

SOMBOON ADVANCE TECHNOLOGY PUBLIC COMPANY LIMITED
(FORMERLY KNOWN AS “SOMBOON ADVANCE TECHNOLOGY
COMPANY LIMITED”) AND ITS SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

1. GENERAL INFORMATION

1.1 Somboon Advance Technology Public Company Limited was incorporated as a limited company under Thai laws and its parent company is Somboon Holding Company Limited, incorporated as a limited company under Thai laws. Its principal activity is the manufacture of pick-up axles and truck trunnion shafts.

The Company’s registered address is 129 Moo 2, Bangna-Trad Road, Tambon Bangchalong, Amphur Bangplee, Samutprakarn.

1.2 By resolution of the extraordinary general meeting of the Company’s shareholders held on 31 May 2004, the Company was authorised to change its status from a limited company to a public limited company. The Company registered the change of its status with the Ministry of Commerce on 21 July 2004.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Somboon Advance Technology Public Company Limited (hereinafter referred to as "the Company") for the year ended 31 December 2004 and the balance sheets as at 31 December 2004 and the statements of earnings for the period as from 1 May 2004 (the date of investment by the Company) to 31 December 2004 of the following subsidiaries:

Subsidiaries	Percentage of shareholding	Principal activities
Somboon Malleable Iron Industrial Company Limited	99.99	Manufacture and sale of autoparts
Bangkok Spring Industrial Company Limited	99.99	Manufacture and sale of autoparts
SAT Axle Technology Company Limited	99.99	Manufacture and sale of autoparts

The net assets of the subsidiaries at the investment date were as follows:

(Unit: Thousand Baht)

	Somboon Malleable Iron Industrial Company Limited	Bangkok Spring Industrial Company Limited	SAT Axle Technology Company Limited	Total
Total assets	803,007	1,331,842	243,644	2,378,493
Total liabilities	1,202,305	1,212,012	152,769	2,567,086
Net assets acquired	(399,298)	119,830	90,875	(188,593)
Excess of cost of investments in subsidiaries over attributable net asset value	479,293	(13,841)	(47,875)	417,577
Cost of investments	79,995	105,989	43,000	228,984
Less: Cash of subsidiaries	(98,861)	(32,829)	(29,743)	(161,433)
Net cash paid for investment in subsidiaries	(18,866)	73,160	13,257	67,551

The percentage of assets and revenues of the subsidiaries in relation to the total assets and total revenues as included in the consolidated financial statements are as follows:

Subsidiaries	Assets as a percentage of the total assets included in the consolidated balance sheet (Percent)	Revenues as a percentage of the total revenues included in the consolidated statements of earnings (Percent)
Somboon Malleable Iron Industrial Company Limited	24.6	38.3
Bangkok Spring Industrial Company Limited	42.8	26.1
SAT Axle Technology Company Limited	6.6	7.1

The Company and the subsidiaries have the same directors and shareholders, and the above investments were made for the purpose of restructuring the shareholdings within the group. The Company recorded excesses of attributable net asset values of subsidiaries over the cost of the respective investments as a deduction against retained earnings under the caption “Adjustment due to restructuring of the group’s business”, as required under international accounting principles.

Significant intercompany balances and transactions between the Company and the subsidiaries, investment in subsidiaries in the Company’s accounts and share capital of the subsidiaries are eliminated from the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand and in accordance with the Accounting Act B.E. 2543 except for basis of consolidation which prepared in accordance with international accounting principles.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below:

3.1 Revenue recognition

Sales and services are the invoiced value, excluding value added tax, of goods supplied and services rendered after deducting goods returned, discounts and allowances. They are recognised when the goods are delivered and the services are rendered.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with financial institutions with an original maturity of three months or less from the deposit date and free from restriction.

3.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may incur in collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

3.4 Inventories

Finished goods and work in process are valued at the lower of cost (average basis) and net realisable value. Cost of finished goods and work in process includes cost of raw materials, direct labour and production overhead.

Raw materials and supplies are valued at the lower of cost (first-in, first-out basis) and net realisable value.

3.5 Investments

Investments in subsidiary and associated companies are stated under the equity method of accounting.

Investments in non-marketable equity securities are valued at cost.

The Company and its subsidiaries recognise loss on impairment of investment when the carrying amount exceeds the recoverable value.

3.6 Property, plant and equipment / depreciation

Property, plant and equipment are initially recorded at cost. Land, buildings and machinery are however subsequently revalued by an independent appraiser to their fair values. Revaluations will be made with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from their fair value at the balance sheet date.

Differences arising from revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to shareholders' equity under the heading of "Revaluation surplus on assets". However, a revaluation increase should be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense in the statement of earnings.
- When an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised as an expense in the statement of earnings. However, a revaluation decrease should be charged directly against any related "Revaluation surplus on assets" to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any excess amount is to be recognised as an expense in the statement of earnings.

Depreciation of buildings and equipment has been calculated with reference to their cost or reappraised value on the straight-line basis over the following estimated useful lives:

	<u>The Company</u>	<u>Subsidiaries</u>
Leasehold land improvement	-	20 years
Buildings and other premises	30 years	30 years
Machinery	15-18 years	5-24 years
Infrastructure system	20 years	20 years
Tools and factory equipment	5 years	5 years
Fixtures and office equipment	5 years	5 years
Motor vehicles	5 years	5 years

No depreciation has been provided for land and construction in progress.

Depreciation of assets which have been revalued as included in statement of earnings is calculated by using straight-line method over the remainder of their estimated useful lives. Depreciation of assets which have been devalued through appraisal is calculated on the reappraised value. Depreciation of assets of which the value has increased through appraisal is calculated based on cost.

3.7 Finance lease contracts

The subsidiary records lease contracts which transfer substantially all the risks and benefits incidental to ownership of the leased items as finance lease contracts, in amount equal to the fair value of the leased property at the inception of the lease or, if lower, the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the corresponding contracts. The interest charge is recorded to periods over the term of the lease according to the remaining balance of the liability in each period.

3.8 Non-operating assets

Non-operating assets are stated at cost less allowance for impairment (if any).

3.9 Foreign currencies

Foreign currency transactions incurred during the year are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date. Exchange gains and losses are included in determining earnings.

3.10 Forward exchange contracts

The Company and its subsidiary companies enter into forward exchange contracts in liability management activities to control exposure to fluctuations in foreign exchange rates in relation to purchase of goods of the Company and its subsidiaries. Premium or discount for forward exchange contracts are recorded as deferred expense and amortised as expenses over the period of contracts.

3.11 Gain on debt restructuring

The Company and its subsidiaries adopt an accounting policy related to troubled debt restructuring whereby in case where the debt is extinguished by the creditors, the Company and its subsidiaries recognise the extinguished debt as an extraordinary gain in the earnings statement.

3.12 Basic earnings per share

Basic earnings per share is determined by dividing net earnings for the year by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the change in par value discussed in Note 15, and the earnings per share of the prior year adjusted accordingly.

3.13 Employee benefits

The Company, subsidiaries and their employees have registered separate provident fund schemes under the Provident Fund Act B.E. 2530. The funds are contributed to by the Company, its subsidiaries and their employees at rates of 3 percent of the employees' monthly salaries. The fund is managed by American International Assurance Co., Ltd. The contributions are recorded as expenses when incurred.

3.14 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

4. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as at 31 December 2004 and 2003 are below classified by aging:

(Unit: Baht)

	<u>CONSOLIDATED</u>	<u>THE COMPANY ONLY</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
Trade accounts receivable - related parties			
Not yet due	89,031,157	41,696,577	24,515,652
Overdue - less than 3 months	19,393,091	-	-
Total	<u>108,424,248</u>	<u>41,696,577</u>	<u>24,515,652</u>

(Unit: Baht)

	<u>CONSOLIDATED</u>	<u>THE COMPANY ONLY</u>	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
Trade accounts receivable - other companies			
Not yet due	581,609,117	171,918,790	104,253,365
Overdue			
Less than 3 months	6,916,416	15,461	-
3 - 12 months	51,227	-	-
Over 12 months	5,055,873	22,717	22,717
Total	593,632,633	171,956,968	104,276,082
Less: Allowance for doubtful accounts	(6,173,586)	(22,717)	(22,717)
Net trade accounts receivable - other companies	<u>587,459,047</u>	<u>171,934,251</u>	<u>104,253,365</u>

5. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiaries (which have already been eliminated from the consolidated financial statements) and related companies which are related by way of shareholding or common shareholders or common directors. Such transactions are summarised below:

(Unit: Million Baht)

	<u>CONSOLIDATED</u>	<u>Pricing Policy</u>
	<u>2004</u>	
<u>Transactions with related parties</u>		
Sales of goods and services	181.5	Cost plus margin
Purchases of goods and materials	53.7	Cost plus margin

(Unit: Million Baht)

	THE COMPANY ONLY		Pricing Policy
	<u>2004</u>	<u>2003</u>	
<u>Transactions with subsidiary companies</u>			
Sales of goods and services	27.1	-	Cost plus margin of 10 - 15 percent
Sales of materials	10.9	-	Approximates cost
Sales of supplies	18.0	-	Market prices
Interest income	59.2	-	4.5 percent per annum, minimum loan rate (MLR) per annum and 3-month fixed deposit rate plus 1.5 percent
Rental income	3.3	-	Rental fee of Baht 0.38 million per month
Management fee income	8.3	-	Fee of Baht 1.03 million per month
Purchase of materials	0.7	-	Approximates cost
Purchases of goods	13.6	-	Cost plus margin
Purchases of spare parts	0.2	-	Cost plus margin
Facilities expense	15.3	-	Approximates cost
<u>Transactions with related companies</u>			
Sales of goods and services	27.2	86.3	Cost plus margin
Sales of materials	10.6	-	Approximates cost
Sales of supplies	1.5	-	Market prices
Rental income	1.5	2.6	Rental fee of Baht 0.38 million per month
Management fee income	4.1	7.2	Fee of Baht 1.03 million per month
Interest income	5.1	-	4.5 percent per annum
Other income	5.6	-	Approximates cost
Purchases of materials	0.6	-	Approximates cost
Purchases of goods	7.7	-	Cost plus margin
Purchases of spare parts	0.4	-	Cost plus margin
Facilities expense	7.8	-	Approximates cost
Interest expense	3.2	-	2004: 4.5 and 6 percent per annum 2003: Minimum loan rate (MLR) per annum
Rental expense	-	17.3	Rental fee of Baht 1.5 million per

month

As at 31 December 2004 and 2003, the Company and its subsidiaries had the following outstanding balances with their related companies:

(Unit: Baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2004	2004	2003
<u>Trade accounts receivable - related parties</u>			
SAT Axle Technology Company Limited	-	35,471,199	22,043,727
Somboon Malleable Iron Industrial Company Limited	-	197,255	827,964
Bangkok Spring Industrial Company Limited	-	923,503	136,352
Yongkee (1995) Company Limited	107,416,759	5,104,620	1,507,609
Asahi Tech Metals (Thailand) Company Limited (Formerly known as "Asahi Somboon Metals Company Limited")	670,471	-	-
Asahi Somboon Shippo Moulds Company Limited	321,268	-	-
Automotive Product Import and Export Center Company Limited	15,750	-	-
	<u>108,424,248</u>	<u>41,696,577</u>	<u>24,515,652</u>
<u>Short-term loan to subsidiary company</u>			
Bangkok Spring Industrial Company Limited	-	30,000,000	-
<u>Long-term loans to subsidiary companies</u>			
SAT Axle Technology Company Limited	-	53,000,000	-
Somboon Malleable Iron Industrial Company Limited	-	834,000,000	-
Bangkok Spring Industrial Company Limited	-	936,000,000	-
	-	<u>1,823,000,000</u>	-
<u>Trade accounts payable - related parties</u>			
SAT Axle Technology Company Limited	-	7,714,510	-
Somboon Malleable Iron Industrial Company Limited	-	48,929	25,600
Bangkok Spring Industrial Company Limited	-	3,760,231	1,986,388
Yongkee (1995) Company Limited	32,100	-	-
Asahi Tech Metals (Thailand) Company Limited	17,858,905	-	-
Tsuchiyoshi Somboon Coated Sand Company Limited	29,425	-	-
	<u>17,920,430</u>	<u>11,523,670</u>	<u>2,011,988</u>
<u>Short-term loans from related company</u>			
SAT Axle Technology Company Limited	-	-	209,669,250

During the current year, the balances of loans to subsidiary companies and loans from related company have movements as follows:

(Unit: Baht)

	THE COMPANY ONLY			31 December 2004
	31 December 2003	Increase	Decrease	
<u>Short-term loan to subsidiary company</u>				
Bangkok Spring Industrial Company Limited	-	30,000,000	-	30,000,000
<u>Long-term loans to subsidiary companies</u>				
SAT Axle Technology Company Limited	-	82,700,140	(29,700,140)	53,000,000
Somboon Malleable Iron Industrial Company Limited	-	942,571,480	(108,571,480)	834,000,000
Bangkok Spring Industrial Company Limited	-	980,466,897	(44,466,897)	936,000,000
	-	2,005,738,517	(182,738,517)	1,823,000,000
<u>Short-term loans from related company</u>				
SAT Axle Technology Company Limited	209,669,250	-	(209,669,250)	-

Short-term loan of Baht 30 million to Bangkok Spring Industrial Company Limited, maturing on 18 February 2005. The loan carries interest at 3-month fixed deposit rate plus 1.5 percent.

Long-term loans to subsidiary companies are as detailed below:

- Loan to SAT Axle Technology Company Limited amounting to Baht 82.7 million. To be repaid within 3 years on a quarterly basis, from June 2004 to September 2006.
- Loan to Somboon Malleable Iron Industrial Company Limited, amounting to Baht 942.6 million. To be repaid within 8 years on a quarterly basis, from June 2004 to December 2011.
- Loan to Bangkok Spring Industrial Company Limited, amounting to Baht 980.5 million. To be repaid within 9 years on a quarterly basis, from June 2004 to March 2013.

The loans carry interest at rates of 4.5 percent per annum for a period of 3 years and subsequently at the Minimum Loan Rate (MLR) per annum. Interest is payable on a monthly basis.

During the current year, two subsidiaries received repayment of outstanding loans to related parties amounting to Baht 473.3 million, for which the subsidiaries had already set up full provision. Loan settlement was made by transferring land with a fair value of Baht 117 million. This amount, after deducting transfer expense, is presented as bad debt recovery in the consolidated statements of earnings.

6. INVENTORIES

(Unit: Baht)

	CONSOLIDATED	THE COMPANY ONLY	
	2004	2004	2003
Raw materials	112,136,155	8,794,930	5,062,937
Work in process	36,689,650	3,123,933	4,741,561
Finished goods	55,925,481	10,305,890	3,178,624
Spare parts and factory supplies	50,116,950	21,264,479	15,685,685
Goods in transit	33,042,909	-	1,626,490
Total	287,911,145	43,489,232	30,295,297
Less: Allowance for obsolete and return stocks	(9,285,046)	-	-
Inventories - net	278,626,099	43,489,232	30,295,297

7. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

On 30 April 2004, the Company had acquired the ordinary shares of the following companies:

- a) 183,989 ordinary shares of Somboon Malleable Iron Industrial Company Limited, with a par value of Baht 1,000 each, at a price of Baht 79.99 million. This represents 99.99 percent of the paid-up share capital of that company.
- b) 105,989 ordinary shares of Bangkok Spring Industrial Company Limited, with a par value of Baht 1,000 each, at a price of Baht 105.99 million. This represents 99.99 percent of the paid-up share capital of that company.
- c) 3,999,989 ordinary shares of SAT Axle Technology Company Limited, with a par value of Baht 10 each, at a price of Baht 43 million. This represents 99.99 percent of the paid-up share capital of that company.

As at 31 December 2004, investments accounted for under the equity method are as follows:

Investments in subsidiary companies

Company's name	Paid-up share capital (Thousand Baht)	Shareholding percentage (Percent)	THE COMPANY ONLY	
			Cost method (Baht)	Equity method (Baht)
<u>Somboon Malleable Iron Industrial Company Limited</u>	184,000	99.99		
Cost			79,995,217	79,995,217
Add: Share of profit				209,824,035
Less: Adjustment due to restructuring of the group's business				(479,293,131)
Amortisation of revaluation surplus of assets				(15,855,367)
				<u>(205,329,246)</u>
<u>Bangkok Spring Industrial Company Limited</u>	106,000	99.99		
Cost			105,989,000	105,989,000
Add: Share of profit				112,932,571
Adjustment due to restructuring of the group's business				13,840,677
Less: Amortisation of revaluation surplus of assets				(5,754,214)
				<u>227,008,034</u>
<u>SAT Axle Technology Company Limited</u>	40,000	99.99		
Cost			42,999,882	42,999,882
Add: Share of profit				15,367,765
Adjustment due to restructuring of the group's business				47,875,829
				<u>106,243,476</u>
Total investments in subsidiary companies			<u>228,984,099</u>	<u>127,922,264</u>

Investment in associated company

Company's name	Principal activity	Paid-up share capital (Thousand Baht)	Shareholding percentage (Percent)	CONSOLIDATED	
				Cost method (Baht)	Equity method (Baht)
<u>Associated company held through</u>					
<u>Somboon Malleable Iron Industrial Company Limited</u>					
Tsuchiyoshi Somboon Coated Sand Company Limited	Manufacture and sale of coated sand	72,000	21.25	15,300,000	-
Total investment in associated company				<u>15,300,000</u>	<u>-</u>

8. LONG-TERM INVESTMENTS

Company's name	Principal activity	Paid-up share capital (Thousand Baht)	Shareholding percentage (Percent)	CONSOLIDATED Investments (Baht)
Asahi Tech Metals (Thailand) Company Limited	Manufacture and sale of cast iron parts	331,250	0.66	8,750,000
Asahi Somboon Aluminium Company Limited	Manufacture and sale of autoparts	1,030,000	1.41	14,500,000
Yamada Somboon Company Limited	Manufacture and sale of autoparts	150,000	19.20	28,799,300
Nisshinbo Somboon Automotive Company Limited	Manufacture and sale of autoparts and brake systems	732,600	2.90	21,250,000
Somboon Somic Manufacturing Company Limited	Manufacture and sale of autoparts	300,000	1.80	5,399,500
Total				78,698,800
Less: Allowance for impairment				(18,049,859)
Long-term investments - net				60,648,941

9. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED

(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost					Total
	Land	Buildings and other premises	Machinery	Land leasehold improvement and infrastructure system	Tools and factory equipment	Fixtures and office equipment	Motor vehicles	Construction in progress	
At cost/at revaluation									
31 December 2003	51,742,500	35,508,415	333,078,216	28,143,290	18,836,855	5,377,560	3,708,087	-	476,394,923
Acquisition of subsidiaries	590,254,430	167,224,156	923,266,452	88,646,350	175,476,663	49,315,518	26,519,175	28,467,818	2,049,170,562
Purchases	38,398,938	662,000	4,454,381	285,000	20,506,331	4,556,189	5,705,495	346,542,742	421,111,076
Disposal	-	-	(1,773,157)	-	(3,422,500)	(38,245)	(4,988,157)	-	(10,222,059)
Transfer in (transfer out)	-	-	20,350,009	9,106,374	8,599,539	345,700	-	(38,401,622)	-
31 December 2004	680,395,868	203,394,571	1,279,375,901	126,181,014	219,996,888	59,556,722	30,944,600	336,608,938	2,936,454,502

(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost					Total
	Land	Buildings and other premises	Machinery	Land leasehold improvement and infrastructure system	Tools and factory equipment	Fixtures and office equipment	Motor vehicles	Construction in progress	
Accumulated depreciation									
31 December 2003	-	912,580	76,602,604	9,786,643	14,025,303	2,971,994	2,178,058	-	106,477,182
Acquisition of subsidiaries	-	63,726,448	276,544,283	13,678,855	139,923,269	41,244,329	22,894,858	-	558,012,042
Depreciation for the year	-	3,101,849	48,797,908	3,391,147	11,236,849	3,414,100	2,289,978	-	72,231,831
Depreciation of revaluation surplus	-	1,989,828	31,221,579	-	-	-	-	-	33,211,407
Depreciation for disposal	-	-	(200,141)	-	(1,031,588)	(30,782)	(4,905,794)	-	(6,168,305)
31 December 2004	<u>-</u>	<u>69,730,705</u>	<u>432,966,233</u>	<u>26,856,645</u>	<u>164,153,833</u>	<u>47,599,641</u>	<u>22,457,100</u>	<u>-</u>	<u>763,764,157</u>
Net book value									
31 December 2004	<u>680,395,868</u>	<u>133,663,866</u>	<u>846,409,668</u>	<u>99,324,369</u>	<u>55,843,055</u>	<u>11,957,081</u>	<u>8,487,500</u>	<u>336,608,938</u>	<u>2,172,690,345</u>
Depreciation for the year 2004 as included in statement of earnings									<u>72,231,831</u>
Stated at cost:									
Net book value									
31 December 2004	<u>189,074,183</u>	<u>164,866,828</u>	<u>617,820,676</u>						

THE COMPANY ONLY

(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost					Total
	Land	Buildings and other premises	Machinery	Land leasehold improvement and infrastructure system	Tools and factory equipment	Fixtures and office equipment	Motor vehicles	Construction in progress	
At cost/at revaluation									
31 December 2003	51,742,500	35,508,415	333,078,216	28,143,290	18,836,855	5,377,560	3,708,087	-	476,394,923
Purchases	38,398,938	102,000	1,490,000	185,000	4,551,981	2,486,529	5,525,495	198,676,320	251,416,263
Disposal	-	-	(1,464,077)	-	-	(7,663)	(211,494)	-	(1,683,234)
Transfer in (transfer out)	-	-	-	-	-	292,300	-	(292,300)	-
31 December 2004	<u>90,141,438</u>	<u>35,610,415</u>	<u>333,104,139</u>	<u>28,328,290</u>	<u>23,388,836</u>	<u>8,148,726</u>	<u>9,022,088</u>	<u>198,384,020</u>	<u>726,127,952</u>

(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost					Total
	Land	Buildings and other premises	Machinery	Land leasehold improvement and infrastructure system	Tools and factory equipment	Fixtures and office equipment	Motor vehicles	Construction in progress	
Accumulated depreciation									
31 December 2003	-	912,580	76,602,604	9,786,643	14,025,303	2,971,994	2,178,058	-	106,477,182
Depreciation for the year	-	987,063	16,265,758	1,344,300	1,952,346	986,538	766,362	-	22,302,367
Depreciation of revaluation surplus	-	483,591	11,118,234	-	-	-	-	-	11,601,825
Depreciation for disposal	-	-	(165,593)	-	-	(205)	(211,495)	-	(377,293)
31 December 2004	-	2,383,234	103,821,003	11,130,943	15,977,649	3,958,327	2,732,925	-	140,004,081
Net book value									
31 December 2003	51,742,500	34,595,835	256,475,612	18,356,647	4,811,552	2,405,566	1,530,029	-	369,917,741
31 December 2004	90,141,438	33,227,181	229,283,136	17,197,347	7,411,187	4,190,399	6,289,163	198,384,020	586,123,871
Depreciation for the year as included in statement of earnings									
2003									35,484,795
2004									22,302,367
Stated at cost:									
Net book value									
31 December 2003	39,669,250	23,138,104	186,129,380						
31 December 2004	78,068,168	22,216,795	172,953,294						

In July 2003, the Company's land, buildings, and machinery were reappraised at fair value by an independent appraiser. The Company recorded the resulting increases in asset values, totaling of approximately Baht 138.1 million, in "Revaluation surplus on assets" in shareholders' equity and recorded the revaluation decreases, totaling of approximately Baht 40.4 million, as an expenses in the statement of earnings. The basis for such revaluations were the fair market value for land and the replacement cost for buildings and machinery.

As at 31 December 2004, certain building and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 278.7 million (The Company only: amounting to Baht 13.9 million).

As at 31 December 2004, a majority of land with premises thereon and certain machinery of the Company and its subsidiaries have been mortgaged to secure the credit facilities of the Company and its subsidiaries granted by a bank.

10. NON-OPERATING ASSETS

(Unit: Baht)

	<u>CONSOLIDATED</u>
	<u>2004</u>
Land	121,619,100
Machinery	23,589,751
Condominium units	<u>3,513,000</u>
Total non-operating assets	148,721,851
Less: Allowance for impairment	<u>(23,589,751)</u>
Non-operating assets - net	<u><u>125,132,100</u></u>

Land title deeds and documents of ownership of condominium units have been placed as collateral for credit facilities of the Company.

11. INTANGIBLE ASSET - COPYRIGHT

(Unit: Baht)

	<u>CONSOLIDATED</u>	<u>THE COMPANY ONLY</u>
Balance - beginning of the year	290,367	290,367
Add: Acquisition of subsidiaries	4,734,263	-
Increase	4,001,000	-
Less: Amortisation during the year	<u>(1,611,674)</u>	<u>(83,917)</u>
Balance - end of the year	<u><u>7,413,956</u></u>	<u><u>206,450</u></u>

12. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

The loans are secured by the mortgage of the Company and its subsidiaries' land with premises and machinery and guaranteed by certain directors of the Company and subsidiaries.

13. TRUST RECEIPT

Trust receipt is secured by the mortgage of the Company and its subsidiaries' land with premises and machinery and guaranteed by certain directors of the Company and subsidiaries.

14. LONG-TERM LOANS

On 30 March 2004, the Company entered into a loan agreement with a bank to obtain a loan of Baht 2,405 million, and in April 2004 the Company drew down the full amount of the loan from such bank in order to repay a loan of the Company, invest in subsidiary companies and provide loans to subsidiary companies.

(Unit: Baht)

	BALANCE AS AT 31 DECEMBER 2004	
	CONSOLIDATED	THE COMPANY ONLY
Long-term loans are repayable as follows:		
Within one year or less	231,088,000	231,088,000
Between two to five years	1,045,816,000	1,045,816,000
More than five years	957,928,000	957,928,000
	<u>2,234,832,000</u>	<u>2,234,832,000</u>

The loans carry interest at rates of 4.5 percent per annum for a period of three years from the date of the first draw down, and subsequently at the Minimum Loan Rate (MLR). Interest is payable on a monthly basis.

The loan agreement contains certain covenants pertaining to the maintenance of a certain long-term debt to equity ratio, restrictions on capital expenditure, the payment of dividends, and the creation of obligations over the Company's assets.

The agreement is secured by the mortgage of the Company and its subsidiaries' land with premises, condominium units and certain machinery, as mentioned in Note 9 and 10, and guaranteed by certain directors of the Company and subsidiaries.

15. REGISTERED SHARES

By resolution of the extraordinary general meeting of the Company's shareholders held on 8 April 2004, the Company was authorised to increase its share capital from Baht 80 million to Baht 226 million through the issue of 1,460,000 additional ordinary shares with a par value of Baht 100 each. The Company registered the increase in its share capital with the Ministry of Commerce on 12 May 2004.

By resolution of the extraordinary general meeting of the Company's shareholders held on 7 July 2004, the Company was authorised to increase its share capital from Baht 226 million to Baht 300 million and change in the par value of its ordinary shares from Baht 100 per share to Baht 1 per share. As a result, its registered share capital increased to Baht 300 million, consisting of 300 million ordinary shares with a par value of Baht 1 each. The Company registered the change in its share capital with the Ministry of Commerce on 27 July 2004.

16. REVALUATION SURPLUS ON ASSETS

During the year 2004, movement in the balance of revaluation surplus on assets was as follows:

CONSOLIDATED AND THE COMPANY ONLY

Revaluation surplus on assets – the Company

(Unit: Baht)

	Land	Building and other premises	Machinery	Total
Balance - beginning of the year 2004	12,073,250	11,493,978	109,143,876	132,711,104
Amortisation on revaluation surplus	-	(483,592)	(11,118,233)	(11,601,825)
Amortisation of revaluation surplus on disposed assets	-	-	(1,258,962)	(1,258,962)
Balance - end of the year 2004	<u>12,073,250</u>	<u>11,010,386</u>	<u>96,766,681</u>	<u>119,850,317</u>

Revaluation surplus on assets – the subsidiaries

(Unit: Baht)

	Land	Building and other premises	Machinery	Total
Balance as at investment date	479,248,435	49,764,731	263,618,559	792,631,725
Amortisation on revaluation surplus	-	(1,506,237)	(20,103,345)	(21,609,582)
Balance - end of the year 2004	<u>479,248,435</u>	<u>48,258,494</u>	<u>243,513,214</u>	<u>771,022,143</u>

The revaluation surplus on assets can neither be offset against retained deficit nor used for dividend payment.

17. STATUTORY RESERVE

Under the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net profit until the reserve reaches 10 percent of the registered share capital.

18. DIVIDEND PAID/STATUTORY RESERVE

On 30 April 2004, the Annual General Meeting of the Company's shareholders approved the payment of 800,000 ordinary shares of a dividend of Baht 92 per share, a total of Baht 73.6 million, from the Company's earnings for the year ended 31 December 2003 and for the three-month period ended 31 March 2004, and the appropriation of Baht 4.0 million to the statutory reserve. The Company paid such dividend in May 2004.

19. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

20. CORPORATE INCOME TAX

Corporate income taxes for the years ended 31 December 2004 and 2003 were calculated at the rate of 30 percent on earnings from non-promoted activities after deducting tax loss carried forward and adding back certain expenses which are not deductible for tax computation purposes.

21. GAIN ON DEBT RESTRUCTURING

In June 2004, a subsidiary company entered into a debt restructuring agreement with a bank whereby the bank agreed to extinguish principal of Baht 15.4 million for the subsidiary on the condition that the subsidiary repaid the remaining debt. The subsidiary paid its liabilities under that condition and recognised the gain as a result of the debt being extinguished by the bank as an extraordinary gain in the earnings statements.

22. PROMOTIONAL PRIVILEGES

The Company was granted promotional privileges under the Investment Promotion Act B.E. 2520 for the forging and processing of machined parts. These included exemption from corporate income tax on profits for a period of 8 years from the date of first earning operating income (expired in 2004), and exemption from income tax on dividends paid from the profits of the promoted operations throughout the income tax exemption period.

The Company's total revenues for the years are divided between promoted and non-promoted revenues as follows:

(Unit: Baht)

	2004			2003		
	Promoted activities	Non-promoted activities	Total	Promoted activities	Non-promoted activities	Total
Revenues						
Sales						
- Domestic	488,100,724	241,376,686	729,477,410	376,921,562	162,393,923	539,315,485
- Export	-	20,600,578	20,600,578	-	14,461,046	14,461,046
Other income	346,675,319	93,145,108	439,820,427	-	23,470,226	23,470,226
Total revenues	<u>834,776,043</u>	<u>355,122,372</u>	<u>1,189,898,415</u>	<u>376,921,562</u>	<u>200,325,195</u>	<u>577,246,757</u>

23. EMPLOYEES AND RELATED COSTS

	CONSOLIDATED	THE COMPANY ONLY	
	<u>2004</u>	<u>2004</u>	<u>2003</u>
Number of employees at the end of year	1,230	186	176
Employee costs for the year (Million Baht)	264.4	73.2	68.5

During the year 2004, the Company and its subsidiaries contributed approximately Baht 3.4 million (The Company only: Baht 0.7 million), as included in above employee costs, to the provident fund.

24. COMMITMENTS

As at 31 December 2004, the Company and its subsidiaries have the following commitments:

24.1 Capital commitments of Baht 113.0 million and JPY 800.0 million in respect of construction of plant and machinery.

24.2 Commitments totaling Baht 26.6 million in respect of lease and service agreements.

- 24.3 The Company has entered into a technical assistance agreement with a foreign company covering the machining process, whereby the Company is to pay fees at a rate of 1.5 percent of the cost of the machining process charge for each unit of the products manufactured and sold by the Company. The agreement is for 5 years, expiring in 2005, and can be extended for a further 5 years.
- 24.4 The Company has entered into a technical assistance agreement with another foreign company covering the forging process whereby the Company is to pay fees at rates of 3 percent and 4 percent of the cost of the forging process for each unit manufactured, for domestic sales and export sales, respectively. The agreement is for 5 years, expiring in 2009 and is renewable for a further 5 years.
- 24.5 Bangkok Spring Industrial Company Limited has entered into a technical assistance agreement with a foreign company regarding the manufacture of a product. The agreement is for 6 years, expiring in the year 2008, and the subsidiary's outstanding commitments under such agreement total USD 615,000.
- 24.6 SAT Axle Technology Company Limited has entered into a technical assistance agreement with a foreign company with regard to the machining process, whereby that company is to pay a fee at 1.5 percent of the process charge for each unit of the products manufactured and sold by the company. The agreement is for 5 years, expiring in 2007, and is renewable for a further 5 years.
- 24.7 Somboon Malleable Iron Industrial Company Limited has entered into a technical assistance agreement with a foreign company regarding the process of machining of axles, whereby that company is to pay a fee at 1.5 percent of the process charge for each unit of the products manufactured and sold by the company. The agreement is for 5 years, expiring in the year 2009, and is renewable for a further 5 years.

25. GUARANTEE

As at 31 December 2004, there were outstanding bank guarantees of Baht 0.06 million and Baht 14.86 million issued by a bank on behalf of the Company and its subsidiaries, respectively, in respect of certain performance bonds required in the normal course of the Company's and the subsidiaries' businesses.

26. SUBSEQUENT EVENTS

During the period 20 - 21 January 2005, the Company issued a total of 74 million shares with a par value of Baht 1 each, at the price of Baht 12.90 per share, a total of Baht 954.6 million. The Company registered the resulting change in its paid-up capital to Baht 300 million with the Ministry of Commerce on 26 January 2005.

On 31 January 2005 the Stock Exchange of Thailand approved the listing of the Company's ordinary shares and permitted their trading as from 31 January 2005.

27. FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries operate in the single industry segment of the manufacture and sale of auto parts in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

28. FINANCIAL INSTRUMENTS

28.1 Financial risk management and policies

The Company and its subsidiaries do not hold or issue derivative instruments for speculative or trading purposes.

28.2 Credit Risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable since the majority of sales and services are supplied to a limit number of customers. However, due to those customers' creditworthiness, the Company and its subsidiaries do not anticipate material losses from their debt collection.

28.3 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the operations and cash flows of the Company and its subsidiaries.

As at 31 December 2004, the significant financial assets and liabilities are below classified according to interest rate type:

(Unit: Million Baht)

	CONSOLIDATED			
	Floating	Fixed	No interest	Total
	interest rate	interest rate		
<u>Financial assets</u>				
Deposits with financial institutions	150	-	46	196
<u>Financial liabilities</u>				
Bank overdrafts and short-term loans from financial institutions	45	-	-	45
Trust receipt	-	192	-	192
Long-term loans	-	2,235	-	2,235

(Unit: Million Baht)

	THE COMPANY ONLY			
	Floating	Fixed	No interest	Total
	interest rate	interest rate		
<u>Financial assets</u>				
Deposits with financial institutions	102	-	2	104
Short-term loan to subsidiary	30	-	-	30
Long-term loans to subsidiaries	-	1,823	-	1,823
<u>Financial liabilities</u>				
Trust receipt	-	86	-	86
Long-term loans	-	2,235	-	2,235

The financial instruments carrying interest at fixed rates are classified below, based on the period from the balance sheet date to the contractual repricing date, or the maturity date (whichever is earlier):

	CONSOLIDATED			(Unit: Million Baht)
	Within 1 year	2 - 5 years	Total	Average
				interest rate
				Percent per annum
<u>Financial liabilities</u>				
Trust receipt	192	-	192	4.40
Long - term loans	-	2,235	2,235	4.50

	THE COMPANY ONLY			(Unit: Million Baht)
	Within 1 year	2 - 5 years	Total	Average
				interest rate
				Percent per annum
<u>Financial assets</u>				
Long-term loans to subsidiaries	-	1,823	1,823	4.50
<u>Financial liabilities</u>				
Trust receipt	86	-	86	4.75
Long-term loans	-	2,235	2,235	4.50

28.4 Foreign currency risk

The exposure of the Company and its subsidiaries to foreign currency risk relates primarily to their receivables and payables which are denominated in foreign currencies.

As at 31 December 2004, significant forward exchange contracts outstanding of the Company and its subsidiaries as follows:

(Unit: Thousand)

Foreign currency	CONSOLIDATED		THE COMPANY ONLY	
	Amount bought	Applicable forward purchase rate (Baht per unit of foreign currency)	Amount bought	Applicable forward purchase rate (Baht per unit of foreign currency)
US dollars	2,274	39.26 - 41.35	83	39.45
Yen	38,540	0.38	-	-

Below is a summary of material foreign currency-denominated assets/liabilities of the Company and its subsidiaries which were unhedged as at 31 December 2004. The majority of the liabilities are due within one year:

(Unit: Thousand)

Foreign currency	CONSOLIDATED		THE COMPANY ONLY	
	Assets	Liabilities	Assets	Liabilities
US dollars	4	1,725	-	18
Yen	16,647	229,156	-	-

28.5 Fair value

Since the majority of cash and deposits with financial institutions are short-term, the management believes that the fair value of financial assets of the Company and its subsidiaries do not materially differ from their carrying value.

Interest rate of short-term loans to/from and long-term loans to/from are nearly to market interest rate.

29. PRESENTATION

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, as empowered under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year 2003 have been reclassified to conform to the current year classifications, with no effect on net earnings or shareholders' equity previously reported.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's directors.