

Somboon Advance Technology Public Company Limited and its subsidiaries

Notes to interim consolidated financial statements

For the three-month and nine-month periods ended 30 September 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.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the official statutory 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
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.

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 nine-month period ended 30 September 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	28.3	37.7
Bangkok Spring Industrial Company Limited	34.6	27.2
International Casting Product Company Limited	8.8	0.5

(Unaudited but reviewed)

6. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 30 September 2008 and 31 December 2007 are aged, based on due date, as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September	31 December	30 September	31 December
	2008	2007	2008	2007
Trade accounts receivable - related parties				
Not yet due	52,929	39,866	3,476	2,725
Overdue less than 3 months	-	10,207	-	-
Over 12 months	217	-	-	-
Total	<u>53,146</u>	<u>50,073</u>	<u>3,476</u>	<u>2,725</u>
Trade accounts receivable - unrelated parties				
Not yet due	1,030,578	843,266	396,112	365,272
Overdue				
Less than 3 months	2,261	3,940	-	-
Over 3 months but not over 12 months	100	56	-	-
Over 12 months	4,724	4,724	-	-
Total	<u>1,037,663</u>	<u>851,986</u>	<u>396,112</u>	<u>365,272</u>
Less: Allowance for doubtful accounts	<u>(4,724)</u>	<u>(4,724)</u>	-	-
Net	<u>1,032,939</u>	<u>847,262</u>	<u>396,112</u>	<u>365,272</u>

7. Allowance for diminution in value of inventory

Movements in the allowance for diminution in value of inventory account during the nine-month period ended 30 September 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	<u>2,923</u>	<u>1,351</u>
Balance as at 30 September 2008	<u>12,733</u>	<u>5,147</u>

(Unaudited but reviewed)

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.

(Unit: Million Baht)

	Consolidated financial statements				Pricing policy
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		
	2008	2007	2008	2007	
	<u>Business transactions with related parties</u>				
Sales of goods	34.4	33.8	98.6	104.2	Cost plus a margin of 10-25%

(Unit: Million Baht)

	Separate financial statements				Pricing policy
	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		
	2008	2007	2008	2007	
	<u>Business transactions with subsidiaries</u>				
Interest income	11.4	12.9	33.7	41.8	MLR minus applicable margin per annum
Management fee income	29.1	24.9	87.1	74.9	Approximates cost
Facilities income	3.9	3.5	11.3	10.1	Approximates cost
Other income	2.5	1.6	9.0	4.4	Approximates cost
Fees for adjustment of interest rate on long-term loans to subsidiaries	-	-	-	4.2	Approximates cost
Purchases of goods	2.7	1.5	4.3	4.2	Cost plus an average margin of 15-30%
Facilities expense	0.6	0.5	1.7	1.7	Approximates cost
<u>Business transactions with related parties</u>					
Sales of goods	0.9	2.4	4.8	7.4	Cost plus a margin of 25-30% (2007: 10%-20%)

(Unaudited but reviewed)

As at 30 September 2008 and 31 December 2007, the Company and its subsidiaries had the following outstanding balances with their related parties:

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2008	2007	2008	2007
<u>Trade accounts receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	614	808
International Casting Products Company Limited	-	-	449	-
Yongkee (1995) Company Limited	52,037	48,013	2,413	1,917
Automotive Product Import and Export Center Company Limited	1,109	2,060	-	-
Total	53,146	50,073	3,476	2,725
<u>Others receivable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	5,651	2,866
Bangkok Spring Industrial Company Limited	-	-	2,363	762
International Casting Products Company Limited	-	-	1,956	671
Yongkee (1995) Company Limited	96	-	-	-
Somboon Somic Manufacturing Company Limited	139	-	139	-
Automotive Products Import and Export Center Company Limited	43	-	-	-
Total	278	-	10,109	4,299
<u>Short-term loans to subsidiary companies</u>				
Bangkok Spring Industrial Company Limited	-	-	30,000	-
International Casting Products Company Limited	-	-	40,000	-
Total	-	-	70,000	-
<u>Long-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	367,261	478,056
Bangkok Spring Industrial Company Limited	-	-	323,000	383,000
Total	-	-	690,261	861,056
<u>Trade accounts payable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	-	17
Bangkok Spring Industrial Company Limited	-	-	191	801
Total	-	-	191	818
<u>Others payable - related parties</u>				
Somboon Malleable Iron Industrial Company Limited	-	-	26	11
Bangkok Spring Industrial Company Limited	-	-	1,756	629
Total	-	-	1,782	640

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

	Separate financial statements			
	31 December		30 September	
	2007	Increase	Decrease	2008
<u>Short-term loans to subsidiary companies</u>				
Bangkok Spring Industrial Company Limited	-	30,000	-	30,000
International Casting Products Company Limited	-	90,000	(50,000)	40,000
Total	-	120,000	(50,000)	70,000

(Unit: Thousand Baht)

	Separate financial statements			
	31 December		30 September	
	2007	Increase	Decrease	2008
<u>Long-term loans to subsidiary companies</u>				
Somboon Malleable Iron Industrial Company Limited	478,056	-	(110,795)	367,261
Bangkok Spring Industrial Company Limited	383,000	-	(60,000)	323,000
Total	861,056	-	(170,795)	690,261

9. Investments in subsidiary companies

(Unit: Thousand Baht)

Company's name	Paid-up share capital		Separate financial statements	
	30 September	31 December	30 September	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

(Unaudited but reviewed)

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	
					30 September 2008	31 December 2007	30 September 2008	31 December 2007
<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	Thailand	72,000	21.25	15,300	15,300	29,173	27,440
<u>Associated company held through</u>								
<u>Bangkok Spring Industrial Company Limited</u>								
Yamada Somboon Company Limited	Manufacture and sale of autoparts	Thailand	150,000	20.00	30,807	30,807	86,457	65,026
Total investments in associated companies					<u>46,107</u>	<u>46,107</u>	<u>115,630</u>	<u>92,466</u>

The investment in Tsuchiyoshi Somboon Coated Sand Company Limited, accounted for under the equity method as at 30 September 2008, was calculated based on audited financial statements of that company for the year ended 31 March 2008 and unaudited/unreviewed financial statements of the company for the six-month period ended 30 September 2008 prepared by its management.

The investment in Yamada Somboon Company Limited, accounted for under the equity method as at 30 September 2008, was calculated based on audited financial statements of that company for the year ended 30 June 2008 and unaudited/unreviewed financial statements of the company for the three-month period ended 30 September 2008 prepared by its management.

11. Other long-term investments

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding percentage	Consolidated financial statements	
				30 September 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	Manufacture and sale of autoparts	300,000	1.80	5,400	5,400
Total				<u>26,650</u>	<u>26,650</u>

(Unaudited but reviewed)

12. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
At cost/at revaluation		
31 December 2007	4,962,629	1,529,174
Acquisitions	717,422	207,742
Disposal	(17,869)	(1,365)
Adjustment/written-off	(12,004)	(4,970)
30 September 2008	<u>5,650,178</u>	<u>1,730,581</u>
Accumulated depreciation		
31 December 2007	1,476,757	487,862
Depreciation for the period	260,687	107,677
Depreciation of revaluation surplus	28,756	8,513
Depreciation of disposal	(10,358)	(1,106)
Depreciation of adjustment/written-off	(4,267)	(302)
30 September 2008	<u>1,751,575</u>	<u>602,644</u>
Net book value		
31 December 2007	<u>3,485,872</u>	<u>1,041,312</u>
30 September 2008	<u>3,898,603</u>	<u>1,127,937</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.

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 nine-month periods ended 30 September 2008 and 2007, and earnings per share would have been changed to the following:

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income (Million Baht)	499	381	264	189
Basic earnings per share (Baht per share)	1.66	1.27	0.88	0.63

(Unaudited but reviewed)

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 financial statements	Separate financial statements
	Computer software	Computer software
Net book value as at 1 January 2008	4,708	1,577
Acquisition	22,510	12,372
Amortisation	(2,361)	(709)
Net	<u>24,857</u>	<u>13,240</u>

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

As at 30 September 2008, 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.

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.

(Unaudited but reviewed)

17. Long-term loans

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	30 September	31 December	30 September	31 December
	2008	2007	2008	2007
Long-term loans are repayable as follows				
Within one year or less	472,490	420,183	342,004	332,013
Between two and five years	1,644,544	1,616,167	1,194,155	1,353,037
Over five years	5,245	67,229	-	18,335
Total long-term loans	<u>2,122,279</u>	<u>2,103,579</u>	<u>1,536,159</u>	<u>1,703,385</u>

During February 2008, International Casting Products Company Limited (“a subsidiary”) 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-applicable margin 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 2010 at Baht 1 million per month, and carries interest at MLR-applicable margin 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.

During June 2008, Bangkok Spring Industrial Company Limited (“a subsidiary”) entered into new loan agreements granting credit facilities of Baht 150 million in order to fund construction of a new factory. These loans are to be paid in monthly installments between 2009 and 2012, in the amounts stipulated in the agreements, and carry interest at a fixed interest rate per annum and a floating interest rate minus an applicable margin per annum.

(Unaudited but reviewed)

During July 2008, Somboon Malleable Iron Industrial Company Limited (“a subsidiary”) entered into two loan agreements with a financial institution as follows:

(Unit: million Baht)

Loan	Credit facilities	Interest rate (%)	Repayment schedule for principal	Undrawdown amount as at 30 September 2008
1	77.0	A fixed interest rate per annum	Monthly installments from 2009 to 2013	-
2	27.9	MLR - applicable margin per annum	Monthly installments from 2009 to 2013	26.6

During September 2008, the Company entered into two loan agreements with a financial institution as follows:

(Unit: million Baht)

Loan	Credit facilities	Interest rate (%)	Repayment schedule for principal	Undrawdown amount as at 30 September 2008
1	89.8	A fixed interest rate per annum	Monthly installments from 2009 to 2014	8.7
2	110.2	MLR - applicable margin per annum	Monthly installments from 2009 to 2014	110.2

These agreements are secured by the mortgage of a majority of the land with premises of the Company and those subsidiaries, and part of their machinery.

18. Promotional privileges

Revenues from sales of the promoted operation of the Company for the nine-month period ended 30 September 2008 totaling Baht 703 million.

(Unaudited but reviewed)

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 had already paid an interim dividend to the shareholders and so a dividend of Baht 0.40 per share, or a total of approximately Baht 120 million, remained to be paid. The Company paid this dividend on 15 May 2008.

On 14 August 2008, a Board of Directors Meeting passed a resolution to pay an interim dividend of Baht 0.30 per share from net income for the period as from 1 January 2008 to 30 June 2008, to the shareholders of the 300 million shares, or a total of Baht 90 million. The Company paid this interim dividend on 12 September 2008.

20. Commitments

As at 30 September 2008 and 31 December 2007, the Company and its subsidiaries have the following commitments:

20.1 Capital commitments of Baht 257.7 million and JPY 55.6 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	25.4
2 to 5 years	31.3
Thereafter	0.9

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.

(Unaudited but reviewed)

- 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.
- 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, and expires during the current period.
- 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 30 September 2008, there were outstanding bank guarantees of Baht 12.4 million and Baht 28.8 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 businesses of the Company and its subsidiaries.

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.

(Unaudited but reviewed)

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.

Below is a summary of material foreign currency-denominated assets/liabilities of the Company and its subsidiaries which were unhedged as at 30 September 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	195	12,016	140	95
JPY	66,785	161,179	-	38,443

24. Subsequent event

On 13 November 2008, a Board of Directors' Meeting passed a resolution to jointly invest with a foreign company in a vehicle parts manufacturing project, at a proportion of 49%, or a total of Baht 19.6 million.

25. Reclassification of accounts

Certain amounts in the financial statements for the prior period have been reclassified to conform to the current period classification, with no effect on net income or shareholders' equity previously reported by other auditor.

26. Approval of interim financial statements

These interim financial statements were authorised for issue by the Board of Directors on 13 November 2008.