

**Somboon Advance Technology Public Company Limited
and its subsidiaries**

Notes to interim consolidated financial statements

For the three-month period ended 31 March 2008

1. Corporate information

Somboon Advance Technology Public Company Limited (“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 (revised 2007) “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.

3. Accounting Standards which are effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements

(Unaudited but reviewed)

TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards became effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that TAS 49 is not relevant to the business of the Company, whereas TAS 25, TAS 29, TAS 31, TAS 33, TAS 35, TAS 39, TAS 41, and TAS 51 do not have any significant impact on the financial statements for the current period. The following accounting standard has an impact to the financial statements for the current period.

TAS 43 (revised 2007) “Business Combinations”

TAS 43 (revised 2007) does not require the amortisation of goodwill acquired in a business combination. Such goodwill is instead to be tested for impairment, and measured at cost less accumulated impairment losses. This accounting standard applies to goodwill arising from business combinations for which the agreement date is on or after 1 January 2008. Previously recognised goodwill can be accounted for prospectively, with the Company discontinuing the amortisation of the goodwill and instead testing for impairment, as from the beginning of the first fiscal year starting on or after 1 January 2008.

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 2007, except for the following change in the accounting policy.

Goodwill on business combination

Goodwill on business combination is presented in the balance sheet at cost less accumulated impairment loss.

(Unaudited but reviewed)

5. 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 2007.

Subsidiaries	Percentage of shareholding	Principal activities
Somboon Malleable Iron Industrial Company Limited	100	Manufacture and sale of autoparts
Bangkok Spring Industrial Company Limited	100	Manufacture and sale of autoparts
International Casting Product Company Limited	100	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 2008 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	28	38
Bangkok Spring Industrial Company Limited	31	27
International Casting Product Company Limited	10	-

6. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 March 2008 and 31 December 2007 are aged, based on due date, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
Trade accounts receivable - related parties				
Not yet due	24,307	39,866	3,376	2,725
Overdue less than 3 months	20,173	10,207	-	-
Over 3 months but not over 12 months	217	-	-	-
Total	<u>44,697</u>	<u>50,073</u>	<u>3,376</u>	<u>2,725</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
Trade accounts receivable - unrelated parties				
Not yet due	916,927	843,266	383,811	365,272
Overdue				
Less than 3 months	4,265	3,940	-	-
Over 3 months but not over 12 months	948	56	-	-
Over 12 months	4,724	4,724	-	-
Total	926,864	851,986	383,811	365,272
Less: Allowance for doubtful accounts	(4,724)	(4,724)	-	-
Net	922,140	847,262	383,811	365,272

7. 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 2008 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2008	9,810	3,796
Add: Allowance made during the period	1,983	634
Balance as at 31 March 2008	11,793	4,430

8. 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.

(Unaudited but reviewed)

(Unit: Million Baht)

	<u>Consolidated financial statements</u>		<u>Pricing policy</u>
	For the three-month		
	periods ended 31 March		
	<u>2008</u>	<u>2007</u>	
<u>Business transactions with related parties</u>			
Sales of goods	33.3	37.5	Cost plus a margin of 15-25%
			(Unit: Million Baht)
	<u>Separate financial statements</u>		<u>Pricing policy</u>
	For the three-month		
	periods ended 31 March		
	<u>2008</u>	<u>2007</u>	
<u>Business transactions with subsidiaries</u>			
Interest income	11.6	12.3	4.5%, MOR, MLR-1%, MLR-1.25% and MLR - 1.75% per annum
Sales of scrap	2.5	-	Market price
Management fee income	29.0	25.0	Approximates cost
Facilities income	3.6	3.4	Approximates cost
Purchases of goods	0.6	1.6	Cost plus an average margin of 15-30%
Facilities expense	0.5	0.5	Approximates cost
<u>Business transactions with related parties</u>			
Sales of goods	2.5	2.6	Cost plus an average margin of 30%

As at 31 March 2008 and 31 December 2007, the Company and its subsidiaries had the following outstanding balances with their related parties:

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	31 March	31 December	31 March	31 December
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Trade accounts receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	839	808
Yongkee (1995) Company Limited	43,837	48,013	2,537	1,917
Automotive Product Import and Export Center Company Limited	860	2,060	-	-
Total	<u>44,697</u>	<u>50,073</u>	<u>3,376</u>	<u>2,725</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2008	2007	2008	2007
<u>Others receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	2,839	2,866
Bangkok Spring Industrial Company Limited	-	-	495	762
International Casting Products Company Limited	-	-	928	671
Yongkee (1995) Company Limited	193	-	-	-
Yamada Somboon Company Limited	4,263	-	-	-
Total	4,456	-	4,262	4,299
<u>Long-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	440,181	478,056
Bangkok Spring Industrial Company Limited	-	-	363,000	383,000
Total	-	-	803,181	861,056
<u>Trade accounts payable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	-	17
Bangkok Spring Industrial Company Limited	-	-	461	801
Total	-	-	461	818
<u>Others payable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	18	11
Bangkok Spring Industrial Company Limited	-	-	508	629
Total	-	-	526	640

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
	2007	Decrease	2008
<u>Long-term loans to subsidiary companies</u>			
Somboon Malleable Iron Industrial Company Limited	478,056	(37,875)	440,181
Bangkok Spring Industrial Company Limited	383,000	(20,000)	363,000
Total	861,056	(57,875)	803,181

(Unaudited but reviewed)

9. 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
	2008	2007	2008	2007
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
International Casting Products				
Company Limited	185,000	185,000	196,034	196,034
Total investments in subsidiaries			1,252,018	1,252,018

10. Investments in associated companies

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Paid-up share capital	Shareholding percentage	Consolidated financial statements			
					Cost		Carrying amounts based on equity method	
					31 March 2008	31 December 2007	31 March 2008	31 December 2007
<u>Associated company held through Somboon Malleable Iron Industrial Company Limited</u>								
Tsuchiyoshi Somboon Coated Sand Company Limited	Manufacture and sale of coated sand	Thai	72,000	21.25	15,300	15,300	27,440	27,440
<u>Associated company held through Bangkok Spring Industrial Company Limited</u>								
Yamada Somboon Company Limited	Manufacture and sale of autoparts	Thai	150,000	20.00	30,807	30,807	69,060	65,026
Total investment in associated companies					46,107	46,107	96,500	92,466

The investment in Tsuchiyoshi Somboon Coated Sand Company Limited, accounted for under the equity method, was calculated based on audited financial statements of that company for the year ended 31 March 2007 and unaudited/unreviewed financial statements of the company for the nine-month period ended 31 December 2007 prepared by its management.

The investment in Yamada Somboon Company Limited, accounted for under the equity method was calculated based on unaudited/unreviewed financial statements of the Company for the three-month period ended 31 March 2008 prepared by its management.

(Unaudited but reviewed)

11. Other long-term investments

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding	Consolidated	
			percentage	financial statements	
			Percent	31 March 2008	31 December 2007
Nisshinbo Somboon Automotive Company Limited	Manufacture and sale of autoparts and brake systems	732,600	2.90	21,250	21,250
Somboon Manufacturing Company Limited	Somic Manufacture and sale of autoparts	300,000	1.80	5,400	5,400
Total				26,650	26,650

12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
At cost/at revaluation		
31 December 2007	4,962, 629	1,52 9,17 4
Acquisitions	86,53 7	10,3 29
Disposal	(15,57 8)	-
Adjustment/written-off	(18,35 7)	1,63 1
31 March 2008	5,015, 231	1,54 1,13 4
Accumulated depreciation		
31 December 2007	1,476, 757	487, 862
Depreciation for the period	84,79 2	35,6 15
Depreciation of revaluation surplus	10,30 3	2,82 8
Depreciation of disposal	(9,228)	-

Depreciation of adjustment/written-off	(5,709	1,63
)	1
31 March 2008	<u>1,556,</u>	<u>527,</u>
	<u>915</u>	<u>936</u>
Net book value		
31 December 2007	3,485,	1,04
	<u>872</u>	1,31
		<u>2</u>
31 March 2008	3,458,	1,01
	<u>316</u>	3,19
		<u>8</u>

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

(Unaudited but reviewed)

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 2008 and 2007, and earnings per share would have been changed to the following:

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income (Million Baht)	169.2	122.7	93.3	59.8
Basic earnings per share (Baht per share)	0.56	0.41	0.31	0.20

13. Non-operating assets

Land title deeds of its subsidiaries have been placed as collateral for credit facilities of the Company.

14. Intangible assets

(Unit: Thousand Baht)

	Consolidated	Separate financial
	financial statements	statements
	<u>Computer software</u>	<u>Computer software</u>
Net book value as at 1 January 2008	4,708	1,577
Acquisition	207	207
Amortisation	(579)	(97)
Net	<u>4,336</u>	<u>1,687</u>

15. Bank overdrafts and short-term loans from financial institution

The bank overdrafts are secured by the mortgage of majority of the Company's and its two subsidiaries' land with premises and part of their machinery. Short-term loans from financial institution are secured by the mortgage of the majority of a subsidiary's land with premises and machinery.

(Unaudited but reviewed)

16. Short-term loans from financial institution - trust receipts

Trust receipts are secured by the pledge of inventories of a subsidiary, and the mortgage of majority of the Company's and its two subsidiaries' land with premises and part of their machinery.

17. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
Long-term loans are repayable as follows				
Within one year or less	436,546	420,183	335,236	332,013
Between two and five years	1,560,203	1,616,167	1,287,563	1,353,037
Over five years	34,345	67,229	-	18,335
Total long-term loans	<u>2,031,094</u>	<u>2,103,579</u>	<u>1,622,799</u>	<u>1,703,385</u>

During February 2008, International Casting Products Company Limited entered into a new loan agreement with a credit facility of Baht 323 million in order to repay the existing loan from a financial institution. This loan is to be paid in monthly installments between 2008 and 2013, in the amount stipulated in the agreement, and carries interest at MLR-1.5% per annum. In addition, the subsidiary entered into an additional loan agreement granting a credit facility of Baht 30 million. This loan is to be paid in monthly installments between 2008 and 2011 at Baht 1 million per month, and carries interest at MLR-1.5% per annum. The loan agreements contain certain covenants which must be complied with while utilizing the credit facilities, such as that dividend payment, investment or granting of loans, are not to affect the total debt to equity ratio, loan repayment ability and other conditions stipulated by the bank, and the maintenance of certain financial ratios stipulated by the bank.

18. Promotional privileges

Revenues from sales of the promoted operation of the Company for the three-month period ended 31 March 2008 totalled Baht 316.2 million.

19. Dividend paid

On 24 April 2008, the Annual General Meeting of shareholders passed a resolution to pay a dividend of Baht 0.70 per share from the 2007 income, to the shareholders of the 300 million shares. The Company has already paid an interim dividend to the shareholders and so a dividend of Baht 0.40 per share, or a total of Baht 120 million, remains to be paid. The Company will pay this dividend on 15 May 2008.

20. Commitments

As at 31 March 2008 and 31 December 2007, the Company and its subsidiaries have the following commitments:

20.1 Capital commitments of Baht 105.1 million (31 December 2007: Baht 67.3 million and JPY 4.1 million) in respect of land acquisition, construction of plant and purchase of machinery and computer software.

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

	<u>Million Baht</u>
Payable within:	
1 year	37.6
2 to 5 years	33.2
Thereafter	2.3

20.3 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 balance of sales minus material cost of products from the machining process. The agreement is for 5 years, expiring in 2010, and can be extended for a further 5 years.

20.4 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 balance of sales minus material costs of products from the forging process. The agreement is for 5 years, expiring in 2009 and is renewable for a further 5 years.

(Unaudited but reviewed)

20.5 Bangkok Spring Industrial Company Limited has entered into a technical assistance agreement with a foreign company regarding the manufacture of its main products, whereby that company is to pay a monthly fee of USD 15,000. The agreement is for 6 years, expiring in the year 2008. During the year 2007, the counterparty requested an adjustment of the fee and the subsidiary is in the process of negotiating this matter with such company.

20.6 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 balance of sales minus material costs of products from the machining process. The agreement is for 5 years, expiring in the year 2009, and is renewable for a further 5 years.

20.7 International Casting Products Company Limited has entered into a technical assistance agreement with a foreign company regarding the process of casting, whereby that company is to pay a monthly fee of JPY 1 million. The agreement is for 5 years, expiring in the year 2010, and is renewable for a further 5 years.

21. Guarantees

As at 31 March 2008, there were outstanding bank guarantees of Baht 10.8 million and Baht 24.3 million, respectively (31 December 2007: Baht 10.8 million and Baht 24.3 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.

22. 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.

23. 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)

Below is a summary of material foreign currency-denominated assets/liabilities of the Company and its subsidiaries which were unhedged as at 31 March 2008. (The majority of the liabilities are due within one year).

(Unit: Thousand)

Foreign currency	Consolidated financial statements		Separate financial statements	
	Assets	Liabilities	Assets	Liabilities
USD	419	4,705	231	126
JPY	10,083	156,157	-	9,502

24. Approval of interim financial statements

These interim financial statements were authorised for issue by the Board of Directors on 14 May 2008.