tsuyoshi Somboon Coated Sand Co., Ltd.	<u>9,557</u>	<u>11,906</u>	<u>-</u>	<u>-</u>

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<i>Other payables</i>	Consolidated		Separate	
	financial statements		financial statements	
	31	31	31	31
	March	December	March	December
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
Subsidiaries				
Bangkok Spring Industrial Company Limited	-	-	685	726
International Casting Products Co., Ltd.	-	-	-	9
Associate				
Tsuchiyoishi Somboon Coated Sand Co., Ltd.	103	74	-	-
Total	103	74	685	735

4 Trade accounts receivable

	<i>Note</i>	Consolidated		Separate	
		financial statements		financial statements	
		31	31	31	31
		March	December	March	December
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Related parties	3	-	-	19,557	20,174
Other parties		1,425,698	1,331,447	357,358	346,734
Total		1,425,698	1,331,447	376,915	366,908
Less allowance for doubtful accounts		(68)	(68)	-	-
Net		1,425,630	1,331,379	376,915	366,908

Aging analyses for trade accounts receivable were as follows:

	<i>Note</i>	Consolidated		Separate	
		financial statements		financial statements	
		31	31	31	31
		March	December	March	December
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
Related parties					
Within credit terms	3	-	-	19,557	20,174
Other parties					
Within credit terms		1,423,039	1,329,212	355,301	346,734
Overdue:					
Less than 3 months		2,057	1,480	2,057	-
3-12 months		534	335	-	-
Over 12 months		68	420	-	-
		1,425,698	1,331,447	357,358	346,734
Less allowance for doubtful accounts		(68)	(68)	-	-
Net		1,425,630	1,331,379	376,915	366,908

The normal credit term granted by the Group ranges from 30 days to 90 days.

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5 Investments in associates

<i>Three-month period ended 31 March</i>	Consolidated financial statements	
	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	339,203	279,695
Share of net profit of investments - equity method	22,221	22,715
At 31 March	<u>361,424</u>	<u>302,410</u>

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Investments in associates as at 31 March 2017 and 31 December 2016, and dividend income from those investments for the three-month periods ended 31 March 2017 and 2016 were as follows:

Type of business	Country of incorporation	Consolidated financial statements										Dividend income	
		Ownership Interest		Paid-up capital		Cost method		Equity method		31	31		
		31 March 2017	31 December 2016 (%)	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 March 2016		
<i>Associates</i>													
Tsuchiyoshi Somboon Coated Sand Co., Ltd	Thailand	21.25	21.25	72,000	72,000	15,300	15,300	57,506	55,261	-	-		
Yamada Somboon Company Limited	Thailand	20.00	20.00	150,000	150,000	30,807	30,807	303,918	283,942	-	-		
Total						46,107	46,107	361,424	339,203	-	-		

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6 Investments in subsidiaries

<i>Three-month period ended 31 March</i>	Separate financial statements	
	2017	2016
At 1 January	2,542,012	2,461,891
At 31 March	<u>2,542,012</u>	<u>2,461,891</u>

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7 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the three-month periods ended 31 March 2017 were as follows:

	Consolidated financial statements				Net book value as at 31 March 2017
	Net book value as at 1 January 2017	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value (in thousand Baht)	Depreciation charge for the period	
Land	622,727	-	-	-	622,727
Buildings and other construction	1,124,487	5,554	-	(25,042)	1,104,999
Machinery and factory equipment	3,112,879	335,414	(2)	(160,972)	3,287,319
Furniture, fixtures and office equipment	19,077	3,558	-	(2,539)	20,096
Vehicles	2,794	-	-	(188)	2,606
Assets under construction and installation	463,900	32,006	(333,639)	-	162,267
Spare parts for machinery	63,702	4,234	(1,323)	-	66,613
Total	5,409,566	380,766	(334,964)	(188,741)	5,266,627

	Separate financial statements				Net book value as at 31 March 2017
	Net book value as at 1 January 2017	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value (in thousand Baht)	Depreciation charge for the period	
Land	91,781	-	-	-	91,781
Buildings and other construction	312,558	4,500	-	(7,729)	309,329
Machinery and factory equipment	737,562	302,556	(2)	(48,375)	991,741
Furniture, fixtures and office equipment	6,290	2,670	-	(944)	8,016
Vehicles	2,788	-	-	(187)	2,601
Assets under construction and installation	339,091	14,787	(304,862)	-	49,016
Spare parts for machinery	10,857	148	(288)	-	10,717
Total	1,500,927	324,661	(305,152)	(57,235)	1,463,201

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8 Interest-bearing liabilities

	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Current				
Current portion of long-term loans from financial institutions - secured	736,318	753,649	266,907	269,222
Current portion of finance lease liabilities	997	982	135	132
Total current liabilities	737,315	754,631	267,042	269,354
Non-current				
Long-term loans from financial institutions - secured	837,848	1,006,821	373,030	437,209
Finance lease liabilities	285	540	51	85
Total non-current liabilities	838,133	1,007,361	373,081	437,294
Total	1,575,448	1,761,992	640,123	706,648

The periods to maturity of interest-bearing liabilities, excluding finance lease liabilities were as follows:

	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Within one year	736,318	753,649	266,907	269,222
After one year but within five years	790,990	937,006	335,672	388,994
After five years	46,858	69,815	37,358	48,215
Total	1,574,166	1,760,470	639,937	706,431

Long-term credit facilities of the Group contain certain covenants such as dividend payment, pertaining to matters such as there shall be no effect on the total debt to equity ratio, loan repayment ability, and other conditions stipulated by the financial institutions.

As at 31 March 2017, there are no long-term credit facilities of the Group which have not yet been drawn down. (31 December 2016: nil).

The long-term credit facilities are mortgaged by a majority of the land with premises and machinery of the Group.

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9 Segment information

<i>For the three-month period ended 31 March</i>	Pick-up axles and truck trunnion shafts		Other auto parts		Total		Elimination		Net	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	<i>(in million Baht)</i>									
External revenue from sale of goods and rendering of services	506	580	1,587	1,614	2,093	2,194	-	-	2,093	2,194
Inter-segment revenue from sale of goods and rendering of services	24	27	452	443	476	470	(476)	(470)	-	-
Total	530	607	2,039	2,057	2,569	2,664	(476)	(470)	2,093	2,194
Segment profit before income tax	82	91	105	74	188	165	(1)	(4)	187	161
Segment assets as at 31 March / 31 December	5,341	5,308	7,058	7,078	12,399	12,386	(2,960)	(2,965)	9,439	9,421
Segment liabilities as at 31 March / 31 December	1,124	1,165	2,758	2,875	3,882	4,040	(500)	(506)	3,382	3,534

The Group is managed and operates principally in Thailand. There are no material revenues derived from, or assets located in foreign countries.

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10 Earnings per share

Basic earnings per share

The calculations of basic earnings per share for the three-month periods ended 31 March 2017 and 2016 were based on the profit for the periods attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding during the periods as follows:

<i>Three-month period ended 31 March</i>	Consolidated financial statements		Separate financial statements	
	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit attributable to ordinary shareholders of the Company	170,625	150,777	73,645	79,611
Number of ordinary shares outstanding	425,194	425,194	425,194	425,194
Earnings per share (basic) (in Baht)	0.40	0.35	0.17	0.19

11 Commitments with non-related parties

	Consolidated financial statements		Separate financial statements	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in million Baht)</i>			
Capital commitments				
<i>Contracted but not provided for</i>				
Building constructions, machineries and equipment	2	3	-	-
Future minimum lease payments under non-cancellable operating leases				
Within one year	33	31	14	15
After one year but within five years	11	16	5	7
Total	44	47	19	22
Other commitments				
Bank guarantees	62	62	15	15

The Group entered into technical assistance agreements with several foreign companies covering assistance of the production processes, whereby the Group shall pay fees at the rate as specified in the agreements. These agreements are valid for 5 years, expiring in various periods up to 2020, and are renewable for further 5 years.

As at 31 March 2017, the Company entered into an interest rate swap agreement to maintain interest rate of long-term loan with principle amount of Baht 194 million (31 December 2016: Baht 229 million) by swapping from floating rate to fixed rate as stipulated by the agreement.

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12 Events after the reporting period

- a) At the general shareholders' meeting of the Company held on 19 April 2017, the shareholders approved the appropriation of cash dividend for the operation for the year 2016 from the promoted business (BOI) at the rate of Baht 0.60 per share, totalling Baht 255 million. The interim dividend of Baht 0.19 per share, totalling Baht 81 million, was paid to shareholders on 2 September 2016. The remaining dividend of Baht 0.41 per share, totalling to Baht 174 million will be paid to shareholders in May 2017.
- b) The liquidation process of SBG International Japan Company Limited, a subsidiary in Japan, has completed on 8 April 2017.