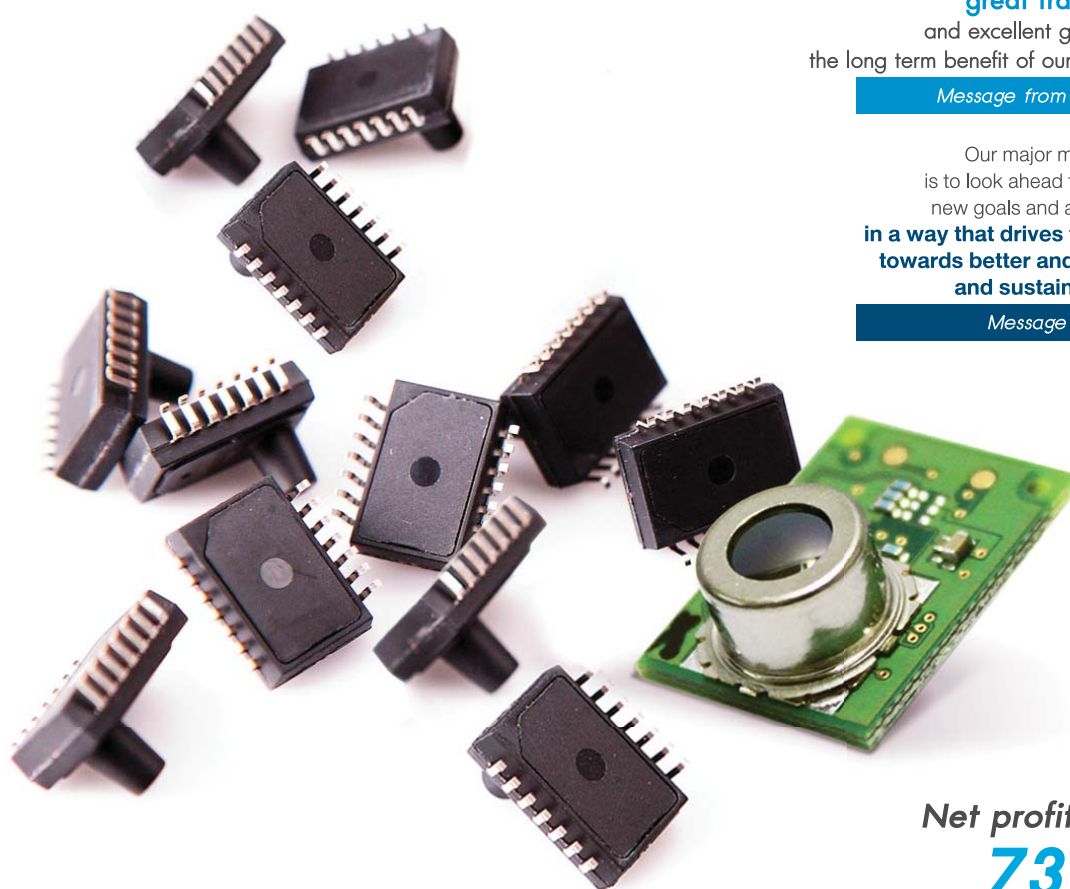


ANNUAL
REPORT

2012

STARS SHINING BRIGHTLY



I, as the chairman of SMT,
vow to manage the company
**“in a professional manner with
great transparency”**
and excellent governance for
the long term benefit of our shareholders.

Message from the Chairman

Our major mission for 2013
is to look ahead towards setting
new goals and achieving them
**in a way that drives the company
towards better and more stable
and sustainable growth.**

Message from the CEO

STARS

STANDS STRONG



Stars Microelectronics (Thailand)
Public Company Limited

Net profit in 2012

731.45
million baht

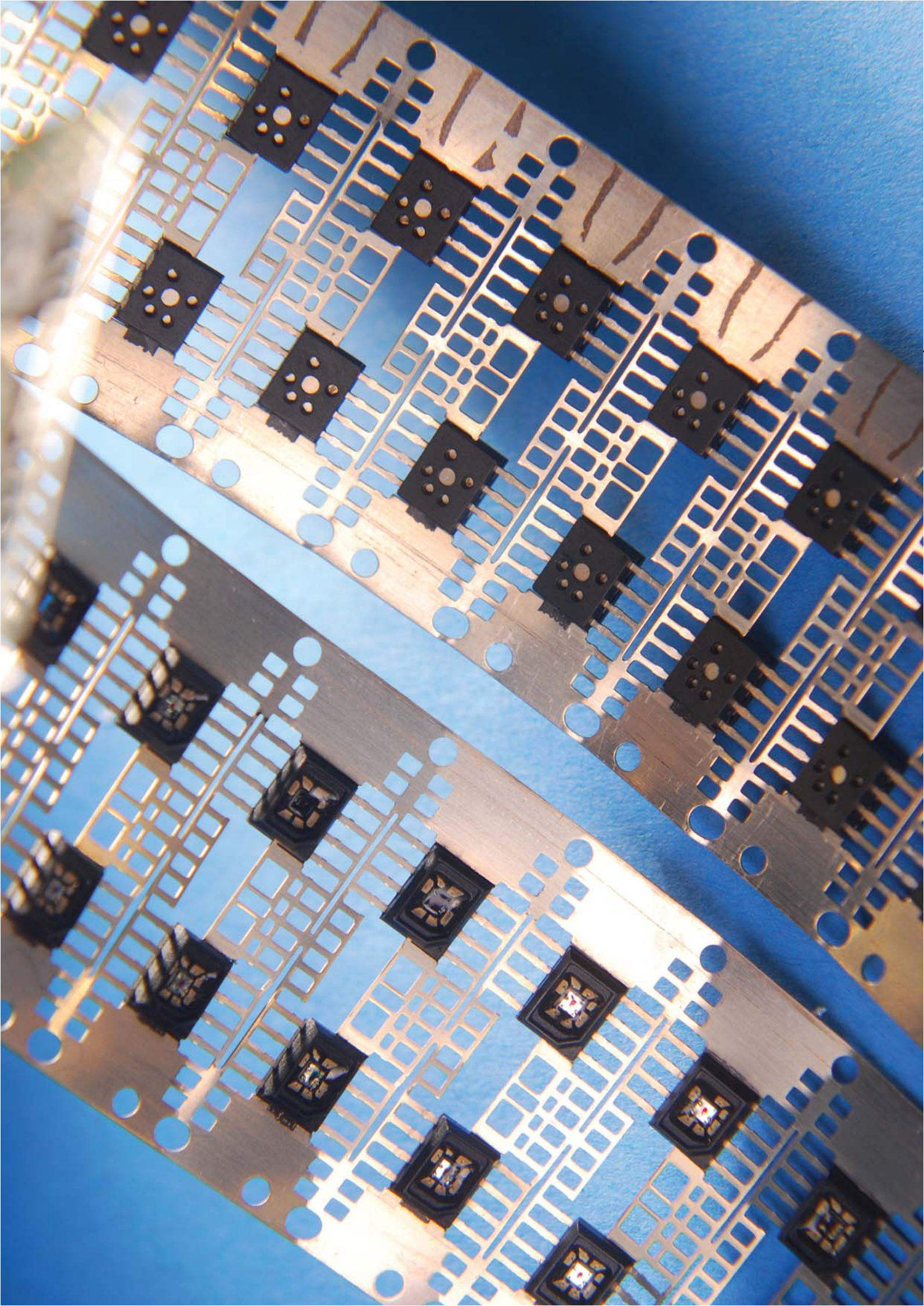
Financial Highlight

The company has been granted
**four 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...

Board of Investment rights and privileges

Annual full production
capacity of IC & MMA
1,620 million units

Production Capacity



Annual Report 2012

Contents

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

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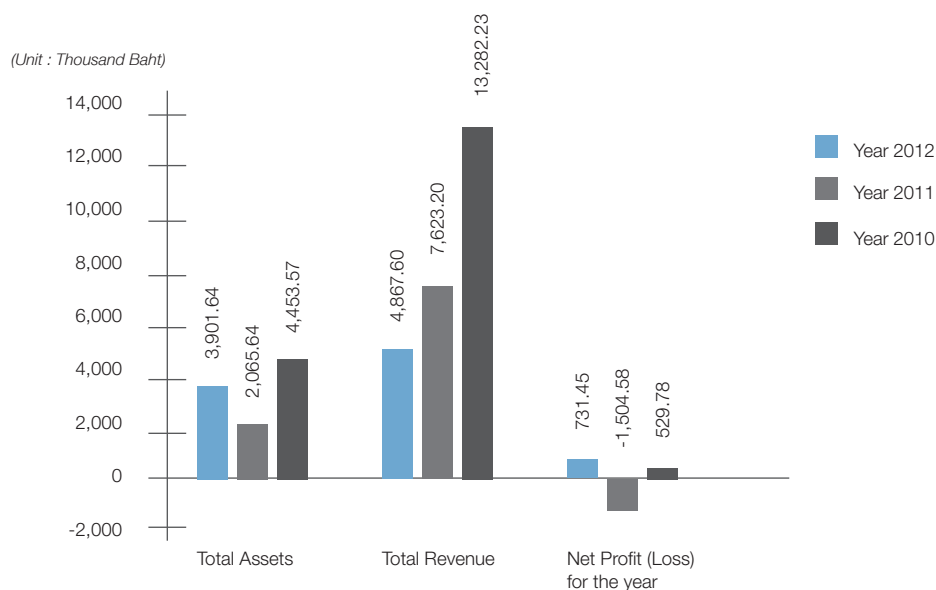
FINANCIAL HIGHLIGHTS

(Unit : Thousand Baht)

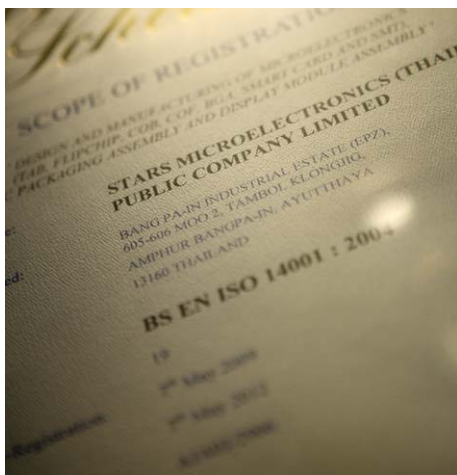
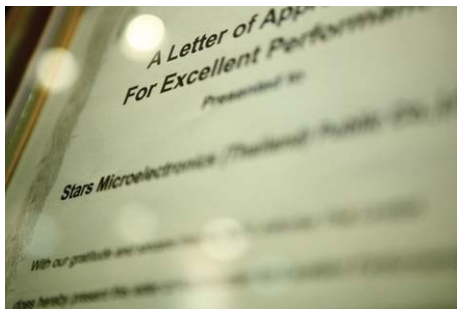
	2012	2011	2010
Total Revenue	4,867,609	7,623,203	13,282,232
Sales Revenue	3,539,011	7,583,989	13,176,874
Gross Profit	(357,627)	310,437	641,894
Operating Profit	(551,765)	111,914	466,058
EBITDA	973,422	(1,171,024)	881,677
Net Profit before Exceptional Items	(561,704)	127,464	529,783
Net Profit (Loss) for the Year	731,449	(1,504,582)	529,783
Total Assets	3,901,645	2,065,649	4,453,575
Net Fixed Assets	2,421,315	1,416,738	2,536,609
Total Liabilities	2,141,946	1,047,187	2,349,104
Shareholders Equity	1,759,699	1,018,463	2,104,471
Debt / Equity	1.22	1.03	1.12
Net Profit (after tax) % Sales	20.67%	(19.84%)	4.02%
EBITDA Margin	27.51%	(15.44%)	6.69%
Return on Equity	52.66%	(96.36%)	27.86%
Dividend per share (from the profit of)	- *	0.20	0.70
Payout ratio (excl. exceptional items)	- *	65%	53%
EPS before Exceptional Items**	(1.35)	0.31	1.44
EPS after Exceptional Items**	1.75	(3.61)	1.44
Book Value per Share	4.22	2.44	5.70
Number of Shares Outstanding (year end)	416,932,873	416,922,480	369,013,700

*Omission of yearly dividend payment will be submitted to Annual General Meeting of shareholders of 2013 on 22 April 2013 for Approval

**Calculated on number of shares as at year end



ORGANIZATION STRUCTURE



MESSAGE FROM THE CHAIRMAN

SMT has not been discouraged by the challenges it has been facing. The company's management have made every effort to find

“opportunities in the crisis”

to adjust its operational strategies for better efficiency



Dear Shareholders,

Time passes quickly. I am very pleased to have the opportunity to talk to our shareholders and investors via this annual report.

It is widely known that SMT was faced with the great flood of late 2011. Therefore, year 2012 was a year of recovery and stabilization in order to bring the company back to where it once was and to even greater heights. SMT has bought the new machines to replace the ones damaged during the great flood. SMT has found the “opportunity” in the “crisis” by changing its operation policies. The company opted to use more advanced, modern and highly efficient machines. Thus, reducing a lot of the production expenses

allowing the company to compete strongly in the industry. SMT has expedited factory renovations, and

“
opportunity
in the
crisis
”

more importantly, revived the business relationship with returning customers, continued to provide great service to on-going customers and has been able to generate new clientele. In addition, SMT has expedited the negotiations with the insurance companies to claim the insurance compensation quickly.

On behalf of SMT, I would like to thank the shareholders, investors and financial institutions for supporting us during such difficult times. Thank you for your encouragement, which has greatly supported our Board of Directors, Management Team, and supporting staff to lead the company to greater heights once again. I am most grateful to them for their dedication, hard work and determination to recover the company.

Last but not least, I, as the chairman of SMT, vow to manage the company in a professional manner with great transparency and excellent governance for the long term benefit of our shareholders.



Somnuk Chaikul
Chairman

Stars Microelectronics (Thailand) Public Company Limited

MESSAGE FROM THE CEO

I hope that Thailand will soon pass through this crisis and return anew as a center of electronics and automotive industries.

I am determined to make the company strong, stable, successful and full of new business opportunities.



Dear Shareholders

During 2012, the management team and I had quite a number of important missions to fulfill. First and foremost was the claiming of compensation for the damage resulting from the major flood which occurred in 2011. Second was the restoration of the company's operations so that they were brought back to normal in a speedy and timely manner. This included the repair of the factories, the ordering of machinery and the installation of the various production lines. The other important mission was contacting and coordinating with both existing and potential new customers to gain their trust and confidence in our restoration plans so that they would be ready to continue their business with the company in the long term. The management and I have satisfactorily achieved our goals regarding the abovementioned missions and consider that as preparation for even greater success ahead in the near future.

Our major mission for 2013 is to look ahead towards setting new goals and achieving them in a way that drives the company towards better and more stable and sustainable growth. The management and I

“ I am confident that in 2012, the company prepared all the necessary resources so that it is ready to soar in 2013, making Stars sparkle and shine for years and years to come. ”

have set new strategies which mainly involve providing a turnkey service in business planning, becoming a one-stop destination to meet all the needs of customers. The objective is to maintain the major customer base both in the MMA and the IC groups, whose purchasing behavior

has changed. This will require providing greater convenience with a reduction in operational costs. We have plans to take our production capacity from the point where it was critically damaged to a point where we find opportunities to expand our capacity continuously in supporting new business opportunities. This can be achieved through changes in technology and result in the continual development of new products.

The management team and I would like to express our sincere thanks to all shareholders, the Board of Directors and all those concerned with our business for their support in our struggle to recover from the crisis and improve the company's situation as part of its return to normal operations. I am confident that in 2012, the company prepared all the necessary resources so that it is ready to soar in 2013, making Stars Sparkle and Shine for years and years to come.



Polsak Lertputipinyo

Chief Executive Officer

Stars Microelectronics (Thailand) Public Company Limited

BOARD OF DIRECTORS



1. Mr. Somnuk Chaikul

- Chairman of Board
- Chairman of Executive Committee



2. Mr. Pitak Sirivanasandha

- Vice Chairman
- Remuneration Committee Member



3. Mr. Polsak Lertputipinyo

- Director
- Executive Director
- Chief Executive Officer



4. Mr. Chong Kwen Sam

- Director
- Executive Director



5. Mr. Dheerasak Suwannayos

- Independent Director
- Chairman of the Audit Committee



6. Mr. Prasart Yunibhand

- Director



**7. Associate Professor
Dr. Preecha Jarungidanan**

- Independent Director
- Audit Committee Member
- Chairman of Remuneration Committee



8. Mrs. Poonpun Chaikul

- Director



9. Mr. Toru Uchino

- Director
- Director
(Corporate International Business)



**10. Associate professor
Dr. Aekkachai Nittayagasetwat**

- Independent Director
- Audit Committee Member
- Remuneration Committee Member

**11. Associate professor
Dr. Kamphol Panyagometh**

- Independent Director
- Audit Committee Member
- Chairman of Risk Management Committee

MANAGEMENT TEAM



1. Mr. Polsak Lertputipinyo

- Chief Executive Officer
- Director
- Executive Director



2. Mr. Yunyong Sawasdi

- Chief Financial Officer
- Executive Director
- Risk Management Committee Member
- Company Secretary



3. Dr. Kavee Techapichetvanich, Ph.D.

- Chief Operations Officer
- Executive Director
- Risk Management Committee Member



4. Mr. Kosol Sarapadchoke

- Chief Supply Chain Officer
- Risk Management Committee Member



5. Mr. Thawatchai Woracheewan

- Senior Director (IC & Captive Operations)
- Risk Management Committee Member



6. Mr. Withaya Yotpraphun

- Senior Director (Finance and Accounting)
- Risk Management Committee Member

**7. Mr. Suwapat Chawaphongsakorn**

- Senior Director (Sales and Marketing)
- Risk Management Committee Member

**8. Mr. Toru Uchino**

- Director
- Director (Corporate International Business)

**9. Mr. Nattapon Phuenpathom**

- Director (Human Resources and Administration)
- Risk Management Committee Member

**10. Mr. Chaiyot Thaveeratitham**

- Director (Finance & Investor Relations)
- Risk Management Committee Member

**11. Dr. Chatchalee Ruktanonchai**

- Director (Operations-Industrial Engineering & Captive Line)

**12. Mr. Sommai Netpu**

- Director (Operation-IC Assembly & Packaging)

**13. Mr. Thaweechai Ngamlertsirichai**

- Director
(Sales and Marketing)

**14. Mr. Prompong Chaikul**

- Assistant Director
(Planning & Development)

**15. Sqn.Ldr. Wirutch Jeapiyasakul**

- Assistant Director
(Test Engineering)

**16. Mr. Khemarat Langkarpint**

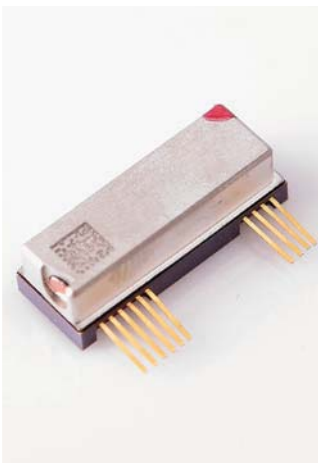
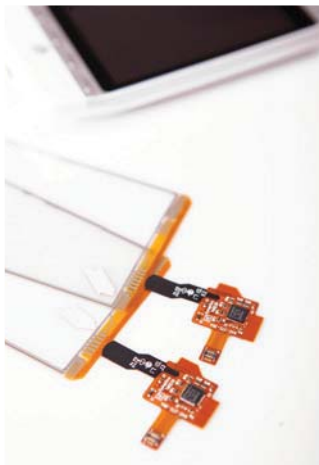
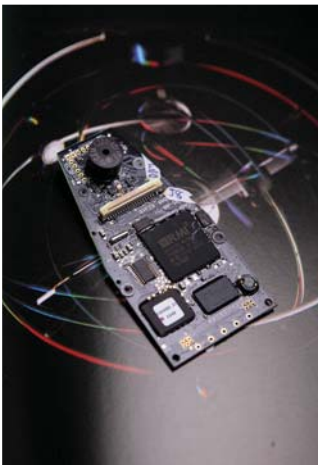
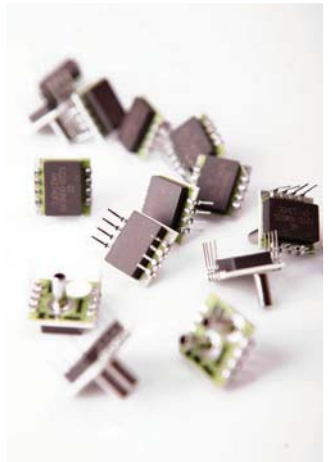
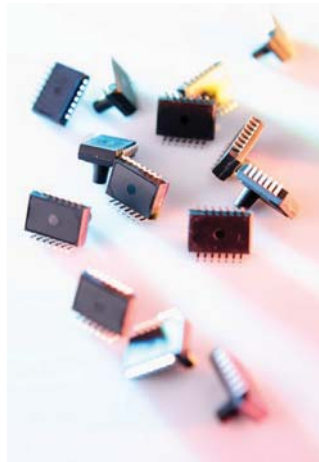
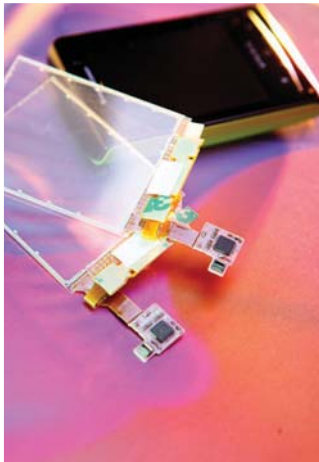
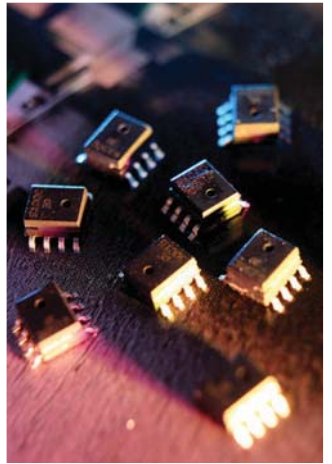
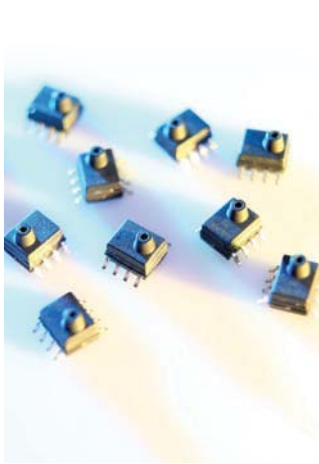
- Assistant Director
(Production & Material Control)

**17. Ms. Passara Opartnipath**

- Assistant Director
(Accounting)

**18. Mr. Jirawath Chanyu**

- Assistant Director
(IC Packaging & Captive Line)



NATURE OF BUSINESS

Nature of Business and Samples of Products



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 customer.

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.

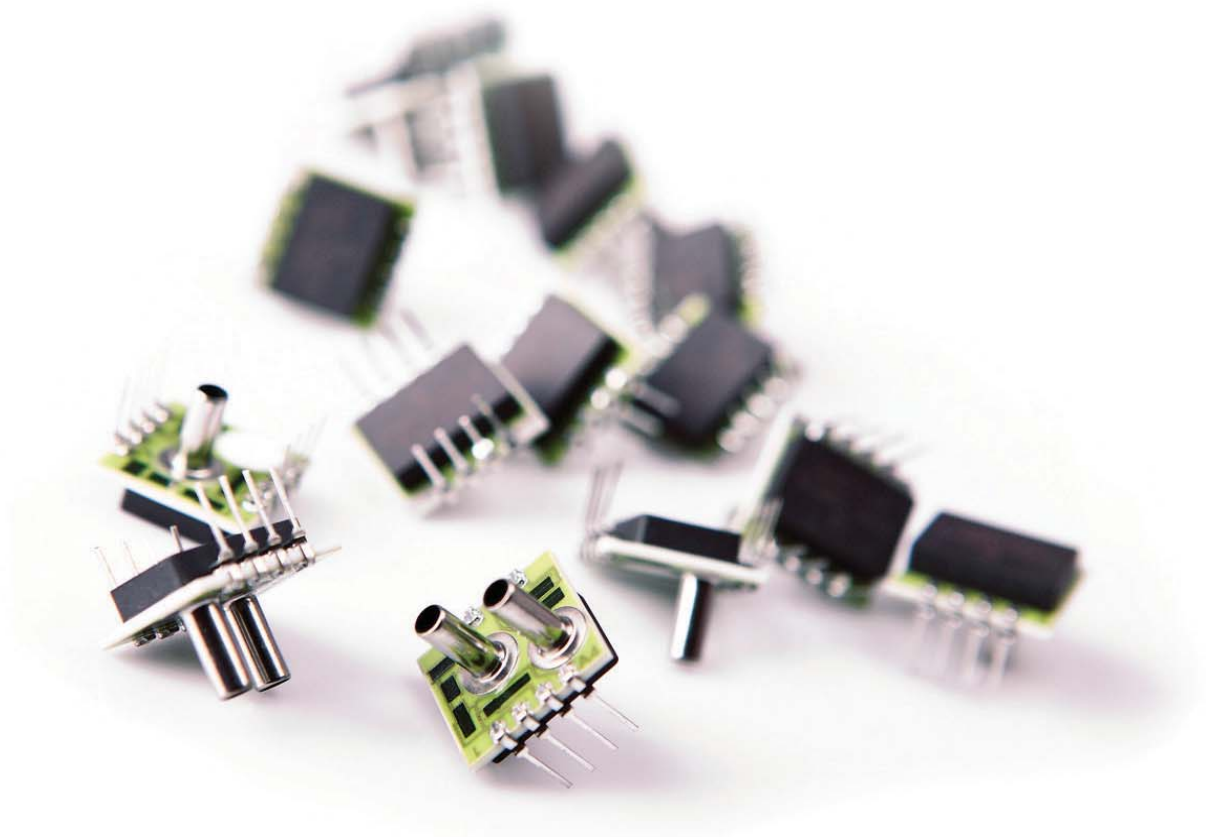
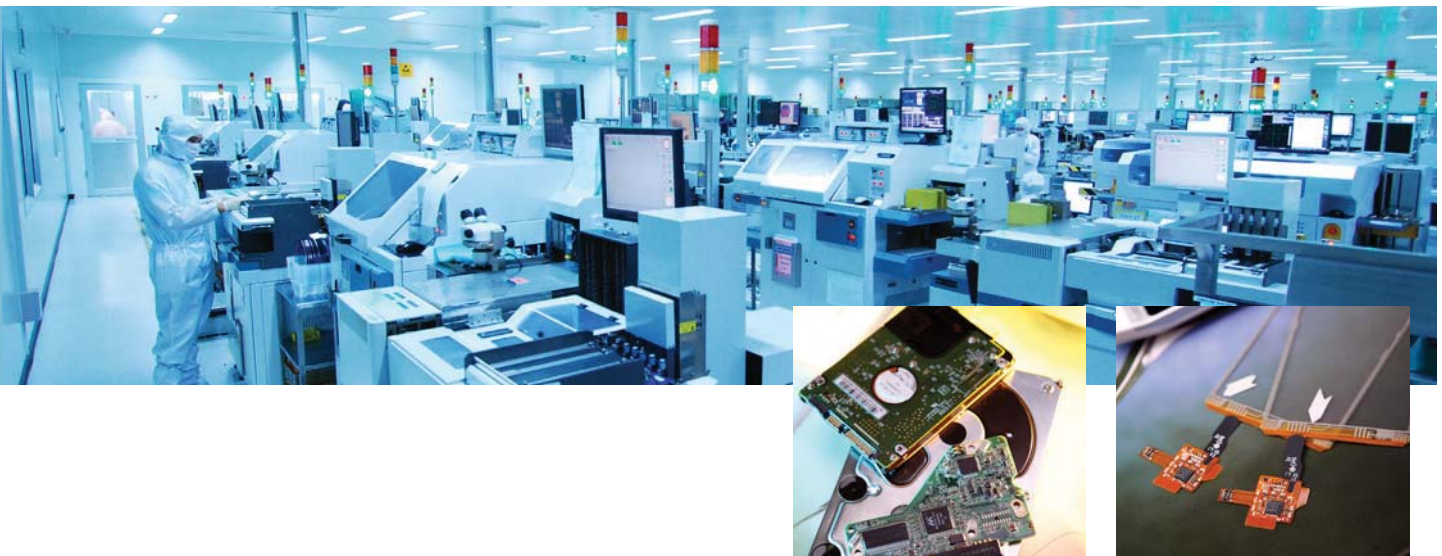
- Data-recording circuit boards in smart cards, containing memory chips to electronically record data and programs which offer data security when the cards are used in card readers. Examples of smart cards are credit cards, ATM cards, and personal identification cards.

2. Integrated Circuit Packaging, 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, SC70, 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 four 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

No. Or Kor 0906/016064 dated 4 July 2007

No. Or Kor 0906/020700 dated 24 August 2007

No. Or Kor 0907/030677 dated 24 December 2009

- 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 seven years starting from the date of income from such business operations. (This exemption from corporate income tax privilege ends 8 December 2012.) 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	623,151,400	pieces per year
LCD Module	24,177,600	pieces per year
PCBA	56,414,400	pieces per year

(Working hours: 24 hours a day, 365 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

No. Or Kor 0907/007603 dated 27 March 2009

No. Or Kor 0907/030676 dated 24 December 2009

No. Or Kor 0907/023225 dated 13 September 2010

- 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 seven years starting from the date of income from such business operations. (This exemption from corporate income tax privilege ends 30 April 2014.) 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 per cent 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	61,705,440	pieces per year
Electronic parts	48,180,000	pieces per year

(Working hours: 24 hours a day, 365 days a 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.

- BOI Approval Date

17 November 2009

- Board of Investment

Issue No. 2020 (1)/2009 dated 30 December 2009

- Amendments

No. Or Kor 0907/014022 dated 14 June 2010

No. Or Kor 0907/017752 dated 11 July 2011

- Type of business granted BOI

Manufacture of electronic components including Semiconductor and PCBA for Hard Disk Drive

- 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 6 December 2018.) 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 736.00 million baht.
- Production capacity:

Semiconductor	3,621,560,000	pieces per year
PCBA	60,000,000	pieces per year

(Working hours: 24 hours a day, 365 days a year)

- BOI Approval Date		
15 November 2011		
- Board of Investment		
Issue No. 1167 (1)/2012 dated 15 February 2012		
- Type of business granted BOI		
Manufacture of RFID WAFER		
- Summary of requirements, rights and privileges, and conditions		
<ul style="list-style-type: none"> The company is exempt from corporate income tax for the net profit earned from BOI granted business operations for a period of eight starting from the date of income from such business operations. 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 830.42 million baht. Production capacity: <ul style="list-style-type: none"> RFID WAFER 157,680 pieces per year (Working hours: 24 hours a day, 365 days a year) 		

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		2011		2012	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Market in USA	2,152,790	16.44	1,489,676	19.90	289,449	8.20
Market in Europe	75,936	0.58	47,775	0.64	18,605	0.53
Domestic market (for export)	10,862,898	82.98	5,948,841	79.46	3,220,294	91.27
Total sales revenue	13,091,624	100.00	7,486,292	100.00	3,528,348	100.00

The company finds markets, contacts customers, and offers manufacturing and assembly service for electronic products through direct marketing by various units within the company, through associate companies, through business allies as well as through the company's market representatives.

Income proportion classified on the basis of channel of distribution

Sales revenue	2010		2011		2012	
	Thousand Baht	%	Thousand Baht	%	Thousand Baht	%
Direct Sales	12,120,892	92.58	6,738,043	90.01	3,208,502	90.94
Stars USA	795,637	6.08	613,092	8.19	281,611	7.98
Smart Electronics	155,510	1.19	116,911	1.56	20,510	0.58
SIIX Corporation	19,585	0.15	18,246	0.24	17,707	0.50
SmarTrek	-	-	-	-	-	-
Total	13,091,624	100.00	7,486,292	100.00	3,528,348	100.00

The company has four 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 Electronics**

A German company, Smart Electronics 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 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.

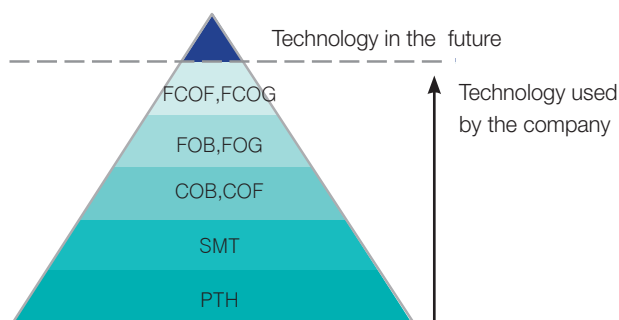
- **SmarTrek**

This is a Taiwanese company with its office in Hsinchu, Taiwan which area is known as Taiwan's Silicon Valley. SmarTrek has a strong relation with key decision makers. The company also has strong technical/ manufacturing experience to capture the outsourcing business in both assembly and testing service from those fabless IC companies in Taiwan.

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.

Revenue Structure

Product	(Unit : Million Baht)					
	2010		2011		2012	
	Revenue	%	Revenue	%	Revenue	%
HDD	10,723.51	81.38	5,803.08	76.52	3,154.51	89.14
MMA	1,591.56	12.08	975.38	12.86	90.49	2.56
IC	861.80	6.54	805.53	10.62	294.01	8.31
Total	13,176.87	100.00	7,583.99	100.00	3,539.01	100.00

Value Added Structure

Value Added	2010		2011		2012	
	Million Baht	%	Million Baht	%	Million Baht	%
MMA - Hard Disk	320.94	23.73	204.51	20.93	122.52	38.98
MMA - Others	567.52	41.96	353.94	36.22	51.74	16.46
IC Packaging	463.97	34.31	418.76	42.85	140.04	44.56
Total Value Added	1,352.43	100.00	977.21	100.00	314.30	100.00

VA (Value Added) = Sale – Raw Material

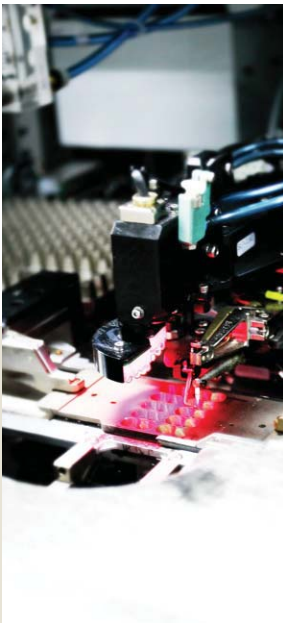


PRODUCTION CAPACITY

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

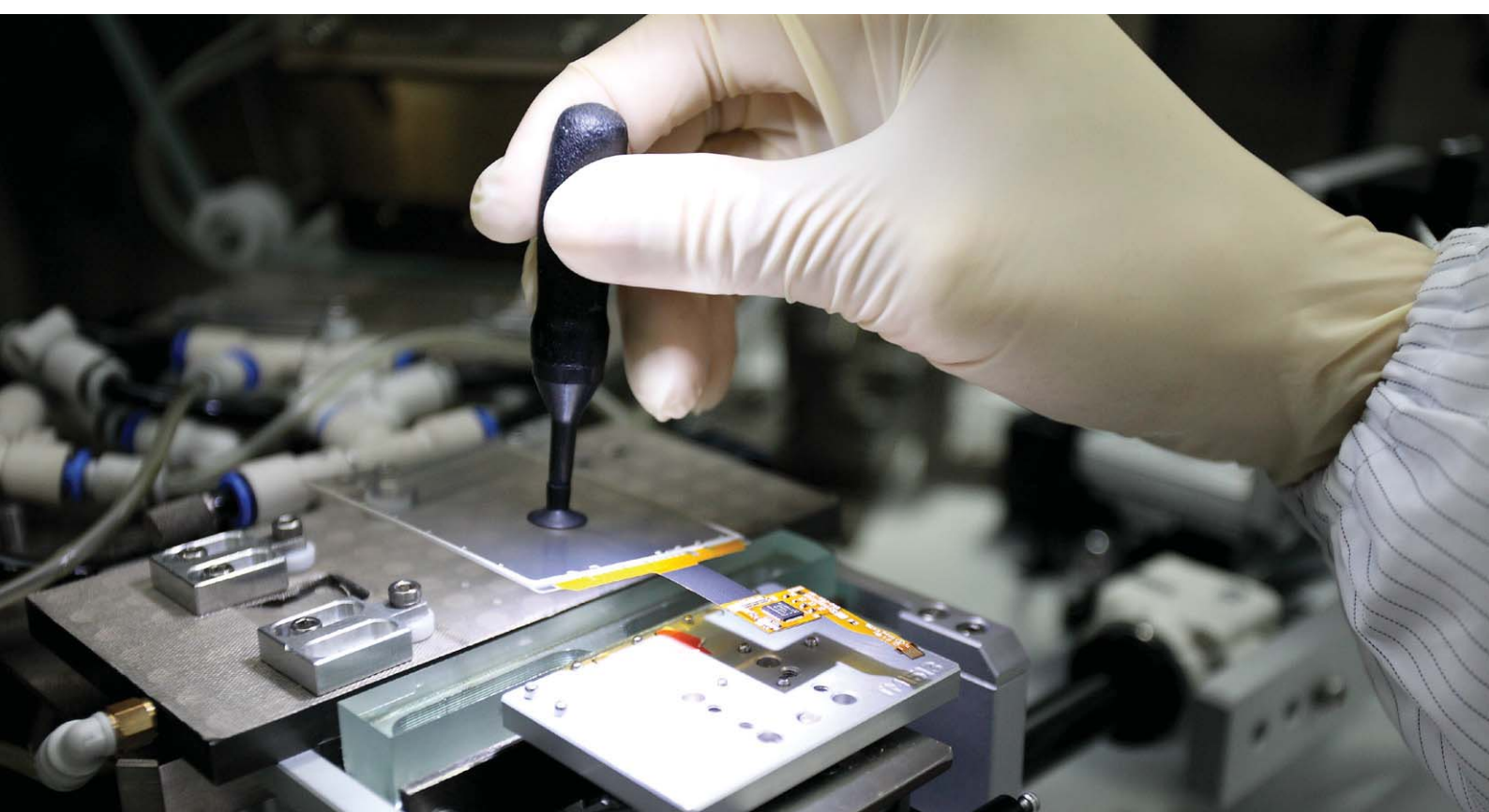
Factory # 1: Completed in 1997, it is built on a 4-rai plot of land with a functional area of 3,500 square meters. The company has been upgrading the facility's systems so that they are ready, up to standard, and able to support world class customers similar to Factory # 2.

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 provides services in Microelectronics Module Assembly (MMA), IC Packaging Assembly & Test and Captive Line Assembly.



Annual full production capacity

Products	(Million Pieces)
IC Assembly and Testing	1,500.0
MMA Production and Assembly of Electronic Components	120.0
Total	1,620.0



RESEARCH AND DEVELOPMENT

The company continuously put emphasis on research and development of manufacturing processes and products. Our R&D team continued to join hands with customers in joint product development effort to attain high-quality products and to meet customers' satisfaction. In addition to product development, the company's team of engineers has developed new machines using the concept of automation to increase

capacity and productivity, reduce cost and space, and minimize errors caused by human. Patent applications of our own machine inventions have been filed and expected to be granted patents in the near future.



FUTURE PROJECTS

The company focuses on expanding production capacity to support customers' demand for "blue ocean" products with high gross margin as well as high growth rate. These products also offer room for profit rate increase and involve little competition as they require joint research and development between the company and customers. Examples are IC Packaging & Testing and RFID (Radio Frequency Identification) tags.

The company made an investment in SS RFID Co., Ltd. following the 8/2011 Board of Directors' meeting on 14 December 2011. The investment of 100% of the total registered capital of SS RFID made it a new subsidiary of the company. SS RFID was newly set up on 20

February 2012 with the objective to produce and distribute RFID Tags. Its registered capital of 10,000,000 baht is divided into 1,000,000 shares of common stock at 10 baht per share. Twenty-five percent of the registered capital (amounting to 2,500,000 baht) has been paid up. The investment is in line with the company's direction for new investment to have our own product with high potential growth and high margin and to stabilize the revenue.



SHAREHOLDING STRUCTURE

The company's shareholding structure as of 31 December 2012 featuring the Top 10 shareholders can be summarized as below:

Top 10 Shareholders

		Number of Shares	% of Total Shares
1	MORGAN STANLEY & CO. INTERNATIONAL PLC	34,613,337	8.30
2	Miss Suthilak Chaikul	21,000,000	5.04
3	SIIX EMS (THAILAND) CO., LTD.	20,747,981	4.98
4	Mr. Somnuk Chaikul	19,824,852	4.75
5	Miss Oranuj Chaikul	15,220,000	3.65
6	Mr. Petch Wailikit	13,248,650	3.18
7	Mr. Wichai Wachirapong	10,781,700	2.59
8	Mr. Saran Chaikul	10,001,900	2.40
9	Mr. Nattapong Chaikul	9,000,000	2.16
10	Mrs. Poonpun Chaikul	8,145,993	1.95
	Other	254,348,460	61.00
	Total	416,932,873	100.00

Note: The company's paid-up capital as of 31st December 2012 was Baht 833,865,746.00

SHAREHOLDING STRUCTURE IN SUBSIDIARY COMPANY

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

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 total shares.

SMT Green Energy Co., Ltd. is a Thai company founded in 2010, with its office at 605-606, Moo 2, Tambon Klongjig, Bang Pa-in District, Ayutthya 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.

3. SS RFID Co., Ltd. holds the status of subsidiary of the company, with the company holding 99.99% of total shares.

SS RFID Co., Ltd. is a Thai company founded in 2012, with its office at 605-606, Moo 2, Tambon Klongjig, Bang Pa-in District, Ayutthya Province. The company's main purpose is to conduct the business of producing and distributing RFID Tags.

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 executives represent the company proportionately based on the number of the shares held. The company has controlling rights over important matters conducted by the subsidiary and/or associate companies. These investments must be approved by the company's Board of Directors and shareholders and/or in the case of connected transactions, the Audit Committee, with related rules and regulations enforced.

Capital Structure

• Common shares (as at 31 December 2012)

Registered capital : 839,164,878 baht consisting of 419,582,439 shares with 2.00 baht par value per share

Paid-up capital : 833,865,746.00 baht consisting of 416,932,873 shares with 2.00 baht par value per share

• ESOP Warrants

The Annual General Meeting of Shareholders for 2010 held on April 29, 2010 resolved to issue and offer 7,500,000 units of SMT warrants in the ESOP program for the company's directors and employees. Each unit is for one share of the common stock at no charge (0 baht per unit) and the price to exercise the right was set at 4.50 per share. The exercise date is stipulated on the last business day of February, May, August and November of every year, throughout the entire 4-year life of the ESOP program until the last possible date in May 2014 (May 30, 2014).

From the date of the issuance of the warrants to 31 December 2012, warrant holders exercised their rights to convert a quantity of 4,908,094 warrants to a total of 4,993,961 common shares. The remaining warrants to be converted are 2,591,906 units and the remaining shares to support the exercise are 2,649,566 units.



Note:

1. The company adjusted the exercise price and ratio for SMT's ESOP Warrants (effective since the 2nd exercise on February 28, 2011). The company's recent Right Offering allowed the shareholders to subscribe to the newly issued shares at the ratio of 8 current shares per one new share at a price of 16 baht, which was lower than 90% of the average price of the company. The market price of the shares is determined from the weighted average of the market price of the shares during 7 business days or during February 16-17, 2011 and from February 21-25, 2011, the weighted average price was Baht 19.87 per share. To fit



the conditions in provision of the right and duty of the ESOP warrant issuance and holders, the Company was to adjust the right of the ESOP warrant holders. The adjusted right entitles the warrant holders to exercise their right to buy 1.02213 common shares with one warrant at the exercise price of 4.403 baht per share.

2. Whereas, The company has a Treasury Stock program for financial management during 12 October 2011 until 12 April 2012. Then the Executive Committee of the company

had resolution to sale the repurchased share during 22 October 2012 until 2 November 2012.

The company has no policy to resale the share repurchased of 2,187,800 shares, thus the company has to decrease the paid-up capital by writing off the outstanding treasury stocks that have not been sold per the Regulations issued by the Ministry of Commerce Re: The rules and procedures for share repurchase, sale of shares repurchased and writing of the shares repurchased of the

Company B.E. 2544. The company has registered to decrease the capital and the paid-up capital by writing off company shares equal to 2,187,800 shares at par value 2 baht per share this amendment to paid-up capital mentioned above at the Ministry of Commerce, on 16 November 2012

After registration, the company has register capital of 839,164,878 baht and the paid-up capital of 831,781,882 baht consisting of 415,890,941 shares 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 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.

The details of dividend payment are showed below.

	(baht per share)			
	2009	2010	2011	2012
Interim Dividend Payment from first half year result	0.14	0.20	0.20	-
Dividend Payment from second half year result	0.15	0.50	-	-*
Yearly Dividend Payment	0.29	0.70	0.20	-*

**Subject to approval of Annual General Meeting of shareholders of 2013 on 22 April 2013*

HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT

The company realizes the importance of the human resources management and focuses on the human capital development in line with its vision, mission and strategies. The company realizes that human resource is a valuable asset to the company.

1. Short-term Plan of Human Resource Management The company has recovered from the flooding. The company's production has returned to normal. The company is determined to protect the morals of the employees and support the multi-skill development of the employees. Therefore, employees are able to produce quantitatively and qualitatively a higher standard to meet the expectation of the customers in the future

2. Long-term Plan of Human Resource Management The company will continue with the projects and implement these important projects as follows:

- Competency Management System

This project will enhance the competitive edge for the company. This project will be applied to the recruitment, training, development and performance evaluation system of the company.

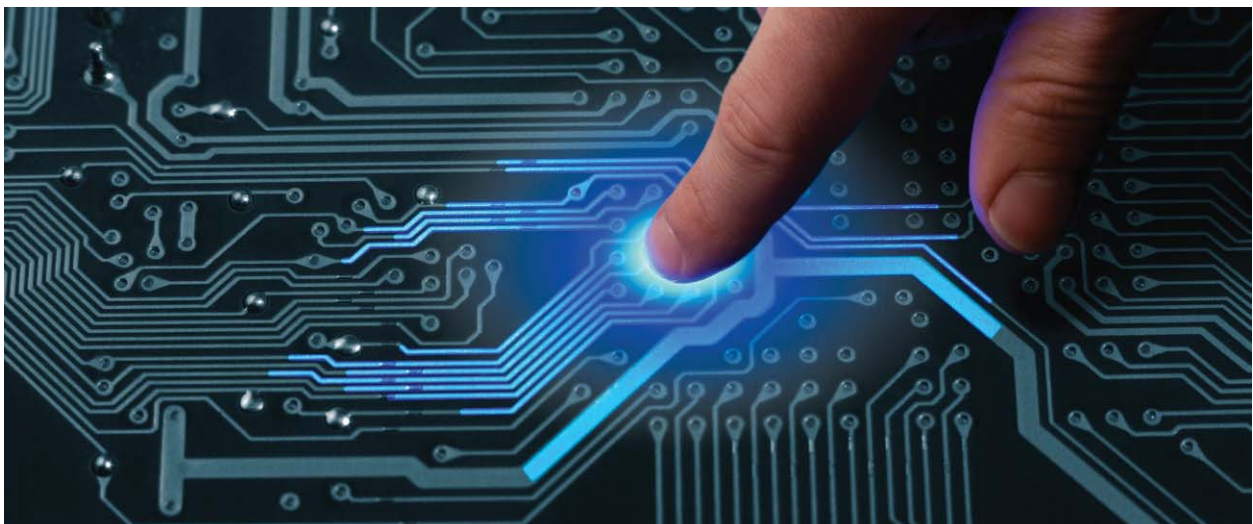


- **Talent Management** The company has implemented STARS TOP (Talent Opportunity Program) project to manage and maintain the high potential staff and to aid their growth in the organization. Moreover, the company has implemented a succession plan.

- **Diversity Management** In order to prepare the company to enter the Asian Economic Community (AEC) in the near future, the company encourages the employees to develop multiple language skills, especially in English, including understanding cultural differences. Moreover, this creates a more global working environment.

- **Employee Engagement Program** The project is aimed to create a good working relationship between the employees and management, encourage the employees to work with great determination and dedication to the company. The company encourages the staff to participate in the company's management in all levels and creates mutual understanding between the staff and the management. Moreover, the company supports the staff to realize the importance of self-development in order to advance in their careers. In addition, the company aims to encourage a positive working environment by developing its employees.

In addition, the company encourages the staff to build the organization to be a Happy Workplace by arranging the working environment to motivate the staff to work happily. This will cheer up the staff to cooperate to produce work with quantity and quality for the company with all their effort.



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.



1. Offered 2 set of computers to the Office of Labour Protection & Welfare, Ayutthaya province to be used for general public on 18th January 2012.



2. Happy Workplace Committee led 12 staff to donate 5,000 bricks left from the company renovation to Khamphang temple, Bang Pa-in district, Ayutthaya province on 18th August 2012. The project is called **"Jit Asa Stars Temjai Chuaykun"** (Stars is pleased to help you.)



3. The company cooperated with Thammasart Hospital Rangsit Center to organize the blood donation for charity. The project is called **"One drop-one million thanks"**. 104 staff participated in this activity on 21st August 2012.



4. The Happy Workplace committee led 24 staff to donate bricks, men's urinals and marble tables to temples and schools.



5. Happy Workplace Committee led 24 staff to donate 5,000 bricks left from the company renovation to Sompornchai temple, Bang-sai district, Ayutthaya province on 25th August 2012. The project is called **"Jit Asa Stars Temjai Chuaykun"** (Stars is pleased to help you.)



6. The company organized the cripples' career market to support the cripples to earn the money for themselves and their families. The market is held on 7th and 22nd of each month.



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 2012, the company followed corporate good governance practices as follows:

1. Rights of Shareholders and Shareholders Meeting

The company's 2012 Annual General Meeting was held on Thursday, 19 April 2012 at 14.00 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 2012 shareholders' annual general meeting, eight out of eleven 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 meeting was run according to the agendas without adding any agendas.

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, and company has proposed that shareholders vote individually. This is to allow shareholders have right to select to be true. Shareholders are required to vote in the ballot no matter whether they wish to vote for, against or abstain.

The company's policy is to encourage all shareholders to attend the meeting including institutional investors. 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 have a channel for shareholders to submit questions advance of the meeting by Email of Fax to the Investor Relation of the company. 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.

In addition to the rights to vote at the meeting of shareholders, The shareholders still are entitled fundamental rights more, including a share of the earnings/Dividends are equally, the rights to be treated equally in the purchase of shares by the Our company etc, which are fundamental rights scheduled to into law already.

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

“ In recognizing the stakeholders' rights, the company follows the related rules and regulations. ”

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) Shareholders are encouraged to use a ballot for each agenda item. Separate ballots are provided for separate agenda items for shareholders to cast accordingly.

(4) The chairperson of the meeting allocates time for shareholders to express their opinions. In the 2012 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. 035-221777 ext. 308. However, in 2012, no shareholders made any contact to ask questions or express their views.

(5) 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.

(6) 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.

(7) 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 2012, 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.

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.

Society and environment : The company always supports the useful activities and supports the quality of society and environment in general.

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 2012 performance, the company presented its operational performance reports on occasions. It also took part in the Opportunity Day project organized by the Securities Exchange of Thailand on one occasions. Moreover, it always arranged company visits for those interested. The shareholders who participated in the meet. Also have the opportunity to exchange ideas with each other

In 2012, 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, guide lines, 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.

Structure of the Board of Directors
As at 31 December 2012, the company's Board consists of eleven directors, four of them are independent directors.

The company has a total of five committees: the Board of Directors, Executive Committee, Audit Committee, Remuneration Committee and Risk Management 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.

Committees

In addition to the Board of Directors, the company has four committees: the Executive Committee, the Audit Committee of four members, the Remuneration Committee of three members and the Risk Management Committee of ten member. 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.

In 2012, the Audit Committee and the Board of Directors evaluated the company's internal control and opined that the internal control is sufficient.

Currently, the head of internal audit team of the company is Miss Sunan Wongmutthavich. She is the Senior Manager of Internal Audit department. In year 2012, the Internal Audit department performed the audit smoothly and completely according to audit plan approved by the Audit Committee



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.starsmicroelectronics.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.

For new employee each year, The company will training to know the Code of Business ethics and the company's business in the same time.

Board of Directors' Meeting

In 2012, the company held four 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 2012 shareholders' annual general meeting on 19 April 2012, the meeting approved the maintenance of the 2012 Board of Directors remuneration as approved by the shareholders' annual general meeting in 2011 as follows.

	Salary (Per Month) / Meeting Allowance (Per Time)	
1. Chairman	36,000	baht per month
2. Member of Board of Director	24,000	baht per month
3. Chairman of Audit Committee	36,000	baht per month
4. Member of Audit Committee	30,000	baht per month
5. Meeting Allowance of Member of Board of Director, and Audit Committee and Remuneration Committee and Risk Management Committee (Specific Independence Directors Only)	5,000	baht per time

Monetary and Non-Monetary Remuneration

1. Remuneration for the Board of Directors

At fiscal year end on 31 December 2011 and on 31 December 2012, remuneration for directors totaled 3,847,000 baht and 4,022,000 baht respectively in the form of monthly compensation and attendance fees as detailed below.



(Unit : Baht)

Name list	Fiscal year 2011 ending December 31 st , 2011	Fiscal year 2012 ending December 31 st , 2012
1. Mr. Somnuk Chaikul	462,000	457,000
2. Mr. Pitak Sirivanasandha	333,000	318,000
3. Mr. Polsak Lertputipinyo	328,000	313,000
4. Mr. Chong Kwen Sam	328,000	313,000
5. Mr. Prasart Yunibhand	362,000	313,000
6. Mr. Dheerasak Suwannayos	447,000	442,000
7. Assoc. Prof. Dr.Preecha Jarungidanan	420,000	410,000
8. Mrs. Poonpun Chaikul	328,000	313,000
9. Mr. Toru Uchino	294,000	313,000
10. Assoc. Prof. Dr. Aekkachai Nittayagasetwat	275,000	415,000
11. Assoc. Prof. Dr. Kamphol Panyagometh	270,000	415,000
Total	3,847,000	4,022,000

2. Remuneration for Managements

(Unit : Baht)

Remuneration	Fiscal year 2011 ending December 31 st , 2011		Fiscal year 2012 ending December 31 st , 2012	
	Of Recipients	Total Payment	Of Recipients	Total Payment
Total Salary	5	14,844,077	5	14,538,504
Total Bonus	-	-	5	1,197,027
Provident Fund	5	1,146,398	5	1,604,065
Total		15,990,475		17,339,596

Human Resources

As at 31 December 2011 and 31 December 2012, the number of employees (excluding executives) divided according to their major fields of work were as follows:

(Unit : Person)

	As of December 31 st , 2011	As of December 31 st , 2012
1. Sales and Marketing	8	12
2. Operations & Development	584	1,268
3. Procurement & Supply chain	59	85
4. Finance & Administration	62	89
Total	713	1,454

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:

1. Learn various types of work,

2. Be able to perform various duties,
3. Be highly skilled in performing their job, and
4. 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 2012, 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. 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.

1. 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.

2. 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 transaction 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 transactions 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 faces a variety of risks due to the fast and ever changing environment in which it operates. This requires dealing with investment in emerging markets, expanding supply chains, and changing governmental rules and regulations - all while aiming at providing transparency for shareholders and investors. Risk management is thus an essential part of the management of the organization and requires the cooperation and support of all work units and staff at all levels.

In preparing the organization's risk management policies and strategies, the company considers all major external and internal factors. These are then submitted to the company's Board of Directors for approval before

implementation. The Risk Management Committee has earned a great deal of support from top executives as well as cooperation from all sectors within the organization.

As the company is at present inevitably facing new risks, it must continuously review and improve its action plans according to its risk management policies so that they are in line with the changing organization and business operations. During the past year, Stars Microelectronics (Thailand) Public Company Limited organized a workshop to brainstorm ideas from all work units to assess risks that could impact the company's operations. The results of the workshop are as follows:

1. Factors that could pose risks in management were reviewed using the SPEELT analysis, Michael Porter's 5 Forces Model and Cash Cycle analysis as a framework for risk management.
2. Risks assessment was carried out regarding risks in terms of probability and degree of impact on the organization as they occur. Then the risks were rated to reflect the potential severity of their effect on the organization.
3. Risks were prioritized for risk management and to consider "risk appetite" (the level of risk that is acceptable).
4. Risk responses were considered to ensure risk tolerance.
5. Appropriate risk management plans were then chosen after having studied the feasibility and the possible expense incurred, as well as the benefits and the drawbacks of each alternative.

Based on the above study and analysis, major risks that could affect the company's operations are as follows:

1. Strategic Risk

1.1. Changes in the need for goods

As an electronic manufacturing services provider, it is necessary to make investments in machinery and equipment in advance, before customers place their orders. The risk is that the investment may be too low or too high. Also, most of the company's manufacturing work is job orders, with each of the products varying depending on the needs of each customer. Certain groups of company products change very quickly following changes in technology, design and consumer behavior. These include communication and computer products. For these reasons, it is clear that the demand for some of the company's products is uncertain and fast changing, resulting in inconsistency in production lines, cost management and control, and income. As a result, it is important

that problems be dealt with in a timely manner to keep up with the ever-changing environment. As such, the company has established preventive measures to deal with the risks regarding these types of products to minimize their impact. The measures are as follows: 1. The inventory is to be kept low so that the amount of goods manufactured is close to that being ordered. There is no production to be kept in inventory. 2. The marketing department is to coordinate closely with customers to assess changes in demand so that the company learns of the changes in time to offset risk. 3. The marketing department is to expand the market base by searching for customers that demand similar products instead of depending solely on certain customers. This should help add flexibility to the production lines so they are more suitable and efficient.

2. Operational Risk

2.1. Risk from the fluctuations in global economic conditions

The economies of Europe and the United States of America remain sluggish at present which could impact the company's profits. To deal with this, the company has ordered more modern hi-tech machinery and put more focus on the niche market. This market requires products that use high technology in manufacturing to give them a distinct identity. They also require joint innovation, resulting from considerable cooperation in design and production before they reach mass production stage. Therefore, there must be a good relationship between the customer and the manufacturing company. This is why the company's major customers still place their confidence in Stars Microelectronics (Thailand) and consistently place orders with us.

2.2. Technological Risk

In the fast-changing business world, electronic goods change rapidly following technological innovations. Realizing the importance of this, the company regularly assesses the various technological factors that can affect operations. Technological developments in the electronics industry are closely monitored and followed up on. Investment is carefully made in state-of-the-art manufacturing technology with flexibility, ready to support the changes in manufacturing processes based on customers' needs. This technology can also be applied to other products, reducing the risk. Moreover, research and development focuses on manufacturing techniques and products to ensure that they are up-to-date and meet customers' needs. Finally, the company works in cooperation with customers in product development and with other suppliers regarding joint investment in machinery for specialized manufacturing to reduce investment risk.

3. Financial Risk

3.1. Uncertainty in receiving compensation claimed from insurance companies

As a result of the major flood which occurred in late 2011 in Bangkok and Central Thailand, a large number of industrial factories suffered damage and insurance companies were faced with paying billions of baht in compensation. While most local insurers have re-insurance policies with overseas companies, there was a risk that some businesses suffering damage would not receive compensation or would not receive the full amount of compensation to cover the damage. This depended on the financial health of the insurance companies that each business had to deal with and was in addition to the other issues that business had to cope with as a result of the flood. At the beginning of 2012, Stars Microelectronics (Thailand) Public Company Limited prepared a damage report as part of a claim for total compensation of approximately 2,000 million baht from 11 insurance

companies, with Dhipaya Insurance Public Company Limited, of which the Ministry of Finance is the major shareholder, being the principal insurer. Dhipaya was sufficiently stable and trustworthy enough to ensure that Stars Microelectronics would receive the compensation in full. So far a total of 1,650 baht in compensation has been approved by company insurers and 1,250 million baht has already been paid. Payment of the remaining amount is expected to be completed within the first quarter of 2013.

Although there has been a delay in the insurance companies' payment of compensation, Stars Microelectronics (Thailand) has earned favorable consideration from several financial institutions regarding long-term credit approval so that it has been able to receive sufficient investment capital for ordering new machinery. This was on the condition that the company would pay back the principal once it had received compensation from its insurers. Because of this, the company's financial situation has remained as strong as it had been prior to the flood.

3.2. Foreign Currency Exchange Risk

As there was an unusually large influx of foreign currency for investment in the region in the past year, the exchange rates for regional currencies have steadily strengthened. The exchange rate for the baht was 31.70 baht to the US dollar at the beginning of the year, strengthening to 29.70 baht to the dollar by the end of the year. With such an exchange rate, the company's export prices rose compared to competitors' prices, which could have negatively impacted the company's exports. However, as both the company's receivables and payables in foreign currencies were at similar levels, the company's operations were fortunately not affected.

The company sends a certain percentage of its goods overseas and sells them in foreign currencies. At the same time, it buys raw materials from overseas paying in foreign

currencies. During the past year, the company ordered machinery from overseas to replace the old machines damaged by the flood. Because of this, fluctuations in currency exchange rates had the potential to impact the company's operations. To reduce this risk, the company's financial management utilized financial instruments such as forward contracts and financial derivatives. The company has also opened a foreign currency account so that it can make payment for goods directly in foreign currencies, which is a risk prevention measure and a natural hedge.

4. Regulatory and Contractual Risk

4.1. The increase in minimum wage and the movement of labor

The government policy to increase the daily minimum wage to 300 baht went into effect in seven pilot provinces from April 2012 onwards and is to be effective throughout the country in 2013. The company expects that when the policy goes into full effect nationwide, a significant movement of labor could result as laborers might move back to their hometown since they can earn the same wage wherever they are in the country. This could lead to a labor shortage in some areas. Although the Bang-pa-in industrial estate is not in one of the pilot provinces and was not affected in 2012, the company adjusted its wages to 305 baht per day from April 2012 to prepare for the policy and the potential fallout regarding future labor shifts.

The adjustment in the labor wage has had little impact on the company's operations as labor costs account for only two percent of total expenditures. Also, the company has made investments in new machinery to replace damaged machinery which is more modern and has higher production capacity and efficiency. The company has thus been able to reduce the number of workers while maintaining or even increasing production capacity. This has significantly reduced the impact of the wage increase and the potential shortage of labor.



MANAGEMENT STRUCTURE

Board of Directors

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

Name of Director	Position
1. Mr. Somnuk Chaikul	Chairman
2. Mr. Pitak Sirivanasandha	Vice Chairman and Remuneration Committee Member
3. Mr. Polsak Lertputipinyo	Director
4. Mr. Chong Kwen Sam	Director
5. Mr. Prasart Yunibhand	Director
6. Mrs. Poonpun Chaikul	Director
7. Mr. Toru Uchino	Director and Director (Corporate International Business)
8. Mr. Dheerasak Suwannayos	Independent Director and Chairman of the Audit Committee
9. Associate Professor Dr. Preecha Jarungidanan	Independent Director, Audit Committee Member and Chairman of Remuneration Committee
10. Associate Professor Dr. Aekkachai Nittayagasetwat	Independent Director and Audit Committee Member
11. Associate Professor Dr. Kamphol Panyagometh	Independent Director, Audit Committee Member and Chairman of Risk Management Committee
Mr. Yunyong Sawadi	Company's Secretary

Mr. Yunyong Sawasdi, Company's Secretary, currently holds the position of Chief Finance Officer (Finance and Administration) and Executive 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 four 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 Risk Management Committee



The Executive committee

Executive Committee comprises 5 Directors

Name of director	Position
1. Mr. Somnuk Chaikul	Chairman of the Executive Director
2. Mr. Polsak Lertputipinyo	Executive Director
3. Mr. Chong Kwen Sam	Executive Director
4. Mr. Yunyong Sawasdi	Executive Director
5. 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
1. Associate Professor Dr. Preecha Jarungidanan	Chairman of Remuneration Committee
2. Mr. Pitak Sirivanasandha	Remuneration Committee Member
3. Associate Professor Dr. Aekkachai Nittayagasetwat	Remuneration Committee Member

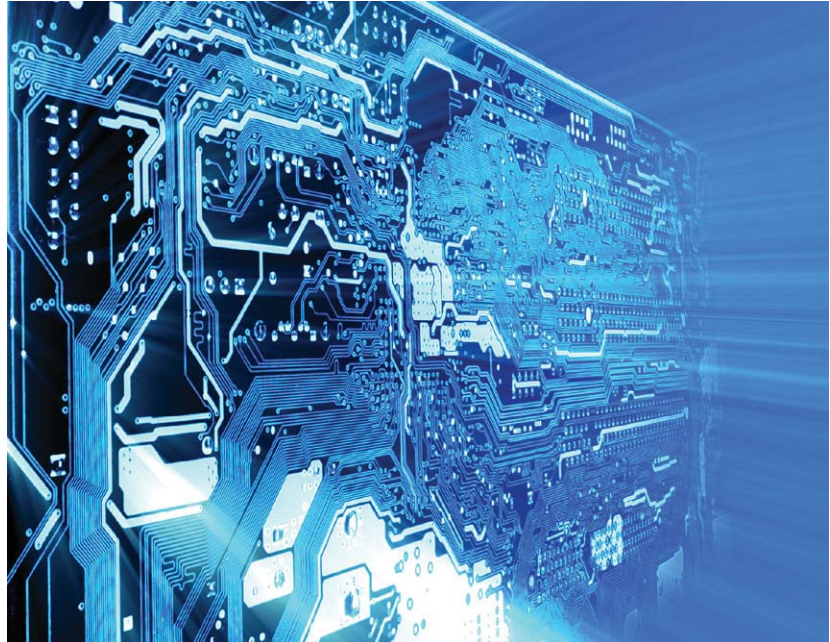
The Remuneration Committee's duties and responsibilities stipulated in the Remuneration Committee Charter

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:

1. 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
2. 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
3. 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
4. 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
5. 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
6. 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
7. Consider and carry out other duties assigned by the Board of Directors on occasion Meetings

Meetings

1. The Remuneration Committee shall hold a meeting at least once a year as necessary and appropriate.
2. The Remuneration Committee Chairman shall set the agenda of each meeting and chair the meeting where minutes are taken and meeting records are kept.
3. The meeting agenda and meeting documents shall be forwarded to the Remuneration Committee in advance prior to the meeting.
4. To form a quorum, no less than half of the Remuneration Committee members must be present.
5. 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 four independent directors who are experts in such fields as accounting and finance, law, and economics.

The Company's Audit Committee Comprises the following Four Members:

Name	Position
1. Mr. Dheerasak Suwannayos	Chairman of the Audit Committee
2. Associate Professor Dr. Preecha Jarungidanan	Audit Committee Member
3. Associate Professor Dr. Aekkachai Nittayagasetwat	Audit Committee Member
4. Associate Professor Dr. Kamphol Panyagometh	Audit Committee Member

Three out of four member of the Audit Committee 3- Mr. Dheerasak Suwannayos, Associate professor Dr. Aekkachai Nittayagasetwat and Associate professor Dr. Kamphol Panyagometh are knowledgeable and experienced enough to review the reliability of the financial statements .

The secretary to the Audit Committee is Miss Sunan Wongmutthavanich. She is now Senior Manager-Internal Audit Department



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

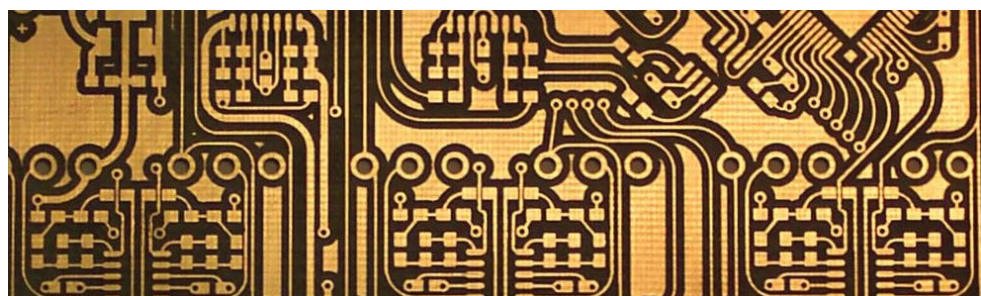
1. The meeting. The Audit Committee holds a meeting at least once every quarter. In case of urgency, any Audit Committee member or a company director may ask for an Audit Committee meeting to be held.

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

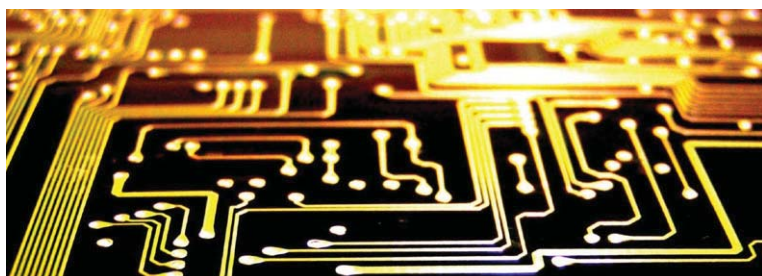
In carrying out its duties, the Audit Committee is required to report to the company's Board so improvements



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,
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).



Risk Management Committee

The company has appointed the Risk Management Committee in compliance with the practice of good corporate governance according to the Securities Exchange of Thailand regarding risk management. The company also sees that good risk management will help add to its value for shareholders while promoting stable and sustainable growth and boosting its competitiveness. The Risk Management Committee was set up as a unit to study, follow up on, evaluate and prioritize risks, and then provide the Board of Directors with advice regarding reduction of risks and taking action to reduce risks that may result either from internal and external factors.

The Risk Management Committee Appointed by the Board at the 6th Board Meeting in 2011 on 11 August 2011
Comprised the Following Members:

Risk Management Committee members		Positions
1.	Associate Professor Dr.Kamphol Panyagometh	Chairman of the Risk Management Committee
2.	Mr. Yunyong Sawasdi	Risk Management Committee Member
3.	Dr. Kavee Techapichetvanich	Risk Management Committee Member
4.	Mr. Kosol Sarapadchoke	Risk Management Committee Member
5.	Mr. Thawatchai Woracheewan	Risk Management Committee Member
6.	Mr. Withaya Yotpraphun	Risk Management Committee Member
7.	Mr. Suwapat Chawaphongsakorn	Risk Management Committee Member
8.	Mr. Nattapon Phuenpathom	Risk Management Committee Member
9.	Mr. Chaiyot Thaveeratitham	Risk Management Committee Member
10.	Miss. Sunan Wongmutthavanich	Risk Management Committee Member

Components

1. The company's Board of Directors consider and appoints the Risk Management Committee.
2. The Risk Management Committee comprises independent directors and no less than five top level executives from major division of the company.
3. The term of office is of two types:
 - For independent directors, the term of office for the position is three years. Pertaining to this, the director whose term has been completed may be chosen to resume the position in the committee. In the case where a committee member resigns of a position becomes vacant before the term is over, the Board of Directors may appoint

another independent director to hold the position for the rest of the term of office of the committee member replaced.

- For top level executive directors, the term of office lasts as long as the executives hold the top level executive position in a particular division. In the case where a position held by a top executive becomes vacant, an individual with similar qualifications and the same or equivalent position shall be appointed as replacement. The replacement individual shall be in the director position of the committee until he is promoted or moved, resigns or is terminated, or for any reason is rendered unable to work in the position.



Duties and Responsibilities

1. Set risk management policies and plans, prepare risk reports for submission to the Board of Directors for consideration and approval in determining appropriate risk management plans and implementation within the company.
2. Study, evaluate and follow up on the risks that may emerge as well as set policies and an Integrated Risk Management framework to cover major risks both from internal and external factors including the following:

2.1 internal factor

- Business risk
- Financial risk

- Operation risk

2.2 external factor

- Economic risk
- Regulatory / Political risk etc.

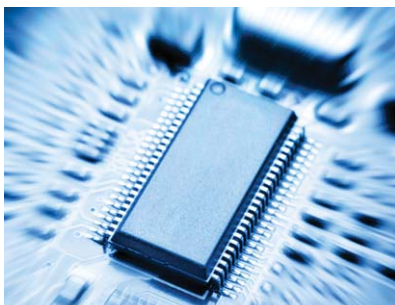
3. Supervise and follow up regularly on the implementation of risk management policies to ensure efficient and continuous risk management practices.
4. Review and check risk management reports regularly to follow up on significant risk and to see to that the risks are management adequately and properly.
5. Provide regular reports to the Board of Directors regarding risks, risk management, as well as the risk situations the company faces, and improvements or corrections needed to be in accordance with the set risk management policies

6. Have the authority to appoint a work group and/or additional staff, or hire external independent experts as necessary to study, evaluate, follow up on and make recommendations regarding risk management.

7. Prepare the Risk Management Committee's annual performance reports as well as determine goals and plans for the following year for submission to the Board of Directors

8. Consider, review and make recommendations regarding any changes in the charter of the Risk Management Committee for submission to the Board of Directors to request approval of improvement of the charter so that it is appropriate or in accordance with the rules and regulations of the agencies concerned.

9. Perform any other duties regarding risk management as assigned by the Board of Directors.



The Risk Management Committee

1. The Risk Management Committee must hold at least four meetings annually as necessary and appropriate.

2. No less than half of the Risk Management Committee members are required at each meeting of the Risk Management Committee to constitute a quorum.

3. The resolution of the Risk Management Committee is decided

by the majority votes of the members participating in that particular meeting.

4. The Risk Management Committee may invite other people concerned with an agenda item to participate in the meeting as necessary.

5. Meeting documents must be delivered to each of the Risk Management Committee no less

than seven days before the meeting date. Meeting minutes must be prepared and delivered to the Risk Management Committee members within 14 days after the meeting is completed.

6. The secretary of the Risk Management Committee is responsible for arranging meetings including the meeting venue, the meeting agenda and the meeting documents.

The Reporting Work results

The Risk Management Committee must report its work in dealing with and in managing risk as well as risk situations on each of the specified headings to the Board of Directors to ensure that the Board is aware of and realizes the factors that may have significant impact to the company's business operations.

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 decided at 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 2012 shareholders' annual general meeting

No.	Name list	Attendance in Board of Director Meeting	Attendance in Audit Committee Meeting	Attendance in Remuneration Committee Meeting	Attendance in Shareholders
					Annual General Meeting 2012
1.	Mr. Somnuk Chaikul	4/4			0/1
2.	Mr. Pitak Sirivanasandha	4/4		1/1	1/1
3.	Mr. Polsak Lertputipinyo	4/4			1/1
4.	Mr. Chong Kwen Sam	4/4			1/1
5.	Mr. Dheerasak Suwannayos	0/4	1/4		0/1
6.	Mr. Prasart Yunibhand	4/4			1/1
7.	Associate Professor Dr. Preecha Jarungidanan	3/4	4/4	1/1	1/1
8.	Mrs. Poonpun Chaikul	4/4			0/1
9.	Mr. Toru Uchino	4/4			1/1
10.	Associate Professor Dr. Aekkachai Nittayagasetwat	4/4	4/4	1/1	1/1
11.	Associate Professor Dr. Kamphol Panyagometh	4/4	4/4		1/1

Annual General Meeting year 2012 on 19 April 2012



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 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.

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.

Selection of members of Audit Committee

At least 3 independent directors are Audit Committee members. The company's guidance of recruiting Audit Committee members is the same as recruiting independent directors. However, the person who is selected to assume the position of Audit Committee member must have the qualifications stipulated by laws and has the knowledge and experiences to perform the duties of Audit Committee perfectly.

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 Management Development

The company has the policy to develop Directors and top Managements in good corporate governance and administration continuously. Directors and Management will participate in any seminars and trainings conducted by the Stock Exchange of Thailand, Securities and Exchange Commission of Thailand or Thai Institute of Directors Association (IOD). All directors have already passed the training course of Director Certification Program (DCP) or Director Accreditation Program (DAP) which was arranged by Thai Institute of Directors Association (IOD).

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 2011, an SMT director took part in the training as follows:

Associate professor Dr. Kamphol Panyagometh, a new director, participated in the IOD's Director Accreditation Program (DAP) program, 90/2554 On 23 June 2011.



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.



Details of Biography of Board of Directors

**Mr. Somnuk Chaikul****Position :** Chairman of Board and Chairman of Executive Committee**Age** 61 years**Percentage of Shareholding as of December 31, 2012 :** 4.76 %**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 TMP Rice Mill Company Limited
- Chairman of Cheeva Rice Company Limited
- Chairman of Green Navitrust Company Limited
- Chairman of Key Stars Property Company Limited
- Chairman of Srisukhothai Real Estate 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 63 years

Percentage of Shareholding as of December 31, 2012: 0.77 %

Educational Background

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

Work Experience

Present :

- Vice Chairman of Stars Microelectronics (Thailand) Public Company Limited
- Chairman of SS RFID 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, Parnsawas 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 56 years

Percentage of Shareholding as of December 31, 2012 : 0.08 %

Educational Background

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

Work Experience**Present :**

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

Age 61 years

Percentage of Shareholding as of December 31, 2012 : - 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, Stars Microelectronics (Thailand) Public Company Limited
- Director of Thai Maparn Trading Company Limited
- Director of Avon Holding Private Limited
- Director of Midas Trust Private 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 60 years

Percentage of Shareholding as of December 31, 2012 : 0.01 %

Educational Background

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

Work Experience

Present :

- Independent Director and Chairman of the Audit Committee of Stars Microelectronics(Thailand) Public Company Limited
- Director of Thai Airways International Public Company Limited
- Director, Risk Management Committee of Thai Airways International Public Company Limited
- Director, Good Corporate Governance Committee of Thai Airways International Public Company Limited
- Advisor, Board of Consultant of Amiruhajj Thailand on year 2011 (H.S. 1432)
- Member, Sub-committee that considers announcements regarding securities issuances and offering, Securities and Exchange Commission

Past :

- 2008-2012 Managing Director of Islamic Bank of Thailand
- 2009-2011
 - Member, Board of Committees, MCOT Public Company Limited
 - Chairman, Risk Management Committee of MCOT Public Company Limited
 - Chairman, The Performance Evaluation Committee for the President of MCOT Public Company Limited
 - Chairman, The MCOT Structure Reform and Personnel Development Plan Taskforce
- 2006-2009 Advisor of Krung Thai Asset Management Public Company Limited
- 2005-2007 Director Islamic Bank of Thailand
- 2004-2008 Advisor, Office of The Small and Medium Enterprise Promotion
- 2002-2004 President, Shariah Bank (providing financial services based on Islamic laws) of Krung Thai Bank

Training history

- Director Accreditation Program (DAP), Class of 27/2004, Thai Institute of Directors
- Institute of Islamic Banking and Insurance, London, United Kingdom
- Certificate for Executive, Theories and Practices of Islamic Banking
- Certificate, Islamic Banking and Insurance
- Certificate, Islamic Banking Liquidity Management Research and Training Center, Kuala Lumpur, Malaysia
- Director Certification Program (IOD)
- The Leadership (GRID)

**Mr. Prasart Yunibhand**

Position: Director

Age 65 years

Percentage of Shareholding as of December 31, 2012 : 0.92 %

Educational Background

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

Work Experience**Present :**

- Independent Director and Audit Committee Member of Stars Microelectronics (Thailand) Public Company Limited
- Director of Thai Cardif Life Assurance Public 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
- Director of ISC (Thailand) 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 66 years

Percentage of Shareholding as of December 31, 2012 : - none-

Educational Background

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

Work Experience**Present :**

- Independent Director, Audit Committee Member and Chairman of Remuneration Committee 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
- 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

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** 53 year**Percentage of Shareholding as of December 31, 2012 :** 1.95 %**Educational Background**

- Bachelor Degree, Faculty of Business Administration, Bangkok University

Work Experience**Present :**

- Director of Stars Microelectronics (Thailand) Public Company Limited
- Director of TMP Rice Mill Company Limited
- Director of Cheeva Rice Company Limited
- Director of Green Navitrust Company Limited
- Chairman of Kullapassorn Company Limited
- Vice Chairman of Key Stars Property 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)

**Mr. Toru Uchino****Position :** Director**Age** 62 years**Percentage of Shareholding as of December 31, 2012 :** 0.11 %**Educational Background**

- Bachelor's degree in Automatic Control, Mechanical Engineering, Tokyo Metropolitan University

Work Experience**Present :**

- A Member of Board Directors of Stars Microelectronics (Thailand) Public Company Limited
- Corporate International Business Director of Stars Microelectronics (Thailand) Public Company Limited
- Director of SS RFID Company Limited

Past :

- ITOCHU Corporation, Export Textile Machinery Dept, looking after Middle East, Africa & South East Asia 1974-1984
- ITOCHU Karachi Liaison Office, Machinery Division General Manager 1984-1989
- ITOCHU Corporation, Industrial Machinery Dept, Marketing Section Manager for European markets 1989-1992
- CI TEXMAC (Thailand) CO., LTD (a 100% subsidiary of ITOCHU) President 1992-2001 & Stars' Board Director 1998-2002
- ITOCHU Corporation, Industrial Machinery & Electronics Dept, Project General Manager & Stars' Board Director 2002-2009

Training History

- Public Company Board of Directors' Rules & Regulations in Thailand by SET
- Public Companies Business Rules & Regulations, CSR, Various Management in Japan by ITOCHU & concerned authorities



Associate Professor Dr. Aekkachai Nittayagasetwat

Position : Independent Director ,Audit Committee Member and Remuneration Committee

Age 49 year

Percentage of Shareholding as of December 31, 2012 : - none-

Educational Background

- Ph.D. (Finance), University of Mississippi, U.S.A.
- M.B.A. (Finance), National Institute of Development Administration, Thailand
- B.Sc. (Chemical Technology majoring in Chemical Engineering), Chulalongkorn University, Thailand

Work Experience

Present :

- Independent Director , Audit Committee Member and Remuneration Committee of Stars Microelectronics (Thailand) Public Company Limited
- Audit Committee Member of Panjawattana Plastic Public Company Limited
- Chairman of Audit Committee of Getabec Company Limited
- Chairman of Audit Committee of GT Wealth Management Company Limited
- Associate Professor of Finance National Institute of Development Administration (NIDA)
- Executive Director Securities Analysts Association of Thailand
- Chairman of Audit Committee of Universal Absorbance and Chemicals Public Company Limited
- Audit Committee Member of TRC Construction Public Company Limited

Past :

- Dean of NIDA Business School, National Institute of Development Administration
- Associate Dean of NIDA Business School, National Institute of Development Administration
- Associate Dean for Academic Affairs, GSBA, NIDA
- Securities Analyst and Investment Banking Officer, Mithai Europartner Finance and Securities Co., Ltd.

Training History

- Financial Risk Manager (FRM), Global Asset Risk Professionals (GARP)
- Listed Companies Association on "Listed Firms Financial Distress Prediction" and "The Stability of The Thai Capital Market" Projects
- Stock Exchange of Thailand on "Securities Business after Brokerage Firms" Project
- Executive Leadership Program (ELP), National Institute of Development Administration, Thailand and The Wharton School, University of Pennsylvania,
- Compensation Program , Thai Institute of Directors



Associate professor Dr. Kamphol Panyagometh

Position : Independent Director, Audit Committee Member and Chairman of Risk Management Committee

Age 40 year

Percentage of Shareholding as of December 31, 2012 : - none-

Educational Background

- PhD in Finance, Schulich School of Business, York University, Canada
- MBA (Finance Major), National Institute of Development Administration
- BSc (Microbiology), King Mongkut's Institute of Technology Thonburi

Work Experience

Present :

- Independent Director, Audit Committee Member and Chairman of Risk Management Committee of Stars Microelectronics (Thailand) Public Company Limited
- Independent Director, Audit Committee Member of Hydrotek Plc.
- Director of MSc in Financial Investment and Risk Management, NIDA Business School
- Associate Professor in Finance, NIDA Business School
- Asset Allocation and Portfolio Management Consultant, Finansia Asset Management
- Investment Committee, National Institute of Development Administration (NIDA)
- Board of Directors, Asian Finance Association
- Sub-committee of Foreign Asset Management Company Selection, Social Security Fund
- Regional Director in Thailand, Global Association of Risk Professionals
- CFA Society of Thailand Board of Directors

Past :

- Risk Management Consultant, One Asset Management
- Research Associate, The Individual Finance and Insurance Decisions Centre, Canada
- Director of University Liaisons, CFA Society of Thailand
- Financial Lecturer, Schulich School of Business, York University, Canada
- Finance Officer, Asia Pacific Corporation
- Securities Analyst, Thana One Securities

Training History

- Director Accreditation Program (DAP) , Class of 90/2011 , Thai Institute of Directors
- Chartered Financial Analyst (CFA)
- Financial Risk Managers (FRM)
- Certified Financial Planners (CFP)
- NIDA-Wharton Executive Leadership Program

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.

1. Associate Professor Dr. Preecha Jarungidanan ,Chairman of Remuneration Committee
2. Mr. Pitak Sirivanasandha,Remuneration Committee Member
3. Associate professor Dr. Aekkachai Nittayagasetwat,Remuneration Committee Member

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.

In 2012, 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 committee assigned the independent financial consultant to provide the necessary information for consideration. The directors with conflict of interest will not join the meeting.

The Remuneration Committee considered both fees for 2012, 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 2011 Annual General shareholders' meeting. The details of the remuneration for the members of the company's Board of Directors and the sub-committees' members are shown in the part of the remuneration for the members of the Board of Directors of this annual report.



Associate Professor Dr. Preecha Jarungidanan
Chairman of the Remuneration Committee
Stars Microelectronics (Thailand) Public Company Limited

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 four members as following:

- | | |
|--|---------------------------------|
| 1. Mr. Dheerasak Suwannayos | Chairman of the Audit Committee |
| 2. Associate Professor Dr. Preecha Jarungidanan | Audit Committee Member |
| 3. Associate Professor Dr. Aekkachai Nittayagasetwat | Audit Committee Member |
| 4. Associate Professor Dr. Kamphol Panyagometh | Audit Committee Member |

The Chairman of the Audit Committee is not a member of other sub-committees. And all of them are experts in accounting and finance, law, and economics.

In 2012, the Audit Committee held 4 meetings to review the correctness of financial statements, Auditor report, internal control system, risk management, supervision of internal audit, transactions of conflict of interest or related transactions, recruiting Auditor and fixing the remuneration, compliance with the law of the Securities and Exchange Commission and the law related to the company's business and review to confirm the compliance of the company with the International Financial Reporting Standard (IFRS) and arrange one meeting with Auditor without the participation of the company's Management.

Financial Report

For the period ended on 31 December 2012, the Audit Committee opined that the financial statements were prepared in accordance with the General Accounting Accepted Principles and disclosed the information in note to financial statements properly whereas the Certified Public Accountant expressed an opinion on the financial statements in the independent Auditor's Report and conducted their audit to confide that the company can comply with the International Financial Reporting Standards (IFRS).

Internal Audit and Risk Management System

The Audit Committee reviewed the internal control system together with Certified Public Accountant, the Management and internal audit officer to confirm that the company has the proper and suitable internal control system. They reviewed the management and the company's risk control and provided the opinions and recommendations to manage significant risks. They also followed up and made the correction continuously to encourage the company to meet its operation targets.

Supervision of Internal Audit

The Audit Committee considered the independence of the internal audit department, scope of work and annual audit plan. They emphasized on the internal audit report, audited issues and provided the recommendation to develop the internal audit operation effectively.

Conflict of interest or related transactions

The Audit Committee reviewed related transactions between the company and its subsidiaries and related persons to consider the business transactions appropriately and maximize the company's benefit and comply with the Stock Exchange of Thailand's regulation. The company disclosed the information of the related transactions completely.

Consideration of the Auditor selection and fixing the remuneration

The Audit Committee considered selecting the auditor from Ernst & Young Office Limited to be the company's auditor for year 2013 and also considered the auditing remuneration submitted to Annual General Meeting of Shareholders for approval. The auditor names are as follow.

- | | |
|---------------------------|---|
| Mr. Supachai Panyawattano | Certified Public Accountant No. 3930 and/or |
| Ms. Siraporn Ouannunkul | Certified Public Accountant No. 3844 and/or |
| Ms. Tippawan Nananuwat | Certified Public Accountant No. 3459 |

For period ended on 31 December 2012, the auditor who certified the financial statements of the company was Ms. Siraporn Ouannunkul

Compliance with the law of the Securities and Exchange Commission and the law related to the company's business
The Audit Committee reviewed the company's operation in accordance with the law of the Securities and Exchange Commission and the company's business is not against any related business law.

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 2012 performance achieved the objectives set by the Board of Directors.



Mr. Dheerasak Suwannayos
Chairman of the Audit Committee
Stars Microelectronics (Thailand) Public Company Limited

Report of the Risk Management Committee

Dear Shareholders

Stars Microelectronics (Thailand) Public Company Limited realizes the importance of risk management as it can significantly impact business operations. The company's Board of Directors has thus set up a risk management committee to continuously assess the various risk factors that may affect the company's operations - both at present and in the future - as well as to find preventive measures to reduce risk.

In 2012, the risk management committee carried out its duties as assigned by the Board, having held four meetings in total. The committee's major accomplishments are summarized below.

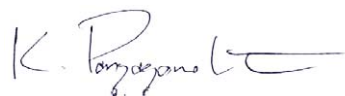
1. The company's risk management principles and procedural guidelines have been revised. In setting risk management policies and approaches as part of the company's risk assessment, various factors have been taken into consideration including social, political, economic factors, as well as the environment, technology, customers, and competition.

2. Risk management policies, approaches, and tools have been considered and decided upon regarding managing the risks that may affect both the company's present and future operations so that the various work units can develop action guidelines to follow regarding risk management.

3. The company's various work units are now required to make assessments and prepare action guidelines to address risks and to reduce the impact of potential risks. The guidelines are required to be effective and in line with the company's risk management policies.

4. The company's various work units are required to follow up on and evaluate the implementation of these preventive measures and risk management practices. They also need to assess the various risk factors that could have additional impact on the company's performance in the future due to organizational factors or national and world economic fluctuations.

The Risk Management Committee is highly confident that the risk management of Stars Microelectronics (Thailand) Public Company Limited is being carried out continuously, systematically and efficiently according to established policies. The committee has received great cooperation from employees in all departments in accordance with the policies of good governance and with adequate internal controls. This has clearly helped build trust with our shareholders and other concerned parties that the company can efficiently and sustainably perform its business operations.



Associate Professor Dr. Kamphol Panyagometh
Chairman of the Risk Management Committee
Stars Microelectronics (Thailand) Public Company Limited

Report of the Board of Directors'

Responsibilities for Financial Statements

Dear Shareholder,

The Board of Directors is responsible for the financial statements of the Company and its subsidiaries as well as the financial information appearing the Company's annual report. The Board is of the opinion that the financial statements of the Company and its subsidiaries for the year ending 31 December 2012 have been prepared in accordance with the accounting standards generally recognized in Thailand and with the regulations of the Securities and Exchange Commission regarding the preparation and submission of financial reports under the Securities and Exchange Act B.E. 2535. Proper accounting policies have been applied and practiced continuously and with discretion. Important supplemental information is sufficiently disclosed in the notes to the financial statements. In regard to this, the financial statements have passed the audit and been approved unconditionally by the certified auditors.

The Board asked the Audit Committee, comprising independent directors, to supervise the quality of financial reports, assess the internal control system, and ensure that the internal audit is efficient and effective. This is to confirm that accounting data has been recorded accurately, adequately, and in a timely manner and to prevent fraud or improper operations. The Audit Committee's opinions appear in its report included within this annual report.

The Company's Board of Directors is of the opinion that the internal control system and the internal audit of the Company are adequate and appropriate. The Board is sufficiently confident in the reliability of the financial statements of the Company and its subsidiaries for the year ending 31 December 2012.



Mr. Somnuk Chaikul
Chairman of the Board of Directors
Stars Microelectronics (Thailand) Public Company Limited

Management Discussion and Analysis

2012 Operating Results

In 2012, the company and its subsidiaries enjoyed a net profit of 731.45 million baht - an improvement on 2011's net loss of 1,504.58 million baht, and equivalent to an increase in profit of 2,236.03 million baht. The increase in profit was due to an increase in other income relating to compensation received in 2012 for the 2011 flood and a decrease in flood-related expenses. Details of the operational results are as follows:

Sales and service income

The company and its subsidiaries earned revenues from three groups of products namely, Hard Disk Drive, MMA Others, and IC Packaging. In 2012, the company and its subsidiaries saw a decrease in the sale of goods and services of 4,044.98 million baht, or 53.34%, from 2011. The largest fall was in the Hard Disk Drive product group with a loss of 2,648.69 million baht, while the revenue from the MMA Others product group went down in the highest proportion, 90.59%. Details are shown in the table below.

	Year 2012		Year 2011		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Hard Disk Drive	3,154.37	89.13	5,803.06	76.52	(2,648.69)	(45.64)
MMA Others	88.79	2.51	943.43	12.44	(854.64)	(90.59)
IC Packaging	285.19	8.06	742.50	9.79	(457.31)	(61.59)
Total sales income	3,528.35	99.70	7,488.99	98.75	(3,960.64)	(52.89)
Service income	10.66	0.30	95.00	1.25	(84.34)	(88.78)
Total sales and service income	3,539.01	100.00	7,583.99	100.00	(4,044.98)	(53.34)

Considering the figures in terms of the Value Added (VA = Sales minus raw materials value), it was found that the MMA Others and the IC Packaging product groups faced the biggest decrease in the value added, at about 302.19 and 278.71 million baht, while the MMA Others group decreased by the highest proportion at about 85.38%.

	Year 2012		Year 2011		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Hard Disk Drive	122.52	38.98	204.51	20.93	(81.99)	(40.09)
MMA Others	51.74	16.46	353.93	36.22	(302.19)	(85.38)
IC Packaging	140.04	44.56	418.75	42.85	(278.71)	(66.56)
Total Value Added	314.30	100.00	977.19	100.00	(662.89)	(67.84)

Pertaining to this, the decrease in revenues from the sale of goods and services was due to the fact that in the last quarter of 2011, the company suffered damage from the flood to its assembly lines on the first floor of the factory as well as damage to the factory building. The company started factory repair work in the first quarter of 2012 by ordering machinery and equipment. It started installing the new assembly lines at the end of the first quarter. The work continued until it reached production capacity at the level achieved before the flood. This was the reason why revenues from the sale of goods and services decreased by over 50% compared to 2011 and why the value added went down by 662.89 million baht, or 67.84%.

Cost of sales and services

In 2012 the company and its subsidiaries saw cost of sales and services decrease by 3,376.91 million baht from 2011, or 46.43%. However, considering the ratio cost of sales and services to sales and service income, in 2012 the proportion stood at 110.10%. This was an increase from 2011, in which it was at the 95.91% level. Considering the 2012 gross profit margin, the result was thus a loss of 357.63 million baht, or a gross loss margin of 10.11% compared to the 2011 figures, when the gross profit was 310.44 million baht or 4.09%. This was because it was at the beginning of the company's recovery when it was without full production capacity and had not yet reached the break-even point. Because of this, revenues from the sale of goods and services could not offset the fixed costs, resulting in a negative gross profit margin.

Selling and administrative expenses

The company and its subsidiaries' selling and administrative expenses in 2011 and 2012 stood at 194.14 and 198.52 million baht, respectively, or 5.49% and 2.62% of the sales and service income. 2012 selling and administrative expenses did not go down in proportion with sales and service income because some of the fixed costs did not vary in relation to those revenues. The fixed costs that the company had to maintain included personnel expenses necessary for the recovery and future operations and expenses resulting from the company's write-off of unused machinery and equipment.

Financial and tax expenses

The company and its subsidiaries had financial and tax expenses of 21.56 and 17.24 million baht in 2012 and 2011, respectively, or 0.61% and 0.23% of the sales and service income. The increase in financial expenses in 2012 was due to the fact that the company had to use some funds for rehabilitating operations, including factory and building repair, and placing orders for machinery and equipment. The company needed to take out loans to support these activities.

The company did not have to pay corporate income tax as it had been extended tax privileges from the Board of Investment. As for the subsidiaries, because the operations resulted in a net loss, they were also not subject to corporate income tax.



Financial status

Assets

As at 31 December 2012, the company had total assets of 3,901.65 million baht - an improvement from 2011 of 1,836 million baht, with current assets accounting for 37.33% and non-current assets of 62.67%.

The increase in total assets resulted from an increase in account receivables of 280.06 million baht, as well as receivables from insurance companies for payment of compensation to the company of 470.91 million baht and other receivables of 12.30 million baht. The value of inventory also increased by 111.36 million baht.

Meanwhile, an increase in non-current assets resulted from an increase in the value of land, buildings and equipment of 1,044.58 million baht. This was due to the company's write-offs of the buildings and equipment damaged by the flood in 2011. Also, in 2012 the company rehabilitated operations by investing in factory and building repair as well as new machinery and equipment.

Liabilities and shareholder's equity

As at 31 December 2012, the company and its subsidiaries had total liabilities of 2,141.95 million baht and shareholder's equity of 1,759.70 million baht, or 54.90% and 45.10% of total liabilities and shareholder's equity respectively.

Liabilities

In 2012, the company and its subsidiaries saw an increase in liabilities of 1,094.76 million baht over 2011, which was the result of an increase in overdraft and short-term loans from financial institutions of 696.70 million baht, and an increase in debt to other creditors for the purchase of machinery and equipment of 249.84 million baht. Non-current liabilities increased by 144.65 million baht, which were the long-term loans taken out by the company to prepare for the factory repair and rehabilitation and the purchase of machinery and equipment.

Shareholder's equity

The company and its subsidiaries had shareholder's equity of 1,759.70 million baht in 2012, representing an increase of 741.24 million baht over 2011. This resulted from an increase in profits and a decrease of 738.64 million baht in accumulated losses compared to 2011.

In 2012, the company and its subsidiaries had issued and paid up capital of 833.86 million baht. This was an increase of 0.02 million baht over the 833.84 million baht in 2011. This was due to the fact that in 2012, the company's employees exercised warrants to buy the company's common stock in the ESOP program totaling 2,198,193 shares, or an equivalent of issued and paid up capital of 4,396,386 baht. At the same time, there was a reduction in capital from the common stock Buy-back program (Treasury Stock) and the company did not sell back in the Securities Exchange of Thailand, reducing the capital by 2,187,800 shares, or an equivalent of 4,375,600 baht.

Sources and uses of funds

The company and its subsidiaries had a net cash flow for operating activities of 7 million baht. This resulted from cash flow used in operating activities of 809.54 million baht, adjusted by the compensation receivables for the flood of 822.24 million baht and the payment of interest of 19.68 million baht.

The cash flow used in investing activities was 924.25 million baht. 972.46 million baht was for the purchase of machinery and equipment and the sale of old machinery and equipment brought in 48.22 million baht. Meanwhile, cash flow from financing activities of 869.90 million baht came from short-term loans of 696.70 million baht, cash receipts from long-term loans of 300 million baht, and cash receipts from the issuing of additional common stock following the warrant exercise to buy common stocks under the ESOP program of 9.68 million baht. Payments of 136.48 million baht were made to repay the financial lease and long-term loans obligations.

Report of Independent Auditor

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

I have audited the accompanying consolidated financial statements of Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Stars Microelectronics (Thailand) Public Company Limited for the same period.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

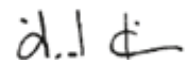
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, 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 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Siraporn Ouaanunkun
Certified Public Accountant (Thailand) No. 3844

Ernst & Young Office Limited
Bangkok: 1 March 2013

Financial Statement

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of financial position

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Assets					
Current assets					
Cash and cash equivalents	8	1,786,249	62,990,205	978,873	59,884,918
Trade and other receivables	7, 9	1,034,952,919	271,686,635	1,030,275,141	271,102,586
Inventories	10	394,650,684	283,292,340	394,650,684	282,631,083
Other current assets		24,943,514	9,436,730	20,239,116	4,575,934
Total current assets		1,456,333,366	627,405,910	1,446,143,814	618,194,521
Non-current assets					
Investments in subsidiaries	11	-	-	3,176,769	676,779
Property, plant and equipment	12	2,421,314,699	1,416,737,717	2,373,520,898	1,416,737,717
Intangible assets	13	22,932,032	20,621,601	22,932,032	20,621,601
Other non-current assets		1,065,293	883,928	1,065,234	883,914
Total non-current assets		2,445,312,024	1,438,243,246	2,400,694,933	1,438,920,011
Total assets		3,901,645,390	2,065,649,156	3,846,838,747	2,057,114,532

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans					
from financial institutions	14	818,803,782	122,107,234	818,803,782	122,107,234
Trade and other payables	7,15	1,044,898,854	795,060,693	981,318,208	788,588,869
Current portion of liabilities under finance					
lease agreements		-	476,829	-	476,829
Current portion of long-term loans	16	105,000,000	91,000,000	105,000,000	91,000,000
Other current liabilities		6,643,812	16,592,496	6,643,812	13,706,948
Total current liabilities		1,975,346,448	1,025,237,252	1,911,765,802	1,015,879,880
Non-current liabilities					
Long-term loans, net of current portion	16	150,000,000	-	150,000,000	-
Provision for long-term employee benefits	17	15,992,480	21,949,360	15,992,480	21,949,360
Other non-current liabilities		607,200	-	607,200	-
Total non-current liabilities		166,599,680	21,949,360	166,599,680	21,949,360
Total liabilities		2,141,946,128	1,047,186,612	2,078,365,482	1,037,829,240

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Shareholders' equity					
Share capital	18				
Registered					
419,582,439 ordinary shares of Baht 2 each (2011: 421,770,239 ordinary shares of Baht 2 each)		839,164,878	843,540,478	839,164,878	843,540,478
Issued and fully paid					
416,932,873 ordinary shares of Baht 2 each (2011: 416,922,480 ordinary shares of Baht 2 each)		833,865,746	833,844,960	833,865,746	833,844,960
Share premium	18	924,816,853	919,534,596	924,816,853	919,534,596
Retained earnings					
Appropriated - statutory reserve	21	75,100,000	75,100,000	75,100,000	75,100,000
Appropriated - treasury share reserve	19	-	13,509,687	-	13,509,687
Unappropriated (deficit)		(85,847,291)	(824,489,054)	(80,021,500)	(823,906,430)
Treasury shares	19	-	(13,509,687)	-	(13,509,687)
Other components of shareholders' equity		14,647,893	14,583,629	14,712,166	14,712,166
Equity attributable to owners of the Company		1,762,583,201	1,018,574,131	1,768,473,265	1,019,285,292
Non-controlling interests of the subsidiaries		(2,883,939)	(111,587)	-	-
Total shareholders' equity		1,759,699,262	1,018,462,544	1,768,473,265	1,019,285,292
Total liabilities and shareholders' equity		3,901,645,390	2,065,649,156	3,846,838,747	2,057,114,532

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Income statement

For the year ended 31 December 2012

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
Revenues					
Sales and service income	22	3,539,010,964	7,583,989,119	3,511,948,920	7,544,695,583
Other income					
Compensation for flood damage	2	1,293,152,966	-	1,293,152,966	-
Gain on exchange		23,779,616	-	23,779,616	-
Revenue from scrap sales		10,721,890	24,237,255	10,721,890	24,237,255
Others		943,980	14,976,642	939,549	14,975,278
Total revenues		4,867,609,416	7,623,203,016	4,840,542,941	7,583,908,116
Expenses					
Cost of sales and services		3,896,638,222	7,273,552,582	3,888,305,889	7,263,339,756
Selling expenses		34,908,840	58,437,264	14,682,230	25,392,993
Administrative expenses		159,229,332	140,085,423	152,661,613	138,012,067
Flood damages	2	-	1,571,720,929	-	1,571,720,929
Benefit expenses payable to terminated employees	2	-	60,326,026	-	60,326,026
Write-off of equipment and intangible assets	12, 13	22,007,290	-	22,007,290	-
Loss on exchange		-	6,427,949	-	6,427,949
Loss on sales of machinery and equipment		1,817,784	-	1,817,784	-
Total expenses		4,114,601,468	9,110,550,173	4,079,474,806	9,065,219,720
Profit (loss) before finance cost and corporate income tax		753,007,948	(1,487,347,157)	761,068,135	(1,481,311,604)
Finance cost		(21,558,805)	(17,235,320)	(21,558,805)	(17,235,320)
Profit (loss) before corporate income tax		731,449,143	(1,504,582,477)	739,509,330	(1,498,546,924)
Corporate income tax	24,25	-	-	-	-
Profit (loss) for the year		731,449,143	(1,504,582,477)	739,509,330	(1,498,546,924)
Profit attributable to:					
Equity holders of the Company (loss)		734,266,163	(1,502,087,619)	739,509,330	(1,498,546,924)
Non-controlling interests of the subsidiaries (loss)		(2,817,020)	(2,494,858)		
		731,449,143	(1,504,582,477)		
Earnings per share	26				
Basic earnings per share					
Profit (loss) attributable to equity holders of the Company		1.767	(3.714)	1.780	(3.705)
Diluted earnings per share					
Profit (loss) attributable to equity holders of the Company		1.757	(3.678)	1.770	(3.669)

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Statement of comprehensive income

For the year ended 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
Profit (loss) for the year		731,449,143	(1,504,582,477)	739,509,330	(1,498,546,924)
Other comprehensive income:					
Exchange differences on translation of financial statements in foreign currency		108,922	54,474	-	-
Other comprehensive income for the year		108,922	54,474	-	-
Total comprehensive income for the year (loss)		731,558,065	(1,504,528,003)	739,509,330	(1,498,546,924)
Total comprehensive income attributable to:					
Equity holders of the Company (loss)		734,330,427	(1,502,055,479)	739,509,330	(1,498,546,924)
Non-controlling interests of the subsidiaries (loss)		(2,772,362)	(2,472,524)	-	-
		731,558,065	(1,504,528,003)	739,509,330	(1,498,546,924)

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Cash flow statement

For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from operating activities				
Profit before tax	731,449,143	(1,504,582,477)	739,509,330	(1,498,546,924)
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Compensation for flood damage	(1,293,152,966)	-	(1,293,152,966)	-
Depreciation and amortisation	220,413,763	316,323,426	220,409,553	316,323,426
Doubtful debts	18,874,243	11,107,337	18,874,243	11,795,847
Write-off of bad debts	-	-	4,936,244	-
Unrealised loss (gain) on exchange	(9,650,391)	23,494,056	(9,650,391)	23,494,056
Loss (gain) on sales of machinery and equipment	1,817,784	(2,544,886)	1,817,784	(2,544,886)
Write-off of flood-damaged inventories	-	427,653,077	-	427,653,077
Write-off of flood-damaged plant and equipment	-	1,139,903,819	-	1,139,903,819
Reduction of inventories to net realisable value (reversal)	5,213,676	(10,130,973)	5,213,676	(10,130,973)
Write-off of equipment and intangible assets	22,007,292	-	22,007,292	-
Long-term employee benefits	2,993,601	4,669,666	2,993,601	4,669,666
Interest expenses	21,558,805	17,235,320	21,558,805	17,235,320
Profit from operating activities before changes in operating assets and liabilities	(273,538,806)	423,128,365	(265,482,829)	429,852,428
Operating assets (increase) decrease				
Trade and other receivables	(316,513,778)	915,537,083	(312,420,050)	927,218,318
Inventories	(116,572,020)	(25,169,363)	(117,233,277)	(24,807,716)
Other current assets	(7,103,021)	4,541,088	(7,259,418)	667,659
Other non-current assets	(181,365)	609,055	(181,320)	609,069
Operating liabilities increase (decrease)				
Trade and other payables	(77,319,857)	(276,821,706)	(88,353,788)	(281,585,372)
Other current liabilities	(9,962,934)	(2,389,470)	(7,077,386)	(5,275,017)
Provision for long-term employee benefits	(8,950,481)	(5,710,827)	(8,950,481)	(5,710,827)
Other non-current liabilities	607,200	-	607,200	-
Cash from (used in) operating activities	(809,535,062)	1,033,724,225	(806,351,349)	1,040,968,542
Cash received from compensation for flood damage	822,244,830	-	822,244,830	-
Cash paid for interest expenses	(19,675,715)	(16,838,273)	(19,675,715)	(16,838,273)
Cash paid for corporate income tax	-	(7,663,661)	-	-
Net cash from (used in) operating activities	(6,965,947)	1,009,222,291	(3,782,234)	1,024,130,269

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the year ended 31 December 2012 and 2011

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash flows from investing activities				
Payment of other payables for purchases of machinery	(133,639,715)	(215,868,926)	(133,639,715)	(215,868,926)
Acquisition of equipment and intangible assets	(838,822,236)	(302,231,249)	(837,099,116)	(302,231,249)
Proceeds from sales of machinery and equipment	48,216,648	53,406,524	48,216,648	53,406,523
Cash paid for investment in a subsidiary	-	-	(2,499,990)	-
Net cash used in investing activities	(924,245,303)	(464,693,651)	(925,022,173)	(464,693,652)
Cash flows from financing activities				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	696,696,548	(331,870,229)	696,696,548	(331,870,229)
Repayments of liabilities under finance lease agreements	(476,829)	(8,167,271)	(476,829)	(8,167,271)
Cash receipts from long-term loans	300,000,000	-	300,000,000	-
Repayments of long-term loans	(136,000,000)	(602,060,000)	(136,000,000)	(602,060,000)
Proceeds from increase in share capital	9,678,643	745,873,838	9,678,643	745,873,838
Proceeds from non-controlling interests of a subsidiary for its investment	10	-	-	-
Treasury shares	-	(13,509,687)	-	(13,509,687)
Dividend payment	-	(290,854,253)	-	(290,854,253)
Net cash from (used in) financing activities	869,898,372	(500,587,602)	869,898,362	(500,587,602)
Increase in exchange differences on translation of financial statements	108,922	54,475	-	-
Net increase (decrease) in cash and cash equivalents	(61,203,956)	43,995,513	(58,906,045)	58,849,015
Cash and cash equivalents at beginning of year	62,990,205	18,994,692	59,884,918	1,035,903
Cash and cash equivalents at end of year	1,786,249	62,990,205	978,873	59,884,918
Supplemental cash flows information				
Non-cash items				
Purchases of machinery for which no cash has been paid	460,520,664	86,967,787	414,445,774	86,967,787

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements										
	Equity attributable to owners of the Company						Other components of shareholders' equity				
	Retained earnings			Other comprehensive income			Total other components of shareholders' equity				
	Issued and paid-up share capital	Share premium	Appropriated - statutory reserve	Appropriated - treasury share reserve	Unappropriated (deficit)	Treasury shares	Revaluation surplus on land	Exchange differences on translation of financial statements in foreign currency	Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
Balance as at 1 January 2011	738,027,400	269,478,318	75,100,000	-	981,962,505	-	14,712,166	(160,677)	14,551,489	2,079,119,712	2,081,480,649
Increase in share capital (Note 18)	95,817,560	650,056,278	-	-	-	-	-	-	-	745,873,838	745,873,838
Increase in treasury shares (Note 19)	-	-	-	-	-	(13,509,687)	-	-	-	(13,509,687)	(13,509,687)
Dividend paid (Note 29)	-	-	-	-	(290,854,253)	-	-	-	-	(290,854,253)	(290,854,253)
Total comprehensive income for the year (loss)	-	-	-	-	(1,502,087,619)	-	-	32,140	32,140	(1,502,055,479)	(1,504,528,003)
Unappropriated retained earnings transferred to treasury share reserve	-	-	-	13,509,687	(13,509,687)	-	-	-	-	-	-
Balance as at 31 December 2011	833,844,960	919,534,596	75,100,000	13,509,687	(824,489,054)	(13,509,687)	14,712,166	(128,537)	14,583,629	1,018,574,131	1,018,462,544
Balance as at 1 January 2012	833,844,960	919,534,596	75,100,000	13,509,687	(824,489,054)	(13,509,687)	14,712,166	(128,537)	14,583,629	1,018,574,131	1,018,462,544
Additional investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	10
Increase in share capital (Note 18)	4,396,386	5,282,257	-	-	-	-	-	-	-	9,678,643	9,678,643
Decrease in share capital for cancellation of treasury shares (Note 18, 19)	(4,375,600)	-	-	-	(9,134,087)	13,509,687	-	-	-	-	-
Total comprehensive income for the year (loss)	-	-	-	-	734,266,163	-	-	64,264	64,264	734,330,427	731,558,065
Reversal of treasury share reserve (Note 19)	-	-	-	(13,509,687)	13,509,687	-	-	-	-	-	-
Balance as at 31 December 2012	833,865,746	924,816,853	75,100,000	-	(85,847,291)	-	14,712,166	(64,273)	14,647,893	1,762,583,201	1,759,699,262

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

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries
Statement of changes in shareholders' equity (continued)
For the year ended 31 December 2012

	Separate financial statements										(Unit: Baht)
	Issued and paid-up share capital	Share premium	Retained earnings		Treasury shares	Other components of shareholders' equity					
			Appropriated - statutory reserve	Appropriated - treasury share reserve		Unappropriated (deficit)	Other comprehensive				
							Income	Revaluation	surplus on land	Total other components of shareholders' equity	
Balance as at 1 January 2011	738,027,400	269,478,318	75,100,000	-	979,004,434	-	14,712,166	14,712,166	2,076,322,318		
Increase in share capital (Note 18)	95,817,560	650,056,278	-	-	-	-	-	-	745,873,838		
Increase in treasury shares (Note 19)	-	-	-	-	-	(13,509,687)	-	-	(13,509,687)		
Dividend paid (Note 29)	-	-	-	-	(290,854,253)	-	-	-	(290,854,253)		
Total comprehensive income for the year (loss)	-	-	-	-	(1,498,546,924)	-	-	-	(1,498,546,924)		
Unappropriated retained earnings transferred to treasury share reserve	-	-	-	13,509,687	(13,509,687)	-	-	-	-		
Balance as at 31 December 2011	833,844,960	919,534,596	75,100,000	13,509,687	(823,906,430)	(13,509,687)	14,712,166	14,712,166	1,019,285,292		
Balance as at 1 January 2012	833,844,960	919,534,596	75,100,000	13,509,687	(823,906,430)	(13,509,687)	14,712,166	14,712,166	1,019,285,292		
Increase in share capital (Note 18)	4,396,386	5,282,257	-	-	-	-	-	-	9,678,643		
Decrease in share capital for cancellation of treasury shares (Note 18, 19)	(4,375,600)	-	-	-	(9,134,087)	13,509,687	-	-	-		
Total comprehensive income for the year	-	-	-	-	739,509,330	-	-	-	739,509,330		
Reversal of treasury share reserve (Note 19)	-	-	-	(13,509,687)	13,509,687	-	-	-	-		
Balance as at 31 December 2012	833,865,746	924,816,853	75,100,000	-	(80,021,500)	-	14,712,166	14,712,166	1,768,473,265		

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

Notes to Financial Statement

Stars Microelectronics (Thailand) Public Company Limited and its subsidiaries Notes to consolidated financial statements For the year ended 31 December 2012

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 Chaikul Family. 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.

2. Flood impact

From October to November 2011, there was severe flooding in Thailand. The location of the Company's factory and office in Bang Pa-In Industrial Estate in Ayutthaya was inundated, causing damage to the Company's assets such as inventories, building utility systems and machinery. The Company assessed damage to its assets caused by the floods and recorded damages of Baht 1,572 million in profit or loss for 2011. This caused earnings per share to decrease by Baht 3.9, as detailed below.

1. The Company wrote off flood-damaged inventories, which could no longer be used for manufacture or for sale totaling Baht 428 million.
2. The Company wrote off a part of its building utility systems, machinery and equipment, furniture, fixtures and other office equipment with net book values of Baht 1,140 million.
3. Other expenses such as expenses related to flood prevention amounted to Baht 4 million.

The Company has insurance coverage for property damage caused by the floods, which includes asset insurance and business interruption insurance. The Company is currently claiming compensation from its insurance companies. The insurance companies has assessed loss and is finalising the compensation payable to the Company.

In 2012, the Company recognised insurance compensation from flooding amounting to Baht 1,293 million in profit or loss for the current year. The compensation was partial compensation for assets amounting to Baht 1,284 million and for inventories amounting to Baht 9 million. The Company received the compensation of Baht 822 million in 2012 and recorded compensation receivable of Baht 471 million in the statement of financial position as at 31 December 2012. In January and February 2013, the Company received Baht 109 million of the compensation receivable.

As a result of the floods, the Company temporarily ceased its production from 14 October 2011 to 30 November 2011. In addition, the Company had to restore its factory and office and thus, in 2011, it terminated some of its employees. The Company presented termination benefit expenses of Baht 60 million separately in profit or loss for 2011. The benefit expenses payable to terminated employees comprised the following:

(Unit: Thousand Baht)

Curtailment/settlement loss (Note 17)	51,970
Termination benefit expenses	8,356
	<u>60,326</u>

3. Basis of preparation

- 3.1 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 28 September 2011, 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.

3.2 Basis of consolidation

During 2012, there was change in the structure of the Company group by an addition of a subsidiary, SS RFID Company Limited, as discussed in Note 11. The Company invested in that company by holding 100% of its shares.

- 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	
			2012 percent	2011 percent
Stars Microelectronics USA, Inc.	Trading company	United States of America	59	59
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	99
SS RFID Company Limited	Manufacture and distribution of RFID Tags (Radio Frequency Identification Tags)	Thailand	100	-

- b) Subsidiaries are fully consolidated as from 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 end of reporting period, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Exchange differences on translation of financial statements in foreign currency" in the statements of changes in shareholders' equity.

- e) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated profit or loss and within equity in the consolidated statement of financial position.

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

4. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The management of the Company and its subsidiaries 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 standard.

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 recognise deferred tax assets and liabilities under the stipulated guidelines. The management of the Company and its subsidiaries expects the adoption of this accounting standard to have the effect of decreasing the Company and its subsidiaries' brought-forward retained earnings and other components of shareholders' equity of the year 2013 by approximately Baht 1 million in total (the Company only: approximately Baht 3 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company and its subsidiaries has assessed the effect of these standards and believes that Accounting Treatment Guidance for Transfers of Financial Assets, SIC 29 and TFRIC 12 are not relevant to the business of the Company and its subsidiaries. Management is still evaluating the first-year impact to the financial statements of the adoption of TFRIC 4 and TFRIC 13 and has yet to reach a conclusion.

5. Significant accounting policies

5.1 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.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

5.2 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.

5.3 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.

5.4 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.

5.5 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 in profit or loss.

5.6 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 end of reporting period.

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 other comprehensive income and the cumulative increase is recognised as equity under the heading of "Revaluation surplus on land". However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease in respect 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 in profit or loss. However, the revaluation decrease is charged to the other comprehensive income to the extent that it does not exceed an amount already held in "Revaluation surplus on land" in respect of the same land.

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 is included in profit or loss when the asset is derecognised.

5.7 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.

5.8 Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic 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 profit or loss.

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

5.9 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.

5.10 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 profit or loss over the lease period. The equipment acquired under finance leases is depreciated over the useful life of the asset.

Lease of equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

5.11 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 end of reporting period.

Gains and losses on exchange are included in determining income.

5.12 Impairment of assets

At the end of each reporting period, 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.

An impairment loss is recognised in profit or loss. 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 profit or loss 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.

5.13 Treasury stock

Treasury stock is stated at cost in the statements of financial position and presented as a deduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

The weighted average method is used for computation of the unit cost of treasury stock.

5.14 Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined contribution plans

The Company, and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

Defined benefit plans

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

5.15 Provisions

Provisions are recognised when the Company and its subsidiaries have 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.

5.16 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.

5.17 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Unrecognised 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.

6. Significant accounting judgments and estimates

The preparation of financial statements in conformity with financial reporting standards 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 judgment 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 judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Net realisable value of inventories

The management uses judgment to estimate net realisable value of inventories taking into account fluctuations of price or cost directly related to events occurring after the end of the reporting period and 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 residual values of plant and equipment and to review estimate useful lives and residual 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 when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

Post-employment benefits under defined benefit plans.

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

Litigation

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore no contingent liabilities are recorded as at the end of reporting period.

7. 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		Separate		
	financial statements		financial statements		Pricing policy
	2012	2011	2012	2011	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Sales and service income	-	-	257	608	Cost plus margin
Expenses for management of raw material damaged from flood	-	-	9	-	Agreed price
<u>Transactions with related companies</u>					
Sales and service income	18	19	18	19	Cost plus margin

(Unit: Million Baht)

As at 31 December 2012 and 2011, the balances of the accounts between the Company, its subsidiaries and those related parties are as follows:

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2012	2011	2012	2011
Trade receivables - related parties (Note 9)				
Subsidiaries	-	-	90,815	30,966
Related companies (related by common shareholders)	2,560	550	2,560	550
Total trade receivables - related parties	<u>2,560</u>	<u>550</u>	<u>93,375</u>	<u>31,516</u>
Other payables - related parties (Note 15)				
Subsidiaries	-	-	2	-
Total other payables - related parties	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company and its subsidiaries had employee benefit expense payable to their directors and management as below.

	Consolidated financial statements		(Unit: Million Baht) Separate financial statements	
	2012	2011	2012	2011
Short-term employee benefits	28	28	19	19
Post-employment benefits	2	2	2	2
Total	<u>30</u>	<u>30</u>	<u>21</u>	<u>21</u>

8. Cash and cash equivalents

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	2012	2011	2012	2011
Cash	107	110	100	110
Bank deposits	<u>1,679</u>	<u>62,880</u>	<u>879</u>	<u>59,775</u>
Total	<u>1,786</u>	<u>62,990</u>	<u>979</u>	<u>59,885</u>

As at 31 December 2012, bank deposits in saving accounts carried interests between 0.125 and 0.625 percent per annum (2011: between 0.20 and 0.87 percent per annum).

9. Trade and other receivables

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<u>Trade receivables - related parties</u>				
Aged on the basis of due dates				
Not yet due	2,560	518	67,600	9,274
Past due				
Up to 3 months	-	32	25,362	10,297
3 - 6 months	-	-	1,084	10,463
6 - 12 months	-	-	29	5,812
Over 12 months	-	-	-	44
Total trade receivables - related parties	2,560	550	94,075	35,890
Less: Allowance for doubtful accounts	-	-	(700)	(4,374)
Total trade receivables - related parties, net	2,560	550	93,375	31,516
<u>Trade receivables - unrelated parties</u>				
Not yet issued invoices	431,845	42,988	431,845	42,988
Aged on the basis of due dates				
Not yet due	102,556	88,250	11,809	73,817
Past due				
Up to 3 months	6,480	84,389	2,174	82,288
3 - 6 months	2,007	37,340	867	22,200
6 - 12 months	134	12,554	134	6,920
Over 12 months	23,092	5,053	23,092	5,053
Total trade receivables - unrelated parties	566,114	270,574	469,921	233,266
Less: Allowance for doubtful accounts	(23,702)	(6,211)	(23,002)	(453)
Total trade receivables - unrelated parties, net	542,412	264,363	446,919	232,813
Total trade receivable - net	544,972	264,913	540,294	264,329
<u>Other receivables</u>				
Compensation receivable from flooding	470,908	-	470,908	-
Other receivables	19,073	6,773	19,073	6,773
Total other receivables	489,981	6,773	489,981	6,773
Total trade and other receivables - net	1,034,953	271,686	1,030,275	271,102

10. Inventories

(Unit: Thousand Baht)

Consolidated financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	76,470	40,417	(1,412)	-	75,058	40,417
Work in process	50,381	18,429	(4,301)	-	46,080	18,429
Raw materials	250,080	201,243	-	(500)	250,080	200,743
Spare parts and supplies	23,433	23,703	-	-	23,433	23,703
Total	400,364	283,792	(5,713)	(500)	394,651	283,292

(Unit: Thousand Baht)

Separate financial statements						
	Cost		Reduce cost to net realisable value		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods	76,470	39,756	(1,412)	-	75,058	39,756
Work in process	50,381	18,429	(4,301)	-	46,080	18,429
Raw materials	250,080	201,243	-	(500)	250,080	200,743
Spare parts and supplies	23,433	23,703	-	-	23,433	23,703
Total	400,364	283,131	(5,713)	(500)	394,651	282,631

11. Investments 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	
	2012	2011	2012	2011	2012	2011
			Percent	Percent	Thousand Baht	Thousand Baht
Stars Microelectronics USA, Inc.	20,000	20,000	59	59	429	429
	(US Dollars)					
SMT Green Energy Company Limited	250,000	250,000	99	99	248	248
	(Baht)					
SS RFID Company Limited	25,000,000	-	100	-	2,500	-
	(Baht)					
					3,177	677

During 2012 and 2011, the Company has not received any dividend from its subsidiaries.

SS RFID Company Limited is a company incorporated in Thailand on 20 February 2012 with registered share capital of Baht 10 million (1,000,000 ordinary shares at a par value of Baht 10 each). Such company

is principally engaged in the manufacture and distribution of RFID Tags (Radio Frequency Identification Tags). Subsequently, the Extraordinary General Meeting No. 2/2012 of SS RFID Company Limited, held on 29 November 2012, approved a resolution to increase its registered share capital from Baht 10 million to Baht 100 million (10,000,000 ordinary shares at a par value of Baht 10 each) by issuing 9,000,000 ordinary shares at a par value of Baht 10 each. Such Company registered the increase in its registered share capital with the ministry of commerce on 29 November 2012.

The Company invested in SS RFID Company Limited by holding 100% of that company's shares. That company called up its share capital amounting to Baht 25 million (25% of its share capital). As at 31 December 2012, the Company paid the called-up share capital amounting to Baht 2.5 million and, in January 2013, the Company paid the balance of called-up share capital amounting to Baht 22.5 million.

As at 31 December 2012, the Company had commitments of Baht 97.5 million in respect of its investment in that company.

In January 2013, SS RFID Company Limited additionally called up its share capital amounting to Baht 25 million (25% of its share capital) and the Company paid the called-up share capital in full.

At present, SS RFID Company Limited has not yet commenced its trading operation.

12. Property, plant and equipment

	Consolidated financial statements						(Unit: Thousand Baht)
	Revaluation basis	Cost basis					
	Land	Buildings and building improvement	Machinery and equipment	Motor vehicles	Machinery under installation	Total	
Cost / Revalued amount							
1 January 2011	70,010	759,492	2,849,868	16,980	95,153		3,791,503
Additions	-	18,262	64,163	800	301,564		384,789
Disposals	-	-	(98,049)	(1,137)	-		(99,186)
Write-off of flood-damaged assets (Note 2)	-	(326,123)	(1,556,688)	(1,953)	(20,654)		(1,905,418)
Transfers between accounts	-	(68)	285,897	-	(285,829)		-
31 December 2011	70,010	451,563	1,545,191	14,690	90,234		2,171,688
Additions	-	255,281	107,012	990	930,730		1,294,013
Disposals	-	-	(76,378)	(4,056)	-		(80,434)
Write-off	-	-	(46,189)	-	-		(46,189)
Transfers between accounts	-	(5,383)	823,452	1,799	(819,868)		-
31 December 2012	70,010	701,461	2,353,088	13,423	201,096		3,339,078

(Unit: Thousand Baht)

	Consolidated financial statements					
	Revaluation basis	Cost basis				
		Buildings and building improvement	Machinery and equipment	Motor vehicles	Machinery under installation	Total
Accumulated depreciation	Land					
1 January 2011	-	286,480	959,576	8,838	-	1,254,894
Depreciation for the year	-	51,365	259,638	2,892	-	313,895
Depreciation on disposals	-	-	(47,188)	(1,137)	-	(48,325)
Depreciation on write-off of flood-damaged assets (Note 2)	-	(174,900)	(589,533)	(1,081)	-	(765,514)
31 December 2011	-	162,945	582,493	9,512	-	754,950
Depreciation for the year	-	37,475	177,912	2,424	-	217,811
Depreciation on disposals	-	-	(26,589)	(3,811)	-	(30,400)
Depreciation on write-off	-	-	(24,598)	-	-	(24,598)
31 December 2012	-	200,420	709,218	8,125	-	917,763
Net book value						
31 December 2011	70,010	288,618	962,698	5,178	90,234	1,416,738
31 December 2012	70,010	501,041	1,643,870	5,298	201,096	2,421,315
Depreciation for the year						
2011 (Baht 307 million included in manufacturing cost, and the balance in administrative expenses)						313,895
2012 (Baht 211 million included in manufacturing cost, and the balance in administrative expenses)						217,811

	Separate financial statements						(Unit: Thousand Baht)
	Revaluation basis	Cost basis					
		Land	Buildings and building improvement	Machinery and equipment	Motor vehicles	Machinery under installation	
Cost / Revalued amount							
1 January 2011	70,010	759,492	2,849,868	16,980	95,153	3,791,503	
Additions	-	18,262	64,163	800	301,564	384,789	
Disposals	-	-	(98,049)	(1,137)	-	(99,186)	
Write-off of flood-damaged assets (Note 2)	-	(326,123)	(1,556,688)	(1,953)	(20,654)	(1,905,418)	
Transfer between accounts	-	(68)	285,897	-	(285,829)	-	
31 December 2011	70,010	451,563	1,545,191	14,690	90,234	2,171,688	
Additions	-	255,281	106,796	990	883,148	1,246,215	
Disposal	-	-	(76,378)	(4,056)	-	(80,434)	
Write-off	-	-	(46,189)	-	-	(46,189)	
Transfers between accounts	-	(5,383)	823,452	1,799	(819,868)	-	
31 December 2012	70,010	701,461	2,352,872	13,423	201,096	3,291,280	
Accumulated depreciation							
1 January 2011	-	286,480	959,576	8,838	-	1,254,894	
Depreciation for the year	-	51,365	259,638	2,892	-	313,895	
Depreciation on disposals	-	-	(47,188)	(1,137)	-	(48,325)	
Depreciation on write-off of flood-damaged assets (Note 2)	-	(174,900)	(589,533)	(1,081)	-	(765,514)	
31 December 2011	-	162,945	582,493	9,512	-	754,950	
Depreciation for the year	-	37,475	177,908	2,424	-	217,807	
Depreciation on disposals	-	-	(26,589)	(3,811)	-	(30,400)	
Depreciation on write-off	-	-	(24,598)	-	-	(24,598)	

(Unit: Thousand Baht)

	Separate financial statements				
	Revaluation basis	Cost basis			
		Buildings and building improvement	Machinery and equipment	Motor vehicles	Machinery under installation
Land					Total
31 December 2012	-	200,420	709,214	8,125	-
					917,759
Net book value					
31 December 2011	70,010	288,618	962,698	5,178	90,234
					1,416,738
31 December 2012	70,010	501,041	1,643,658	5,298	153,514
					2,373,521
Depreciation for the year					
2011 (Baht 307 million included in manufacturing cost, and the balance in administrative expenses)					313,895
2012 (Baht 211 million included in manufacturing cost, and the balance in administrative expenses)					217,807

The Company arranged for an independent professional valuer to appraise the value of its land using the market approach in 2007. The appraisal had the effect of increasing the Company's revaluation surplus on land by Baht 15 million which had been recorded under shareholder's equity in the statements of financial position. In 2011, the Company arranged for an independent professional valuer to appraise the value of the land using the market approach. There was no difference between the revalued amount in 2011 and 2007.

Had the land been carried in the financial statements based on historical cost, its net book value as of 31 December 2012 and 2011 would have been Baht 55 million.

As at 31 December 2012, 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 117 million (2011: Baht 119 million).

According to the conditions in the credit facility agreements, which the Company has entered into with financial institutions, the financial institutions will be on pari-passu position with the Company's other lenders and the Company will not make commitment on its land, buildings and machinery.

13. Intangible assets

	(Unit: Thousand Baht)
	Consolidated and separate financial statements
	Computer software
Cost:	
1 January 2011	21,181
Additions	4,409
31 December 2011	25,590
Additions	5,330
Write-off	(509)
31 December 2012	30,411
Amortisation:	
1 January 2011	2,540
Amortisation for the year	2,428
31 December 2011	4,968
Amortisation for the year	2,603
Amortisation on write-off	(92)
31 December 2012	7,479
Net book value:	
31 December 2011	20,622
31 December 2012	22,932

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

	Interest rate (percent per annum)		(Unit: Thousand Baht) Consolidated and separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	MOR to MOR -	MOR to MOR -		
Bank overdrafts	0.50	0.50	4	107
Packing credits	2.98 - 3.75	1.05 - 3.75	230,000	82,000
Promissory notes	2.99 - 3.42	3.42	588,800	40,000
Total			<u>818,804</u>	<u>122,107</u>

Under the credit facility 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.

15. Trade and other payables

	Consolidated financial statements		(Unit: Thousand Baht) Separate financial statements	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Trade payables - unrelated parties	487,164	521,882	470,887	516,569
Other payables - related parties	-	-	2	-
Other payables - unrelated parties	62,657	108,158	62,657	108,158
Other payables for purchases of machinery	471,600	145,678	425,352	145,678
Accrued expenses	23,478	19,343	22,420	18,184
Total trade and other payables	<u>1,044,899</u>	<u>795,061</u>	<u>981,318</u>	<u>788,589</u>

16. Long-term loans

Loan	Interest rate	Repayment schedule	(Unit: Thousand Baht) Consolidated and separate financial statements	
			<u>2012</u>	<u>2011</u>
1	THBFIX 3M ⁽¹⁾ + 1.76% per annum	Monthly installments as from January 2011	-	91,000
2	THBFIX 3M ⁽¹⁾ + 2% per annum	Monthly installments as from July 2012	255,000	-
Total			<u>255,000</u>	<u>91,000</u>
Less: Current portion			<u>(105,000)</u>	<u>(91,000)</u>
Long-term loans, net of current portion			<u>150,000</u>	<u>-</u>

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

In January 2012, the Company entered into an agreement with a local bank to obtain a long-term facility of Baht 300 million (fully drawn down) for acquisition of machinery, equipment and factory improvements. The loan carries interest at THBFIX 3M rate plus 2% per annum and is to be repaid in 30 monthly installments (ending in December 2014).

Under the loan agreements, the Company has to comply with certain conditions that the banks will be on pari-passu position with the Company's 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 in the Company's major shareholding and management structures.

17. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, was as follows:

	(Unit: Thousand Baht)	
	Consolidated and separate	
	financial statements	
	2012	2011
Provision for long-term employee benefits at beginning of year	21,949	22,991
Current service cost	2,319	3,704
Interest cost	674	965
Curtailment/settlement loss	-	51,970
Benefits paid during the year	(8,950)	(57,681)
Provision for long-term employee benefits at end of year	15,992	21,949

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Thousand Baht)	
	Consolidated and separate	
	financial statements	
	2012	2011
Current service cost	2,319	3,704
Interest cost	674	965
Total expenses recognised in profit or loss	2,993	4,669
Line items under which such expenses are included in profit or loss		
Cost of sales	1,143	1,889
Selling and administrative expenses	1,850	2,780

Principal actuarial assumptions at the valuation date were as follows:

	Consolidated and separate financial statements	
	2012 (percent per annum)	2011 (percent per annum)
Discount rate	4.2	4.2
Future salary increase rate (depending on employee type)	3.5 - 7.0	3.5 - 7.0
Staff turnover rate (depending on age)	0.0 - 25.0	0.0 - 25.0

18. Share capital / Warrants

18.1 Share capital

- (1) The Extraordinary General Meeting of the Company's shareholders No. 1/2011, held on 23 February 2011, approved a resolution to increase the Company's registered share capital from Baht 751,000,000 to Baht 843,253,424 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 Company registered the increase in its registered share capital with the Ministry of Commerce on 8 March 2011.

The new share capital will be allocated as follows:

- a) 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.
- b) 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.

The Company determined that the period for subscription and payment of the new ordinary shares to be between 21 and 25 March 2011, during which period all of the new ordinary shares were allocated.

The Company registered the increase in paid-up share capital with the Ministry of Commerce on 29 March 2011.

- (2) On 29 April 2011, the 2011 Annual General Meeting of the Company's shareholders approved an increase in the Company's registered share capital from Baht 843,253,424 (421,626,712 ordinary shares at a par value of Baht 2 each) to Baht 843,540,478 (421,770,239 ordinary shares at a par value of Baht 2 each) by issuing 143,527 ordinary shares at a par value of Baht 2 each to support the adjustment of exercise ratio of the warrants to purchase the Company's ordinary shares under the Employee Stock Option Plan (ESOP).

The Company registered the increase in its registered share capital with the Ministry of Commerce on 18 May 2011.

- (3) On 12 November 2012, the meeting of the Company's Board of Directors approved a decrease in the Company's registered share capital from Baht 843,540,478 (421,770,239 ordinary shares at a par value of Baht 2 each) to Baht 839,164,878 (419,582,439 ordinary shares at a par value of Baht 2 each) and a decrease in the Company's paid-up share capital from Baht 836,157,482 (418,078,741 ordinary shares at a par value of Baht 2 each) to Baht 831,781,882 (415,890,941 ordinary shares at a par value of Baht 2 each) by decreasing 2,187,800 ordinary shares at a par value of Baht 2 each for cancellation of the unsold treasury shares as discussed in Note 19.

The Company registered the decrease in its registered and paid-up share capital with the Ministry of commerce on 16 November 2012.

18.2 Warrants

- (1) The 2010 Annual General Meeting of the Company's shareholders, held on 29 April 2010, approved 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 were name-specified and non-transferable type, unless by hereditary transfer. The Company's Board of Directors determined the allotment of the warrants to the Company's directors. The Board of Directors and/or the Chairman of the Board determined the allotment of the warrants to the Company's employees. The allotment of the warrants was not offered through intermediary. There were no directors or employees who received 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).

- (2) On 23 February 2011, the Extraordinary General Meeting of the Company's shareholders No. 1/2011 approved the allocation of the new ordinary shares to the Company's existing shareholders based on the current shareholding of 8 existing shares per 1 new share with an offering price of Baht 16 per share, which was lower than 90% of the market price of the Company's ordinary shares. To comply with the conditions of the rights and roles of the warrant issuers and holders, the Company therefore adjusted the exercise ratio of the warrants from 1 warrant per 1 ordinary share at an exercise price of Baht 4.50 per share to 1 warrant per 1.02213 ordinary shares at an exercise price of Baht 4.403 per share. The adjustment was effective from 28 February 2011 onwards.

Movements in the issued and fully paid share capital and the number of warrants were summarised below:

	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 2011	6,486,300	738,027,400	269,478,318	
Exercised in February 2011	(69,900)	142,866	171,654	3 March 2011
Issuing ordinary shares	-	92,253,424	645,773,968	29 March 2011
Exercised in May 2011	(1,007,638)	2,059,614	2,474,626	2 June 2011
Exercised in August 2011	(31,700)	64,798	77,855	2 September 2011
Exercised in November 2011	(634,426)	1,296,858	1,558,175	2 December 2011
Outstanding as at 31 December 2011	4,742,636	833,844,960	919,534,596	
Exercised in February 2012	(268,586)	549,010	659,635	5 March 2012
Exercised in May 2012	(754,782)	1,542,872	1,853,761	1 June 2012
Exercised in August 2012	(107,942)	220,640	265,099	4 September 2012
Decrease in share capital for cancellation of treasury shares in November 2012 (Note 19)	-	(4,375,600)	-	16 November 2012
Exercised in November 2012	(1,019,420)	2,083,864	2,503,762	4 December 2012
Outstanding as at 31 December 2012	2,591,906	833,865,746	924,816,853	

19. Treasury shares

On 27 September 2011, the meeting of the Company's Board of Directors passed a resolution to repurchase 41,627,405 ordinary shares, or 10 percent of the Company's paid-up capital, at a maximum price, of Baht 350 million. The repurchase is being made for financial management purposes and it is to be made through the Stock Exchange of Thailand. The repurchase period runs for a period of not exceeding 6 months as from 12 October 2011, and the resale period for the repurchased shares runs for 2 years, beginning 6 months after the completion date of the share repurchase.

As at 31 December 2011, the Company's treasury shares, amounting to Baht 13.5 million, were presented as a deduction item in shareholders' equity. This amount is presented under the cost method. The market price of the treasury shares, which was based on the closing price quoted on the Stock Exchange of Thailand on the last day of 2011, was approximately Baht 19. million.

The Company has to set aside an amount from retained earnings equal to the cost of the treasury shares to a separate reserve account, with such reserve to remain outstanding until either the shares are sold or paid-up capital is reduced by the cancellation of any remaining unsold shares. As at 31 December 2011, the Company appropriated Baht 13.5 million, equal to the cost of the treasury shares, of its retained earnings to the treasury share reserve.

On 12 November 2012, the meeting of the Company's Board of Directors approved a decrease in the Company's registered and paid-up share capital, amounting to Baht 4.4 million (2,187,800 ordinary shares at a par value of Baht 2 each), for cancellation of the unsold treasury shares of which cost was Baht 13.5 million. A difference of Baht 9.1 million between the decrease of share capital and the cost of treasury shares was taken to retained earnings.

20. Revaluation surplus on land

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

21. 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 profit 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.

22. Sales and service income

Income derived from one customer accounted for more than 85% (2011: 75%) of total sales and services income of the Company.

23. Expenses by nature

Significant expenses by nature are as follows:

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Salary and wages and other employee benefits	345,599	601,898	325,913	567,164
Benefit expenses payable to terminated employees	-	60,326	-	60,326
Depreciation and amortisation	220,414	316,323	220,410	316,323
Raw materials and consumables used	3,284,810	6,397,290	3,284,810	6,397,290
Changes in inventories of finished goods and work in progress	(68,005)	205,228	(68,666)	205,589
Flood damages	-	1,571,721	-	1,571,721

24. Corporate income tax

The Company is not liable to corporate income tax for the years 2012 and 2011 because the Company has loss from non-promoted operations after adding back expenses and deducting income which are disallowable for income tax computation purpose.

25. 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
3. The significant privileges are			
3.1 Exemption of corporate income tax on profit 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 profit 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 profit	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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Sales						
Domestic sales	3,185,676	5,769,518	-	-	3,185,676	5,769,518
Direct export sales	<u>326,273</u>	<u>1,775,178</u>	<u>-</u>	<u>-</u>	<u>326,273</u>	<u>1,775,178</u>
Total sales	<u>3,511,949</u>	<u>7,544,696</u>	<u>-</u>	<u>-</u>	<u>3,511,949</u>	<u>7,544,696</u>

26. Earnings per share

Basic earnings per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares held by outsiders in issue during the year.

Diluted earnings per share is calculated by dividing profit (loss) for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares held by outsiders 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					
	Profit (loss) for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit (loss) attributable to equity holders of the Company	734,266	(1,502,088)	415,528	404,448	1.767	(3.714)
Effect of dilutive potential ordinary shares						
ESOP-Warrants	<u>-</u>	<u>-</u>	<u>2,264</u>	<u>3,976</u>		
Diluted earnings per share						
Profit (loss) of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>734,266</u>	<u>(1,502,088)</u>	<u>417,792</u>	<u>408,424</u>	1.757	(3.678)

	Separate financial statements					
	Profit (loss) for the year		Weighted average number of ordinary shares		Earnings per share	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Basic earnings per share						
Profit (loss) attributable to equity holders of the Company	739,509	(1,498,547)	415,528	404,448	1.780	(3.705)
Effect of dilutive potential ordinary shares						
ESOP-Warrants	-	-	2,264	3,976		
Diluted earnings per share						
Profit (loss) of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>739,509</u>	<u>(1,498,547)</u>	<u>417,792</u>	<u>408,424</u>	1.770	(3.669)

27. 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 and SS RFID Company Limited have not yet commenced their trading operation). Below is the consolidated financial information of the Company and its subsidiaries for the years ended 31 December 2012 and 2011 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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue from external customers	3,255	6,937	284	647	-	-	3,539	7,584
Intersegment revenues	257	608	-	-	(257)	(608)	-	-
Total revenues	<u>3,512</u>	<u>7,545</u>	<u>284</u>	<u>647</u>	<u>(257)</u>	<u>(608)</u>	<u>3,539</u>	<u>7,584</u>
Segment profit (loss)	(376)	281	19	29	-	-	(357)	310
Other income								
Compensation for flood damage	1,293	-	-	-	-	-	1,293	-
Others	35	39	-	-	-	-	35	39
Selling expenses	(15)	(25)	(20)	(33)	-	-	(35)	(58)

Administrative expenses	(154)	(138)	(5)	(8)	-	6	(159)	(140)
Flood damages	-	(1,572)	-	-	-	-	-	(1,572)
Benefit expenses payable to terminated employees	-	(60)	-	-	-	-	-	(60)
Write-off of equipment and intangible assets	(22)	-	-	-	-	-	(22)	-
Finance cost	(22)	(17)	-	-	-	-	(22)	(17)
Loss on exchange	-	(6)	-	-	-	-	-	(6)
Loss on sales of machinery and equipment	(2)	-	-	-	-	-	(2)	-
Loss (profit) attributable to non-controlling interests of the subsidiaries							3	2
Profit (loss) attributable to equity holders of the Company							734	(1,502)

(Unit: Million Baht)

	As at 31 December							
	Manufacture of integrated circuit boards business (Thailand)		Trading business (United States of America)		Elimination of inter-segment transactions		Consolidated financial statements	
	2012	2011	2012	2011	2012	2011	2012	2011
Property, plant and equipment	2,421	1,417	-	-	-	-	2,421	1,417
Trade and other receivables	1,030	271	96	30	(91)	(29)	1,035	272
Inventories	395	282	-	1	-	-	395	283
Others							51	94
Total assets							3,902	2,066

Transfer prices between business segments are as set out in Note 7.

All of the Company's sales and service income for the years 2012 and 2011 are direct and indirect export revenues.

28. 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 2012, the Company contributed Baht 8 million (2011: Baht 9 million) to the fund.

29. Dividends

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u> (Thousand Baht)	<u>Dividend per share</u> (Baht)
Dividend paid from profit for the second half of 2010	Annual General Meeting of the Company's shareholders on 29 April 2011	207,606	0.50
Interim dividend paid from profit for the six-month period ended 30 June 2011	Board of Directors meeting on 11 August 2011	83,248	0.20
Total dividends for 2011		290,854	0.70

30. Commitments and contingent liabilities

30.1 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.

30.2 Capital commitments

As at 31 December 2012, the Company and its subsidiaries had capital commitments of approximately USD 1 million and Baht 34 million (2011: JPY 127 million, USD 4 million and Baht 9 million) (the Company only: USD 0.8 million and Baht 34 million (2011: JPY 127 million, USD 4 million and Baht 9 million)), relating to the acquisition of machinery and building utility system.

As at 31 December 2011, the Company had commitments of approximately USD 2 million relating to letter of credit for the acquisition of machinery.

In January 2013, the Company placed orders of USD 0.3 million and Baht 0.3 million for machinery and equipment.

30.3 Long-term service commitments

The Company entered into a service agreement with a financial advisor for a period from March 2012 to February 2013. Under the conditions of the agreement, the Company is to pay a financial advisory fee on a monthly basis at a rate stipulated in the agreement and to pay other expenses required to complete the service as per actual payments.

30.4 Investment commitments

As at 31 December 2012, the company had commitments of Baht 97.5 million in respect of its investment in a subsidiary (Note 11).

30.5 Guarantees

As at 31 December 2012, there were outstanding bank guarantees of Baht 10 million (2011: Baht 10 million) issued by banks on behalf of the Company to guarantee electricity use.

31. Financial instruments

31.1 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 and other receivables, trade and other payables 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 and other receivables. 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 and other 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 and other receivables as stated in statement of financial position.

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. 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.

Significant financial assets and liabilities 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)

	As at 31 December 2012						
	Consolidated financial statements						
	Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)
Financial Assets							
Cash and cash equivalents	-	-	-	2	-	2	0.125 - 0.625
Trade and other receivables	-	-	-	-	1,035	1,035	-
	-	-	-	2	1,035	1,037	
Financial liabilities							
Bank overdrafts and short- term loans from financial institutions	-	-	-	819	-	819	MOR to MOR - 0.50, 2.98 - 3.75
Trade and other payables	-	-	-	-	1,045	1,045	-
Long-term loans	-	-	-	255	-	255	THBFIX 3M +2
	-	-	-	1,074	1,045	2,119	

(Unit: Million Baht)

As at 31 December 2011						
Consolidated financial statements						
Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total
	Interest rate (% per annum)					
Financial Assets						
Cash and cash equivalents	-	-	-	63	-	63
Trade and other receivables	-	-	-	-	272	272
	-	-	-	63	272	335
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	-	-	-	122	-	122
	MOR to MOR - 0.50, 1.05 - 3.75					
Trade and other payables	-	-	-	-	795	795
Long-term loans	-	-	-	91	-	91
	-	-	-	213	795	1,008
	THBFIX 3M +1.76					

(Unit: Million Baht)

As at 31 December 2012						
Separate financial statements						
Fixed interest rates						
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing	Total
	Interest rate (% per annum)					
Financial Assets						
Cash and cash equivalents	-	-	-	1	-	1
Trade and other receivables	-	-	-	-	1,030	1,030
	-	-	-	1	1,030	1,031
Financial liabilities						
Bank overdrafts and short-term loans from financial institutions	-	-	-	819	-	819
	MOR to MOR - 0.50, 2.98 - 3.75					
Trade and other payables	-	-	-	-	981	981
Long-term loans	-	-	-	255	-	255
	-	-	-	1,074	981	2,055
	THBFIX 3M +2					

(Unit: Million Baht)

As at 31 December 2011							
Separate financial statements							
Fixed interest rates			Floating interest rate	Non- interest bearing	Total	Interest rate (% per annum)	
Within 1 year	1-5 years	Over 5 years					
Financial Assets							
Cash and cash equivalents	-	-	-	60	-	60	
Trade and other receivables	-	-	-	-	271	271	0.25 - 0.87
	-	-	-	60	271	331	-
Financial liabilities							
Bank overdrafts and short- term loans from financial institutions	-	-	-	122	-	122	MOR to MOR - 0.50, 1.05 - 3.75
Trade and other payables	-	-	-	-	789	789	-
Long-term loans	-	-	-	91	-	91	THBFIX 3M +1.76
	-	-	-	213	789	1,002	

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 are summarised below.

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2012 (Million)	2011 (Million)	2012 (Million)	2011 (Million)	2012 (Baht per 1 foreign currency unit)	2011 (Baht per 1 foreign currency unit)
US dollar	4.2	8.2	14.9	18.1	30.6316	31.6912
Euro	-	-	231.7	0.2	40.5563	41.0274
Japanese yen	-	-	132.7	11.8	35.4531	40.8417
					(per 100 Yen)	(per 100 Yen)
Singapore Dollar	-	-	0.1	-	25.0340	-

Foreign exchange contracts outstanding are summarised below.

As at 31 December 2012				
Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate	
			Bought	Sold
			(Baht per 1 foreign currency unit)	
US dollar	-	0.3	-	30.8765

As at 31 December 2011				
Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate	
			Bought	Sold
			(Baht per 1 foreign currency unit)	
US dollar	0.7	0.8	30.8900	31.0035-31.5340

31.2 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 statements of financial position.

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 instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

32. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2012, the Group's debt-to-equity ratio was 1.22:1 (2011: 1.03:1) and the Company's was 1.18:1 (2011: 1.02:1).

The Company manages its capital structure 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.

33. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 1 March 2013.

Remuneration for the Auditor

At the 2012 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 Siraporn Ouaanunkun - No. 3844 and/or Miss Tippawan Nananuwat - No. 3459. The meeting also approved auditing remuneration for 2012 of 1,625,000 baht.

Auditing remuneration for the past three years (2010-2012)

	(Unit : Baht)		
	Year 2010	Year 2011	Year 2012
Audit fee	1,475,000	1,575,000	1,625,000

Auditor

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33rd Floor, Lake Ratchada Building
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Fax: 0-2264-0789-90

Corporate information

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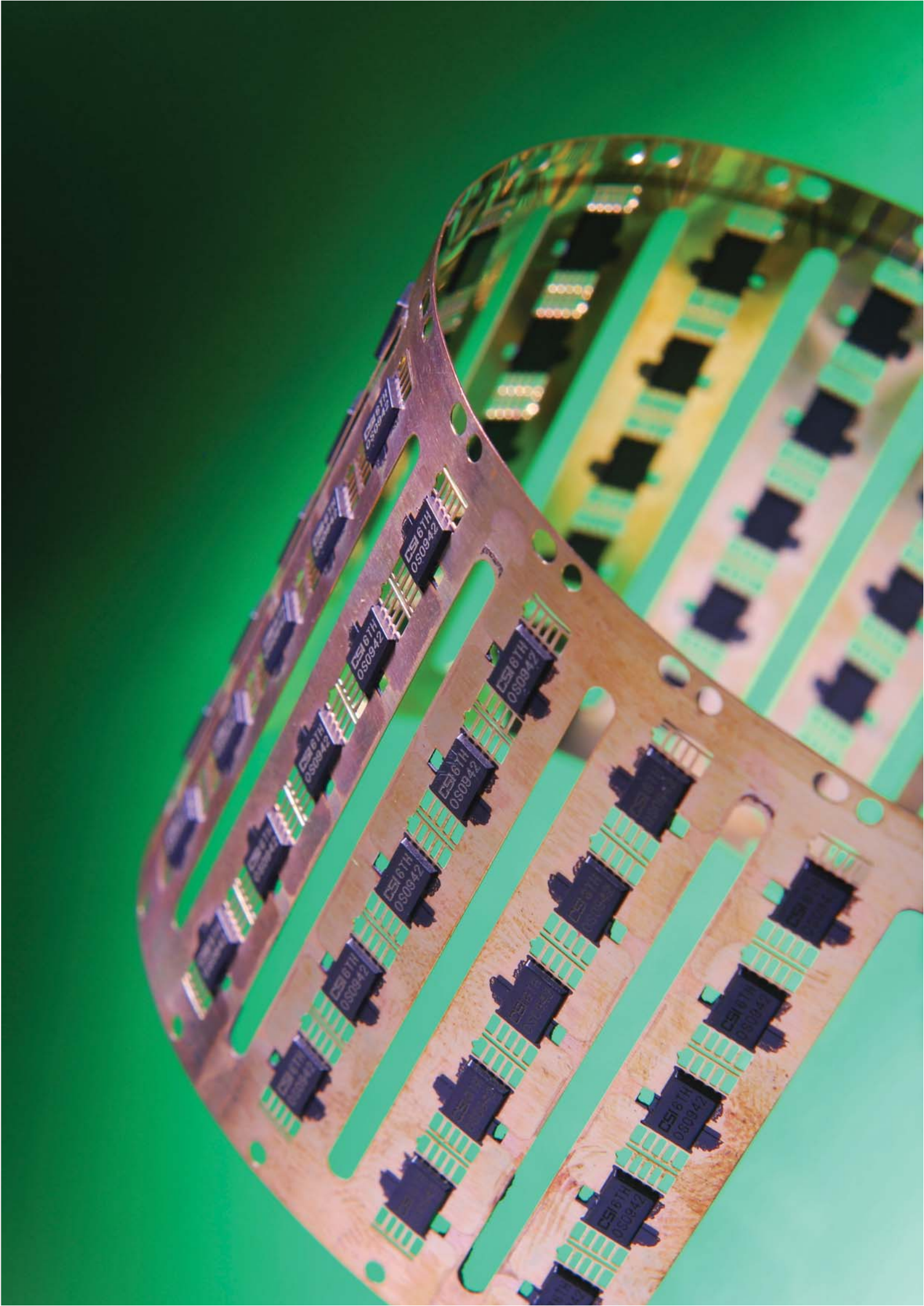
Reference Persons

The Stock Registrar

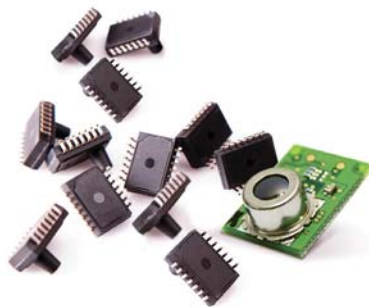
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**STARS
SHINING
BRIGHTLY**



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