

**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 2009 and 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. 34 (revised 2007) “Interim financial Reporting”, 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 Thai language financial statements.

### **3. Adoption of new accounting standards**

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, regarding the renumbering of Thai Accounting Standards to match the corresponding International Accounting Standards. Therefore the numbers of Thai Accounting Standards as used in these financial statements are corresponded to those per this notification.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

#### **a) Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year**

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale

and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that Accounting Treatment Guidance for Business Combination under Common Control is not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007), TAS 36 (revised 2007), TFRS 5 (revised 2007) and Accounting Treatment Guidance for Leasehold Right do not have any significant impact on the financial statements for the current period.

(Unaudited but reviewed)

**b) Accounting standards which are not effective for the current year**

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

The management has assessed the effect of TAS 20 and believes that this standard is not relevant to the business of the Company, however, TAS 24 (revised 2007) and TAS 40 allows early adoption by the entity before the effective date.

**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 2008.

**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 2008.

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 Products Company Limited	100	Manufacture and sale of autoparts

(Unaudited but reviewed)

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 2009 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	27.3	37.0
Bangkok Spring Industrial Company Limited	33.4	28.7
International Casting Products Company Limited	9.3	0.7

## 6. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 30 September 2009 and 31 December 2008 are aged, based on due date, as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2009	31 December 2008	30 September 2009	31 December 2008
<b>Trade accounts receivable - related parties</b>				
Not yet due	39,856	68,867	4,012	2,901
Overdue				
Over 3 months but not over 12 months	-	32	-	-
Over 12 months	-	217	-	-
<b>Total</b>	<b>39,856</b>	<b>69,116</b>	<b>4,012</b>	<b>2,901</b>
<b>Trade accounts receivable - unrelated parties</b>				
Not yet due	753,904	914,826	300,396	353,692
Overdue				
Less than 3 months	4,038	2,153	-	-
Over 3 months but not over 12 months	3,267	114	-	-
Over 12 months	4,724	4,725	-	-
<b>Total</b>	<b>765,933</b>	<b>921,818</b>	<b>300,396</b>	<b>353,692</b>
Less: Allowance for doubtful accounts	(4,724)	(4,724)	-	-
<b>Net</b>	<b>761,209</b>	<b>917,094</b>	<b>300,396</b>	<b>353,692</b>

(Unaudited but reviewed)

## 7. Allowance for diminution in value of inventories

Movements in the allowance for diminution in value of inventories account during the nine-month period ended 30 September 2009 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2009	15,705	3,029
Add: Allowance made during the period (reversal)	(942)	900
Balance as at 30 September 2009	14,763	3,929

## 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 in the ordinary course of business 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		For the nine-month periods		
	ended 30 September		ended 30 September		
	2009	2008	2009	2008	
<b><u>Business transactions with related parties</u></b>					
Sales of goods	28.2	34.4	59.8	98.6	Cost plus a margin of 15%-25%  (2008: Cost plus a margin of 10%-25%)

(Unit: Million Baht)

	Separate financial statements				Pricing policy
	For the three-month periods		For the nine-month periods		
	ended 30 September		ended 30 September		
	2009	2008	2009	2008	
<b><u>Business transactions with subsidiaries</u></b>					
Interest income	8.4	11.4	25.8	33.7	MLR minus applicable margin per annum, and MMR (Money Market Rate) per annum
Management fee income	28.5	29.1	85.6	87.1	Approximates cost
Facilities income	3.4	3.9	9.3	11.3	Approximates cost
Sales of scraps	1.2	5.9	2.7	5.9	Market price
Purchases of goods	0.4	2.7	1.9	4.3	Cost plus an average margin of 15%-30%
<b><u>Business transactions with related parties</u></b>					
Sales of goods	1.3	0.9	4.5	4.8	Cost plus an average margin of 15% (2008: Cost plus an

(Unaudited but reviewed)

As at 30 September 2009 and 31 December 2008, 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 2009	31 December 2008	30 September 2009	31 December 2008
<b><u>Trade accounts receivable - related parties</u></b>				
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	405	406
International Casting Products Company Limited	-	-	718	128
<b>Related companies</b>				
Yongkee (1995) Company Limited	39,661	59,771	2,889	2,367
Automotive Product Import and Export Center Company Limited	195	9,345	-	-
<b>Total</b>	<b>39,856</b>	<b>69,116</b>	<b>4,012</b>	<b>2,901</b>
<b><u>Others receivable - related parties</u></b>				
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	5,468	5,433
Bangkok Spring Industrial Company Limited	-	-	2,257	2,481
International Casting Products Company Limited	-	-	2,150	1,934
<b>Related companies</b>				
Yongkee (1995) Company Limited	64	104	-	-
Somboon Somic Manufacturing Company Limited	-	139	-	139
<b>Total</b>	<b>64</b>	<b>243</b>	<b>9,875</b>	<b>9,987</b>
<b><u>Short-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	-	-	60,000	30,000
Bangkok Spring Industrial Company Limited	-	-	130,000	-
International Casting Products Company Limited	-	-	83,000	40,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>273,000</b>	<b>70,000</b>
<b><u>Long-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	-	-	265,636	333,386
Bangkok Spring Industrial Company Limited	-	-	263,000	303,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>528,636</b>	<b>636,386</b>
<b><u>Trade accounts payable - related party</u></b>				
<b>Subsidiary</b>				
Bangkok Spring Industrial Company Limited	-	-	157	352
<b>Total</b>	<b>-</b>	<b>-</b>	<b>157</b>	<b>352</b>
<b><u>Others payable - related parties</u></b>				
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	1	1,224
Bangkok Spring Industrial Company Limited	-	-	206	2,684
<b>Total</b>	<b>-</b>	<b>-</b>	<b>207</b>	<b>3,908</b>

(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
	2008	Increase	Decrease	2009
<b><u>Short-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	30,000	140,000	(110,000)	60,000
Bangkok Spring Industrial Company Limited	-	160,000	(30,000)	130,000
International Casting Products Company Limited	40,000	123,000	(80,000)	83,000
Total	70,000	423,000	(220,000)	273,000
<b><u>Long-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	333,386	-	(67,750)	265,636
Bangkok Spring Industrial Company Limited	303,000	-	(40,000)	263,000
Total	636,386	-	(107,750)	528,636

On 30 July 2009, the Company agreed to amend its long-term loan agreements with subsidiary companies. Under these amendments, there are one year grace periods for payment of principal, from 31 July 2009 to 30 July 2010, and then payment is to be made in accordance with the existing conditions, such that due date of the final installment will be extended consistent with the grace period.

## 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
	2009	2008	2009	2008
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	31	30	31
					September	December	September	December
					2009	2008	2009	2008
<u>Associated company held through Somboon 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	29,049	28,653
<u>Associated company held through Bangkok Spring Industrial Company Limited</u>								
Yamada Somboon Company Limited	Manufacture and sale of autoparts	Thailand	150,000	20.00	30,807	30,807	77,611	82,267
Total investments in associated companies					46,107	46,107	106,660	110,920

The investment in Tsuchiyoshi Somboon Coated Sand Company Limited, accounted for under the equity method as at 30 September 2009, was calculated based on audited financial statements of that company for the year ended 31 March 2009 and unaudited/unreviewed financial statements of the company for the six-month period ended 30 September 2009 prepared by its management.

The investment in Yamada Somboon Company Limited, accounted for under the equity method as at 30 September 2009, was calculated based on audited financial statement of that company for the six-month period ended 30 June 2009 and unaudited/unreviewed financial statements of the company for the three-month period ended 30 September 2009 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 2009	31 December 2008
			Percent		
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	5,401	5,400
Total				26,651	26,650



(Unaudited but reviewed)

## 12. Property, plant and equipment

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
<b>At cost/at revaluation</b>		
31 December 2008	6,574,556	2,052,077
Acquisitions	402,255	106,329
Disposal/Written-off	(2,063)	-
Transfer to other assets	(16,725)	-
Capitalised interest	1,930	1,373
30 September 2009	6,959,953	2,159,779
<b>Accumulated depreciation</b>		
31 December 2008	2,397,813	730,000
Depreciation for the period	311,046	116,331
Depreciation of revaluation surplus	6,632	1,112
Depreciation of disposal/written-off	(534)	-
30 September 2009	2,714,957	847,443
<b>Net book value</b>		
31 December 2008	4,176,743	1,322,077
30 September 2009	4,244,996	1,312,336

During the period, the Company and a subsidiary capitalised interest amounting to Baht 1.9 million to the costs of plant construction and machinery installation. These were borrowing costs of loans obtained for general purposes but utilised for this specific project. The weighted average rates used to determine the amount of borrowing costs eligible for capitalisation were 2.2% - 4.8%.

As at 30 September 2009, land of subsidiaries valued at Baht 101.5 million comprises land of which the legal ownership has yet to be transferred to the subsidiaries, which is in accordance with the agreements to purchase and to sell the land.

As at 30 September 2009, subsidiaries have machines under sales and financial lease-back agreements with net book values totaling Baht 51.0 million.

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 nine-month periods ended 30 September 2009 and 2008, and earnings per share would have been changed to the following:

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net income (Million Baht)	117	532	101	272
Basic earnings per share (Baht per share)	0.39	1.77	0.34	0.91

### 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
	<u>Computer software</u>	<u>Computer software</u>
<b>Cost</b>		
31 December 2008	38,028	15,140
Acquisitions	7,352	3,696
Written-off	(16,910)	(5,479)
30 September 2009	<u>28,470</u>	<u>13,357</u>
<b>Accumulated amortisation</b>		
31 December 2008	12,260	1,836
Amortisation for the period	3,532	1,547
30 September 2009	<u>15,792</u>	<u>3,383</u>
<b>Net book value</b>		
31 December 2008	<u>25,768</u>	<u>13,304</u>
30 September 2009	<u>12,678</u>	<u>9,974</u>

(Unaudited but reviewed)

#### 15. Bank overdrafts and short-term loans from banks

As at 30 September 2009 and 31 December 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.

As at 31 December 2008, short-term loans from banks of the Company and its subsidiaries amounting to Baht 20 million were secured by the mortgage of the majority of the Company and its two subsidiaries' land with premises and machinery.

#### 16. Short-term loans from banks - trust receipts

Trust receipts are secured by the pledge of inventories of two subsidiaries, 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	
	30 September	31 December	30 September	31 December
	2009	2008	2009	2008
<b>Long-term loans are repayable as follows</b>				
Within one year or less	323,635	509,968	163,293	361,288
Between two and five years	1,726,205	1,695,464	1,366,904	1,279,628
Total long-term loans	<u>2,049,840</u>	<u>2,205,432</u>	<u>1,530,197</u>	<u>1,640,916</u>

These agreements are secured by the mortgage of a majority of the land with premises and machinery of the Company and its subsidiaries.

On 30 July 2009, the Company and a subsidiary agreed to amend their loan agreements with a bank. Under these amendments, there are one year grace periods for payment of principal, from 31 July 2009 to 30 July 2010, and then payment is to be made in accordance with the existing conditions, such that due date of the final installment will be extended consistent with the grace period. During the grace period, the Company and its subsidiary must continue to comply with the conditions regarding maintenance of certain financial ratios and dividend payment.

## 18. Corporate income tax

Corporate income tax for the period has been calculated at rates of 25 percent on net income of the Company from non-promoted activities and 30 percent on net income of its subsidiary companies from non-promoted activities, after adding back certain provisions and expenses which are disallowed for tax computation purposes and deducting tax loss brought forward from previous years (if any).

## 19. Commitments

As at 30 September 2009, the Company and its subsidiaries have the following commitments:

19.1 Capital commitments of Baht 145.3 million (31 December 2008: Baht 168.7 million and JPY 157.7 million) in respect of land acquisition, purchase of machinery, and computer software.

19.2 The Company and its subsidiaries have entered into several operating lease agreements in respect of the lease of motor vehicles and equipment and service agreements. The terms of the agreements are generally between 1 and 5 years. Operating lease agreements are non-cancellable.

As at 30 September 2009, the Company and subsidiaries had the following outstanding commitments in respect of non-cancellable lease and service agreements.

	<u>Million Baht</u>
Payable within:	
1 year	24.9
2 to 5 years	29.3

19.3 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.

- 19.4 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 2014 and is renewable for a further 5 years.
- 19.5 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 2014, and is renewable for a further 5 years.
- 19.6 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.

## **20. Guarantees**

As at 30 September 2009, there were outstanding bank guarantees of Baht 12.4 million and Baht 30.7 million (31 December 2008: Baht 12.4 million and Baht 29.4 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 businesses of the Company and its subsidiaries.

## **21. 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.

## **22. Foreign currency risk**

The Company and its subsidiary companies have a significant foreign currency risk in respect of the purchase and sales of goods and machinery. However, the Company and its subsidiary companies have entered into forward contracts with maturities of less than one year to mitigate the foreign currency risk.

(Unaudited but reviewed)

The balances of financial assets and liabilities denominated in foreign currencies as at 30 September 2009 are summarised below.

<u>Foreign currency</u>	<u>Financial assets</u>	<u>Financial liabilities</u>	<u>Average exchange rate as at 30 September 2009</u>
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	0.3	4.4	33.5594
Japanese yen	34.7	267.0	37.3439

Foreign exchange contracts outstanding at 30 September 2009 are summarised below.

<u>Foreign currency</u>	<u>Bought amount</u>	<u>Contractual exchange rate</u>
	(Million)	(Baht per 1 foreign currency unit)
US dollar	2.0	33.7500 - 34.6800
Japanese yen	93.9	0.3534 - 0.3568

## **23. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Board of Directors on 11 November 2009.