

(UNAUDITED BUT REVIEWED)

SOMBOON ADVANCE TECHNOLOGY PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2005 AND 2004

1. GENERAL INFORMATION

1.1 Company information

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.

1.2 Basis for the preparation of interim financial statements

These interim financial statements have been prepared in accordance with Accounting Standard No. 41 "Interim financial statements", with the Company choosing to present condensed interim financial statements. However, additional line items are presented in the balance sheets and the statements of earnings, changes in shareholders' equity, and cash flows, to bring them into line with the full format used in the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.3 Basis of consolidation

These consolidated financial statements include the financial statements of Somboon Advance Technology Public Company Limited (hereinafter referred to as "the Company") and its subsidiaries and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2004.

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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 percentage of the total assets and total revenues of the subsidiaries in relation to the total assets and total revenues as included in the consolidated financial statements for the period ended 30 June 2005 are as follows:

Subsidiaries	Assets as a percentage of the total assets included in the consolidated balance sheet	Revenues as a percentage of the total revenues included in the consolidated statements of earnings
Somboon Malleable Iron Industrial Company Limited	26.3	39.2
Bangkok Spring Industrial Company Limited	34.9	25.5
SAT Axle Technology Company Limited	3.2	0.2

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2004.

2. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as at 30 June 2005 and 31 December 2004 are below classified by aging:

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Trade accounts receivable - related parties				
Not yet due	61,036	89,031	2,380	41,697
Overdue less than 3 months	24,570	19,393	1,214	-
Total	85,606	108,424	3,594	41,697
Trade accounts receivable - other companies				
Not yet due	639,746	581,609	279,086	171,919
Overdue				
Less than 3 months	3,057	6,917	-	15
Over 3 - 12 months	3,308	51	-	-
Over 12 months	2,705	5,056	23	23
Total	648,816	593,633	279,109	171,957
Less: Allowance for doubtful accounts	(4,825)	(4,825)	(23)	(23)
Net trade accounts receivable - other companies	643,991	588,808	279,086	171,934

3. RELATED PARTY TRANSACTIONS

During the periods, 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)

	CONSOLIDATED				Pricing policy
	For the three-month period ended 30 June		For the six-month period ended 30 June		
	2005	2004	2005	2004	
Business transactions with related parties					
Sales of goods and services	52.2	37.7	102.6	37.7	Cost plus margin
Purchases of goods and materials	16.2	12.7	31.3	12.7	Cost plus margin
Facilities expense	0.4	-	0.4	-	Approximates cost

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(Unit: Million Baht)

	THE COMPANY ONLY				Pricing policy
	For the three-month period ended 30 June		For the six-month period ended 30 June		
	2005	2004	2005	2004	
<u>Business transactions with subsidiaries</u>					
(being eliminated from the consolidated financial statements)					
Sales of goods and services	0.1	9.6	0.1	9.6	Cost plus margin of 10 - 15 percent
Sales of materials	-	6.9	-	6.9	Approximates cost
Sales of supplies	4.0	1.0	8.1	1.0	Approximates cost
Interest income	22.1	15.3	42.6	15.3	4.5%, 6% and MLR per annum
Rental income	1.3	0.8	2.5	0.8	Rental fee of Baht 0.4 million per month
Management fee income	22.9	2.1	45.8	2.1	Approximates cost
Purchase of materials	2.9	0.2	2.9	0.2	Approximates cost
Purchases of goods	21.1	8.3	21.1	8.3	Cost plus margin
Facilities expense	6.0	4.1	11.9	4.1	Approximates cost
<u>Business transactions with related parties</u>					
Sales of goods and services	-	6.6	-	21.9	Cost plus margin
Sales of materials	-	2.7	-	10.6	Approximates cost
Sales of supplies	-	0.3	-	1.5	Market prices
Rental income	-	0.4	-	1.5	Rental fee of Baht 0.4 million per month
Management fee income	-	1.0	-	4.1	Approximates cost
Interest income	-	5.1	-	5.1	4.5% per annum
Other income	-	5.6	-	5.6	Approximates cost
Purchases of goods and materials	-	2.2	-	8.3	Cost plus margin
Purchases of spare parts	-	0.1	-	0.4	Cost plus margin
Facilities expense	-	2.0	-	7.8	Approximates cost
Interest expense	-	0.8	-	3.2	4.5% and 6% per annum

(UNAUDITED BUT REVIEWED)

As at 30 June 2005 and 31 December 2004, the Company and its subsidiaries had the following outstanding balances with their related companies:

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
<u>Trade accounts receivable - related parties</u>				
SAT Axle Technology Company Limited	-	-	302	35,471
Somboon Malleable Iron Industrial Company Limited	-	-	14	197
Bangkok Spring Industrial Company Limited	-	-	663	924
Yongkee (1995) Company Limited	84,377	107,417	2,615	5,105
Asahi Tech Metals (Thailand) Company Limited	46	670	-	-
Asahi Somboon Shippo Moulds Company Limited	249	321	-	-
Automotive Product Import and Export Center Company Limited	934	16	-	-
Total	85,606	108,424	3,594	41,697
<u>Short-term loan to a subsidiary</u>				
Bangkok Spring Industrial Company Limited	-	-	20,000	30,000
<u>Long-term loans to subsidiaries</u>				
SAT Axle Technology Company Limited	-	-	27,000	53,000
Somboon Malleable Iron Industrial Company Limited	-	-	990,000	834,000
Bangkok Spring Industrial Company Limited	-	-	978,000	936,000
Total	-	-	1,995,000	1,823,000
<u>Trade accounts payable - related parties</u>				
SAT Axle Technology Company Limited	-	-	16,801	7,715
Somboon Malleable Iron Industrial Company Limited	-	-	79	49
Bangkok Spring Industrial Company Limited	-	-	3,050	3,760
Yongkee (1995) Company Limited	-	32	-	-
Asahi Tech Metals (Thailand) Company Limited	18,137	17,859	-	-
Tsuchiyoshi Somboon Coated Sand Company Limited	81	29	-	-
Total	18,218	17,920	19,930	11,524

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During the current period, the balances of loans to subsidiaries have movements as follows:

(Unit: Thousand Baht)

	THE COMPANY ONLY			30 June 2005
	31 December 2004	Increase	Decrease	
<u>Short-term loan to a subsidiary</u>				
Bangkok Spring Industrial Company Limited	30,000	63,000	(73,000)	20,000
<u>Long-term loans to subsidiaries</u>				
SAT Axle Technology Company Limited	53,000	-	(26,000)	27,000
Somboon Malleable Iron Industrial Company Limited	834,000	200,000	(44,000)	990,000
Bangkok Spring Industrial Company Limited	936,000	73,000	(31,000)	978,000
Total	1,823,000	273,000	(101,000)	1,995,000

The short-term loan to Bangkok Spring Industrial Company Limited, amounting to Baht 20 million as at 30 June 2005, matures on 26 September 2005. The loan carries interest at MOR per annum.

During the period, the Company provided short-term loans of Baht 63 million to Bangkok Spring Industrial Company Limited, adding to the loans previously provided to this company. Later during the period the Company converted Baht 73 million of the short-term loans to Bangkok Spring Industrial Company Limited to a long-term loan. Principal of the new long-term loan is to be repaid in quarterly installments as stipulated in the loan agreement within 5 years, with the first installment due in March 2006 and the loan carries interest at rates of 4.5 percent per annum for the first and second years and then at MLR per annum. Interest is payable on a monthly basis.

During the period, the Company entered into a loan agreement under which it granted a loan facility of Baht 250 million to Somboon Malleable Iron Industrial Company Limited, to be released to that Company in installments. The loan is to be repaid in quarterly installments as stipulated in the loan agreement within 5 years, with the first installment due in June 2006. The loan carries interest at rates of 4.5 percent per annum for the first and second years and then at MLR per annum. Interest is payable on a monthly basis.

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4. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

As at 30 June 2005 and 31 December 2004, investments accounted for under the equity method are as follows:

Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Paid-up share capital	Shareholding percentage Percent	THE COMPANY ONLY			
			Cost method		Equity method	
			30 June 2005	31 December 2004	30 June 2005	31 December 2004
Somboon Malleable Iron Industrial Company Limited	184,000	99.99	79,995	79,995	(106,504)	(205,329)
Bangkok Spring Industrial Company Limited	106,000	99.99	105,989	105,989	264,792	227,008
SAT Axle Technology Company Limited	40,000	99.99	43,000	43,000	112,855	106,243
Total investments in subsidiaries			<u>228,984</u>	<u>228,984</u>	<u>271,143</u>	<u>127,922</u>

Investment in associated company

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding percentage Percent	CONSOLIDATED			
				Cost method		Equity method	
				30 June 2005	31 December 2004	30 June 2005	31 December 2004
<u>Associated company held through</u>							
<u>Somboon Malleable Iron Industrial</u>							
<u>Company Limited</u>							
Tsuchiyoshi Somboon Coated Sand Company Limited	Manufacture and sale of coated sand	72,000	21.25	15,300	15,300	24,872	-
Total investment in associated company				<u>15,300</u>	<u>15,300</u>	<u>24,872</u>	<u>-</u>

The Company recorded its investment in Tsuchiyoshi Somboon Coated Sand Co., Ltd. under the equity method based on financial statements as at 31 March 2005 audited by the auditor of that company.

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5. OTHER LONG-TERM INVESTMENTS

CONSOLIDATED

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding percentage Percent	Investments	
				30 June 2005	31 December 2004
Asahi Tech Metals (Thailand) Company Limited	Manufacture and sale of cast iron parts	331,250	0.66	8,750	8,750
Asahi Somboon Aluminium Company Limited	Manufacture and sale of autoparts	1,030,000	1.41	14,500	14,500
Yamada Somboon Company Limited	Manufacture and sale of autoparts	150,000	19.20	28,799	28,799
Nisshinbo Somboon Automotive Company Limited	Manufacture and sale of autoparts and brake systems	732,600	2.90	21,250	21,250
Somboon Somic Manufacturing Company Limited	Manufacture and sale of autoparts	300,000	1.80	5,400	5,400
Total				78,699	78,699
Less: Allowance for impairment				(18,050)	(18,050)
Long-term investments - net				60,649	60,649

6. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2005 and 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.

7. NON-OPERATING ASSETS

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

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

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

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9. TRUST RECEIPT

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

10. LONG-TERM LOANS

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
Long-term loans are repayable as follows:				
Within one year or less	-	231,088	-	231,088
Between two to five years	997,025	1,045,816	997,025	1,045,816
More than five years	886,860	957,928	886,860	957,928
Total	1,883,885	2,003,744	1,883,885	2,003,744
Total long-term loans	1,883,885	2,234,832	1,883,885	2,234,832

The loans carry interest at a rate of 4.5 percent per annum for a period of 3 years from the date of the first drawdown, and then at the 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 lien on the Company's assets.

The agreement is secured by the mortgage of a majority of the land with premises, condominium units and certain machinery of the Company and its subsidiaries and guaranteed by certain directors of the Company and its subsidiaries.

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11. REGISTERED SHARE CAPITAL

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 a price of Baht 12.9 per share, a total of Baht 954.6 million. This included share premium of Baht 880.6 million, and the expenses of issuing the shares amounting to Baht 29.2 million, was deducted from that share premium. The Company registered the resulting change in its paid-up capital to Baht 300 million with the Ministry of Commerce on 26 January 2005.

12. DEFICIT OFFSET

On 22 April 2005, the Annual General Meeting of the Company's shareholders approved the transfer of Baht 6.2 million from the statutory reserve and Baht 766.8 million from premium on ordinary shares to eliminate the ending deficit of the year 2004 of the Company in the first quarter of the year 2005.

13. CORPORATE INCOME TAX

Corporate income taxes for the six-month periods ended 30 June 2005 and 2004 were calculated on earnings from non-promoted activities of the Company and its subsidiaries after adding back certain expenses which are not deductible for tax computation purposes and deducting tax loss carried forward from previous years.

14. STATEMENTS OF CASH FLOWS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions, and current investments with an original maturity of three months or less and without commitments.

Cash and cash equivalents as reflected in the statements of cash flows consist of the following:

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004
Cash and deposits with financial institutions	291,521	291,910	197,001	148,839
Current investment - bills of exchange	50,000	-	50,000	-
Cash and cash equivalents	<u>341,521</u>	<u>291,910</u>	<u>247,001</u>	<u>148,839</u>

(UNAUDITED BUT REVIEWED)

15. COMMITMENTS

As at 30 June 2005 and 31 December 2004, the Company and its subsidiaries have the following commitments:

- 15.1 Capital commitments of Baht 34.0 million and JPY 489.4 million (31 December 2004: Baht 113.0 million and JPY 800.0 million) in respect of construction of plant and machinery.
- 15.2 Commitments totaling Baht 76.2 million (31 December 2004: Baht 26.6 million) in respect of lease and service agreements.
- 15.3 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 product manufactured and sold by the Company. The agreement is for 5 years, expiring in 2005, and can be extended for a further 5 years.
- 15.4 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 charge 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.
- 15.5 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 525,000 (31 December 2004: USD 615,000).
- 15.6 SAT Axle Technology Company Limited has entered into a technical assistance agreement with a foreign company with regard to a machining process, whereby that company is to pay a fee at 1.5 percent of the process charge for each unit of product manufactured and sold by the company. The agreement is for 5 years, expiring in 2007, and is renewable for a further 5 years.

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15.7 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 product 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.

16. GUARANTEES

As at 30 June 2005, there were outstanding bank guarantees of Baht 1.1 million and Baht 7.5 million (31 December 2004: Baht 0.1 million and Baht 14.9 million, respectively) 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 its subsidiaries' businesses.

17. 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.

18. FOREIGN EXCHANGE FORWARD CONTRACTS

As at 30 June 2005, significant forward exchange contracts outstanding of the Company and its subsidiaries are as follow:

(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	314.6	41.1142 - 41.1182	-	-
Yen	305,864.1	0.373 - 0.374	305,864.1	0.373 - 0.374

(UNAUDITED BUT REVIEWED)

19. RECLASSIFICATION OF ACCOUNTS

Certain amounts in the financial statements for the year 2004 have been reclassified to conform to the current period classifications, with no effect on net earnings or shareholders' equity previously reported.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

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