

(UNAUDITED BUT REVIEWED)

SOMBOON ADVANCE TECHNOLOGY PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2006 AND 2005

1. GENERAL INFORMATION

1.1 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.

1.2 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 2005.

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

As at 10 October 2005, the Company received the transfer of the business operations of SAT Axle Technology Company Limited (a subsidiary). The subsidiary registered its dissolution with the Ministry of Commerce on 27 October 2005 and completed its liquidation on 24 March 2006.

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The percentage of the assets and revenues of the subsidiaries as included in the consolidated financial statements for the three-month period ended 31 March 2006 are as follows:

Subsidiaries	Subsidiaries' assets as a percentage of the total assets included in the consolidated balance sheet	Subsidiaries' revenues as a percentage of the total revenues included in the consolidated statements of earnings
Somboon Malleable Iron Industrial Company Limited	28.8	36.4
Bangkok Spring Industrial Company Limited	33.3	26.4
SAT Axle Technology Company Limited	-	-

1.3 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 2005.

2. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as at 31 March 2006 and 31 December 2005 are below classified by aging:

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
Trade accounts receivable - related parties				
Not yet due	11,804	27,774	5,238	5,889
Overdue less than 3 months	30,536	9,372	-	-
Total	42,340	37,146	5,238	5,889
Trade accounts receivable - other companies				
Not yet due	744,074	681,931	308,222	307,728
Overdue				
Less than 3 months	9,404	8,733	514	-
Over 3 - 12 months	-	26	-	26
Over 12 months	5,504	5,254	26	-
Total	758,982	695,944	308,762	307,754
Less: Allowance for doubtful accounts	(4,724)	(4,781)	-	-
Trade accounts receivable - other companies, net	754,258	691,163	308,762	307,754

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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 periods ended 31 March		
	2006	2005	
<u>Business transactions with related parties</u>			
Sales of goods and services	33.2	50.4	Cost plus margin
Purchases of goods and materials	16.7	15.1	Cost plus margin

(Unit: Million Baht)

	THE COMPANY ONLY		Pricing policy
	For the three-month periods ended 31 March		
	2006	2005	
<u>Business transactions with subsidiaries</u>			
(being eliminated from the consolidated financial statements)			
Sales of materials	1.2	4.1	Approximates cost
Interest income	12.2	20.5	4.5%, 6% and MLR per annum
Rental income	-	1.2	Rental fee of Baht 0.4 million per month
Management fee income	24.4	22.9	Approximates cost
Other income	3.4	-	Approximates cost
Purchases of goods	0.8	-	Cost plus margin
Facilities expense	0.6	5.9	Approximates cost
<u>Business transactions with related parties</u>			
Sales of goods and services	1.1	2.1	Cost plus margin

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As at 31 March 2006 and 31 December 2005, the Company and its subsidiaries had the following outstanding balances with their related parties:

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005
<u>Trade accounts receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	3,150	3,017
Bangkok Spring Industrial Company Limited	-	-	413	501
Yongkee (1995) Company Limited	39,905	35,848	1,675	2,371
Asahi Tech Metals (Thailand) Company Limited	111	180	-	-
Asahi Somboon Shippo Moulds Company Limited	142	198	-	-
Automotive Product Import and Export Center Company Limited	2,182	920	-	-
Total	42,340	37,146	5,238	5,889
<u>Others receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	40	40
Bangkok Spring Industrial Company Limited	-	-	40	40
Somboon Somic Manufacturing Company Limited	-	73	-	73
Total	-	73	80	153
<u>Short-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	28,000	28,000
Bangkok Spring Industrial Company Limited	-	-	20,000	20,000
Total	-	-	48,000	48,000
<u>Long-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	527,761	557,000
Bangkok Spring Industrial Company Limited	-	-	483,000	503,000
Total	-	-	1,010,761	1,060,000

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(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	31 March	31 December	31 March	31 December
	2006	2005	2006	2005
<u>Trade accounts payable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	109	136
Bangkok Spring Industrial Company Limited	-	-	461	931
Asahi Tech Metals (Thailand) Company Limited	17,862	26,312	-	-
Asahi Tech Aluminium (Thailand) Company Limited	165	433	-	-
Tsuchiyoshi Somboon Coated Sand Company Limited	41	28	-	-
Total	18,068	26,773	570	1,067
<u>Other payable - related party</u>				
Bangkok Spring Industrial Company Limited	-	-	793	-
<u>Short-term loan from subsidiary company</u>				
SAT Axle Technology Company Limited	-	-	-	95,519

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

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	31 December	Increase	Decrease	31 March
	2005			2006
<u>Short-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	28,000	28,000	(28,000)	28,000
Bangkok Spring Industrial Company Limited	20,000	20,000	(20,000)	20,000
Total	48,000	48,000	(48,000)	48,000
<u>Long-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	557,000	-	(29,239)	527,761
Bangkok Spring Industrial Company Limited	503,000	-	(20,000)	483,000
Total	1,060,000	-	(49,239)	1,010,761

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Short-term loan to Somboon Malleable Iron Industrial Company Limited amounted to Baht 28 million as at 31 March 2006 and matures on 10 April 2006. The loan carries interest at MLR-1 per annum.

Short-term loan to Bangkok Spring Industrial Company Limited amounted to Baht 20 million as at 31 March 2006 and matures on 23 June 2006. The loan carries interest at MOR per annum.

Baht 491 million of the long-term loans to Somboon Malleable Iron Industrial Company Limited outstanding as at 31 March 2006 are to be repaid on a quarterly basis from June 2004 to December 2011. This loan carries interest at a rate of 4.5 percent per annum for a period of 3 years and subsequently at MLR per annum, payable on a monthly basis. Another Baht 37 million long-term loan to this company is to be repaid in quarterly installments as stipulated in the loan agreement within 3 years, with the first installment due in March 2006, and carries interest at a rate of MLR-1 percent per annum.

Long-term loans to Bangkok Spring Industrial Company Limited are to be repaid on a quarterly basis, from June 2004 to March 2012. The loans carry interest at a rate of 4.5 percent per annum for a period of 3 years and subsequently at MLR per annum. Interest is payable on a monthly basis.

4. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

As at 31 March 2006 and 31 December 2005, investments accounted for under the equity method are as follows:

Investments in subsidiary companies

(Unit: Thousand Baht)

Company's name	Paid-up		THE COMPANY ONLY			
	share capital		Cost method		Equity method	
	31 March 2006	31 December 2005	31 March 2006	31 December 2005	31 March 2006	31 December 2005
	(Million Baht)	(Million Baht)				
Somboon Malleable Iron Industrial Company Limited	160	640	535,995	535,995	432,750	405,532
Bangkok Spring Industrial Company Limited	130	520	519,989	519,989	710,700	702,312
SAT Axle Technology Company Limited	-	40	-	43,000	-	95,519
Total investments in subsidiaries			<u>1,055,984</u>	<u>1,098,984</u>	<u>1,143,450</u>	<u>1,203,363</u>

(UNAUDITED BUT REVIEWED)

On 17 October 2005, the Extraordinary Meeting of the shareholders of Somboon Malleable Iron Industrial Company Limited, passed a special resolution to increase its registered share capital from Baht 184 million to Baht 640 million through the issue of additional 456,000 shares with a par value of Baht 1,000 each. The new shares were to be allocated to the Company and the funds raised to be used to make loan repayment to the Company. The subsidiary registered the increase in its share capital with the Ministry of Commerce on 21 October 2005. The meeting of shareholders also passed a resolution to reduce the registered share capital from Baht 640 million to Baht 160 million by changing the par value of its ordinary shares, from Baht 1,000 per share to Baht 250 per share. The Baht 480 million reduction in share capital is to be offset against the subsidiary's deficit. The subsidiary registered the reduction in its share capital with the Ministry of Commerce on 2 March 2006.

On 17 October 2005, the Extraordinary Meeting of the shareholders of Bangkok Spring Industrial Company Limited, passed a special resolution to increase its registered share capital from Baht 106 million to Baht 520 million through the issue of additional 414,000 shares with a par value of Baht 1,000 each. The new shares were to be allocated to the Company and the funds raised to be used to make loan repayment to the Company. The subsidiary registered the increase in its share capital with the Ministry of Commerce on 21 October 2005. The meeting of shareholders also passed a resolution to reduce the registered share capital from Baht 520 million to Baht 130 million by changing the par value of its ordinary shares, from Baht 1,000 per share to Baht 250 per share. The Baht 390 million reduction in share capital is to be offset against the subsidiary's deficit. The subsidiary registered the reduction in its share capital with the Ministry of Commerce on 2 March 2006.

On 26 October 2005, the Extraordinary Meeting of the shareholders of SAT Axle Technology Company Limited passed a special resolution to dissolve the company. The subsidiary registered its dissolution with the Ministry of Commerce on 27 October 2005 and completed its liquidation on 24 March 2006.

(UNAUDITED BUT REVIEWED)

Investment in associated company

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding percentage Percent	CONSOLIDATED			
				Cost method		Equity method	
				31 March 2006	31 December 2005	31 March 2006	31 December 2005
<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	15,300	21,812	21,812
Total investment in associated company				15,300	15,300	21,812	21,812

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

5. OTHER LONG-TERM INVESTMENTS**CONSOLIDATED**

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding percentage Percent	Investments	
				31 March 2006	31 December 2005
				Asahi Tech Metals (Thailand) Company Limited	Manufacture and sale of cast iron parts
Asahi Tech Aluminium (Thailand) Company Limited	Manufacture and sale of autoparts	1,480,000	0.98	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				(15,340)	(15,340)
Long-term investments - net				63,359	63,359

(UNAUDITED BUT REVIEWED)

6. PROPERTY, PLANT AND EQUIPMENT

As at 31 March 2006 and 31 December 2005, 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 of its subsidiaries 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.

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	
	31 March 2006	31 December 2005
Long-term loans are repayable as follows:		
Within one year or less	184,173	123,990
Between two to five years	1,111,336	1,098,106
More than five years	585,887	660,508
Total	1,697,223	1,758,614
Total long-term loans	1,881,396	1,882,604

(UNAUDITED BUT REVIEWED)

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 which must be complied with while utilizing the credit facility, pertaining to matters such as that investment or granting of loans requires prior approval from the bank, the creation of lien, and the maintenance of the interest bearing debt to equity ratio stipulated by the bank.

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

11. PROMOTIONAL PRIVILEGES

Revenues from sales of the promoted operation for the three-month period ended 31 March 2006 totalled Baht 178.8 million.

12. CORPORATE INCOME TAX

Corporate income tax for the three-month period ended 31 March 2006 has been calculated at rates of 25 percent (2005: 30 percent) on net earnings of the Company from non-promoted activities and 30 percent on net earnings of its subsidiary companies, after adding back certain provisions and expenses which are disallowed for tax computation purposes.

13. 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.

(UNAUDITED BUT REVIEWED)

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

(Unit: Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
Cash and deposits with financial institutions	218,478	290,062	97,165	157,843
Current investments - bills of exchange	70,000	200,000	70,000	200,000
Cash and cash equivalents	<u>288,478</u>	<u>490,062</u>	<u>167,165</u>	<u>357,843</u>

14. COMMITMENTS

As at 31 March 2006 and 31 December 2005, the Company and its subsidiaries have the following commitments:

- 14.1 Capital commitments of Baht 114.1 million and JPY 87.2 million (31 December 2005: Baht 115.1 million, JPY 390.6 million and USD 0.4 million) in respect of land acquisition, construction of plant and purchase of machinery.
- 14.2 Commitments totaling Baht 116.8 million (31 December 2005: Baht 125.2 million) in respect of lease and service agreements.
- 14.3 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 2010, and can be extended for a further 5 years.
- 14.4 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 conversion 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.

(UNAUDITED BUT REVIEWED)

14.5 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 390,000 (31 December 2005: USD 450,000).

14.6 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.

15. GUARANTEES

As at 31 March 2006, there were outstanding bank guarantees of Baht 2.4 million and Baht 12.5 million (31 December 2005: Baht 2.4 million and Baht 14.8 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.

16. 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.

17. 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.

(UNAUDITED BUT REVIEWED)

As at 31 March 2006, 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)
USD	1,411	38.805 - 41.039	7	40.625

Below is a summary of material foreign currency-denominated assets/liabilities of the Company and its subsidiaries which were unhedged as at 31 March 2006. The majority of the liabilities are due within one year:

(Unit: Thousand)

Foreign currency	CONSOLIDATED		THE COMPANY ONLY	
	Assets	Liabilities	Assets	Liabilities
USD	126	3,526	-	62
YEN	14,990	53,688	-	31,892

18. SUBSEQUENT EVENTS

18.1 On 24 April 2006, the Annual General Meeting of shareholders passed a resolution to pay a dividend of Baht 0.45 per share from the 2005 earnings, to the holders of the 300 million shares. The Company has already paid an interim dividend to the shareholders and so a dividend of Baht 0.25 per share, or a total of Baht 75 million, remains to be paid. The Company will pay this dividend on 19 May 2006.

18.2 In April 2006, Bangkok Spring Industrial Company Limited (a subsidiary) acquired an additional 12,000 shares in Yamada Somboon Company Limited, valued at Baht 2 million. Following this acquisition its holding in this company has increased to 20 percent.

(UNAUDITED BUT REVIEWED)

18.3 In April 2006, some machinery at the factory of Somboon Malleable Iron Industrial Company Limited (a subsidiary) was burned by fire. The total net book value of the damaged assets is approximately Baht 3 million and the subsidiary is in the process of claiming compensation under its insurance policy. The Company's management expect the compensation paid to be sufficient to cover the damages.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Board of Directors on 11 May 2006.