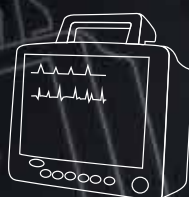


ANNUAL REPORT 2010

รายงานประจำปี 2553



FOCUS ON FUTURE

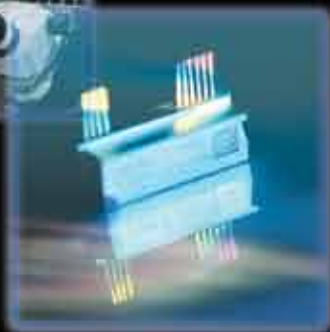
WORLD CLASS SUPPORT
FOR THE WORLD CLASS CUSTOMER

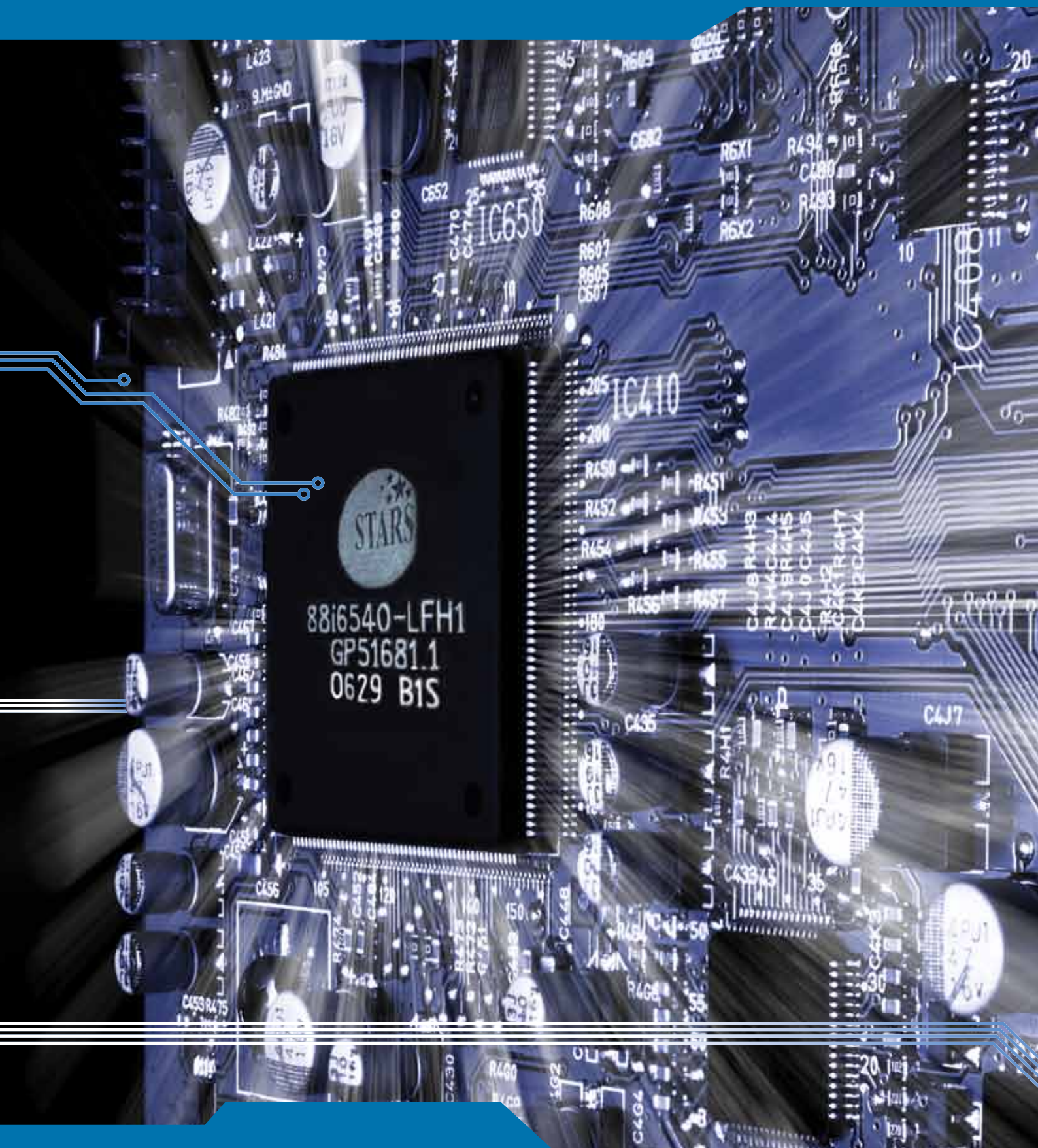
นำพา..แบรนด์ดังระดับโลกสู่ความสำเร็จ

FOCUS ON HIGH TECHNOLOGY

ก้าวล้ำ.....กับเทคโนโลยีหุ่นยนต์

With highly precise, state-of-the-art modern technology coupled with expert manpower, SMT is able to manufacture various kinds of modern and complex electronic components to meet the needs of customers and to provide a complete range of services. In addition to manufacturing and assembling electronic components for world leading companies, SMT designs and develops products in cooperation with customers in its joint - innovation efforts.





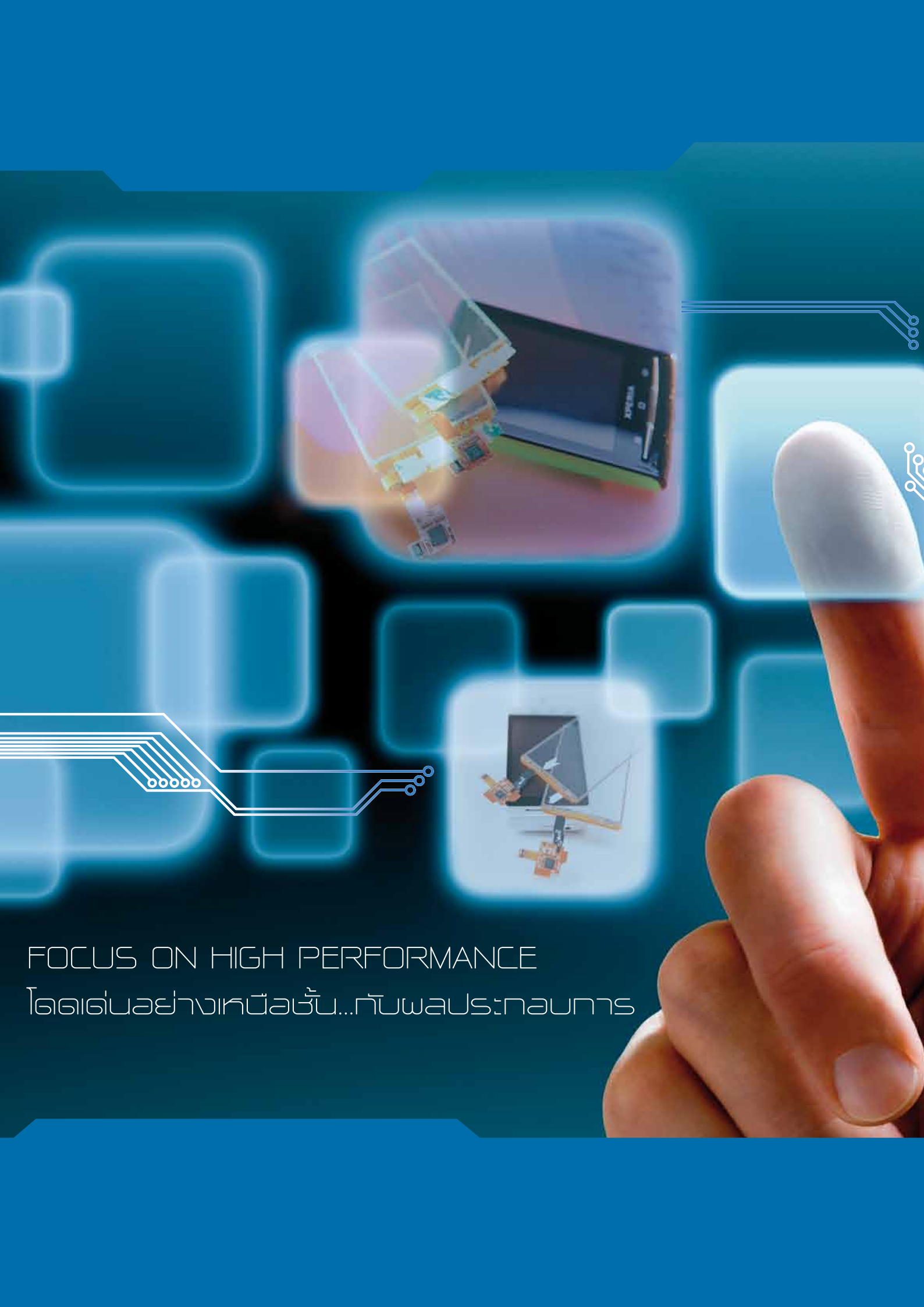


FOCUS ON HIGH GROWTH

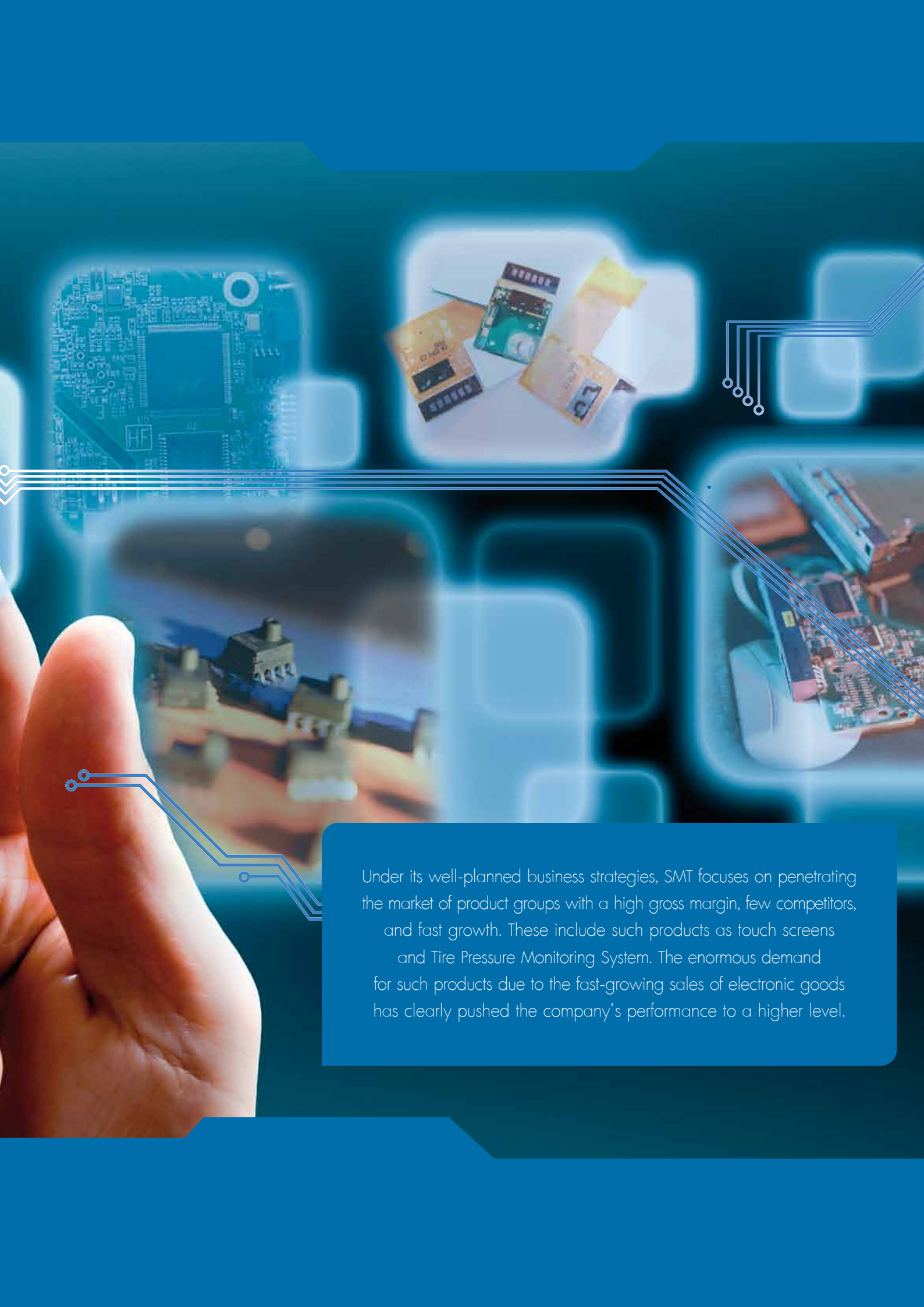
เพื่ขยายการเติบโตขึ้น...สู่โลกการขยาย

On top of market development in Thailand, SMT has found avenues for further business development in overseas markets through Stars Microelectronics USA, Inc., its subsidiary based in the U.S., as well as Smart Electronics, its business ally and market representative in Germany. Meanwhile, the Japan Marketing Unit has been set up to develop and take care of Japanese customers.





FOCUS ON HIGH PERFORMANCE
โฟกัสอย่างเหนือชั้น...กับประสิทธิภาพการ



Under its well-planned business strategies, SMT focuses on penetrating the market of product groups with a high gross margin, few competitors, and fast growth. These include such products as touch screens and Tire Pressure Monitoring System. The enormous demand for such products due to the fast-growing sales of electronic goods has clearly pushed the company's performance to a higher level.



FOCUS ON HIGH RELIABILITY

การควบคุมชั้น...ที่สมบูรณ์แบบน่าเกรง

A company manufacturing and assembling electronic components using modern technology, SMT invests in machinery that can support technological changes effectively giving the company expertise in high technology and earning the trust of customers who are leading companies both in Thailand and overseas.



STARS
STARS

STARS



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FINANCIAL HIGHLIGHTS



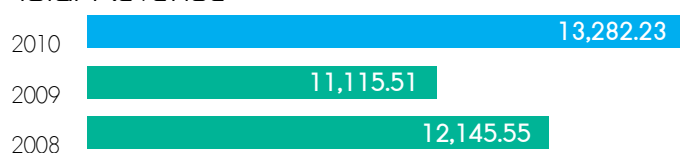
	2010	2009	2008
(UNIT : MILLION BAHT)			
Total Revenue	13,282.23	11,115.51	12,145.55
Sales Revenue	13,176.87	11,051.46	12,127.27
Gross Profit	641.89	402.98	440.49
Operating Profit	466.05	265.72	323.72
EBITDA	881.67	609.52	561.62
Net Profit before Exceptional Items	529.78	267.19	200.94
Net Profit (Loss) for the year	529.78	267.19	200.94
Total Assets	4,453.57	4,378.33	4,005.17
Net Fixed Assets	2,536.60	2,241.63	2,262.88
Total Liabilities	2,349.10	2,679.10	2,962.88
Shareholders Equity	2,104.47	1,699.23	1,042.29
Debt / Equity	1.12	1.58	2.84
Net Profit (after tax) % Sales	4.02%	2.42%	1.66%
EBITDA Margin	6.69%	5.52%	4.63%
Return on Equity	27.86%	19.49%	21.34%
Dividend per share (from the profit)	NA	0.29	0.70*
Payout ratio (excl. exceptional items)	NA	40%	53%*
EPS before Exceptional Items**	1.44	0.73	0.73
EPS after Exceptional Items**	1.44	0.73	0.73
Book Value per share	5.70	4.62	3.78
Number of shares outstanding (year end)	369,013,700	368,000,000	276,000,000

*DIVIDEND AMOUNT OF 0.50 BAHT IS SUBJECT TO APPROVAL OF ANNUAL GENERAL MEETING OF SHAREHOLDER FOR THE YEAR OF 2011 ON 29 APRIL 2011
 **CALCULATED FROM NUMBER OF SHARES OUTSTANDING AS OF END OF YEAR

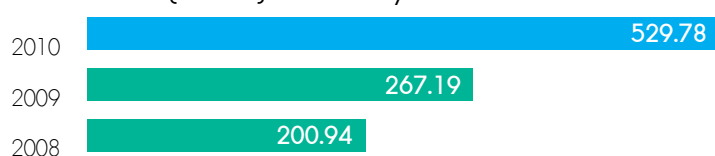
Total Assets



Total Revenue



Net Profit (Loss) for the year



Corporate information

Name

STARS MICROELECTRONICS (THAILAND)
PUBLIC COMPANY LIMITED

Registration No.

0107545000098

Type of Business : Electronics Manufacturing Services

Headquarter

586 MOO 2 KLONGJIG, BANG PA-IN,
AYUTTHAYA 13160, THAILAND.
CURRENT ADDRESS 605 - 606 MOO 2 KLONGJIG,
BANG PA-IN, AYUTTHAYA 13160, THAILAND.
TELEPHONE (035) 221 777 FACSIMILE (035) 221 778
WEBSITE WWW.STARSMICROELECTRONICS.COM

Vision

"Stars is to lead the industry in advanced manufacturing technology."

Mission

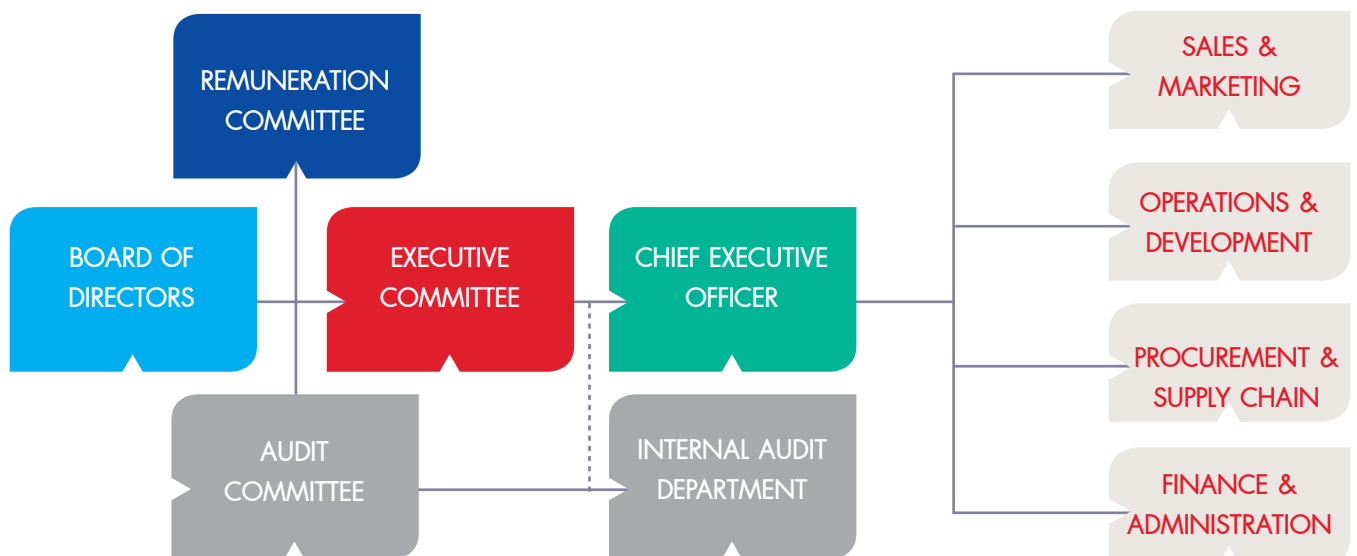
"Stars is to be committed to its customers and business partners for long-term growth and win-win relationships."

Strategy, Policy and Direction of Operations

In order for the company's operations to have a clear direction, the company's policy is to have a sustainable business relationship with its customers and to create continuous growth. In accordance with this principle, the company relies on the following strategies:

- (1) the "three highs" strategy, namely high technologies, high growth and high margin
- (2) the joint development strategy, developing products jointly with customers from the beginning to the mass production stage
- (3) the strategy to focus on markets with high business returns

Organization Structure



Message from Chairman

The objective of this move is to generate new and secure income for the company while helping to spread risk in business operations and augment its principal source of income

Message from Chairman

Dear shareholders;

I am especially pleased and honored to have this opportunity to discuss this annual report with all of you shareholders and investors who have been giving your generous support to SMT.

First and foremost, I would like to express my great appreciation to you all for your interest in and your warm and continued support of this company through the years. It was such a pleasure to learn that during the past year, the number of SMT shareholders increased by 100%. This certainly proves that SMT is of growing interest to a wide range of investors. Analysts and the media alike have followed our business operations, made analyses, and widely publicized information regarding our operations and performance. This is because of the company's operational results and our CEO and Investor Relations Unit's effective communication of SMT's sustained growth.

The past year saw a substantial improvement in SMT's performance. 2010's net profits increased over that of 2009 by almost 100%. The company's financial condition is also significantly better. SMT's share value has grown steadily and we are proud that SMT is now featured among the SET 100.

I fully realize that this amazing success has been the result of the hard work and devotion of SMT staff members at all levels. This will serve as an incentive for SMT to ensure that its performance continues to grow and grow, providing sustainable benefits for shareholders for a long time to come.

In 2011, SMT plans to diversify its business investment to include alternative energy including solar energy, biomass energy, and wind energy through a subsidiary, namely, SMT Green Energy Company Limited. This expansion into alternative energy is a crucial step SMT has taken in its business operations.

The objective of this move is to generate new and secure income for the company while helping to spread risk in business operations and augment its principal source of income - manufacturing and assembling electronic components. This will only serve to make the company even more secure in the future. For this, I hope to earn the complete support of shareholders and investors.

On behalf of the Board of Directors, I pledge that the company will operate with integrity and transparency based on principles of corporate good governance. We will protect against all forms of risk by taking the long-term benefits of shareholders into consideration. In addition, the Board will supervise management closely to ensure that the company's operations are in accordance with established policies.

Finally, I would like to express my sincere gratitude to the directors, management and each and every staff member for your hard work contributing to the company's success. I would also like to extend my appreciation to shareholders, investors, analysts, and the media for your continued support. And may SMT be granted your interest always.



Mr. Somnuk Chaikul

Chairman of the Board of Directors

Stars Microelectronics (Thailand) Public Company Limited

Message from CEO

SMT is determined to deliver high value to our shareholders with our focus on net profits. We concentrate on Blue Ocean products that offer high growth and more space for profit margins but low competition.

Message from CEO

Dear shareholders;

I am pleased to say that SMT recorded net profit of 530 million baht in 2010 or a 99% increase over 267 million baht in 2009. Our growth in the past 5 years averaged 104%. In 2011, I expect our operating results to rise 35% and look forward to reporting our continued progress throughout 2011 as SMT is foreseen to continue to shine brightly.

SMT is determined to deliver high value to our shareholders with our focus on net profits. We concentrate on Blue Ocean products that offer high growth and more space for profit margins but low competition. SMT will continue to jointly develop high-end products with our world-class customers for the global market. Examples of our Blue Ocean products are Smart Phones and TPMS (Tire Pressure Monitoring Systems). According to IDC Research Group dated January 27th, 2011, 295 million units of Smart Phones were sold in 2010 in the world and the demand is expected to skyrocket to 500 million units in 2011. In addition, SMT is one of the largest TPMS producers. In the USA, 11,542,553 cars were sold last year. TPMS sensors are required by the safety regulation in the USA enforced on September 1st, 2009. The EU will introduce this similar regulation on November 1st, 2012. Going forward, we anticipate that our IC and RFID products will significantly fuel our revenue and profit growth.

To capture more market shares and raise more margins, SMT has taken the 'First Mover' approach to enhance our manufacturing capability. SMT recognizes the importance of being the first in production technology and the first to market. SMT has developed our own assembly lines. Our automated machines reduce costs, increase efficiency and improve quality. I am glad to inform you that SMT won a national innovation award from the National Research Council of Thailand in 2010 graciously presented by Thai Prime Minister Apisit Vejajiva.

I positioned SMT as rising Stars with high growth and high market share in the Boston Consulting Group Matrix (BCG). Our RFID is in the initial stage. Smart Phones, MEMS-based TPMS and Blue-in-Red IC are in the growth phase. To extend our growth, SMT has set up SMT Green Energy, a fully owned subsidiary, to generate electricity with renewable energy. This new venture offers an attractive IRR of more than 15% and high profit margins with an 8-baht/ kilowatt/ hour ADDER for 10 years. The income will be secure and stable thanks to the Power Purchase Agreement (PPA) with the Provincial Electricity Authority (PEA). Besides, SMT will receive an 8-year corporate income tax exemption privilege from the Board of Investment (BOI).

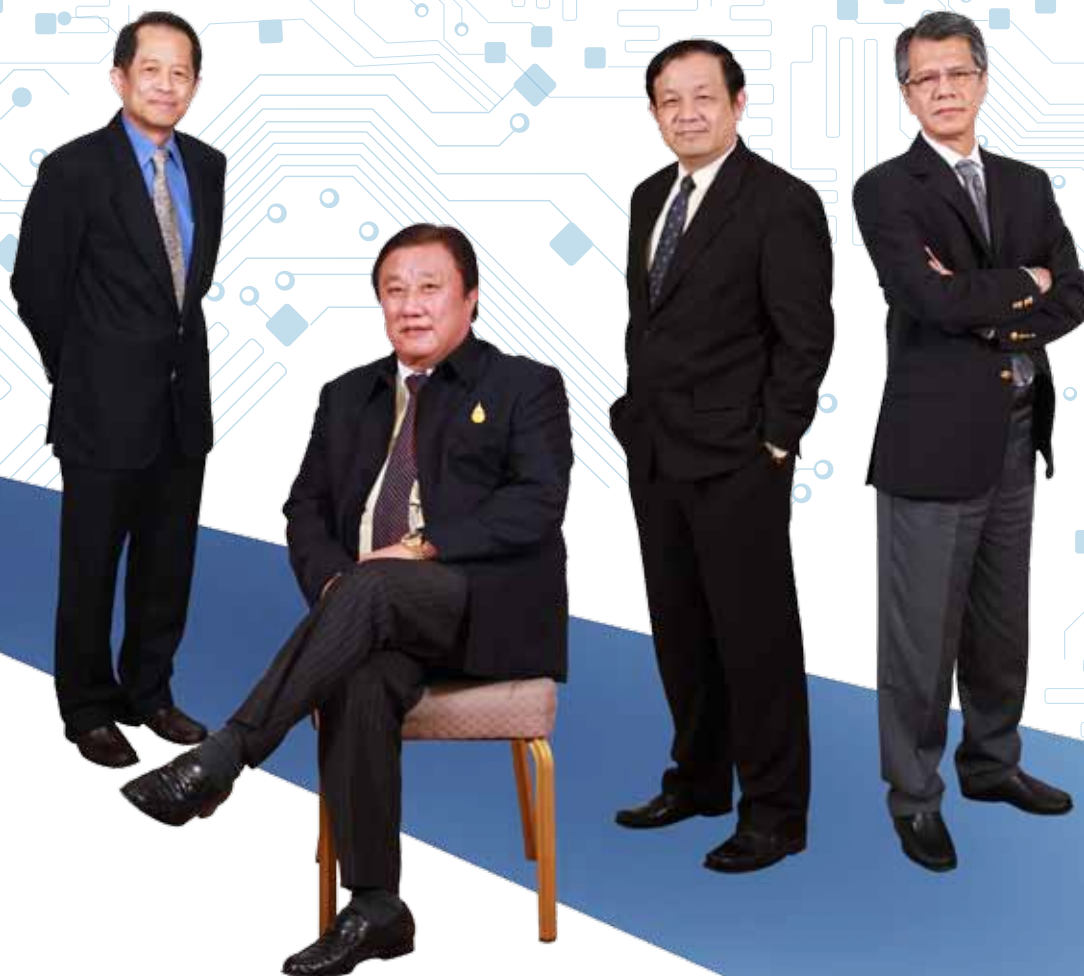
So, I feel upbeat with what 2011 will bring to us and our shareholders and would like to thank our management and staff for their dedication, focus and expertise, our shareholders for their support and Mr. Somnuk Chaikul, Chairman, for the inspiration and guidance given to me.



Polsak Lertputipinyo

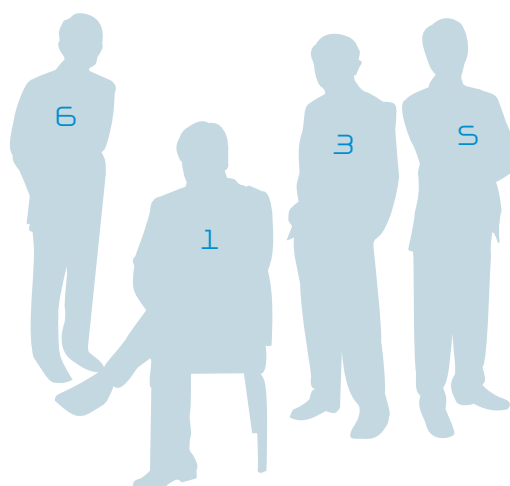
CEO

STARS MICROELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED



Board of Directors

1. Mr. Somnuk Chaikul
Chairman of Board and Chairman of Executive Committee
2. Mr. Pitak Sirivanasandha
Vice Chairman and Remuneration Committee Member
3. Mr. Polsak Lertputipinyo
Director, Executive Director and Chief Executive Officer
4. Mr. Chong Kwen Sam
Director, Executive Director and Chief Procurement Officer





5. Mr. Dheerasak Suwannayos

Independent Director and Chairman of the Audit Committee

6. Mr. Prasart Yunibhand

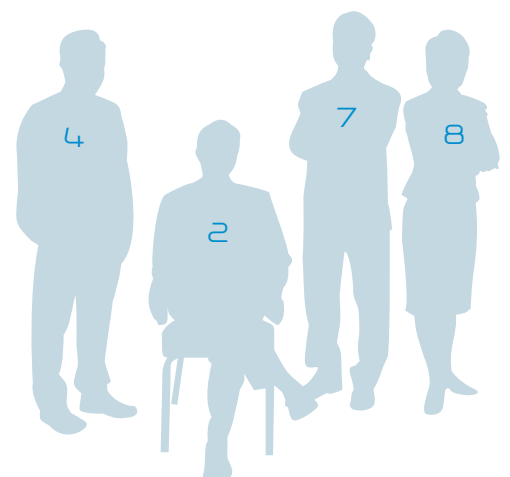
Independent Director, Audit Committee Member
and Remuneration Committee Member

7. Associate Professor Dr. Preecha Jarungidanan

Independent Director, Audit Committee Member
and Chairman of Remuneration Committee

8. Mrs. Poonpun Chaikul

Director





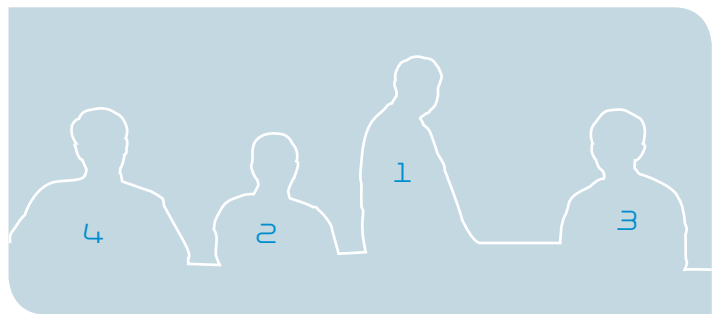
Management Team

1. Mr. Polsak Lertputipinyo

Director, Executive Director and Chief Executive Officer

2. Mr. Chong Kwen Sam

Director, Executive Director and Chief Procurement Officer



3. Mr. Yonyong Sawasdi

Chief Financial Officer, Executive Director and Company Secretary

4. Dr. Kavee Techapichetvanich, Ph.D.

Chief Operations Officer and Executive Director



5. Mr. Thawatchai Woracheewan

Senior Director (IC & Captive Operations and Quality Assurance)

10. Mr. Chainarong Nimmantevin

Director (MMA Operations)

6. Mr. Kosol Sarapadchoke

Senior Director (Production, Material and Inventory Control)

11. Mr. Annop Phromsaka Na Skolnakorn

Senior Director (Facilities and Logistics)

7. Mr. Apisit Phonok

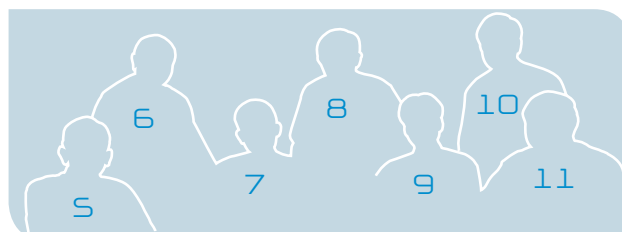
Assistant Director (Sales and Marketing)

8. Mr. Wirutch Jeapiyasakul

Assistant Director (Test Engineering)

9. Mr. Preecha Bootwicha

Senior Director (Industrial Engineering and MIS)





12. Mr. Kritsada Wannachotehawate

Director (Research and Project Development)

17. Mr. Somboon Kongtongvattana

Assistant Director (Production Control)

13. Mr. Chaiyot Thaveeratitham

Assistant Director (Finance and Investor Relations)

18. Mr. Withaya Yotpraphun

Senior Director (Finance and Accounting)

14. Mr. Toru Uchino

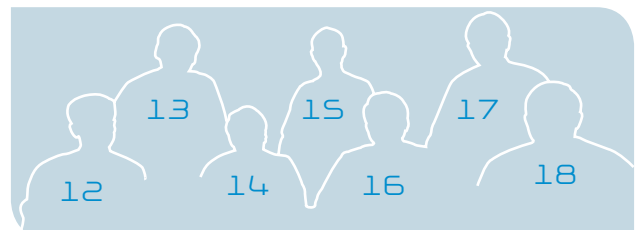
Director (Corporate International Business)

15. Mr. Nattapon Phuenpathom

Director (Human Resources and Administration)

16. Mr. Suwapat Chawaphongsakorn

Senior Director (Sales and Marketing)



Nature of Business

The Company offers Electronics Manufacturing Services (EMS) to Original Equipment Manufacturers (OEM) or subcontractors and electronics product designer, Fabless Company. It distributes its products to both local and international customers.

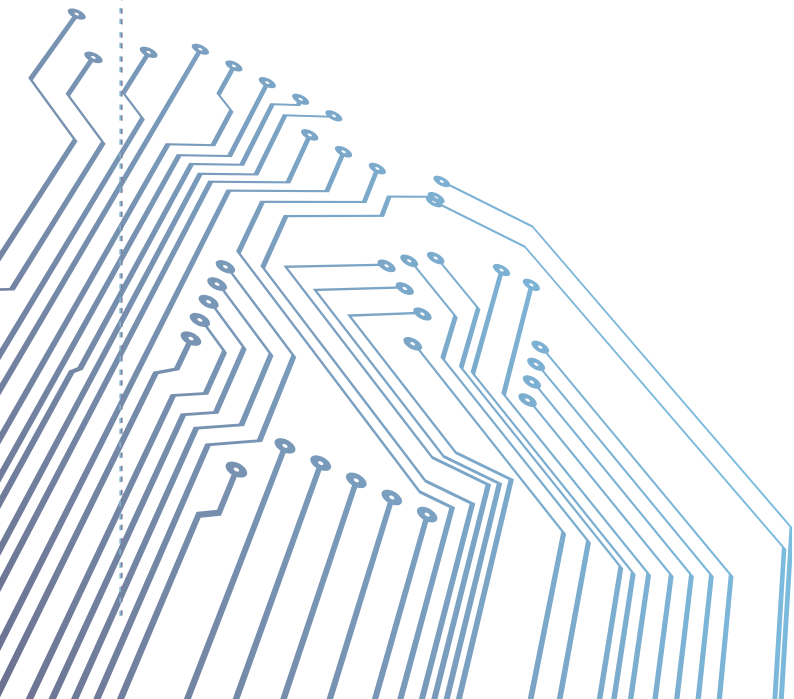
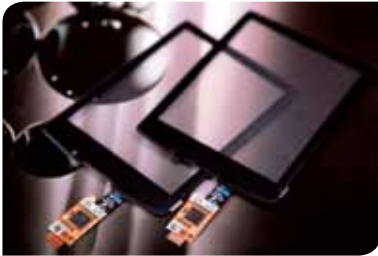
The company can provide a complete range of services in the manufacturing and assembly of electronic components for electronic products using modern, high-tech, and high quality machinery facilities. Its products range from the normal standard found in the market to a high level standard involving several types of advanced technologies. This is reflected in the company's ability in research and development and in co-designing and developing products with customers as a joint innovation utilizing high technology. The company is thus able to manufacture and assemble complex innovative electronic components with high precision and accuracy to serve the needs of the global leading customers.



1. Production and assembly of electronic components (Microelectronics Module Assembly: MMA)

The company deals in the production and assembly of electronic components for electronic products such as the following:

- Printed Circuit Board Assemblies (PCBA) for Hard Disk Drive Control Boards
- Electronic circuits for computer notebook touch pads and the Click Wheel Interface components for MP3 players
- Clear Pad Assemblies for touch screens for smart phones and MP 4 players, using high technology connecting the advanced circuit board onto PET (Polyethylene Terephthalate), which provides lower cost and more flexibility when compared with glass screens and can be used with other equipment within almost every industry such as the microwave ovens
- PCBA, using PTH, SMT, COB, FOB and FCOF technologies for several types of electronic equipment
- LCD modules for NEC office telephones, similar to LCD module assemblies for mobile phones
- Communications devices with Radio Frequency Identification (RFID) tags, which developed from bar code tags. The RFID's strength is that it requires no contact for communication in reading the label information. Resistant to moisture, vibration, and shock, it can also read data at high speeds. Products using RFID are those such as passes, parking permits, product labeling, etc.
- Data-recording circuit boards in smart cards, containing memory chips to electronically record data and programs which offer data security when the cards are used in card readers. Examples of smart cards are credit cards, ATM cards, and personal identification cards.



2. Integrated Circuit Packaging or IC Packaging and Testing

The company currently offers different packages for IC Packaging and Testing services :

■ For standard packaging, there are long-time products of standardized patterns and sizes in the market. Generally thick and large, these include SOIC, TSSOP, SCTO, SOT23, and SOT143. As for advanced packaging, this involves assembling circuit boards which have only been recently developed. They are much smaller and thinner than those in standard packaging, including TDFN (Thin Dual Flat Non-Lead) and UDFN (Ultra-Thin Dual Flat Non-Lead). An example of IC packaging service is for IC chips.

■ In addition, the Company is one of the leading manufacturers of Micro-Electro-Mechanic Systems (MEMS), a fast growing technology at present. The Company has more than 10 years of experience in co-developing the MEMS with leading global companies to apply to the Tire Pressure Monitoring System (TPMS). This system is now legally required in each new car in the U.S.A. starting in 2009. This requirement will be enforced in European countries around 2012. The Company also uses this technology to produce other products such as the microphones in mobile phones, pressure measurement devices in medical equipment as well as other industrial and consumer products.

Board of Investment rights and privileges

The company has been granted two issues of Board of Investment rights and privileges according to the Board of Investment Act, B.E. 2520 to conduct the company's business with Board of Investment approval under stipulated conditions. The company's tax privileges can be summarized as follows:

BOI Approval Date

29 September 2004

Board of Investment Issue

No. 2057(4)/2004 dated 16 December 2004

Amendments

No. Or Kor 0906/005845 dated 29 March 2005

No. Or Kor 0906/015080 dated 5 July 2006

No. Or Kor 0906/015444 dated 28 June 2007

Type of business granted BOI

Manufacture of integrated circuits and LCD modules and PCBA of 5.5 Type; manufacture components or equipment used with electronic products

Summary of requirements, rights and privileges, and conditions

The company is exempt from corporate income tax for the net profit earned from BOI granted business operations for a period of eight years starting from the date of income from such business operations. (This exemption from corporate income tax privilege ends 8 December 2013.) In the case where the company makes a loss during the tax exemption period, the annual losses incurred during that period can be deducted from the net profit gained after the exemption period for no more than five years from the end date of that period. The deduction can be made to the net profit of one year or several years. The company is exempt from including the dividend earned from BOI granted business operations in the calculation of corporate income tax for the whole period of corporate income tax exemption.

The registered capital must be no less than 463.50 million baht.

Production capacity:

IC	656,000,000	pieces per year
LCD Module	17,000,000	pieces per year
PCBA	80,000,000	pieces per year

(Working hours: 21 hours a day, 300 days a year)

Factories must be constructed in Bang-pa-in Industrial Estate, Ayuthya Province within 15 years from the starting date of operations and relocation of factories is permitted.

BOI Approval date

1 March 2006

Board of Investment Issue

No. 1386(4)/2006 dated 11 April 2006

Amendments

No. Or Kor 0906/013806 dated 8 June 2007

No. Or Kor 0906/016064 dated 4 July 2007

Type of business granted BOI

Manufacture of electronic components including PCBA, touch pad modules, optical mouse sensors and IC products

Summary of requirements, rights and privileges, and conditions

The company is exempt from corporate income tax for the net profit earned from BOI granted business operations for a period of eight years starting from the date of income from such business operations. (This exemption from corporate income tax privilege ends 30 April 2015.) In the case where the company makes a loss during the tax exemption period, the annual losses incurred during that period can be deducted from the net profit gained after the exemption period for no more than five years from the end date of that period. The deduction can be made to the net profit of one year or several years.

The company is exempt from including the dividend earned from BOI granted business operations in the calculation of corporate income tax for the whole period of corporate income tax exemption.

The training expense for Thai staff training must be no less than one percent of the total payroll of both Thai and foreign employees for the first three years.

The registered capital must not be less than 463.50 million baht.

Production capacity:

IC	24,000,000	pieces per year
Electronic parts	45,000,000	pieces per year

(Working hours: 21 hours per day, 300 days per year)

Facilities must be set up in Bang-pa-in Industrial Estate Ayuthya Province. Also, within 15 years from the starting date of operations, the facilities are not allowed to be relocated to other localities except when permission to relocate is granted by the Board.



In addition, the company was granted the Board of Investment privilege of listing on the Stock Exchange of Thailand according to the announcement of the Board of Investment No. 7/2009 regarding the Board of Investment Measure of BOI Companies being listed in the Stock Exchange of Thailand and the MAI Exchange, which allows the company to be exempt from corporate income tax with no limited amount.

Marketing and Distribution

The company manufactures and assembles electronic components for distribution to manufacturing companies in various industries including computers, electronic equipment, automobiles, communications, security equipment, and entertainment. The company's income and sales proportions to groups of customers in different countries are featured below.

Sales of the Company's electronic components by region

2010



2009



2008



Markets in Europe

2010



2009



2008



2010



2009



2008



2010



2009



2008



Thousand Baht %

Income proportion classified on the basis of channel of distribution

Sales revenue	2008		2009		2010	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Direct Sales	11,548,837	96.18	10,375,730	94.53	12,120,892	92.58
Stars USA	329,274	2.74	490,011	4.46	795,637	6.08
Smart Electronics	106,557	0.89	91,409	0.83	155,510	1.19
SIIX Corporation	23,132	0.19	19,487	0.18	19,585	0.15
Total	12,007,799	100.00	10,976,637	100.00	13,091,624	100.00

The company manufactures and assembles electronic components for distribution to manufacturing companies in various industries including computers, electronic equipment, automobiles, communications, security equipment, and entertainment. The company's income and sales proportions to groups of customers in different countries are featured below.

The company has three market representatives as follows:

Stars Microelectronics USA, Inc.

■ This is an American company with its office in Silicon Valley, San Jose, California, U.S.A. It is a subsidiary of the Company with the Company holding 59% of the paid registered capital. Its executives are experienced experts in distributing and developing products jointly with customers as well as providing services in manufacturing and assembling electronic parts.

■ Smart Electronic Components GMBH

A German company, Smart Electronic Components GMBH is the Company's distributor in European countries. Its executives have over ten years' experience and expertise in distributing electronic equipment and parts in Europe.

■ Japan Marketing Unit

This is the company's unit responsible for marketing in Japan. It is currently run by Japanese executives with experience and expertise in the electronics industry.

Technology used in production

Having invested in modern technology and machinery, the company can thus integrate various production technologies and complete systems with the company's expertise and experience in joint product development and design with customers. This is to meet the needs for new production processes of world leading customers. In addition, as the company provides services in Microelectronics Module Assembly and IC Packaging in the same facilities, the two assembly lines can thus be modified and integrated into a System in Package (SiP) production system. Relying on the Microelectronics Module Assembly in a single IC, it is possible to manufacture electronic parts and components of much smaller sizes.

Each production process and technology can be applied to production and assembly of various types of electronic products. Although new models or versions of products have replaced the old ones, the production system, technology and machinery used by the company to manufacture electronic products can be conveniently adapted to support those new models.

Production Capacity

The company's two factories are located in Bang-pa-in Industrial Estate, Export Processing Zone, Ayuthya Province, on a 17-rai plot of land with a functional area of 25,500 square meters. Factory details are as follows:

Products

IC assembly and testing

Annual full production capacity
(million pieces)

1,500.0

MMA production and assembly of
electronic components

Annual full production capacity
(million pieces)

100.0

Total

1,600.0

Revenue Structure

Product	2008		2009		2010	
	Million Baht	%	Million Baht	%	Million Baht	%
HDD	10,153.17	83.91	9,263.92	83.82	10,723.51	81.38
MMA	1,475.05	12.16	1,273.84	11.53	1,591.56	12.08
IC	477.05	3.93	513.70	4.65	861.80	6.54
Total	12,127.27	100.00	11,051.46	100.00	13,176.87	100.00

(UNIT : MILLION BAHT)

Value Added Structure

Value Added	2008		2009		2010	
	Million Baht	%	Million Baht	%	Million Baht	%
MMA - Hard Disk	223,976	24.51	284,458	29.24	320,943	23.73
MMA - Others	399,600	43.73	430,407	44.25	567,520	41.96
IC Packaging	290,191	31.76	257,839	26.51	463,968	34.31
Total Value Added	913,766	100.00	972,704	100.00	1,352,431	100.00

VA (VALUE ADDED) = SALE - RAW MATERIAL

Factory # 1:

Completed in 1997, it is built on a 4-rai plot of land with a functional area of 3,500 square meters. The company has been upgrading the facility's systems so that they are ready, up to standard, and able to support world class customers similar to Factory # 2. It was expected that production could start in the first quarter of 2011.

Factory # 2:

The construction of the facility was completed in 2005 and production started in 2006. Factory # 2 is located on a 13-rai plot of land with a functional area of 22,000 square meters. It has a total production capacity of about 1,600 million pieces per year, providing services in Microelectronics Module Assembly (MMA), IC Packaging Assembly & Test and Captive Line Assembly.

Revenue Structure

(UNIT : MILLION BAHT)



Value Added Structure

(UNIT : MILLION BAHT)



FOCUS ON RECOGNITION

ก้าวไปไม่หยุดยั้ง...สู่หลายรางวัลการันตี



Research & Development

During 2010, the company's team of engineers continued the development of a number of product models jointly with clients.

Some types of products have reached the stage of commercial production to meet rapidly increasing market needs. These include the following:

- the Touch Screen Modules used in various models of the world's leading brands of smart phones
- the Tire Pressure Monitoring System (TPMS) for the automotive industry
- the pressure monitoring system for medical equipment

There are some other products that have completed the research and pilot production stages. They are entering the real production stage in 2011. These include the following:

- the green laser unit for the Pico Projector
- the LCD on the Intelligent Credit Card
- the IC microchip used in RFID (Radio Frequency Identification)

In addition to the joint research and development of new products with clients, the company's team of engineers has developed new production machinery and a functional tester for Touch Screen Module products to meet the rapidly growing demand in this field. An automated control system has been incorporated into the machinery to boost production capacity, making it possible to reduce the need for manpower and work areas by three times. The company is in the process of having these developments in its production lines patented.

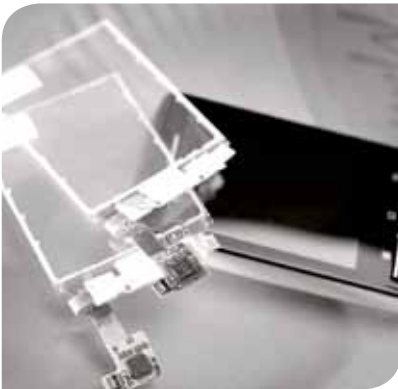
In 2011,

The company's R&D team continues to join hands with clients in joint product development efforts along with increasing the capacity to satisfy customers' demand for commercial production of products. This is done by developing and creating new machinery for the production process as a "first mover" in this area. These machines suit the particular characteristics of each type of product and are not available on the open market. This is particularly true for products using the MEMS and RFID technology in IC Packaging and the Touch Screen Modules in the MMA product group. These are considered "blue ocean" products as they involve fast growth but little competition.

Future Projects

The company focuses on expanding production capacity to support customer demand for “blue ocean” products which have a high gross margin as well as high growth rate. These products also offer room for profit rate increases and involves little competition as they require joint research and development between the company and customers such as the MMA (Microelectronics Module Assembly). These products include touch screens used in smart phones and the IC Packaging & Testing, which includes MEMs (Micro Electro Mechanical Systems).

The company made an investment in SMT Green Energy Co. Ltd. (“SMT GE”) following the 4/2010 Board of Directors’ meeting on 10 August 2010. The investment of about 99% of the total of SMT GE’s common stock made SMT GE a new subsidiary of the company. SMT GE was newly set up on 11 June 2010 with the objective to operate a business providing green energy, manufacturing and distributing electricity generating equipment using solar energy or other alternative energies. Its registered capital of 1,000,000 baht is divided into 100,000 shares of common stock at 10 baht per share. Twenty-five per cent of the registered capital (amounting to 250,000 baht) has been paid up. The investment is in line with the company’s directions for new investments to add business value and to spread the company’s income risk.



Shareholding Structure

The company's shareholding structure as of 30 December 2010 featuring the top ten shareholders can be summarized as below.

Mr. Somnuk Chaikul
Number of shares 30,270,629
Percentage 8.20

THAI NVDR CO., LTD.
Number of shares 30,143,200
Percentage 8.17

WINKEY HOLDINGS LIMITED
Number of shares 28,047,218
Percentage 7.60

Miss Suthilak Chaikul
Number of shares 23,100,790
Percentage 6.26

SIIX SINGAPORE PTE.LTD.
Number of shares 18,442,650
Percentage 5.00

Miss Oranuj Chaikul
Number of shares 17,850,000
Percentage 4.84

Mr. Petch Wailikit
Number of shares 12,455,641
Percentage 3.38

Mr. Saran Chaikul
Number of shares 10,125,433
Percentage 2.74

ITOCHU Corporation
Number of shares 9,630,298
Percentage 2.61

Mrs. Puangporn Wongsataworn
Number of shares 8,422,356
Percentage 2.28

The issuance and offering of SMT warrants for the company's directors and staff in the ESOP project

The company's objective in issuing the ESOP warrants for the company's directors and employees is to provide incentives and rewards so that they are diligent in their work and feel motivated to continue working with the company long term. This should benefit the company on the whole in terms of business operations and performance as well as indirectly benefit shareholders into the future.

At the 2010 shareholders' annual general meeting held on 29 April 2010, it was resolved to issue and offer 7,500,000 units of SMT warrants in the ESOP project for the company's directors and staff. Each unit is for one share of common stock at no charge (zero baht per unit) and the price to exercise the right is set at 4.50 per share.

The warrants to purchase the company's common stock issued and offered specify the holders and that the warrants are non-transferable except in the case of transfer as inheritance. The Board of Directors allots the warrants to directors while the Board or Chairman of the Board allots the warrants to company staff without a subrogee. No director or staff member has been allotted more than five percent of the total warrants issued.

Regarding the allotment and issuance of the warrants for the company's directors and staff, the Board of Directors stipulates that the purchase of the company's common stock can be made every three months throughout the validity period of four years of the warrants starting from the last business day of November 2010 (i.e. 30 November 2010). The right to purchase stock can be exercised once every three months after the previous period - the last business day of February, May, August and November - until the last possible date in May 2014 (30 May 2014).

Name list of directors allotted the warrants on this occasion:

Director Names	Amount (Unit)	Percentage of Issued and Allocated Warrant (%)
Mr. Somnuk Chaikul	200,000	2.67
Mr. Pitak Sirivanasandha	200,000	2.67
Mr. Polsak Lertputipinyo	200,000	2.67
Mr. Chong Kwen Sam	200,000	2.67
Mr. Prasart Yunibhand	200,000	2.67
Mr. Dheerasak Suwannayos	200,000	2.67
Associate Professor Dr.Preecha Jarungidanan	200,000	2.67

Note : No director was allocated more than five percent of the total warrants issued.

To conclude, 214 persons exercised the right to purchase the company's common stock with the warrants the first time (#1/2010) on 30 November 2010, amounting to 1,013,700 shares of common stock. The remaining number of warrants to purchase common stock that had not been exercised was 6,486,300 units.



Shareholding Structure in Subsidiary Company

1. Stars Microelectronics USA, Inc. holds the status of subsidiary of the company, with the company holding 59% of the shares of paid registered capital.

Stars Microelectronics USA, Inc. is an American company founded in 2005, with its office in Silicon Valley, San Jose, California, U.S.A. Stars Microelectronics USA, Inc.'s management team has knowledge and expertise in product distribution and joint product development with customers. The team is also highly capable of providing service in manufacturing and assembling electronic components. The company's customer base is in the manufacturing industry, including manufacturers of various types of electronic components, and in the automobile industry.

2. SMT Green Energy Co., Ltd. holds the status of subsidiary of the company, with the company holding 90% of the shares of the paid registered capital.

SMT Green Energy Co., Ltd. is a Thai company founded in 2010, with its office at 605-606, Moo 2, Tambon Klongchik, Bang-pa-in District, Ayuthya Province. The company's main purpose is to conduct the business of producing and distributing electrical power from alternative energy sources, especially solar energy. It is also involved in related businesses including manufacturing and distributing equipment used in the production of solar energy and all types of alternative energy. At present, the company is doing feasibility studies regarding investment in various projects.

Investment Policy and Capital Structure

Investment Policy

The company has a policy of investing in subsidiary and/or associate companies that support and benefit the company's business, are in high growth industries or are involved in areas in which the company has skills and expertise. Of particular interest is the rate of return on investment, mainly for the benefit of the company's shareholders. The company controls or supervises the investments by having directors or high-level staff represent the company proportionately based on the number of shares held. The company has veto rights in important matters conducted by the subsidiary and/or associate companies. These investments must be approved by the company's Board and shareholders and/or in the case of connected transactions, the audit committee, with related rules and regulations enforced.

Capital Structure

Registered capital and issued and paid-up share capital as at 31 December 2010

Registered capital : 751,000,000 baht consisting of
375,500,000 shares of common stock with
2.00 baht par value per share

Issued and paid-up
share capital : 738,027,400 baht consisting of
369,013,700 shares of common stock with
2.00 baht par value per share

Dividend Policy

The company and its subsidiaries have a policy of paying dividends at the rate of approximately 40% of the net profit after tax and legal reserves. The company's Board has the authority to refrain from following the policy or to change the policy on occasion under the condition that such decisions are made for the maximum benefit of shareholders, such as for use as capital reserves for loan repayments, for use as investment capital for production expansion, or in situations where market changes which may affect the company's cash flow in the future.

For the year 2009, the company made dividend payments twice, at 0.29 baht per share amounting to 106.72 million baht (one hundred and six million, seven hundred and twenty thousand baht) as shown below.

Dividends paid from 2009 profits	Approved by	Value of dividends (unit : million baht)	Dividend paid per share (unit : baht)
1. . Interim dividend payment for the first half of the year	5/2009 Board of Directors meeting	51.52	0.14
2. Dividend payment for the second half of the year	2010 shareholders' annual general meeting	55.20	0.15
Total		106.72	0.29

First payment: paid from profits from the first half of 2009

(January-June) on 4 December 2009

Second payment: paid from profits from the second half of 2009

(July-December) on 25 May 2010

The shareholders' meeting approved the net profit of 2009 performance of 13,392,601 baht (thirteen million, three hundred and ninety-two thousand, six hundred and one baht) as legal capital reserves.

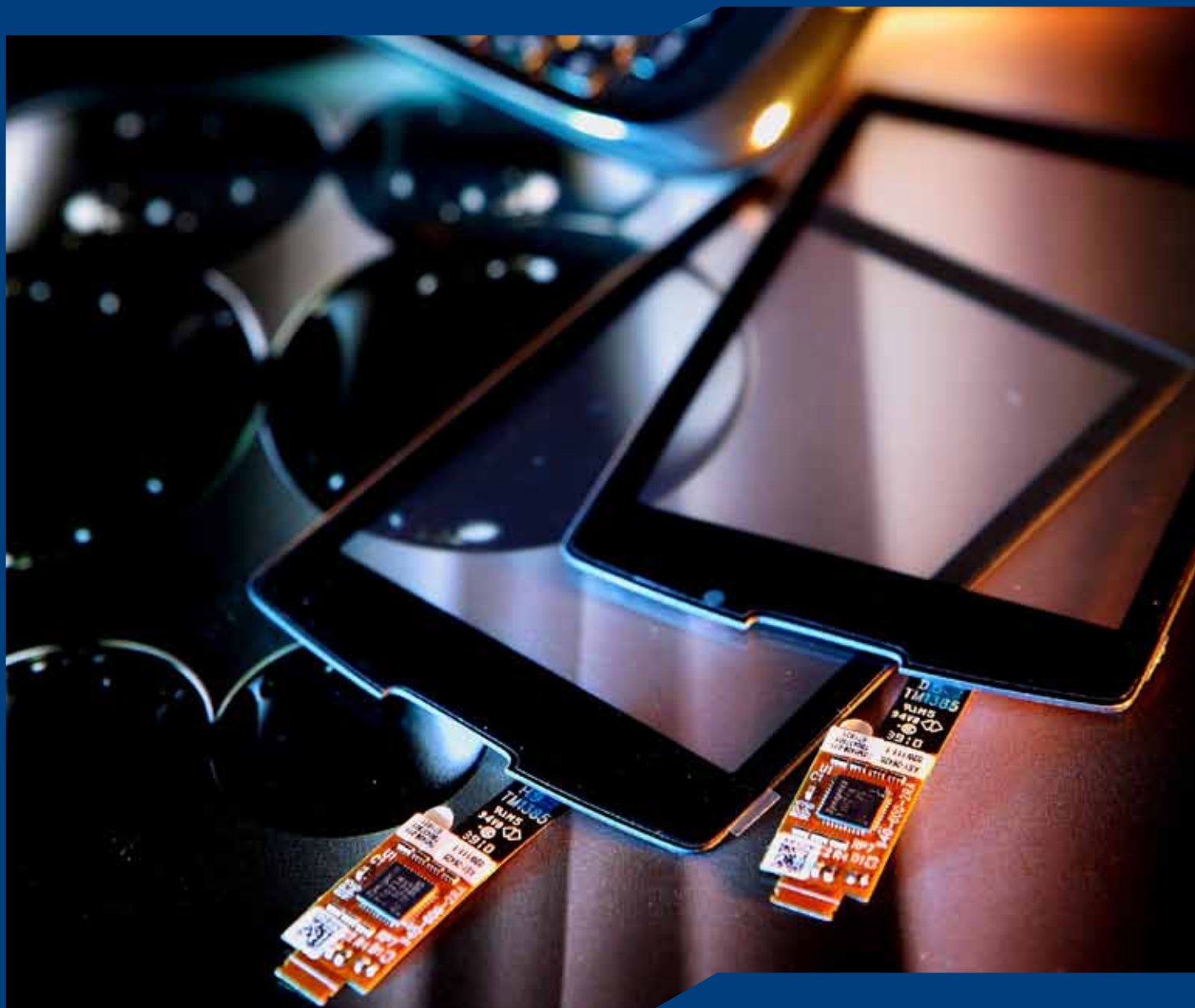
For the year 2010, the company made dividend payments for the six-month period ending 30 June 2010 at 0.20 baht per share amounting to 73.60 million baht (seventy-three million, six hundred thousand baht) on 8 December 2010 by paying from the net profit that was granted an exemption from corporate income tax by BOI. The interim dividend payments were made as shown below.

Dividends paid from 2009 profits	Approved by	Value of dividends (unit : million baht)	Dividend paid per share (unit : baht)
1. Interim dividend payment for the first half of the year	5/2010 Board of Directors meeting	73.60	0.20

First payment : paid from profits from the first half of 2010 (January-June) on 8 December 2010

FOCUS ON WORLD-CLASS CUSTOMERS

ก้าวไปไม่หยุดยั้ง...จับหัวใจผู้บริโภคระดับโลก



Human Resources Development and Management



The company realizes that human resources are highly valuable and thus it places importance on personnel, as they are the key factor that will lead to the company's efficient and sustainable growth.

To assist in this, modern human resources management has been introduced into the company. In order to build a strong foundation, the company focuses on the development of the staff's knowledge and abilities as well as retention of quality staff to ensure the company's growth and its future in the long term. The company's human resources management practices include the following:

1. Competency Management System. This is the foundation for management and staff development. There are three levels of competencies, namely:

- Core Competencies
- Managerial Competencies
- Functional Competencies

2. Talent Management. This refers to STARS' TOP (STARS Talent Opportunity Program). These talented or capable people are considered important factors that will drive the company towards a sustainable future. The company aims to develop and retain these people to the best of its ability.

3. Succession Plan. For the company to grow in a sustainable manner, there must be efficient and capable staff who can fill the higher-level positions that have become vacant. It is thus important to develop such personnel for each position so that they are ready in time.

4. Knowledge Management. Stars is a company that manufactures products which focus on future technology. The various areas of knowledge thus need to be managed, exchanged, and retained with the help of information technology.

With the modern human resources management described above as well as the appropriate human resources management policies that reflect good vision, the company can manage its human resources efficiently with the aim to strengthen them and help drive the organization towards sustainable growth.

Corporate Social Responsibility

Stars Microelectronics realizes that in conducting business, the company has to be responsible for society, community, environment, and staff as well as stakeholders in every sector for the sake of a strong society and the organization's sustainable growth. In 2010, the company provided support to and carried out various constructive activities for the benefit of society. During this time, employee relations were enhanced as well, as staff carried out those activities to support their communities and society, occupational health, environment and education. These activities benefited both nearby and remote communities.



Activities to support society and community

1. Took part in the Children's Day Fair organized by Klongjig Subdistrict, Bang-pa-in District, Ayuthya Province, providing bicycles as presents for the event to encourage children in the community to exercise.



2. Arranged a blood donation drive for the Red Cross twice a year to encourage the company employees to help society.



3. Arranged the 'Taking Junior Students to the Sea' program, transporting students from Baan Chalawa School, Sangkhla District, Kanchanaburi Province on a trip to Cha-am District, Petchburi Province so that the underprivileged hilltribe children in remote areas could get to visit and enjoy the country's beautiful beaches.



4. Arranged a Songkran (Thai New Year) celebration party for elderly residents as well as made a financial contribution to the Wassana-wate Elderly Home in Nakornluang District, Ayuthya Province.



5. Provided financial assistance and survival kits for company employees affected by the floods in Ayuthya Province and nearby areas.



6. Provided survival kits in cooperation with Bang-pa-in Industrial Estate to help flood victims in Ayuthya Province.

7. Arranged for a trip to distribute survival kits and financial assistance to flood victims in Lopburi Province.



Occupational Health and Environment

8. The company has been awarded a certificate for Outstanding Factory of 2010 in the "People's Participation Promotion in Factory Supervision Project" and has also been awarded for its Good Environmental Governance. The awards were presented by the Deputy Governor of Ayuthya Province.



9. Participated in the "12 August - the Great Queen" reforestation project in cooperation with Bang-pa-in Industrial Estate, Ayuthya Province on the occasion of Her Majesty the Queen's birthday.



10. Donated used furniture and items to Wat Suankaew.



11. Arranged a study tour of the factory for the Faculty of Nursing, Suan Dusit Rajabhat University, with a focus on the company's occupational health and environment management.



Education

12. Provided a fund for school building renovation, scholarships, and computers for students in the community of Wat Ratsatthatham School, Bang-pa-in District, Ayuthya Province.



13. Arranged 'Stars Charity' events for company employees by giving monetary donations and computers for educational use, providing lunch and giving haircuts to students of Wat Baan Thaew School (Durongruangnusorn School), Tharua District, Ayuthya Province on the Asarnhapuja Day and Buddhist Lent Day.



14. Arranged a study tour of the factory for participants from Laos in the Securities Exchange of Thailand' Securities Analyst Program with a focus on management and production.



FOCUS ON WEALTH OF EXPERIENCE

ก้าวไปไม่หยุดยั้ง...ด้วยบุคลากรมากประสบการณ์



Good Corporate Governance

As a listed company in the Securities Exchange of Thailand, the Board of Directors of Stars Microelectronics (Thailand) Public Company Limited is determined to continuously develop good corporate governance and best practices in the hope that the organization is well-accepted in this regard, thereby creating confidence in shareholders and stakeholders as well as creating added value for the total benefit of shareholders.

In 2010, the company followed corporate good governance practices as follows:

1. Rights of Shareholders and Shareholders Meeting

The company's 2010 annual general meeting was held on Thursday, 29 April 2010 at 14.30 hrs. (within four months from the company's fiscal year end). Record date shareholders were determined and the list of shareholders was settled on according to Section 225 of the Securities and Exchange Act, B.E. 2535. The company designated Thailand Securities Depository Co., Ltd., its registrar, to send an invitation letter both in Thai and English for the shareholders' meeting, along with the annual report in CD-ROM format to shareholders 14 days in advance of the meeting date. The meeting date was also publicized in newspapers for three consecutive days, no less than three days before the meeting date. This was to ensure that shareholders had enough time to consider the meeting information. The invitation letter specified in detail the meeting agenda and whether each item on the agenda was for acknowledgment, approval, or consideration. It also contained directors' opinions for each item and the adequate and complete meeting documents required.

Shareholders were also requested to provide necessary documents or evidence to identify themselves in order to exercise their right to attend the meeting.

Shareholders were entitled to attend the shareholders' meeting and to vote by proxy by attaching a letter of authorization form (as stipulated by the Department of Business and Trade Development, the Ministry of Commerce). The company allowed the meeting registration no less than one hour before the meeting's scheduled time using a barcode system. Ballots for each agenda item were printed for shareholders. Those arriving at the meeting after it had started could also vote on agenda items for which a resolution had not yet been passed.

In the 2010 shareholders' annual general meeting, seven out of nine of the company's directors attended the meeting. Also present were the company's executives and those involved in particular agenda items such as the company's senior director of finance and accounting, auditors, financial advisors, and independent legal advisors. They provided opinions and answered shareholders' questions at the meeting. Representatives of Thailand Securities Depository Co., Ltd. examined the shareholders' registration and counted the votes with the company's independent legal advisors.

The company provided details regarding quorum, the number of meeting participants both in person and by proxy, voting procedures and the vote-counting methods as follows:

(1) Shareholders are entitled to one vote per share held. Each shareholder thus has as many votes as the number of the shares held or represented by proxy.



- (2) Shareholders having a conflict of interest regarding a particular agenda item are not entitled to cast a vote on that item.
- (3) The person conducting the meeting shall ask in regard to every agenda item if there is any person who wants to vote against the item or abstain from voting. If so, the person is advised to express his wish in the vote ballot. Other than that, it is considered that the agenda item gets a vote of approval. The company then deducts the number of votes against and the abstained votes from the total number of votes of the meeting attendees to get the final voting results for that particular agenda item.
- (4) In accordance with the Securities Exchange of Thailand's corporate good governance policy, in considering the agenda item regarding the selection of directors to replace those who have completed their term, shareholders are required to vote in the ballot no matter whether they wish to vote for, against or abstain.
The company sets the meeting time in such a manner that shareholders have equal rights and opportunities to investigate the company's operations, ask questions, and express their opinions and recommendations fully. The company takes minutes detailing completely and accurately the meeting agenda, meeting content, voting results for each agenda item, shareholders meeting's resolutions, issues raised, opinions, and directors and executives' clarifications. The report of the shareholders' meeting are completed within seven days of the shareholders' meeting and kept properly for shareholders' review and investigation.
- (5) Shareholders are encouraged to use a ballot for each agenda item. Separate ballots are provided for separate agenda items for shareholders to cast accordingly.
- (6) The chairperson of the meeting allocates time for shareholders to express their opinions. In the 2010 meeting, the company gave shareholders the opportunity to express their views and ask questions regarding the company. Questions could be posed in advance via email to ir@starsmicroelectronics.com or by fax no. 035-221778. Details were also available at the Compliance & Legal Department, Tel. No. 035-22777 ext. 309. However, in 2010, no shareholders made any contact to ask questions or express their views.
- (7) The Board of Directors ensures that the company abides by the law, rules and regulations, announcements, and orders of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC), including regarding those items pertaining to disclosure of information about connected transactions, and acquisition or disposition of the company's subsidiaries' major assets. The company shall also abide by the accounting standards set by the Federation of Accounting Professions.
- (8) The Board of Directors monitors related transactions. In cases where the company's or its subsidiaries' related transactions involve those who might have current or future interests or conflicts of interests outside normal business conditions, the company shall disclose such related transactions in the notes to financial statements reviewed by the company's auditors.
- (9) Regulations require that directors and executives disclose information regarding their personal interest in any transaction that might impact the company via the interests reporting form. The company's secretary shall receive the interest information disclosure form and then submit it to the Chairman of the Board and the Chairman of the Audit Committee. In 2010, the company had each of its directors and executives disclose their interests and it was found that there were no actions taken that violated the regulations regarding connected transactions.

2. Equitable Treatment of Shareholders

The Board of Directors places importance on shareholders' rights and equitable treatment of shareholders no matter whether they are small, large or foreign shareholders. This is reflected in the practices below.

- (1) The company always conducts the shareholders' meeting according to the agenda detailed in the invitation letter. No item shall be added without advance notice unless it is totally necessary. This is especially true in cases regarding important agenda items where shareholders need time to study the information before making decisions.
- (2) At least one independent director is nominated as a proxy alternative for shareholders. Shareholders are also informed of the interests each director has in a particular agenda item, for example, the appointment of directors to replace those who have completed their term.

3. Rights of Stakeholders

The company recognizes the rights of each group of stakeholders as described below.

Shareholders : The company treats all shareholders equally and fairly and does not take any actions that may violate or reduce the rights of shareholders.

Employees : The company treats all employees equally and fairly with appropriate compensation.

Trading partners and creditors : The company treats trading partners and creditors fairly according to trade conditions and/or joint agreements.

Customers : The company provides quality service and responds to customers' needs while also considering safety.

Competitors : The company plays by the rules of competition and avoids dishonest means to gain advantage over

competitors : In recognizing the stakeholders' rights, the company follows the related rules and regulations.

4. Disclosure and Transparency

The Board of Directors ensures timely disclosure of the company's business information including financial information and financial reports according to the disclosure regulations of the Securities Exchange of Thailand. Such information is available both in Thai and English for investors, shareholders, and concerned parties to have equal and transparent access to. Also disclosed are auditors' reports, financial figures, and notes to the financial statements.

The company also discloses the duties of the Board of Directors and the sub-committees, the number of meetings attended, and directors' remuneration information. The investor relations section is set up to be responsible for providing important information for investors and other concerned parties. The company's information is also disseminated via the Securities Exchange of Thailand and the company's website so investors and stakeholders can have access to its financial and operational information at all times.

According to company regulations, directors and the top four executives after the Chief Executive Officer, and those in management positions in accounting or finance from the sectional level up or equivalent, are required to report their interests and stakes using the interest disclosure report form without delay when a certain transaction may be regarded as having an impact relating to their interests. The reports made shall be in care of the company's secretary.

As for 2010 performance, the company presented its operational performance reports on four occasions. It also took part in the Opportunity Day project organized by the Securities Exchange of Thailand on four occasions. Moreover, it always arranged company visits for those interested.

In 2010, the company followed the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC) regarding information disclosure completely and on time.

5. Roles, Duties and Responsibilities of the Board of Directors

The Board of Directors has duties and reliabilities as set in the related laws, including determining the company's goals, guidelines,

policies, annual operational plans, and annual budget. The Board also supervises the performance of the executives or the persons assigned to carry out duties to ensure that the operations are in accordance with the goals, policies, and operational plans set by the Board.

The Board of Directors sets the policy for future related transactions. Future related transactions shall be reviewed by the audit committee and/or the company's Board regarding the merit, prices and conditions of the transactions to see if they are in accordance with normal business conditions. Executives and stakeholders are not allowed to participate in approving such related transactions. As a listed company, the Board of Directors shall ensure that the company complies with the laws, rules and regulations, announcements, and orders of the Securities Exchange of Thailand along with the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC). The company shall also abide by the regulations regarding disclosure of connected transactions and acquisition or disposition of the company's or its subsidiaries' major assets as well as accounting standards set by the Federation of Accounting Professions.

Structure of the Board of Directors

The company has a total of four committees: the Board of Directors, Executive Committee, Audit Committee, and Remuneration Committee. This is for the clear division of authority and duties, and maximum efficiency in setting the company's business direction and operations. The Board of Directors determines the company's goals, and assigns roles, duties and authority to the Audit Committee, the Executive Committee, and the Chairman of the Board. (According to the company's regulations, the Board of Directors consists of at least five directors and no more than fifteen directors. As at 31 December 2010, the company's Board consists of eight directors, six of whom are not company employees, which is more than half of the total number of directors, and two of whom are.)

Committees

In addition to the Board of Directors, the company has three committees: the Executive Committee, the Audit Committee of three members and the Remuneration Committee of three members. The authorities and duties of the committees are clearly prescribed. However, there is no Nomination Committee as the company's organizational structure is not that complicated.

Internal Control

The company considers it important to set a standardized internal control system to build acceptance and reliability among shareholders, investors, as well as stakeholders. To help achieve this, it has set up the Audit Committee, an independent committee whose duties are to ensure the accuracy, completeness, and reliability of the company's internal control system and financial reports. The Audit Committee also ensures the efficiency and effectiveness of the internal control system as well as the transparency and accountability of the working system with special regard to conflicts of interests. The Audit Committee meets with the company's management auditors to consider and make recommendations regarding improvement of the company's internal control system.

In addition to this, the company has set up the Internal Audit Unit, which is an independent unit reporting directly to the Audit Committee. The Internal Audit Unit's duties are to examine the various work systems to ensure that they operate appropriately and in accordance with related rules, regulations, and laws. It then reports the investigation results to the Audit Committee as scheduled in the annual plan.

Inside Information Control

The company's measures and guidelines regarding confidentiality and use of inside information to prevent the misuse of such information for the advantage of the company's executives and personnel are summarized below.

1. The Board of Directors, management team, employees and staff of the company shall keep the company's secrets and/or inside information confidential.
2. The Board of Directors, management team, employees and staff of the company shall not disclose or seek advantage from the company's secrets and/or inside information for their own benefit or for the benefit of any other party either directly or indirectly whether or not any benefit is actually received.
3. The Board of Directors, management team, employees and staff of the company shall not buy, sell, transfer, or acquire the company's securities via the use of the company's secrets and/or inside information and/or carry out any act using the company's secrets and/or inside information which may cause direct or indirect damage to the company. This stipulation also applies to spouses and children under legal age of the Board of Directors, management team, employees and staff. Any violation shall be considered a serious offence.

4. The Board of Directors and the executives who acquire the company's financial information shall not take advantage of the information within one month before it is disclosed to the public. The company shall notify directors and executives of the prohibition to purchase or sell the company's securities before the financial statements are revealed to the public.

Code of Business Ethics and Code of Conduct

The Board of Directors recognizes the importance and the necessity of corporate good governance and thus sets policies regarding good governance. In doing this, the Board of Directors acknowledges its duties and responsibilities. It makes use of its knowledge, competence, and experience for the benefit of business operations while complying with business ethics, laws, company objectives, rules and regulations, and shareholders meeting resolutions. It works with integrity focusing on the company's and shareholders' benefit. As featured on its website www.starsmicroelectronic.com, the company, in terms of business ethics, shall:

1. treat shareholders fairly and equally,
2. consider the rights of all groups of stakeholders and ensure that there are no conflicts of interest,
3. structure committees according to their duties and responsibilities. In addition to the Board of Directors, other committees may be established with clear roles, duties and responsibilities for each as determined by the company,
4. conduct business transparently and disclose information clearly, adequately and in a timely manner,
5. conduct business with care, arrange for regular and appropriate risk evaluations, set correction strategies, and follow up with risk management, and
6. instill business ethics in the company's executives and staff.

Board of Directors' Meeting

In 2010, the company held six Board of Directors' meetings. (Its policy is to hold a meeting once every three months.) Almost all directors attended each meeting. In organizing such meetings, the company's secretary sends a meeting invitation to directors no less than seven days prior to the meeting date, except in cases of urgency to maintain the company's rights or benefits. In urgent cases, invitations shall be extended by phone or mail to set an earlier meeting date. The secretary also takes minutes and keeps the meeting reports as approved by the Board of Directors.

Board of Directors' Remuneration

At the 2010 shareholders' annual general meeting on 29 April 2010, remuneration for directors for 2010 was approved as follows:

Salary (per month) / Meeting allowance (per time)	
Chairman	36,000 baht per month
Member of Board of Director	24,000 baht per month
Chairman of Audit Committee	36,000 baht per month
Member of Audit Committee	30,000 baht per month
Meeting allowance of member of Board of Director, and Audit Committee and Remuneration Committee	5,000 baht per time

The remuneration was to be effective from May 2010 onwards.

Monetary and Non-monetary Remuneration

1. Remuneration for the Board of Directors

At fiscal year end on 31 December 2009 and on 31 December 2010, remuneration for directors totaled 1,520,000 baht and 2,499,000 baht respectively in the form of monthly compensation and attendance fees as detailed below.

(Unit : Baht)

Name List	Fiscal Year 2009 Ending December 31 st , '09	Fiscal Year 2010 Ending December 31 st , '10
Mr. Somnuk Chaikul	164,000	364,000
Mr. Pitak Sirivanasandha	168,000	268,000
Mr. Polsak Lertputipinyo	168,000	268,000
Mr. Tetsuo Tsujimoto ¹	156,000	52,000
Mr. Chong Kwen Sam	168,000	268,000
Mr. Prasart Yunibhand	184,000	335,000
Mr. Dheerasak Suwannayos	160,000	350,000
Assoc. Prof. Dr.Preecha Jarungidanan	184,000	326,000
Ms Suthitak Chaikul ²	168,000	56,000
Mrs. Poonpun Chaikul ³	0	212,000
Total	1,520,000	2,499,000

(1) Mr. Tetsuo Tsujimoto resigned from the position of company director effective 29 April 2010.

(2) Miss Suthitak Chaikul left the position of company director on completion of her term on 29 April 2010.

(3) Mrs. Poonpun Chaikul was voted and made a company director on 29 April 2010.

2. Remuneration for Managements

(Unit : Baht)

Remuneration	Fiscal Year 2009 Ending December 31 st , '09		Fiscal Year 2010 Ending December 31 st , '10	
	Of Recipients	TOTAL PAYMENT	Of Recipients	TOTAL PAYMENT
Total Salary	5	14,560,351	5	14,484,000
Total Bonus	5	1,114,000	5	1,195,000
Provident Fund	5	918,481	5	1,017,659
Total		16,592,832		16,696,659

Human Resources

As at 31 December 2009 and 31 December 2010, the number of employees (excluding executives) divided according to their major fields of work were as follows:

As of December 31 st , 2009	(Unit : Person)
Sales and Marketing	14
Operations & Development	2,153
Procurement & Supply chain	113
Finance & Administration	75
Total	2,355

As of December 31 st , 2010	(Unit : Person)
Sales and Marketing	16
Operations & Development	2,181
Procurement & Supply chain	121
Finance & Administration	120
Total	2,438

Staff Development Policy

In its staff development efforts, the company aims to boost its employees' knowledge and skills as well as favorable attitudes towards the company. The purpose is to enhance the efficiency and effectiveness of company operations both at present and in the future.

The company's employees should:

- ☐ learn various types of work,
- ☐ be able to perform various duties,
- ☐ be highly skilled in performing their job, and
- ☐ rotate duties with other team members.

Believing in employees' potential and aiming to facilitate their career growth, the company thus has established training plans as shown in the diagram of staff education, training and development below:



Seeing staff development as one of the priorities, the company has a policy to:

1. allocate budget funds for the organization's staff development,
2. promote staff development in other aspects at all levels by organizing both internal and external training programs regularly,
3. arrange for staff development jointly with customers for joint innovation product development.
4. send staff to training programs overseas.

Related Party Transactions

In 2010, the company completed a number of related transactions with its subsidiaries, related companies, and associate companies as they are major operators in the electronic components trade, making contributions and providing support for the company's business operations. This included product distribution and purchase of raw materials and machinery. However, any related transactions with persons who potentially have conflicts of interest were trade transactions carried out for the company's maximum benefit and in accordance with trade conditions as practiced with business partners in general who have to rely on each other in trading products or services.

The Audit Committee's Comments on related party transactions

The company's related transactions are considered and addressed by its Audit Committee to ensure that they are normal business transactions with no special conditions and no transfer of interest among the company, its subsidiaries, associate companies, related companies or shareholders. In addition, regarding pricing, the policy for related transactions between the company and related businesses is similar to the policy between the company and non-related persons/businesses and carried out in the company's interests.



Measure or procedure for the authorization of related party transactions

The company is involved in two types of related transactions:

- (1) normal and continuous transactions and
- (2) special transactions by measure or procedure of related transactions approval. These types of transactions are described below.

Normal and continuous transactions

For these transactions, the company's Board of Directors sees that they are carried out in accordance with the law, rules, regulations, announcements and orders of the Securities Exchange of Thailand, and with the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC). This includes compliance with regulations regarding disclosure of connected transactions, and acquisition or disposition of the company or its subsidiaries' major assets as well as accounting standards set by the Federation of Accounting Professions.

Special transactions

For these transactions, the company assigns the Audit Committee to make comments regarding their merit. In cases where the Audit Committee has no expertise regarding the related transactions that might occur, the company shall consult those with special expertise such as auditors, independent estimators, or independent legal offices and those persons with possible conflicts of interest to provide comments regarding the related transactions. These comments shall be taken into consideration by the Audit Committee and/or Board of Directors and/or shareholders depending on the case being considered. However, the company shall disclose the related transactions in the notes to the financial statement reviewed by the company's auditors.

TRENDS FOR FUTURE RELATED PARTY TRANSACTIONS

AS FOR FUTURE RELATED TRANSACTIONS, THE BOARD OF DIRECTORS PROMISES TO SEE THAT THE COMPANY COMPLIES WITH THE LAW, RULES, REGULATIONS, ANNOUNCEMENTS AND ORDERS OF THE SECURITIES EXCHANGE OF THAILAND, AND WITH THE REGULATIONS OF THE STOCK EXCHANGE OF THAILAND AND THE OFFICE OF THE SECURITIES AND EXCHANGE COMMISSION (SEC). THE COMPANY SHALL ALSO ABIDE BY REGULATIONS REGARDING DISCLOSURE OF CONNECTED TRANSACTIONS AND ACQUISITION OR DISPOSITION OF THE COMPANY OR ITS SUBSIDIARIES' MAJOR ASSETS AS WELL AS ACCOUNTING STANDARDS SET BY THE FEDERATION OF ACCOUNTING PROFESSIONS.

THE AUDIT COMMITTEE SHALL REVIEW THE MERIT, PRICES, AND CONDITIONS OF THE TRANSACTION TO ASSESS WHETHER THEY ARE IN ACCORDANCE WITH NORMAL BUSINESS CONDITIONS. EXECUTIVES AND STAKEHOLDERS ARE NOT ALLOWED TO PARTICIPATE IN APPROVING SUCH RELATED TRANSACTIONS.



Risk Management

The company focuses on risk management to minimize or eliminate all kinds of risks as well as to prevent risks from emerging. The company's Board and its top management closely manage the company's risks as follows:

1 Financial Risks

1.1 Foreign Exchange Risk

Part of the company's earnings is in foreign currencies, and raw materials that it uses are imported. The company also has debt in foreign currencies resulting from loans. These factors are subject to foreign exchange risk, mainly involving U.S. dollars. Fluctuations in exchange rates could result in either profit or loss, thus the company tries to ensure that assets and liabilities are naturally hedged, matching them with like currencies to help reduce the risk. The company also relies on financial tools such as forward contracts and Fx options to manage the remaining open risks.

1.2 Interest Rate Risk

The company obtains part of its capital from bank loans. Those of less than a year are used as working capital and those of over one year are used for investment in fixed assets. The former is subject to interest rates according to the money market while the latter requires floating interest rates, which puts the company at risk due to possible increased or decreased interest costs. In managing this risk, the company follows the government's policy on interest rates and that of the world market, considering financial tools such as interest rate swaps.

1.3 Liquidity Risk

In managing liquidity risk or the risk caused by lack of capital, the company secures enough loans for use as working capital required for its growth. In addition, the company has plans which employ Advanced Cash Flow Management to ensure efficient use of cash, reduce risk and incur the least financial expense possible.

2 Labour Shortage Risk

Due to growth and competition within the electronics industry, the company could face a shortage of capable labor at all levels. To prevent such risk, the company has adjusted its pay structure so that it is as attractive as those offered by other companies in the



same industry, as well as enhanced staff benefits. Moreover, programs training staff in developing multiple skills are arranged which helps keep them motivated. Also, the company has set up the Employee Stock Ownership Program ("ESOP"), issuing and offering warrants to purchase the company's common stock for directors and staff as an incentive for them to stay on with the company.

3 Technological Change Risk

The electronics industry requires investment in expensive high technology machinery. Additionally, the industry is subject to rapid changes in technology, both in terms of product life cycle and production technology. This could result in technological obsolescence and therefore there is a risk of investing in machinery that cannot support technological changes. In dealing with this kind of risk, the company closely follows technological developments and chooses to make investments in state-of-the-art machinery. Its machinery features flexible production technology that can support technological changes and can be used with various other products. The company also focuses on research and development of products and production technology to keep abreast of technological changes.

4 Customer Risk

The company's income from sales made to one customer accounts for more than half of its total sales income. Deducting the cost of production, however, the profit proportion is appropriately spread among various customers. In dealing with the risk of relying on such a small number of customers, the company continually tries to add new customers and focuses on joint development so that it can achieve a balanced profit proportion.

5 Material Shortage Risk

As the company manufactures goods for which raw materials are a significant factor, it procures certain materials itself; however, some customers prefer to use consigned materials. Occasionally there may be a shortage of materials or the customers cannot deliver the raw materials on time. To prevent such risk, the company prepares inventory reports for its customers regularly and follows up so that the materials are delivered in a timely manner.



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Management Structure

Profiles of the Board of Directors

At present, the company's Board of Directors comprises eight members, three of whom are executives, three independent directors, and two non-executives.

Mr. Somnuk Chaikul

Position: Chairman

Mr. Pitak Sirivanasandha

Position: Vice Chairman

and Remuneration Committee Member

Mrs. Suthiluck Chaikul

Position: Director

(Complete Terms of Office Effective on 29 April 2010)

Mr. Polsak Lertputipinyo

Position: Director

Mr. Chong Kwen Sam

Position: Director

Mr. Tetsuo Tsujimoto

(Resigned Effective on 29 April 2010)

Position: Director

Mr. Dheerasak Suwannayos

Position: Independent Director and Chairman of the Audit Committee

Mr. Prasart Yunibhand

Position: Independent Director, Audit Committee Member and Remuneration Committee Member

Associate Professor Dr. Preecha Jarungidanan

Position: Independent Director, Audit Committee Member and Chairman of Remuneration Committee

Mrs. Poonpun Chaikul

Position: Director

Scope of Authorities and Duties of the Board of Directors

1. Manage and operate the company's business according to law, company objectives, rules and regulations, as well as shareholders' meeting resolutions with honesty and in keeping with the company's interests.
2. Assume the authority to appoint a specified number of directors and/or executives as the company's Executive Committee to carry out one or more duties as assigned by the Board of Directors. It also has the authority to appoint a Chief Executive Officer and to set up new committees such as the Nomination Committee and determine appropriate compensation. The Board has the authority to appoint and delegate any other person to act on behalf of the Board of Directors under its control as well as the authority to terminate, cancel, amend, or change such authorities as deemed appropriate.
3. Set goals, directions, policies, annual operational plans, and annual budget for the company as well as control and supervise the administration and the management of executives and any other persons assigned to carry out duties to ensure that it achieves the goals set and is in accordance with the policies and plans set by the Board of Directors.
4. Consider, review, investigate and approve the company's policies, directions, strategies, and business operation plans of large investment projects proposed by the Board.
5. Maintain operations to ensure that they are in accordance with operational plans and budgets.
6. Consider the approval of investments in business expansion and joint ventures with other operators, companies, or businesses.
7. Set policy for control and supervision of the management of subsidiaries and/or affiliated companies.
8. Assume the authority to consider items for submission to shareholders for approval regarding the termination of use and the disposal or the sale and leaseback of assets according to the pertaining regulations in cases where the accounting net value exceeds 30 million baht.
9. Consider and approve other important operations regarding the company or those deemed appropriate for the company's benefit.

The authority described above excludes the following matters which require prior permission obtained at the shareholders' meeting. These



refer to cases that involve a director, an authorized party acting for a director, a person with potential stakes or with conflicts of interest (as outlined by the Securities and Exchange Commission) with the company and/or its subsidiaries and/or related companies. In such cases, that director or authorized person shall not have the authority to grant approval regarding the transactions. These matters include:

- ❑ (a) any matter mandated by law to require shareholders' meeting resolutions, and
- ❑ (b) any matter in which directors have interests and which by law requires approval obtained at the shareholders' meeting such as those regarding connected transactions and acquisition or disposition of the company's major assets according to relevant laws.

The following matters must be approved by a majority of votes of Board meeting attendees and no less than three quarters of the total number of possible votes at the shareholders' meeting:

- ❑ (a) the sale or transfer of major parts of the company's business or the entire business
- ❑ (b) the purchase or acceptance of the transfer of another company's business or private company
- ❑ (c) the making, amending, or terminating of agreements regarding the leasing of major parts of the company's business or the entire business and the assignment of other parties to manage the company's business or consolidation with other businesses with the objective to share profit and loss
- ❑ (d) the amendments of the MOA (memorandum of association) or regulations thereof
- ❑ (e) the increasing or reducing of capital and issuing of debenture bonds
- ❑ (f) mergers and closures
- ❑ (g) other actions stipulated by the laws, rules and regulations of the Securities Exchange of Thailand to gain approval of the Board and the shareholders' meeting with the votes as stated above.

It is noted that any Board member with interests or conflicts of interests with the company and/or its subsidiaries is not allowed to vote in that particular matter.

In addition to the Board of Directors, the company has set up three sub-committees to help manage operations, screen matters, and make decisions according to corporate good governance practices.

- ❑ The Executive Committee
- ❑ The Audit Committee
- ❑ The Remuneration Committee

The Executive Committee

Executive Committee comprises 5 Directors

Name of Director	Position
Mr. Somnuk Chaikul	Chairman of the Executive Director
Mr. Polsak Lertputipinyo	Executive Director
Mr. Chong Kwen Sam	Executive Director
Mr. Yunyong Sawasdi	Executive Director
Dr. Kavee Techapichetvanich	Executive Director

Role and Authority of Executive Directors

the Executive Committee has the duties and authority to carry out procedures related to the company's business as follows:

1. assign administration and management to set policies, goals, annual operational plans and annual budget as well as establish business strategies for submission to the Board of Directors for approval
2. control and ensure that the company's business operations are in compliance with law and the company's rules and regulations, as well as policies, goals, annual operational plans, annual budget, and business strategies approved at the Board of Directors' meeting and follow the Board's meeting resolutions regarding other matters
3. evaluate the company's and various department's general performance on a quarterly basis
4. coordinate with the Board of Directors in setting directions and guidelines in deciding on the Mission for administration and management. The committee establishes long term plans and business goals that are in line with policies, annual operational plans and annual budget approved by the Board for further execution by the administration and the management
5. control, review, and monitor administration and management's operations, and recommend solutions to problems for the executives and management to follow according to the strategies, long term plans, and policies set by the Board of Directors
6. issue orders, regulations, announcements, and stipulations to ensure that the company's operations are in accordance with its policies, for the benefit of the company and to maintain discipline within the organization
7. consider the hiring, promotion, and termination of the company's high-level executives, and establish policies

regarding staff and employee salaries, wages and benefits

8. review balance sheets, profit and loss statements, cash flow projections, and investment plans and then submit them to the Audit Committee for consideration and approval for submission at the shareholders' meeting (if necessary) for approval

9. make recommendations and provide consultancy for the Board for decision making regarding the company's business

10. assign administration and management to prepare reports regarding the company's performance, financial statements, investment budget, and address major problems or risk management issues for submission to the Board of Directors for acknowledgement and/or approval

11. determine marketing and sales strategies that are in line with annual operational plans and the annual budget

12. consider tendering bids or participating in bid tenders under 100 million baht

13. approve the purchase of machinery other than that approved by the Board and/or stated in annual operational plans or the annual budget for transactions under 30 million baht (both single transactions or a series of transactions) totaling no more than 100 million baht or equivalent

14. have the authority to terminate the use, disposal, sale or lease back of assets according to the pertaining regulations and guidelines in cases where the net accounting value is over one million baht but no more than 30 million baht

15. consider the lending, borrowing, or securing of capital, requests for, granting, or guaranteeing of credit, and investments in instruments guaranteed by the Ministry of Finance, commercial banks or any other appropriate instruments for submission to the Board of Directors for approval

16. submit matters that the Board considers important and require Board approval to the Board for consideration

17. perform other duties assigned by the Board with the necessary authority to perform the duties

Executive Committee Meeting

(a) To form a quorum in an Executive Committee Meeting to carry out any procedure described above, no less than half of the total number of directors must attend the meeting.

(b) A director is entitled to one vote in the Executive Committee meeting.

(c) For a resolution to pass, it must get no less than half of the total votes of directors attending the meeting, except in passing a resolution regarding items nos. 1, 8, 10, 12 and 13 above, which require no less than four-fifths of votes of the total number of company directors.

(d) The Executive Committee may appoint a sub-committee, working committee and/or person to monitor the items to be submitted to the Executive Committee, carry out any procedures for the Executive Committee's operations or conduct any matter in lieu as assigned by the Committee within the scope of its authority and duties.

It is to be noted that the approval of said items shall not be of the nature in which the Executive Committee or an authorized party thereof can approve transactions which they may have interests in, conflicts with or may have conflicts of interest with the company, its subsidiaries or related companies (according to the regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC)). The Committee shall submit such transactions to the Board of Directors and/or shareholders at the shareholder's meeting for consideration and approval in accordance with related regulations, announcements or laws. Exempt from this procedure is the approval of those items that are normal business transactions, the scope of which are clearly defined.

Remuneration Committee

For corporate good governance and in compliance with the "2006 Principles of Corporate Good Governance for Listed Companies," the Board of Directors has established the Remuneration Committee to consider the structure and the criteria for remuneration of directors and the Chief Executive Officer and provides comments for the Board of Directors.

- ❑ The Board of Directors approves the remuneration of the Chief Executive Officer.
- ❑ THE BOARD OF DIRECTORS PROPOSES THE REMUNERATION OF DIRECTORS AT THE SHAREHOLDERS' MEETING FOR APPROVAL.

THE COMPANY'S REMUNERATION COMMITTEE COMPRISES THE FOLLOWING THREE MEMBERS:

Name of Remuneration Director	Position
Associate Professor Dr. Preecha Jarungidanan	Chairman of Remuneration Committee
Mr. Pitak Sirivanasandha	Remuneration Committee Member
Mr. Prasart Yunibhand	Remuneration Committee Member

THE REMUNERATION COMMITTEE'S DUTIES AND RESPONSIBILITIES STIPULATED IN THE REMUNERATION COMMITTEE CHARTER

The Remuneration Committee is a committee appointed to make recommendations regarding consideration of remuneration of the directors, committee members, sub-committee members, Chief Executive Officer, consultants to the Board of Directors and the company's secretary to ensure transparency and fairness. The Remuneration Committee is totally independent in performing its duties according to the charter.

Organization and appointment

- ❑ The Board of Directors considers the appointment of the Remuneration Committee.
- ❑ The Remuneration Committee comprises at least three members with the majority being independent directors.
- ❑ The chairman of the Remuneration Committee to be appointed must be an independent director.
- ❑ The company's secretary shall be the Remuneration Committee's secretary with the duty to provide support to ensure the Remuneration Committee's operations run smoothly.

Term of Office

The Remuneration Committee's term of office is three years from the date of appointment by the Board of Directors. Those who have completed the term may be re-appointed with the majority of votes at the Board of Directors' meeting. As for a replacement committee member when there is a vacancy, the Board of Directors considers the selection and further appointment.

Duties and responsibilities

The Remuneration Committee has the following major duties and responsibilities:

- ❑ Submit proposals regarding remuneration for committees, sub-committees, the Chief Executive Officer, and the Board's consultants to the Board of Directors and/or shareholders' meeting for approval
- ❑ Determine the annual retainer fee and the meeting attendance fee and other remuneration as appropriate considering the guidelines practiced by other companies in the same industry, the company's performance, as well as the responsibilities, knowledge, capabilities, and experience of directors, the Chief Executive Officer or the consultants required by the company
- ❑ Call the management, supervisors and/or any person concerned to attend meetings to clarify matters or ask and answer questions and/or provide documentation for consideration regarding remuneration. The committee appoints independent experts as appropriate both

from within and outside the company at the company's expense and within the budget approved by the Board of Directors for consultancy as well as makes recommendations regarding decisions on remuneration

- ❑ Set the principles of reporting and submit evaluation reports on the performance of the Board, committees, sub-committees, the Chief Executive Officer, and the Board's consultants to the Board of Directors
- ❑ Report results on the fulfillment of duties to the Board of Directors every time there is a Remuneration Committee meeting and report the name list, scope of the Remuneration Committee's authority and duties to shareholders on the Registration Statement Form (Form 56-1) and in the annual report (Form 56-2), for example
- ❑ Consider, review, and make recommendations in case there are changes regarding the Remuneration Committee's charter to the Board of Directors for approval of amendments as appropriate or in accordance with the rules and regulations of agencies concerned
- ❑ Consider and carry out other duties assigned by the Board of Directors on occasion

Meetings

- ❑ The Remuneration Committee shall hold a meeting at least once a year as necessary and appropriate.
- ❑ The Remuneration Committee Chairman shall set the agenda of each meeting and chair the meeting where minutes are taken and meeting records are kept.
- ❑ The meeting agenda and meeting documents shall be forwarded to the Remuneration Committee in advance prior to the meeting.
- ❑ To form a quorum, no less than half of the Remuneration Committee members must be present.
- ❑ The Remuneration Committee's meeting resolutions are reached according to the majority of votes of the committee members attending the meeting. Members with interests in any matter shall not consider or pass a resolution therein.

Reporting

The Remuneration Committee shall report its performance to the Board of Directors and shall report on its duties during the past year to shareholders in the annual report detailing the following:

1. name list of the Remuneration Committee
2. the number of meetings held
3. the number of times each remuneration committee member attended the meetings
4. results of their performance according to the charter

The Audit Committee

The Audit Committee, appointed by the Board of Directors, comprises three independent directors who are experts in such fields as accounting and finance, law, and economics.

THE COMPANY'S AUDIT COMMITTEE COMPRISES THE FOLLOWING THREE MEMBERS:

Name	Position
Mr. Dheerasak Suwannayos /1	Chairman of the Audit Committee
Mr. Prasart Yunibhand	Audit Committee Member
Associate Professor Dr. Preecha Jarungidanan	Audit Committee Member

/1 Mr. Dheerasak Suwannayos, a knowledgeable and experienced Audit Committee member in financial statement review.

The Audit Committee's Scope of Authorities and Duties

(1) *The Audit Committee has the following duties as assigned by the Board of Directors:*

1. review the company's financial reports to ensure accuracy and adequacy
2. review the company's internal controls and internal audit systems to ensure their suitability and effectiveness, preserve the independence of the internal audit work unit, and approve appointments, movement, and termination of the chief of internal audit or any other unit responsible for internal audits
3. review operations to ensure the company's compliance with the law and regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC) as well as laws related to the company's business
4. consider, select and nominate independent persons to become the company's auditors, propose remuneration of said persons, and meet with auditors without the management being present at least once a year
5. assess connected transactions or those that might have conflicts of interest so that they are in accordance with the law and regulations of the Stock Exchange of Thailand as well as ensure that the transactions are justifiable and for the company's maximum benefit
6. prepare the Audit Committee's report and include it in the company's annual report which shall be signed by the Chairman of the Audit Committee and contain at least the following information:
 - ☐ comments regarding the accuracy and reliability of the company's financial report
 - ☐ comments regarding the adequacy of the company's internal control system
 - ☐ comments regarding compliance with the law and regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC) as well as laws related to the company's business
 - ☐ comments regarding the suitability of auditors
 - ☐ comments regarding transactions that might involve conflicts of interest
 - ☐ the number of the Audit Committee meetings and attendance records of each Audit Committee member
 - ☐ comments and general observations made by the Audit Committee in conducting its duties according to the charter
 - ☐ other items deemed of note for shareholders and general investors within the scope of duties and responsibilities assigned by the Board of Directors



7. address any other matters assigned by the company's Board with the Audit Committee's approval

(2) The Audit Committee's responsibilities

The Audit Committee is directly accountable to the Board of Directors and the company's Board maintains responsibility for the company's performance regarding outside parties.

(3) The Audit Committee's authority

1. The Audit Committee has the authority to seek unbiased comments from other professional consultants when necessary at the company's expense.
2. The Audit Committee has the authority to call for information from various work units of the company for additional consideration of various matters.

(4) The Audit Committee Meeting

1. The meeting. The Audit Committee holds a meeting at least once every quarter. In case of urgency, any Audit Committee member or a company director may ask for an Audit Committee meeting to be held.
2. Voting. Any Audit Committee member with any interest in the matter under consideration is prohibited from making comments and voting regarding the matter. The Audit Committee's secretary carries no vote.
3. Meeting reports. The Audit Committee's secretary or person assigned by the Audit Committee shall take minutes and prepare the Audit Committee meeting reports. The reports shall then be submitted to the Audit Committee for approval and for further submission to the Board of Directors so that the Board is informed of the Audit Committee's activities.

(5) The Audit Committee's reporting

In carrying out its duties, the Audit Committee is required to report to the company's Board so improvements and corrections can be made within the time period the Audit Committee sees appropriate if it finds or suspects any of the following situations which might have significant impact on the company's financial status and operational results:

1. transactions where there are conflicts of interest,
2. misappropriation or major impairment of the internal control system, or

3. violation of the law or rules and regulations of the Stock Exchange of Thailand or laws related to the company's business.

After reporting such matters which might have significant impact on the company's financial status and operational results to the Board of Directors and after joint decision with the Board of Directors and the management on improvements and corrections to be made, if the Audit Committee finds negligence in implementing the decisions in a timely manner without justifiable cause, a designated Audit Committee member may report such findings to the Stock Exchange of Thailand or the Office of the Securities and Exchange Commission (SEC).

Scope of the authority and duties of Chief Executive Officer

1. Oversee, run and carry out regular business duties for the company's benefit according to the policies, goals, annual business operational plans, and annual budget set by the Board and/or those duties assigned by the Board.
2. Manage the company's operations so that they are in accordance with the company's Mission set by the Board, annual business operational plans, annual budget, and business strategies determined by the Board of Directors and/or the Executive Committee.
3. Supervise operations regarding finance, marketing, human resources management and other operations in general so that they are in accordance with the company's policies, and annual business operational plans set by the Board of Directors and/or the Executive Committee.
4. Have the authority to hire, appoint, move, discharge or terminate employees as well as determine remuneration of employees of lower than the executive level. An authorize person can act on behalf of the CEO.
5. Determine rewards, raises, compensation, and special bonuses other than the regular bonus for the company's employees with the Board of Directors' or the Executive Committee's approval.
6. Approve the purchase of machinery under a limit (whether it is one or a series of transactions) of four million baht per transaction, and no more than 20 million baht per year except in cases where approval has been received from the company's Board and/or the purchase has appeared in annual business operational plans or the annual budget.

7. Have the authority to approve the termination of use, disposal, sale and leaseback of assets according to the pertaining regulations in cases where the accounting net value is not over one million baht.
8. Submit proposed contracts and/or transactions for the company's benefit to the Board of Directors' meeting for approval.
9. Have the authority to approve the purchase of raw materials in the Western Digital (WD) project valued at no more than 150 million baht or equivalent per transaction.
10. Carry out other duties assigned by the Board of Directors and/or the Executive Committee with the authority to carry out any procedures necessary for fulfilling said duties.

It is noted that in conducting matters in which the Chief Executive Officer, authorized person or persons with possible conflicts (according to the policy of the Stock Exchange of Thailand) has interests or conflicts of interests with the company and/or its subsidiaries, and/or related companies, the Chief Executive Officer has no authority to decide such matters. Instead, these matters must be submitted at the Audit Committee meeting and Board meeting for approval. Exception is made for the approval of those items that are normal business transactions the scope of which are clearly defined.

Details of the Board of Directors' meetings, sub-committee meetings, and the 2010 shareholders' annual general meeting

Name list	Attendance in Board of Director Meeting	Attendance in Audit Committee Meeting	Attendance in Remuneration Committee Meeting	Attendance in Shareholders' Annual General Meeting
Mr.Somnuk Chaikul	6/6			1/1
Mr. Pitak Sirivanasandha	6/6		1/1	1/1
Mr. Polsak Lertputipinyo	6/6			1/1
Mr. Tetsuo Tsujimoto (Resigned Effective on April 29th, 2010)	1/2			0/1
Mr. Chong Kwen Sam	6/6			1/1
Mrs. Suthiluck Chaikul (COMPLETE TERMS OF OFFICE EFFECTIVE ON 29 APRIL 2010)	2/2			1/1
Mr. Dheerasak Suwannayos	0/6	3/4		0/1
Mr. Prasart Yunibhand Associate Professor	6/6	4/4	1/1	1/1
Dr. Preecha Jarungidanan	5/6	4/4	1/1	1/1
Mrs. Poonpun Chaikul (NEW DIRECTOR EFFECTIVE ON 29 APRIL 2010)	4/4			n/a

Guidelines for Management Compensation

The Remuneration Committee considers the remuneration of directors and Chief Executive Officer, submitting the proposal to the Board of Directors for approval. Remuneration for the Board of Directors requires approval of the shareholders at a shareholders' meeting. The company's guidelines regarding management compensation are laid down as follows:

1. The company determines appropriate remuneration to attract and retain directors with suitable knowledge and capabilities for the company. Principal factors in the consideration include:
 - ☐ the company's performance,
 - ☐ responsibilities assigned to directors, and
 - ☐ average remuneration rate of businesses in the same industry.
2. Directors' remuneration consists of an annual retainer fee and meeting attendance fee.

Guidelines for high level executives

The Chairman of the Board and Chief Executive Officer consider remuneration of high level executives including those in Vice Chairman positions, senior directors and directors of various departments to maintain pay at an appropriate level in order to attract and retain executives with suitable knowledge and capabilities for the company. Principal factors in the consideration include:

- ☐ the company's performance (Key Performance Indicator - KPI)
- ☐ the Key Performance Indicators - KPI when considering an increase in remuneration or annual salary raise
- ☐ average remuneration rate in the industry

In addition, the company may also seek consultation from experts in Human Resources Management at the company's expense.

Qualifications of Board of Directors

1. Possess the qualifications required by law (Public Company Act and Securities and Stock Exchange Act)
2. Be knowledgeable, capable, and experienced in matters beneficial to business operations, and be forthright and possess ethics in business operations
3. Have reliable discretion independent from management and any other interest groups
4. Be able to devote adequate time to the company and pay attention to fulfilling responsibilities

Qualifications of the Executive Committee

1. Have vision, initiative and integrity
2. Be knowledgeable, capable, and experienced in matters beneficial to the business operations, and be forthright and possess ethics in business operations
3. Able to devote adequate time to the company and pay attention to fulfilling responsibilities

Qualifications of Audit Committee

1. The Audit Committee comprises at least three independent directors.
2. The Audit Committee is appointed by the Board or the shareholders
3. The Audit Committee members must not be persons assigned by the Board to make decisions regarding the company, its parent company, subsidiaries, associate companies, affiliates or corporate bodies that might have conflicts.
4. The Audit Committee members must have adequate knowledge and experience to fulfill duties as Audit Committee members; it is noted that there must be at least

one Audit Committee member who is knowledgeable and experienced enough to review the reliability of the financial statements.

Qualifications of Remuneration Committee

1. The Remuneration Committee members must be company directors and not Chairman of the Board of Directors.
2. The Remuneration Committee must consist mainly of independent directors.
3. The Remuneration Committee members must be knowledgeable, capable, and experienced as well as understand the qualities, duties, and responsibilities as a committee member considering remuneration.
4. The Remuneration Committee members must be able to devote adequate time to fulfill the Remuneration Committee's duties.

Qualifications of Independent Directors

Independent directors carry out duties assigned by the Board of Directors independently from major shareholders and the company's management and meet all the qualification requirements stipulated by the Office of the Securities and Exchange Commission (SEC). Independent directors shall form at least one-third of the total number of the directors but must be no less than three. Each director must have the following qualifications:

1. Must not hold shares in excess of 1% of the total voting shares of the Company, its parent company, subsidiaries, associate companies or corporate bodies that may have conflicts of interest. This also covers shareholding of persons associated with independent directors.
2. Must not be a board member, employee, staff, consultant earning regular salary or person with controlling interest, or a person with the authority to make decisions within the company, its subsidiaries, associate companies or corporate bodies that may have conflicts of interest, unless having been relieved of such conditions for no less than two years prior to the appointment.
3. Must not be a person who is related through kinship or legitimate registration as a father, mother, spouse, sibling, child or spouse of a child of a management executive or major shareholder, a person with controlling interest or person to be nominated as an executive or person with

controlling interest of the Company or its subsidiaries.

4. Must not have a business relationship with a company, parent company, subsidiaries, associate companies or corporate bodies with possible conflicts that might impair independent judgment. Independent directors must not be major shareholders or persons with controlling interests under those with a business relationship with the company, its parent company, subsidiaries, associate companies or corporate bodies with possible conflicts unless having been relieved of such conditions for no less than two years prior to the appointment.

Business relationship in the above paragraph includes any trading transactions in the ordinary course of business, granting and taking a lease of real property, any transaction relating to assets or services, the grant or acceptance of financial assistance worth from three percent of the net tangible assets or from 20 million baht over above, whichever is lower. Debts incurred during the year before the business relationship with the same person are also counted.

5. Must not be an auditor of a company, its parent company, subsidiaries, associate companies or corporate bodies with possible conflicts and must not be a major shareholder with the authority to control nor a partner of an audit firm that audits a company, its subsidiaries, associate companies or corporate bodies that might have conflicts unless having been relieved of such conditions for no less than two years prior to the appointment.
6. Must not be a person who provides any professional services, including legal counseling or financial consulting services, receives annual service fees over two million baht from the Company, subsidiaries, associate companies or corporate bodies with possible conflicts and must not be a major shareholder with the authority to make decisions or a partner of an entity providing such professional services unless having been relieved of such conditions for no less than two years prior to the appointment.
7. Must not be a board member who is appointed to be a representative board member of the Company, major shareholder, or shareholder who is associated with a major shareholder.
8. Must not have any other attributes that may prevent him/her from freely expressing opinions about the Company's operations.

Details of Biography of Board of Directors

Mr. Somnuk Chaikul

Position : Chairman of Board and Chairman of Executive Committee

Age 59 years

Percentage of Shareholding as of December 31st, 2010

☐ 8.20%

Educational Background

☐ Bachelor of Engineering, Major in Mechanical Engineering, Faculty of Engineering, Chulalongkorn University

Work Experience

Present:

- ☐ Chairman of Stars Microelectronics (Thailand) Public Company Limited
- ☐ Chairman of SMT Green Energy Company Limited
- ☐ Chairman of Thai Mapam Trading Company Limited
- ☐ Chairman of Cheeva Rice Company Limited
- ☐ Chairman of TMP Rice Mill Company Limited
- ☐ Chairman of Sri Sukho Thai Real Estate Company Limited
- ☐ Chairman of Sri Sukho Thai Resort Company Limited

Training History

- ☐ Director Accreditation Program (DAP), Class of 26/2004, Thai Institute of Directors

Mr. Pitak Sirivanasandha

Position : Vice Chairman and Remuneration Committee Member

Age 61 Years

Percentage of Shareholding as of December 31st, 2010

☐ 1.21%

Educational Background

- ☐ Bachelor of Engineering, Major in Electricity, Faculty of Engineering, Chulalongkorn University
- ☐ Master of Engineering, Major in Electricity, University of Detroit, USA

Work Experience

Present:

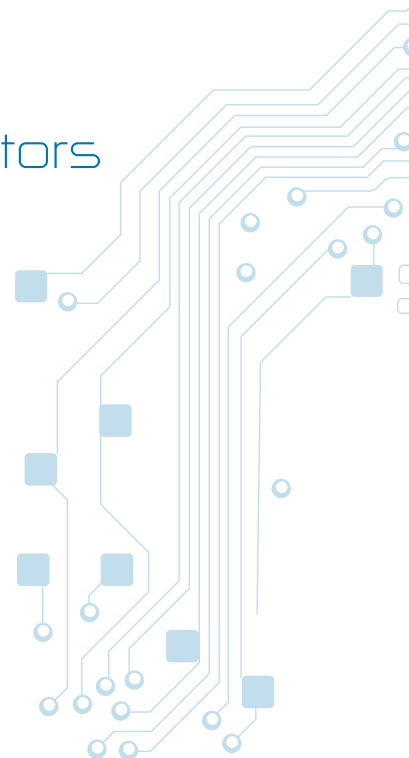
- ☐ Vice Chairman of Stars Microelectronics (Thailand) Public Company Limited

Past:

- ☐ Chief Executive Officer of Stars Microelectronics (Thailand) Public Company Limited
- ☐ Director of Electronic & Computer Employers' Association
- ☐ Vice President of Thai Factory Development Public Company Limited
- ☐ Executive Director and Project Manager, Sri Sukhathai Mansion Co., Ltd.
- ☐ Executive Director and Project Manager, United Realty Co., Ltd.
- ☐ Senior Engineer, Forrest Coile Associates, P.C., Virginia, U.S.A.
- ☐ Senior Engineer, GTE Products Corp., Virginia, U.S.A.
- ☐ Engineer, Planning Research Corp., NASA, Kennedy Space Center, Florida, U.S.A.
- ☐ Project Manager, Pansawas Construction Limited Partnership
- ☐ Managing Partner, P.T.S. Enterprise Limited Partnership
- ☐ Engineer, Electricity Generation Authority of Thailand

Training History

- ☐ Director Accreditation Program (DAP), Class of 26/2004, Thai Institute of Directors
- ☐ Medallion Award: ALT Award-ALT flights of the Space Shuttle Orbiter, NASA



Mr. Polsak Lertputipinyo

Position : Director , Executive Director and Chief Executive Officer

Age 54 Years

Percentage of Shareholding as of December 31st, 2010

☐ 1.80%

Educational Background

- ☐ Bachelor of Engineering in Electricity (Electronics),
King Mongkut's Institute of Technology Ladkrabang
- ☐ Master of Business Administration in General Management, Kasetsart University

Work Experience

Present:

- ☐ Director and Chief Executive Officer of Stars Microelectronics (Thailand) Public Company Limited
- ☐ Director of SMT Green Energy Company Limited

Past:

- ☐ Senior Marketing and Sales Manager of Hana Microelectronics Public Company Limited
- ☐ Senior Operations Manager of Hana Semiconductor Company Limited
- ☐ Test Department Manager, Intergrated Circuit of Philips Semiconductors (Thailand) Company Limited

Training History

- ☐ Director Accreditation Program (DAP), Class of 26/2004, Thai Institute of Directors

Mr. Chong Kwen Sam

Position : Director, Executive Director and Chief Procurement Officer

Age 59 Years

Percentage of Shareholding as of December 31st, 2010

☐ -None-

Educational Background

- ☐ Diploma in Business Management, Singapore Institute of Management ,Singapore.
- ☐ Postgraduate Diploma in Business Administration T.E.D. Management Studies School (Singapore).

Work Experience

Present:

- ☐ Director, Executive Director & Chief Procurement Officer,
Stars Microelectronics (Thailand) Public Company Limited
- ☐ Director of Thai Maparn Trading Company Limited

Training History

- ☐ Director Accreditation Program (DAP), Class of 74/2008, Thai Institute of Directors

Mr. Dheerasak Suwannayos

Position : Independent Director and Chairman of the Audit Committee

Age 58 years

Percentage of Shareholding as of December 31st, 2010

☐ 0.01%

Educational Background

- ☐ B.A. (hons.) in Economics, University of Karachi, Karachi, Pakistan
- ☐ M.A. in Economics, University of Karachi, Karachi, Pakistan

Work Experience

Present:

- ☐ Managing Director of Islamic Bank of Thailand
- ☐ Independent Director and Chairman of the Audit Committee of Stars Microelectronics (Thailand) Public Company Limited
- ☐ Director of MCOT Public Company Limited
- ☐ Member, Sub- Committee on Consideration of Draft Notifications Concerning Insurance and offering of Sukuk

Training History

- ☐ Director Accreditation Program (DAP), Class of 27/2004, Thai Institute of Directors

Mr. Prasart Yunibhand

Position : Independent Director, Audit Committee Member and Remuneration Committee Member

Age 63 years

Percentage of Shareholding as of December 31st, 2010

☐ 1.25%

Educational Background

- ☐ Bachelor of Law, Faculty of Law, Chulalongkorn University
- ☐ Master Degree in International Relations and Law, University of Detroit, USA

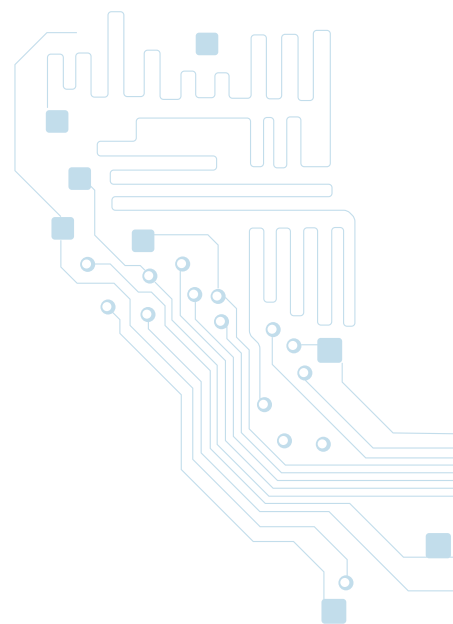
Work Experience

Present:

- ☐ Independent Director and Audit Committee Member of Stars Microelectronics (Thailand) Public Company Limited
- ☐ Director of ISC (Thailand) Limited
- ☐ Director of Thai Cardif Life Assurance Company Limited
- ☐ Managing Director of Noppong & Prasart Law Office Limited
- ☐ Director of Siam Capital Multi-Services Company Limited
- ☐ Director of Siam-Charoen Capital Services Company Limited

Training History

- ☐ Director Accreditation Program (DAP), Class of 26/2004, Thai Institute of Directors



Associate Professor Dr. Preecha Jarungidanan

Position : Independent Director , Audit Committee Member
and Chairman of Remuneration Committee

Age 65 years

Percentage of Shareholding as of December 31st, 2010

☐ 0.01%

Educational Background

- ☐ Bachelor of Economics, Major in Finance and Banking, Thammasat University
- ☐ Master of Economics, Major in Public Finance, California State University, Long Beach, USA.
- ☐ Doctor of Philosophy (Ph.D.) in Economics, Major in Monetary Theory, University of Missouri (Columbia) USA.

Work Experience

Present:

- ☐ Independent Director and Audit Committee Member of Stars Microelectronics (Thailand) Public Company Limited
- ☐ Director and Audit Committee Member of Kim Eng Securities (Thailand) Public Company Limited
- ☐ Director and Audit Committee Member of Lam Soon (Thailand) Public Company Limited
- ☐ Director and Audit Committee Member of Thai-German Products Public Company Limited
- ☐ Honorary Director of Public Debt Management Control and Policy Committee, The Public Debt
- ☐ Director of Office of the National Research Council of Thailand, Economics Department
- ☐ Director of Office of the Public Sector Development Commission Thailand
- ☐ Honorable Sub-Committee Member of Office of the Higher Education Commission

Past:

- ☐ Academic Specialist, The National Institute of Development Administration

Training History

- ☐ Director Accreditation Program (DAP), Class of 9/2004, Thai Institute of Directors
- ☐ Director Certification Program (DCP), Class of 89/2007, Thai Institute of Directors
- ☐ Audit Committee Program (ACP), Class of 24/2008, Thai Institute of Directors

Mrs. Poonpun Chaikul

Position : Director

Age 51 year

Percentage of Shareholding as of December 31st, 2010

☐ 1.77%

Educational Background

- ☐ Bachelor Degree, Faculty of Business Administration, Bangkok University

Work Experience

Present:

- ☐ Director of Stars Microelectronics (Thailand) Public Company Limited
- ☐ Director of Thai Maparn Trading Company Limited
- ☐ Director of TMP Rice Mill Company Limited
- ☐ Director of Cheeva Rice Company Limited
- ☐ Director of Sri Sukho Thai Resort Company Limited
- ☐ Chairman of Kullapassorn Company Limited

Training History

- ☐ Director Certification Program (DCP), Class of 131/2010, Thai Institute of Directors
- ☐ Financial Statement for Directors (FSD), Class of 8/2553, Thai Institute of Directors
- ☐ Mini - M.B.A., Faculty of Commerce and Accountancy, Chulalongkorn University
- ☐ The Boss (Class of 7)

Selection of Directors and Independent Directors and Members of Remuneration Committee

Although the company has no Nomination Committee to select persons to become directors, the company has a policy to search for and select persons considering various factors including knowledge, capabilities and related experience. Principles in appointment and removal of directors are as follows:

1. The company's Board

Comprises at least five directors and no more than 15 directors. No less than half of the directors must have residence in the Kingdom and must meet the qualifications stipulated by law. Directors are not allowed to conduct business as partner or director of other corporate bodies of a similar nature or conduct business in competition with the company, except when the shareholders have been informed at a meeting prior to the appointment.

2. The shareholders appoint directors

By the majority of votes according to the following principles and methods.

- 2.1 Shareholders are entitled to one vote per share.
- 2.2 Shareholders are to vote for directors one candidate at a time.
- 2.3 Persons winning the highest number of votes are selected as directors, of which the number is equal to that required or to be selected on that occasion; in the case of an equality of votes, the Chairman shall cast the deciding vote.

3. At every annual general meeting, one-third of the directors shall retire from office

If the number of directors to retire from office is not a multiple of three, then the number of directors closest to one-third shall retire. The directors to retire from office pursuant to the first paragraph in the first and the second years shall be determined by drawing lots. In every subsequent year, the directors who have served longest in office shall retire. A retiring director based on the preceding shall be eligible for re-election.

4. If an office of director is vacated other than by rotation

The Board of Directors may appoint a person who is qualified and is not prohibited under the law as a director in his place at the following meeting of the Board of Directors unless the remaining tenure of the director is less than 2 months. The replacement director shall assume the director's office for only as long as the remaining tenure of the replaced director.

5. At a meeting

The shareholders may pass a resolution for any director to leave the office before the end of their term with no less than three-fourths of the shareholders attending the meeting, having the right to vote and having total shares of no less than half of the shares held by the shareholders attending the meeting.

Independent Director Nomination

Independent directors must form no less than one-third of the total number of directors and there must be no less than three independent directors. The selection and nomination guidelines of independent directors are similar to those of directors and executives. Those selected to assume the positions of independent directors must have the qualifications stipulated by the company.

Holding a Director Position in Other Companies

The company's directors should limit the number of companies in which they hold a director position to no more than five. This is to ensure that they have adequate time to perform their assigned duties and responsibilities. Directors are required to report to the company should there be any changes therein regarding the holding of directorship in other companies.

Evaluation of Board of Directors

The Board of Directors evaluates the entire Board's performance no less than once a year to determine its strong points and weaknesses. The purpose is to increase future efficiency as well as to promote mutual understanding among directors working with each other.

Evaluation of Chief Executive Officer

The company evaluates the Chief Executive Officer's performance annually for consideration of remuneration which is fair to both the company and the Chief Executive Officer by relying on the principles practiced by the majority of listed companies and agreed to in advance with the Chief Executive Officer according to specific criteria. Evaluation criteria include financial performance and achievement of long-term strategic goals. Both financial metrics and non-financial metrics are used in performance evaluation.

Financial Metrics: e.g. income net profit, net earnings per share, return on fixed assets, return on equity and Economic Value Added — EVA etc.

Non-Financial Metrics: e.g. vision, leadership, achievement of strategic plans, risk management, good relations with the Board of Directors, response to need and directions of the Board of Directors, communications, human resources management, market expansion, etc.

Directors and Executives Development

The company has a policy to develop directors and high-level executives regarding corporate good governance and sustainable management. Directors and executives take part in the training programs organized by the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission (SEC), and the Institute of Directors (IOD). Each director has completed training in the Director Certification Program (DCP) or the Director Accreditation Program (DAP) organized by the IOD. In 2010, an SMT director took part in the training as follows:



Mrs. Poonpan Chaiyakul, a new director, participated in the IOD's Director Certification Program (DCP) from 11 May - 7 July 2010 (every Friday) and Financial Statements for Director (FSD) program on 7-8 June 2010.

Management Succession Plan

The company has a management succession plan with selection procedures considering both candidates from within and outside the company. It has an appropriate system to select directors and important executives in line with the management succession plan. Each position is filled through a transparent and fair selection process.

Company's Secretary

Appointed by the Board of Directors on 7 August 2009, the company's secretary has the major duties of organizing the Board of Directors' meetings and shareholders' meetings, ensuring that they run smoothly and according to the law. The secretary also prepares meeting reports, collects them and keeps the records for easy retrieval, prepares and sends letters of invitation to the meetings along with annual reports to shareholders and supervisory agencies as well as disseminates the information via the company's website. The secretary ensures that the company, its subsidiaries, directors and executives operate in accordance with the rules and regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission (SEC). The secretary coordinates with said agencies, reporting information regarding the company's directors and executives to the SET and SEC. In addition, the secretary provides recommendations and consultancy to new directors regarding assuming their positions. The secretary takes care of shareholders relations, acting as the liaison between shareholders and the Board of Directors and executives. The secretary also promotes knowledge and understanding regarding corporate governance providing related information and encouraging Board adherence. Additionally, the secretary ensures that there be a performance review conducted according to stated principles, and provides information and suggestions to directors and executives in preparing various reports as required by law and regulations for public disclosure to ensure transparency. This is information such as acknowledgement of duties regarding securities holding reports and supervision of the company's operations so that they comply with the rules and regulations of the company, the Stock Exchange of Thailand and related compliance units.



Report of the Remuneration Committee

Dear Shareholder,

The Remuneration Committee, appointed by the Board of Directors of Stars Microelectronics (Thailand) Public Company Limited for a three-year term of office, consists of three members. The Chairman of the Remuneration Committee is appointed from among the independent directors.

The Remuneration Committee has performed its duties and responsibilities independently as prescribed in the Remuneration Committee charter to consider the forms and principles of compensation for directors, presented at the shareholders' meeting for approval annually as well as the remuneration of Chief Executive Officer, which is submitted to the Board of Directors for approval.

The Remuneration Committee holds a meeting at least once a year as necessary and appropriate. In 2010, the Remuneration Committee held one meeting with full attendance of the three Remuneration Committee members to consider and determine the annual retainer fee and the meeting attendance fee.

The Remuneration Committee considered both fees for 2010, carefully taking into account the guidelines practiced by other firms in the same industry, the company's performance, as well as directors' knowledge, capabilities and experience. Remuneration deemed appropriate was determined and submitted for approval at the 2010 Annual General shareholders' meeting.

A handwritten signature in blue ink, appearing to read "Dr. Preecha Jarungidanan".

Associate Professor Dr. Preecha Jarungidanan
Chairman of the Remuneration Committee

Report of the Audit Committee

Dear Shareholder,

The Audit Committee, appointed by the Board of Directors of Stars Microelectronics (Thailand) Public Company Limited, consists of three members who are experts in accounting and finance, law, and economics.

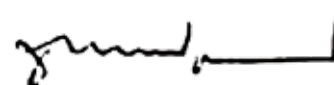
The Audit Committee has performed its duties and responsibilities as assigned by the Board of Directors and as approved by the shareholders. The Audit Committee holds a meeting at least once every quarter. In 2010, the Committee held a total of four meetings with management, certified public accountants, and internal auditors to review the accuracy of the financial statements and auditors' reports for each quarter and each year. Certified public accountants were invited to each meeting and the Audit Committee considered various matters to review the adequacy and the appropriacy of the internal control system and the risk management. This included audit plans and internal audit results. The results of each meeting were reported to the Board of Directors.

The Audit Committee has reviewed the financial statement of Stars Microelectronics (Thailand) Public Limited for the year ending 31 December 2010. It is of the opinion that the financial statement has been prepared according to generally accepted accounting principles and with proper and adequate information disclosed in the notes to the financial statement. A certified public accountant has stated opinions regarding the financial statement in the auditors' report.

The Committee has reviewed the internal control system jointly with the certified public accountant, management, and internal auditors to ensure that the internal control system is adequate and appropriate. It has also reviewed Stars Microelectronics (Thailand) Public Company Limited's risk management and controls, made comments and suggestions regarding major risk management, and followed up regularly on the improvement and corrections so the company's business operations can help it achieve its goals.

The Audit Committee decided to choose auditors from Ernst & Young Co.Ltd. as the company's auditors for the year 2011 and considered auditing compensation for submission at the shareholders' meeting for approval.

The Audit Committee has performed its duties independently, carefully, and honestly and has stated its opinions openly to ensure that the company's internal controls are in compliance with the law, rules and regulations related to business operations as well as ensure that the Audit Committee's 2010 performance achieved the objectives set by the Board of Directors.



Mr. Dheerasak Suwannayos
Chairman of the Audit Committee

Report of the Board of Directors' Responsibility for the Financial Statements

Dear Shareholder,

The Board of Directors of Stars Microelectronics (Thailand) Public Company Limited realizes the importance of the duty and responsibility for the financial statements and the consolidated financial statements of the company and the subsidiary as well as the financial information that appears in the annual report for fiscal year 2010. The financial statements were prepared in compliance with the generally accepted accounting standard in Thailand and the requirements of the Securities and Exchange Commission pertaining to the preparation and presentation of the financial statements under the Securities and Exchange Act BC 2535. The company adopted an appropriate accounting policy to abide by consistently. Adequate significant information was disclosed in the notes to the financial statements.

The Board of Directors assigned the Audit Committee consisting of all independent directors to supervise and look after the quality of the financial statements and appraise the internal control and audit system to ensure efficiency and effectiveness and that the accounting data were recorded correctly, completely, adequately, timely to prevent misappropriation or malpractice. The opinions of the Audit Committee appear in the Audit Committee report in the annual report.

The Board of Directors were of the opinion that the internal control and audit system of the company can ensure that the financial statements of Stars Microelectronics (Thailand) Public Company Limited and the subsidiary for fiscal year 2010 essentially portrayed the company's financial position, operating results and cash flow accurately. Moreover, the external auditor expressed his opinion about the financial statements of the company and the subsidiary in the external auditor's report in this annual report.

A handwritten signature in black ink, appearing to read "Somnuk Chaikul", with a horizontal line underneath.

Mr. Somnuk Chaikul
Chairman

Management Discussion and Analysis

Operational results

Stars Microelectronics (Thailand) Public Company Limited is the only electronics manufacturing services provider (EMS) in Thailand who offers a complete range of services from research and development of technology to industrial production. The company's products can be put into three major categories: the Hard Disk Drive group, the MMA/Other group and the IC Packaging group. SMT focuses on manufacturing "blue ocean" products, relying on being the first mover in the market as well as conducting joint Development with leading international clients for those products requiring high technology in production. These products include touch screens for smart phones and the Tire Pressure Monitoring System (TPMS).

Regarding operational results in 2010, the company and its subsidiaries earned a net profit of 530 million baht, an increase of 263 million baht or 98.28% from the previous year.

Major operational results are summarized below:

(UNIT : MILLION BAHT)

	2010	2009	Change	
			amount	%
Sales and service income	13,177	11,052	2,125	19.23
Other income	105	64	41	64.06
Total income	13,282	11,116	2,166	19.49
Total expenditures	12,752	10,849	1,903	17.54
Net profit	530	267	263	98.28
Net profit per share (baht)	1.43	0.89		

Analysis of operational results

Sales and Service income

In 2010, the company and its subsidiaries earned a total income from sales and services of 13,177 million baht, an increase of 2,125 million baht or 19.23% from the previous year. The income from sales of different groups of products as follows:

(UNIT : MILLION BAHT)

	2010		2009		Change	
	amount	%	amount	%	amount	%
Hard Disk Drive group	10,724	81.38	9,264	83.82	1,460	15.76
MMA - Other group	1,520	11.54	1,228	11.11	292	23.78
IC Packaging group	848	6.44	485	4.39	363	74.85
Total income from sales	13,092	99.36	10,977	99.32	2,115	19.27
Income from service	85	0.64	75	0.68	10	13.33
Total income from sales & service	13,177	100.00	11,052	100.00	2,125	19.23

From the table above, it can be seen that in 2010, the company's sales of products in the Hard Disk Drive group was 81% while in 2009 it was 85%. While 2010 income from sales of this group was higher, the sales proportion went down due to much higher growth in the MMA/ Other and the IC Packaging groups.

Although sales of the Hard Disk Drive group contributed 81 % of total sales, the company does not rely on the products in this group solely. In addition, considering the amount of Value Added (VA), or sales minus cost of raw materials, it was found that the Hard Disk Drive group had the lowest VA among the company's product groups. This shows that the company does not solely rely on any one group of products as illustrated in the table below.

(UNIT : MILLION BAHT)

	2010	2009	Change	
			amount	%
Hard Disk Drive	321	284	37	13.03
MMA - Others	567	430	137	31.86
IC Packaging	464	258	206	79.84
Total	1,352	973	379	28.03

Cost of goods sold

The ratio of cost of goods sold to sales in 2010 was 95.13%, down from 96.35% in 2009 and 96.36% in 2008. This is because large-scale production of a number of goods started and skills of production employees increased resulting in less waste. The economy of scale has enabled the company to utilize fixed costs more effectively, especially in the MMA/Other group and the IC Packaging group, which has yielded increased production efficiency on the whole.

In addition, in 2010, the company's sales of products with higher gross profit margins were of a much greater proportion than those with lower profit margins. This resulted in the total gross profit steadily increasing from 2008 - 2010, from 3.64% in 2008 to 3.65% in 2009 and to 4.87% 2010.

Expenses

□ Sales and administrative expenses

The total sales and administrative expenses of the company and its subsidiaries in 2010 amounted to 176 million baht or 1.33% of the income from sales and services. Those of 2009 and 2008 were 137 and 117 million baht or 1.24% and 0.96% of the income from sales and services respectively.

□ Financial expenses

The company's 2010 paid interest expense was 38 million baht or 0.29% of the income from sales and services while those of 2009 and 2008 were 62 and 100 million baht or 0.56% and 0.82% of the income from sales and services respectively. It can be seen that interest expense has been on a downward trend over these years. This is because of the company's efficient financial management, which has made it financially secure with a sound financial structure. Coupled with good operational results and continued growth, the company has gained the trust of both domestic and overseas financial institutions, which has enabled it to secure financing at lower interest rates.

□ Corporate income tax

While the company has been granted BOI privilege, which exempts it from Thai corporate income tax throughout the privilege period, the company was subject to four million baht in corporate income taxes in 2010 and one million baht in 2009 due to taxes incurred by Stars Microelectronics U.S.A. Inc., the company's U.S. subsidiary.

Net profit

The company's and its subsidiaries' net profit in 2010 amounted to 530 million baht with a net profit margin of 4.02%. This was 263 million baht higher than that of 2009 or a 98.28% increase. Net profits in 2009 and 2008 were 267 and 200 million baht, or 2.42% and 1.66% of the total income from sales and services respectively.

The company's and its subsidiaries' net profit in 2010 was significantly higher due to expansion of products in the MMA/Other and IC Packaging groups, which provided higher gross profit margins than the year before. Coupled with the weakening of the U.S. dollar from 2009 throughout 2010 due to the global economic slowdown and struggling U.S. economy, the company made higher profits from the exchange rate than in the previous year. In addition, as a listed company on the Stock Exchange of Thailand with consistently strong performance over several years, the company has thus gained the trust of both domestic and overseas financial institutions. As a result, the costs of the company's financing came down to the same level as that of other leading companies in the country, in turn reducing interest expenses substantially from the previous year. For these reasons, profits increased sharply from the year before.

Financial status

As at 31 December 2010, the company's assets, liabilities and equity are as follows:

(Unit: Million Baht)

2010

Total assets	4,453
Total liabilities	2,349
Shareholder's Equity	2,104
Retained Earning appropriated – legal reserve	75
unappropriated	1,005

2009

Total assets	4,378
Total liabilities	2,679
Shareholder's Equity	1,699
Retained Earning appropriated – legal reserve	55
unappropriated	627

2008

Total assets	4,005
Total liabilities	2,963
Shareholder's Equity	1,042
Retained Earning appropriated – legal reserve	41
unappropriated	425

From the table above it can be seen that from 2008 through 2010, the company was in a secure financial situation with an increasingly solid financial structure due to sustained positive operational results. Also, since SMT registered as a listed company in 2009, the company's liabilities have been decreasing while its equity has been on the rise. As a result, its financial ratio has been improving leading to the trust of financial institutions and trade vendors.

In 2010, the company's appropriated retained earning was allocated to the minimum limit as required by law. Unappropriated retained earning after paid dividends of 128.8 million baht stood at 1,005 million baht. Total dividends of 128.8 million baht paid in 2010 included a payment of 55.20 million baht for 2009 dividends at a rate of 0.15 baht per share in May, and the interim payment of 2010 dividends in December at 0.20 baht per share amounting to 73.60 million baht.

Assets

As at 31 December 2010, the company's total assets stood at 4,453 million baht, an increase of 75 million baht from the previous year. Of this total, 1,897 million baht was current assets and 2,556 million baht was non-current assets.

(UNIT : MILLION BAHT)

	2010 As at 31 December	2009 As at 31 December	Change amount %	
Current assets	1,897	2,114	-217	-10.26
Non-current assets	2,556	2,264	292	12.90
Total assets	4,453	4,378	75	1.71

The table above reflects changes in inventory, which went down by 400 million baht as there was high customer demand at year end. These figures also demonstrate the effectiveness of the company's plan to purchase raw materials and deliver finished products to customers more efficiently. The resulting ending inventory went down sharply from 1,076 million baht in 2009 year end to 675 million baht in 2010 year end. Inventory turnover days also went down from 33 days in 2009 to only 26 days in 2010. At the same time, trade account receivables at year end went up from the previous year by 171 million baht to 1,192 million baht in 2010, compared to 1,021 million baht in 2009. This was 31 days in terms of account receivables turnover in day in 2010 compared to 44 days in 2009.

As for non-current assets, one major transaction was an investment in fixed assets, namely machinery, with the net book value increasing by 295 million baht to support the increasing number of orders and to deal with a bottleneck in the production line.

Liabilities and equity

As at 31 December 2010, the company's current liabilities stood at 1,908 million baht. Its long-term liabilities stood at 441 million baht, down from the previous year by 329 million baht. Its shareholder's equity amounted to 2,104 million baht, an increase of 404 million baht.

(UNIT : MILLION BAHT)

	2010 As at 31 December	2009 As at 31 December	Change	
			amount	%
Current liabilities	1,908	2,090	-182	-8.71
Long-term liabilities	441	589	-147	-24.96
Shareholder's equity	2,104	1,699	404	23.78
Total liabilities and equity	4,453	4,378	75	1.71

The company's current liabilities as at 31 December 2010 stood at 1,908 million baht, decreasing from 2009 by 182 million baht, with the following major changes:

- ❑ Trade account payables went down by 625 million baht due to increased efficiency in inventory management. Therefore, the company was not required to keep high inventory.
- ❑ Short-term loans from financial institutions increased by 248 million baht to a normal level as at 2009 year end the company made repayments of a large number of short-term loans as there was high cash flow left over from operations.
- ❑ Machinery payables increased by 100 million baht. The company had purchased new machinery to support the manufacturing of new products and was granted a longer-than-usual credit term on the purchase of the machinery. As a result, machinery payables increased.

The company's long-term liabilities as at 31 December 2010 were 441 million baht, down from the previous year by 147 million baht due to the repayment of some long-term loans which were due and some which were paid off early as there was increased cash flow. At the same time, the company secured long-term loans of an additional 200 million baht in quarter 3 to improve its financial structure to make it even more effective. However, the repayment was higher than the new loan amount; the balance of long-term loans thus went down sharply from the previous year.

As at 31 December 2010, the shareholder's equity stood at 2,104 million baht, an increase of 404 million baht from the previous year. This was due to an increase of 530 million baht in the annual net profit plus the funding received from an exercised ESOP warrant of 4.56 million baht offered for the first time to employees and directors. After the deduction of dividend payments to shareholders of 128.80 million baht in 2010, the return on equity for the year was 27.86% while that of 2009 was 19.49%. This reflects a higher capability to make profit for company shareholders.

Sources and uses of funds

(Unit : Million Baht)

	2010	2009	increase (decrease)
Net cash flow from			
operating activities	441	380	61
investment activities	-479	-165	-314
financing activities	50	-209	259
Net cash and cash equivalents			
increase (decrease)	12	6	6
Cash and cash equivalents at beginning of year	7	1	6
Cash and cash equivalents at year end	19	7	12

- A net cash flow from operating activities of 441 million baht resulted from the net profit from annual operations before tax of 534 million baht, non-monetary expenses of 324 million baht, and the adjusted increase (decrease) of assets and liabilities in operations of 417 million baht.
- The net cash flow from investment activities of -479 million baht was the result of using cash to invest in the purchase of machinery in the amount of 415 million baht, machinery payables in the amount of 112 million baht and receiving cash of 40 million baht from the sale of old machinery and withdraw of bank deposits.
- The net cash flow from financing activities of 50 million baht resulted from short-term loans increasing by 246 million baht and long-term loans increasing by 200 million baht. At the same time, 263 million baht of old loan repayments was made. In addition, the company also had cash disbursements for 2010 dividends of 128.80 million baht.

Major financial ratios

Financial ratio	Unit	2010	2009
Liquidity ratio	times	0.99	1.01
Gross profit margin	%	4.87	3.65
Net profit margin	%	4.02	2.42
Debt/equity ratio	times	1.12	1.58
Gearing Ratio	times	0.55	0.58
Return on assets	%	12.00	6.37
Return on equity	%	27.86	19.49
Net profit per share	baht	1.43	0.89
Book value per share	baht	5.70	4.62

It can be seen from the above figures that the financial ratios in almost all aspects of the company have improved from the previous year, reflecting increased efficiency in the management of the company.



Report of Independent Auditor

To the Shareholders of Stars Microelectronics (Thailand) Public Company Limited

I have audited the accompanying consolidated balance sheets of Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries as at 31 December 2010 and 2009, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Stars Microelectronics (Thailand) Public Company Limited for the same years. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. I did not audit the financial statements for the years ended 31 December 2010 and 2009 of an overseas subsidiary of which statements reflected total assets as at 31 December 2010 of Baht 139,148 thousand (2009: Baht 106,430 thousand), total revenues and net income for the year ended 31 December 2010 of Baht 810,943 thousand and Baht 6,657 thousand, respectively (2009: total revenues and net income of Baht 399,675 thousand and Baht 8 thousand, respectively). The financial statements of the subsidiary were audited by other auditor, whose report has been furnished to me, and my opinion, insofar as it relates to that subsidiary in the Company's consolidated financial statements, is based solely on the report of that other auditor.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, based on my audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries and of Stars Microelectronics (Thailand) Public Company Limited as at 31 December 2010 and 2009, and the results of their operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

A handwritten signature in blue ink, appearing to read "Supachai Phanyawattano".

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok: 21 February 2011

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Assets					
Current assets					
Cash and cash equivalents	7	18,994,692	6,630,080	1,035,903	5,193,243
Trade accounts receivable					
Related parties	6	2,289,130	2,187,449	141,525,653	103,826,816
Unrelated parties		685,906,335	806,746,735	553,690,299	704,442,490
Less: Allowance for doubtful accounts		(480,215)	(480,215)	(480,215)	(480,215)
Trade accounts receivable - net	8	687,715,250	808,453,969	694,735,737	807,789,091
Unbilled receivables		504,004,997	212,412,840	504,004,997	212,412,840
Inventories - net	9	675,645,081	1,075,783,946	675,345,471	1,073,754,708
Other current assets					
Input tax refundable		2,616,808	2,479,778	2,616,808	2,479,778
Others		7,823,792	8,923,955	7,792,857	6,102,886
Total current assets		1,896,800,620	2,114,684,568	1,885,531,773	2,107,732,546
Non-current assets					
Restricted bank deposits	10	-	9,150,741	-	9,150,741
Loan to other company	11	772,591	2,480,000	772,591	2,480,000
Investments in subsidiaries	12	-	-	676,779	429,279
Property, plant and equipment - net	13	2,536,608,586	2,241,633,195	2,536,608,586	2,241,633,195
Intangible asset - net	14	18,640,578	9,850,763	18,640,578	9,850,763
Other non-current assets		753,045	537,710	753,045	537,710
Total non-current assets		2,556,774,800	2,263,652,409	2,557,451,579	2,264,081,688
Total assets		4,453,575,420	4,378,336,977	4,442,983,352	4,371,814,234

*The accompanying notes are an integral part of the financial statements.

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	15	453,977,463	205,676,916	453,977,463	205,676,916
Trade accounts payable		818,476,521	1,443,490,347	817,813,695	1,438,460,653
Accounts payable - machinery		271,820,242	171,622,725	271,820,242	171,622,725
Accounts payable - others					
Related party	6	-	-	190,720	-
Unrelated parties		63,905,612	59,701,827	63,905,612	59,701,827
Total accounts payable - others		63,905,612	59,701,827	64,096,332	59,701,827
Current portion of liabilities under finance					
lease agreements	17	8,167,220	8,635,332	8,167,220	8,635,332
Current portion of long-term loans	16	252,040,000	176,520,000	252,040,000	176,520,000
Other current liabilities					
Accrued expenses		22,216,801	13,348,238	20,980,749	12,013,488
Forward contract payable	30.1	3,482,604	2,119,391	3,482,604	2,119,391
Others		13,520,907	9,387,605	9,795,328	8,581,049
Total current liabilities		1,907,607,370	2,090,502,381	1,902,173,633	2,083,331,381
Non-current liabilities					
Liabilities under finance lease agreements, net					
of current portion	17	476,880	8,644,152	476,880	8,644,152
Long-term loans, net of current portion	16	441,020,000	579,960,000	441,020,000	579,960,000
Total non-current liabilities		441,496,880	588,604,152	441,496,880	588,604,152
Total liabilities		2,349,104,250	2,679,106,533	2,343,670,513	2,671,935,533

The accompanying notes are an integral part of the financial statements.

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Balance sheets (continued)

As at 31 December 2010 and 2009

(Unit: Baht)

	Note	Consolidated financial state- ments		Separate financial statements	
		2010	2009	2010	2009
Shareholders' equity					
Share capital	18				
Registered					
375,500,000 ordinary shares of Baht 2 each					
(2009: 368,000,000 ordinary shares of Baht 2 each)		751,000,000	736,000,000	751,000,000	736,000,000
Issued and fully paid					
369,013,700 ordinary shares of Baht 2 each					
(2009: 368,000,000 ordinary shares of Baht 2 each)		738,027,400	736,000,000	738,027,400	736,000,000
Share premium	18	269,478,318	266,944,068	269,478,318	266,944,068
Unrealised gain - revaluation surplus on land	19	14,712,166	14,712,166	14,712,166	14,712,166
Translation adjustment		(160,677)	20,005	-	-
Retained earnings					
Appropriated - statutory reserve	20	75,100,000	54,683,931	75,100,000	54,683,931
Unappropriated		1,004,953,026	626,823,156	1,001,994,955	627,538,536
Equity attributable to the company's shareholders		2,102,110,233	1,699,183,326	2,099,312,839	1,699,878,701
Minority interest - equity attributable to minority shareholders of subsidiaries		2,360,937	47,118	-	-
Total shareholders' equity		2,104,471,170	1,699,230,444	2,099,312,839	1,699,878,701
Total liabilities and shareholders' equity		4,453,575,420	4,378,336,977	4,442,983,352	4,371,814,234

The accompanying notes are an integral part of the financial statements.

..... Director
(Mr. Polsak Lertputipinyo)

..... Director
(Mr. Chong Kwen Sam)



Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2010	2009	2010	2009
Revenues					
Sales and service income	21	13,176,873,748	11,051,462,404	13,113,870,955	11,016,652,759
Other income					
Gains on exchange		60,049,764	42,259,168	60,049,764	42,259,168
Revenue from scrap sales		14,998,369	13,054,175	14,998,369	13,054,175
Others		30,310,424	8,743,729	30,310,424	8,743,729
Total revenues		13,282,232,305	11,115,519,476	13,219,229,512	11,080,709,831
Expenses					
Cost of sales and services		12,534,979,276	10,648,478,334	12,513,914,896	10,634,464,508
Selling expenses		35,862,557	26,709,636	16,967,911	11,596,908
Administrative expenses		114,815,613	93,350,314	108,782,347	87,963,716
Management benefit expenses	6	25,157,846	17,194,351	18,178,000	17,194,351
Total expenses		12,710,815,292	10,785,732,635	12,657,843,154	10,751,219,483
Income before finance cost and corporate income tax		571,417,013	329,786,841	561,386,358	329,490,348
Finance cost		(37,713,870)	(61,738,326)	(37,713,870)	(61,738,326)
Income before corporate income tax		533,703,143	268,048,515	523,672,488	267,752,022
Corporate income tax	23, 24	(3,920,223)	(857,378)	-	-
Net income for the year		529,782,920	267,191,137	523,672,488	267,752,022
Net income attributable to:					
Equity holders of the parent		527,345,939	267,187,843	523,672,488	267,752,022
Minority interests of the subsidiaries		2,436,981	3,294		
		529,782,920	267,191,137		
Earnings per share	25				
Basic earnings per share					
Net income attributable to equity holders of the parent		1.433	0.886	1.423	0.888
Diluted earnings per share					
Net income attributable to equity holders of the parent		1.422	0.886	1.412	0.888

The accompanying notes are an integral part of the financial statements.

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Cash flow statements

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash flows from operating activities				
Income before tax	533,703,143	268,048,515	523,672,488	267,752,022
Adjustments to reconcile income before tax to net cash provided by (paid from) operating activities:				
Interest expenses	37,713,870	61,738,326	37,713,870	61,738,326
Depreciation and amortisation	310,260,112	279,734,854	310,260,112	279,734,854
Doubtful debts (reversal)	-	(98,268)	-	(98,268)
Unrealised gains on exchange	(9,559,577)	(11,425,644)	(9,559,577)	(11,425,644)
Gains on sales of machinery and equipment	(11,054,316)	(267,116)	(11,054,316)	(267,116)
Difference between amount of acquisition of subsidiaries and the Company's interest in subsidiaries (Note 12)	10,148	235,018	-	-
Reversal of allowance for diminution in value of inventories	(2,986,646)	(7,408,741)	(2,986,646)	(7,408,741)
Written-off of equipment	14,312	-	14,312	-
Income from operating activities before changes in operating assets and liabilities	858,101,046	590,556,944	848,060,243	590,025,433
Operating assets (increase) decrease				
Trade accounts receivable	122,140,691	66,632,896	114,455,326	28,988,362
Unbilled receivables	(291,592,157)	(212,412,840)	(291,592,157)	(212,412,840)
Inventories	403,125,511	(198,909,092)	401,395,883	(196,879,855)
Other current assets	1,683,284	(1,321,793)	(1,106,849)	1,499,276
Other non-current assets	281,684	(160,771)	281,684	(160,771)
Operating liabilities increase (decrease)				
Trade accounts payable	(625,105,251)	201,637,693	(620,738,383)	237,524,044
Accounts payable - others	4,145,211	2,641,029	4,335,931	2,641,029
Other current liabilities	6,278,533	(5,031,928)	7,378,432	(6,366,679)
Cash from operating activities	479,058,552	443,632,138	462,470,110	444,857,999

The accompanying notes are an integral part of the financial statements.



Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Cash flow statements (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash paid for interest expenses	(37,595,982)	(63,164,521)	(37,595,982)	(63,164,521)
Cash paid for corporate income tax	-	(50,823)	-	-
Net cash from operating activities	441,462,570	380,416,794	424,874,128	381,693,478
Cash flows from investing activities				
Increase in restricted bank deposits	9,150,741	(57,461)	9,150,741	(57,461)
Payment of accounts payable - machinery	(112,052,416)	(84,081,820)	(112,052,416)	(84,081,820)
Acquisition of equipment and intangible assets	(415,088,928)	(102,464,366)	(415,088,928)	(102,464,366)
Proceeds from sales of equipment	38,982,068	18,893,241	38,982,068	18,893,241
Net cash received from (paid for) acquisition of subsidiaries (Note 12)	(7,750)	2,438,920	(247,500)	(279,882)
Net cash used in investing activities	(479,016,285)	(165,271,486)	(479,256,035)	(167,990,288)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	246,518,301	(791,538,361)	246,518,301	(791,538,361)
Decrease in factoring payable	-	(46,777,511)	-	(46,777,511)
Repayment of liabilities under finance lease agreements	(8,635,384)	(10,234,123)	(8,635,384)	(10,234,123)
Cash receipts from long-term loans	200,000,000	750,000,000	200,000,000	750,000,000
Repayments of long-term loans	(263,420,000)	(500,508,000)	(263,420,000)	(500,508,000)
Proceeds from increasing in share capital	4,561,650	441,224,920	4,561,650	441,224,920
Dividend paid	(128,800,000)	(51,520,000)	(128,800,000)	(51,520,000)
Net cash from (used in) financing activities	50,224,567	(209,353,075)	50,224,567	(209,353,075)
Decrease in translation adjustment	(306,240)	(5,281)	-	-
Net increase (decrease) in cash and cash equivalents	12,364,612	5,786,952	(4,157,340)	4,350,115
Cash and cash equivalents at beginning of year	6,630,080	843,128	5,193,243	843,128
Cash and cash equivalents at end of year	18,994,692	6,630,080	1,035,903	5,193,243
Supplemental cash flows information				
Non-cash items				
Purchases of machinery for which no cash has been paid	226,878,456	171,622,725	226,878,456	171,622,725

The accompanying notes are an integral part of the financial statements.

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries
 Statements of changes in shareholders' equity
 For the years ended 31 December 2010 and 2009

(Unit: Baht)

Consolidated financial statements									
	Note	Equity attributable to the parent's shareholders						Minority interest - equity attributable to minority shareholders of subsidiaries	Total
		Issued and paid-up share capital	Share premium	Revaluation surplus on land	Translation adjustment	Retained earnings		Total equity attributable to the parent's shareholders	
						Appropriated - statutory reserve	Unappropriated		
Balance as at 31 December 2008		552,000,000	9,719,148	14,712,166	23,121	41,291,330	424,547,914	1,042,293,679	-
Equity attributable to minority shareholders of subsidiary from acquisition of subsidiary		-	-	-	-	-	-	-	45,989
Expenses recognised directly in equity:									
Translation adjustment		-	-	-	(3,116)	-	-	(3,116)	(2,165)
Net expenses recognised directly in equity		-	-	-	(3,116)	-	-	(3,116)	(2,165)
Net income for the year		-	-	-	-	-	267,187,843	267,187,843	3,294
Total income (expenses) for the year		-	-	-	(3,116)	-	267,187,843	267,184,727	1,129
Share capital increase	18	184,000,000	257,224,920	-	-	-	-	441,224,920	-
Payment of interim dividend	28	-	-	-	-	-	(51,520,000)	(51,520,000)	-
Unappropriated retained earnings transferred to statutory reserve	20	-	-	-	-	13,392,601	(13,392,601)	-	-
Balance as at 31 December 2009		736,000,000	266,944,068	14,712,166	20,005	54,683,931	626,823,156	1,699,183,326	47,118
Balance as at 31 December 2009		736,000,000	266,944,068	14,712,166	20,005	54,683,931	626,823,156	1,699,183,326	47,118
Equity attributable to minority shareholders of subsidiary from acquisition of subsidiary		-	-	-	-	-	-	-	2,396
Expenses recognised directly in equity:									
Translation adjustment		-	-	-	(180,682)	-	-	(180,682)	(125,558)
Net expenses recognised directly in equity		-	-	-	(180,682)	-	-	(180,682)	(125,558)
Net income for the year		-	-	-	-	-	527,345,939	527,345,939	2,436,981
Total income (expenses) for the year		-	-	-	(180,682)	-	527,345,939	527,165,257	2,311,423
Share capital increase	18	2,027,400	2,534,250	-	-	-	-	4,561,650	-
Dividend paid	28	-	-	-	-	-	(128,800,000)	(128,800,000)	-
Unappropriated retained earnings transferred to statutory reserve	20	-	-	-	-	20,416,069	(20,416,069)	-	-
Balance as at 31 December 2010		738,027,400	269,478,318	14,712,166	(160,677)	75,100,000	1,004,953,026	2,102,110,233	2,360,937
Balance as at 31 December 2010		738,027,400	269,478,318	14,712,166	(160,677)	75,100,000	1,004,953,026	2,102,110,233	2,360,937

The accompanying notes are an integral part of the financial statements.



Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2010 and 2009

(Unit: Baht)

		Separate financial statements					
		Issued and		Revaluation	Retained earnings		
Note		paid-up share capital	Share premium	surplus on land	Appropriated- statutory reserve	Unappropriated	Total
Balance as at 31 December 2008		552,000,000	9,719,148	14,712,166	41,291,330	424,699,115	1,042,421,759
Net income for the year		-	-	-	-	267,752,022	267,752,022
Total income for the year		-	-	-	-	267,752,022	267,752,022
Share capital increase	18	184,000,000	257,224,920	-	-	-	441,224,920
Payment of interim dividend	28	-	-	-	-	(51,520,000)	(51,520,000)
Unappropriated retained earnings transferred							
to statutory reserve	20	-	-	-	13,392,601	(13,392,601)	-
Balance as at 31 December 2009		736,000,000	266,944,068	14,712,166	54,683,931	627,538,536	1,699,878,701
Balance as at 31 December 2009		736,000,000	266,944,068	14,712,166	54,683,931	627,538,536	1,699,878,701
Net income for the year		-	-	-	-	523,672,488	523,672,488
Total income for the year		-	-	-	-	523,672,488	523,672,488
Share capital increase	18	2,027,400	2,534,250	-	-	-	4,561,650
Dividend paid	28	-	-	-	-	(128,800,000)	(128,800,000)
Unappropriated retained earnings transferred							
to statutory reserve	20	-	-	-	20,416,069	(20,416,069)	-
Balance as at 31 December 2010		738,027,400	269,478,318	14,712,166	75,100,000	1,001,994,955	2,099,312,839

The accompanying notes are an integral part of the financial statements.

Notes to consolidated financial statements

For the years ended 31 December 2010 and 2009

1. Corporate information

Stars Microelectronics (Thailand) Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The major shareholder of the Company is a group of individual persons. The Company is principally engaged in the manufacture and distribution of integrated circuit boards. The registered office of the Company is at 586 Moo 2, Klong Jig, Bang Pa-In, Ayutthaya. The Stock Exchange of Thailand set ordinary shares of the Company be traded on the Stock Exchange of Thailand from 24 September 2009 onwards.

2. Basis of preparation

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

2.2 Basis of consolidation

In January 2009, the Company additionally purchased shares of Stars Microelectronics USA, Inc. as discussed in Note 12. As a result, that company's status was changed from an associated company to a subsidiary of the Company.

During the current year, there was change in the structure of the Company group by an addition of a subsidiary, SMT Green Energy Company Limited, as discussed in Note 12. The Company purchased 99% of registered share capital of that company in September 2010.

a) The consolidated financial statements include the financial statements of Stars Microelectronics (Thailand) Public Company Limited ("the Company") and the following subsidiary companies ("the subsidiaries"):

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2010	2009	2010	2009	2010	2009
			%	%	%	%	%	%
Stars Microelectronics USA, Inc.	Trading company	United States of America	59	59	3.12	2.43	6.15	3.62
SMT Green Energy Company Limited	Manufacture and distribution of equipment used to generate electricity from solar energy or alternative energy as well as generation and distribution of electricity from solar energy or alternative energy	Thailand	99	-	0.01	-	-	-

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) The assets and liabilities in the financial statements of overseas subsidiary company are translated to Baht using the exchange rate prevailing on the balance sheet date, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Translation adjustment" in shareholders' equity.
- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- f) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements (revised 2009)	
TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets

TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

TAS 19 Employee Benefits

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

4. Significant accounting policies

4.1 Revenue recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Rendering of services

Service revenue is recognised when services have been rendered taking into account the stage of completion and accepted by customers.

4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Inventories

Finished goods and work in process are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials, spare parts and supplies are valued at the lower of average cost and net realisable value and are charged to production costs whenever consumed.

4.5 Investments

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement.

4.6 Property, plant and equipment/Depreciation

Land is stated at revalued amount. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land is initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to its fair value. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When a land's carrying amount is increased as a result of a revaluation of the Company's land, the increase is credited directly to equity under the heading of "Revaluation surplus on land". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same land previously recognised as an expense.
- When a land's carrying amount is decreased as a result of a revaluation of the Company's land, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on land" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus on land" in respect of that same land. Any excess amount is to be recognised as an expense in the income statement.

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:

Buildings	- 20 years
Building improvement	- 10 years
Machinery and equipment	- 5 and 10 years
Motor vehicles	- 5 years

Depreciation is included in determining income.

No depreciation is provided on land and machinery under installation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

4.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.8 Intangible assets

Intangible assets are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

Intangible assets with finite useful lives of the Company are computer software which has the useful life of 10 years.

4.9 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

4.10 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to the income statements over the lease period. The equipment acquired under finance leases is depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4.11 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date. Gains and losses on exchange are included in determining income.

4.12 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments.

of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement. However in case where land was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

In the assessment of asset impairment if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

4.13 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

4.14 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.15 Income tax

Income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Income tax of an overseas subsidiary is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation of that country.

4.16 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgments and estimates are as follows :

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance of diminution in value of inventories

In determining an allowance of diminution in value of inventories, the management makes judgment and estimates net realisable value of inventories based on the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly related to events occurring after the end of the period. The management also makes judgments and estimates expected loss from stock obsolescence based upon movements of inventories and the prevailing economic condition.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

The Company measures land at revalued amounts. Such amount is determined by the independent valuer using the market approach. The valuation involves certain assumptions and estimates.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgement to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the balance sheet date.

6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company, its subsidiaries and those related parties.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing policy
	2010	2009	2010	2009	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	747.9	364.9	Cost plus margin
<u>Transactions with related companies</u>					
Sales and service income	20.4	19.8	20.4	19.8	Cost plus margin

As at 31 December 2010 and 2009, the balances of the accounts between the Company, its subsidiaries and those related parties are as follows:



(Unit: Baht)

	Consolidated financial statement		Separate financial statements	
	2010	2009	2010	2009
<u>Trade accounts receivable - related parties</u>				
Subsidiary (eliminated from the consolidated financial statements)				
Stars Microelectronics USA, Inc.	-	-	139,236,523	101,639,367
Related companies				
SIIX Bangkok Company Limited	2,289,130	2,170,839	2,289,130	2,170,839
Others	-	16,610	-	16,610
Total trade accounts receivable - related parties	2,289,130	2,187,449	141,525,653	103,826,816
<u>Accounts payable - others, related party</u>				
Subsidiary (eliminated from the consolidated financial statements)				
Stars Microelectronics USA, Inc.	-	-	190,720	-
Total accounts payable - others, related party	-	-	190,720	-

Directors and management's benefits

In 2010 the Company and its subsidiaries had salaries, bonus and meeting allowances of their directors and management recognised as expenses totaling Baht 25.2 million (Separate financial statements: Baht 18.2 million) (2009: Baht 17.2 million, Separate financial statements: Baht 17.2 million).

In addition, during the year the Company has allocated 877,000 warrants to its directors without charge. The details of the warrants are presented in Note 18

7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash	226,000	100,000	110,000	100,000
Bank deposits	18,768,692	6,530,080	925,903	5,093,243
Total	18,994,692	6,630,080	1,035,903	5,193,243

As at 31 December 2010, bank deposits in saving accounts and fixed deposits carried interests between 0.25 and 0.75 % per annum (2009: between 0.25 and 0.75 % per annum).

8. Trade accounts receivable

8.1 The balances of trade accounts receivable as at 31 December 2010 and 2009, aged on the basis of due dates, are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Related parties				
Age of receivables				
Not yet due	2,289,130	2,170,839	110,042,481	91,332,289
Past due				
Up to 3 months	-	-	30,429,608	11,535,453
3 - 6 months	-	-	982,417	5,864
6 - 12 months	-	-	28,769	909,231
Over 12 months	-	16,610	42,378	43,979
Total trade accounts receivable - related parties	2,289,130	2,187,449	141,525,653	103,826,816
Unrelated parties				
Age of receivable				
Not yet due	403,533,521	671,919,805	344,057,856	617,944,837
Past due				
Up to 3 months	262,378,752	120,530,696	202,338,902	82,501,126
3 - 6 months	14,587,636	12,321,154	1,887,115	2,021,447
6 - 12 months	4,574,043	1,335,618	4,574,043	1,335,618
Over 12 months	832,383	639,462	832,383	639,462
Total trade accounts receivable - unrelated parties	685,906,335	806,746,735	553,690,299	704,442,490
Less : Allowance for doubtful accounts	(480,215)	(480,215)	(480,215)	(480,215)
Total trade accounts receivable - unrelated parties, net	685,426,120	806,266,520	553,210,084	703,962,275
Trade accounts receivable, net	687,715,250	808,453,969	694,735,737	807,789,091

8.2 The Company agreed with a lenders that it would not sell, transfer, make commitment on, or use invoices which are evidence of collecting from trade accounts receivable of approximately Baht 466.9 million as at 31 December 2009 (2010: Nil), to get finance from other lenders.

9. Inventories

(Unit: Baht)

	Consolidated financial statements					
	Allowance for diminution in					
	Cost		value of inventories		Inventories - net	
	2010	2009	2010	2009	2010	2009
Finished goods	145,923,673	153,482,178	(3,440,432)	(4,635,665)	142,483,241	148,846,513
Work in process	118,150,591	173,204,583	(3,177,204)	(6,948,917)	114,973,387	166,255,666
Raw materials	381,069,965	739,281,889	(2,246,023)	(1,965,663)	378,823,942	737,316,226
Spare parts and supplies	35,932,268	21,927,151	(1,767,315)	(67,375)	34,164,953	21,859,776
Material in transit	5,199,558	1,505,765	-	-	5,199,558	1,505,765
Total	686,276,055	1,089,401,566	(10,630,974)	(13,617,620)	675,645,081	1,075,783,946

(Unit: Baht)

	Separate financial statements					
	Allowance for diminution in					
	Cost		value of inventories		Inventories - net	
	2010	2009	2010	2009	2010	2009
Finished goods	145,624,063	151,452,940	(3,440,432)	(4,635,665)	142,183,631	146,817,275
Work in process	118,150,591	173,204,583	(3,177,204)	(6,948,917)	114,973,387	166,255,666
Raw materials	381,069,965	739,281,889	(2,246,023)	(1,965,663)	378,823,942	737,316,226
Spare parts and supplies	35,932,268	21,927,151	(1,767,315)	(67,375)	34,164,953	21,859,776
Material in transit	5,199,558	1,505,765	-	-	5,199,558	1,505,765
Total	685,976,445	1,087,372,328	(10,630,974)	(13,617,620)	675,345,471	1,073,754,708

10. Restricted bank deposits

The balances as at 31 December 2009 represented saving and fixed deposits pledged with the banks to secure credit facilities. However, during 2010, the Company released those collaterals.

11. Loan to other company

The Company provided a loan of EUR 50,000 to an overseas company which was unsecured and carried no interest. The Company agreed with that company to repay the loan on a monthly basis, commencing as from April 2010.

12. Investment in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Carrying amounts based on cost method	
	2010	2009	2010	2009	2010	2009
			%	%	Baht	Baht
Stars Microelectronics USA, Inc.	20,000	20,000	59	59	429,279	429,279
	(US Dollar)					
SMT Green Energy Company Limited	250,000	-	99	-	247,500	-
	(Baht)				676,779	429,279

During 2010 and 2009, the Company has not received any dividend from its subsidiaries.

12.1 Investment in Stars Microelectronics USA, Inc.

On 16 January 2009, the Company entered into an agreement to purchase a total of 8,000,000 common shares (40% of registered share capital) of Stars Microelectronics USA, Inc. (the associated company) from other shareholders of that company at USD 0.001 per share, for a total of USD 8,000 or approximately Baht 280,000. As a result, the Company's shareholding percentage in Stars Microelectronics USA, Inc. increased from 19% to 59% and that company's status was changed to a subsidiary of the Company. The interest of those shares has been transferred from the other shareholders to the Company on 20 January 2009.

Since Stars Microelectronics USA, Inc. did not prepare its financial statements as at 20 January 2009 (shares transferring date) and the Company's management assessed that the assets and liabilities of Stars Microelectronics USA, Inc. as at that shares transferring date and 31 December 2008 were not materially different, the Company calculated its interest in net asset value of Stars Microelectronics USA, Inc. from the financial statements as at 31 December 2008 and recorded the difference of approximately Baht 0.2 million between amount of acquisition and its interest amount in the income statement of 2009.

The valuation of the assets and liabilities of Stars Microelectronics USA, Inc. at the purchase date was as follow:

	(Unit: Baht)
Cash and cash equivalents	2,718,802
Trade accounts receivable - net	38,309,412
Trade accounts payable	(40,916,045)
Net assets	112,169
Amount paid for purchase of Stars Microelectronics USA, Inc.	279,882
Less: Cash and cash equivalents of Stars Microelectronics USA, Inc.	2,718,802
Net cash received from purchase of Stars Microelectronics USA, Inc.	2,438,920

12.2 Investment in SMT Green Energy Company Limited

In September 2010, the Company purchased a total of 99,000 shares (99% of registered share capital) of SMT Green Energy Company Limited from its related individuals at Baht 2.50 per share, for a total of Baht 0.25 million. The interest of these shares transferred to the Company on 30 September 2010.

SMT Green Energy Company Limited is a company incorporated in Thailand on 11 June 2010 with registered share capital of Baht 1 million (100,000 ordinary shares at a par value of Baht 10 each) and paid-up share capital of Baht 0.25 million (100,000 ordinary shares at Baht 2.50 paid-up each). That company is principally engaged in the manufacture and distribution of equipment used to generate electricity from solar energy or alternative energy as well as generation and distribution of electricity from solar energy or alternative energy.

The value of net assets of SMT Green Energy Company Limited at the purchase date was approximately Baht 0.24 million, which comprised all cash and cash equivalents.

	(Unit: Baht)
Amount paid for purchase of SMT Green Energy Company Limited	247,500
Less: Cash and cash equivalents of SMT Green Energy Company Limited	(239,750)
Net cash paid for purchase of SMT Green Energy Company Limited	7,750

13. Property, plant and equipment

(Unit: Baht)

	Consolidated and separate financial statements						
	Revaluation basis	Cost basis					
	Land	Buildings and building improvement	Machinery and equipment	Motor vehicles	Machinery under installation	Machinery in transit	Total
Cost/Revalued amount							
31 December 2009	70,010,000	740,194,719	2,276,425,451	15,169,973	92,968,857	39,549,824	3,234,318,824
Additions	-	19,297,009	166,063,498	3,430,309	442,795,695	-	631,586,511
Disposals	-	-	(72,781,888)	(1,620,000)	-	-	(74,401,888)
Transfers between accounts	-	-	480,161,856	-	(440,612,032)	(39,549,824)	-
31 December 2010	70,010,000	759,491,728	2,849,868,917	16,980,282	95,152,520	-	3,791,503,447
Accumulated depreciation							
31 December 2009	-	230,973,143	754,027,888	7,684,598	-	-	992,685,629
Depreciation for the year	-	55,506,107	250,388,902	2,774,047	-	-	308,669,056
Depreciation on disposals	-	-	(44,839,825)	(1,619,999)	-	-	(46,459,824)
31 December 2010	-	286,479,250	959,576,965	8,838,646	-	-	1,254,894,861
Net book value							
31 December 2009	70,010,000	509,221,576	1,522,397,563	7,485,375	92,968,857	39,549,824	2,241,633,195
31 December 2010	70,010,000	473,012,478	1,890,291,952	8,141,636	95,152,520	-	2,536,608,586
Depreciation for the year							
2009 (Baht 272.9 million included in manufacturing cost, and the balance in administrative expenses)							279,254,563
2010 (Baht 301.7 million included in manufacturing cost, and the balance in administrative expenses)							308,669,056

The Company arranged for an independent professional valuer to appraise its land in 2007 using the market approach. The appraisal had the effect of increasing the Company's revaluation surplus on land by Baht 14.7 million which had been recorded in shareholder's equity in the balance sheets.

Had the land been carried in the financial statements based on historical cost, its net book value as of 31 December 2010 and 2009 would have been Baht 55,297,834.

As at 31 December 2010, the Company had machinery, motor vehicles and equipment under finance lease agreements with net book value amounting to Baht 21.6 million (2009: Baht 26.3 million).

As at 31 December 2010, certain equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 216.7 million (2009: Baht 182.9 million).

The Company pledged its assets as at 31 December 2009 amounting to approximately Baht 1,233.0 million as collateral against credit facilities received from banks. However, during the current year, the Company released those collaterals, whereby the Company has to comply with certain conditions that the banks will be on pari-passu position with other lenders and the Company will not make commitment on its land, buildings and machinery.

14. Intangible asset

Detail of intangible asset which is computer software are as follows:

	(Unit: Baht)
	Consolidated and separate financial statements
	Computer software
Cost :	
1 January 2009	7,181,763
Additions	3,617,947
31 December 2009	10,799,710
Additions	10,380,871
31 December 2010	21,180,581
Amortisation :	
1 January 2009	468,655
Amortisation for the year	480,292
31 December 2009	948,947
Amortisation for the year	1,591,056
31 December 2010	2,540,003
Net book value :	
31 December 2009	9,850,763
31 December 2010	18,640,578



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

(Unit: Baht)

	Interest rate (percent per annum)		Consolidated and separate financial statements	
	2010	2009	2010	2009
Bank overdrafts	MOR to MOR - 0.50	MOR to MOR - 0.50	964,019	676,916
Packing credits	1.05 - 1.92	-	270,251,880	-
Trust receipts	1.03 - 1.15	-	182,761,564	-
Promissory notes	-	2.10	-	80,000,000
Bill of exchange	-	1.85	-	125,000,000
Total			453,977,463	205,676,916

Promissory notes as at 31 December 2009 amounting to Baht 80 million comprised a credit facility under an agreement made with a lender as discussed in Note 8.2.

Under these credit facilities agreements, the Company has to comply with certain conditions that the banks will be on pari-passu position with other lenders and the Company will not make commitment on its land, buildings and machinery.

16. Long-term loans

(Unit: Baht)

Loan	Interest rate	Repayment schedule	Consolidated and separate financial statements	
			Balance as at 31 December	
			2010	2009
1	MLR ⁽¹⁾ - 1 per annum	Monthly installments as from April 2007	-	6,480,000
2	MLR ⁽¹⁾ - 1.75 per annum for the first and second years and MLR ⁽¹⁾ - 1.50 per annum for the third and fourth years	Monthly installments as from January 2010	75,060,000	200,000,000
3	MLR ⁽¹⁾ - 1.50 per annum	Monthly installments as from March 2010	418,000,000	550,000,000
4	THBFIX 3M ⁽²⁾ + 1.76 per annum	Monthly installments as from January 2011	200,000,000	-
		Total	693,060,000	756,480,000
		Less: Portion due within one year	(252,040,000)	(176,520,000)
		Long-term loans, net of current portion	441,020,000	579,960,000

(1) MLR is Minimum Loan Rate.

(2) THBFIX 3M is Thai Baht Interest Rate Fixing for the period of three months.

In November and December 2009, the Company entered into long-term loan agreements (loans per 2 and 3) with two commercial banks to acquire cash for repayment of short-term loans.

In September 2010, the Company entered into a long-term loan agreement (loan per 4) with a commercial bank to acquire cash for acquisitions of machinery.

During 2010, the Company repaid the portion of the loan per 2 due in July 2012 to December 2013 amounting to Baht 74.9 million.

Furthermore, in August 2010 the Company repaid the portion of the loan per 3 due in January 2011 amounting to Baht 12 million and in January 2011, the Company repaid the portion due in February to May 2011 amounting to Baht 48 million.

Under the loan agreements, the Company has to comply with certain conditions that the banks will be on pari-passu position with other lenders and the Company will not make commitment on its land, buildings and machinery. In addition, the Company has to comply with certain covenants, pertaining to matters such as maintenance of debt-to-equity ratio and debt service coverage ratio, restrictions on disposals of assets, limits on the creation of additional liabilities and changes of the Company's major shareholders and management structures.

17. Liabilities under finance lease agreements

	(Unit: Baht)	
	Consolidated and separate financial statements	
	2010	2009
Liabilities under finance lease agreements	9,042,007	18,707,740
Less : Deferred interest expenses	(397,907)	(1,428,256)
Total	8,644,100	17,279,484
Less: Portion due within one year	(8,167,220)	(8,635,332)
Liabilities under finance lease agreements - net of current portion	476,880	8,644,152

The Company has entered into the finance lease agreements with financial institutions for rental of machinery, motor vehicles and equipment for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally between 3 and 4 years.

As at 31 December 2010, future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Baht)		
	Less than 1 year	1-5 years	Total
Future minimum lease payments	8,503,565	538,442	9,042,007
Deferred interest expenses	(336,345)	(61,562)	(397,907)
Present value of future minimum lease payments	8,167,220	476,880	8,644,100



18. Warrants / Share capital

During 16–18 September 2009, the Company sold its ordinary shares of 92 million shares with a par value of Baht 2 each, by public offering, at a price of Baht 4.95 per share totaling Baht 441.2 million, after deducting expenses of issuing those shares. As a result, share premium of Baht 257.2 million increased. The Company registered the increase in paid up share capital from Baht 552 million (276 million ordinary shares at a par value of Baht 2 each) to Baht 736 million (368 million ordinary shares at a par value of Baht 2 each) with the Ministry of Commerce on 22 September 2009.

On 29 April 2010, the 2010 Annual General Meeting of the Company's shareholders approved the following resolutions:

- a) To approve an increase in the registered share capital of the Company from Baht 736 million (368 million ordinary shares at a par value of Baht 2 each) to Baht 751 million (375.5 million ordinary shares at a par value of Baht 2 each) by issuing 7.5 million ordinary shares at a par value of Baht 2 each to support the exercise of the 7.5 million warrants to purchase the Company's ordinary shares issued to directors and employees of the Company under the Employee Stock Option Plan (ESOP).

The Company registered the increase in its share capital with the Ministry of Commerce on 14 May 2010.

- b) To approve the issuance of 7.5 million warrants to purchase the Company's ordinary shares to directors and employees of the Company under the Employee Stock Option Plan (ESOP). The warrants are name-specified and non-transferable type, unless by hereditary transfer. The Company's Board of Directors determine the allotment of the warrants to the Company's directors. The Board of Directors and/or the Chairman of the Board determine the allotment of the warrants to the Company's employees. The allotment of the warrants is not offered through intermediary. There are no directors or employees who receive the allotment more than 5% of total warrants. The warrants can be exercised to subscribe to the Company's ordinary shares in a ratio of 1 warrant per 1 ordinary share, at an exercise price of Baht 4.50 each. The warrants have a life of 4 years from the issue date, and are exercisable every three months. The accumulated percentage of the exercise does not exceed 15% for the first and second exercise, 30% for the third and fourth exercise, 45% for the fifth and sixth exercise, 60% for the seventh and eighth exercise, 80% for the ninth and tenth exercise, and 100% for the eleventh and twelfth exercise.

The meeting of the Company's Board of Directors held on 10 May 2010 approved the allotment of the warrants to the Company's directors and employees. On 1 June 2010, the Company issued and allotted the warrants to its directors and employees. The first exercise date is the last business day of November 2010 (30 November 2010) and the last exercise date is the last business day of May 2014 (30 May 2014).

During 2010, warrants were exercised as follows:

	Number of warrants	Issued and fully paid share capital	Share premium	Date of registration of additional share capital with the Ministry of Commerce
	(Unit)	(Baht)	(Baht)	
Outstanding as at 1 January 2010	-	736,000,000	266,944,068	
Issuance of warrants in June 2010	7,500,000	-	-	
Exercised in November 2010	(1,013,700)	2,027,400	2,534,250	3 December 2010
Outstanding as at 31 December 2010	6,486,300	738,027,400	269,478,318	

19. Revaluation surplus on land

The revaluation surplus on land can neither be offset against deficit nor used for dividend payment.

20. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

21. Sales and service income

Income derived from one customer accounted for more than 75% of total sales and services income of the Company.

22. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Salary and wages and other employee benefits	589,940,562	417,352,296	565,027,663	403,792,242
Depreciation and amortisation	310,260,112	279,254,563	310,260,112	279,254,563
Raw materials and consumables used	11,424,681,928	9,744,641,099	11,424,681,928	9,744,641,099
Changes in inventories of finished goods and work in progress	62,612,496	97,250,657	60,882,868	99,279,896

23. Corporate income tax

The Company is not liable to corporate income tax for the year 2010 and 2009 due to tax loss brought forward from previous years in excess of its taxable income of the non-promoted operations after adding back expenses and deducting income which are disallowable for income tax computation purpose.

24. Promotional privileges

The Company has received promotional privileges from the Board of Investment. Subject to certain imposed conditions, significant tax privileges of the Company are as follows:

Details			
1. Certificate No.	2057(4)/2547	1386(4)/2549	2020(1)/2552
2. Promotional privileges for	Manufacture of integrated circuit, LCD module and printed circuit board assembly (PCBA)	Manufacture of printed circuit board assembly (PCBA), touch pad module, optical mouse sensor and integrated circuit	Manufacture of semiconductor (i.e. integrated circuit, touch sensor module, laser module), and printed circuit board assembly (PCBA) for hard disk drive

Details			
3. The significant privileges are			
3.1 Exemption of corporate income tax on net income derived from the promoted operations, in accordance with conditions stipulated in the certificate, and exemption of income tax on dividends paid to the shareholders from the income of promoted operations during the corporate income tax exemption period.	7 years	7 years	8 years
3.2 Exemption of import duty on machinery as approved by the Board.	Granted	Granted	Granted
3.3 Exemption of import duty on raw materials and necessary supplies imported for use in the production of export sales for a period of one year from the first import date.	Granted (Expired)	Not granted	Not granted
4. Date of first earning promoted operation income	9 December 2005	1 May 2007	1 June 2010

The Company's operating revenues for the years are below shown divided according to promoted and non-promoted operations.

	(Unit: Thousand Baht)					
	Promoted operations		Non-promoted operations		Total	
	2010	2009	2010	2009	2010	2009
Sales						
Domestic sales	10,176,451	9,284,274	-	(3,364)	10,176,451	9,280,910
Direct export sales	2,937,420	1,735,743	-	-	2,937,420	1,735,743
Total sales	13,113,871	11,020,017	-	(3,364)	13,113,871	11,016,653

25. Earnings per share

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

The following table sets forth the computation of basic and diluted earnings per share:

Consolidated financial statements						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2010	2009	2010	2009	2010	2009
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Net income attributable to equity holders of the parent	527,346	267,178	368,078	301,458	1.433	0.886
Effect of dilutive potential ordinary shares						
ESOP-Warrants	-	-	2,898	-		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	527,346	267,188	370,976	301,458	1.422	0.886

Separate financial statements						
	Net income		Weighted average number of ordinary shares		Earnings per share	
	2010	2009	2010	2009	2010	2009
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Net income attributable to equity holders of the parent	523,672	267,752	368,078	301,458	1.423	0.888
Effect of dilutive potential ordinary shares						
ESOP-Warrants	-	-	2,898	-		
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	523,672	267,752	370,976	301,458	1.412	0.888

26. Financial information by segment

The Company and its subsidiaries' business operations involve two principal segments: manufacture of integrated circuit boards business and trading business. These operations are mainly carried on in Thailand and in United States of America (SMT Green Energy Company Limited has not yet commenced its trading operation). Below is the consolidated financial information of the Company and its subsidiaries for the years ended 31 December 2010 and 2009 by segment.

(Unit: Million Baht)

	For the years ended 31 December							
	Manufacture of integrated circuit boards business (Thailand)		Trading business (United States of America)		Elimination of inter-segment revenues		Consolidated financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	12,366	10,651	811	400	-	-	13,177	11,051
Intersegment revenues	748	365	-	-	(748)	(365)	-	-
Total revenues	13,114	11,016	811	400	(748)	(365)	13,177	11,051
Segment income	600	382	42	21	-	-	642	403
Other income								
Gains on exchange	60	42	-	-	-	-	60	42
Others	45	22	-	-	-	-	45	22
Selling expenses	(17)	(12)	(19)	(15)	-	-	(36)	(27)
Administrative expenses	(127)	(105)	(13)	(6)	-	-	(140)	(111)
Finance cost	(38)	(62)	-	-	-	-	(38)	(62)
Corporate income tax	-	-	(4)	-	-	-	(4)	-
Minority interests of the subsidiaries							(2)	-
Net income attributable to equity holders of the parent							527	267

(Unit: Million Baht)

	As at 31 December							
	Manufacture of integrated circuit boards business (Thailand)		Trading business (United States of America)		Elimination of inter-segment revenues		Consolidated financial statements	
	2010	2009	2010	2009	2010	2009	2010	2009
Property, plant and equipment - net	2,537	2,242	-	-	-	-	2,537	2,242
Trade accounts receivable - net	695	808	132	102	(139)	(102)	688	808
Inventories - net	675	1,074	1	2	-	-	676	1,076
Unbilled receivables	504	212	-	-	-	-	504	212
Others							49	40
Total assets							4,454	4,378

Transfer prices between business segments are as set out in Note 6.

All of the Company's sales and service income for the year 2010 and 2009 are direct and indirect export revenues.

27. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rates of 3 - 10% of basic salary. The fund, which is managed by Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company contributed Baht 8.4 million (2009: Baht 6.7 million) to the fund.

28. Dividend

(Unit: Baht)			
Dividend	Approved by	Total dividends	Dividend per share
Interim dividend paid from income for the six-month period ended 30 June 2009	Board of Directors meeting on 6 November 2009	51,520,000	0.14
Total dividend for 2009		51,520,000	0.14
Final dividend paid from 2009 income	Annual General Meeting of the shareholders on 29 April 2010	55,200,000	0.15
Interim dividend paid from income for the six-month period ended 30 June 2010	Board of Directors meeting on 9 November 2010	73,600,000	0.20
Total dividend for 2010		128,800,000	0.35

29. Commitments and contingent liabilities

29.1 Litigation

During the third quarter of 2007, legal action was taken against the Company by one of its former directors on the charge of contempt/libel as a result of his employment being terminated. On 30 September 2008, the Court of First Instance ruled that the Company had violated the Penal Code and ordered it to pay a fine of Baht 100,000. The Company already paid the fine on 30 September 2008. The Company filed an appeal against this ruling to the Court of Appeals. On 28 April 2010, the Court of Appeals dismissed the case. However, the director filed a petition to the Supreme Court on 26 May 2010. At present, the case is being considered by the Supreme Court.

In this connection, the director also claimed to have sustained damage to his reputation as a result of the termination and sued the Company in a civil case, demanding the following compensation:

- For damage to reputation, a total of Baht 30,000,000.
- For loss of income of Baht 60,606,000 in view of ability to work until the age of 70 years. The loss of income less severance payment of Baht 3,174,600 was already received from the Company; and the outstanding balance of the loss of income is Baht 57,431,400.
- For loss of business opportunity and benefits if the Company is listed on the Stock Exchange of Thailand, in view of his rights and entitlements to purchase shares at below market price, to a special bonus and other rights, a total of Baht 120,000,000.

The Company has filed a statement of defense and the Court has suspended consideration of the case and temporarily taken the case off its case file in order to await the result of the criminal case, since this civil case is linked to the criminal case, as mentioned above. The civil case consideration will not start, pending a final judgment in the criminal case.

The Court of First Instance reached its decision on the basis of one issue; that “the Court believed that all witnesses testified truthfully and according to facts. It could be admitted that Plaintiff had acted and performed his duties as stated in Exhibit Jor. 2, which could be deemed to be a violation of Clauses 1.12, 2.5, 2.6, 3.4, 5.3.13 of Chapter 7 of the Employees’ Working Rules and Regulations - Discipline & Disciplinary Action, which first defendant used as the reason to terminate the employment, per Exhibit Jor. 2.” This Criminal Court decision will be beneficial to the Company in the civil suit brought by the same director in which he claimed compensatory damages for a tort causing damage to his reputation, because the civil case is linked to the criminal case, and according to the law on delivering judgment in a civil case, the Civil Court is bound by the facts as found in the judgment of the criminal case. Judgment in the civil case will be made in accordance with the provisions of civil liabilities law, without regard to the conviction or non-conviction of the accused. Since the Company’s wording of the notice of termination of employment was true, its action was therefore not an intentional wrongful civil act against the said director involving an untrue statement. The ruling of the Court of Appeals for this issue was also in accordance with the ruling of the Court of First Instance.

In the opinion of the Company’s legal counsel, the Company is in possession of defense arguments capable of disproving the allegations on both factual and legal grounds, since it acted in accordance with the Labor Protection Laws and the action taken was necessary to reveal the truth in good faith, and was for the sake of fairness and to protect Company’s interests. Accordingly such act was not an act of making or revealing an untrue statement and thus not an intentional tort against the former director. Hence the Company should not be liable for the payment of compensation for damages as claimed. Furthermore, some of the claims were groundless and without any legal pretext. The Criminal Court’s verdict also gives the Company an advantage. Despite all this, if some damages were to be sustained at the Court’s discretion, the amount should not be significant.

29.2 Capital commitments

As at 31 December 2010, the Company had capital commitments of approximately JPY 4.1 million and USD 2.7 million relating to the acquisition of machinery.

29.3 Operating lease commitments

As at 31 December 2010, the Company had commitments of approximately Baht 0.9 million in respect of leases of motor vehicles which are payable within one year.

29.4 Long-term service commitments

The Company has entered into an agreement with a financial advisor for a period as from February 2010 to January 2011. Under the conditions of the agreement, the Company is to pay a financial advisory fee on a monthly basis at a rate as stipulated in the agreement and to pay the financing fee for loan underwriting and/or capital increase in accordance with the timeframe and conditions stipulated in the agreement.

29.5 Guarantees

As at 31 December 2010, there were outstanding bank guarantees of Baht 10.2 million issued by banks on behalf of the Company to guarantee electricity use.

30. Financial instruments

30.1 Financial risk management

Financial instruments of the Company and its subsidiaries, as defined under Thai Accounting Standard No. 107 “Financial Instruments: Disclosure and Presentations”, principally comprise cash and cash equivalents, trade accounts receivable, unbilled receivables, loan, investment, trade accounts payable and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, unbilled receivable and loan. The management manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses.

However, the Company and its subsidiaries are exposed to concentrations of credit risk with respect to trade receivables because they have a few major customers who are in the same industry. The maximum exposure to credit risk is limited to the carrying amount of trade accounts receivable, unbilled receivable and loan as stated in the balance sheet.

Interest rate risk

Exposure of the Company and its subsidiaries to interest rate risk relates primarily to its cash at banks, bank overdrafts, short-term loans, liabilities under finance lease agreements and long-term borrowings. However, since most of the financial assets and liabilities do not bear interest or bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2010 classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Consolidated financial statements					
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total
	Within 1 year	1-5 years	Over 5 years			
Financial Assets						
Cash and cash equivalents	-	-	-	19	-	19
Trade accounts receivable	-	-	-	-	688	688
Unbilled receivables	-	-	-	-	504	504
Loan to other company	-	-	-	-	1	1
	-	-	-	19	1,193	1,212
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	-	-	-	454	-	454
Trade accounts payable	-	-	-	-	818	818
Accounts payable - machinery	-	-	-	-	272	272
Accounts payable - others	-	-	-	-	64	64
Liabilities under finance lease agreements	8	1	-	-	-	9
Long-term loans	-	-	-	693	-	693
	8	1	-	1,147	1,154	2,310

(Unit: Million Baht)

	Separate financial statements				
	Fixed interest rates			Floating interest rate	Non-interest bearing
	Within 1 year	1-5 years	Over 5 years		
Financial Assets					
Cash and cash equivalents	-	-	-	1	-
Trade accounts receivable	-	-	-	-	695
Unbilled receivables	-	-	-	-	504
Loan to other company	-	-	-	-	1
	-	-	-	1	1,200
					1,201
Financial liabilities					
Bank overdrafts and short-term loans from financial institutions	-	-	-	454	-
Trade accounts payable	-	-	-	-	818
Accounts payable - machinery	-	-	-	-	272
Accounts payable - others	-	-	-	-	64
Liabilities under finance lease agreements	8	1	-	-	-
Long-term loans	-	-	-	693	-
	8	1	-	1,147	1,154
					2,310

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from trading transactions and purchases of machinery that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2010 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate
	(Million)	(Million)	as at 31 December 2010
			(Baht per 1 foreign currency unit)
US dollar	22.9	37.3	30.1513
Japanese yen	-	4.1	37.0500 (per JPY 100)

Foreign exchange contracts outstanding as at 31 December 2010 are summarised below.

Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	
			Bought	Sold
US dollar	3.2	7.6	29.8450 - 32.3300	30.1925 - 30.3050

In addition, the Company has entered into agreements with local banks to sell US dollars at the amount of USD 4.5 million and rates at Baht 30.15 - 30.20 per USD 1 if the exchange rates on the dates stated in the agreements are higher than the stipulated rates. The agreements are to expire in February 2011.

30.2 Fair values of financial instruments

Since the majority of the financial instruments of the Company and its subsidiaries are short-term in nature and loans bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

31. Capital management

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

The Company manages its capital position with reference to its debt-to-equity ratio in order to comply with conditions in credit facility and long-term loan agreements with financial institutions, which requires the Company to maintain a debt-to-equity ratio at the level stipulated in the agreements.

According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 1.12:1 and the Company's was 1.12:1 (2009: 1.58:1 and 1.57:1, respectively).

32. Subsequent events

The meeting of the Company's Board of Directors No. 1/2011, held on 26 January 2011, passed a resolution to increase the Company's registered share capital from Baht 751,000,000 million to Baht 843,253,424 million by issuing 46,126,712 new ordinary shares at a par value of Baht 2 each with offering price of Baht 16 per share. The purpose of the increase is to expand its investment in the subsidiary, SMT Green Energy Company Limited, and to use for its working capital.

The new share capital will be allocated as follows:

- To allocate to the Company's existing shareholders based on the current shareholding ratio of 8 existing shares per 1 new share. The existing shareholders are entitled to subscribe to the new shares more than the aforementioned ratio.
- In case there are shares left from the subscription of the existing shareholders at the aforementioned ratio, the remaining shares will be allocated to the existing shareholders whose subscription exceeds their quota.



If the remaining shares are sufficient for the allocation to the existing shareholders whose subscription exceeds their quota, the remaining shares will be allocated to these shareholders according to the number of shares as they subscribe.

If the remaining shares are less than the number of shares that subscribed by the existing shareholders whose subscription exceeds their quota, the remaining shares will be allocated to these shareholders in proportion to their existing shareholding.

- c) In case there are shares left from the subscription as per a) and b), the remaining shares will be offered for sale to institutional investors and/or for private placement as defined by the Capital market Supervisory Board, whereby such persons will have no connection with the Company. The Company will offer the sale at price not lower than 10% of the weighted average price of the Company's share on the Stock Exchange of Thailand over the past 7 consecutive working days preceding the first day of sale, whereby such price will not be lower than the price offered to the existing shareholders.

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2011.

Remuneration for the Auditor

At the 2010 shareholders' annual general meeting, the appointment of the following auditors from Ernst & Young Co. Ltd. was approved as auditors for the company and its subsidiaries: namely, Mr. Supachai Panyawattano - No. 3930, and/or Miss Siraphorn Euranantkul - No. 3844 and/or Miss Tippawan Nananuwat - No. 3459. The meeting also approved auditing remuneration for 2010 of 1,475,000 baht.

Auditing remuneration for the past three years (2008-2010)

Unit : Baht

Audit fee	Year 2008 1,050,000	Year 2009 1,370,000	Year 2010 1,475,000
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Reference Persons

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Thailand Securities Depository Co., Ltd
62 Stock Exchange of Thailand Building
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Bangkok 10110
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Call center: 02-229-2888

The Auditor

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Tel : 0-2264-0777
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