

(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 2007 AND 2006

1. CORPORATE INFORMATION

Somboon Advance Technology Public Company Limited (hereinafter referred to as “the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Somboon Holding Company Limited, incorporated as a limited company under Thai laws. The Company operates in Thailand and is principally engaged in 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.

2. BASIS FOR THE PREPARATION OF INTERIM FINANCIAL STATEMENTS

These interim financial statements are prepared in accordance with Accounting Standard No. 41 “Interim financial statements”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, and the statements of income, changes in shareholders’ equity, and cash flows in the same format as that used for 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.

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 2006, except for the change in the accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, as described in Note 4.

(UNAUDITED BUT REVIEWED)

3. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Company and the following subsidiary companies, and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2006.

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

The percentages of the assets and revenues of the subsidiaries as included in the consolidated financial statements for the three-month period ended 31 March 2007 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 statement of income
Somboon Malleable Iron Industrial Company Limited	30.74	38.91
Bangkok Spring Industrial Company Limited	32.51	25.73

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES IN THE SEPARATE FINANCIAL STATEMENTS

During the current period, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Notification No. 26/2549 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), issued by the Federation of Accounting Professions, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method.

(UNAUDITED BUT REVIEWED)

In this regard, the Company has restated the previous period's separate financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The effects of the change to the separate income statements for the three-month periods ended 31 March 2007 and 2006 are to decrease net income by Baht 70.5 million (Baht 0.23 per share) and to increase net income by Baht 8.8 million (Baht 0.03 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiaries" in the separate statements of changes in shareholders' equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the Company's separate financial statements, with no effect to the consolidated financial statements.

5. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 March 2007 and 31 December 2006 are aged, based on due date, as follows:

(Unit: Thousand Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
Trade accounts receivable - related parties				
Not yet due	57,563	29,297	3,782	2,811
Overdue less than 3 months	-	32,754	-	-
Total	57,563	62,051	3,782	2,811
Trade accounts receivable - unrelated parties				
Not yet due	821,772	711,616	329,214	299,981
Overdue				
Less than 3 months	6,007	8,829	2,371	3,530
Over 3 months but not over 12 months	883	2,036	4	-
Over 12 months	4,724	4,724	-	-
Total	833,386	727,205	331,589	303,511
Less: Allowance for doubtful accounts	(4,724)	(4,724)	-	-
Net	828,662	722,481	331,589	303,511

(UNAUDITED BUT REVIEWED)

6. ALLOWANCE FOR DIMINUTION IN VALUE OF INVENTORY

Movements in the allowance for diminution in value of inventory account during the three-month period ended 31 March 2007 are summarised below.

(Unit: Thousand Baht)

	CONSOLIDATED FINANCIAL STATEMENTS	SEPARATE FINANCIAL STATEMENTS
Balance as at 1 January 2007	5,306	1,019
Add: Allowance made during the period	2,282	348
Balance as at 31 March 2007	7,588	1,367

7. RELATED PARTY TRANSACTIONS

During the periods, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon between the Company and those companies. Below is a summary of those transactions.

(Unit: Million Baht)

	CONSOLIDATED FINANCIAL STATEMENTS	
	For the three-month periods ended 31 March	Pricing policy
	2007	2006
<u>Business transactions with related parties</u>		
Sales of goods	37.5	33.2
		Cost plus a margin of 10-20%
Purchases of goods and materials	-	16.7
		Market prices

(UNAUDITED BUT REVIEWED)

(Unit: Million Baht)

	SEPARATE FINANCIAL STATEMENTS		
	For the three-month periods ended 31 March		Pricing policy
	2007	2006	
<u>Business transactions with subsidiaries</u>			
(being eliminated from the consolidated financial statements)			
Interest income	12.3	12.2	4.5%, MOR, and MLR- 1.25% per annum
Management fee income	25.0	24.4	Approximates cost
Facilities income	3.4	3.1	Approximates cost
Purchases of goods	1.6	0.8	Cost plus an average margin of 6%
Facilities expense	0.6	0.6	Approximates cost
<u>Business transactions with related parties</u>			
Sales of goods	2.6	1.1	Cost plus a margin of 10-20%

As at 31 March 2007 and 31 December 2006, the Company and its subsidiaries had the following outstanding balances with their related parties:

	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
<u>Trade accounts receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	773	808
Bangkok Spring Industrial Company Limited	-	-	4	3
Yongkee (1995) Company Limited	56,875	61,944	3,005	2,000
Automotive Product Import and Export Center Company Limited	688	107	-	-
Total	57,563	62,051	3,782	2,811

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED		SEPARATE	
	FINANCIAL STATEMENTS		FINANCIAL STATEMENTS	
	31 March 2007	31 December 2006	31 March 2007	31 December 2006
<u>Others receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	3,123	3,230
Bangkok Spring Industrial Company Limited	-	-	11,496	15,643
Total	-	-	14,619	18,873
<u>Short-term loans to subsidiary company</u>				
Bangkok Spring Industrial Company Limited	-	-	37,000	43,000
Total	-	-	37,000	43,000
<u>Long-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	572,761	498,511
Bangkok Spring Industrial Company Limited	-	-	458,000	463,000
Total	-	-	1,030,761	961,511
<u>Trade accounts payable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	-	108
Bangkok Spring Industrial Company Limited	-	-	1,689	1,250
Tsuchiyoshi Somboon Coated Sand Company Limited	-	25	-	-
Total	-	25	1,689	1,358
<u>Others payable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	22	-
Bangkok Spring Industrial Company Limited	-	-	557	-
Total	-	-	579	-

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

(Unit: Thousand Baht)

	SEPARATE FINANCIAL STATEMENTS			
	31 December			31 March
	2006	Increase	Decrease	2007
<u>Short-term loans to subsidiary companies</u>				
Bangkok Spring Industrial Company Limited	43,000	37,000	(43,000)	37,000
Total	43,000	37,000	(43,000)	37,000

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	SEPARATE FINANCIAL STATEMENTS			
	31 December			31 March
	2006	Increase	Decrease	2007
<u>Long-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial				
Company Limited	498,511	108,000	(33,750)	572,761
Bangkok Spring Industrial Company Limited	463,000	-	(5,000)	458,000
Total	961,511	108,000	(38,750)	1,030,761

During the three-month period ended 31 March 2007, the Company granted new loans to subsidiaries. Details of the new loans are as follows: -

- a) A short-term loan to Bangkok Spring Industrial Company Limited, with a balance of Baht 17 million as at 31 March 2007, maturing on 25 April 2007 and carrying interest at MLR-1.25% per annum.
- b) A short-term loan to Bangkok Spring Industrial Company Limited, with a balance of Baht 20 million as at 31 March 2007, maturing on 25 June 2007 and carrying interest at MOR per annum.
- c) An additional draw down of Baht 108 million during the period on a long-term loan of Baht 174 million granted to Somboon Malleable Iron Industrial Company Limited during 2006. As at 31 March 2007, the outstanding balance of this long-term loan was Baht 130 million, which is to be repaid in monthly installments of stipulated amounts within 5 years and carries interest at a rate of MLR-1.25% per annum.

During the period, the Company agreed to extend the term of the long-term loan to Bangkok Spring Industrial Company Limited by 6 months.

(UNAUDITED BUT REVIEWED)

8. INVESTMENTS IN SUBSIDIARY COMPANIES

(Unit: Thousand Baht)

Company's name	Paid-up share capital		SEPARATE FINANCIAL STATEMENTS	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
Somboon Malleable Iron Industrial Company Limited	160,000	160,000	535,995	535,995
Bangkok Spring Industrial Company Limited	130,000	130,000	519,989	519,989
Total investments in subsidiaries			<u>1,055,984</u>	<u>1,055,984</u>

9. INVESTMENTS IN ASSOCIATED COMPANIES

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding percentage		CONSOLIDATED FINANCIAL STATEMENTS			
			percentage		Cost method		Equity method	
			31 March	31 December	31 March	31 December	31 March	31 December
			2007	2006	2007	2006	2007	2006
			Percent	Percent				
<u>Associated company held through Somboon</u>								
<u>Malleable Iron Industrial Company Limited</u>								
Tsuchiyoshi Somboon Coated Sand Company Limited	Manufacture and sale of coated sand	72,000	21.25	21.25	15,300	15,300	27,584	27,584
<u>Associated company held through</u>								
<u>Bangkok Spring Industrial Company Limited</u>								
Yamada Somboon Company Limited	Manufacture and sale of autoparts	150,000	20.00	20.00	30,807	30,807	50,922	50,624
Total investment in associated companies					<u>46,107</u>	<u>46,107</u>	<u>78,506</u>	<u>78,208</u>

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 the subsidiary's holding in this company has increased to 20 percent, making it an associated company. The subsidiary retroactively adjusted the carrying value of its investment in that company after it met the criteria for application of the equity method of accounting. The effect of this adjustment was to increase net income for the three-month period ended 31 March 2006 by amount of Baht 0.3 million in the consolidated statement of income. The cumulative effect of the accounting change up to the beginning of the year 2006 is presented under the heading of "Adjustment for change in policy on accounting for investment from cost method to equity method due to change of status to associated company" in the consolidated statement of changes in shareholders' equity.

(UNAUDITED BUT REVIEWED)

The Baht 27.6 million value of investment in Tsuchiyoshi Somboon Coated Sand Company Limited accounted for under the equity method, were calculated based on audited financial statements of that company for the year ended 31 March 2006 and unaudited financial statements of that company for the nine-month period ended 31 December 2006 prepared by its management.

The Baht 50.9 million value of investment in Yamada Somboon Company Limited and the Baht 0.3 million value of share of profit of that company, accounted for under the equity method were calculated based on audited financial statements of that company for the year ended 31 December 2006.

10. OTHER LONG-TERM INVESTMENTS

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding				CONSOLIDATED FINANCIAL STATEMENTS	
			percentage		31 March 2007	31 December 2005	31 March 2007	31 December 2005
			31 March 2007	31 December 2006				
			Percent	Percent				
Nisshinbo Somboon Automotive Company Limited	Manufacture and sale of autoparts and brake systems	732,600	2.90	2.90	21,250	21,250		
Somboon Somic Manufacturing Company Limited	Manufacture and sale of autoparts	300,000	1.80	1.80	5,400	5,400		
Total					26,650	26,650		

11. PROPERTY, PLANT AND EQUIPMENT

(Unit: Thousand Baht)

	CONSOLIDATED FINANCIAL STATEMENTS	SEPARATE FINANCIAL STATEMENTS
At cost/at revaluation		
31 December 2006	4,045,026	1,452,190
Acquisitions	114,788	11,869
Disposal/written-off	(150)	-
31 March 2007	4,159,664	1,464,059

(UNAUDITED BUT REVIEWED)

(Unit: Thousand Baht)

	CONSOLIDATED FINANCIAL STATEMENTS	SEPARATE FINANCIAL STATEMENTS
Accumulated depreciation		
31 December 2006	1,171,848	347,243
Depreciation for the period	62,690	32,927
Depreciation of revaluation surplus	10,269	2,747
31 March 2007	1,244,807	382,917
Net book value		
31 December 2006	2,873,178	1,104,947
31 March 2007	2,914,857	1,081,142

During the period, a subsidiary capitalised borrowing cost amounted to Baht 1.4 million as part of the cost of its new factory. The borrowing costs are the cost of loans obtained specifically for use in the building construction.

The Company and its subsidiaries have mortgaged a majority of their land with structures thereon and machinery as collateral for credit facilities granted by a commercial bank.

The Company and its subsidiaries calculate depreciation to be charged to the income statements based on the historical costs of the assets. However, had the depreciation charge been calculated based on the revalued amounts, net income for the three-month periods ended 31 March 2007 and 2006, and earnings per share would have been changed to the following:

	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net income (Million Baht)	10.3	10.6	2.7	2.9
Basic earnings per share (Baht per share)	0.03	0.03	0.01	0.01

12. 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.

(UNAUDITED BUT REVIEWED)

13. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTION

The bank overdrafts are secured by the mortgage of majority of the Company and its subsidiary's land with premises and part of their machinery and guaranteed by certain directors of the Company and its subsidiaries. Short-term loans from bank are secured by the pledge of inventories of a subsidiary.

14. LONG-TERM LOANS

(Unit: Thousand Baht)

	CONSOLIDATED FINANCIAL STATEMENTS / SEPARATE FINANCIAL STATEMENTS	
	31 March 2007	31 December 2006
Long-term loans are repayable as follows:		
Within one year or less	308,094	297,899
Between two and five years	1,586,129	1,558,715
Total long-term loans	1,894,223	1,856,614

15. PROMOTIONAL PRIVILEGES

Revenues from sales of the promoted operation for the three-month period ended 31 March 2007 totaled Baht 222 million.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

(Unit: Thousand Baht)

	CONSOLIDATED FINANCIAL STATEMENTS		SEPARATE FINANCIAL STATEMENTS	
	31 March 2007	31 March 2006	31 March 2007	31 March 2006
Cash and deposits with financial institutions	313,154	218,478	183,412	97,165
Current investments - bills of exchange	-	70,000	-	70,000
Cash and cash equivalents	313,154	288,478	183,412	167,165

(UNAUDITED BUT REVIEWED)

17. COMMITMENTS

As at 31 March 2007 and 31 December 2006, the Company and its subsidiaries have the following commitments:

17.1 Capital commitments of Baht 62.4 million and JPY 13.8 million (31 December 2006: Baht 71.5 million, JPY 141.9 million) in respect of land acquisition, construction of plant and purchase of machinery.

17.2 The Company and subsidiaries had the following outstanding commitments in respect of lease and service agreements.

	<u>Million Baht</u>
Payable within:	
1 year	34
2 to 5 years	34
Thereafter	6

17.3 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.

17.4 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 a rate of 3 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.

17.5 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 210,000 (31 December 2006: USD 255,000).

(UNAUDITED BUT REVIEWED)

17.6 Somboon Malleable Iron Industrial Company Limited has entered into a technical assistance agreement with a foreign company regarding the process of machining, 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.

18. GUARANTEES

As at 31 March 2007, there were outstanding bank guarantees of Baht 8.6 million and Baht 13.4 million, respectively (31 December 2006: Baht 2.4 million and Baht 13.4 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.

19. 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.

20. 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 2007, significant outstanding forward exchange contracts of the Company and its subsidiaries maturing during the months of April and June , are as follows:

(Unit: Thousand)

Foreign currency	CONSOLIDATED FINANCIAL		SEPARATE FINANCIAL	
	STATEMENTS		STATEMENTS	
	Amount	Applicable forward	Amount	Applicable forward
	bought	purchase rate	bought	purchase rate
		(Baht per unit of foreign currency)		(Baht per unit of foreign currency)
USD	483	35.03 - 35.80	-	-

Below is a summary of material foreign currency-denominated assets/liabilities of the Company and its subsidiaries which were unhedged as at 31 March 2007. (The majority of the liabilities are due within one year).

(Unit: Thousand)

Foreign currency	CONSOLIDATED FINANCIAL		SEPARATE FINANCIAL	
	STATEMENTS		STATEMENTS	
	Assets	Liabilities	Assets	Liabilities
USD	118	1,313	68	177
JPY	28,255	47,987	-	17,559

21. SUBSEQUENT EVENTS

On 24 April 2007, the Annual General Meeting of shareholders passed a resolution to pay a dividend of Baht 0.50 per share from the 2006 income, 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 0.30 per share, or a total of Baht 90 million, remains to be paid. The Company will pay this dividend on 21 May 2007.

(UNAUDITED BUT REVIEWED)

22. RECLASSIFICATION OF ACCOUNTS

In addition to the change in accounting policy as mentioned in Note 4, which affects the previously reported net income and shareholders' equity, certain other amounts in the financial statements for the prior period have been reclassified to conform to the current period's classification, but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were authorised for issue by the Board of Directors on 14 May 2007.